MAERKI BAUMANN & CO. AG

PRIVATBANK

Annual Report 2020

Annual Report 2020

Financial statements

Notes to the financial statements

A reliable partner in stormy times

Dear friends of Maerki Baumann
Ladies and gentlemen

“We are always there for you!” Such – or similar – has been the slogan proclaimed by numerous banks to their current or potential clients for many years now. If there was ever a time in recent history when this statement could be measured against reality, then it was surely the 2020 reporting period. The first and second waves of the Covid-19 pandemic have presented a challenge to our industry like almost no other event since the Second World War. Back in March 2020, our clients saw the financial markets reeling from the grim news about the repercussions of the global pandemic. Good advice was crucial. As the year progressed, the emphasis shifted to not missing out on the recovery, but also taking seriously the alarm bells of the second wave. Looking back, I can now see that our client advisors, supported by our expert specialist units, performed very well not only when the storm broke, but also over the year as a whole, with its various ups and downs – active but unflustered, forward-looking but also ready to seize short-term opportunities. Throughout this period, they were “there” for their clients in the very best sense of the word. That our bank was ultimately able to benefit from that steadfastness and close the reporting year with a positive overall result is the pleasing consequence of the successful interaction of trust and expertise.

In the many discussions my sister and I have had with clients over the past year, what comes across is their great appreciation of Maerki Baumann’s dedication and professionalism. We are delighted to pass the associated gratitude on to all our employees. It is thanks to their work – in many cases performed under challenging “home office” conditions – that we have been able to record a very robust profit figure in excess of CHF 3.8 million for this financial year. After very strong development in the previous year, assets under management increased once again, and stood at CHF 8.6 billion at the end of 2020.

The persistent strength of our bank’s capital base also proved a considerable advantage in the pandemic year of 2020. Indeed, our BIS tier 1 ratio of more than 24% remains more than double the regulatory minimum. Therefore, we have a solid basis for future growth, as well as for targeted investment in the modern technologies we are keen to put at the disposal of our clients. For example, over the last few months we have expanded our activities as a centre of crypto expertise in a targeted way, adapting these to client needs. In so doing, we have further improved our position in this still young, challenging area of finance. At the same time, we managed to strengthen our presence in the German market in 2020. Our CEO Stephan Zwahlen provides you with more details about this and other initiatives in his own report.

In January of this year, our mother, Raymonde Syz-Abegg, passed away. Following the premature death of our father, she was the majority shareholder as well as a board member of our bank for many years. With her personal drive and farsightedness, she ensured that Maerki Baumann remained an independent private bank during this period, capable of weathering all the storms of this era. We are eternally grateful to our mother not just for her life’s service, but also for having the foresight to initiate – and bring to a successful conclusion – a change of generation in the shareholder base. This has enabled my sister and me to continue what our parents created: a private, family-owned bank committed not just to tradition, but also to the modern needs of its clients. The

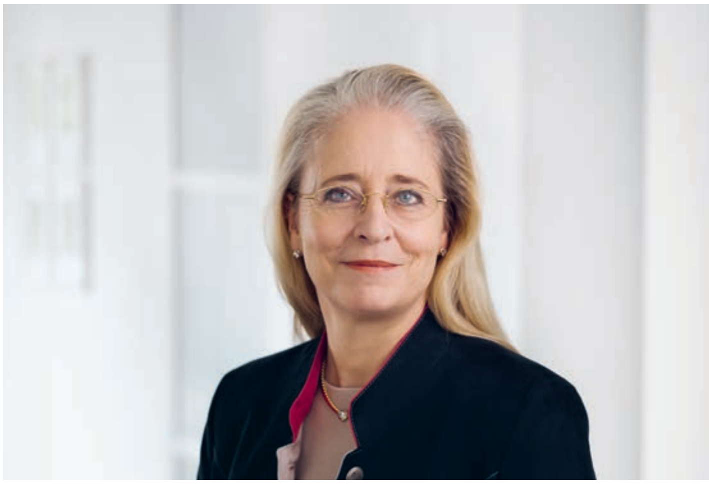
impact of our mother's work therefore remains a model and an incentive for us in equal measure.
There is no question that 2021 too will present all of us with a number of major challenges. At the time of writing, the pandemic has emphatically not been mastered. Mutations of COVID-19 and the possibility of a third wave continue to cast long shadows. Our everyday lives are subject to major restrictions decreed by the authorities; and while we might not always perceive the logic behind some of these measures, we obviously comply with them in both our personal and professional lives. Ever since the start of the pandemic, our bank has had a comprehensive protective concept in place, which has now proven itself. Thanks to our modern IT infrastructure, the majority of contacts and discussions between us and our clients have long been taking place virtually or over the telephone. Nonetheless, I – and probably all my colleagues – feel a growing need to be able to meet people in person once again, both inside and outside of the bank. A trusting relationship of the kind that Maerki Baumann seeks to cultivate with its clients needs interpersonal contact of this kind. Despite all the warnings of mutations and other such gloomy news, I am confident that we will take a major step towards normality over the course of this year so that everyday life at our bank can finally start to at least resemble what it was back in February 2020.
I wish you and all our employees the very best of health!

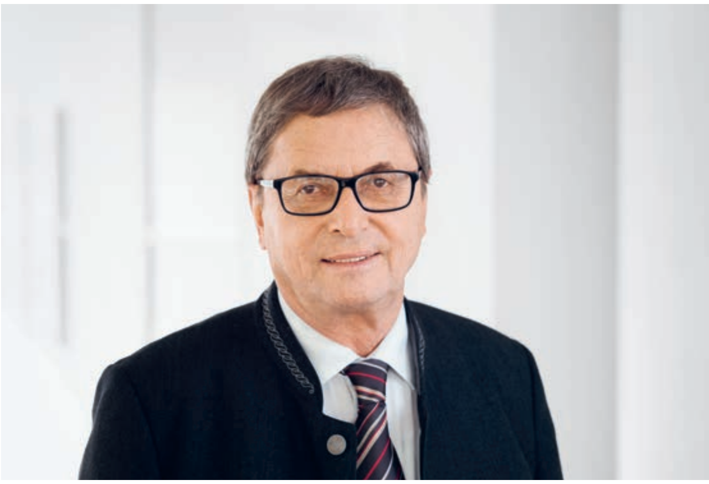
On behalf of the Board of Directors

Hans G. Syz-Witmer
Chairman

“Despite the crisis, we have managed to achieve a positive result. This is the pleasing consequence of the successful interaction of trust and expertise.”

Hans G. Syz-Witmer





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

Members of the Board of Directors: short CVs

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

Hans G. Syz-Witmer (b.1957) has chaired the bank since 1997. Furthermore, he has also been Vice-Chairman of the Board of Directors of Maerki Baumann Holding AG since 2016 (he was Chairman from 2007 to 2016), and has been Vice-Chairman of the Board of Directors of InCore Bank AG, in which Maerki Baumann Holding AG has a major shareholding, since 2009 (having been its Chairman from 2007 to 2009); since 2003, he has been a member of the Board of Directors of CHSZ-Holding AG.
As an entrepreneur, Hans G. Syz-Witmer owns Condor Films AG and is a member of several other Boards of Directors and Boards of Trustees, such as Aquila & Co. AG (member of the Board of Directors), the Schulthess Klinik (Vice-Chairman of the Board of Trustees), the Tonhalle-Gesellschaft Zürich (Vice-Chairman and Treasurer), the Kongresshaus-Stiftung (Vice-Chairman of the Board of Trustees), the Baugarten Zürich Genossenschaft und Stiftung (Chairman of the Board of Trustees and Directors), the Friedrich Steinfels AG (member of the Board of Directors), 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 the bank's Board of Directors since 1998 and is Vice-Chairwoman since 2005. Since 2016 she has been Chairwoman of Maerki Baumann Holding AG (she was Vice-Chairwoman from 2007 to 2016) and has been a member of the Board of Directors of CHSZ-Holding AG since 2003.
Carole Schmied-Syz is active as an academic lawyer in the fields of contract and liability law. She used to be politically active as well: for example, she was a member of the Zurich Constitutional Council. She holds a number of other mandates: she is a trustee of the Right To Play Foundation, and in the cultural field she is a member of the board of the Patrons' Association of the Tonhalle-Gesellschaft Zürich. Furthermore, she chairs the bank's art committee.

Prof. Bruno Gehrig
Member of the Board of Directors

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

Urs Lauffer
Member of the Board of Directors

Urs Lauffer (b.1958), Swiss Certified PR adviser/management consultant, has been a member of the bank's Board of Directors since 2010, of the Board of Directors of Maerki Baumann Holding AG since 2009, and of the Board of Directors of CHSZ-Holding AG since 2007.
Urs Lauffer is a co-owner of Lauffer & Frischknecht, a company active in the field of management consultancy for communication. He is also a member of various Boards of Directors and Trustees: he is Chairman of Rahn AG, Vice-Chairman of Emil Frey Holding AG, Chairman of the Fritz Gerber Foundation for 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, has been a member of the bank's Board of Directors since 2014.
From 2000 to 2013 Michele Moor was Managing Partner of the Wegelin & Co. private bank, and since 2014 he has been a Director of MM Holdinggesellschaft AG, his own group of companies based in Lugano, which is primarily active in finance, medical technology and real estate. From 2005 until 2008, inter alia, Michele Moor was Chairman of the Swiss Officers' Association.

Coronavirus as stress test

From the first quarter onwards, last year was dominated by the spread of the coronavirus and attempts to contain it. In March, the financial markets were subject to considerable turbulence. On the investment side, our bank was well positioned at all times thanks to the approach it pursues in security selection, which revolves around defensive investments with growth potential ("defensive growth" strategy). The market turmoil was followed by a widespread loosening of monetary policy coupled with the financial stimuli packages rolled out by numerous governments. These had the effect of stabilizing both financial markets and economic momentum. Business trends over the next few months will probably continue to be accompanied by major imponderables. It is precisely in an environment of pronounced but unpredictable fluctuations that our investment policy of defensive diversification will continue to prove itself.

Maerki Baumann recorded very pleasing business development in 2020 despite the coronavirus crisis. This was due mainly to our future-oriented business model, the stability of our shareholder base and the great commitment shown by our employees. During lockdown, we were pleased to observe how our investment in digital infrastructure in recent years was paying off: Contact with clients was at times only possible via telephone or through digital channels, but nonetheless functioned seamlessly. In addition to our high-quality IT set-up, this was of course also due to our seasoned client advisors. In the reporting year, their expertise was also underscored by the stamp of quality awarded by the renowned company Gsponer.

The experience we have gained over the last few months with the various electronic channels and platforms has also motivated us to develop ideas for the further digitalization of our business model. For example, investors who approach us for the first time now have the option of having their identity confirmed by means of video identification within just a few minutes. A further important step in the implementation of our digitalization strategy was the development of our Mobile Banking app, which allows interested clients – by way of a supplement to our user-friendly e-banking service – to gain rapid and straightforward access to our spectrum of services.

Moreover, we took advantage of the ongoing momentum of the crypto market in the reporting year to drive forward implementation of our multi-layered crypto strategy. In addition to the expansion of our relationships with business clients who want to take advantage of blockchain technology, the launch of both the trading and custody of cryptocurrencies represented a further milestone. That said, traditional private banking services remain equally important to us. We therefore laid the basis for targeted local marketing in Germany with the successful establishment of our new "Private Banking Germany" department.

Business performance of Maerki Baumann

Maerki Baumann was able to unveil a very good annual result for the 2020 fiscal year, with gross profit of CHF 5.01 million and net profit of CHF 3.80 million. This development can be ascribed to the rapid market correction from March 2020 and the associated performance, as well as to the rigorous measures we applied following the outbreak of the crisis. Thanks to the pleasing development of our business, we were able – in view of future regulatory requirements – to create additional taxed reserves for general banking risks amounting to CHF 0.55 million. As a SIX Group shareholder, we were able to book a substantial special dividend last year relating to the sale of the credit card business to the French company Worldline back in 2018. Factoring out this one-off income effect and taking account of the above-mentioned creation of reserves, the result achieved in the reporting year rises by around 50 percent.

At CHF 3.41 million, the result from the interest business was CHF 0.3 million higher than the previous year (an increase of 10%), despite even lower – and in some cases even negative – interest rates. This result was due above all to optimized management of the balance sheet structure. At CHF 27.89 million, the result from the important commission and services business was only slightly below the prior-year level (-1%). Although falling markets led to a decline in asset-dependent fees at the start of the year, this effect was ultimately kept within limits thanks to the market recovery. As a result of greater financial market volatility, we also recorded a significant rise in turnover-dependent income (brokerage fees). Net trading income amounted to CHF 2.22 million, significantly higher than the previous year (+22%), thanks in particular to higher securities turnover and the associated forex gains. Finally and as expected, the bank's ordinary income was CHF 1.66 million lower year on year (-73%) due to the special SIX dividend distributed in 2019.

Headcount adjusted for part-time employees declined by five full-time equivalents, and stood at 66 persons at the end of the reporting year. Nonetheless, the proportion of client-facing employees rose due to the establishment of the Private Banking Germany department. Overall, personnel expenses declined by around CHF 0.20 million to CHF 20.45 million as a result of efficiency increases in internal processes and the deferment of new appointments. The vacant positions are expected to be filled this year, which will take the bank's headcount back to around 70 persons. General and administrative expenses were also down by a substantial CHF 0.85 million, thereby mitigating the negative consequences of the coronavirus crisis. In keeping with these developments, operating expenses worked out at CHF 30.16 million, a year-on-year decline of CHF 1.03 million. Finally, no further depreciation on the bank building was required, and investment activity was streamlined. Accordingly, depreciation was some CHF 0.48 million lower than in the prior year.

Assets under management rose by CHF 82 million in 2020 to CHF 8.60 billion, equivalent to a year-on-year rise of around 1%. This rise in the asset base is primarily attributable to positive performance of CHF 298 million. Net new assets were affected by the departure of a major institutional Swiss client in the "indirect real estate" business area involving assets of more than CHF 330 million. Although inflows compensated for some of this shortfall, net new assets nonetheless declined by CHF 216 million in 2020. On the positive side, it should be noted that the bank booked positive net new assets in each of the last five months of the reporting year. We view the asset inflows from German clients as confirmation of our growth potential in Germany. Of total assets under management at the year-end, 82.4% related to the Swiss market and 9.1% 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 and liquidity risks, as well as the applicable operational risks. This conservative risk and business policy is reflected in the bank's excellent liquidity and capital adequacy ratios. The liquidity coverage ratio averaged 268.5% in 2020, well in excess of the requirement of 110% that applies under the small banks regime. In addition, at the end of 2020 Maerki Baumann had increased its BIS core capital ratio (tier 1 ratio) by a further 0.8 percentage points to 24.2%, as against the regulatory minimum of 10.5%. This very solid capital base is testimony to our private bank's stable balance sheet structure.

Outlook

In 2020, we entered into a joint venture with Globalance Bank, a Swiss pioneer in the sphere of sustainable investing. Together we have developed a new focus module, “Equities Global Impact”, which forms part of our innovative modular investment solution. This is a response to our clients’ desire to do something positive for the environment and society in addition to obtaining a financial return on their investment. Moving forward, we will be scrutinizing our investment process and aligning it with future requirements.

Moreover, we will be further expanding our crypto services, thus building on the widely recognized pioneering role that we play in this area. Therefore, we are planning to develop more offerings in the area of cryptocurrencies and digital assets. We remain convinced that the still young asset class of digital assets will become a firm staple of professional investment advice and asset management in the world of private banking in the future.

Our Swiss business is and will remain our core focus, and we are looking to expand further in our domestic market too this year. Furthermore, we are continuing our drive to exploit growth opportunities in Germany. We saw our efforts in this area rewarded by the “summa cum laude” rating given to us by the German editorial team of the Elite Report for the 13th time last year. In addition to our proven traditional services, we are planning to expand our offering in the Family Office Services and Private Equity areas.

Be it in Switzerland or Germany, whether analogue or digital – we are taking every step with great optimism. After all, the coronavirus crisis has not only proved to be a true stress test for the digitalization of our business model, it has also brought the value of social contacts even more keenly into focus. This is a value we want to continue nurturing – in keeping with our slogan “trust has a future”.

On behalf of the Executive Board

Dr Stephan A. Zwahlen
Chief Executive Officer

“The coronavirus crisis has been a stress test for our clients, our shareholders, and our employees. However, it has also proved the robustness of our business model, which combines personal trust with digital innovation.”

Dr Stephan A. Zwahlen

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

Members of the Executive Board: short CVs

Dr Stephan A. Zwahlen
Chief Executive Officer

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

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

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

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

Ownership and organisational structure

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

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

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

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

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

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

Extended Executive Board
Rolf Frey, Head Indirect Real Estate

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

Internal Audit
Stefan Künzler, Alpinus AG (until 31 December 2020)
gwp Geissbühler Weber & Partner (from 1 January 2021)

Auditors
PricewaterhouseCoopers AG, Zurich

As at 1 April 2021

* 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

- **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**
  Markus Meili
- **Cash Desk & Reception**
  Cornelia Bossi
- **Services**
  Eugen Hasler

As at 1 April 2021

* Member of the extended Executive Board

Key figures

in CHF 1 000	2020	2019
Profit (result of the period)	3 804	6 230
Gross profit	5 012	7 824
Net commission business and services income	27 887	28 063
Net trading income	2 215	1 823
Net interest income	3 413	3 105
Operating expenses	30 158	31 192
Total assets	616 003	604 181
Client assets	8 603 066	8 520 871
Eligible capital	55 042	53 888
Required regulatory capital	18 197	18 416
Excess capital	36 845	35 472
Tier 1 capital ratio	24.2%	23.4%
Number of employees (full-time equivalents)	66	71

Financial statements

Balance sheet

in CHF 1 000	31.12.2020	31.12.2019	Change
Assets			
Liquid assets	228 041	192 143	35 899
Amounts due from banks	19 380	47 356	–27 976
Amounts due from clients	48 079	34 527	13 551
Mortgage loans	103 012	99 192	3 820
Positive replacement values of derivative financial instruments	1 179	2 060	–881
Financial investments	189 420	199 903	–10 483
Accrued income and prepaid expenses	7 235	8 517	–1 283
Participations	3 844	3 844	0
Tangible fixed assets	14 019	14 327	–308
Other assets	1 793	2 310	–517
Total assets	**616 003**	**604 181**	**11 822**
Total subordinated claims	–	–	–

in CHF 1 000	31.12.2020	31.12.2019	Change
Liabilities			
Amounts due to banks	4 802	5 667	–864
Amounts due in respect of client deposits	542 080	529 103	12 977
Negative replacement values of derivative financial instruments	2 331	2 242	90
Accrued expenses and deferred income	6 942	6 698	244
Other liabilities	1 040	1 300	–261
Provisions	565	784	–218
Reserves for general banking risks	14 247	13 697	550
Share capital	3 000	3 000	–
Statutory capital reserve	147	147	–
of which tax-exempt capital contribution reserve	147	147	–
Statutory retained earnings reserve	18 650	18 650	–
Voluntary retained earnings reserves	13 000	13 000	–
Profit carried forward	5 394	3 664	1 730
Profit (result of the period)	3 804	6 230	–2 425
Total liabilities	**616 003**	**604 181**	**11 822**
Total subordinated liabilities	–	–	–
Off-balance-sheet transactions			
Contingent liabilities	3 645	3 515	130
Irrevocable commitments	4 119	2 556	1 563

Income statement

in CHF 1 000	2020	2019	Change
Result from interest operations			
Interest and discount income	2 282	1 835	447
Interest and dividend income from financial investments	1 068	1 262	–195
Interest expense	63	8	55
Gross result from interest operations	**3 413**	**3 105**	**307**
Changes in value adjustments for default risks and losses from interest operations	–	–	–
Subtotal net result from interest operations	**3 413**	**3 105**	**307**
Result from commission business and services			
Commission income from securities trading and investment activities	31 692	31 331	361
Commission income from lending activities	33	25	8
Commission income from other services	621	657	–36
Commission expense	–4 459	–3 949	–510
Subtotal result from commission business and services	**27 887**	**28 063**	**–177**
Result from trading activities and the fair value option	**2 215**	**1 823**	**392**
Other result from ordinary activities			
Result from the disposal of financial investments	41	230	–190
Income from participations	914	5 013	–4 099
Other ordinary income	701	781	–79
Other ordinary expenses	–1	–	–1
Subtotal other result from ordinary activities	**1 655**	**6 024**	**–4 369**

in CHF 1 000	2020	2019	Change
Operating expenses			
Personnel expenses	–20 447	–20 636	189
General and administrative expenses	–9 711	–10 556	845
Subtotal operating expenses	**–30 158**	**–31 192**	**1 034**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	–580	–1 061	480
Changes to provisions and other value adjustments and losses	64	–404	467
Operating result	**4 496**	**6 360**	**–1 864**
Extraordinary income	–	–	–
Extraordinary expenses	–	–	–
Changes in reserves for general banking risks	–550	–	–550
Taxes	–141	–130	–11
Profit (result of the period)	**3 804**	**6 230**	**–2 425**
Appropriation of profit			
Profit (result of the period)	3 804	6 230	–2 425
Profit carried forward	5 394	3 664	1 730
Distributable profit	**9 198**	**9 894**	**–696**
Appropriation of profit			
Allocation to statutory retained earnings reserves	–	–	–
Allocation to voluntary retained earnings reserves	–	–	–
Distributions from distributable profit	–3 200	–4 500	1 300
Other appropriation of profit	–	–	–
New amount carried forward	**5 998**	**5 394**	**604**

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**	**13 697**	**16 664**	**–**	**6 230**	**58 388**
Dividends and other distributions							–4 500	–4 500
Other allocations to (releases from) other reserves		–	–	550	–		–	550
Net change of profit carried forward					1 730		–1 730	–
Profit/loss of the period							3 804	3 804
Equity at end of current period	**3 000**	**147**	**18 650**	**14 247**	**18 394**	**–**	**3 804**	**58 242**

Notes to the financial statements

Description of business activities

Business activities
Established in 1932, Maerki Baumann & Co. AG is a limited company under Swiss law and has its registered office in Zurich. It is mainly active in the areas of asset management and investment advisory services for private and institutional clients as well as the provision of services to external asset managers. In this connection, it also conducts lending business. Its main business area and principal source of income is commission and service fee business, which accounts for approximately 79% of ordinary income. Interest margin business contributes 10% to ordinary income and trading business 6%. Other ordinary income accounts for around 5%.

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. Trading for own account is mainly limited to providing support for client business and is operated without significant open risk positions.

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

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

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

Risk management and control
The Board of Directors is the highest governing body of the risk management organisation. It determines the risk policy, including the risk philosophy, risk assessment and risk management, which it reviews on an annual basis. At the same intervals, it defines – based on the risk capacity – willingness to take risks, risk tolerance and risk limits; it monitors adherence to the risk limits as well as implementation of the risk policy. It sets risk limits for individual risk categories/transaction types and lays down standards for the risk management and risk control processes.
The Board of Directors receives a comprehensive risk report to enable it to perform its monitoring function. This report provides information about the risk situation, capital adequacy, compliance with the risk limits, as well as risk mitigation measures.
The Executive Board is responsible for implementing the risk policy issued by the Board of Directors; it ensures the development of an appropriate risk management organisation as well as the use of suitable risk monitoring systems. The Executive Board sets out in detail the requirements laid down by the Board of Directors for individual risk categories/transaction types. As an independent monitoring body, Risk Control monitors the risks entered into by the bank. It designs appropriate risk management systems, implements them, and provides the information required for the monitoring of risk policy, risk tolerance and risk limits. Monitoring is primarily focused on credit and market risks, operational risks as well as liquidity risks.

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

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

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

Lending to clients
Loans are granted to the bank's clients in return for first-class, readily marketable collateral or Swiss mortgage collateral.
Unsecured loans or loans not secured by marketable collateral are only approved in justified, exceptional cases. The bank mainly issues collateralised loans (secured by assets and eligible securities deposited with the bank) and mortgage loans (secured by mortgage notes or a mortgage assignment).
Maerki Baumann grants collateralised loans against liquid securities in diversified portfolios. Loan-to-value ratios are conservative, in order to minimise the default risk. In addition, Maerki Baumann grants mortgages to clients as well as employees. The loans reported as mortgages are exclusively secured by Swiss real estate.
Risk is managed through careful selection, a thorough financial assessment and personal knowledge of the clients, as well as the cautious structuring of transactions and vigilant credit monitoring. With that in mind, the bank does not enter into credit risks without having first subjected the transaction to a thorough credit assessment. Mandatory elements of the assessment are:

- Creditworthiness: Includes assessing the integrity, business acumen and business conduct of the persons participating in a transaction;
- Solvency: Includes the financial situation and business potential of clients, as well as the economic backdrop;
- Structure of the business: The structure and commercial purpose of a transaction must be clearly identifiable and in line with the contractual provisions; the intrinsic value and marketability of collateral also need to be guaranteed;
- Repayment: The sources of repayment and ability to withdraw from a credit exposure must be ascertained when concluding the transaction.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mortgage-backed loans

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

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

Procedure used to determine valuation adjustments and provisions

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

Valuation of collateral

Mortgage-backed loans

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

Securities backed by loans or other marketable collateral

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

Outsourcing

Maerki Baumann & Co. AG has outsourced the trading of securities and of digital assets, as well as certain aspects of the trading of foreign currencies and precious metals, the processing of these trading transactions, payment transactions and the operation of the central IT system to InCore Bank AG, Schlieren. Processing of mortgage transactions has been outsourced to Avobis Credit Services AG, Zurich. These outsourcing processes are regulated in detail by contracts complying with the regulations of FINMA. All employees of service providers are subject to banking secrecy, which ensures that client data is protected.

Business policy on the use of derivatives and hedge accounting

Business policy on the use of derivatives

Derivative instruments are used for trading and hedging purposes. Trading takes place in standardised and OTC instruments for the bank's own account as well as for the account of clients, in particular in instruments for interest rates, currencies, equity instruments/indices and, to a lesser extent, precious metals. As part of its risk management process, the bank uses derivatives mainly to hedge interest rate and foreign currency risks. Hedging transactions are mainly conducted with external counterparties.

Business policy on the use of hedge accounting

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 hedging instrument and 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 66 full-time equivalent employees (previous year: 71).

Regime for small banks

Maerki Baumann participated in the pilot phase for the establishment of a regime for small banks, an initiative conceived by FINMA with a view to allowing very secure banks of supervisory categories 4 and 5 to benefit from reduced regulatory requirements. The pilot phase was completed and the small banks regime definitively established as of 1 January 2020. Maerki Baumann was admitted to the small banks regime by FINMA as of 1 January 2020.

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.

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

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

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

tant foreign currencies for the balance sheet were converted at the following rates on the balance sheet date:

Currency	31.12.2020	31.12.2019
EUR	1.08037	1.0860
USD	0.88228	0.9672

Liquid assets
Liquid assets are shown at nominal value.

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

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

Trading portfolios and obligations relating to trading portfolios
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 its 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.
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.

Changes compared with the previous year

The accounting and valuation principles are unchanged versus the prior year, with the following exception:

Application of hedge accounting

The bank has used derivative financial instruments to manage interest rate risks in the context of its assets/liability management activities since 2020. Hedging transactions are valued in the same way as the hedged underlying. The profit from the hedge is assigned to the same income position as the corresponding profit from the underlying 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. This has the effect of avoiding significant fluctuations in the trading result due to changes in replacement values. Further explanations can be found under "Business policy on the use of derivative financial instruments and hedge accounting". As hedge accounting is being applied for the first time, there are no repercussions for the bank's hidden reserves.
On 1 January 2020, the new FINMA Accounting Ordinance and the fully revised FINMA Circular 20/1 "Accounting – banks" entered into force. 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 creation of value adjustments and provisions for default risks on non-impaired loans and off-balance-sheet transactions will not be mandatory until 1 January 2021. The bank will implement these guidelines from 2021 onwards.

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		–	46 352	1 727	48 079
Mortgage loans		103 012	–	–	103 012
Residential property		99 012	–	–	99 012
Other		4 000	–	–	4 000
Total loans	**2020**	**103 012**	**46 352**	**1 727**	**151 090**
(before netting with value adjustments)	2019	99 192	30 585	3 942	133 719
Total loans	**2020**	**103 012**	**46 352**	**1 727**	**151 090**
(after netting with value adjustments)	2019	99 192	30 585	3 942	133 719
Off-balance-sheet					
Contingent liabilities		–	3 637	8	3 645
Irrevocable commitments		–	2 825	1 294	4 119
Total off-balance-sheet	**2020**	**–**	**6 462**	**1 302**	**7 764**
	2019	–	4 675	1 396	6 071

		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans/receivables	**2020**	**–**	**–**	**–**	**–**
	2019	–	–	–	–

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				none	none	none
Forward contracts incl. FRAs	–	–	–	–	–	–
Swaps	–	–	–	–	94	10 000
Futures	–	–	–	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (Exchange-traded)	–	–	–	–	–	–
Foreign exchange/precious metals						
Forward contracts	329	1 387	155 342	–	–	–
Combined interest rate/currency swaps	–	–	–	–	–	–
Futures	–	–	–	–	–	–
Options (OTC)	6	6	3 251	–	–	–
Options (Exchange-traded)	–	–	–	–	–	–
Equity securities/indices						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures	–	–	4 959	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (Exchange-traded)	844	844	65 746	–	–	–
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	**2020**	**1 179**	**2 237**	**229 298**	**–**	**94**	**10 000**
	2019	2 060	2 242	205 026	–	–	–
Total after netting agreements	**2020**	**1 179**	**2 237**	**229 298**	**–**	**94**	**10 000**
	2019	2 060	2 242	205 026	–	–	–

in CHF 1 000		Total	
		Positive replacement values	Negative replacement values
Total after netting agreements	**2020**	**1 179**	**2 331**
	2019	2 060	2 242

Breakdown by counterparty

in CHF 1 000	Central clearing houses	Banks and securities dealers	Other clients
Positive replacement value (after consideration of netting agreements)	–	221	958

Breakdown of financial investments

in CHF 1 000	Carrying amount		Fair value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Debt securities	189 420	199 903	191 704	202 019
of which intended to be held to maturity	189 420	199 903	191 704	202 019
of which not intended to be held to maturity (available for sale)	–	–	–	–
Equity securities	–	–	–	–
Total	**189 420**	**199 903**	**191 704**	**202 019**
of which securities eligible for repo transactions in accordance with liquidity requirements	30 922	28 724	31 254	29 061

Breakdown of counterparties by rating (FINMA Concordance table)

in CHF 1 000	1 & 2	3	4	5 & 6	7	Unrated
Debt securities: book values	72 582	84 230	28 448	–	–	4 160

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	24 473	4 438	3 131	32 042
Accumulated depreciation	–10 981	–3 784	–2 950	–17 715
Book value at end of previous year	**13 492**	**654**	**181**	**14 327**
Current year				
Additions	81	192	–	273
Disposals	–	–	–	–
Depreciation	–16	–519	–45	–580
Reversals	–	–	–	–
Book value at end of current year	**13 557**	**326**	**136**	**14 019**

Lease commitments from operating leases

in CHF 1 000	31.12.2020	31.12.2019
Due within 12 months	58	58
Due between 12 months and 5 years	15	72
Due after more than 5 years	–	–
Total leasing obligations not recognised in the balance sheet	72	130

Presentation of intangible assets

none

Breakdown of other assets and other liabilities

in CHF 1000		Other assets		Other liabilities
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Compensation account	94	–	–	–
Settlement accounts	–	–	744	1117
Indirect taxes	573	2054	205	180
Direct taxes	0	5	–	–
Other	1125	251	91	3
Total	**1793**	**2310**	**1040**	**1300**

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
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Pledged/assigned assets				
Due from banks	1532	1245	1087	153
Financial investments to cover margin requirements of banks	20876	p.m.	28218	p.m.

Assets under reservation of ownership

none

Disclosure on the economic situation of own pension schemes

none

Presentation of the economic benefit/obligation and the pension expenses

in CHF 1 000	31.12.2020	31.12.2019
Pension expenses in personnel expenses: Pension fund	1 614	1 621
Paid-in contributions for the reporting period: Pension fund	1 614	1 621

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

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

There is no employer contribution reserve.

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

in CHF 1 000	Balance at end of 2019	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 2020
Provisions for deferred taxes	–	–	–	–	–	–	–	–
Provisions for default risks	99	–	–	–	–	–	–	99
Provisions for other business risks	396	–	–	–	–	–	–180	216
Other provisions	289	–38	–	–	–	–	–	250
Total provisions	**784**	**–38**	**–**	**–**	**–**	**–**	**–180**	**565**
Reserves for general banking risks (after tax)	13 697	–	–	–	–	550	–	14 247

Presentation of the share capital

	2020			2019		
	Total par value (in CHF)	No. of shares	Capital eligible for dividend (in CHF)	Total par value (in CHF)	No. of shares	Capital eligible for dividend (in CHF)
Share capital	3 000 000	30 000	3 000 000	3 000 000	30 000	3 000 000

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

none

Disclosure of amounts due from/to related parties

in CHF 1 000	Amounts due from		Amounts due to	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Significant shareholders	7 081	9 175	458	5 571
Group companies	–	–	–	–
Linked companies	–	–	105	109
Transactions with members of governing bodies	–	–	388	285
Other related parties and companies	9 723	14 254	3 910	4 214

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 for 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. The Maerki Baumann Holding AG holds a participation of 49% on the InCore Bank AG.

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

in CHF 1 000	2020		2019	
	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

	31.12.2020	31.12.2019
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	31.12.2020	31.12.2019
Bank’s capital	3 000	3 000
Voluntary reserves	33 245	32 090
Statutory reserves	18 797	18 797
Total equity capital (after appropriation of profit)	**55 042**	**53 888**
non-distributable reserves	20 883	21 871

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	228 041	–	–	–	–	–	228 041
Amounts due from banks	14 380	–	5 000	–	–	–	19 380
Amounts due from clients	–	10 334	21 116	13 782	2 847	–	48 079
Mortgage loans	–	899	4 737	29 442	24 028	43 906	103 012
Positive replacement values of derivative financial instruments	–	–	598	581	–	–	1 179
Financial investments	–	–	16 232	20 568	152 621	–	189 420
Total 2020	**242 421**	**11 233**	**47 684**	**64 373**	**179 495**	**43 906**	**589 111**
Total 2019	213 200	25 923	42 486	33 883	192 256	67 434	575 181
Debt capital/financial instruments							
Amounts due to banks	4 802	–	–	–	–	–	4 802
Amounts due in respect of client deposits	537 668	–	4 411	–	–	–	542 080
Negative replacement values of derivative financial instruments	–	–	1 652	585	–	94	2 331
Total 2020	**542 471**	**–**	**6 063**	**585**	**–**	**94**	**549 213**
Total 2019	534 770	–	1 885	357	–	–	537 011

Presentation of assets and liabilities by domestic and foreign origin

in CHF 1000	31.12.2020		31.12.2019	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	228041	–	192 143	–
Amounts due from banks	18659	721	17970	29386
Amounts due from clients	30503	17576	22482	12045
Mortgage loans	103012	–	99 192	–
Positive replacement values of derivative financial instruments	535	644	1473	587
Financial investments	50820	138600	29842	170061
Accrued income and prepaid expenses	7235	–	8517	–
Participations	3826	19	3826	19
Tangible fixed assets	14019	–	14327	–
Other assets	1793	–	2310	–
Total assets	**458443**	**157560**	**392082**	**212098**

Presentation of assets and liabilities by domestic and foreign origin

in CHF 1 000	31.12.2020		31.12.2019	
	Domestic	Foreign	Domestic	Foreign
Liabilities				
Amounts due to banks	4 802	–	5 667	–
Amounts due in respect of client deposits	280 253	261 826	265 608	263 495
Negative replacement values of derivative financial instruments	2 235	96	2 182	60
Accrued expenses and deferred income	6 942	–	6 698	–
Other liabilities	1 040	–	1 300	–
Provisions	565	–	784	–
Reserves for general banking risks	14 247	–	13 697	–
Share capital	3 000	–	3 000	–
Statutory capital reserve	147	–	147	–
of which tax-exempt capital contribution reserve	147	–	147	–
Statutory retained earnings reserve	18 650	–	18 650	–
Voluntary retained earnings reserves	13 000	–	13 000	–
Profit carried forward	5 394	–	3 664	–
Profit (result of the period)	3 804	–	6 230	–
Total liabilities	**354 080**	**261 922**	**340 626**	**263 554**

Breakdown of total assets by country or group of countries

in CHF 1 000	31.12.2020		31.12.2019	
	CHF 1 000	%	CHF 1 000	%
Assets				
Europe	83 366	13.5%	132 497	21.9%
Other countries	74 194	12.0%	79 601	13.2%
Total foreign country assets	**157 560**	**25.6%**	**212 098**	**35.1%**
Switzerland	458 443	74.4%	392 082	64.9%
Total assets	**616 003**	**100.0%**	**604 181**	**100.0%**

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

in CHF 1 000	31.12.2020		31.12.2019	
	CHF 1 000	%	CHF 1 000	%
FINMA Concordance table				
1 & 2	126 866	80.5%	186 942	88.1%
3	5 469	3.5%	5 517	2.6%
4	–	–	–	–
5	–	–	–	–
6	–	–	–	–
7	–	–	–	–
No rating	7 005	4.4%	7 007	3.3%
Lombard loans *	18 220	11.6%	12 632	6.0%
Total assets	**157 560**	**100.0%**	**212 098**	**100.0%**

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

Balance sheet by currencies
as at 31.12.2020

in CHF 1 000	CHF	EUR	USD	Other
Assets				
Liquid assets	227 231	665	121	24
Amounts due from banks	6 796	2 277	1 335	8 973
Amounts due from clients	30 636	11 006	5 214	1 223
Mortgage loans	100 720	–	2 292	–
Positive replacement values of derivative financial instruments	726	384	66	4
Financial investments	72 835	104 604	11 981	–
Accrued income and prepaid expenses	7 235	–	–	–
Participations	3 826	19	–	–
Tangible fixed assets	14 019	–	–	–
Other assets	1 793	–	0	0
Total assets shown in balance sheet	**465 817**	**118 954**	**21 008**	**10 224**
Delivery claims on forward transactions	24 922	47 964	68 886	17 367
Total assets	**490 739**	**166 917**	**89 894**	**27 591**

Balance sheet by currencies
as at 31.12.2020

in CHF 1 000	CHF	EUR	USD	Other
Liabilities				
Amounts due to banks	4 765	37	0	0
Amounts due in respect of client deposits	291 335	143 700	79 653	27 392
Negative replacement values of derivative financial instruments	1 878	384	66	4
Accrued expenses and deferred income	6 942	–	–	–
Other liabilities	1 037	2	1	0
Provisions	565	–	–	–
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 reserves	13 000	–	–	–
Profit carried forward	5 394	–	–	–
Profit (result of the period)	3 804	–	–	–
Total liabilities shown in the balance sheet	**364 764**	**144 123**	**79 720**	**27 396**
Delivery liabilities on forward transactions	126 955	22 633	10 227	182
Total liabilities	**491 719**	**166 756**	**89 947**	**27 578**
Net position per currency	**–980**	**161**	**–53**	**13**

Information on the off-balance-sheet business

Breakdown of contingent liabilities and contingent assets

in CHF 1000	31.12.2020	31.12.2019	Change
Guarantees to secure credits and similar	3645	3515	130
Performance guarantees and similar	–	–	–
Other contingent liabilities	–	–	–
Total contingent liabilities	**3645**	**3515**	**130**
Contingent assets arising from tax losses carried forward	1401	1891	–490
Other contingent assets	–	–	–
Total contingent assets	**1401**	**1891**	**–490**

Breakdown of credit commitments

none

Breakdown of fiduciary transactions

in CHF 1000	31.12.2020	31.12.2019	Change
Fiduciary investments with third-party companies	20122	50241	–30119
Fiduciary investments with group companies and linked companies	–	–	–
Fiduciary loans and other fiduciary transactions	–	–	–
Total fiduciary transactions	**20122**	**50241**	**–30119**

Breakdown of managed assets

in CHF million	31.12.2020	31.12.2019	Change
Assets in collective investment schemes managed by the bank	–	–	–
Assets under discretionary asset management agreements	5598	5597	1
Other managed assets	3005	2924	81
Total managed assets (including double counting)	**8603**	**8521**	**82**
of which double counting			–
Total managed assets (including double counting) at beginning	**8521**	**7182**	**1339**
Net new money inflow or net money outflow	–216	–41	–175
Price gains/losses, interests, dividends and currency gains/losses	298	1381	–1083
Other effects	–	–	–
Total managed assets (including double counting) at end	**8603**	**8521**	**82**

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

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

Information on the income statement

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

in CHF 1000	2020	2019	Change
Negative interest in lending business (reduction in interest and discount income)	–117	–162	45
Negative interest received on deposit business	83	25	58

Personnel expenses

in CHF 1000	2020	2019	Change
Salaries	17322	17511	–189
Social insurance benefits	2813	2801	12
Other personnel expenses	311	323	–12
Total personnel expenses	**20447**	**20636**	**–189**

Other operating expenses

in CHF 1000	2020	2019	Change
Office space expenses	463	524	–61
Expenses for information and communications technology	1428	1530	–103
Expenses for vehicles, equipment, furniture and other fixtures	131	132	–1
Fees of audit firm	170	354	–184
of which for financial and regulatory audits	170	222	–52
of which for other services	–	132	–132
Other operating expenses	7519	8016	–497
Total other operating expenses	**9711**	**10556**	**–845**

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

CHF 550 000 was charged to the item “Change in reserves for general banking risks” for the creation of reserves for general banking risks.

Current and deferred taxes/disclosure of the tax rate

in CHF 1000	2020	2019	Change
Current taxes	141	130	11
Deferred taxes	–	–	–
Total taxes	**141**	**130**	**11**
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 7 730.

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

Disclosure relating to equity capital and liquidity

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

Maerki Baumann took part in the pilot phase for the establishment of a regime for small banks, an initiative conceived by FINMA with a view to allowing very secure banks of supervisory categories 4 and 5 to benefit from reduced regulatory requirements. The pilot phase was completed and the small banks regime definitively established as of 1 January 2020. Maerki Baumann was admitted to the small banks regime by FINMA as of 1 January 2020.

Eligible and regulatory capital

in CHF 1000	31.12.2020	31.12.2019
Eligible capital		
Common equity Tier 1 capital (CET1)	55 042	53 888
Total eligible capital	**55 042**	**53 888**
Total minimum required capital	**36 005**	**48 513**

Simplified leverage ratio

in CHF 1000	31.12.2020	31.12.2019
Tier 1 capital after appropriation of profit	55 042	53 888
Assets (excluding goodwill and participations) and off-balance-sheet transactions	619 922	606 407
Adjustments due to the temporary easings for banks as a result of the COVID-19 crisis, including reduction due to the dividend payment	–169 864	–
Adjusted assets (excluding goodwill and participations) and off-balance-sheet transactions	450 058	606 407
Simplified leverage ratio – calculation according to term sheet	12.2%	8.9%

Information on the liquidity coverage ratio (LCR)

in CHF 1000	2020	2019
Total of High Quality Liquid Assets (HQLA)		
Average Q1	210 250	168 994
Average Q2	241 885	199 650
Average Q3	239 785	215 496
Average Q4	234 848	185 399
Total net cash outflows		
Average Q1	79 727	73 617
Average Q2	89 035	50 319
Average Q3	86 308	77 318
Average Q4	90 018	76 242
Liquidity coverage ratio (LCR)		
Average Q1	263.7%	229.6%
Average Q2	271.7%	396.8%
Average Q3	277.8%	278.7%
Average Q4	260.9%	243.2%

Key equity ratios according to Basel III

Eligible and regulatory capital

in CHF 1000		31.12.2020	31.12.2019
Eligible Capital			
Common equity Tier 1 capital (CET1)		55042	53888
Total eligible capital		**55042**	**53888**
Required Capital	**Approach used**		
Credit risk	International BIS SA-CCR, comprehensive	11511	11855
Non-counterparty-related risks	International BIS SA-CCR, comprehensive	1122	1146
Market risk	Market risk standard approach	219	267
Operational risk	Basic indicator approach	5345	5148
Total minimum required capital		**18197**	**18416**
Countercyclical capital buffer		–	700
Sum of risk weighted positions		227463	230200
Countercyclical capital buffer in relation to the sum of risk weighted positions		0.0%	0.3%
Capital Ratios			
Common equity Tier 1 capital ratio (CET1 ratio)		24.2%	23.4%
Tier 1 capital ratio		24.2%	23.4%
Ratio of regulatory capital (Tier 1 & Tier 2) without countercyclical capital buffer		24.2%	23.4%
Ratio of regulatory capital (Tier 1 & Tier 2) with countercyclical capital buffer		24.2%	23.1%

Proposals to the General Meeting

The Board of Directors proposes the following motions to the General Meeting to be held on 13 April 2021:

1. To approve the Annual Report consisting of management report and financial statements for 2020.

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 2020 financial year.

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

in CHF 1000	2020
Profit carried forward	5394
Plus annual profit	3804
At the disposal of the General Meeting	9198
Dividend	–3200
Allocation to statutory retained earnings reserve	–
Allocation to voluntary retained earnings reserves	–
Carried forward to new account	5998

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

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

Report of the statutory auditor

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

Report on the financial statements

As statutory auditor, we have audited the financial statements of Maerki Baumann & Co. AG, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 23 to 66 and 70), for the year ended 31 December 2020.

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 2020 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, 26 March 2021

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