MAERKI BAUMANN & CO. AG

PRIVATBANK

Annual Report 2021

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Attuned to unfolding developments

Dear Sir or Madam

Our private bank can look back on a very successful financial year. This finding alone stands in stark contrast to the impression that all of us will inevitably have gained in recent months. The COVID-19 pandemic has maintained its firm grip on our lives. Catastrophic scenarios prominently displayed in the media allowed us to believe that we had been knocked off course and totally exposed to a fate shaped by coronavirus.

Don't get me wrong: I am in no way denying that the greatest healthcare catastrophe for decades has also claimed many – too many – victims in Switzerland too, and unfortunately continues to hang over us. And even if impressive feats of medicine such as vaccinations and the first effective treatment drugs have significantly improved the situation, we must resign ourselves to restrictions on our personal lives for even longer, as well as the lasting economic damage inflicted by the pandemic.

But none of this should prevent us from acknowledging the positive developments that can be reported, particularly in Switzerland. Many companies managed to adapt flexibly to the new, admittedly difficult, parameters that faced them in 2021 and report good to very good results, thereby justifying the trust of their clients. And I can say with confidence that this is also true of our private bank. Thanks to our lean, professional and committed team, we remained attuned to developments in the second year of the pandemic too – and were able to achieve good to very good results for our circle of clients despite a market environment that was stormy at times. Both my sister and I feel a strong need to pass on to all our employees – including on behalf of the Board of Directors – our deep gratitude for their dedication and professionalism. Time and again, including throughout the most challenging phases of the reporting year, they came up with customized solutions for our clients, thereby once again justifying the great trust placed in us.

Just a few facts should underscore the success of the recent financial year. For one thing, we were able to increase our assets under management to more than CHF 10 billion – for the first time in the long history of our private bank. This positive development was driven by both good asset performance and CHF 934 million in net new money. By expediently building up our crypto centre of competence we succeeded in attracting new – and for the most part quite young – clients. We also expanded our client base further through our presence in the German market. A particularly pleasing aspect for me is that, in addition to having been privileged to look after many of our clients for decades, we are now also increasingly managing the assets of their descendants. Here too, our strengthened digital offering has clearly proved a crucial factor.

All of these expansion steps were only possible because our bank continues to have a very robust capital base. Our BIS tier 1 ratio of more than 27% remains more than double the regulatory minimum. We have therefore maintained a strong financial foundation on which to generate future growth, as well as invest further in our advisory offering and modern technologies. Another achievement that I should mention at this point is that we managed to increase net profit in the 2021 financial year strongly to CHF 7.7 million.

Remaining attuned to unfolding developments – this basic attitude will shape our work in the current year too. 2022 will be another year with no shortage of challenges. Quite clearly the pandemic is still with us. Despite very high case numbers, including in Switzerland, it appears from today's standpoint that we will be spared the disaster of our healthcare system being overwhelmed. However, no one can say with confidence whether that will remain the case for the next few months, or whether or not another new wave sparked by yet another new mutation of the virus will head our way in the autumn. That said, we have learned to live with coronavirus, and have good cause to hope that we will once again have our freedoms restored to us in many areas of life.

We obviously also face other challenges, such as the development of the economy and the evolution of sentiment in the markets that are so crucial to our business. This is an area in which geopolitical developments – and most seriously of all the Ukraine conflict – will have repercussions. But with our proven modular investment solutions, we have laid the basis in recent years for smoothing out even significant market fluctuations for our investors. As a private bank, we are and remain – unlike listed financial companies – overwhelmingly committed to our clients above all other stakeholders, particularly in difficult times.

Let me conclude with a few reflections on the political parameters that are obviously so important to the financial world. The state took on a particularly active role during the COVID-19 pandemic. It had an impact on all of our lives through the restrictions it imposed, and deployed huge sums of money to overcome both the health and economic consequences of the pandemic. I am not going to criticise that approach, even if certain individual measures can clearly be singled out for criticism. But what appears much more important to me now is that this swathe of regulatory restrictions drawn up by the state – on both our personal lives and the working of our economy – is cut right back to a sensible minimum once the pandemic is over. I am in no doubt whatsoever that freedom is of paramount importance not just to human activity, but also when it comes to successfully dealing with opportunities and risks.

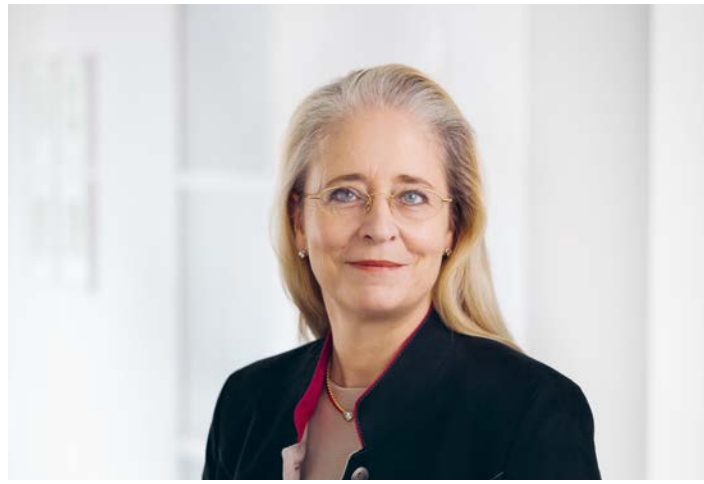
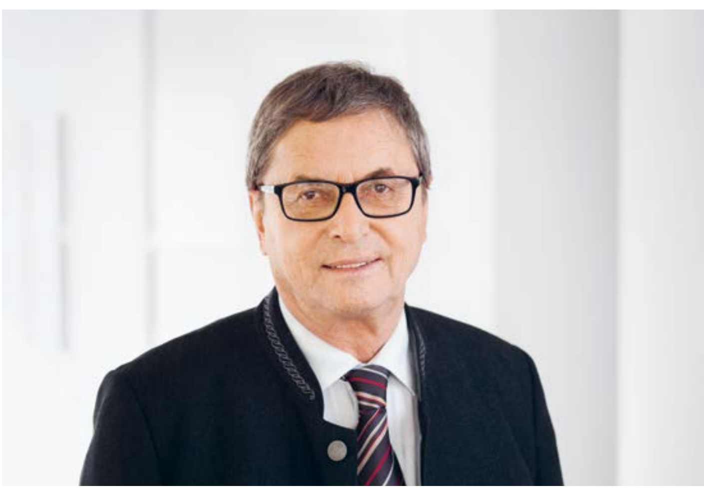
I would like to wish you and all our employees all the very best – particularly on the health front.

On behalf of the Board of Directors

Hans G. Syz-Witmer
Chairman

“Thanks to our lean, professional and dedicated team, we remain attuned to unfolding developments.”

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 our private 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 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), the Arthouse Movie Commercio group (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 our private 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 Friends of the Tonhalle-Gesellschaft Zürich. Furthermore, she chairs our 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 our private 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 (s / bf-HSG) 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.

Urs Lauffer
Member of the Board of Directors

Urs Lauffer (b.1958), Swiss Certified PR adviser/management consultant, has been a member of our private bank's Board of Directors since 2010, of the Board of Directors of Maerki Baumann Holding AG since 2009, and Chairman of the Board of Directors of CHSZ-Holding AG since 2021 (2007–2020 member).
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 talented 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, holds a CAS in FinTech and has been a member of our private 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.

Report from the Executive Board

Eyes on the future

2021 was another year dominated by the fight against the coronavirus pandemic, which proved to be a challenge for both our society and our economy in many respects. But if we restrict our gaze to the global economy and financial markets, it was a surprisingly good year, with many equity markets recording gains of more than 20% – well above their historical averages. Much of this was driven by the expansionary monetary policy of the world's key central banks, led by the Fed in the US. Although the negative interest rate environment continued to pose a significant challenge, our industry benefited from higher assets under management as well as persistently strong securities trading turnover. For 2022 we are expecting further growth in the global economy, but also heightened uncertainty regarding economic and geopolitical developments – a situation we believe we are well equipped to handle with our investment policy orientation and "defensive growth" approach.

Maerki Baumann recorded a very pleasing business development in 2021 with substantial growth: our client assets under management broke through the symbolic threshold of CHF 10 billion for the first time, while net profit doubled compared to the previous year. What paved the way for this result was the targeted development of our private bank over many years. We have always been determined to combine the proven with the new. The coronavirus pandemic in particular put the robustness of our business model to the test: our hybrid client servicing approach involves dedicated, client-focused work on the part of our staff on one hand, but also modern digital applications such as our e-banking solution and mobile banking app on the other.

The constancy of our shareholder base and our long-term horizon provide us with considerable independence as well as great stability in our business activity. Together with the remarkable motivation of our employees, this provides us with the ideal platform from which to deliver our services wholly in the interests of our clients. A very special form of recognition in the reporting year came in the form of the first-ever issuance of a borrower rating indicating very good quality, namely "A-". In addition, the business magazine "Bilanz" once again crowned us the best Swiss private bank, while Germany's "Elite Report" awarded us the "summa cum laude" seal of quality for the 14th time in a row.

Back in 2018 we became one of the first Swiss private banks to develop our own crypto strategy. Interested clients can now use Maerki Baumann to trade the most common cryptocurrencies around the clock, have these cryptocurrencies held in safe custody, obtain advisory services that extend to digital assets as well as traditional asset categories, and have a diversified crypto portfolio managed on their behalf. The "Cryptocurrencies" focus module is now integrated into our innovative modular investment platform. We also managed to carve out a lucrative market niche in our offering for business clients who wish to make the most of blockchain technology and crypto applications.

Business performance of Maerki Baumann

Maerki Baumann achieved an excellent annual result for the 2021 financial year, with gross profit of CHF 9.06 million and net profit of CHF 7.72 million. This strong result is down to successful business activity, significant organic growth in all business areas, and gratifying performance.

At CHF 3.53 million (+3%), the result from the interest business was more or less in line with that of the previous year, despite the persistently low level of interest rates and the negative interest environment. Another driver of the positive result was the targeted management of our balance sheet structure. At CHF 34.11 million, the result from the commission and services business surpassed the prior-year level by a very substantial CHF 6.23 million (+22%). The strong growth in the assets of our clients over the course of the financial year led to a significant rise in asset-dependent fees. We were also able to increase turnover-dependent income. As a result of higher securities turnover and the growing corporate client business, including the associated foreign exchange income, net trading income of CHF 3.38 million once again significantly surpassed the prior-year level (+53%). At CHF 1.66 million, other ordinary income was virtually unchanged on the previous year, in line with expectations.

Headcount adjusted for part-time employees increased from 66 to 73 persons during the reporting year, which is attributable to the rise in business volumes. The additional staff and higher performance-related compensation were in turn the drivers of the CHF 2.84 million rise in personnel expenses (+14%). The increase in general administrative expenses by CHF 0.62 million to CHF 10.33 million (+6%) can be considered moderate, particularly in view of the pandemic-related savings measures in the previous year. Operating expenses thus amounted to CHF 33.62 million, equivalent to a rise of CHF 3.46 million or 11%. A positive development of note was the reduction in the cost-income ratio from 86% to 79% in the reporting year, despite the higher operating expenses.

Assets under management surged by a very impressive CHF 1.66 billion in 2021 to CHF 10.26 billion, equivalent to a rise of more than 19%. This increase in the asset base is attributable to positive performance of CHF 724 million and net new assets of CHF 934 million. With the exception of one month, net new asset growth was positive throughout the year, underscoring the significant growth momentum enjoyed by Maerki Baumann. In keeping with our market strategy, 80.3% of assets under management at the end of 2021 related to the Swiss market, and 8.5% to the German market.

Maerki Baumann has well-established systems in place for identifying, limiting and monitoring its key risks. The Board of Directors and Executive Board regularly engage with the relevant market, credit, liquidity and operational risks. The bank's conservative risk and business policy is reflected in its excellent liquidity and capital adequacy ratios. The liquidity coverage ratio averaged 323.2% in 2021, well in excess of the requirement of 110% stipulated by the regulatory regime that applies to small banks. Given the highly promising growth outlook, we issued a subordinate "additional tier 1" bond in December 2021. Together with the retained profit of CHF 3.5 million in 2021, this measure resulted in an increase in core capital of around CHF 17 million (+31%). Maerki Baumann also classifies a proportion of the hidden reserves relating to the bank building as supplementary capital (tier 2 capital), which amounts to CHF 8.8 million after the deduction of deferred tax assets. In keeping with these developments, at the end of 2021 our private bank had increased its BIS core capital ratio (tier 1 ratio) by 3.2 percentage points to 27.4%, as against the regulatory minimum of 10.5%. The total capital ratio stood at 30.7% at the year-end. This very robust capital base not only testifies to the stability of our private bank's balance sheet structure, it also gives us the necessary flexibility to finance future growth.

Outlook

It is our conviction that generating a financial return while at the same time having a positive impact on the environment and society are mutually compatible objectives. For this reason, we have signed up to the UN Principles for Responsible Investment. We also support the priorities for action of the Association of Swiss Asset and Wealth Management Banks, where the focus is on greater transparency, climate-related stress tests and specific reductions in company emissions. We will therefore place greater emphasis on sustainability in the area of private banking and in the indirect real estate business, too. Furthermore, we want to expand our investment universe by offering our clients access to attractive private equity investments in the near future. In addition, we are planning to launch a crypto certificate so that clients can invest in this new asset class in a diversified way with even modest investment volumes.

We are very confident that Maerki Baumann is ideally equipped to face the challenges to come. For a long time, achieving a certain critical mass was deemed to be a key success factor for a private bank. With the founding of InCore Bank and the associated outsourcing of standard processes to a transaction bank, we put the wheels in motion some 15 years ago for preserving our independence in our core business. Today it is increasingly apparent that a bank's business model matters more than its size. The key factors in the digitalization of the banking business are proving to be agility and speed. Established, flexible institutions such as Maerki Baumann that exhibit a pronounced degree of stability and reliability have an advantage here. In keeping with our motto "Trust has a future", we will continue to follow this path faithfully – in the interests of our clients.

On behalf of the Executive Board

Dr Stephan A. Zwahlen
Chief Executive Officer

“For a private bank, it’s not size that matters but agility, reliability and security.”

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 (CEO) since February 2016. He joined our private 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 international mandate business. From 2005 to 2007 he worked 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 began his career at the Swiss Institute of Banking and Finance (s/bf-HSG), which is attached to the University of St. Gallen.
Stephan Zwahlen studied – and obtained a doctorate in – Business Administration with a specialisation in banking and finance at the University of St. Gallen (HSG) 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 remains closely in touch with academic research. He also lectures in banking at the University of St. Gallen.
Stephan Zwahlen is married and has two daughters. As well as spending time with his family he enjoys travelling, golf, skiing and modern art.

Lukas S. Risi
Deputy CEO
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 our private 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 at 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 the Crisis Task Force and the Credit Committee. He is responsible for finance, 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 back 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. He obtained his doctorate after conducting research at Columbia University in New York and working for the Swiss Institute for Banking and Finance 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 of 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 of Urs Lauffer (Chairman), Hans G. Syz-Witmer and Dr Carole Schmied-Syz.

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, Cureglia*

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

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

Extended Executive Board
Rolf Frey, Head of Indirect Real Estate

Senior Management
Emilio Amati, Roger Arnet, Thomas Bollhalder, Michael Bosse, Peter Brönnimann, Stefan Brunner, Patrick Bürgi, Simone Debrunner, Andreas Fröhlicher, Nils Ganz, Patrick Haimoff, Milko Hensel, Philippe Hungerbühler, Annette Käppeli, Christian Kappes, Jörg Krämer, Rolf Kunz, Stefan Meier, Markus Meili, Monika Mose-Lüscher, Armin Müller, Marco Müller, Konstantinos Ntefeloudis, Gérard Piasko, Reinhard Rutz, Roger Sharma, Timur Siber, Marcel Spalinger, Sandro Stricker, Anna Tenucci, Fabian Welandagoda, Remo Wissmann, Marc Wyss, Stéphane Zumello

Internal Audit
gwp Geissbühler Weber & Partner

Auditors
PricewaterhouseCoopers AG, Zurich

As at 1 April 2022

* 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
gwp Geissbühler Weber & Partner

Private Banking
Lukas S. Risi
Deputy Reinhard Rutz
Deputy Konstantinos Ntefeloudis

- **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**
  Sandro Stricker
- **Mortgages & Retirement Planning**
  Nils Ganz
- **IT & Digitalisation**
  Marco Müller
- **Operations Center**
  Fabian Welandagoda
- **Cash Desk & Reception**
  Nils Ganz
- **Services**
  Eugen Hasler

As at 1 April 2022

* Member of the extended Executive Board

Key figures

in CHF 1 000	2021	2020
Profit (result of the period)	7 721	3 804
Gross profit	9 060	5 012
Net commission business and services income	34 114	27 887
Net trading income	3 379	2 215
Net interest income	3 532	3 413
Operating expenses	33 620	30 158
Total assets	1 159 021	616 003
Client assets	10 260 823	8 603 066
Eligible capital	80 994	55 042
Required regulatory capital	21 105	18 197
Excess capital	59 889	36 845
Tier 1 capital ratio	27.4%	24.2%
Total capital ratio	30.7%	24.2%
Number of employees (full-time equivalents)	73	66

Financial statements

Balance sheet

in CHF 1 000	31.12.2021	31.12.2020	Change
Assets			
Liquid assets	572 945	228 041	344 904
Amounts due from banks	127 072	19 380	107 693
Amounts due from clients	58 785	48 079	10 706
Mortgage loans	122 541	103 012	19 529
Trading portfolio assets	6 506	–	6 506
Positive replacement values of derivative financial instruments	1 515	1 179	336
Financial investments	241 572	189 420	52 151
Accrued income and prepaid expenses	8 237	7 235	1 002
Participations	3 844	3 844	–0
Tangible fixed assets	13 872	14 019	–147
Other assets	2 135	1 793	341
Total assets	**1 159 021**	**616 003**	**543 019**
Total subordinated claims	–	–	–

in CHF 1 000	31.12.2021	31.12.2020	Change
Liabilities			
Amounts due to banks	757	4 802	–4 046
Amounts due in respect of client deposits	1 063 807	542 080	521 728
Negative replacement values of derivative financial instruments	5 648	2 331	3 316
Bond issues and central mortgage institution loans	13 600	–	13 600
Accrued expenses and deferred income	10 378	6 942	3 436
Other liabilities	1 639	1 040	600
Provisions	428	565	– 137
Reserves for general banking risks	14 247	14 247	–
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 reserve	13 000	13 000	–
Profit carried forward	5 998	5 394	604
Profit (result of the period)	7 721	3 804	3 917
Total liabilities	**1 159 021**	**616 003**	**543 018**
Total subordinated liabilities	13 609	–	13 609
of which with conversion obligation and/or debt waiver	13 609	–	13 609
Off-balance-sheet transactions			
Contingent liabilities	4 690	3 645	1 045
Irrevocable commitments	12 702	4 119	8 583

Income statement

in CHF 1000	2021	2020	Change
Result from interest operations			
Interest and discount income	2025	2282	–257
Interest and dividend income from trading portfolio	14	–	14
Interest and dividend income from financial investments	1032	1068	–35
Interest expense	551	63	488
Gross result from interest operations	**3623**	**3413**	**210**
Changes in value adjustments for default risks and losses from interest operations	–91	–	–91
Subtotal net result from interest operations	**3532**	**3413**	**119**
Result from commission business and services			
Commission income from securities trading and investment activities	38258	31692	6566
Commission income from lending activities	45	33	11
Commission income from other services	837	621	216
Commission expense	–5026	–4459	–566
Subtotal result from commission business and services	**34114**	**27887**	**6227**
Result from trading activities and the fair value option	**3379**	**2215**	**1164**
Other result from ordinary activities			
Result from the disposal of financial investments	–	41	–41
Income from participations	1007	914	94
Other ordinary income	652	701	–49
Other ordinary expenses	–4	–1	–4
Subtotal other result from ordinary activities	**1655**	**1655**	**–**

in CHF 1 000	2021	2020	Change
Operating expenses			
Personnel expenses	–23 291	–20 447	–2 844
General and administrative expenses	–10 329	–9 711	–618
Subtotal operating expenses	**–33 620**	**–30 158**	**–3 463**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	–399	–580	181
Changes to provisions and other value adjustments and losses	–90	64	–153
Operating result	**8 571**	**4 496**	**4 076**
Extraordinary income	–	–	–
Extraordinary expenses	–	–	–
Changes in reserves for general banking risks	–	–550	550
Taxes	–850	–141	–709
Profit (result of the period)	**7 721**	**3 804**	**3 917**
Appropriation of profit			
Profit (result of the period)	7 721	3 804	3 917
Profit carried forward	5 998	5 394	604
Distributable profit	**13 720**	**9 198**	**4 521**
Appropriation of profit			
Allocation to statutory retained earnings reserves	–	–	–
Allocation to voluntary retained earnings reserves	–2 000	–	–2 000
Distributions from distributable profit	–4 200	–3 200	–1 000
Other appropriation of profit	–	–	–
New amount carried forward	**7 520**	**5 998**	**1 521**

Statement of changes in equity

in CHF 1 000	Share capital	Capital reserve	Retained earnings 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**	**14 247**	**18 394**	**–**	**3 804**	**58 242**
Dividends and other distributions							–3 200	–3 200
Other allocations to (releases from) other reserves		–	–	–	–		–	–
Net change of profit carried forward					604		–604	–
Profit/loss of the period							7 721	7 721
Equity at end of current period	**3 000**	**147**	**18 650**	**14 247**	**18 998**	**–**	**7 721**	**62 763**

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 context, it also conducts lending business. Its main business area and principal source of income is the commission and service fee business, which accounts for approximately 80% of ordinary income. Interest margin business contributes 8% to ordinary income and trading business 8%. Other ordinary income accounts for around 4%.

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 (including digital assets)
- 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, including the trading of various digital assets. The bank does not engage in any significant trading 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.

Lending business

The bank adheres to a restrictive lending policy and as a rule grants 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 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 interval, 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 rela-

tionship 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).
As a rule, 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 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. The bank does not engage in market-maker activities. Trading takes place in standardised as well as OTC instruments. 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. 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 (regu-

lations, 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. 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

Identifying default risks

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, fur-

ther collateral is required or the shortfall in collateral is reviewed in order to determine whether a corresponding valuation adjustment 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.

Determining the need for value adjustments
As an institution participating in the small banks regime, i.e. in supervisory category 5, value adjustments for default risks on non-impaired loans need to be created for latent default risks. The bank has decided to create additional value adjustments for default risks on non-impaired loans for inherent default risks.

Value adjustments for default risks on impaired loans
Loans are impaired if there is a high probability that the debtor will be unable to meet his future obligations. Signs of impairment are present in the following cases:

- where the debtor is in considerable financial difficulties;
- where an actual breach of contract has occurred;
- where concessions are granted to the debtor owing to economic or legal circumstances in connection with financial difficulties on the part of the debtor, which the creditor would not otherwise grant;
- where there is a high probability of the debtor facing bankruptcy or restructuring;
- where an impairment loss is recorded for the asset concerned in a preceding reporting period;
- where an active market for this financial asset disappears owing to financial difficulties;
- in the event of past experience with collection of the receivable suggesting that the full nominal value cannot be recovered.

Impaired loans are shown at liquidation value, as is any collateral. Individual value adjustments are made for impaired 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.

Value adjustments for default risks on non-impaired loans
In the case of losses incurred that cannot be assigned to a specific borrower, value adjustments are created for latent default risks. Value adjustments are created for inherent default risks in the case of loans that are not impaired and where losses have not yet been incurred.

The bank does not create value adjustments for expected losses on non-impaired loans.

Value adjustments for latent default risks

Default risks are deemed latent and covered by value adjustments for latent default risks if, due to events that have already occurred by the date on which the annual financial statements were prepared, losses are expected but cannot yet be assigned to specific borrowers. Such events may include empirical values recorded by the bank showing the regular occurrence of losses on amounts due from clients and mortgages where the cause lies in the past financial year but information about the loss event in relation to the individual borrower was not yet known to the bank by the date on which the annual financial statements were prepared. A historical perspective shows that the bank did not have any credit defaults to report in previous years.

Other events of this type may include major events that occur on a sporadic basis, including natural disasters, pandemics, economic shocks and turmoil in financial and money markets. In the case of major sporadic events that were recorded prior to the close of the financial year but whose impact on the individual exposures cannot be assessed individually, the potential effects on affected regions or sectors are estimated and corresponding value adjustments created where there is a risk of loss. The COVID-19 pandemic has no impact on the bank's borrowers, as the bank does not engage in commercial lending. COVID-19 credits that were provided are secured by corresponding guarantees.

Value adjustments for inherent default risks

Every credit transaction involves an inherent default risk. Value adjustments for inherent default risks are value adjustments for losses that have not yet occurred. The following balance sheet items are included in the estimate of inherent loss risks:

- Amounts due from banks
- Amounts due from clients
- Mortgages
- Financial investments (debt instruments held to maturity)

Value adjustments for inherent default risks are estimated based on allocation of the exposures of the bank and counterparty to a rating category in accordance with the FINMA concordance table for non-securitised exposures. The probability of default is estimated with reference to a particular point in time. This is based on current conditions and incorporates residual maturities and forecasts of future overall economic conditions on the balance sheet date. The bank estimates a probability of default for the seven rating categories as follows:

Rating category	Description	Comparable ratings of external agencies	Probability of default depending on residual maturity (1–15 years)
1	Investment grade	AAA	0.00 %–0.74 %
2		AA	0.02 %–1.02 %
3		A	0.05 %–1.89 %
4		BBB	0.16 %–4.69 %
5	Speculative	BB	0.61 %–14.67 %
6		B	3.33 %–27.12 %
7	Exposed	C and D	27.08 %–52.59 %

The bandwidth refers to the differing residual maturity of the exposure.

Provisions for default risks on off-balance-sheet transactions
In the case of default risks on off-balance-sheet transactions in the “Contingent liabilities” and “Irrevocable undertakings” items for which no provisions have yet been made due to the absence of a likely cash outflow that can be reliably estimated, additional provisions are created for inherent and latent default risks.
In the case of losses incurred on off-balance-sheet transactions that cannot yet be assigned to a specific borrower, provisions are created for latent default risks.
In the case of off-balance-sheet transactions that are not impaired and where losses have not yet been incurred, provisions are created for inherent default risks. The bank does not create provisions for expected losses on off-balance-sheet transactions.
In the case of the creation of provisions for default risks on off-balance-sheet transactions, the same procedures, systems and methods are used as for the creation of value adjustments on impaired and non-impaired loans.

Use of value adjustments and provisions for latent and inherent default risks
Value adjustments and provisions for inherent default risks may be used in particular in a crisis situation for the creation of individual value adjustments on impaired loans and for provisions for default risks on off-balance-sheet transactions without the value adjustments and provisions for inherent default risks being replenished immediately.
In the event of an exceptionally large requirement for individual value adjustments for impaired loans, the bank evaluates whether it intends to use the value adjustments and provisions created for inherent default risks to cover the required individual value adjustments and provisions.
The need for individual value adjustments and provisions is deemed exceptionally strong if it exceeds 10% of the item “Gross result from interest operations”. The value adjustments and provisions created in the year under review were not used to cover individual value adjustments and provisions.

Replenishing a funding gap
If the use of value adjustments and provisions for inherent default risks with no immediate replenishment leads to a funding gap, this funding gap will be rectified through replenishment within a maximum of five financial years.

Funding gap in value adjustments and provisions for inherent default risks
The requirements regarding the creation of value adjustments and provisions for inherent default risks entered into force on 1 January 2020. The bank implemented these provisions in 2021 and is currently in the process of initial creation of these value adjustments on a dynamic, straight-line basis. As at 31 December 2021, the value adjustments are estimated at CHF 950,000 for the year 2025. The transitional provisions of the FINMA Accounting Ordinance (FINMA-AO) permit initial creation up to 31 December 2025. In addition to the current value adjustments and provisions for inherent risks, a further CHF 760,000 therefore needs to be created by the end of 2025. There is currently no funding gap in value adjustments and provisions for inherent default risks due to utilisation to cover required individual value adjustments and provisions.

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.

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, this includes 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
Types of underlying and hedging transactions
The bank uses hedge accounting, above all, in connection with interest rate risks relating to interest-sensitive assets and liabilities in the banking book. Hedging is effected through the use of interest-rate swaps.

Composition of groups of financial instruments
Certain interest-sensitive positions in the banking book (above all mortgages and financial investments) are grouped into various interest bands per currency and hedged by means of macro hedges. Alternatively, a sufficiently large position in the banking book can be hedged individually by means of a micro hedge.

Economic correlation between underlying and hedging transaction
As soon as a financial instrument is classified as a hedging relationship, the bank documents the relationship between the hedging instrument and the hedged underlying transaction. Among other things, it documents the risk management objectives and strategy behind the hedge and the methods to evaluate the effectiveness of the hedging relationship.
The economic correlation between the underlying and the hedge is evaluated on an ongoing basis through

effectiveness tests, including through the observation of inverse value development and the respective degree of correlation.

Measuring effectiveness
A hedge is deemed to be effective to a significant extent if the following criteria are essentially fulfilled:
- The hedge is deemed to be highly effective both when first applied and during the corresponding term.
- There is a close economic correlation between the underlying transaction and hedging transaction.
- There is an inverse relationship between value changes on the part of the underlying and the hedging transaction with respect to the risk being hedged.

Ineffectiveness
As soon as a hedging transaction no longer fulfils the criteria of effectiveness, it is reclassified as a trading transaction and the component from the ineffective part is booked to the income statement position "Result from trading activities and the fair value option".

Personnel
At year-end the bank had 73 full-time equivalent employees (previous year: 66).

Regime for small banks
Maerki Baumann was admitted to the small-banks regulatory regime by FINMA as of 1 January 2020. The temporary exemptions granted to banks owing to the COVID-19 crisis (including reduction to take account of dividend payments) in respect of calculating the simplified leverage ratio pursuant to FINMA guidance expired on 31 December 2020. Maerki Baumann initially met the 8% requirement for the simplified leverage ratio even after the expiry of this temporary exemption. Due to the ongoing inflow of new money from existing as well as new clients, which is typically invested on a step-by-step basis, client deposits – and therefore the overall exposure of Maerki Baumann – increased constantly in 2021; the bank therefore fell short of the 8% requirement for the simplified leverage ratio for the first time in the first quarter of 2021. Maerki Baumann immediately notified FINMA that it had missed the target and was given 12 months to meet the criteria for the small-banks regime once again in full and on a lasting basis. In light of expectations of further growth, the bank took the decision based on operational considerations to exit the small-banks regime at the end of April 2022.

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 Swiss Code of Obligations, the Banking Act, the Banking Ordinance, the FINMA Accounting Ordinance and Circular 20/1 “Accounting – banks” of the Swiss Financial Market Supervisory Authority (FINMA). These financial statements are deemed to be reliable assessment statutory single-entity financial statements, which present a true and fair view of the commercial situation of the bank in such a way that allows a third party to form a reliable opinion. The financial statements may contain hidden reserves. 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.
- Holdings of own bonds are netted with the corresponding liability position.

Expenses and income are netted only in the following cases:
- Newly created default-risk-related value adjustments and losses from interest-related business as well as newly formed provisions and other value adjustments and losses are netted with corresponding recoveries and with value adjustments and provisions no longer required.
- Price gains from trades and transactions with price losses from these trades or transactions measured in accordance with the fair-value option.
- Positive value adjustments for financial investments valued at lower of cost or market with negative value adjustments for the same.

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.
Client assets that take the form of digital assets are held in custody separately for each client on the blockchain, hence they are assignable to the individual client at any time. Their separability is therefore ensured, and client assets held in the form of digital assets appear as safe custody assets in client custody account state-

ments rather than being included on the bank's balance sheet.

Basis of consolidation

Maerki Baumann & Co. AG is fully consolidated into 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	31.12.2021	31.12.2020
EUR	1.0364	1.08037
USD	0.9126	0.88228

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.

The methods for identifying default risks and determining the need for value adjustments are explained in detail under "Methods used to identify default risks and determine the need for value adjustments":

- Exposed loans where it is unlikely that the debtor will be able to meet his future obligations are valued individually and shown at liquidation value. Individual value adjustments are made for any impairments.
- In the case of losses incurred that cannot be assigned to a specific borrower, value adjustments are created for latent default risks.
- Value adjustments are created for inherent default risks in the case of loans that are not impaired and where losses have not yet been incurred.
- The bank does not create value adjustments for expected losses on non-impaired loans.

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

The bank's own positions in securities, precious metals and digital assets that are actively managed in order to benefit from market price fluctuations or achieve arbitrage profits are classified as 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

Derivative financial instruments are used for both trading and hedging purposes.

Trading transactions

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".

Hedging transactions

The bank also uses derivative financial instruments in the context of its assets/liability management activities to manage interest rate risks. Hedging transactions are valued in the same way as the hedged underlying transactions. The profit on the hedge is assigned to the same income position as the corresponding profit on the hedged transaction. The valuation gain of hedging instruments is booked to the compensation account if no value adjustment has been made for the underlying transaction. The net balance of the compensation account is indicated in the "Other assets" or "Other liabilities" positions.

Hedging relationships and the objectives and strategies of the hedging business are documented by the bank upon conclusion of each derivative hedging transaction. The effectiveness of the hedging relationship is periodically reviewed. Hedging transactions for which the hedging relationship is no longer wholly effective or is only partly effective are treated in the same way as trading portfolios in respect of the ineffective part.

Client transactions

Replacement values of derivative financial instruments from client transactions appear on the balance sheet where a risk of loss may arise for the bank during the residual term of the contract if the client or the other counterparty (exchange, member of an exchange, issuer of the instrument, broker, etc.) can no longer meet his commitments. The bank includes the replacement values from commission business for both OTC and exchange-traded contracts on its balance sheet.

Financial investments

Equities, proprietary physical precious metal holdings and proprietary digital assets 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".

Debt investments which are not expected to be held to maturity as well as equities, own holdings of precious metals and own digital assets 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.
In the case of default risks on off-balance-sheet transactions in the “Contingent liabilities” and “Irrevocable undertakings” items, for which no provisions have yet been made due to the absence of a likely cash outflow that can be reliably estimated, additional provisions are created for inherent and latent default risks.
The methods for identifying default risks and determining the need for provisions are explained in detail under “Methods used to identify default risks and determine the need for value adjustments”:
- In the case of losses incurred on off-balance-sheet transactions that cannot yet be assigned to a specific borrower, provisions are created for latent default risks.
- In the case of off-balance-sheet transactions that are not impaired and where losses have not yet been incurred, provisions are created for inherent default risks.
- The bank does not create provisions for expected losses on off-balance-sheet transactions.

Provisions are recognised as follows via the individual items of the income statement:
- Provisions for deferred taxes: “Taxes” item
- Pension provisions and restructuring provisions in connection with personnel: “Personnel expenses” item
- Other provisions: “Changes in provisions and other value adjustments and losses” item

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.

Result from interest operations
Currency swaps for the interest business are also concluded as part of the bank's asset and liability management strategy. These generate interest income. The profit achieved on currency swaps concluded in connection with the interest business is reported under “Interest and discount income”.
Negative interest paid in the lending business is recorded as a reduction under “Interest and discount income”. Negative interest received in the deposit business is recorded as a reduction under “Interest expense”.

Taxes
Ongoing expenses relating to income and capital tax are reported in the income statement under “Taxes”. 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.

Treatment of overdue interest
Interest and corresponding commissions that have been due for more than 90 days are deemed overdue. Should

a debtor be more than 90 days in arrears on interest payments, the interest due is allocated directly to the value 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 value adjustments have been made are classified as exposed loans until they have been repaid in full.

Changes compared with the previous year

The accounting and valuation principles are unchanged versus the prior year, with the following exception:
the new FINMA Accounting Ordinance and the fully revised FINMA Circular 20/1 "Accounting – banks" entered into force on 1 January 2020 and were implemented by the bank in 2021. These regulatory instruments require the creation of value adjustments for default risks on non-impaired loans and the creation of provisions for risks relating to off-balance-sheet transactions for which no provisions have yet been made due to the absence of a likely cash outflow that can be reliably estimated.
The methods for identifying default risks and determining the need for value adjustments and provisions are explained in detail under "Methods used to identify default risks and determine the need for value adjustments".

The provisions for latent risks of CHF 99,000 as at 31 December 2020 no longer corresponded to the new definition of latent risks; accordingly, this provision was written back. Additionally required value adjustments for inherent default risks are created on a straight-line basis up to 31 December 2025. A value adjustment of CHF 950,000 was estimated for inherent default risks on non-impaired exposures and will be created on a straight-line basis up to 31 December 2025. Accordingly, a value adjustment of CHF 190,000 was created in 2021. This estimate is renewed each year based on the set criteria. The value adjustments and provisions are created in the income statement via the item "Changes in value adjustments for default risks and losses from interest operations". For value adjustments and provisions on non-impaired exposures created in 2021, please refer to the table "Value adjustments and provisions/reserves for general banking risks".
These changes have no impact on the bank's hidden reserves.

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		–	57 021	1 765	58 786
Mortgage loans		122 605			122 605
Residential property		119 205	–	–	119 205
Other		3 400	–	–	3 400
Total loans	**2021**	**122 605**	**57 021**	**1 765**	**181 390**
(before netting with value adjustments)	2020	103 012	46 352	1 727	151 090
Total loans	**2021**	**122 541**	**57 020**	**1 765**	**181 325**
(after netting with value adjustments)	2020	103 012	46 352	1 727	151 090
Off-balance-sheet					
Contingent liabilities		–	4 690	–	4 690
Irrevocable commitments		–	11 380	1 322	12 702
Total off-balance-sheet	**2021**	**–**	**16 070**	**1 322**	**17 392**
	2020	–	6 462	1 302	7 764

		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans/receivables	**2021**	**–**	**–**	**–**	**–**
	2020	–	–	–	–

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

in CHF 1 000	31.12.2021	31.12.2020
Assets		
Trading portfolio assets		
Debt securities	6 406	–
of which listed	6 406	–
Equity securities	–	–
Precious metals and commodities	–	–
Other trading portfolio assets	99	–
Total trading portfolio assets	6 506	–
Other financial instruments at fair value		
none		
Total of trading portfolio assets and other financial instruments at fair value	6 506	–
of which determined using a valuation model	–	–
of which securities eligible for repo transactions in accordance with liquidity requirements	4 581	–

Trading portfolio transactions entered into with cryptocurrencies for own account are reported under the headings "Other trading assets" or "Other trading liabilities".
On the balance sheet date there were no liabilities from trading portfolio liabilities or other financial instruments stated at fair value.

Presentation of derivative financial instruments (assets and liabilities)

in CHF 1 000	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments						
Forward contracts incl. FRAs	–	–	–	–	–	–
Swaps	–	–	–	173	–	10 000
Futures	–	–	–	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (Exchange-traded)	–	–	–	–	–	–
Foreign exchange/precious metals						
Forward contracts	178	4 484	456 971	–	–	–
Combined interest rate/currency swaps	–	–	–	–	–	–
Futures	–	–	–	–	–	–
Options (OTC)	5	5	5 156	–	–	–
Options (Exchange-traded)	–	–	–	–	–	–
Equity securities/indices						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures	–	–	–	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (Exchange-traded)	1 159	1 159	242 775	–	–	–
Credit derivatives	none	none	none	none	none	none
Other	none	none	none	none	none	none

Presentation of derivative financial instruments (assets and liabilities) (continued)

in CHF 1 000		Trading instruments			Hedging instruments		
		Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Total before netting agreements	**2021**	**1 342**	**5 648**	**704 903**	**173**	**–**	**10 000**
	2020	1 179	2 237	229 298	–	94	10 000
Total after netting agreements	**2021**	**1 342**	**5 648**	**704 903**	**173**	**–**	**10 000**
	2020	1 179	2 237	229 298	–	94	10 000

in CHF 1 000		Total	
		Positive replacement values	Negative replacement values
Total after netting agreements	**2021**	**1 515**	**5 648**
	2020	1 179	2 331

Breakdown by counterparty

in CHF 1 000	Central clearing houses	Banks and securities dealers	Other clients
Positive replacement value (after consideration of netting agreements)	–	1 019	496

Breakdown of financial investments

in CHF 1 000	Carrying amount		Fair value	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Debt securities	235 587	189 420	237 312	191 704
of which intended to be held to maturity	235 587	189 420	237 312	191 704
of which not intended to be held to maturity (available for sale)	–	–	–	–
Equity securities	5 985	–	6 967	–
Total	**241 572**	**189 420**	**244 279**	**191 704**
of which securities eligible for repo transactions in accordance with liquidity requirements	64 646	30 922	64 329	31 254

Breakdown of counterparties by rating (FINMA Concordance table)

in CHF 1 000	1 & 2	3	4	5 & 6	7	Unrated
Debt securities: book values	129 454	74 731	23 012	–	–	8 389

Presentation of participations

in CHF 1 000	Other participations	
	With market value	Without market value
Acquisition cost	–	3 845
Accumulated value adjustments	–	– 1
Book value at end of previous year	**–**	**3 844**
Current year		
Reclassifications	–	–
Additions	–	–
Disposals/Foreign currency differences	–	–
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	24 554	4 630	3 131	32 314
Accumulated depreciation	–10 997	–4 304	–2 994	–18 295
Book value at end of previous year	**13 557**	**326**	**136**	**14 019**
Current year				
Additions	–	214	38	252
Disposals	–	–	–	–
Depreciation	–16	–333	–49	–399
Reversals	–	–	–	–
Book value at end of current year	**13 541**	**207**	**125**	**13 872**

Lease commitments from operating leases

in CHF 1 000	31.12.2021	31.12.2020
Due within 12 months	15	58
Due between 12 months and 5 years	–	15
Due after more than 5 years	–	–
Total leasing obligations not recognised in the balance sheet	15	72

Presentation of intangible assets

none

Breakdown of other assets and other liabilities

in CHF 1000	Other assets		Other liabilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Compensation account	–	94	173	–
Settlement accounts	–	–	1 147	744
Indirect taxes	1 104	573	219	205
Direct taxes	–	0	–	–
Other	1 030	1 125	101	91
Total	**2 135**	**1 793**	**1 639**	**1 040**

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

in CHF 1000	Book values	Effective commitments	Book values	Effective commitments
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Pledged/assigned assets				
Due from banks	5 095	3 897	1 532	1 245
Financial investments to cover margin requirements of banks	17 080	p.m.	20 876	p.m.

Assets under reservation of ownership

none

Disclosure on the economic situation of own pension schemes

none

Presentation of the economic situation of own pension schemes (employer contribution reserves)

in CHF 1 000

Employer contribution reserves	31.12.2021	31.12.2020
Nominal value	500	–
Waiver of use	–	–
Net amount	**500**	**–**

Impact of employer contribution reserves on personnel expenses

in CHF 1 000	2021	2020
	500	–

The employer contribution reserves are reported at their nominal value as per the statement issued by the pension scheme. They are not capitalised. The nominal amount of the employer contribution reserves is not discounted.

in CHF 1 000	2021	2020
Pension expenses in personnel expenses: pension fund	2 156	1 614
Paid-in contributions for the reporting period: pension fund	2 156	1 614

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.

Bonds and mandatory convertible bonds outstanding

in CHF 1 000

	Interest rate	Type of bond	Year of issue	Maturity	Callable as of	Outstanding amount
	3.000%	subordinated additional Tier 1 bond	2021	indefinite	22.06.27	13 600
Total as at 31.12.2021						**13 600**

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

in CHF 1 000

	Balance at end of 2020	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 2021
Provisions								
Provisions for deferred taxes	–	–	–	–	–	–	–	–
Provisions for default risks	99	–	–	–	–	–	–99	–
Provisions for other business risks	216	–	–	–	–	–	–	216
Other provisions	250	–38	–	–	–	–	–	212
Total provisions	**565**	**–38**	**–**	**–**	**–**	**–**	**–99**	**428**

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

in CHF 1 000	Balance at end of 2020	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 2021
Value adjustments for default risks and country risks								
Value adjustments for default risks on impaired loans	–	–	–	–	–	–	–	–
Value adjustments for expected losses	–	–	–	–	–	–	–	–
Value adjustments for inherent default risks	–	–	–	–	–	190	–	190
Value adjustments for latent default risks	–	–	–	–	–	–	–	–
Total value adjustments for default risks and country risks	**–**	**–**	**–**	**–**	**–**	**190**	**–**	**190**
Reserves for general banking risks (tax paid)	**14 247**	**–**	**–**	**–**	**–**	**–**	**–**	**14 247**

Presentation of the share capital

	2021			2020		
	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 of any employee participation schemes

none

Disclosure of amounts due from/to related parties

in CHF 1 000	Amounts due from		Amounts due to	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Significant shareholders	6 504	7 081	770	458
Group companies	–	–	–	–
Linked companies	–	–	101	105
Transactions with members of governing bodies	–	–	407	388
Other related parties and companies	27 122	9 723	0	3 910

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". Ordinary banking transactions are conducted on the terms applicable to employees. Amounts due from qualified participants include unsecured claims against CHSZ Holding AG of CHF 1.6 million, 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. Maerki Baumann Holding AG holds a participation of 49% in InCore Bank AG.

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

in CHF 1 000	2021		2020	
	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

	31.12.2021	31.12.2020
Number of own registered shares	–	–
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	31.12.2021	31.12.2020
Bank's capital	3 000	3 000
Voluntary reserves	36 766	33 245
Statutory reserves	18 797	18 797
Total equity capital (after appropriation of profit)	**58 563**	**55 042**
non-distributable reserves	27 700	20 883

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	572 945	–	–	–	–	–	572 945
Amounts due from banks	46 781	25 000	55 292	–	–	–	127 072
Amounts due from clients	–	7 588	16 496	14 014	20 456	230	58 785
Mortgage loans	–	899	24 820	6 118	45 191	45 513	122 541
Trading portfolio assets	6 506	–	–	–	–	–	6 506
Positive replacement values of derivative financial instruments	–	–	971	371	–	173	1 515
Financial investments	5 985	–	16 934	27 193	174 846	16 614	241 572
Total 2021	**632 216**	**33 487**	**114 512**	**47 696**	**240 492**	**62 530**	**1 130 934**
Total 2020	242 421	11 233	47 684	64 373	179 495	43 906	589 111
Debt capital/financial instruments							
Amounts due to banks	757	–	–	–	–	–	757
Amounts due in respect of client deposits	1 042 690	3 321	10 951	6 845	–	–	1 063 807
Negative replacement values of derivative financial instruments	–	–	5 195	453	–	–	5 648
Bond issues and central mortgage institution loans	–	–	–	–	–	13 600	13 600
Total 2021	**1 043 447**	**3 321**	**16 146**	**7 297**	**–**	**13 600**	**1 083 812**
Total 2020	542 471	–	6 063	585	–	94	549 213

Presentation of assets and liabilities by domestic and foreign origin

in CHF 1 000	31.12.2021		31.12.2020	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	572 945	–	228 041	–
Amounts due from banks	124 823	2 249	18 659	721
Amounts due from clients	41 027	17 757	30 503	17 576
Mortgage loans	122 541	–	103 012	–
Trading portfolio assets	99	6 406	–	–
Positive replacement values of derivative financial instruments	1 350	165	535	644
Financial investments	47 163	194 409	50 820	138 600
Accrued income and prepaid expenses	8 237	–	7 235	–
Participations	3 826	18	3 826	19
Tangible fixed assets	13 872	–	14 019	–
Other assets	2 135	–	1 793	–
Total assets	**938 018**	**221 004**	**458 443**	**157 560**

Presentation of assets and liabilities by domestic and foreign origin

in CHF 1 000	31.12.2021		31.12.2020	
	Domestic	Foreign	Domestic	Foreign
Liabilities				
Amounts due to banks	757	–	4 802	–
Amounts due in respect of client deposits	517 116	546 691	280 253	261 826
Negative replacement values of derivative financial instruments	5 499	149	2 235	96
Bond issues and central mortgage institution loans	13 600	–	–	–
Accrued expenses and deferred income	10 378	–	6 942	–
Other liabilities	1 639	–	1 040	–
Provisions	428	–	565	–
Reserves for general banking risks	14 247	–	14 247	–
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 reserve	13 000	–	13 000	–
Profit carried forward	5 998	–	5 394	–
Profit (result of the period)	7 721	–	3 804	–
Total liabilities	**612 181**	**546 840**	**354 080**	**261 922**

Breakdown of total assets by country or group of countries

in CHF 1 000	31.12.2021		31.12.2020	
	CHF 1 000	%	CHF 1 000	%
Assets				
Europe	124 950	10.8%	83 366	13.5%
Other countries	96 054	8.3%	74 194	12.0%
Total foreign country assets	**221 004**	**19.1%**	**157 560**	**25.6%**
Switzerland	938 018	80.9%	458 443	74.4%
Total assets	**1 159 021**	**100.0%**	**616 003**	**100.0%**

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

in CHF 1 000	31.12.2021		31.12.2020	
	CHF 1 000	%	CHF 1 000	%
FINMA Concordance table				
1 & 2	190 851	86.4%	126 866	80.5%
3	5 229	2.4%	5 469	3.5%
4	–	–	–	–
5	–	–	–	–
6	–	–	–	–
7	–	–	–	–
No rating	7 003	3.2%	7 005	4.4%
Lombard loans *	17 922	8.1%	18 220	11.6%
Total assets	**221 004**	**100.0%**	**157 560**	**100.0%**

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

Balance sheet by currencies
as at 31.12.2021

in CHF 1 000	CHF	EUR	USD	Other
Assets				
Liquid assets	572 297	487	137	24
Amounts due from banks	64 658	27 662	19 692	15 060
Amounts due from clients	38 761	12 399	5 738	1 886
Mortgage loans	120 170	–	2 371	–
Trading portfolio assets	99	–	6 406	–
Positive replacement values of derivative financial instruments	1 328	26	152	8
Financial investments	69 173	87 708	84 691	–
Accrued income and prepaid expenses	8 237	–	–	–
Participations	3 826	18	–	–
Tangible fixed assets	13 872	–	–	–
Other assets	2 135	–	–	–
Total assets shown in balance sheet	**894 555**	**128 301**	**119 186**	**16 979**
Delivery claims on forward transactions	3 437	201 161	231 108	27 263
Total assets	**897 992**	**329 462**	**350 295**	**44 242**

Balance sheet by currencies
as at 31.12.2021

in CHF 1 000	CHF	EUR	USD	Other
Liabilities				
Amounts due to banks	365	–	0	391
Amounts due in respect of client deposits	379 693	315 280	334 321	34 514
Negative replacement values of derivative financial instruments	5 462	26	152	8
Bond issues and central mortgage institution loans	13 600	–	–	–
Accrued expenses and deferred income	10 378	–	–	–
Other liabilities	1 634	3	2	–
Provisions	428	–	–	–
Reserves for general banking risks	14 247	–	–	–
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 reserve	13 000	–	–	–
Profit carried forward	5 998	–	–	–
Profit (result of the period)	7 721	–	–	–
Total liabilities shown in the balance sheet	**474 324**	**315 309**	**334 476**	**34 912**
Delivery liabilities on forward transactions	427 527	14 021	16 047	9 183
Total liabilities	**901 851**	**329 331**	**350 523**	**44 095**
Net position per currency	**–3 859**	**132**	**–228**	**147**

Information on the off-balance-sheet business

Breakdown of contingent liabilities and contingent assets

in CHF 1 000	31.12.2021	31.12.2020	Change
Guarantees to secure credits and similar	4 690	3 645	1 045
Performance guarantees and similar	–	–	–
Other contingent liabilities	–	–	–
Total contingent liabilities	**4 690**	**3 645**	**1 045**
Contingent assets arising from tax losses carried forward	–	1 401	–1 401
Other contingent assets	–	–	–
Total contingent assets	**–**	**1 401**	**–1 401**

Breakdown of credit commitments

none

Breakdown of fiduciary transactions

in CHF 1 000	31.12.2021	31.12.2020	Change
Fiduciary investments with third-party companies	30 653	20 122	10 530
Fiduciary investments with group companies and linked companies	–	–	–
Fiduciary loans and other fiduciary transactions	–	–	–
Total fiduciary transactions	**30 653**	**20 122**	**10 530**

Breakdown of managed assets

in CHF million	31.12.2021	31.12.2020	Change
Assets in collective investment schemes managed by the bank	–	–	–
Assets under discretionary asset management agreements	6 344	5 598	747
Other managed assets	3 917	3 005	911
Total managed assets (including double counting)	**10 261**	**8 603**	**1 658**
of which double counting	–	–	–
Total managed assets (including double counting) at beginning	**8 603**	**8 521**	**82**
Net new money inflow or net money outflow	934	–216	1 149
Price gains/losses, interests, dividends and currency gains/losses	724	298	426
Other effects	–	–	–
Total managed assets (including double counting) at end	**10 261**	**8 603**	**1 658**

Total managed assets include assets (including digital 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 the 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

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

in CHF 1 000	2021	2020	Change
Negative interest in lending business (reduction in interest and discount income)	– 1 199	– 117	– 1 082
Negative interest received on deposit business	589	83	506

Personnel expenses

in CHF 1 000	2021	2020	Change
Salaries	19 447	17 322	2 125
Social insurance benefits	3 530	2 813	717
Other personnel expenses	314	311	3
Total personnel expenses	**23 291**	**20 447**	**2 845**

Other operating expenses

in CHF 1 000	2021	2020	Change
Office space expenses	508	463	45
Expenses for information and communications technology	1 602	1 428	174
Expenses for vehicles, equipment, furniture and other fixtures	199	131	68
Fees of audit firm	186	170	15
of which for financial and regulatory audits	157	170	– 13
of which for other services	28	–	28
Other operating expenses	7 836	7 519	317
Total other operating expenses	**10 329**	**9 711**	**618**

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

Current and deferred taxes/disclosure of the tax rate

in CHF 1 000	2021	2020	Change
Current taxes	850	141	709
Deferred taxes	–	–	–
Total taxes	**850**	**141**	**709**
Average tax rate on the basis of operating result	9.9%	3.1%	

The weighted average tax rate is 9.9%. Given the continued existence of this carryforward of TCHF 4 940, income tax is only due on the disclosed profit for the excess portion. Factoring this out, the tax rate would be 19.7%.

Disclosure relating to equity capital and liquidity

Disclosure obligations under supervisory law for banks under the small banks regime

Maerki Baumann was admitted to the small-banks regulatory regime by FINMA as of 1 January 2020. The temporary exemptions granted to banks owing to the COVID-19 crisis (including reduction to take account of dividend payments) in respect of calculating the simplified leverage ratio pursuant to FINMA guidance expired on 31 December 2020. Maerki Baumann initially met the 8% requirement for the simplified leverage ratio even after the expiry of this temporary exemption. Due to the ongoing inflow of new money from existing as well as new clients, which is typically invested on a step-by-step basis, client deposits – and therefore the overall exposure of Maerki Baumann – increased constantly in 2021; the bank therefore fell short of the 8% requirement for the simplified leverage ratio for the first time in the first quarter of 2021. Maerki Baumann immediately notified FINMA that it had missed the target and was given 12 months to meet the criteria for the small-banks regime once again in full and on a lasting basis.
In light of expectations of further growth, the bank took the decision based on operational considerations to exit the small-banks regime at the end of April 2022.

Eligible and regulatory capital

in CHF 1000	31.12.2021	31.12.2020
Eligible capital		
Common equity Tier 1 capital (CET1)	58563	55042
Additional core capital (AT1)	13600	–
Core capital (T1)	**72163**	**55042**
Supplementary capital (T2)	8831	–
Total eligible capital	**80994**	**55042**
Total minimum required capital (minimum required capital according to small-banks regulatory regime)	**93806**	**36005**

Simplified leverage ratio

in CHF 1000	31.12.2021	31.12.2020
Tier 1 capital after appropriation of profit	72163	55042
Assets (excluding goodwill and participations) and off-balance-sheet transactions	1172570	619922
Adjustments due to the temporary easings for banks as a result of the COVID-19 crisis, including reduction due to the dividend payment	–	–169864
Adjusted assets (excluding goodwill and participations) and off-balance-sheet transactions	1172570	450058
Simplified leverage ratio (calculation according to term sheet)	6.2%	12.2%

Information on the liquidity coverage ratio (LCR)

in CHF 1 000	2021	2020
Total of High Quality Liquid Assets (HQLA)		
Average Q1	239 190	210 250
Average Q2	283 281	241 885
Average Q3	406 396	239 785
Average Q4	569 919	234 848
Total net cash outflows		
Average Q1	97 945	79 727
Average Q2	84 806	89 035
Average Q3	113 416	86 308
Average Q4	168 926	90 018
Liquidity coverage ratio (LCR)		
Average Q1	244.2%	263.7%
Average Q2	334.0%	271.7%
Average Q3	358.3%	277.8%
Average Q4	337.4%	260.9%

Key equity ratios according to Basel III

Eligible and regulatory capital

in CHF 1 000		31.12.2021	31.12.2020
Eligible Capital			
Common equity Tier 1 capital (CET1)		58 563	55 042
Additional core capital (AT1)		13 600	–
Core capital (T1)		**72 163**	**55 042**
Supplementary capital (T2)		8 831	–
Total eligible capital		**80 994**	**55 042**
Required Capital	**Approach used**		
Credit risk	International BIS SA-CCR, comprehensive	14 307	11 511
Non-counterparty-related risks	International BIS SA-CCR, comprehensive	1 110	1 122
Market risk	Market risk standard approach	119	219
Operational risk	Basic indicator approach	5 506	5 345
Other minimum required capital		64	0
Total minimum required capital		**21 105**	**18 197**
Countercyclical capital buffer		–	–
Sum of risk weighted positions		263 814	227 463
Countercyclical capital buffer in relation to the sum of risk weighted positions		0.0%	0.0%
Capital Ratios			
Common equity Tier 1 capital ratio (CET1 ratio)		22.2%	24.2%
Tier 1 capital ratio		27.4%	24.2%
Ratio of regulatory capital (Tier 1 & Tier 2) without countercyclical capital buffer		30.7%	24.2%
Ratio of regulatory capital (Tier 1 & Tier 2) with countercyclical capital buffer		30.7%	24.2%

Proposals to the General Meeting

The Board of Directors proposes the following motions to the General Meeting to be held on 11 April 2022:

1. To approve the Annual Report consisting of management report and financial statements for 2021.

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 2021 financial year.

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

in CHF 1 000	2021
Profit carried forward	5 998
Plus annual profit	7 721
At the disposal of the General Meeting	13 720
Dividend	–4 200
Allocation to statutory retained earnings reserve	–
Allocation to voluntary retained earnings reserve	–2 000
Carried forward to new account	7 520

4. Re-election of the standing members of the Board of Directors or election of a new member of the Board of Directors for a one-year term, namely:
   – Hans G. Syz-Witmer
   – Dr Carole Schmied-Syz
   – Prof. Bruno Gehrig
   – Urs Lauffer
   – Michele Moor
   – Jörg Zulauf (new member)

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 72 and 76), for the year ended 31 December 2021.

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 2021 comply with Swiss law and the articles of incorporation.

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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	Adrian Oehri
Audit expert Auditor in charge	Audit expert

Zürich, 21 March 2022

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Publishing information

Publisher
Maerki Baumann & Co. AG

Photographer
Beat Schweizer

Layout and Print
Köpflipartners AG