



MAERKI BAUMANN & CO. AG

PRIVATBANK

Annual Report 2018

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Focus on all-round wealth management

Dear friends of Maerki Baumann,
ladies and gentlemen

My sister and I find that regular discussions with clients are among our most important and satisfying tasks. Particularly in the case of client relationships that date back a long time, what matters most are not short-term investment results or administrative issues, but often very personal exchanges of views. We value the trust that is placed in us through this channel, in many cases across generations. Discussions like this help us to gain an even better understanding of what a private bank like Maerki Baumann should be doing for its clients nowadays. It goes without saying that clients expect competently executed services at a fair price. And even in an environment as difficult as that of 2018, every client would like the best possible returns on their invested assets. But the focus continues to be on reliable asset management and comprehensive investment advice, that also includes pension and real estate advice and questions of succession planning, as well as the associated legal and tax aspects. For many clients, this kind of advice is what makes the difference – and not just compared to digital banking, but also compared to the increasingly standardised offerings of the truly large financial institutions. We want to – and are able to – take the time that is needed to provide well-founded advice.

Maerki Baumann is also addressing the technological evolution that has been unfolding in our industry for a number of years now. Over the last few months, the Board of Directors and above all the Executive Board of Maerki Baumann have been working with external

specialists to explore the opportunities that blockchain technology offers for our bank – and for our clients in particular. The Executive Board is investing a great deal of energy in a pilot project that will allow us to build up further experience in this area. And this should in no way be dismissed as a case of "art for art's sake".

The deployment of such technologies must make economic sense, and must open up possibilities that would otherwise not have existed. A crucial aspect here is for us to be able to master the technical and conceptual risks associated with blockchain technology, and to guarantee data security at all times.

My own personal conviction is that we banks – and I am deliberately using the plural here – simply cannot afford to stand still. Because it is the added value that we are able to offer today and in the future that will ultimately decide whether the wealth management services that lie at the heart of our activities will continue to be sought after. These steps can only be taken thanks to the expertise and great commitment of our employees. The Board of Directors is therefore truly grateful to them all.

A notable development in 2018 – and not before time, in my view – was the first indication of progress in the long-debated problem of financial market overregulation. This problem has put a considerable strain on smaller banking institutions in particular over the last few years. Not least thanks to the urgings of our CEO, Dr Stephan A. Zwahlen, FINMA has engaged in constructive and solution-oriented discussions with the smaller banks, and is now in the process of reviewing those regulations that are particularly expensive and time-consuming for banks of our category to implement.

Let's be clear on one thing: this is absolutely not about reducing transparency. All regulations designed to give clients greater security make complete sense. No, discussions here are focusing on possible ways of reducing the disproportionate administrative workload and on the frequency of supervisory audits. For the first time in a long while, I have good cause to believe that the authorities are genuinely addressing our concerns with the seriousness that they deserve. We're keeping our eye on the ball!

The year under review was marked by persistent turbulence in the financial markets, which was accentuated further towards the year-end. Not a single major asset class ended 2018 in positive territory – an unprecedented development in recent times. Given this back-drop, I am particularly pleased that we were able to achieve decent results for our clients, above all in a competitive comparison. That said, the market turmoil has left a clear mark, leading to a decline in client assets under management due to negative performance.

In view of the challenging environment we faced, I consider the operating results that we are reporting for 2018 to be good. We once again achieved a profit of more than CHF 3 million. The strong capital base of our bank is reflected in the high equity ratio of 22.5%. In other words, we have a solid foundation for future growth.

The Swiss financial centre has proved itself to be resilient, despite all the fears that have been expressed. Its undisputed qualities – reliability, consistent client orientation, strong balance sheets – will help to ensure that it remains resilient over the next few years too.

I am also very confident about the future of our private bank. We remain obligated to our clients, and will continue to make provision of the highest-quality advice the key focus of our work. On behalf of our family and the entire Board of Directors, I would like to express my deep gratitude to everyone who has contributed to Maerki Baumann's success.

For the Board of Directors

A handwritten signature in black ink, consisting of several vertical and horizontal strokes, representing the name Hans G. Syz-Witmer.

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

«For us as owners, the often very personal exchanges of views we have with our clients are among our most important and satisfying tasks.»



Board of Directors from left to right:

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

Members of the Board of Directors: short CVs

Hans G. Syz-Witmer

Chairman of the Board of Directors

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

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

Dr Carole Schmied-Syz

Vice-Chairwoman of the Board of Directors

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

Vice-Chairwoman since 2005. Since 2016 she has been Chairwoman of Maerki Baumann Holding AG (she was Vice-Chairwoman from 2007 to 2016) and has been a member of the Board of Directors of CHSZ-Holding AG since 2003.

Carole Schmied-Syz is active as an academic lawyer in the fields of contract and liability law. She used to be politically active as well: until 2005, for example, she was a member of the Zurich Constitutional Council. She holds a number of other mandates: she is a trustee of the Right To Play Foundation, and in the cultural field she is a member of the board of the Patrons' Association of the Tonhalle-Gesellschaft Zürich. Furthermore, she chairs the bank's art committee.

Prof. Bruno Gehrig

Member of the Board of Directors

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

Urs Lauffer

Member of the Board of Directors

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

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

Michele Moor

Member of the Board of Directors

Michele Moor (b.1965), 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 the finance and services area. From 2005 until 2008, inter alia, Michele Moor was Chairman of the Swiss Officers' Association.

The courage to change

In 2018, the market environment was characterised by two closely interconnected developments. On the one hand, there was a rise in economic and geopolitical uncertainties around the world. Key examples of this included US President Donald Trump's escalation of the trade conflict between the US and China, the protracted wrangling over the United Kingdom's departure from the European Union ("Brexit"), and the controversial discussion of an institutional framework agreement between Switzerland and the EU. On the other hand, there was also a spike in equity market volatility, particularly in the fourth quarter of the year, while the bond markets of Switzerland and Europe remained under the spell of the very low interest environment. Against this backdrop, making forecasts on the prospective returns and risks of individual asset classes was much more challenging – all the more so given that markets were often heavily driven by political developments.

At times of great uncertainty like this, the need for a circumspect investment policy and balanced diversification of assets across a number of asset classes, countries and sectors becomes all the more apparent. In addition, the extreme dynamism of market developments and the disparate nature of client needs require greater flexibility. The focus on security, which is so deeply rooted in Maerki Baumann's corporate culture, and our modular investment platform, which offers clients the combined benefits of professional asset management and individual advice, therefore formed an excellent basis for meeting the above-mentioned challenges. This allows our clients to decide for themselves how involved they would like to be in the busi-

ness of investing. We received a special form of recognition in this context from an article written by Prof. Andreas Dietrich (University of Lucerne) at the beginning of 2018, in which our modular investment solution was described in very positive terms.

In the traditional investment advisory business, our proven advisory approach and system-supported risk monitoring function also contributed to the efficient management of client portfolios. At the same time, we sought to adjust our offering in line with changed client expectations and market parameters. To this end, we restructured our investment advisory range in the second quarter of the year. In doing so, we gave our service offering greater transparency, and took due account of the more rigorous statutory provisions in the area of investor protection. Our investment advisory service has since been broken down into the "Premium" and "Plus" service models. Whereas the "Plus" offering provides clients with comprehensive advice from our experienced client advisors, the "Premium" model offers numerous additional services such as a direct line to our Chief Investment Officer and a dedicated investment specialist.

Business performance of Maerki Baumann

The business performance of Maerki Baumann in 2018 should be viewed in the context of various adverse factors, such as the negative interest rates imposed on credit balances with the Swiss National Bank, negative market performance in all asset classes, declining volumes of securities transactions and persistent pressure on margins. In addition, the challenging regulatory environment continued to pose a significant challenge –

despite the welcome initiative of the Swiss Federal Market Supervisory Authority to establish a "regime for small banks". With an annual profit of CHF 3.02 million we were able to record a solid result for the 2018 financial year, even if the very good equivalent figure for the previous year (CHF 4.17 million) remained out of reach. Gross profit came in at CHF 4.16 million, as against CHF 5.40 million in the previous year. In other words, we were able to report our second-best result since 2010.

At CHF 3.30 million, net interest income was CHF 0.78 million lower than in the previous year, despite mortgage lending volumes rising by CHF 18.72 million, or a third. The drivers of this decline included negative interest incurred, shifts in foreign currency holdings, and lower dividend income from financial investments. Net income from the fee and commission business, which is the core activity of Maerki Baumann, amounted to CHF 26.12 million, i.e. 4% less than in the previous year. Here the additional income from the introduction of market-appropriate service fees in the investment advisory business as of 1 September 2018 was unable to compensate fully for the sharp decline in income from transaction-related business (brokerage fees). At CHF 1.81 million, net trading income was CHF 0.59 million lower than in the prior year, as foreign currency income declined in keeping with the fall in securities turnover. Finally, other ordinary income decreased by CHF 0.39 million owing to conservative management of the balance sheet structure, and amounted to CHF 2.74 million.

When adjusted for part-time staff, headcount at the end of the year under review was at 68 persons. This

corresponds to a temporary decline in headcount by five full-time employees compared to the previous year, which is due to natural fluctuation. In 2019, our team is expected to grow once more with the appointment of additional client advisors. Personnel expenses decreased by CHF 1.05 million as a result of lower average headcount and lower performance-related variable compensation, and amounted to CHF 19.63 million. Thanks to prudent investment activity and rigorous cost management, general and administrative expenses likewise declined, namely by CHF 0.65 million to CHF 10.19 million. Operating expenses came in at CHF 29.82 million, a significant decrease of CHF 1.70 million on the previous year's figure.

Client assets under management fell by CHF 491 million to CHF 7.2 billion in 2018 (minus 6%). This decline attributable primarily to negative market performance of CHF 425 million. When new money is concerned, a net outflow of CHF 65 million was recorded. A major factor behind this development was the loss of a foreign client in the lower-margin External Asset Managers business area. Whereas moderate inflows of CHF 28 million were recorded in the core business with Swiss clients, who account for some 80% of assets under management, regulatory restrictions in respect of new client acquisition resulted in outflows of CHF 93 million in foreign business. In Germany – the key foreign market for Maerki Baumann, accounting for some 10% of assets under management – fresh growth opportunities opened up in 2018. The legal set-up of our private bank now allows us to actively offer cross-border services – including to potential new clients – without the need for a German branch.

Maerki Baumann has well-established systems for identifying, limiting and monitoring significant risks. The Board of Directors and Executive Board regularly review the relevant market, credit and liquidity risks, as well as operating risks (see "Description of business activities"). Our conservative risk and business policy is reflected in excellent liquidity and capital adequacy ratios. The liquidity coverage ratio averaged 308.7% in 2018, which is way above the requirement of 90%. In addition, Maerki Baumann had a BIS core capital ratio (tier 1 ratio) of 22.5% at the end of 2018, 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

The Swiss private banking industry has undergone a far-reaching process of structural change in recent years. The evolution of client needs, the increasing complexity of regulation, and the softening of bank client confidentiality are some of the key drivers of this transformation. On the one hand this has ushered in a painful process of consolidation for the industry, but on the other hand it has also led to a logical defragmentation of the value creation chain. At the same time, new providers from outside the industry have entered the market. Given the dynamism of technological developments, it appears reasonable to assume that the paradigm shift will be even more drastic in the era of digitalisation. Whereas over the last decade many institutions have mainly been preoccupied with the step-by-step optimisation of their existing business models, exponential technologies such as blockchain, robotics, artificial intelligence and

quantum computing have the potential to revolutionise the financial industry.

In our view, these trends are dismissed all too often and prematurely as "hype". This applies in particular to the assessment of the growing number of fintech companies seeking to establish themselves in the market, some of which have truly innovative business models. A particularly questionable line of argumentation is that time-honoured business models are likely to survive the unfolding process of change. Indeed, it appears that many people are underestimating – or perhaps suppressing – the fact that younger generations have a radically different value system, and that the older generation itself is increasingly exhibiting signs of changed consumer behaviour. Given this background, all financial market players need to be demonstrating considerable intellectual openness, pioneering spirit and creativity. They must be aware that proactively addressing new developments is not just a matter of necessity, but also requires the courage to change.

Despite the rise of powerful technology applications, it is our firm conviction that the human factor, i.e. the human element in providing support to our valued clients, will continue to be of paramount importance. And the same applies to the provision of investment advice by stable and trustworthy institutions. Over the last few years, we have transformed our private bank into a modern financial services provider. Thanks to the entrepreneurial flexibility that has resulted, we and our motivated employees can respond swiftly to changed parameters and client needs, and tap into new market potential. Our progressive approach to the multifaceted application possibilities of blockchain technology is

exemplary in this regard, as is our drive to systematically implement our crypto strategy as jointly formulated by the Board of Directors and Executive Board.

On behalf of the Executive Board

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

Dr Stephan A. Zwahlen
Chief Executive Officer

«Progressively addressing new technologies opens up great opportunities for our clients, while at the same time requiring the courage to embrace change.»



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 specialization 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 was last year appointed board member of the Association of Swiss Asset and Wealth Management Banks (VAV). As Chairman of the Supporters' Association and member of the Managing Committee of the Swiss Institute of Banking and Finance at the University of St. Gallen, he also remains closely in touch with academic research.

He regularly lectures in banking at the University of St. Gallen and the Swiss Finance Institute.

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

Lukas S. Risi Deputy CEO and Head of Private Banking

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

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

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

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

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

Dr Alexander Ising

Member of the Executive Board,
Head of Corporate Services

Alexander Ising (b.1978), Dr. oec. HSG, has been Head of Corporate Services and a member of the Executive Board since October 2016. He is also Head of Risk & Internal Control, Head of Business Development and Head of the Asset Liability Management 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 Wegelein & Co. private bank as a fund analyst. Alexander Ising studied economics at the Ludwig Maximilian University of Munich. After conducting research work at Columbia University in New York and working for the Swiss Institute for Banking and Finance, he obtained a doctorate at the University of St. Gallen, focusing mainly on finance. Alexander Ising is married, and has a daughter and a son. He spends his free time with his family, and he enjoys travelling and skiing.

Ownership and organisational structure

Ownership

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

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

The Board of Directors of Maerki Baumann Holding AG is comprised by Dr Carole Schmied-Syz (Chairwoman), Hans G. Syz-Witmer (Vice-Chairman) 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. Dr Bruno Gehrig, Winterthur*
Urs Lauffer, Steinmaur*
Michele Moor, Lugano*

Audit Committee and Risk Committee**

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

Executive Board

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

Senior Management

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

Internal Audit

Stefan Künzler

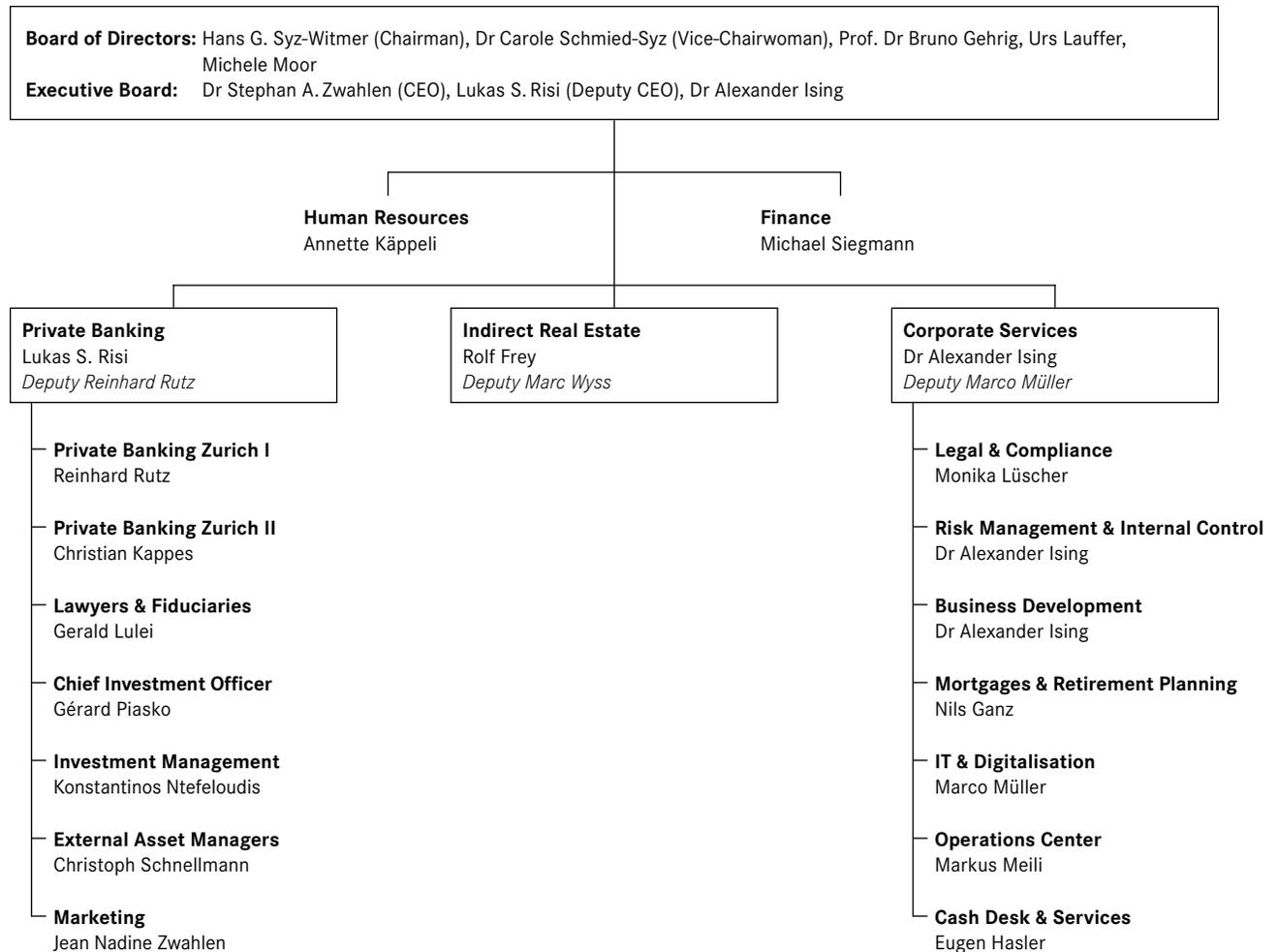
Auditors

PricewaterhouseCoopers AG, Zurich

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

** According to the current FINMA rules, the bank is not required to have either an Audit Committee or a Risk Committee.

Organisational chart



As at 1 April 2019

Key figures

in CHF 1000	2018	2017
Profit (result of the period)	3 024	4 168
Gross profit	4 158	5 399
Net fee and commission income	26 122	27 305
Net trading income	1 814	2 407
Net interest income	3 302	4 077
Operating expenses	29 821	31 521
Total assets	599 395	646 343
Client assets	7 181 675	7 672 787
Eligible capital	52 158	51 534
Required regulatory capital	18 505	19 457*
Excess capital	33 653	32 078*
Tier 1 capital ratio	22.5%	21.2%*
Number of employees (full-time equivalents)	68	73

* In the Annual Report for the year 2017, the key equity ratios were reported according to the simplified approach rather than the comprehensive approach, which is why the reported figure for required regulatory capital was too high while those for excess capital and the tier 1 ratio were too low (for more detail on this, see page 56 of the Annual Report). Accordingly, the bank's capital situation was actually better than that stated in the Annual Report 2017.

Financial statements

Balance sheet

in CHF 1000	31.12.2018	31.12.2017	Change
Assets			
Liquid assets	172 373	152 055	20 318
Amounts due from banks	40 725	96 277	-55 553
Amounts due from securities financing transactions	0	0	0
Amounts due from clients	46 149	46 238	-89
Mortgage loans	82 108	63 390	18 718
Trading portfolio assets	0	0	0
Positive replacement values of derivative financial instruments	2 717	2 186	531
Other financial instruments at fair value	0	0	0
Financial investments	227 826	255 988	-28 162
Accrued income and prepaid expenses	7 626	8 262	-636
Participations	3 845	3 846	-1
Tangible fixed assets	14 793	15 063	-270
Intangible assets	0	0	0
Other assets	1 233	3 038	-1 805
Capital not paid in	0	0	0
Total assets	599 395	646 343	-46 948
Total subordinated claims	0	0	0
of which with conversion obligation and/or debt waiver	0	0	0

in CHF 1000	31.12.2018	31.12.2017	Change
Liabilities			
Amounts due to banks	0	537	-537
Liabilities from securities financing transactions	0	0	0
Amounts due in respect of client deposits	534 686	580 625	-45 939
Trading portfolio liabilities	0	0	0
Negative replacement values of derivative financial instruments	2 860	1 680	1 180
Liabilities from other financial instruments at fair value	0	0	0
Cash bonds	0	0	0
Bond issues and central mortgage institution loans	0	0	0
Accrued expenses and deferred income	5 698	6 889	-1 191
Other liabilities	942	1 286	-345
Provisions	651	1 091	-440
Reserves for general banking risks	13 697	13 697	0
Share capital	3 000	3 000	0
Statutory capital reserve	147	147	0
of which tax-exempt capital contribution reserve	147	147	0
Statutory retained earnings reserve	18 650	18 650	0
Voluntary retained earnings reserves	12 400	10 876	1 524
Own shares (negative item)	0	0	0
Profit carried forward	3 640	3 696	-56
Profit (result of the period)	3 024	4 168	-1 144
Total liabilities	599 395	646 343	-46 948
Total subordinated liabilities	0	0	0
of which with conversion obligation and/or debt waiver	0	0	0
Off-balance-sheet transactions			
Contingent liabilities	3 053	4 593	-1 541
Irrevocable commitments	7 687	4 236	3 451
Obligations to pay up shares and make further contributions	0	0	0
Credit commitments	0	0	0

Income statement

in CHF 1000	2018	2017	Change
Result from interest operations			
Interest and discount income	1 858	2 262	-404
Interest and dividend income from trading portfolios	0	0	0
Interest and dividend income from financial investments	1 436	1 825	-388
Interest expense	8	-9	18
Gross result from interest operations	3 302	4 077	-774
Changes in value adjustments for default risks and losses from interest operations	0	0	0
Subtotal net result from interest operations	3 302	4 077	-774
Result from commission business and services			
Commission income from securities trading and investment activities	29 884	31 720	-1 836
Commission income from lending activities	26	29	-3
Commission income from other services	826	1 169	-342
Commission expense	-4 614	-5 613	999
Subtotal result from commission business and services	26 122	27 305	-1 183
Result from trading activities and the fair value option	1 814	2 407	-593
Other result from ordinary activities			
Result from the disposal of financial investments	216	418	-203
Income from participations	1 640	1 710	-70
Result from real estate	0	0	0
Other ordinary income	929	1 003	-74
Other ordinary expenses	-45	0	-45
Subtotal other result from ordinary activities	2 740	3 132	-391

in CHF 1000	2018	2017	Change
Operating expenses			
Personnel expenses	-19 627	-20 675	1 048
General and administrative expenses	-10 194	-10 847	653
Subtotal operating expenses	-29 821	-31 521	1 700
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-1 042	-1 080	38
Changes to provisions and other value adjustments and losses	-169	-10	-159
Operating result	2 947	4 308	-1 362
Extraordinary income	254	0	254
Extraordinary expenses	0	0	0
Changes in reserves for general banking risks	0	0	0
Taxes	-177	-140	-37
Profit (result of the period)	3 024	4 168	-1 144
Appropriation of profit			
Profit (result of the period)	3 024	4 168	-1 144
Profit carried forward	3 640	3 696	-56
Distributable profit	6 664	7 864	-1 200
Appropriation of profit			
Allocation to statutory retained earnings reserves	0	0	0
Allocation to voluntary retained earnings reserves	-600	-1 524	924
Distributions from distributable profit	-2 400	-2 700	300
Other appropriation of profit	0	0	0
New amount carried forward	3 664	3 640	24

Statement of changes in equity

in CHF 1 000	Equity at start of current period	Capital increase / decrease	Allocation of retained earnings 2017	Dividends and other distributions	Transfer of reserves for general banking risks	Profit (result of the period)	Equity at end of current period
Share capital	3 000	0	0	0	0	0	3 000
Statutory capital reserve	147	0	0	0	0	0	147
Statutory retained earnings reserve	18 650	0	0	0	0	0	18 650
Reserves for general banking risks	13 697	0	0	0	0	0	13 697
Voluntary retained earnings reserves and profit / loss carried forward	14 572	0	4 168	-2 700	0	0	16 040
Result of the period	4 168	0	-4 168	0	0	3 024	3 024
Total	54 234	0	0	-2 700	0	3 024	54 558

Notes to the financial statements

Description of business activities

Business activities

Maerki Baumann & Co. AG was established in 1932 and is mainly active in the areas of asset management and investment advisory services for private and institutional clients as well as the provision of services to external asset managers. In this connection, it conducts lending business on a modest scale. Its main business area and principal source of income is commission and service fee business, which accounts for approximately 77% of ordinary income. Interest margin business contributes 10% to ordinary income and trading business 5%. Other ordinary income accounts for 8%.

Business areas

The main business activities can be described as follows:

- Investment advisory services for private and institutional clients
- Asset management for private and institutional clients
- Provision of services to external asset managers
- Indirect real estate investments for institutional clients
- Lending to private clients (collateral loans and mortgage solutions)

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

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

Lending business

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

Risk assessment

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

Risk management

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

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

Interest rate fluctuation and credit risks

Lombard loans are predominantly granted with interest rates that can be adjusted at short notice. The interest rate risks associated with fixed-term mortgages and financial investment are managed and monitored within defined limits. Lending is subject to uniform guidelines and clearly defined levels of authorisation. Separate loan-to-value ratios have been set down for each category of collateral in order to minimise credit risks. These take into account the country, market and credit rating risk of the issuers. For securities and precious metals, the bank applies current market values. In calculating the market value of real estate, the bank uses current estimates or the acquisition costs less any impairment of value due to market conditions or age.

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

Market risks

Market risks for securities are restricted by means of

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

Liquidity risks

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

Operational risks

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

Methods used to identify default risks and determine valuation adjustments

Mortgages: The fair value of owner-occupied residential properties is determined regularly by external real estate valuations. Moreover, the credit standing of the borrower is reviewed at regular intervals. Mortgages are as a rule only granted to clients with substantial investment holdings and to employees. In addition, outstanding interest and repayment instalments are analysed. On this basis, the bank identifies higher-risk mortgages. These are then examined in more detail by

credit specialists. Where appropriate, further collateral is required or corresponding valuation adjustments are made to reflect the shortfall in collateral.

Lombard loans: Exposure to securities-backed loans and the value of the collateral are monitored daily. Where the loan-to-value ratio of the securities provided as collateral is below the exposure, the loan is reduced or a call made for additional collateral. In the event of an increase in the shortfall, or of exceptional market conditions, the collateral is liquidated and the loan closed out.

Unsecured loans: As a matter of principle, no unsecured loans are granted.

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

Valuation of collateral

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

Lombard loans: For lombard loans and other securities-backed loans, diversified portfolios with transferable financial instruments for which there is a liquid and

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

Outsourcing

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

Personnel

At year-end the bank had 68 full-time equivalent employees (previous year: 73).

Regime for small banks

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

Material events after the balance sheet date

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

Accounting and valuation principles

General principles

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

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

Basis of consolidation

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

Changes versus the previous year

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

Foreign currencies

Assets and liabilities in foreign currencies and banknotes are valued at the applicable mid-rates as of the balance sheet date. The two key currencies in our financial statements (USD and EUR) were converted as follows: the US dollar at CHF 0.9855 (prior year 0.9750) and the euro at CHF 1.1275 (prior year 1.1720). Transac-

tions in foreign currencies are booked at the applicable exchange rate on the trade date. Differences in exchange rates are booked to the income statement.

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

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

Trading portfolios and obligations relating to trading portfolios

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

Financial investments

Investments held as financial assets are valued in accordance with the principle of lower of cost or market. Fixed-interest investments which are expected to be held to maturity are valued using the accrual method. Interest and dividend income is reported under "Interest and dividend income from financial investments".

Participations

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

Tangible fixed assets

Tangible fixed assets are recognised at acquisition price and are depreciated over a conservatively estimated useful life. They are tested annually for impairment. If the impairment test results in a different useful life or a decrease in value, an extraordinary write-off is performed and the residual book value is depreciated according to schedule over the remaining useful life. The estimated useful life for the different categories of tangible fixed assets is as follows:

- Bank buildings (excluding land): maximum 50 years
- Software, IT and communications equipment: maximum 3 years
- Other tangible fixed assets: maximum 10 years

Pension liabilities

The bank operates a full-insurance defined contribution scheme for employees. In addition, there is a legally independent employer's fund for supporting employees and retirees in case of financial difficulties. Employer contributions are reported as personnel expenses.

Provisions

Provisions are recognised for all discernible risks in accordance with the principle of prudence and are reported under liabilities. Provisions may include hidden reserves, which are reported under other provisions.

Contingent liabilities

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

Reserves for general banking risks

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

Taxes

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

Precious metals accounts

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

Derivative financial instruments

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

Information on the balance sheet

Breakdown of securities financing transactions (assets and liabilities)

none

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

in CHF 1 000	Type of collateral			Total	
	Mortgage	Other collateral	Unsecured		
Loans					
Amounts due from clients		46 086	62	46 149	
Mortgage loans	82 108			82 108	
Residential property	80 208			80 208	
Office and business premises					
Commercial and industrial premises					
Other	1 900			1 900	
Total loans	2018	82 108	46 086	62	128 257
(before netting with value adjustments)	2017	63 390	43 924	2 313	109 627
Total loans	2018	82 108	46 086	62	128 257
(after netting with value adjustments)	2017	63 390	43 924	2 313	109 627
Off-balance-sheet					
Contingent liabilities		1 608	1 445		3 053
Irrevocable commitments		5 338	2 349		7 687
Obligations to pay up shares and make further contributions					
Credit commitments					
Total off-balance-sheet	2018	6 946	3 794		10 740
	2017	1 464	7 365		8 829
Impaired loans / receivables					
	2018				
	2017				

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

none

Presentation of derivative financial instruments (assets and liabilities)

in CHF 1 000		Trading Instruments		
		Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments		none	none	none
Foreign exchange / precious metals				
Forward contracts		241	384	77 933
Options (OTC)		101	101	15 085
Equity securities / indices				
Futures				16 285
Options (Exchange-traded)		2 375	2 375	62 770
Credit derivatives		none	none	none
Other		none	none	none
Total before netting agreements	2018	2 717	2 860	172 073
	2017	2 186	1 680	181 159
Total after netting agreements	2018	2 717	2 860	172 073
	2017	2 186	1 680	181 159

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other clients
Positive replacement value (after consideration of netting agreements)		118	2 599

Breakdown of financial investments

in CHF 1000	Carrying amount			Fair value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	
Debt securities	224 375	255 987	225 212	257 893	
of which intended to be held to maturity	224 375	255 987	225 212	257 893	
of which not intended to be held to maturity (available for sale)					
Equity securities	3 451		3 460		
of which qualified participations					
Precious metals					
Real estate					
Total	227 826	255 987	228 672	257 893	
of which securities eligible for repo transactions in accordance with liquidity requirements	36 903	56 510	37 489	57 493	

Breakdown of counterparties by rating (FINMA Concordance table)

in CHF 1000	1 & 2	3	4	5 & 6	7	Unrated
Debt securities: book values	100 279	100 322	23 774			

Presentation of participations

in CHF 1 000	Other participations	
	With market value	Without market value
Acquisition cost		3 846
Accumulated value adjustments		
Book value at end of previous year		3 846
Current year		
Reclassifications		
Additions		
Disposals		- 1
Value adjustments		
Book value at end of current year		3 845
Market value		n/a

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

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

Presentation of tangible fixed assets

in CHF 1 000	Bank buildings	Software	Other tangible fixed assets	Total tangible fixed assets
Acquisition cost	24 473	3 072	3 131	30 676
Accumulated depreciation	-10 403	-2 418	-2 791	-15 612
Book value at end of previous year	14 070	654	340	15 063
Current year				
Reclassifications				
Additions		772		772
Disposals				
Depreciation	-289	-666	-87	-1 042
Reversals				
Book value at end of current year	13 781	760	253	14 793

Lease commitments from operating leases

in CHF 1 000	31.12.2018	31.12.2017
Multi-year leasing agreements up to 2020 at the latest	88	116
of which due during the year	39	116

Presentation of intangible assets

none

Breakdown of other assets and other liabilities

in CHF 1000	Other assets		Other liabilities	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Compensation account				
Settlement accounts			746	1095
Indirect taxes	990	1858	192	189
Direct taxes		76		
Other	243	1104	3	3
Total	1233	3038	942	1286

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
	31.12.2018	31.12.2018	31.12.2017	31.12.2017
Pledged / assigned assets				
Financial investments to cover margin requirements of banks	21 550	p.m.	29 284	p.m.

Assets under reservation of ownership

none

Disclosures on the economic situation of own pension schemes

none

Presentation of the economic benefit / obligation and the pension expenses

in CHF 1 000	31.12.2018	31.12.2017
Pension expenses in personnel expenses: Employer pension fund		
Pension expenses in personnel expenses: Pension fund	1 596	1 610

See also the information provided in the accounting and valuation principles; the bank switched to a full-insurance solution as of 1 January 2012, therefore there is no economic benefit for the bank.

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

There is no employer contribution reserve.

Presentation of issued structured products

none

Presentation of bonds outstanding and mandatory convertible bonds

none

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

in CHF 1 000

	Balance at end of 2017	Use in conformity with designated purpose	Foreign currency differences	Past due interest, recoveries	New creations charged to income statement	Releases to income statement	Balance at end of 2018
Provisions for deferred taxes	0						0
Provisions for default risks	99						99
Provisions for other business risks	120	-67					53
Other provisions	872	-123	3			-254	498
Total provisions	1 091	-190	3	0	0	-254	650
Reserves for general banking risks (after tax)	13 697						13 697

Presentation of the share capital

	2018			2017		
	Total par value (in CHF)	No. of shares	Capital eligible for dividend (in CHF)	Total par value (in CHF)	No. of shares	Capital eligible for dividend (in CHF)
Share capital	3 000 000	30 000	3 000 000	3 000 000	30 000	3 000 000

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

none

Disclosure of amounts due from / to related parties

in CHF 1000	Amounts due from		Amounts due to	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Significant shareholders		6	265	
Group companies				
Linked companies			112	116
Transactions with members of governing bodies	5 233	824	506	463
Other related parties and companies	34 631	37 907	3 598	3 007

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

The account balances, 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	2018		2017	
	Nominal	% of equity	Nominal	% of equity
Maerki Baumann Holding AG *	3 000	100%	3 000	100%

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

Disclosure of own shares and composition of equity capital

	31.12.2018	31.12.2017
Number of own registered shares	0	0

Details on different categories of the share capital

Registered shares

Quantity in number of shares	30 000	30 000
Nominal in CHF	100	100
Paid in	100%	100%
Rights and restrictions	none	none

in CHF 1 000	31.12.2018	31.12.2017
Bank's capital	3 000	3 000
Voluntary reserves	30 361	29 737
Statutory reserves	18 797	18 797
Total equity capital (after appropriation of profit)	52 158	51 534
non-distributable reserves	21 972	26 285

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	172 373						172 373
Amounts due from banks	36 938		3 787				40 725
Amounts due from securities financing transactions							
Amounts due from clients		12 319	22 184	11 245	400		46 149
Mortgage loans		22 827	1 400	4 828	13 820	39 233	82 108
Trading portfolio assets							
Positive replacement values of derivative financial instruments			1 598	1 119			2 717
Other financial instruments at fair value							
Financial investments	3 451		15 491	26 471	157 846	24 567	227 826
Total 2018	212 762	35 146	44 460	43 664	172 066	63 800	571 897
Total 2017	191 684	34 383	83 140	51 735	217 337	37 853	616 132
Debt capital / financial instruments							
Amounts due to banks							
Liabilities from securities financing transactions							
Amounts due in respect of client deposits	534 686						534 686
Trading portfolio liabilities							
Negative replacement values of derivative financial instruments			1 752	1 108			2 860
Liabilities from other financial instruments at fair value							
Cash bonds							
Bond issues and central mortgage institution loans							
Total 2018	534 686		1 752	1 108			537 546
Total 2017	581 162		555	1 111	14		582 842

Presentation of assets and liabilities by domestic and foreign origin

in CHF 1 000	31.12.2018		31.12.2017	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	162 460	9 913	145 801	6 254
Amounts due from banks	36 938	3 787	39 629	56 648
Amounts due from securities financing transactions				
Amounts due from clients	29 105	17 044	30 001	16 237
Mortgage loans	82 108		63 390	
Trading portfolio assets				
Positive replacement values of derivative financial instruments	1 976	741	1 631	555
Other financial instruments at fair value				
Financial investments	36 238	191 588	51 247	204 741
Accrued income and prepaid expenses	7 626		8 262	
Participations	3 845		3 846	
Tangible fixed assets	14 793		15 063	
Intangible assets				
Other assets	1 233		3 038	
Capital not paid in				
Total assets	376 322	223 073	361 908	284 435

Presentation of assets and liabilities by domestic and foreign origin

in CHF 1 000	31.12.2018		31.12.2017	
	Domestic	Foreign	Domestic	Foreign
Liabilities				
Amounts due to banks			537	
Liabilities from securities financing transactions				
Amounts due in respect of client deposits	266 435	268 251	304 305	276 320
Trading portfolio liabilities				
Negative replacement values of derivative financial instruments	2 773	87	1 609	71
Liabilities from other financial instruments at fair value				
Cash bonds				
Bond issues and central mortgage institution loans				
Accrued expenses and deferred income	5 698		6 889	
Other liabilities	942		1 286	
Provisions	651		1 091	
Reserves for general banking risks	13 697		13 697	
Share capital	3 000		3 000	
Statutory capital reserve	147		147	
of which tax-exempt capital contribution reserve	147		147	
Statutory retained earnings reserve	18 650		18 650	
Voluntary retained earnings reserves	12 400		10 876	
Own shares (negative item)				
Profit carried forward	3 640		3 696	
Profit (result of the period)	3 024		4 168	
Total liabilities	331 056	268 338	369 952	276 391

Breakdown of total assets by country or group of countries

in CHF 1000	31.12.2018		31.12.2017	
	CHF 1000	%	CHF 1000	%
Assets				
Europe	123 917	20.7%	189 579	29.3%
Other countries	99 156	16.5%	94 856	14.7%
Total foreign country assets	223 073	37.2%	284 435	44.0%
Switzerland	376 322	62.8%	361 908	56.0%
Total assets	599 395	100.0%	646 343	100.0%

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

in CHF 1000	31.12.2018		31.12.2017	
	CHF 1000	%	CHF 1000	%
FINMA Concordance table				
1 & 2	78 906	36.0%	110 387	38.8%
3	102 609	46.8%	138 941	48.8%
4	23 774	10.8%	18 316	6.4%
no rating		0.0%		0.0%
Lombard loans *	14 189	6.5%	16 792	5.9%
Total assets	219 477	100.0%	284 435	100.0%

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

Balance sheet by currencies

in CHF 1000	CHF	EUR	USD	Other
Assets				
Liquid assets	161 212	11 014	115	33
Amounts due from banks	3 581	6 800	8 398	21 945
Amounts due from securities financing transactions				
Amounts due from clients	30 742	10 059	4 641	707
Mortgage loans	80 630		1 478	
Trading portfolio assets				
Positive replacement values of derivative financial instruments	2 206	346	144	22
Other financial instruments at fair value				
Financial investments	74 280	126 244	27 302	
Accrued income and prepaid expenses	7 626			
Participations	3 826	19		
Tangible fixed assets	14 793			
Intangible assets				
Other assets	1 233			
Capital not paid in				
Total assets shown in balance sheet	380 128	154 482	42 077	22 707
Delivery claims on forward transactions	17 251	47 223	22 173	7 646
Total assets	397 380	201 705	64 251	30 353

Balance sheet by currencies

in CHF 1000	CHF	EUR	USD	Other
Liabilities				
Amounts due to banks				
Liabilities from securities financing transactions				
Amounts due in respect of client deposits	276 101	194 660	41 671	22 254
Trading portfolio liabilities				
Negative replacement values of derivative financial instruments	2 348	346	144	22
Liabilities from other financial instruments at fair value				
Cash bonds				
Bond issues and central mortgage institution loans				
Accrued expenses and deferred income	5 698			
Other liabilities	942			
Provisions	355		296	
Reserves for general banking risks	13 697			
Share capital	3 000			
Statutory capital reserve	147			
of which tax-exempt capital contribution reserve	147			
Statutory retained earnings reserve	18 650			
Voluntary retained earnings reserves	12 400			
Own shares (negative item)	0			
Profit carried forward	3 640			
Profit (result of the period)	3 024			
Total liabilities shown in the balance sheet	340 003	195 005	42 111	22 276
Delivery liabilities on forward transactions	57 027	6 635	21 975	7 719
Total liabilities	397 030	201 640	64 086	29 995
Net position per currency	350	64	165	358

Information on off-balance-sheet business

Breakdown of contingent liabilities and contingent assets

in CHF 1000	31.12.2018	31.12.2017	Change
Guarantees to secure credits and similar	3 053	4 593	-1 541
Performance guarantees and similar			
Other contingent liabilities			
Total contingent liabilities	3 053	4 593	-1 541
Contingent assets arising from tax losses carried forward	3 849	853	2 996
Other contingent assets			
Total contingent assets	3 849	853	2 996

Breakdown of credit commitments

none

Breakdown of fiduciary transactions

in CHF 1000	31.12.2018	31.12.2017	Change
Fiduciary investments with third-party companies	44 528	47 677	-3 149
Fiduciary investments with group companies and linked companies			
Fiduciary loans and other fiduciary transactions			
Total fiduciary transactions	44 528	47 677	-3 149

Breakdown of managed assets

in CHF million	31.12.2018	31.12.2017	Change
Assets in collective investment schemes managed by the bank			
Assets under discretionary asset management agreements	4 642	4 819	- 176
Other managed assets	2 539	2 854	-315
Total managed assets (including double counting)	7 182	7 673	-491
of which double counting			
in CHF million	2018	2017	Change
Total managed assets (including double counting) as at 1.1.	7 673	7 296	377
Net new money inflow or net money outflow	-65	-265	200
Price gains/losses, interests, dividends and currency gains/losses	-425	643	-1 068
Other effects			
Total managed assets (including double counting) as at 31.12.	7 182	7 673	-491

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

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

Information on the income statement

Net trading income

in CHF 1000	2018	2017	Change
Interest rate instruments		-6	6
Equity securities			
Foreign currencies	1 806	2 402	-596
Commodities / precious metals	8	11	-3
Total net trading income	1 814	2 407	-593

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

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

in CHF 1000	2018	2017	Change
Negative interest in lending business (reduction in interest and discount income)	193	167	26

Personnel expenses

in CHF 1000	2018	2017	Change
Salaries	16 636	17 507	-871
Social insurance benefits	2 720	2 755	-35
Changes in book value for economic benefits and obligations arising from pension schemes			
Other personnel expenses	271	413	-142
Total personnel expenses	19 627	20 675	-1 048

Other operating expenses

in CHF 1 000	2018	2017	Change
Office space expenses	604	741	-136
Expenses for information and communications technology	1 555	1 504	51
Expenses for vehicles, equipment, furniture and other fixtures	201	233	-32
Fees of audit firm	148	208	-59
of which for financial and regulatory audits	148	208	-59
of which for other services			
Other operating expenses	7 685	8 162	-477
Total other operating expenses	10 194	10 847	-653

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

Other provisions included provisions of TCHF 254 released in previous years, which qualified as hidden reserves. These were released in 2018.

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

none

Current and deferred taxes / disclosure of the tax rate

in CHF 1 000	2018	2017	Change
Current taxes	177	140	37
Deferred taxes			
Total taxes	177	140	37
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 18 328.

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

Disclosure relating to equity capital and liquidity

Disclosure obligations under supervisory law

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

Eligible and regulatory capital

in CHF 1000	31.12.2018	31.12.2017
Eligible capital		
Common equity Tier 1 capital (CET1)	52 158	51 534
Tier 1 capital	52 158	51 534
Total eligible capital	52 158	51 534
Sum of risk-weighted positions – calculation according to termsheet	319 582	340 126

Leverage ratio – calculation according to termsheet

in CHF 1000	31.12.2018	31.12.2017
Tier 1 capital	52 158	51 534
Total liabilities for the leverage ratio	606 290	652 134
Leverage ratio – calculation according to termsheet	8.6%	7.9%

Information on the liquidity coverage ratio (LCR)

in CHF 1 000	2018	2017
Total of High Quality Liquid Assets (HQLA)		
Average Q1	188 163	206 061
Average Q2	238 086	225 230
Average Q3	193 625	215 151
Average Q4	189 401	211 971
Total net cash outflows		
Average Q1	64 113	78 590
Average Q2	72 587	86 655
Average Q3	53 442	79 035
Average Q4	75 444	85 271
Liquidity coverage ratio (LCR)		
Average Q1	293.5%	262.2%
Average Q2	328.0%	259.9%
Average Q3	362.3%	272.2%
Average Q4	251.0%	248.6%

Key equity ratios according to FINMA Circular 2016/1

Eligible and regulatory capital

in CHF 1 000		31.12.2018	31.12.2017
Eligible Capital			
Common equity Tier 1 capital (CET1)		52 158	51 534
Total eligible capital		52 158	51 534
Required Capital			
	Approach used		
Credit risk	International BIS SA-CCR, comprehensive	12 389	<i>13 374</i>
Non-counterparty-related risks	International BIS SA-CCR, comprehensive	1 183	1 205
Market risk	Market risk standard approach	99	218
Operational risk	Basic indicator approach	4 911	4 660
Total minimum required capital		18 582	19 457
Countercyclical capital buffer		582	435
Sum of risk weighted positions		232 275	<i>243 206</i>
Countercyclical capital buffer in relation to the sum of risk weighted positions		0.3 %	0.2%
Capital Ratios			
Common equity Tier 1 capital ratio (CET1 ratio)		22.5%	<i>21.2%</i>
Tier 1 capital ratio		22.5%	<i>21.2%</i>
Ratio of regulatory capital (Tier 1 & Tier 2) without countercyclical capital buffer		22.5%	<i>21.2%</i>
Ratio of regulatory capital (Tier 1 & Tier 2) with countercyclical capital buffer		22.2%	<i>21.0%</i>

In the Annual Report for the year 2017, the key equity ratios were reported according to the simplified approach rather than the comprehensive approach, and the reported figure for required regulatory capital (TCHF 21 981) was therefore too high. Conversely, the reported figures for excess capital and the tier 1 ratio were too low – namely, TCHF 29 553 / 18.8%. Accordingly, the bank's capital situation was actually better than that stated in the Annual Report 2017. The corrected equity ratios are shown in italics in the above table.

Proposals to the General Meeting

The Board of Directors proposes the following motions to the General Meeting to be held on 2 April 2019:

1. To approve the Annual Report consisting of management report and financial statements for 2018.
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 2018 financial year.
3. To appropriate the annual profit plus the profit brought forward from the previous year:

in CHF 1 000	2018
Profit carried forward	3 640
Plus annual profit	3 024
At the disposal of the General Meeting	6 664
Dividend	-2 400
Allocation to statutory retained earnings reserve	0
Allocation to voluntary retained earnings reserves	-600
Carried forward to new account	3 664

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



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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Maerki Baumann & Co. AG, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 20 to 53), for the year ended 31 December 2018.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

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Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to be 'T. Romer', written in a cursive style.

Thomas Romer
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to be 'L. Huber', written in a cursive style.

Larissa Huber
Audit expert

Zurich, 2 April 2019

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Publishing information

Publisher

Maerki Baumann & Co. AG

Layout

WIRZ Brand Relations AG

Photographer

Beat Schweizer

Print

Köpflipartners AG