

Annual Report 2017

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Generational change concluded

Dear friends of Maerki Baumann
Ladies and gentlemen

The 2017 financial year will have a special place in the history of our private bank. For one thing, our overall results were good. And for another, in the last few months we have taken important action to determine and secure the bank's future in the medium to long term. My sister Dr Carole Schmied-Syz and I have acquired our mother Raymonde Syz-Abegg's shares in Maerki Baumann Holding. We therefore hold approximately 95% of Maerki Baumann Holding AG, either directly or through our joint family holding company CHSZ-Holding AG. The Maerki Baumann & Co. AG private bank is a wholly-owned subsidiary of Maerki Baumann Holding AG.

Besides marking the conclusion of the generational change initiated some considerable time ago, this also creates the preconditions for Maerki Baumann to continue operating as a family-owned private bank in the decades to come. This is significant for our employees, and it also lays firm foundations for continuing and intensifying the long-term collaboration with our clients, based – as it has always been – on trust.

But our commitment to the bank is also intended as a clear signal to new clients that we are devoting our own assets to our quest to find personalised solutions for our clients. The experience of the last few years has supplied impressive evidence that this is an area in which family companies particularly excel – and not only in the financial sector.

We are aware as a family that this sort of success can only be achieved in partnership with management and

all our members of staff. So I want to take this opportunity to thank the whole Maerki Baumann team for the impressive devotion and great professionalism they show every day in their work. The bank's manageable size enables us to take necessary decisions promptly and without unnecessary bureaucracy, even if the huge body of governmental and administrative regulation to which we are subjected is unavoidable. But our ambition is to ensure that our clients are less affected in future by this flood of instructions and regulations, and are able to focus in discussions with our client advisors on the ideal individual solutions for the management of their assets. Our operating results in 2017 – as I have already mentioned – can also be regarded as positive. Operating income and net profit both rose substantially once again, further increasing the bank's strength. This is also evident from the core capital ratio, which improved once more year on year and constitutes a solid base for future growth. Finally, the level of client assets entrusted to us has risen by almost CHF 400 million to CHF 7.7 billion. At this juncture we offer our clients our sincere thanks: we are most grateful for their trust and appreciation.

However, the bank's future success depends not only on its own strength but also on the development of the prevailing conditions for the financial sector – both in Switzerland and beyond our borders. On this subject, unfortunately, not all the news is good. The banks are still extremely important to the Swiss economy, but this continues to be denied or talked down. In addition we cannot rely on the unrestricted goodwill of other states, especially in difficult negotiations with them. During the year under review, for example, hardly

any progress was made on the important subject of the private banks' access to the EU area, whereas international competition in our own banking centre remains fierce. I am also very concerned that the automatic exchange of information now in force is granted to some countries with legal systems which – measured against our own standards – could politely be described as archaic. Sensitive client data must not be allowed to fall into the hands of undemocratic regimes whose concern with fair taxation is vanishingly rare ... It is incomprehensible that, while data protection – quite rightly, in my view – is taken very seriously within Switzerland, our authorities are inclined to grant applications from other countries for the disclosure of client data on a grand scale. The banks are consequently being forced to have recourse to the courts, where they are vindicated in almost all cases. There must be a rethink by the authorities. Whatever needs to be done to expose tax evasion should indeed be done. But any more ambitious encroachment on client privacy must be systematically prevented – and if necessary penalised.

If, by pooling our efforts, we succeed in reversing this deterioration in the prevailing conditions for the Swiss financial centre, then I face the future of our industry with confidence. This is particularly true for our own private bank as it goes forward into future financial years. On behalf of our family and the entire Board of Directors I would like to express our gratitude to everyone who has contributed to the success of our bank.

On behalf of the Board of Directors

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

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

«We have created the preconditions for Maerki Baumann to continue operating as a family-owned private bank in the decades to come.»



Board of Directors from left to right:

- Hans G. Syz-Witmer
- Dr Carole Schmied-Syz
- Prof. Dr Bruno Gehrig
- Urs Lauffer
- Michele Moor

Members of the Board of Directors: short CVs

Hans G. Syz-Witmer

Chairman of the Board of Directors

Hans G. Syz-Witmer (b. 1957) has chaired the bank since 1997. Furthermore, he has also been Vice-Chairman of the Board of Directors of Maerki Baumann Holding AG since 2016 (he was Chairman from 2007 to 2016), and has been Vice-Chairman of the Board of Directors of InCore Bank AG, in which Maerki Baumann Holding AG has a major shareholding, since 2009 (having been its Chairman from 2007 to 2009); since 2003, he has been a member of the Board of Directors of CHSZ-Holding AG.

As an entrepreneur, Hans G. Syz-Witmer is a member of several other Boards of Directors and Boards of Trustees, such as Aquila & Co. AG (member of the Board of Directors), Turnus Film AG (Chairman of the Board of Directors), the Schulthess Klinik (Vice-Chairman of the Board of Trustees), the Tonhalle-Gesellschaft Zürich (Vice-Chairman and Treasurer), the Kongresshaus-Stiftung (Vice-Chairman of the Board of Trustees), the Baugarten Zürich Genossenschaft und Stiftung (Chairman of the Board of Trustees and Directors), the Friedrich Steinfels AG (member of the Board of Directors) and the Stiftung Prof. Dr. Max Cloëtta (member of the Board of Trustees).

Dr Carole Schmied-Syz

Vice-Chairwoman of the Board of Directors

Carole Schmied-Syz (b. 1963), Dr iur, has been a member of the bank's Board of Directors since 1998 and its

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: until 2005, for example, she was a member of the Zurich Constitutional Council. She holds a number of other mandates: she is a trustee of the Right To Play Foundation, and in the cultural field she is a member of the board of the Patrons' Association of the Tonhalle-Gesellschaft Zürich. Furthermore, she chairs the bank's art committee.

Prof. Bruno Gehrig

Member of the Board of Directors

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

Urs Lauffer

Member of the Board of Directors

Urs Lauffer (b.1958), Swiss Certified PR adviser/management consultant, has been a member of the bank's Board of Directors since 2010, of the Board of Directors of Maerki Baumann Holding AG since 2009, and of the Board of Directors of CHSZ-Holding AG since 2007.

Urs Lauffer is a co-owner of Lauffer & Frischknecht, a company active in the field of management consultancy for communication. He is also a member of various Boards of Directors and Trustees: he is Chairman of the Board of Directors of Rahn AG, Vice-Chairman of the Board of Directors of Emil Frey Holding AG, Chairman of the Boards of Trustees of the Fritz Gerber Foundation for gifted young people and the Paradies Foundation for social Innovation, and Vice-Chairman of the Swiss Life Perspektiven Foundation.

Michele Moor

Member of the Board of Directors

Michele Moor (b.1965), BSc in Economics, HSG/dipl. El.-Ing. ETH, has been a member of the bank's Board of Directors since 2014.

From 2000 to 2013 Michele Moor was Managing Partner of the Wegelin & Co. private bank, and since 2014 he has been a Director of Ing. Michele Moor SA, his own group of companies based in Lugano, which is primarily active in the finance and services area. From 2005 until 2008, inter alia, Michele Moor was Chairman of the Swiss Officers' Association.

Trust has a future

It will soon be ten years since the outbreak of the major financial crisis that brought the banking system to the brink of collapse, ushering in perhaps the most fundamental structural change ever experienced by the Swiss banking industry. Under huge political pressure from abroad, banking confidentiality in cross-border business came to an end, yielding to the automatic exchange of information. This radical process of change was accompanied by a dramatic rise in regulatory intensity, thus substantially increasing both the cost and the complexity of providing financial services. Last but not least, technological innovations, the market entry of new providers from outside the traditional banking industry and greater market transparency have resulted in fiercer competition and tighter margins in private banking.

During the past decade, of the more than 170 Swiss banks operating in the private banking segment, over 60 have disappeared or been subsumed into larger banks. These changes have been a major business challenge for Maerki Baumann too. However, our pronounced flexibility and our independence as a family-owned company made it much easier for us to adjust our business model in line with the new parameters. Taking a long-term view and with our eyes firmly on client needs, we have clearly focused our market strategy on our core markets, Germany and Switzerland. Moreover, we have invested in staff training, the launch of new services and the establishment of efficient processes and powerful IT systems. We are pleased that the quality of our services in 2017 was appreciated not just by our clients, but also by independent assessors. We received two highly-regarded industry awards: the Swiss business journal "Bilanz" named Maerki Baumann the best Swiss private bank,

and the editors of Germany's "Elite Report" awarded us the attribute "summa cum laude" for the tenth time in succession. And finally, our investment solutions were again awarded the supreme seal of approval as part of our certification by the Munich-based Institut für Vermögensaufbau.

Business performance of Maerki Baumann

Maerki Baumann's gratifying performance in 2017 underscores the fact that long-term investments made in previous years are bearing fruit. The exacting regulatory environment, negative interest rates on balances with the Swiss National Bank and the unrelenting pressure on margins certainly posed challenges, but our efficient, future-oriented business model enabled us to meet them successfully. Having doubled our net profit in 2016, we did it again in 2017: this figure came in at CHF 4.17 million, as against CHF 2.08 million in the previous year. Gross profit also rose by a significant CHF 1.70 million to CHF 5.40 million.

Prudent balance sheet management enabled us to generate net interest income of CHF 4.08 million, roughly on a par with the previous year's figure of CHF 4.13 million. Fee and commission income, which is very important to us, amounted to CHF 27.31 million – down just CHF 0.15 million year on year. This reflects increased efficiency, as our average workforce was substantially smaller in 2017. Commission income was actually slightly up on the 2016 figure, but so was commission expense. At CHF 2.41 million, net trading income was some CHF 0.30 million higher than in the previous year – a development primarily attributable to solid foreign-exchange sales. Other ordinary income

amounted to CHF 3.13 million, up by CHF 1.49 million on the previous year thanks to higher income from investments.

The headcount (full-time-equivalent) at the end of the year under review was unchanged at 73 persons. The previous year's capacity reduction had the effect of reducing personnel expense by a further CHF 0.79 million to CHF 20.68 million. At CHF 10.85 million, general and administrative expenses were CHF 0.66 million higher than in the previous year as a result of the implementation of additional regulatory requirements, investments in Maerki Baumann's market positioning and the continued technological development of our modular investment platform. Operating expenses were nonetheless a marginal CHF 0.12 million below the previous year's figure, at CHF 31.52 million.

Client assets under management rose by CHF 377 million to CHF 7.7 billion, an increase of 5 percent. This growth is attributable to the positive performance of CHF 643 million, reduced by outflows of CHF 265 million. Our core business with Swiss clients posted inflows of CHF 75 million, but regulatory restrictions on client acquisition resulted in outflows in foreign business. At the end of 2017, in order to be able to exploit the German market more effectively in future, Maerki Baumann submitted an application for facilitated exemption to the German financial supervisory authority BaFin. In line with Maerki Baumann's market strategy, the assets of Swiss clients now account for almost 80 percent of our customer base, and those of German clients around 10 percent.

Maerki Baumann has well-established systems for identifying, limiting and monitoring significant risks.

The Board of Directors and Executive Board regularly review the relevant market, credit and liquidity risks as well as operating risks (see "Description of business activities"). Our conservative risk and business policy is reflected in excellent liquidity and capital adequacy ratios. The liquidity coverage ratio averaged 261.6 percent in 2017 (previous year: 233.3 percent), which is very significantly above the requirement of 90 percent. In addition, Maerki Baumann had a BIS core capital ratio (Tier 1 ratio) of 18.8 percent at the end of 2017 (previous year: 17.4 percent), as against the regulatory minimum of 10.5 percent. With this very solid capital base, our private bank has increased its stability still further.

Outlook

As your partner in complex investment matters, Maerki Baumann strives to adapt its services to changed client expectations on an ongoing basis. One way in which we are resisting the trend among private banks towards standardisation is our decision to forego in-house products, focusing instead on personalised investment solutions. To be able to deliver an individual service to clients, the bank must be as flexible and innovative in future as it is now.

In the new modular investment platform, which combines professional asset management with personal advice, we have created the basis for doing just that. The potential of our modular investment solution in differentiating us from the competition is clear – not only from the positive reaction of our clients, but also from the recognition we are receiving from the media and academe.

We attach great importance to exploiting the potential offered by digitalisation. All our client advisors now have a modern advisory app with which personalised investment strategies can be devised for individual clients. And we are investing in the expansion of electronic service channels as a supplement to personal client contact, which will always take pride of place at Maerki Baumann. As an independent, family-owned company, we are ideally equipped to face the future thanks to our personal, candid and transparent service philosophy, our innovative investment solutions and our hard-working employees. More than ever we are convinced of our ability to provide a sustainable service to existing clients with our attractive services, meeting the needs of the next generation of clients in a wholly targeted way.

Where the continued development of Maerki Baumann is concerned, we are conscious of one thing: stability, innovative strength and flexibility may be the central success factors for a private bank in a highly dynamic market environment, but the most important thing for us remains the mutual trust between our clients and ourselves. In this spirit we have formulated our new mission statement under the title of "Trust has a future".

On behalf of the Executive Board

A handwritten signature in black ink, appearing to read 'S. Zwahlen', with a stylized flourish at the end.

Dr Stephan A. Zwahlen
Chief Executive Officer

«The most important thing for us remains the mutual trust between our clients and ourselves – in this spirit we have formulated our new mission statement under the title of ‹Trust has a future›.»



Executive Board from left to right:

Dr Stephan A. Zwahlen

Lukas S. Risi

Robert Simoni

Dr Alexander Ising

Members of the Executive Board: short CVs

Dr Stephan A. Zwahlen

Chief Executive Officer

Stephan A. Zwahlen (b.1978), Dr. oec. HSG, has been Chief Executive Officer since February 2016. He joined the bank's Executive Board as Head of Investment Solutions & Services in April 2009. From September 2010 he had the additional role of deputy CEO before being appointed CEO.

Stephan Zwahlen worked at UBS Global Wealth Management in the area of international mandate business until 2009. From 2005 to 2007 he worked at Maerki Baumann & Co. AG for the first time, 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 started 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 for many years been a member of the Board of the Zurich Banking Association, actively working in the interests of the Swiss financial centre. As Chairman of the Supporters' Association and member of the Managing Committee of the Swiss Institute of Banking and Finance at the University of St. Gallen, he also remains closely in touch with academic research. He regularly lectures in banking at the University of St. Gallen and the Swiss Finance Institute. Stephan

Zwahlen completed his officer training with the Swiss Armed Forces, rising to the rank of a company commander in the Swiss Air Force.

Stephan Zwahlen is married and has a daughter. As well as spending time with his family he enjoys travelling, golf, skiing and modern art.

Lukas S. Risi

Deputy CEO and Head of Private Banking

Lukas S. Risi (b.1974), lic. iur., LL.M., has been Head of Private Banking and Deputy CEO since February 2016. Lukas Risi joined Maerki Baumann & Co. AG as General Counsel and Head of Legal & Compliance in 2009. Since November 2012 he has also headed the Risk & Internal Control Department. He was appointed to the bank's Executive Board as General Counsel and Head of Corporate Services in January 2014.

From 2003 to 2008 Lukas Risi worked as Legal Counsel with Bank Julius Bär, having previously been a lawyer and notary for a law firm in Zug.

Lukas Risi studied law at the University of Fribourg, subsequently qualifying as a lawyer and notary in Zug. He was awarded the degree of Master of Law (LL.M.) in European law by the University of Stockholm.

From 2011 to 2015 Lukas Risi was a member of the Swiss Bankers Association's Commission for the Protection of Swiss Assets.

Lukas Risi is married and has a son and a daughter. He enjoys spending his free time with his family. His special interests include travel, outdoor sports and concert-going.

Robert Simoni

Member of the Executive Board,
Head of Investment Solutions

Robert Simoni (b.1971), graduate in business administration HWV, has been Head of Investment Solutions and a member of the Executive Board since February 2016. As Head of Investment Management he is also responsible for asset management and the administration of our investment solutions.

Robert Simoni joined Maerki Baumann & Co. AG as Senior Portfolio Manager in February 2010, having previously worked in investment management at Zürcher Kantonalbank, Vontobel and LGT. He began his professional career as a client advisor and subsequently as a portfolio manager at Credit Suisse.

He studied business administration at the School of Economics and Business Administration (HWV) in Zurich. He also holds a postgraduate diploma as a financial analyst and asset manager from the Training Center for Investment Professionals.

Robert Simoni is married and has one son. He enjoys spending his leisure time with his family or engaging in various sports.

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 Risk & Internal Control and Head of Business Development. He is responsible for banking operations, for the continuing development of our investment solutions, and for meeting regulatory and fiscal requirements.

Alexander Ising joined Maerki Baumann & Co. AG in 2009, initially holding various positions in investment management. He had previously worked at the Wegelin & Co. private bank as a fund analyst.

Alexander Ising studied economics at the Ludwig Maximilian University of Munich. After conducting research work at Columbia University in New York and working for the Swiss Institute for Banking and Finance, he obtained a doctorate at the University of St. Gallen, focusing mainly on finance.

Alexander Ising is married, and has a daughter and a son. He spends his free time with his family, and he enjoys travelling and skiing.

Ownership and organisational structure

Ownership

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

- CHSZ-Holding AG, Zurich	51,3 %
- Hans G. Syz-Witmer	21,8 %
- Dr Carole Schmied-Syz	21,8 %
- Third-party shareholders	5,1 %

The Board of Directors of Maerki Baumann Holding AG is comprised by Dr Carole Schmied-Syz (Chairwoman), Hans G. Syz-Witmer (Vice-Chairman), Urs Lauffer and Bignia Vieli.

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

Board of Directors

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

Audit Committee**

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

Executive Board

Dr Stephan A. Zwahlen, CEO
Lukas S. Risi, Deputy CEO, Head Private Banking
Robert Simoni, Head Investment Solutions
Dr Alexander Ising, Head Corporate Services

Senior Management

Emilio Amati, Michael Bosse, Peter Brönnimann, Reto Cavelti, Rolf Frey, Nils Ganz, Milko Hensel, Ora Hutmacher, Annette Käppeli, Christian Kappes, Alexander Lühr, Monika Lüscher, Markus Meili, Marco Müller, Dagmara Nägeli, Gérard Piasko, Reinhard Rutz, Gerard Schmid, Christoph Schnellmann, Michael Siegmann, Christian Weber, Marc Wyss, Stéphane Zumello, Jean Nadine Zwahlen

Internal Audit

Stefan Künzler

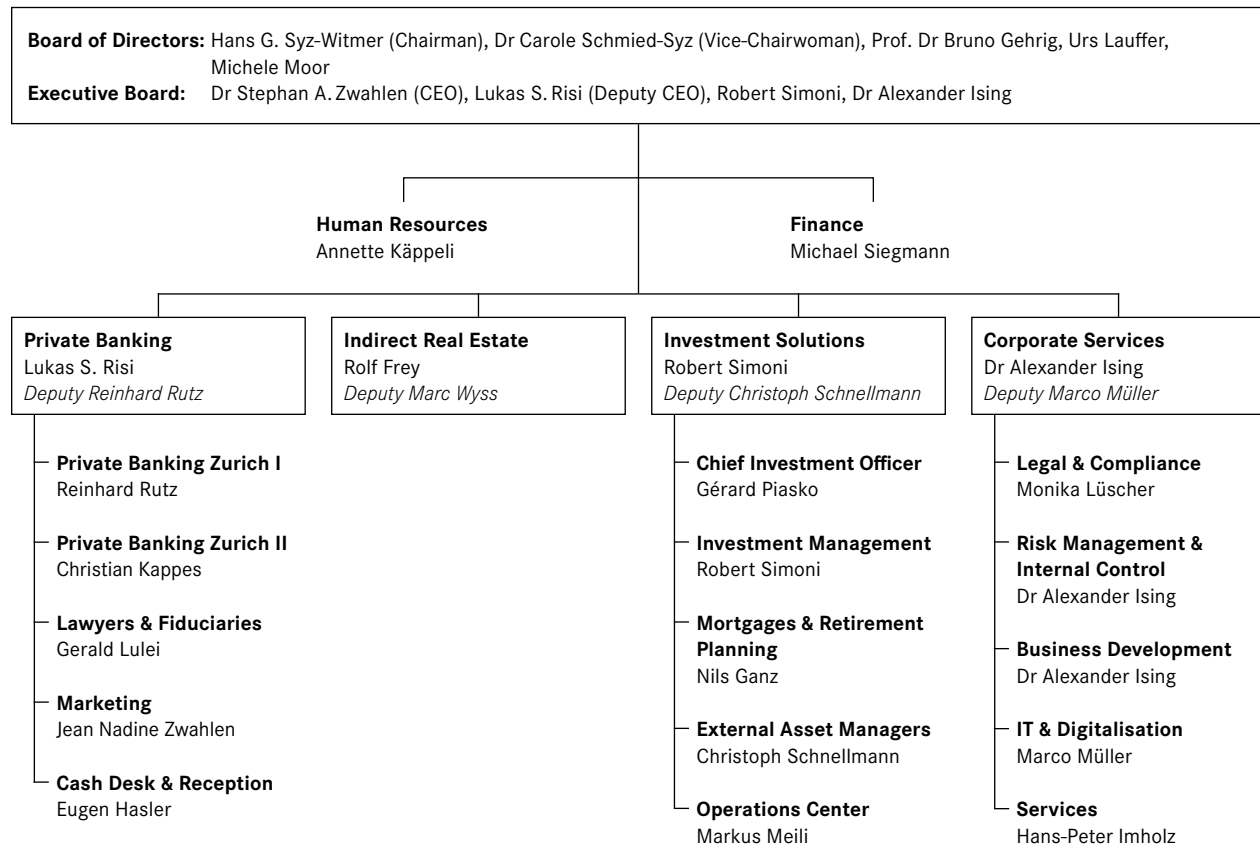
Auditors

PricewaterhouseCoopers AG, Zurich

* Independent members of the Board of Directors, as defined by the regulations of the Swiss Financial Market Supervisory Authority (FINMA).

** According to the provisions of the FINMA the bank is not required to have an audit committee.

Organisational chart



As at 1 April 2018

«Maerki Baumann's gratifying performance in 2017 underscores the fact that long-term investments made in previous years are bearing fruit.»

Key figures

in CHF 1000	2017	2016
Profit (result of the period)	4 168	2 076
Gross profit	5 399	3 705
Net fee and commission income	27 305	27 458
Net trading income	2 407	2 111
Net interest income	4 077	4 134
Operating expenses	31 521	31 644
Total assets	646 343	660 832
Client assets	7 672 787	7 296 000
Eligible capital	51 534	50 066
Required regulatory capital	21 981	23 022
Excess capital	29 553	27 044
Tier 1 capital ratio	18,8%	17.4%
Number of employees (full-time equivalents)	73	73

Financial statements

Balance sheet

in CHF 1000	31.12.2017	31.12.2016	Change
Assets			
Liquid assets	152 055	144 615	7 440
Amounts due from banks	96 277	110 105	-13 827
Amounts due from securities financing transactions	0	0	0
Amounts due from clients	46 238	59 145	-12 907
Mortgage loans	63 390	60 572	2 817
Trading portfolio assets	0	0	0
Positive replacement values of derivative financial instruments	2 186	2 105	81
Other financial instruments at fair value	0	0	0
Financial investments	255 988	254 611	1 378
Accrued income and prepaid expenses	8 262	7 991	271
Participations	3 846	3 844	2
Tangible fixed assets	15 063	15 286	-222
Intangible assets	0	0	0
Other assets	3 038	2 558	480
Capital not paid in	0	0	0
Total assets	646 343	660 832	-14 489
Total subordinated claims	0	0	0
of which with conversion obligation and/or debt waiver	0	0	0

in CHF 1000	31.12.2017	31.12.2016	Change
Liabilities			
Amounts due to banks	537	4 406	-3 869
Liabilities from securities financing transactions	0	0	0
Amounts due in respect of client deposits	580 625	590 379	-9 753
Trading portfolio liabilities	0	0	0
Negative replacement values of derivative financial instruments	1 680	2 355	-675
Liabilities from other financial instruments at fair value	0	0	0
Cash bonds	0	0	0
Bond issues and central mortgage institution loans	0	0	0
Accrued expenses and deferred income	6 889	6 045	844
Other liabilities	1 286	1 407	-121
Provisions	1 091	6 174	-5 083
Reserves for general banking risks	13 697	13 697	0
Share capital	3 000	3 000	0
Statutory capital reserve	147	147	0
of which tax-exempt capital contribution reserve	147	147	0
Statutory retained earnings reserve	18 650	18 650	0
Voluntary retained earnings reserves	10 876	8 800	2 076
Own shares (negative item)	0	0	0
Profit carried forward	3 696	3 696	0
Profit (result of the period)	4 168	2 076	2 092
Total liabilities	646 343	660 832	-14 489
Total subordinated liabilities	0	0	0
of which with conversion obligation and/or debt waiver	0	0	0
Off-balance-sheet transactions			
Contingent liabilities	4 593	4 111	483
Irrevocable commitments	4 236	3 010	1 226
Obligations to pay up shares and make further contributions	0	0	0
Credit commitments	0	0	0

Income statement

in CHF 1000	2017	2016	Change
Result from interest operations			
Interest and discount income	2 262	2 331	-69
Interest and dividend income from trading portfolios	0	24	-24
Interest and dividend income from financial investments	1 825	1 794	30
Interest expense	-9	-15	6
Gross result from interest operations	4 077	4 134	-57
Changes in value adjustments for default risks and losses from interest operations	0	0	0
Subtotal net result from interest operations	4 077	4 134	-57
Result from commission business and services			
Commission income from securities trading and investment activities	31 720	31 149	571
Commission income from lending activities	29	35	-6
Commission income from other services	1 169	1 446	-278
Commission expense	-5 613	-5 172	-440
Subtotal result from commission business and services	27 305	27 458	-153
Result from trading activities and the fair value option	2 407	2 111	296
Other result from ordinary activities			
Result from the disposal of financial investments	418	472	-54
Income from participations	1 710	256	1 454
Result from real estate	0	0	0
Other ordinary income	1 003	1 603	-600
Other ordinary expenses	0	-685	685
Subtotal other result from ordinary activities	3 132	1 646	1 486

in CHF 1000	2017	2016	Change
Operating expenses			
Personnel expenses	-20 675	-21 460	785
General and administrative expenses	-10 847	-10 184	-663
Subtotal operating expenses	-31 521	-31 644	123
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-1 080	-1 268	187
Changes to provisions and other value adjustments and losses	-10	-4 090	4 080
Operating result	4 308	-1 653	5 961
Extraordinary income	0	1 653	-1 653
Extraordinary expenses	0	0	0
Changes in reserves for general banking risks	0	2 170	-2 170
Taxes	-140	-95	-45
Profit (result of the period)	4 168	2 076	2 092
Appropriation of profit			
Profit (result of the period)	4 168	2 076	2 092
Profit carried forward	3 696	3 696	0
Distributable profit	7 864	5 772	2 092
Appropriation of profit			
Allocation to statutory retained earnings reserves	0	0	0
Allocation to voluntary retained earnings reserves	-1 524	-2 076	552
Distributions from distributable profit	-2 700	0	-2 700
Other appropriation of profit	0	0	0
New amount carried forward	3 640	3 696	-56

Statement of changes in equity

in CHF 1 000	Equity at start of current period	Capital increase / decrease	Allocation of retained earnings 2016	Transfer of reserves for general banking risks	Profit (result of the period)	Equity at end of current period
Share capital	3 000	0	0	0	0	3 000
Statutory capital reserve	147	0	0	0	0	147
Statutory retained earnings reserve	18 650	0	0	0	0	18 650
Reserves for general banking risks	13 697	0	0	0	0	13 697
Voluntary retained earnings reserves and profit / loss carried forward	12 496	0	2 076	0	0	14 572
Result of the period	2 076	0	-2 076	0	4 168	4 168
Total	50 066	0	0	0	4 168	54 234

Notes to the financial statements

Description of business activities

Business activities

Maerki Baumann & Co. AG was established in 1932 and is mainly active in the areas of asset management and investment advisory services for private and institutional clients as well as the provision of services to external asset managers. In this connection, it conducts lending business on a modest scale. Its main business area and principal source of income is commission and service fee business, which accounts for approximately 74% of ordinary income. Interest margin business contributes 11% to ordinary income and trading business 7%. Other ordinary income accounts for 8%.

Business areas

The main business activities 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)

Geographically, the bank's client relationships are primarily concentrated in Switzerland and other parts of Europe (mainly Germany).

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

The bank does not trade in securities for its own account. Foreign currencies and precious metals are traded without significant open risk positions. Trading in financial derivatives is restricted to products traded on a regular basis on behalf of our clients.

Lending business

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

Risk assessment

The Board of Directors and Executive Board regularly examine the major risks to which the bank is exposed, including operational, market, credit and liquidity risks. Risk-reducing measures, internal controls and reporting are also included in the risk assessment. Special attention is paid to ensuring continuous monitoring and evaluation of the impacts of these key risks on the bank's financial statements. Limits are set for the individual risk categories and are constantly monitored.

Risk management

The risks arising from banking activities are systematically identified, managed and limited in accordance

with uniform guidelines. The adequacy of the bank's risk management policies is reviewed periodically and policies are adapted as necessary.

Interest rate fluctuation and credit risks

Most loans are granted at short-term variable interest rates. Major interest rate fluctuation risks are avoided by means of maturity and currency matching in the funding process. Lending is subject to uniform guidelines and clearly defined levels of authorisation. Separate loan-to-value ratios have been set down for each category of collateral in order to minimise credit risks. These take into account the country, market and credit rating risk of the issuers. For securities and precious metals, the bank applies current market values. In calculating the market value of real estate, the bank uses current estimates or the acquisition costs less any impairment of value due to market conditions or age.

Exposed loans, i.e. claims on clients where it is improbable that the debtor will be able to meet future obligations, are valued individually and the expected loss is recognised through an individual valuation adjustment. Impairment on exposed loans is measured as the difference between the carrying amount of the claim and the expected recoverable amount. The expected recoverable amount of the collateral is its liquidation value (estimated realisable disposal value less holding and liquidation costs). The entire client or economic entity exposure is always examined for current counterparty risks.

Market risks

Market risks for securities are restricted by means of a system of limits defined by the category of security

and individual transactions. Valuation is based on current market value. The limits the bank has set on market risks are very restrictive. Maerki Baumann & Co. AG holds no significant positions in derivative instruments for its own account and does not trade in illiquid markets for its own account.

Liquidity risks

Liquidity risks are subject to continuous monitoring. The bank has a high level of liquid funds which significantly exceed the minimum legal requirements stipulated by the Swiss Financial Market Supervisory Authority (FINMA).

Operational risks

The bank has internal regulations and directives as well as a well-developed system of controls allowing it to limit and monitor operational risks. Legal risks are reduced by means of standard framework contracts and uniformly maintained documentation.

Methods used to identify default risks and determine valuation adjustments

Mortgages: The fair value of residential properties is determined regularly by external real estate valuations. Moreover, the credit standing of the borrower is reviewed at regular intervals. Mortgages are only granted to established private banking clients and employees. In addition, outstanding interest and repayment instalments are analysed. On this basis, the bank identifies higher-risk mortgages. These are then examined in more detail by credit specialists. Where appropriate, further collateral is required or corresponding

valuation adjustments are made to reflect the shortfall in collateral.

Securities-backed loans: Exposure to securities-backed loans and the value of the collateral are monitored daily. Where the loan-to-value ratio of the securities provided as collateral is below the exposure, the loan is reduced or a call made for additional collateral. 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: As a matter of principle, no unsecured loans are granted.

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

Valuation of collateral

Mortgages: In the mortgage business, an up-to-date collateral valuation is available for every loan granted. In the valuation of residential property, the bank has access to independent external estimates.

Securities-backed loans: For lombard loans and other securities-backed loans, diversified portfolios with transferable financial instruments for which there is a liquid and active market are normally accepted. The

bank applies conservative discounts to the market values to cover the market risk associated with liquid and marketable securities and determines the loan-to-value ratio.

Outsourcing

Maerki Baumann & Co. AG has outsourced the trading of securities, currencies and precious metals and the processing of this trading business, payment transactions and operation of central IT systems to InCore Bank AG. Processing of mortgage transactions has been outsourced to Avobis Credit Services AG. These outsourcing processes are regulated in detail by contracts complying with the regulations of FINMA. All employees of service providers are subject to banking secrecy, which ensures that client data are protected.

Personnel

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

Material events after the balance sheet date

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

Accounting and valuation principles

General principles

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

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

Basis of consolidation

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

Changes versus the previous year

The accounting and valuation principles are unchanged versus the prior year.

Foreign currencies

Assets and liabilities in foreign currencies and banknotes are valued at the applicable mid-rates as of the balance sheet date. The two key currencies in our financial statements (USD and EUR) were converted as follows: the US dollar at CHF 0,9750 (prior year 1,0160)

and the euro at CHF 1,1720 (prior year 1,0730). Transactions in foreign currencies are booked at the applicable exchange rate on the trade date. Differences in exchange rates are booked to the income statement.

Liquid assets, due from banks and clients, mortgage loans, liabilities

These items are shown in the balance sheet at nominal value. Individual valuation adjustments are made for discernible risks in accordance with the principle of prudence. These are offset against loans. Should a debtor be more than 90 days in arrears on interest payments, the interest due is allocated directly to the valuation adjustments. In this case, a credit to income is only made after the interest payment has actually been made. If a receivable is deemed to be non-recoverable, it is written off. Loans on which valuation adjustments have been made are classified as exposed loans until they have been repaid in full.

Trading portfolios and obligations relating to trading portfolios

Trading portfolios are valued at market prices at the balance sheet date. Interest and dividend income is reported under "Interest and dividend income from trading portfolios".

Financial investments

Investments that are carried out with the intention of resale 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 using the accrual method. Interest and dividend income

is reported under "Interest and dividend income from financial investments".

Participations

Capital or voting shares in other companies are recognised as participations at the cost of acquisition less any required valuation adjustments.

Tangible fixed assets

Tangible fixed assets are recognised at acquisition price and are 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. 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.

Provisions

Provisions are recognised for all discernible risks in accordance with the principle of prudence and are

reported under liabilities. Provisions may include hidden reserves, which are reported under other provisions.

Contingent liabilities

Contingent liabilities are reported at the maximum amount. Provisions are established for discernible risks in accordance with the principle of prudence.

Reserves for general banking risks

In accordance with Article 18 of the Swiss Federal Capital Adequacy Ordinance, this provision is accounted for as equity and was already subject to taxation.

Taxes

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

Precious metals accounts

The valuation of precious metals accounts is based on listed prices at the balance sheet date.

Derivative financial instruments

Open derivative financial instruments at the balance sheet date are carried on the balance sheet at their positive and negative replacement values. The contract volumes are reported in the Notes. The replacement values are based on open forward transactions at forward residual maturity prices. Options with a representative market are valued at current market rates. In the case of OTC options, the counterparty is not disclosed to clients. Netting agreements exist.

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		43 924	2 313	46 238	
Mortgage loans	63 390			63 390	
Residential property	61 990			61 990	
Office and business premises					
Commercial and industrial premises					
Other	1 400			1 400	
Total loans	2017	63 390	43 924	2 313	109 627
(before netting with value adjustments)	2016	60 572	53 683	5 462	119 717
Total loans	2017	63 390	43 924	2 313	109 627
(after netting with value adjustments)	2016	60 572	53 683	5 462	119 717
Off-balance-sheet					
Contingent liabilities		1 464	3 129		4 593
Irrevocable commitments			4 236		4 236
Obligations to pay up shares and make further contributions					
Credit commitments					
Total off-balance-sheet	2017		1 464	7 365	8 829
	2016		1 831	5 290	7 121
Impaired loans / receivables					
	2017				
	2016				

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

none

Presentation of derivative financial instruments (assets and liabilities)

in CHF 1 000		Trading Instruments		
		Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments		none	none	none
Foreign exchange / precious metals				
Forward contracts		763	256	107 505
Options (OTC)		65	65	7 197
Equity securities / indices				
Options (exchange-traded)		1 358	1 358	66 457
Credit derivatives		none	none	none
Other		none	none	none
Total before netting agreements		2017	2 186	1 680
		2016	2 105	240 258
Total after netting agreements		2017	2 186	1 680
		2016	2 105	240 258

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other clients
Positive replacement value (after consideration of netting agreements)		558	1 628

Breakdown of financial investments

in CHF 1000	Carrying amount			Fair value	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	
Debt securities	255 987	250 735	257 893	252 980	
of which intended to be held to maturity	255 987	250 735	257 893	252 980	
of which not intended to be held to maturity (available for sale)					
Equity securities		3 875		3 919	
of which qualified participations					
Precious metals					
Real estate					
Total	255 987	254 611	257 893	256 900	
of which securities eligible for repo transactions in accordance with liquidity requirements	56 510	72 746	57 493	74 318	

Breakdown of counterparties by rating (FINMA Concordance table)

in CHF 1000	1 & 2	3	4	5 & 6	7	Unrated
Debt securities: book values	127 071	110 600	18 316			

Presentation of participations

in CHF 1 000	Other participations	
	With market value	Without market value
Acquisition cost		3 844
Accumulated value adjustments		
Book value at end of previous year		3 844
Current year		
Reclassifications		
Additions		2
Disposals		
Value adjustments		
Book value at end of current year		3 846
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	19521905	Minority	Minority	directly

Presentation of tangible fixed assets

in CHF 1000	Bank buildings	Software	Other tangible fixed assets	Total tangible fixed assets
Acquisition cost	24 473	2 338	3 007	29 817
Accumulated depreciation	-10 114	-1 797	-2 620	-14 531
Book value at end of previous year	14 359	540	387	15 286
Current year				
Reclassifications				
Additions		734	124	858
Disposals				
Depreciation	-289	-621	-171	-1 081
Reversals				
Book value at end of current year	14 070	654	340	15 063

Lease commitments from operating leases

in CHF 1000	31.12.2017	31.12.2016
Multi-year leasing agreements up to 2018 at the latest	116	266
of which due during the year	116	144

Presentation of intangible assets

none

Breakdown of other assets and other liabilities

in CHF 1000	Other assets		Other liabilities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Compensation account				
Settlement accounts			1 095	1 246
Indirect taxes	1 858	1 423	189	158
Direct taxes	76	49		
Other	1 104	1 087	3	3
Total	3 038	2 558	1 286	1 407

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
	31.12.2017	31.12.2017	31.12.2016	31.12.2016
Pledged / assigned assets				
Financial investments to cover margin requirements of banks	29 284	p.m.	29 712	p.m.

Assets under reservation of ownership

none

Disclosures on the economic situation of own pension schemes

none

Presentation of the economic benefit / obligation and the pension expenses

in CHF 1 000	31.12.2017	31.12.2016
Pension expenses in personnel expenses: Employer pension fund		
Pension expenses in personnel expenses: Pension fund	1 610	1 771

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.

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

There is no employer contribution reserve.

Presentation of issued structured products

none

Presentation of bonds outstanding and mandatory convertible bonds

none

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

in CHF 1000

	Balance at end of 2016	Use in conformity with designated purpose	Reclassifications	Past due interest, recoveries	New creations charged to income statement	Releases to income statement	Balance at end of 2017
Provisions for deferred taxes							
Provisions for default risks	99						99
Provisions for other business risks	120						120
Other provisions	5 955	-5 034				-49	872
Total provisions	6 174	-5 034	0	0	0	-49	1 091
Reserves for general banking risks (after tax)	13 697						13 697

In 2017 provisions were dissolved in connection with the tax adjustments as well as a comparison with a client.

Presentation of the share capital

	2017			2016		
	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 disclosures on any employee participation schemes

none

Disclosure of amounts due from / to related parties

in CHF 1 000	Amounts due from		Amounts due to	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Significant shareholders	6	5 185		
Group companies				
Linked companies		14 120	116	120
Transactions with members of governing bodies	824	533	463	1 071
Other related parties and companies	37 907	332	3 007	1 668

Where members of governing bodies are significant shareholders, they are reported under transactions with members of governing bodies. Ordinary banking transactions are conducted on the terms applicable for employees.

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

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

in CHF 1000	2017		2016	
	Nominal	% of equity	Nominal	% of equity
Maerki Baumann Holding AG *	3 000	100%	3 000	100%

* Held by Hans G. Syz-Witmer, Küsnacht (21.8%), Dr Carole Schmied-Syz, Erlenbach (21.8%), CHSZ-Holding AG, Zurich (51.3%)**

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

Disclosure of own shares and composition of equity capital

	31.12.2017	31.12.2016
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 1000	31.12.2017	31.12.2016
Bank's capital	3 000	3 000
Voluntary reserves	29 737	28 269
Statutory reserves	18 797	18 797
Total equity capital	51 534	50 066
non-distributable reserves	26 285	27 629

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	152 055						152 055	
Amounts due from banks	39 629		42 026	14 622			96 277	
Amounts due from securities financing transactions								
Amounts due from clients		7 999	22 041	15 211	986		46 238	
Mortgage loans		26 384		1 938	16 396	18 671	63 390	
Trading portfolio assets								
Positive replacement values of derivative financial instruments			1 053	1 118	14		2 186	
Other financial instruments at fair value								
Financial investments			18 019	18 845	199 940	19 182	255 987	
Total 2017	191 684	34 383	83 140	51 735	217 337	37 853	616 132	
Total 2016	173 787	43 891	83 250	83 675	170 222	76 325	631 151	
Debt capital / financial instruments								
Amounts due to banks	537						537	
Liabilities from securities financing transactions								
Amounts due in respect of client deposits	580 625						580 625	
Trading portfolio liabilities								
Negative replacement values of derivative financial instruments			555	1 111	14		1 680	
Liabilities from other financial instruments at fair value								
Cash bonds								
Bond issues and central mortgage institution loans								
Total 2017	581 162		555	1 111	14		582 842	
Total 2016	594 785		2 026	329			597 140	

Presentation of assets and liabilities by domestic and foreign origin

in CHF 1 000	31.12.2017		31.12.2016	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	145 801	6 254	143 095	1 520
Amounts due from banks	39 629	56 648	25 297	84 808
Amounts due from securities financing transactions				
Amounts due from clients	30 001	16 237	37 193	21 952
Mortgage loans	63 390		60 572	
Trading portfolio assets				
Positive replacement values of derivative financial instruments	1 631	555	1 724	381
Other financial instruments at fair value				
Financial investments	51 247	204 741	57 265	197 345
Accrued income and prepaid expenses	8 262		7 991	
Participations	3 846		3 844	
Tangible fixed assets	15 063		15 286	
Intangible assets				
Other assets	3 038		2 558	
Capital not paid in				
Total assets	361 908	284 435	354 825	306 006

Presentation of assets and liabilities by domestic and foreign origin

in CHF 1 000	31.12.2017		31.12.2016	
	Domestic	Foreign	Domestic	Foreign
Liabilities				
Amounts due to banks	537		4 406	
Liabilities from securities financing transactions				
Amounts due in respect of client deposits	304 305	276 320	258 250	332 129
Trading portfolio liabilities				
Negative replacement values of derivative financial instruments	1 609	71	2 312	43
Liabilities from other financial instruments at fair value				
Cash bonds				
Bond issues and central mortgage institution loans				
Accrued expenses and deferred income	6 889		6 045	
Other liabilities	1 286		1 407	
Provisions	1 091		6 174	
Reserves for general banking risks	13 697		13 697	
Share capital	3 000		3 000	
Statutory capital reserve	147		147	
of which tax-exempt capital contribution reserve	147		147	
Statutory retained earnings reserve	18 650		18 650	
Voluntary retained earnings reserves	10 876		8 800	
Own shares (negative item)				
Profit carried forward	3 696		3 696	
Profit (result of the period)	4 168		2 076	
Total liabilities	369 952	276 391	328 660	332 172

Breakdown of total assets by country or group of countries

in CHF 1000	31.12.2017		31.12.2016	
	CHF 1000	%	CHF 1000	%
Assets				
Europe	189 579	29.3%	215 160	32.6%
Other countries	94 856	14.7%	90 846	13.7%
Total foreign country assets	284 435	44.0%	306 006	46.3%
Switzerland	361 908	56.0%	354 825	53.7%
Total assets	646 343	100.0%	660 832	100.0%

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

in CHF 1000	31.12.2017		31.12.2016	
	CHF 1000	%	CHF 1000	%
FINMA Concordance table				
1 & 2	110 387	38.8%	126 444	41.3%
3	138 941	48.8%	127 319	41.6%
4	18 316	6.4%	28 084	9.2%
no rating		0.0%	2 207	0.7%
Lombard loans *	16 792	5.9%	21 952	7.2%
Total assets	284 435	100.0%	306 006	100.0%

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

Balance sheet by currencies

in CHF 1000	CHF	EUR	USD	Other
Assets				
Liquid assets	145 103	6 789	124	40
Amounts due from banks	1 605	168	71 788	22 717
Amounts due from securities financing transactions				
Amounts due from clients	22 531	15 365	7 676	666
Mortgage loans	61 927		1 462	
Trading portfolio assets				
Positive replacement values of derivative financial instruments	1 810	288	57	31
Other financial instruments at fair value				
Financial investments	95 370	126 607	34 012	
Accrued income and prepaid expenses	8 262			
Participations	3 826	20		
Tangible fixed assets	15 063			
Intangible assets				
Other assets	3 038			
Capital not paid in				
Total assets shown in balance sheet	358 535	149 236	115 118	23 454
Delivery claims on forward transactions	50 221	50 108	15 029	724
Total assets	408 756	199 344	130 147	24 178

Balance sheet by currencies

in CHF 1000	CHF	EUR	USD	Other
Liabilities				
Amounts due to banks		293	244	
Liabilities from securities financing transactions				
Amounts due in respect of client deposits	304 025	178 894	76 373	21 334
Trading portfolio liabilities				
Negative replacement values of derivative financial instruments	1 303	288	57	32
Liabilities from other financial instruments at fair value				
Cash bonds				
Bond issues and central mortgage institution loans				
Accrued expenses and deferred income	6 889			
Other liabilities	1 283	2	1	
Provisions	799		292	
Reserves for general banking risks	13 697			
Share capital	3 000			
Statutory capital reserve	147			
of which tax-exempt capital contribution reserve	147			
Statutory retained earnings reserve	18 650			
Voluntary retained earnings reserves	10 876			
Own shares (negative item)				
Profit carried forward	3 696			
Profit (result of the period)	4 168			
Total liabilities shown in the balance sheet	368 533	179 477	76 967	21 366
Delivery liabilities on forward transactions	38 895	19 989	52 668	2 703
Total liabilities	407 428	199 466	129 635	24 069
Net position per currency				
	1 328	-122	512	108

Information on off-balance-sheet business

Breakdown of contingent liabilities and contingent assets

in CHF 1000	31.12.2017	31.12.2016	Change
Guarantees to secure credits and similar	4 593	4 111	482
Performance guarantees and similar			
Other contingent liabilities			
Total contingent liabilities	4 593	4 111	482
Contingent assets arising from tax losses carried forward	853	4 780	-3 927
Other contingent assets			
Total contingent assets	853	4 780	-3 927

Breakdown of credit commitments

none

Breakdown of fiduciary transactions

in CHF 1000	31.12.2017	31.12.2016	Change
Fiduciary investments with third-party companies	47 677	20 999	26 678
Fiduciary investments with group companies and linked companies			
Fiduciary loans and other fiduciary transactions			
Total fiduciary transactions	47 677	20 999	26 678

Breakdown of managed assets

in CHF million	31.12.2017	31.12.2016	Change
Assets in collective investment schemes managed by the bank			
Assets under discretionary asset management agreements	4 819	4 420	399
Other managed assets	2 854	2 876	-22
Total managed assets (including double counting)	7 673	7 296	377
of which double counting			
Total managed assets (including double counting) at beginning	7 296	6 891	405
Net new money inflow or net money outflow	-265	60	-325
Price gains/losses, interests, dividends and currency gains/losses	643	345	298
Other effects			0
Total managed assets (including double counting) at end	7 673	7 296	377

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

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

Information on the income statement

Net trading income

in CHF 1000	2017	2016	Change
Interest rate instruments	-6	-29	23
Equity securities			
Foreign currencies	2 402	2 130	272
Commodities / precious metals	11	10	1
Total net trading income	2 407	2 111	296

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

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

in CHF 1000	2017	2016	Change
Negative interest in lending business (reduction in interest and discount income)	167	59	108

Personnel expenses

in CHF 1000	2017	2016	Change
Salaries	17 507	18 124	-617
Social insurance benefits	2 755	3 246	-491
Changes in book value for economic benefits and obligations arising from pension schemes			
Other personnel expenses	413	90	323
Total personnel expenses	20 675	21 460	-785

Other operating expenses

in CHF 1 000	2017	2016	Change
Office space expenses	741	747	-7
Expenses for information and communications technology	1 504	1 464	40
Expenses for vehicles, equipment, furniture and other fixtures	233	226	7
Fees of audit firm	208	229	-21
of which for financial and regulatory audits	208	229	-21
of which for other services			
Other operating expenses	8 162	7 518	644
Total other operating expenses	10 847	10 184	663

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

none

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

none

Current and deferred taxes / disclosure of the tax rate

in CHF 1 000	2017	2016	Change
Current taxes	140	95	45
Deferred taxes			
Total taxes	140	95	45
Tax rate	n/a	n/a	

Owing to the release of taxed reserves for general Banking risks in the previous years, there is a gross tax-deductible loss carryforward of TCHF 4 063.

Because of the tax-deductible loss carryforward, no income tax is due on the reported profit. Factoring this out, the tax rate would be 21.5%.

Disclosure relating to equity capital and liquidity

Eligible and regulatory capital

in CHF 1000		31.12.2017	31.12.2016
Eligible Capital			
Common equity Tier 1 capital (CET1)		51 534	50 066
Additional Tier 1 capital			
Tier 1 capital			
Tier 2 capital			
Total eligible capital		51 534	50 066
Required Capital			
	Approach used		
Credit risk	International BIS SA-CCR, comprehensive	15 899	17 143
Non-counterparty-related risks	International BIS SA-CCR, comprehensive	1 205	1 223
Market risk	Market risk standard approach	218	268
Operational risk	Basic indicator approach	4 660	4 388
Total minimum required capital		21 981	23 022
Countercyclical capital buffer		435	415
Sum of risk weighted positions		274 767	287 775
Countercyclical capital buffer in relation to the sum of risk weighted positions		0.2%	0.1%
Capital Ratios			
Common equity Tier 1 capital ratio (CET1 ratio)		18.8%	17.4%
Tier 1 capital ratio		18.8%	17.4%
Ratio of regulatory capital (Tier 1 & Tier 2) without countercyclical capital buffer		18.8%	17.4%
Ratio of regulatory capital (Tier 1 & Tier 2) with countercyclical capital buffer		18.6%	17.3%

Eligible and regulatory capital

in CHF 1000	31.12.2017	31.12.2016
CET 1 requirements (according to BIS required minimum standards)		
Minimum requirement	4.5%	4.5%
Capital buffer	1.3%	0.6%
Countercyclical capital buffer	0.2%	0.1%
Total CET 1 requirements (according to BIS required minimum standards)	6.0%	5.3%
CET 1 available after deduction of AT 1 and Tier 2 requirements	15.3%	13.9%
CET 1 requirements (according to ERV)		
Defined target of category 5 bank	7.0%	7.0%
Countercyclical capital buffer	0.2%	0.1%
Total CET 1 requirements (according to ERV)	7.2%	7.1%
CET 1 available	15.3%	13.9%
T 1 requirements (according to ERV)		
Defined target of category 5 bank	8.5%	8.5%
Countercyclical capital buffer	0.2%	0.1%
Total T 1 requirements (according to ERV)	8.7%	8.6%
Tier 1 available	16.8%	15.4%
Target of regulatory capital (according to ERV)		
Defined target of category 5 bank	10.5%	10.5%
Countercyclical capital buffer	0.2%	0.1%
Total target of regulatory capital (according to ERV)	10.7%	10.6%
Regulatory capital available	18.8%	17.4%

Leverage ratio

in CHF 1000	31.12.2017	31.12.2016
Tier 1 capital	51 534	50 066
Total liabilities for the leverage ratio	655 435	671 542
Leverage ratio	7.9%	7.5%

Information on the liquidity coverage ratio (LCR)

in CHF 1000	2017	2016
Total of High Quality Liquid Assets (HQLA)		
Average Q1	206 061	193 782
Average Q2	225 230	193 351
Average Q3	215 151	196 314
Average Q4	211 971	185 004
Total net cash outflows		
Average Q1	78 590	85 775
Average Q2	86 655	84 532
Average Q3	79 035	78 894
Average Q4	85 271	80 457
Liquidity coverage ratio (LCR)		
Average Q1	262.2%	225.9%
Average Q2	259.9%	228.7%
Average Q3	272.2%	248.8%
Average Q4	248.6%	229.9%

Proposals to the General Meeting

The Board of Directors proposes the following motions to the General Meeting to be held on 18 April 2018:

1. To approve the Annual Report presented and the financial statements for 2017.
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 2017 financial year.
3. To appropriate the annual profit plus the profit brought forward from the previous year:

in CHF 1 000	2017
Profit carried forward	3 696
Plus annual profit	4 168
At the disposal of the General Meeting	7 864
Dividend	-2 700
Allocation to statutory retained earnings reserve	0
Allocation to voluntary retained earnings reserves	-1 524
Carried forward to new account	3 640

4. Re-election of the standing members of the Board of Directors for a further one-year term, namely:
 - Hans G. Syz-Witmer
 - Dr Carole Schmied-Syz
 - Professor Bruno Gehrig
 - Urs Lauffer
 - Michele Moor
5. Reappointment of PricewaterhouseCoopers AG, Zurich, as statutory auditor for one year.



Report of the statutory auditor ***to the General Meeting of Maerki Baumann & Co. AG*** ***Zürich***

Report of the statutory auditor 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 58), for the year ended 31 December 2017.

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 company's 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 2017 comply with Swiss law and the company's 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 company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

A handwritten signature in grey ink, appearing to read 'Romer'.

Thomas Romer
Audit expert
Auditor in charge

A handwritten signature in grey ink, appearing to read 'L. Huber'.

Larissa Huber

Zürich, 18 April 2018

Contact details

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