MAERKI BAUMANN & CO. AG

PRIVATBANK

Annual Report 2019

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Shaping change

Dear friends of Maerki Baumann
Ladies and gentlemen

Does the modern world really need banks any more? Let's not fool ourselves: The answer to this question is anything but one-dimensional. Younger people in particular will point out that they have long ago dispensed with the services of a bank when it comes to executing financial transactions, and even in the wealth management area they can find qualified providers who do not actually possess a banking licence. When monetary transactions are concerned, even my generation has increasingly switched to electronic platforms over the last few years, whether these be offered by banks or other market players. That said, there are still many people who rely wholly on the experience and expertise of banks when it comes to money matters. In particular, the expertise of banks in providing investment advice to both young and old remains undisputed. So the answer to my opening question would be: Yes, banks are still needed in the modern era, but their activity is subject to ongoing flux and shaped by changing client needs as well as technological developments.

To be blunt, smaller banks only have two options open to them against this backdrop: They can either accept that many traditional bank offerings will barely be used, that the pressure on margins will increase, and that their client base will inexorably dwindle. Or they can respond flexibly and in a forward-looking way to this process of change, and focus on offering their clients something that is more in demand than ever: personalised, expert advice and a partnership that goes beyond standard banking transactions. Here I am thinking of retirement planning, the involvement of the next generation in strategic and operational issues relating to assets, and support when it comes to the opportunities and risks of crypto technology in the finance business.

At Maerki Baumann we opted for the second of these two paths a number of years ago. Rather than being defined by a changing world, we want to help shape that change. And the experience we have gained over this period has given us reason to be optimistic. Even as a smaller bank, we can invest in new technologies in a targeted way without neglecting the traditional – and still crucial – advisory business. With the establishment of our Crypto Centre of Competence in 2019, we have succeeded in laying a solid platform from which to facilitate our clients' entry into this promising new type of financial business. It is already apparent that this development is above all of great interest to the next generation of our clients, which in turn allows us as a bank to develop a more broad-based client structure from a demographic perspective. But this aside, we are also tapping into a new client segment, as the interested parties we have talked to in the last months are unlikely until recently to have expressed an interest in a traditional private bank like ours.

We have also made noteworthy progress in 2019 in our battle against overregulation – of smaller banks in particular. Not least thanks to the persevering work that our CEO Stephan Zwahlen has done over a period of many years, the Swiss Financial Market Supervisory Authority FINMA has now decided to introduce a so-called small banks regime. This essentially represents a scaling-down of an excessively onerous regulatory framework for small or smaller banks that have a very strong capital base and good liquidity. We are pleased that we too can benefit from this new regulatory development. At this point, I would like to reiterate my personal belief that regulation and transparency are

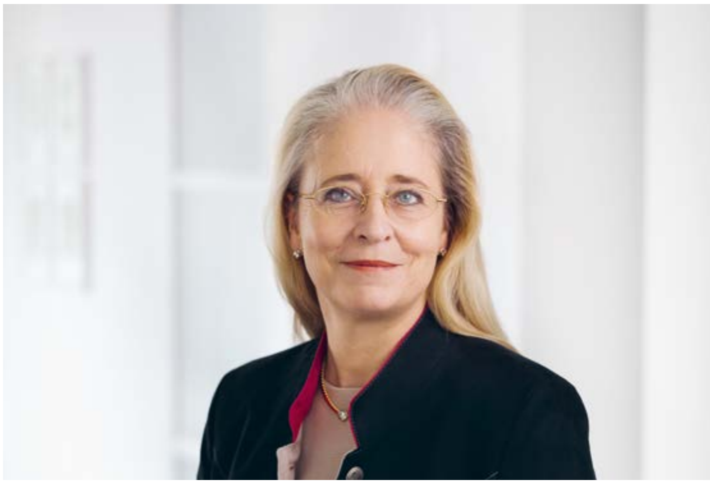
absolutely crucial in our business. By contrast, the kind of overzealous developments that we have seen all too often in recent years are counterproductive, with the corresponding negative impact on fees and margins. I am pleased that the Swiss financial centre – despite all the prophecies of doom – continues to exhibit the necessary circumspection and spirit of innovation to rectify undesirable developments and strengthen competitiveness in a challenging international environment.
Given the backdrop of numerous political crises, we were surprised by the unexpected buoyancy of financial markets in the year under review. This has had gratifying repercussions for the assets of our clients, as well as playing a crucial role in our being able to increase assets under management to more than 8.5 billion francs in 2019. Once again, developments in the area of indirect real estate investments were particularly impressive from a net new assets standpoint. For this reason, the Board of Directors has promoted Rolf Frey, the long-standing head of this area, to our expanded Executive Board.
Overall, I regard the operating results we achieved in 2019 as pleasing. At CHF 6.23 million, profit is significantly higher than in previous years. In addition to the contribution from the operating side, the extraordinary dividend from SIX Group was a major factor here. As pointed out before, our bank holds a significant stake – relative to its size – in the operator of SIX Swiss Exchange, which enables us to benefit from this company's success to a disproportionate degree. Incidentally, the SIX stake is reported in the balance sheet at cost, implying that there are considerable hidden reserves. But even without these reserves, our capital base should be viewed as robust. Indeed, our BIS tier 1 ratio of 23.4 percent is more than double the regulatory minimum. This will enable us to finance growth from our own resources going forward.
All of which brings me back to the question I asked at the start. We – by which I mean my sister Carole Schmied-Syz and I as owners, the Board of Directors, and the Executive Board – are more convinced than ever that our bank meets both today's and tomorrow's needs. I would like to express my warmest thanks to our clients for their loyalty, and to everyone who has contributed to Maerki Baumann's success.

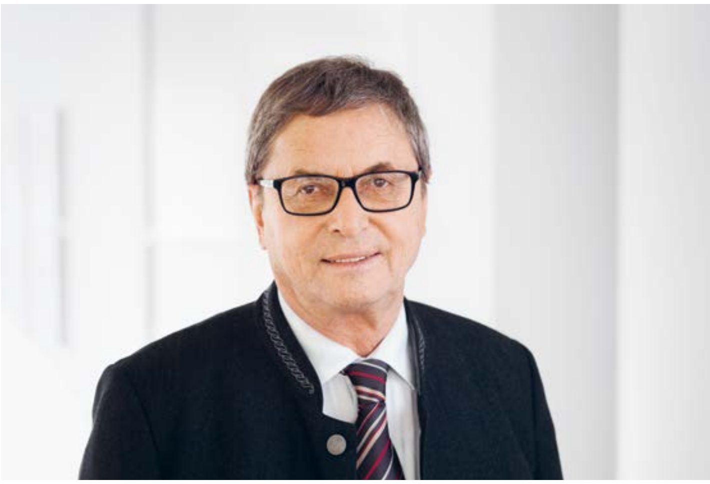
On behalf of the Board of Directors

Hans G. Syz-Witmer
Chairman

“The owners, the Board of Directors and the Executive Board are more convinced than ever that our private bank meets the needs of clients – both today and tomorrow.”

Hans G. Syz-Witmer





Board of Directors from left to right:
Hans G. Syz-Witmer
Dr Carole Schmied-Syz
Prof. Bruno Gehrig
Urs Lauffer
Michele Moor

Members of the Board of Directors: short CVs

Hans G. Syz-Witmer
Chairman of the Board of Directors

Hans G. Syz-Witmer (b. 1957) has chaired the bank since 1997. Furthermore, he has also been Vice-Chairman of the Board of Directors of Maerki Baumann Holding AG since 2016 (he was Chairman from 2007 to 2016), and has been Vice-Chairman of the Board of Directors of InCore Bank AG, in which Maerki Baumann Holding AG has a major shareholding, since 2009 (having been its Chairman from 2007 to 2009); since 2003, he has been a member of the Board of Directors of CHSZ-Holding AG.
As an entrepreneur, Hans G. Syz-Witmer owns Condor Films AG and is a member of several other Boards of Directors and Boards of Trustees, such as Aquila & Co. AG (member of the Board of Directors), the Schulthess Klinik (Vice-Chairman of the Board of Trustees), the Tonhalle-Gesellschaft Zürich (Vice-Chairman and Treasurer), the Kongresshaus-Stiftung (Vice-Chairman of the Board of Trustees), the Baugarten Zürich Genossenschaft und Stiftung (Chairman of the Board of Trustees and Directors), the Friedrich Steinfels AG (member of the Board of Directors) and the Stiftung Prof. Dr. Max Cloëtta (member of the Board of Trustees).

Dr Carole Schmied-Syz
Vice-Chairwoman of the Board of Directors

Carole Schmied-Syz (b. 1963), Dr iur, has been a member of the bank's Board of Directors since 1998 and is Vice-Chairwoman since 2005. Since 2016 she has been Chairwoman of Maerki Baumann Holding AG (she was Vice-Chairwoman from 2007 to 2016) and has been a member of the Board of Directors of CHSZ-Holding AG since 2003.
Carole Schmied-Syz is active as an academic lawyer in the fields of contract and liability law. She used to be politically active as well: for example, she was a member of the Zurich Constitutional Council. She holds a number of other mandates: she is a trustee of the Right To Play Foundation, and in the cultural field she is a member of the board of the Patrons' Association of the Tonhalle-Gesellschaft Zürich. Furthermore, she chairs the bank's art committee.

Prof. Bruno Gehrig
Member of the Board of Directors

Bruno Gehrig (b. 1946), Prof. Dr rer. pol. Dr h.c., has been a member of the bank's Board of Directors since 2014.
He was a professor at the University of St. Gallen (HSG) and Director of the Swiss Institute of Banking and Finance at the HSG prior to being appointed as a member of the Governing Board of the Swiss National Bank from 1996 to 2000, and its Vice-Chairman from 2001 to 2003. He was subsequently a member of a number of Boards of Directors: Swiss Life Holding AG, Chairman; Swiss International Air Lines AG, Chairman; Roche Holding AG, Vice-Chairman; and UBS AG, member. Bruno Gehrig is currently a member of the Board of Trustees of Kartause Ittingen.

Urs Lauffer
Member of the Board of Directors

Urs Lauffer (b.1958), Swiss Certified PR adviser/management consultant, has been a member of the bank's Board of Directors since 2010, of the Board of Directors of Maerki Baumann Holding AG since 2009, and of the Board of Directors of CHSZ-Holding AG since 2007.
Urs Lauffer is a co-owner of Lauffer & Frischknecht, a company active in the field of management consultancy for communication. He is also a member of various Boards of Directors and Trustees: he is Chairman of Rahn AG, Vice-Chairman of Emil Frey Holding AG, Chairman of the Fritz Gerber Foundation for gifted young people and the Paradies Foundation for Social Innovation, and Vice-Chairman of the Swiss Life Perspektiven Foundation.

Michele Moor
Member of the Board of Directors

Michele Moor (b.1965), lic. oec. HSG and dipl. El.-Ing. ETH, has been a member of the bank's Board of Directors since 2014.
From 2000 to 2013 Michele Moor was Managing Partner of the Wegelin & Co. private bank, and since 2014 he has been a Director of MM Holdinggesellschaft AG, his own group of companies based in Lugano, which is primarily active in finance, medical technology and real estate. From 2005 until 2008, inter alia, Michele Moor was Chairman of the Swiss Officers' Association.

Pioneering spirit in private banking

The global economy deteriorated noticeably in 2019. Economic growth declined sharply not just in the emerging markets – led by China – but also in North America and Europe. At the same time, fewer regional differences were apparent when compared to 2018. However, the US fared better than other regions thanks to the significant proportion of GDP accounted for by consumer spending, which represents some 70% of US economic activity. Owing to the slower momentum of the global economy, global inflation likewise declined over the course of the year. This enabled the key central banks to push through cuts in interest rates, which benefited equity markets first and foremost.

In the current year, the development of the rivalry between the US and China, the consequences of the coronavirus pandemic for the volatility of the economy and the outcome of the US elections will be of crucial importance. From an economic perspective, global development is likely to remain bifurcated: On the one hand, consumer spending remains a key prop of economic development, whereas industrial and investment activity is weakening. In 2020 too, we believe a focus on higher quality will be crucial when it comes to investing in equities and bonds.

Maerki Baumann takes account of the corresponding market opportunities and risks in asset management at all stages of its systematic investment process. In particular, our innovative modular investment solution enables clients to leverage the investment expertise of our private bank while at the same time investing in line with their personal needs.

On the investment advisory side too, the concerns and preferences of the individual client are our core focus. The basis for that advice is the continuously evolving advisory process of Maerki Baumann, together with the new service models introduced last year. Our insistence on higher quality also means that all private banking employees completed practical training and obtained certification. In addition to investment matters, our customised services also extend to pension advice, real estate advice, mortgages and lombard loans. It goes without saying that the relevant legal and tax aspects are also taken into consideration. Here the high degree of independence and the flexibility of our family company enables us to respond rapidly to changing client needs and parameters.

Business performance of Maerki Baumann

Maerki Baumann recorded a significant increase in net profit in the 2019 financial year. The pleasing development of the income side is attributable to the future-oriented business model of our private bank, the great dedication shown by our employees, and positive market developments. Moreover, as a SIX Group shareholder, we were able to book a substantial special dividend relating to the sale of the credit card business to the French company Worldline in 2018. At CHF 6.23 million, the annual profit for 2019 was well above the CHF 3.02 million recorded in the previous year. Gross profit came in at CHF 7.82 million, as against CHF 4.16 million in the previous year.

At CHF 3.11 million, income from the interest business was CHF 0.2 million lower than the previous year, despite the expansion of the mortgage volume by CHF 17.08 million. This is explained by the historically low interest rate environment, the imposition of negative interest rates, and lower dividend income from financial investments. Net income from commission business and services, which is the core activity of Maerki Baumann, amounted to CHF 28.06 million, an increase of 7% on the previous year. The continued decline on income from securities transactions was compensated by higher asset-dependent fees, particularly asset management and services fees. Thanks to targeted management of the balance sheet structure, net income from securities trading amounted to CHF 1.82 million, in line with the result in the previous year. This was achieved despite a decline in securities turnover. Finally, the special dividend from SIX contributed to an increase of CHF 3.28 million in other ordinary income to CHF 6.02 million.

FTE-adjusted headcount amounted to 71 employees at the end of the reporting year, broadly matching the prior-year figure (plus 3 full-time equivalents). In the current financial year, we are planning to appoint additional client advisors in order to consolidate our long-term income and growth base. Personnel expenses rose by CHF 1.01 million last year to CHF 20.64 million, which is due among other things to higher performance-related compensation. Because of ongoing investment in digitalisation and additional audit costs in connection with simplified authorisation in Germany, general and administrative expenses rose by CHF 0.36 million to CHF 10.56 million. As a consequence, operating expenses amounted to CHF 31.19 million, a year-on-year rise of CHF 1.37 million.

Client assets under management rose from CHF 7.18 billion to CHF 8.52 billion in the year under review, equivalent to a rise of more than CHF 1.3 billion or 18%. This significant rise in the asset base is primarily attributable to the positive performance of CHF 1.38 billion. Whereas asset inflows of CHF 48.3 million and CHF 12.0 million were booked in the core business with Swiss and German clients respectively, outflows of CHF 101.4 million were recorded for other foreign clients. In these markets, regulatory restrictions on the acquisition of new clients narrowly prevented the bank from compensating for natural client fluctuation. At year-end, 82.7% of total client assets were attributable to the Swiss market and 8.9% to the German market, which is in line with our intended market focus.

Maerki Baumann has well-established systems for identifying, limiting and monitoring key risks. The Board of Directors and Executive Board regularly review the relevant market, credit and liquidity risks, as well as operating risks (see "Description of business activities"). This conservative risk and business policy is reflected in the bank's excellent liquidity and capital adequacy ratios. The liquidity coverage ratio (LCR) averaged 287.1% in 2019, far in excess of the requirement of 110%. In addition, Maerki Baumann reported a BIS core capital ratio (tier 1 ratio) of 23.4% at the end of 2019, more than double the regulatory minimum of 10.5%. This very solid capital base is testimony to our private bank's stable balance sheet structure.

Outlook

In the future too, the domestic market will be the key pillar of our bank's business. Here we are relying on Maerki Baumann's outstanding reputation and our broad network of client relationships, which encompasses affluent private individuals and families as well as successful entrepreneurs and institutional clients. In our most important foreign market, namely Germany, we are looking to acquire further clients on the basis of the profound market knowledge we have built up over decades and our positive experiences under the new simplified authorisation regime. The latter means that we are set up in such a way that we can actively market to German clients without a local branch.

In keeping with our slogan “trust has a future”, we cultivate a long-term, partnership-based relationship with our clients. As part of this approach, we set great store by personal contact. In addition, however, we are increasingly offering electronic service and communication channels. Following the launch of a new e-banking offering in 2018, we will be rolling out a mobile banking solution in the third quarter of 2020. Furthermore, Maerki Baumann is continuing to get to grips with modern technologies such as artificial intelligence, robotics and blockchain. Our family-owned company is determined to take a proactive approach to the associated phenomenon of digitalisation and systematically exploit any new areas of market potential that arise.
The multi-phase crypto strategy elaborated by the Board of Directors and Executive Board epitomises the pioneering spirit that drives Maerki Baumann’s private banking business forward: For example, with effect from last year we have been offering blockchain companies business accounts in the major fiat currencies – above all Swiss francs and euros – while at the same time overseeing initial coin offerings (ICOs) and security token offerings (STOs). By about the second quarter of 2020, the trading in (and custody of) cryptocurrencies and tokens will follow, in cooperation with third-party companies. What’s more, we are planning an in-depth review of our offering of selected crypto investment services from the second half of 2020 onwards. The crypto business promises not only additional income volumes, but also attractive new investment opportunities in private banking as well as access to younger client segments.

On behalf of the Executive Board

Dr Stephan A. Zwahlen
Chief Executive Officer

“Maerki Baumann’s crypto strategy epitomises our pioneering spirit in private banking. It underscores our efforts to combine tradition with innovation.”

Dr Stephan A. Zwahlen

Executive Board from left to right:
Dr Stephan A. Zwahlen
Lukas S. Risi
Dr Alexander Ising

Members of the Executive Board: short CVs

Dr Stephan A. Zwahlen
Chief Executive Officer

Stephan A. Zwahlen (b. 1978), Dr. oec. HSG, has been Chief Executive Officer since February 2016. He joined the bank's Executive Board as Head of Investment Solutions & Services in April 2009. From September 2010 he had the additional role of deputy CEO before being appointed CEO.
Until 2009, Stephan Zwahlen worked at UBS Global Wealth Management in the area of international mandate business. From 2005 to 2007 he had an initial stint at Maerki Baumann & Co. AG, where he was responsible for the strategic repositioning of the bank and the founding of a transaction bank. He then managed various strategic projects within the Maerki Baumann Group as Head of Corporate Development. Stephan Zwahlen also began his career at the Swiss Institute of Banking and Finance, which is attached to the University of St. Gallen (HSG).
Stephan Zwahlen studied – and obtained a doctorate in – Business Administration with a specialisation in banking and finance at the University of St. Gallen and the Richard Ivey School of Business in London, Ontario. Stephan Zwahlen has supported the interests of the Swiss financial centre for many years as an active board member of the Zurich Banking Association and of the Association of Swiss Asset and Wealth Management Banks (VAV). As Chairman of the Supporters' Association and member of the Managing Committee of the Swiss Institute of Banking and Finance at the University of St. Gallen, he also remains closely in touch with academic research. He regularly lectures in banking at the University of St. Gallen and the Swiss Finance Institute.
Stephan Zwahlen is married and has a daughter. As well as spending time with his family he enjoys travelling, golf, skiing and modern art.

Lukas S. Risi
Deputy CEO and Head of Private Banking

Lukas S. Risi (b. 1974), lic. iur., LL.M., has been Head of Private Banking and Deputy CEO since February 2016. Lukas Risi joined Maerki Baumann & Co. AG as General Counsel and Head of Legal & Compliance in 2009. Since November 2012 he has also headed the Risk & Internal Control Department. He was appointed to the bank's Executive Board as General Counsel and Head of Corporate Services in January 2014.
From 2003 to 2008 Lukas Risi worked as Legal Counsel with Bank Julius Bär, having previously been a lawyer and notary for a law firm in Zug.
Lukas Risi studied law at the University of Fribourg, subsequently qualifying as a lawyer and notary in Zug. He was awarded the degree of Master of Law (LL.M.) in European law by the University of Stockholm.
From 2011 to 2015 Lukas Risi was a member of the Swiss Bankers Association's Commission for the Protection of Swiss Assets.
Lukas Risi is married and has a son and a daughter. He enjoys spending his free time with his family. His special interests include travel, outdoor sports and concert-going.

Dr Alexander Ising
Member of the Executive Board,
Head of Corporate Services

Alexander Ising (b. 1978), Dr. oec. HSG, has been Head of Corporate Services and a member of the Executive Board since October 2016. He is also Head of Business Development and Head of the Credit Committee. He is responsible for banking operations, mortgages & retirement planning and the internal trading department, as well as for the continuing development of our investment solutions and for meeting regulatory and fiscal requirements.
Alexander Ising joined Maerki Baumann & Co. AG in 2009, initially holding various positions in investment management. He had previously worked at the Wegelin & Co. private bank as a fund analyst. Alexander Ising studied economics at the Ludwig Maximilian University of Munich. After conducting research work at Columbia University in New York and working for the Swiss Institute for Banking and Finance, he obtained a doctorate at the University of St. Gallen, focusing mainly on finance.
Alexander Ising is married, and has a daughter and a son. He likes to spend his free time with his family, hiking, skiing or traveling.

Ownership and organisational structure

Ownership
Maerki Baumann & Co. AG is a private bank and wholly owned subsidiary of Maerki Baumann Holding AG, of which the ownership structure is as follows:

- CHSZ-Holding AG, Zurich	51.3%
- Hans G. Syz-Witmer	21.8%
- Dr Carole Schmied-Syz	21.8%
- Third-party shareholders	5.1%

The Board of Directors of Maerki Baumann Holding AG is comprised by Dr Carole Schmied-Syz (Chairwoman), Hans G. Syz-Witmer (Vice-Chairman) and Urs Lauffer. CHSZ-Holding AG is owned 50% each by Hans G. Syz-Witmer and Dr Carole Schmied-Syz. The Board of Directors of CHSZ-Holding AG is comprised by Dr Christoph Reinhardt (Chairman), Hans G. Syz-Witmer, Dr Carole Schmied-Syz and Urs Lauffer.

Board of Directors
Hans G. Syz-Witmer, Küsnacht, Chairman
Dr Carole Schmied-Syz, Erlenbach, Vice-Chairwoman
Prof. Bruno Gehrig, Winterthur*
Urs Lauffer, Steinmaur*
Michele Moor, Lugano*

Audit Committee and Risk Committee**
Prof. Bruno Gehrig, Winterthur, Chairman*
Michele Moor, Lugano*
Dr Carole Schmied-Syz, Erlenbach

Executive Board
Dr Stephan A. Zwahlen, CEO
Lukas S. Risi, Deputy CEO, Head Private Banking
Dr Alexander Ising, Head Corporate Services

Extended Executive Board
Rolf Frey, Head Indirect Real Estate

Senior Management
Emilio Amati, Roger Arnet, Dr Monika Balbinot, Thomas Bollhalder, Michael Bosse, Peter Brönnimann, Stefan Brunner, Patrick Bürgi, Simone Debrunner, Andreas Fröhlicher, Nils Ganz, Patrick Haimoff, Milko Hensel, Annette Käppeli, Christian Kappes, Jörg Krämer, Alexander Lühr, Markus Meili, Monika Mose-Lüscher, Armin Müller, Marco Müller, Konstantinos Ntefeloudis, Gérard Piasko, Reinhard Rutz, Roger Sharma, Timur Siber, Marcel Spalinger, Sandro Stricker, Marc Wyss, Stéphane Zumello, Jean Nadine Zwahlen

Internal Audit
Stefan Künzler

Auditors
PricewaterhouseCoopers AG, Zurich

* Independent members of the Board of Directors, as defined by the regulations of the Swiss Financial Market Supervisory Authority (FINMA).
** According to the current FINMA rules, the bank is not required to have either an Audit Committee or a Risk Committee.

Organisational chart

Board of Directors: Hans G. Syz-Witmer (Chairman), Dr Carole Schmied-Syz (Vice-Chairwoman), Prof. Bruno Gehrig, Urs Lauffer, Michele Moor
Executive Board: Dr Stephan A. Zwahlen (CEO), Lukas S. Risi (Deputy CEO), Dr Alexander Ising

Human Resources
Annette Käppeli

Internal Audit
Stefan Künzler

Private Banking
Lukas S. Risi
Deputy Reinhard Rutz

- **Private Banking Switzerland**
  Reinhard Rutz
- **Private Banking Germany**
  Gerald Lulei
- **Crypto Desk**
  Marcel Spalinger
- **Lawyers & Fiduciaries**
  Gerald Lulei
- **Chief Investment Officer**
  Gérard Piasko
- **Investment Management**
  Konstantinos Ntefeloudis
- **External Asset Managers**
  Konstantinos Ntefeloudis
- **Marketing**
  Simone Debrunner

Indirect Real Estate
Rolf Frey*
Deputy Marc Wyss

Corporate Services
Dr Alexander Ising
Deputy Marco Müller

- **Legal & Compliance**
  Andreas Fröhlicher
- **Finance & Risk Management**
  Armin Müller
- **Business Development**
  Dr Alexander Ising
- **Mortgages & Retirement Planning**
  Nils Ganz
- **IT & Digitalisation**
  Marco Müller
- **Operations Center**
  Markus Meili
- **Cash Desk & Services**
  Eugen Hasler

As at 1 April 2020

* Member of the extended Executive Board

Key figures

in CHF 1 000	2019	2018
Profit (result of the period)	6 230	3 024
Gross profit	7 824	4 158
Net commission business and services income	28 063	26 122
Net trading income	1 823	1 814
Net interest income	3 105	3 302
Operating expenses	31 192	29 821
Total assets	604 181	599 395
Client assets	8 520 871	7 181 675
Eligible capital	53 888	52 158
Required regulatory capital	18 416	18 582
Excess capital	35 472	33 576
Tier 1 capital ratio	23.4%	22.5%
Number of employees (full-time equivalents)	71	68

Financial statements

Balance sheet

in CHF 1 000	31.12.2019	31.12.2018	Change
Assets			
Liquid assets	192 143	172 373	19 770
Amounts due from banks	47 356	40 725	6 631
Amounts due from securities financing transactions	–	–	–
Amounts due from clients	34 527	46 149	–11 621
Mortgage loans	99 192	82 108	17 084
Trading portfolio assets	–	–	–
Positive replacement values of derivative financial instruments	2 060	2 717	–657
Other financial instruments at fair value	–	–	–
Financial investments	199 903	227 826	–27 923
Accrued income and prepaid expenses	8 517	7 626	891
Participations	3 844	3 845	–1
Tangible fixed assets	14 327	14 793	–467
Intangible assets	–	–	–
Other assets	2 310	1 233	1 077
Capital not paid in	–	–	–
Total assets	**604 181**	**599 395**	**4 786**
Total subordinated claims	–	–	–
of which with conversion obligation and/or debt waiver	–	–	–

in CHF 1 000	31.12.2019	31.12.2018	Change
Liabilities			
Amounts due to banks	5 667	–	5 667
Liabilities from securities financing transactions	–	–	–
Amounts due in respect of client deposits	529 103	534 686	–5 583
Trading portfolio liabilities	–	–	–
Negative replacement values of derivative financial instruments	2 242	2 860	–618
Liabilities from other financial instruments at fair value	–	–	–
Cash bonds	–	–	–
Bond issues and central mortgage institution loans	–	–	–
Accrued expenses and deferred income	6 698	5 698	1 000
Other liabilities	1 300	942	358
Provisions	784	651	133
Reserves for general banking risks	13 697	13 697	–
Share capital	3 000	3 000	–
Statutory capital reserve	147	147	–
of which tax-exempt capital contribution reserve	147	147	–
Statutory retained earnings reserve	18 650	18 650	–
Voluntary retained earnings reserves	13 000	12 400	600
Own shares (negative item)	–	–	–
Profit carried forward	3 664	3 640	24
Profit (result of the period)	6 230	3 024	3 206
Total liabilities	**604 181**	**599 395**	**4 786**
Total subordinated liabilities	–	–	–
of which with conversion obligation and/or debt waiver	–	–	–
Off-balance-sheet transactions			
Contingent liabilities	3 515	3 053	462
Irrevocable commitments	2 556	7 687	–5 131
Obligations to pay up shares and make further contributions	–	–	–
Credit commitments	–	–	–

Income statement

in CHF 1 000	2019	2018	Change
Result from interest operations			
Interest and discount income	1 835	1 858	–23
Interest and dividend income from trading portfolios	–	–	–
Interest and dividend income from financial investments	1 262	1 436	–174
Interest expense	8	8	–
Gross result from interest operations	**3 105**	**3 302**	**–197**
Changes in value adjustments for default risks and losses from interest operations	–	–	–
Subtotal net result from interest operations	**3 105**	**3 302**	**–197**
Result from commission business and services			
Commission income from securities trading and investment activities	31 331	29 884	1 447
Commission income from lending activities	25	26	–1
Commission income from other services	657	826	–169
Commission expense	–3 949	–4 614	664
Subtotal result from commission business and services	**28 063**	**26 122**	**1 941**
Result from trading activities and the fair value option	**1 823**	**1 814**	**9**
Other result from ordinary activities			
Result from the disposal of financial investments	230	216	14
Income from participations	5 013	1 640	3 373
Result from real estate	–	–	–
Other ordinary income	781	929	–148
Other ordinary expenses	–	–45	45
Subtotal other result from ordinary activities	**6 024**	**2 740**	**3 284**

in CHF 1 000	2019	2018	Change
Operating expenses			
Personnel expenses	–20 636	–19 627	–1 009
General and administrative expenses	–10 556	–10 194	–362
Subtotal operating expenses	**–31 192**	**–29 821**	**–1 371**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	–1 061	–1 042	–19
Changes to provisions and other value adjustments and losses	–404	–169	–234
Operating result	**6 360**	**2 947**	**3 413**
Extraordinary income	–	254	–254
Extraordinary expenses	–	–	–
Changes in reserves for general banking risks	–	–	–
Taxes	–130	–177	47
Profit (result of the period)	**6 230**	**3 024**	**3 206**
Appropriation of profit			
Profit (result of the period)	6 230	3 024	3 206
Profit carried forward	3 664	3 640	24
Distributable profit	**9 894**	**6 664**	**3 230**
Appropriation of profit			
Allocation to statutory retained earnings reserves	–	–	–
Allocation to voluntary retained earnings reserves	–	–600	600
Distributions from distributable profit	–4 500	–2 400	–2 100
Other appropriation of profit	–	–	–
New amount carried forward	**5 394**	**3 664**	**1 730**
Loss equalisation			
Releases from statutory retained earnings reserves	–	–	–
Releases from voluntary retained earnings reserves	–	–	–
New amount carried forward	**–**	**–**	**–**

Statement of changes in equity

in CHF 1 000	Share capital	Capital reserve	Retained earnigs reserve	Reserves for general banking risks	Voluntary retained earnings reserves and profit/loss carried forward	Own shares (negative item)	Result of the period	Total
Equity at start of current period	3 000	147	18 650	13 697	16 040	–	3 024	54 558
Employee participation schemes/ recognised in reserves								–
Capital increase/ decrease								–
Additional contributions/deposits								–
Purchase of own shares								–
Disposal of own shares								–
Effect of subsequent measurement of own shares								–
Profit (loss) from disposal of own shares								–
Dividends and other distributions							-2 400	–2 400
Other allocations to (releases from) other reserves					600		–600	–
Net change of profit carried forward						24	–24	–
Profit/loss of the period							6 230	6 230
Equity at end of current period	3 000	147	18 650	13 697	16 664	–	6 230	58 388

Notes to the financial statements

Description of business activities

Business activities
Established in 1932, Maerki Baumann & Co. AG is a limited company under Swiss law and has its registered office in Zurich. It is mainly active in the areas of asset management and investment advisory services for private and institutional clients as well as the provision of services to external asset managers. In this connection, it also conducts lending business. Its main business area and principal source of income is commission and service fee business, which accounts for approximately 72% of ordinary income. Interest margin business contributes 8% to ordinary income and trading business 5%. Other ordinary income accounts for around 15%.

Business areas
The main business areas can be described as follows:
- Investment advisory services for private and institutional clients
- Asset management for private and institutional clients
- Provision of services to external asset managers
- Indirect real estate investments for institutional clients
- Lending to private clients (collateral loans and mortgage solutions)
- Securities and foreign exchange trading
- Business accounts for blockchain and crypto companies

Geographically, the bank's client relationships are primarily concentrated in Switzerland and other parts of Europe (mainly Germany). Maerki Baumann has been granted "simplified authorisation" to operate in Germany by the Federal Financial Supervisory Authority (BaFin).

Commission and service fee business
Asset management and investment advisory services are the major components in the bank's commission and service fee business. These services are used by both our private and institutional clients. Services provided to external asset managers also generate significant income for the bank.

Trading business
Clients are offered the full range of execution and settlement services for all customary types of trading transactions. The bank does not actively trade in securities for its own account. Proprietary trading in foreign currencies is primarily required for the smooth processing of business transactions with clients and is restricted to currencies for which there is a liquid market. Trading for own account is limited to providing support for client business and is operated without significant open risk positions.

Lending business
The bank adheres to a restrictive lending policy and grants predominantly collateralised loans against liquid securities in diversified portfolios. Conservative loan-to-value ratios ensure that default risk is kept to a minimum. The loans reported as mortgages are exclusively secured by Swiss real estate.

Risk policy
As with other financial institutions, the bank is exposed to various bank-specific risks: credit, market and liquidity risks, as well as operational and legal risks. A conscious and prudent approach to these risks is a prerequisite for the long-term success of the bank. Maerki Baumann believes in the importance of comprehensive

risk management for the bank as well as for client assets.
The risk policy aims to limit the negative impact of risks on income, protect the bank from losses, and ensure reliability for clients. The bank organises its risk management on the basis of the three lines of defence principle: The risks are managed by the responsible line units (first line). Risk Control, which is part of the Finance & Risk department and reports to the Head Corporate Services, ensures the risk policy which is complied with and implemented, while the Legal & Compliance department confirms that the regulatory requirements are met (second line). Internal Audit ensures that the risk management framework is independently reviewed (third line).

Risk management and control

The Board of Directors is the highest governing body of the risk management organisation. It determines the risk policy, including the risk philosophy, risk assessment and risk management, which it reviews on an annual basis. At the same intervals, it defines – based on the risk capacity – willingness to take risks, risk tolerance and risk limits; it monitors adherence to the risk limits as well as implementation of the risk policy. It sets risk limits for individual risk categories/transaction types and lays down standards for the risk management and risk control processes.
The Board of Directors receives a comprehensive risk report to enable it to perform its monitoring function. This report provides information about the risk situation, capital adequacy, compliance with the risk limits, as well as risk mitigation measures.

The Executive Board is responsible for implementing the risk policy issued by the Board of Directors; it ensures the development of an appropriate risk management organisation as well as the use of suitable risk monitoring systems. The Executive Board sets out in detail the requirements laid down by the Board of Directors for individual risk categories/transaction types. As an independent monitoring body, Risk Control monitors the risks entered into by the bank. It designs appropriate risk management systems, implements them, and provides the information required for the monitoring of risk policy, risk tolerance and risk limits. Monitoring is primarily focused on credit and market risks, operational risks as well as liquidity risks.

Credit risks

Credit risk is the risk of losses arising because clients or other counterparties are unable to meet their expected, contractually agreed payments. Credit risks exist in relation to lending, irrevocable credit lines and contingent liabilities as well as instruments used for asset and liability management. Maerki Baumann identifies, assesses, manages and monitors the following types of risk, particularly in relation to its lending operations:
- counterparty risks
- country risks
- collateral risks
- cluster risks

Counterparty risks in relation to asset and liability management

Maerki Baumann is exposed to credit risk as a consequence of its business with counterparties for the purposes of processing client transactions as well as asset and liability management.
Therefore, as a matter of principle, the bank only works with first-class counterparties.

The bank conducts an assessment of the counterparty risk involved before entering into any business relationship with a counterparty in the interbank business. Maerki Baumann restricts credit risk by means of limits as well as the need for counterparties to be approved by the Executive Board and the Board of Directors.
Credit risks are monitored by Risk Control on a daily basis. In addition, changes in counterparty ratings and CDS levels are monitored regularly. In the case of extreme market events, the situation is reviewed promptly in order to respond immediately to heightened risks.

Lending to clients
Loans are granted to the bank's clients in return for first-class, readily marketable collateral or Swiss mortgage collateral.
Unsecured loans or loans not secured by marketable collateral are only approved in justified, exceptional cases. The bank mainly issues collateralised loans (secured by assets and eligible securities deposited with the bank) and mortgage loans (secured by mortgage notes or a mortgage assignment).
Maerki Baumann grants collateralised loans against liquid securities in diversified portfolios. Loan-to-value ratios are conservative, in order to minimise the default risk. In addition, Maerki Baumann grants mortgages to clients as well as employees.
The loans reported as mortgages are exclusively secured by Swiss real estate.
Risk is managed through careful selection, a thorough financial assessment and personal knowledge of the clients, as well as the cautious structuring of transactions and vigilant credit monitoring. With that in mind, the bank does not enter into credit risks without having first subjected the transaction to a thorough credit assessment. Mandatory elements of the assessment are:
- Creditworthiness: Includes assessing the integrity, business acumen and business conduct of the persons participating in a transaction;
- Solvency: Includes the financial situation and business potential of clients, as well as the economic backdrop;
- Structure of the business: The structure and commercial purpose of a transaction must be clearly identifiable and in line with the contractual provisions; the intrinsic value and marketability of collateral also need to be guaranteed;
- Repayment: The sources of repayment and ability to withdraw from a credit exposure must be ascertained when concluding the transaction.

The credit risks arising from lending to clients are monitored by Risk Control on a daily basis.

Market risks
Interest rate risks
Interest rate risks are of major importance to Maerki Baumann. These risks arise mainly as a result of maturity incongruence on the asset and liability sides of the balance sheet. Responsibility for active management lies with the bank's Asset/Liability Management Committee (ALM Committee). Measurement is performed using industry standard ALM systems. Sensitivity and gap data are used to measure the potential impact of interest rate risks on the bank's profitability and equity. Positions with an indefinite fixed term are depicted using a replication model. The underlying assumptions are reviewed by the bank at least annually and adjusted if necessary.

Analysis of the economic situation and the resulting production of interest-rate forecasts enable the income and value effects of interest rate changes to be analysed on a regular basis. Depending on the assessment of interest rate trends, the ALM Committee takes corresponding hedging measures within predefined risk limits and defined hedging strategies. Derivative instruments can be used for that purpose. Interest rate risks are monitored by Risk Control.

Currency risks
Through the management of currency risks, the bank aims to minimise any negative effect of currency changes on its earnings. The objective is essentially to balance out liabilities in foreign currency with assets in the same foreign currency. Currency risks are subject to nominal limits. Proprietary trading in foreign currencies is primarily required for the smooth processing of business transactions with clients and is restricted to currencies and precious metals for which there is a liquid market.

Risks in trading business
The bank does not conduct active trading operations with the intention of benefiting from short-term market fluctuations. For accounting reasons, positions arising from the processing of client transactions or hedging of balance sheet items are shown as trading business. Trading in derivatives is mainly undertaken for the account of clients; activities undertaken for the bank's own account are restricted to hedging transactions in connection with its own positions as well as transactions in connection with asset and liability management. The bank does not engage in market-maker activities. Trading takes place in standardised as well as OTC instruments. Market risks arising from trading business are monitored by Risk Control on a daily basis.

Liquidity risks
Liquidity risks are controlled using commercial criteria, managed by the Operations Centre in accordance with the provisions of banking law, and monitored by Risk Control. For control purposes, liquidity inflows and outflows are simulated against the backdrop of various scenarios. These scenarios include the impact of refinancing crises and general liquidity crises.
The aim of liquidity management is to ensure a solid liquidity position that will enable the bank to meet its payment obligations on a punctual basis at any time. Monitoring is based on the statutory limits as well as the additional limits set by the bank's Board of Directors.

Operational risks
Operational risks are defined as the risk of loss resulting from the inappropriateness or failure of internal processes, employees, IT systems, infrastructure facilities or as a consequence of external events or the influence of third parties. This definition includes IT, cyber as well as security risks. IT risks occur at the level of IT systems, processes and infrastructure. Cyber risks comprise information security and IT risks to which the bank is exposed via the internet or third-party networks. The definition additionally includes legal and compliance risks. Operational risks are taken as consequential risks of business activities and are avoided, mitigated, transferred or borne by the bank itself based on cost-benefit considerations. Compliance and reputation impacts are also taken into account. Together with its definition of the business strategy and business activities, the Board

of Directors defines the risk tolerance in relation to operational risks. Risk tolerance is specified in quantitative terms through limits and in qualitative terms through the internal rules on business activities (regulations, policies). Avoidance or mitigation of operating risks must take place primarily at source, the objective being to reduce risks to a tolerable level. Critical processes are protected by means of emergency and disaster prevention planning.

Legal and compliance risks are managed by the Legal & Compliance department by means of active monitoring of the legal requirements. Operational risks are identified and assessed annually by means of the risk assessment. The annual risk assessment also includes an assessment of internal control processes, in which the operational effectiveness of the controls is assessed and any improvement measures are implemented. The risk assessment takes place before and after consideration of existing risk mitigation measures specified by the Executive Board. In its compliance report, the Legal & Compliance department conducts a qualitative risk assessment of legal and compliance risks on an annual basis.

Operational risks are monitored in terms of the individual risks as well as at bank level. Line managers are responsible for monitoring at individual risk level. Risk Control monitors the risks at bank level and is responsible for maintaining the bank-wide register of operational risks as well as for the analysis and evaluation of operational risk data. The results of the risk assessments, material internal operational risk events, relevant external events, the development of the risk situation and the implementation status of risk mitigation measures are reported to the bank's Executive Board and Board of Directors at least quarterly.

In addition to the normal risk management process, Risk Control performs ad-hoc risk analyses as required, analyses losses and claims that have arisen and maintains close dialogue with other organisational entities that have access to information about operational risks within the bank on account of their function.

All measures for controlling operational risks are part of the Internal Controls System (ICS). The ICS covers all control structures and processes, procedures, methods and measures, which at every level of the bank constitute the basis for achieving the business policy objectives as well as ensuring orderly banking operations.

The entire ICS is reviewed annually. The ICS is assessed at overall bank as well as process level in terms of the appropriateness and effectiveness of the risk control measures implemented. The results of the ICS review are reported to the Executive Board and the Board of Directors on an annual basis.

Methods used to identify default risks and determine the need for value adjustments

Mortgage-backed loans

The fair value of owner-occupied residential properties is determined regularly using hedonistic assessment methods or external real estate valuations. Moreover, the affordability of the loan for the borrower is reviewed at regular intervals. Mortgage loans are generally granted to clients with investment holdings and to employees.

Rental income is reviewed at regular intervals in the case of multi-family homes, commercial and specialist properties, and also where there are indications of significant changes in the level of rental income or vacancy rates. In addition, interest and amortisation arrears are analysed. On this basis, the bank identifies higher-risk mortgages. Where appropriate, further collateral is required or the shortfall in collateral is reviewed in order to determine whether a corresponding valuation adjustments needs to be made.

Loans backed by securities or other marketable collateral
Exposure to securities-backed loans and the value of the collateral are monitored constantly. If the value of the securities serving as collateral falls below the amount of the credit exposure, the bank requests additional collateral or a reduction in the debt amount. In the event of an increase in the shortfall, or of exceptional market conditions, the collateral is liquidated and the loan closed out.

Unsecured loans
Unsecured loans and loans not secured by marketable collateral are granted in exceptional cases only and require the approval of the Executive Board and the Board of Directors.

Procedure used to determine valuation adjustments and provisions
The need for valuation adjustments and provisions is identified using the procedure described above. Furthermore, known risk positions where a risk has already been identified in the past are reassessed on each balance sheet date and the valuation adjustments are altered where necessary. The Finance & Risk department assesses and applies for all valuation adjustments relating to risk positions. Approval has to be obtained from the Executive Board and Board of Directors.

Valuation of collateral
Mortgage-backed loans
In the mortgage business, an up-to-date collateral valuation is available for every loan granted. Valuations are dependent on the type and use of the property. The bank uses a hedonic model to assess the value of residential property. This compares the price based on detailed characteristics of the property concerned with similar property transactions. In the case of multi-family homes, commercial and specialist properties, the rental income from the property is also taken into account. Where an in-house estimate of the property being valued is not possible, a valuation report must be prepared by an independent expert (architect/construction engineer/property valuer). If the credit rating deteriorates sharply and there is a risk that the exposure will become non-performing, a liquidation value will additionally be calculated.

Securities backed by loans or other marketable collateral
For lombard loans and other securities-backed loans, diversified portfolios with transferable financial instruments for which there is a liquid and active market are primarily accepted. The bank applies conservative discounts to the market values to cover the market risk associated with liquid and marketable securities and determines the loan-to-value ratio.

Outsourcing
Maerki Baumann & Co. AG has outsourced the trading of securities, certain aspects of the trading of foreign currencies and precious metals, the processing of these trading transactions, payment transactions and the operation of the central IT system to InCore Bank AG, Schlieren. Processing of mortgage transactions has

been outsourced to Avobis Credit Services AG, Zurich. These outsourcing processes are regulated in detail by contracts complying with the regulations of FINMA. All employees of service providers are subject to banking secrecy, which ensures that client data is protected.

Business policy on the use of derivatives and hedge accounting

Business policy on the use of derivatives

Derivative instruments are used for trading and hedging purposes. Trading takes place in standardised and OTC instruments for the bank's own account as well as for the account of clients, in particular in instruments for interest rates, currencies, equity instruments/indices and, to a lesser extent, precious metals.

As part of its risk management process, the bank uses derivatives mainly to hedge interest rate and foreign currency risks. Hedging transactions are mainly conducted with external counterparties.

Business policy on the use of hedge accounting

The bank does not use hedge accounting.

Personnel

At year-end the bank had 71 full-time equivalent employees (previous year: 68).

Regime for small banks

Maerki Baumann participated in the pilot phase for the establishment of a regime for small banks, an initiative conceived by FINMA with a view to allowing very secure banks of supervisory categories 4 and 5 to benefit from reduced regulatory requirements. Among other things, the pilot scheme envisaged banks having to publish fewer key figures in the context of disclosure requirements. The details of the scheme were aligned to the corresponding FINMA fact sheet. The pilot phase was concluded on 1 January 2020 and the small banks regime was definitively established.

Material events after the balance sheet date

No material events have occurred since the balance sheet date which significantly influence the bank's assets, financial position or earnings.

Accounting and valuation principles

General principles

The bookkeeping, accounting and valuation principles are based on the provisions of the Swiss Code of Obligations, banking law and statutory regulations, and on the guidelines of the FINMA. These financial statements are deemed to be reliable assessment statutory single-entity financial statements. Transactions are recognised in accordance with the trade date principle. Assets and liabilities as well as off-balance-sheet transactions are valued individually. The main valuation principles are described below. There may be rounding differences in the values shown in the tables in the Notes as compared to the values in the balance sheet and income statement.

This annual report is also available in German. The German version is authoritative.

General valuation principles

The annual financial statements are prepared based on a going-concern assumption and items are stated in the balance sheet as going-concern values.

The items under a particular balance-sheet heading are individually valued.

As a matter of principle, there is no netting of assets and liabilities or of expenses and income.

The netting of assets and liabilities is only permissible in the following cases:

- Assets and liabilities are netted provided they arise from similar transactions with the same party, are in the same currency with the receivable due on the same date or earlier, and cannot result in any counterparty risk.
- Deduction of value adjustments from the corresponding asset position.
- Netting in the compensation account of positive and negative value adjustments not recognised in the income statement in the reporting period.

Positive and negative replacement values of derivative financial instruments vis-à-vis the same counterparty may be netted if there are recognised, legally enforceable netting agreements.

Basis of consolidation

Maerki Baumann & Co. AG is fully consolidated in the Maerki Baumann Group. Maerki Baumann & Co. AG does not possess any holdings that need to be consolidated.

Foreign currencies

Assets and liabilities in foreign currencies are valued at the applicable mid-rates as of the balance sheet date. Exchange gains and losses resulting from valuation are shown in “Net trading income”. Transactions in foreign currencies during the year are converted at the exchange rate on the trade date. The most important foreign currencies for the balance sheet were converted at the following rates on the balance sheet date:

Currency	31.12.2019	31.12.2018
EUR	1,0860	1,1275
USD	0,9672	0,9855

Liquid assets

Liquid assets are shown at nominal value.

Due from banks and clients, mortgages

These items are shown in the balance sheet at nominal value less necessary value adjustments.

Precious metal holdings in metal accounts are stated at fair value, if the corresponding metals are traded on a price-efficient, liquid market.
If the bank believes it unlikely that the debtor will be able to meet its contractual obligations in full, the corresponding claims are deemed to be exposed.
Exposed loans are shown at liquidation value, as is any collateral. Individual value adjustments are made for exposed loans. These are based on regular analyses of the individual credit exposures based on the debtor's creditworthiness and the counterparty risk as well as the estimated net recoverable amount of the collateral. Where the recovery of the receivable is dependent exclusively on the realisation of the collateral, an allowance is made to completely cover the unsecured portion.
Interest and related commissions that are more than 90 days in arrears are deemed overdue. Should a debtor be more than 90 days in arrears on interest payments, the interest due is allocated directly to the valuation adjustments. In this case, a credit to income is only made after the interest payment has actually been made. If a receivable is deemed to be non-recoverable, it is written off. Loans on which valuation adjustments have been made are classified as exposed loans until they have been repaid in full.

Due to banks, due to clients in savings and deposits
These items are shown at nominal value. Precious metal liabilities in metal accounts are stated at fair value, if the corresponding metals are traded on a price-efficient, liquid market.

Trading portfolios and obligations relating to trading portfolios
Trading portfolios are valued and stated at market prices as at the balance sheet date.
Positions for which there is no representative market or, in exceptional cases, where fair value is unavailable, are stated at the lower of cost or market.
Gains and losses resulting from this valuation, as well as gains and losses realised during the period, are shown in "Net trading income and the fair-value option". Interest and dividends on trading portfolios are reported as "Interest and dividend income from trading portfolios" under "Result from interest operations". There is no netting of refinancing income with trading portfolios.

Positive and negative replacement values of derivative financial instruments
All derivative financial instruments are measured at fair value, and are carried on the balance sheet at their positive or negative replacement values. The fair value is based on market prices, prices quoted by traders, discounted cash flow and option pricing models.
Any profit realised in trades with derivative financial instruments is booked under "Net income from trading activities and the fair-value option".

Financial investments
Equities held as financial investments are valued in accordance with the principle of lower of cost or market. Fixed-interest investments which are expected to be held to maturity are valued according to the acquisition cost principle; premiums and discounts are accrued over the remaining term (accrual method). Interest and dividend income is reported under "Interest and dividend income from financial investments".

Where financial investments which are expected to be held to maturity are sold or redeemed early, the gains and losses realised, which correspond to the interest component, are accrued over the remaining term until maturity of the transaction via “Other assets” and “Other liabilities”.
Fixed-interest investments which are not expected to be held to maturity and equities held as financial investments are carried at the lower of cost or market. Valuation adjustments arising from subsequent measurement are recorded net in the item “Other ordinary expenses” or “Other ordinary income”.

Participations
Participations are equity stakes in companies which the bank intends to hold as a long-term investment, irrespective of the proportion of voting shares. Participations are individually recognised at the cost of acquisition less any economically required valuation adjustments. A review is carried out on each balance sheet date as to whether the value of the individual participations is impaired. The assessment is performed on the basis of indications that individual assets might be affected by such impairment. If signs of impairment are detected, the bank defines the recoverable value. The recoverable value is determined separately for each asset. The recoverable amount is the higher of net fair value and value in use. An asset is deemed impaired if the carrying amount exceeds the realisable value. Where an impairment exists, the carrying amount is reduced to the recoverable value and the impairment charged to the item “Valuation adjustments on participations and write-offs of tangible fixed assets and intangible assets”.
Gains realised on the sale of participations are booked under “Extraordinary income”, and losses incurred under “Extraordinary expenses”.

Tangible fixed assets
Tangible fixed assets are recognised at acquisition price and depreciated over a conservatively estimated useful life. They are tested annually for impairment. If the impairment test results in a different useful life or a decrease in value, an extraordinary write-off is performed and the residual book value is depreciated according to schedule over the remaining useful life. The estimated useful life for the different categories of tangible fixed assets is as follows:
- Bank buildings (excluding land): maximum 50 years
- Software, IT and communications equipment: maximum 3 years
- Other tangible fixed assets: maximum 10 years

Pension liabilities
The bank operates a full-insurance defined contribution scheme for employees. The actual financial effects of employee benefit obligations are calculated on the basis of the annual financial statements of the employee benefits institution, which in turn are based on Swiss GAAP FER 26. A judgement is made as to whether any surplus or shortfall for employee benefits institutions could result in economic gains or losses for the bank. Any economic benefits or existing employer’s contribution reserves can be capitalised; for economic risks, however, provisions are created in the balance sheet.
In addition, there is a legally independent employer’s fund for supporting employees and retirees in case of financial difficulties. Employer contributions are reported as personnel expenses.

Effective 1 January 2020, Maerki Baumann established a 1e solution to complement its existing full-insurance solution; this gives employees on a higher income additional flexibility in terms of investing their retirement assets.

Provisions
Legal and constructive obligations are valued on a regular basis. Where an outflow of resources is likely and can be reliably estimated, a corresponding provision is made. Existing provisions are revalued as per each balance sheet date. Based on this reassessment they are increased, maintained at the same level or released.
Provisions are recognised as follows via the individual items of the income statement:
- Provisions for deferred taxes: “Taxes” item
- Pension provisions: “Personnel costs” item
- Other provisions: “Changes in provisions and other value adjustments and losses” item, with the exception of any restructuring provisions

Provisions may include hidden reserves, which are reported under “Other provisions”.

Reserves for general banking risks
Reserves for general bank risks are precautionary reserves established to cover risks in the bank’s operating activities. The creation and release of reserves are recorded in the income statement in “Changes in reserves for general bank risks”. In accordance with Article 18 of the Swiss Federal Capital Adequacy Ordinance, this provision is accounted for as equity and was already subject to taxation.

Taxes
Taxes are charged to the year in which they are incurred on the basis of commercial considerations. No deferred taxes are recognised.

Contingent liabilities, irrevocable undertakings, (additional) payment liabilities
Off-balance-sheet transactions are reported at nominal value. Provisions are established for discernible risks.

Changes compared with the previous year
The accounting and valuation principles are unchanged versus the prior year.

Information on the balance sheet

Breakdown of securities financing transactions (assets and liabilities)

none

Presentation of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

in CHF 1 000		Type of collateral			Total
		Mortgage	Other collateral	Unsecured	
Loans					
Amounts due from clients			30 585	3 942	34 527
Mortgage loans		99 192			99 192
Residential property		95 792			95 792
Office and business premises					
Commercial and industrial premises					
Other		3 400			3 400
Total loans	**2019**	**99 192**	**30 585**	**3 942**	**133 719**
(before netting with value adjustments)	2018	82 108	46 086	62	128 257
Total loans	**2019**	**99 192**	**30 585**	**3 942**	**133 719**
(after netting with value adjustments)	2018	82 108	46 086	62	128 257
Off-balance-sheet					
Contingent liabilities			3 475	40	3 515
Irrevocable commitments			1 200	1 356	2 556
Obligations to pay up shares and make further contributions					
Credit commitments					
Total off-balance-sheet	**2019**		**4 675**	**1 396**	**6 071**
	2018		6 946	3 794	10 740

		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans/receivables	**2019**				
	2018				

Breakdown of trading portfolios and other financial instruments at fair value (assets and liabilities)

none

Presentation of derivative financial instruments (assets and liabilities)

in CHF 1 000		Trading Instruments		
		Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments		none	none	none
Foreign exchange/precious metals				
Forward contracts		170	352	64 521
Combined interest rate/currency swaps				
Futures				
Options (OTC)				
Options (Exchange-traded)				
Equity securities/indices				
Forward contracts				
Swaps				
Futures				
Options (OTC)				
Options (Exchange-traded)		1 890	1 890	140 505
Credit derivatives		none	none	none
Other		none	none	none
Total before netting agreements	**2019**	**2 060**	**2 242**	**205 026**
	2018	2 717	2 860	172 073
Total after netting agreements	**2019**	**2 060**	**2 242**	**205 026**
	2018	2 717	2 860	172 073

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other clients
Positive replacement value (after consideration of netting agreements)		161	1 900

Breakdown of financial investments

in CHF 1 000	Carrying amount		Fair value	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Debt securities	199 903	224 375	202 019	225 212
of which intended to be held to maturity	199 903	224 375	202 019	225 212
of which not intended to be held to maturity (available for sale)				
Equity securities		3 451		3 460
of which qualified participations				
Precious metals				
Real estate				
Total	**199 903**	**227 826**	**202 019**	**228 672**
of which securities eligible for repo transactions in accordance with liquidity requirements	28 724	36 903	29 061	37 489

Breakdown of counterparties by rating (FINMA Concordance table)

in CHF 1 000	1 & 2	3	4	5 & 6	7	Unrated
Debt securities: book values	95 114	76 005	28 784			

Presentation of participations

in CHF 1 000	Other participations	
	With market value	Without market value
Acquisition cost		3 845
Accumulated value adjustments		
Book value at end of previous year		**3 845**
Current year		
Reclassifications		
Additions		
Disposals/Foreign currency differences		–1
Value adjustments		
Book value at end of current year		**3 844**
Market value		n/a

Disclosure of companies in which the bank holds a permanent direct or indirect significant participation

Company name and domicile	Business activity	Company capital (in CHF)	Share of capital in %	Share of votes in %	Held directly, indirectly
SIX Group Ltd, Zurich	Financial Services	19 521 905	Minority	Minority	directly

Presentation of tangible fixed assets

in CHF 1 000	Bank buildings	Software	Other tangible fixed assets	Total tangible fixed assets
Acquisition cost	24 473	3 844	3 131	31 448
Accumulated depreciation	–10 692	–3 084	–2 878	–16 654
Book value at end of previous year	**13 781**	**760**	**253**	**14 793**
Current year				
Reclassifications				
Additions		594		594
Disposals				
Depreciation	–289	–700	–71	–1 060
Reversals				
Book value at end of current year	**13 492**	**654**	**181**	**14 327**

Lease commitments from operating leases

in CHF 1 000	31.12.2019	31.12.2018
Due within 12 months	58	78
Due between 12 months and 5 years	72	10
Due after more than 5 years		
Total leasing obligations not recognised in the balance sheet	130	88

Presentation of intangible assets

none

Breakdown of other assets and other liabilities

in CHF 1 000	Other assets		Other liabilities	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Compensation account				
Settlement accounts			1 117	746
Indirect taxes	2 054	990	180	192
Direct taxes	5			
Other	251	243	3	3
Total	**2 310**	**1 233**	**1 300**	**942**

Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership

in CHF 1 000	Book values	Effective commitments	Book values	Effective commitments
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Pledged/assigned assets				
Due from banks	1 087	153		
Financial investments to cover margin requirements of banks	28 218	p.m.	21 550	p.m.

Assets under reservation of ownership

none

Disclosure on the economic situation of own pension schemes

none

Presentation of the economic benefit/obligation and the pension expenses

in CHF 1 000	31.12.2019	31.12.2018
Pension expenses in personnel expenses: Employer pension fund		
Paid-in contributions for the reporting period: Employer pension fund		
Pension expenses in personnel expenses: Pension fund	1 621	1 596
Paid-in contributions for the reporting period: Pension fund	1 621	1 596

See also the information provided in the accounting and valuation principles; the bank switched to a full-insurance solution as of 1 January 2012, therefore there is no economic benefit for the bank. All insurance and investment risks are fully covered by insurance at all times.

Beneficiaries have no regulatory claims on the employer pension fund that could result in a future obligation on the company.

There is no employer contribution reserve.

Presentation of issued structured products

none

Presentation of bonds outstanding and mandatory convertible bonds

none

Presentation of value adjustments and provisions/reserves for general banking risks

in CHF 1 000

	Balance at end of 2018	Use in conformity with designated purpose	Foreign currency differences	Reclassifications	Past due interest, recoveries	New creations charged to income statement	Releases to income statement	Balance at end of 2019
Provisions for deferred taxes	0							0
Provisions for default risks	99							99
Provisions for other business risks	53		13			330		396
Other provisions	499	–201	–13	4				289
Total provisions	**651**	**–201**	**0**	**4**	**0**	**330**	**0**	**784**
Reserves for general banking risks (after tax)	13 697							13 697

Presentation of the share capital

	2019			2018		
	Total par value (in CHF)	No. of shares	Capital eligible for dividend (in CHF)	Total par value (in CHF)	No. of shares	Capital eligible for dividend (in CHF)
Share capital	3 000 000	30 000	3 000 000	3 000 000	30 000	3 000 000

Number and value of equity securities or options on equity securities held by all executives and directors and by employees, and disclosure on any employee participation schemes

none

Disclosure of amounts due from/to related parties

in CHF 1000	Amounts due from		Amounts due to	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Significant shareholders	9 175		5 571	265
Group companies				
Linked companies			109	112
Transactions with members of governing bodies		5 233	285	506
Other related parties and companies	14 254	34 631	4 214	3 598

Amounts due from and amounts due to significant shareholders in the bank who are simultaneously members of governing bodies are shown in the first item “Significant shareholders” (previous year: Where members of governing bodies are significant shareholders, they are reported under transactions with members of governing bodies.) Ordinary banking transactions are conducted on the terms applicable for employees.
Amounts due from qualified participants include unsecured claims against Maerki Baumann Holding AG totalling CHF 1.8 million and against CHSZ Holding AG of CHF 2.1 million, in each case attracting interest at 2.25% p. a.

The account balances, which are reported under the position “other related parties and companies”, are held at InCore Bank AG. The Maerki Baumann Holding AG holds a participation of 49% on the InCore Bank AG.

Holders of significant participations and groups of holders of participations with pooled voting rights

in CHF 1 000	2019		2018	
	Nominal	% of equity	Nominal	% of equity
Maerki Baumann Holding AG *	3 000	100%	3 000	100%

*21.8% held by Hans G. Syz-Witmer, Küsnacht, 21.8% held by Dr. Carole Schmied-Syz, Erlenbach, 51.3% held by CHSZ-Holding AG, Zurich. CHSZ-Holding AG is held by Hans G. Syz-Witmer, Küsnacht, and Dr Carole Schmied-Syz, Erlenbach (both 50%).

Disclosure of own shares and composition of equity capital

	31.12.2019	31.12.2018
Number of own registered shares	0	0
Details on different categories of the share capital		
Registered shares		
Quantity in number of shares	30 000	30 000
Nominal in CHF	100	100
Paid in	100%	100%
Rights and restrictions	none	none

in CHF 1 000	31.12.2019	31.12.2018
Bank's capital	3 000	3 000
Voluntary reserves	32 090	30 361
Statutory reserves	18 797	18 797
Total equity capital (after appropriation of profit)	**53 888**	**52 158**
non-distributable reserves	21 871	21 972

Distributions out of statutory profit reserves and statutory capital reserves are only permitted if, taken together, they exceed 50% of the nominal share capital. Under company law, CHF 1.5 million is therefore not eligible for distribution. Moreover, the regulatory minimum capital requirements have to be taken into account. These further restrict the scope for profit distributions.

Presentation of the maturity structure of financial instruments

in CHF 1 000						Due	Total
	At sight	Cancellable	Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	After 5 years	
Assets/financial instruments							
Liquid assets	192 143						192 143
Amounts due from banks	21 057	14 967	11 332				47 356
Amounts due from securities financing transactions							
Amounts due from clients		9 856	13 759	9 412	1 500		34 527
Mortgage loans		1 099	3 497	11 825	39 461	43 310	99 192
Trading portfolio assets							
Positive replacement values of derivative financial instruments			1 697	363			2 060
Other financial instruments at fair value							
Financial investments			12 200	12 283	151 295	24 125	199 903
Total 2019	**213 200**	**25 923**	**42 486**	**33 883**	**192 256**	**67 434**	**575 181**
Total 2018	212 762	35 146	44 460	43 664	172 066	63 800	571 897
Debt capital/financial instruments							
Amounts due to banks	5 667						5 667
Liabilities from securities financing transactions							
Amounts due in respect of client deposits	529 103						529 103
Trading portfolio liabilities							
Negative replacement values of derivative financial instruments			1 885	357			2 242
Liabilities from other financial instruments at fair value							
Cash bonds							
Bond issues and central mortgage institution loans							
Total 2019	**534 770**		**1 885**	**357**			**537 011**
Total 2018	534 686		1 752	1 108			537 546

Presentation of assets and liabilities by domestic and foreign origin

in CHF 1 000	31.12.2019		31.12.2018	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	192 143		162 460	9 913
Amounts due from banks	17 970	29 386	36 938	3 787
Amounts due from securities financing transactions				
Amounts due from clients	22 482	12 045	29 105	17 044
Mortgage loans	99 192		82 108	
Trading portfolio assets				
Positive replacement values of derivative financial instruments	1 473	587	1 976	741
Other financial instruments at fair value				
Financial investments	29 842	170 061	36 238	191 588
Accrued income and prepaid expenses	8 517		7 626	
Participations	3 826	19	3 845	
Tangible fixed assets	14 327		14 793	
Intangible assets				
Other assets	2 310		1 233	
Capital not paid in				
Total assets	**392 082**	**212 098**	**376 322**	**223 073**

Presentation of assets and liabilities by domestic and foreign origin

in CHF 1 000	31.12.2019		31.12.2018	
	Domestic	Foreign	Domestic	Foreign
Liabilities				
Amounts due to banks	5 667			
Liabilities from securities financing transactions				
Amounts due in respect of client deposits	265 608	263 495	266 435	268 251
Trading portfolio liabilities				
Negative replacement values of derivative financial instruments	2 182	60	2 773	87
Liabilities from other financial instruments at fair value				
Cash bonds				
Bond issues and central mortgage institution loans				
Accrued expenses and deferred income	6 698		5 698	
Other liabilities	1 300		942	
Provisions	784		651	
Reserves for general banking risks	13 697		13 697	
Share capital	3 000		3 000	
Statutory capital reserve	147		147	
of which tax-exempt capital contribution reserve	147		147	
Statutory retained earnings reserve	18 650		18 650	
Voluntary retained earnings reserves	13 000		12 400	
Own shares (negative item)				
Profit carried forward	3 664		3 640	
Profit (result of the period)	6 230		3 024	
Total liabilities	**340 626**	**263 554**	**331 056**	**268 338**

Breakdown of total assets by country or group of countries

in CHF 1 000	31.12.2019		31.12.2018	
	CHF 1 000	%	CHF 1 000	%
Assets				
Europe	132 497	21.9%	123 917	20.7%
Other countries	79 601	13.2%	99 156	16.5%
Total foreign country assets	**212 098**	**35.1%**	**223 073**	**37.2%**
Switzerland	392 082	64.9%	376 322	62.8%
Total assets	**604 181**	**100.0%**	**599 395**	**100.0%**

Breakdown of total assets by credit rating of country groups (risk domicile/net foreign exposure)

in CHF 1 000	31.12.2019		31.12.2018	
	CHF 1 000	%	CHF 1 000	%
FINMA Concordance table				
1 & 2	186 942	88.1%	78 906	36.0%
3	5 517	2.6%	102 609	46.8%
4			23 774	10.8%
5				
6				
7				
No rating	7 007	3.3%		
Lombard loans *	12 632	6.0%	14 189	6.5%
Total assets	**212 098**	**100.0%**	**219 477**	**100.0%**

*A clear breakdown by risk domicile is not possible. However. the collateral is broadly diversified.

Balance sheet by currencies
as at 31.12.2019

in CHF 1 000	CHF	EUR	USD	Other
Assets				
Liquid assets	191 148	846	109	39
Amounts due from banks	1 162	5 209	17 696	23 290
Amounts due from securities financing transactions				
Amounts due from clients	19 823	11 296	3 145	262
Mortgage loans	97 741		1 451	
Trading portfolio assets				
Positive replacement values of derivative financial instruments	813	307	940	
Other financial instruments at fair value				
Financial investments	54 869	118 270	26 764	
Accrued income and prepaid expenses	8 517			
Participations	3 826	19		
Tangible fixed assets	14 327			
Intangible assets				
Other assets	2 310			
Capital not paid in				
Total assets shown in balance sheet	**394 537**	**135 947**	**50 106**	**23 591**
Delivery claims on forward transactions	20 623	29 527	15 295	39
Total assets	**415 160**	**165 475**	**65 401**	**23 629**

Balance sheet by currencies
as at 31.12.2019

in CHF 1 000	CHF	EUR	USD	Other
Liabilities				
Amounts due to banks	5 666		1	
Liabilities from securities financing transactions				
Amounts due in respect of client deposits	300 365	148 979	56 125	23 634
Trading portfolio liabilities				
Negative replacement values of derivative financial instruments	994	307	940	
Liabilities from other financial instruments at fair value				
Cash bonds				
Bond issues and central mortgage institution loans				
Accrued expenses and deferred income	6 698			
Other liabilities	1 297	2	1	
Provisions	784			
Reserves for general banking risks	13 697			
Share capital	3 000			
Statutory capital reserve	147			
of which tax-exempt capital contribution reserve	147			
Statutory retained earnings reserve	18 650			
Voluntary retained earnings reserves	13 000			
Own shares (negative item)				
Profit carried forward	3 664			
Profit (result of the period)	6 230			
Total liabilities shown in the balance sheet	**374 191**	**149 288**	**57 067**	**23 634**
Delivery liabilities on forward transactions	40 685	16 231	7 747	39
Total liabilities	**414 877**	**165 519**	**64 814**	**23 673**
Net position per currency	**283**	**–45**	**587**	**–44**

Information on the off-balance-sheet business

Breakdown of contingent liabilities and contingent assets

in CHF 1 000	31.12.2019	31.12.2018	Change
Guarantees to secure credits and similar	3 515	3 053	462
Performance guarantees and similar			
Other contingent liabilities			
Total contingent liabilities	**3 515**	**3 053**	**462**
Contingent assets arising from tax losses carried forward	1 891	3 849	–1 958
Other contingent assets			
Total contingent assets	**1 891**	**3 849**	**–1 958**

Breakdown of credit commitments

none

Breakdown of fiduciary transactions

in CHF 1 000	31.12.2019	31.12.2018	Change
Fiduciary investments with third-party companies	50 241	44 528	5 713
Fiduciary investments with group companies and linked companies			
Fiduciary loans and other fiduciary transactions			
Total fiduciary transactions	**50 241**	**44 528**	**5 713**

Breakdown of managed assets

in CHF million	31.12.2019	31.12.2018	Change
Assets in collective investment schemes managed by the bank			
Assets under discretionary asset management agreements	5 597	4 642	955
Other managed assets	2 924	2 539	385
Total managed assets (including double counting)	**8 521**	**7 182**	**1 339**
of which double counting			
Total managed assets (including double counting) at beginning	**7 182**	**7 673**	**–491**
Net new money inflow or net money outflow	–41	–65	24
Price gains/losses, interests, dividends and currency gains/losses	1 381	–425	1 806
Other effects			
Total managed assets (including double counting) at end	**8 521**	**7 182**	**1 339**

Total managed assets include assets associated with the processing of investment-related transactions. Own shares are also included in this item, as they are not treated as client assets held exclusively for safe deposit purposes. Client assets held exclusively for safe deposit purposes are not included in total client assets. Assets managed by the bank under a discretionary mandate may be held in custody accounts at other banks. Assets with a discretionary mandate are those client assets where investment decisions are made by the bank. Other assets under management are those assets where investment decisions are made by the client. In the year under review, no reclassification was undertaken from or into this category.

Net asset flow is comprised of the net result of the inflow and outflow of client funds and assets held in custody accounts at the current value at the time of the relevant transaction. Interest, charges and fees credited or charged to customers by the bank are not included in net asset flow.

Information on the income statement

Net trading income

in CHF 1000	2019	2018	Change
Interest rate instruments			
Equity securities			
Foreign currencies	1820	1806	14
Commodities/precious metals	3	8	–5
Total net trading income	**1823**	**1814**	**9**

The bank does not engage in trading for its own account. The net trading income was generated mainly with private clients.

Disclosure of material refinancing income in the item interest and discount income as well as material negative interest

in CHF 1000	2019	2018	Change
Negative interest in lending business (reduction in interest and discount income)	–162	–193	31
Negative interest received on deposit business	25	26	–1

Personnel expenses

in CHF 1000	2019	2018	Change
Salaries	17511	16636	875
Social insurance benefits	2801	2720	81
Changes in book value for economic benefits and obligations arising from pension schemes			
Other personnel expenses	323	271	52
Total personnel expenses	**20636**	**19627**	**1009**

Other operating expenses

in CHF 1 000	2019	2018	Change
Office space expenses	524	604	–80
Expenses for information and communications technology	1 530	1 555	–25
Expenses for vehicles, equipment, furniture and other fixtures	132	201	–69
Fees of audit firm	354	148	206
of which for financial and regulatory audits	222	148	74
of which for other services	132	0	132
Other operating expenses	8 016	7 685	331
Total other operating expenses	**10 556**	**10 194**	**362**

Explanations regarding material losses, extraordinary income and expenses and material releases of hidden reserves, reserves for general banking risks and valuation adjustments and provisions no longer required

none

Disclosure and reasons for revaluation of participations and tangible fixed assets up to the acquisition cost

none

Current and deferred taxes/disclosure of the tax rate

in CHF 1 000	2019	2018	Change
Current taxes	130	177	–47
Deferred taxes	0	0	0
Total taxes	**130**	**177**	**–47**
Tax rate	n/a	n/a	

Owing to the release of taxed reserves for general banking risks in the previous years, there is a gross tax-deductible loss carryforward of TCHF 12 085.

Because of the tax-deductible loss carryforward, no income tax is due on the reported profit. Factoring this out, the tax rate would be 21%.

Disclosure relating to equity capital and liquidity

Disclosure obligations under supervisory law

Maerki Baumann is participating in the pilot phase for the establishment of a regime for small banks, an initiative conceived by FINMA with a view to allowing very secure banks of supervisory categories 4 and 5 to benefit from reduced regulatory requirements. Among other things, the pilot scheme envisages banks having to publish fewer key figures in the context of disclosure requirements. The precise details can be found on the corresponding FINMA termsheet.

Eligible and regulatory capital

in CHF 1000	31.12.2019	31.12.2018
Eligible capital		
Common equity Tier 1 capital (CET1)	53 888	52 158
Total eligible capital	**53 888**	**52 158**
Sum of risk-weighted positions – calculation according to termsheet	**290 876**	**319 582**
Total minimum required capital	**23 270**	**25 567**

Simplified leverage ratio – calculation according to term sheet

in CHF 1000	31.12.2019	31.12.2018
Tier 1 capital	53 888	52 158
Assets (excluding goodwill and participations) and off-balance-sheet transactions	606 407	606 290
Simplified leverage ratio – calculation according to term sheet	8.9%	8.6%

Information on the liquidity coverage ratio (LCR)

in CHF 1 000	2019	2018
Total of High Quality Liquid Assets (HQLA)		
Average Q1	168 994	188 163
Average Q2	199 650	238 086
Average Q3	215 496	193 625
Average Q4	185 399	189 401
Total net cash outflows		
Average Q1	73 617	64 113
Average Q2	50 319	72 587
Average Q3	77 318	53 442
Average Q4	76 242	75 444
Liquidity coverage ratio (LCR)		
Average Q1	229.6%	293.5%
Average Q2	396.8%	328.0%
Average Q3	278.7%	362.3%
Average Q4	243.2%	251.0%

Key equity ratios according to FINMA Circular 2016/1

Eligible and regulatory capital

in CHF 1000		31.12.2019	31.12.2018
Eligible Capital			
Common equity Tier 1 capital (CET1)		53 888	52 158
Total eligible capital		**53 888**	**52 158**
Required Capital	**Approach used**		
Credit risk	International BIS SA-CCR, comprehensive	11 855	12 389
Non-counterparty-related risks	International BIS SA-CCR, comprehensive	1 146	1 183
Market risk	Market risk standard approach	267	99
Operational risk	Basic indicator approach	5 148	4 911
Total minimum required capital		**18 416**	**18 582**
Countercyclical capital buffer		700	582
Sum of risk weighted positions		230 200	232 275
Countercyclical capital buffer in relation to the sum of risk weighted positions		0.3%	0.3%
Capital Ratios			
Common equity Tier 1 capital ratio (CET1 ratio)		23.4%	22.5%
Tier 1 capital ratio		23.4%	22.5%
Ratio of regulatory capital (Tier 1 & Tier 2) without countercyclical capital buffer		23.4%	22.5%
Ratio of regulatory capital (Tier 1 & Tier 2) with countercyclical capital buffer		23.1%	22.2%

Proposals to the General Meeting

The Board of Directors proposes the following motions to the General Meeting to be held on 1 April 2020:

1. To approve the Annual Report consisting of management report and financial statements for 2019.

2. To grant discharge to the members of the Board of Directors and the Executive Board in respect of their conduct of business in the 2019 financial year.

3. To appropriate the annual profit plus the profit brought forward from the previous year:

in CHF 1 000	2019
Profit carried forward	3 664
Plus annual profit	6 230
At the disposal of the General Meeting	9 894
Dividend	–4 500
Allocation to statutory retained earnings reserve	0
Allocation to voluntary retained earnings reserves	0
Carried forward to new account	5 394

4. Re-election of the standing members of the Board of Directors for a further one-year term, namely:
   - Hans G. Syz-Witmer
   - Dr Carole Schmied-Syz
   - Prof. Bruno Gehrig
   - Urs Lauffer
   - Michele Moor

5. Reappointment of PricewaterhouseCoopers AG, Zurich, as statutory auditor for one year.

Report of the statutory auditor

to the General Meeting of Maerki Baumann & Co. AG, Zurich

Report on the financial statements

As statutory auditor, we have audited the financial statements of Maerki Baumann & Co. AG, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 23 to 64), for the year ended 31 December 2019.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the articles of incorporation.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
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Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (art. 728 CO and art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with art. 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Romer	Larissa Huber
Audit expert Auditor in charge	Audit expert

Zurich, 23 March 2020

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Publishing information

Publisher
Maerki Baumann & Co. AG

Photographer
Beat Schweizer

Layout and Print
Köpflipartners AG