MAERKI BAUMANN & CO. AG

PRIVATBANK

Annual Report 2022

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Reliability in turbulent times

Dear Sir or Madam

We had long thought that peace in Europe was a matter of course and that the spectre of war was not a realistic scenario. Russia's brutal attack on Ukraine has taught us that things were not as rosy as we thought. While we knew that our energy supply is in a state of transition, we believed that it was stable and secure, at least here in Switzerland. The fact that we have had to deal with a looming energy shortage for months now has proven that we were wrong. We had the impression that the national banks had inflation under control – and that this was also true in the long term. The record inflation we have seen in many countries was simply not foreseen. We were used to individual financial markets repeatedly experiencing turbulent periods. However, a situation in which all asset classes found themselves in trouble at the same time was hardly on the radars of even professional forecasters.

There is no doubt about it, 2022 will go down in the history books as the year in which the unthinkable became reality and many hopes proved to be well wide of the mark. Many of those responsible at both a political and economic level were thus brought back down to earth.

While I am aware that the – often temporary – losses on the financial markets, which also affected our clients during the reporting year, may be painful, but they should of course not be mentioned in the same breath as the unfathomable suffering that the Russian war of aggression in Ukraine is still causing every day. I am also deeply concerned that our generation has to experience such a tragedy unfolding just a few hundred kilometres from Switzerland. The fact that we have welcomed refugees to our country with pleasingly little red tape is the least that we can and must do.

Against this backdrop, I am particularly grateful that our employees have done everything in their power over recent months with their expertise and outstanding commitment to offer our clients reliability in these turbulent times. From my own regular client meetings, I know that this close contact is especially valued when the markets are challenging. It is often a case of avoiding rash action and sticking to the agreed and well-considered investment strategy despite book losses.

Maerki Baumann generated a solid result in the reporting year. The negative performance of the markets relevant to us led to a decline in client assets under management of almost 11% to CHF 9.16 billion as at the end of 2022. On a more positive note, net new assets of just over CHF 100 million are pleasing. We closed our financial year with a net profit of approximately CHF 8.5 million, equating to an increase of 10% relative to 2021. The core capital ratio (tier 1 ratio) of 27.2% remains at the prior-year level and is an expression of our strong balance sheet.

Overall, our offering in the field of blockchain technology, which goes well beyond the trading and custody of individual cryptocurrencies, performed positively in the reporting year. Numerous new clients, primarily comprising companies and private individuals, are making use of our services. The clear regulation of blockchain technology represents a key location advantage for Switzerland over those countries whose non-transparent rules have contributed in no short measure to the massive upheaval observed in cryptocurrencies over the past 12 months. We are convinced that this expansion of our offering, in combination with our traditional private banking services, will continue to be valuable for our clients in the future.

It is especially during turbulent periods that our clear corporate governance proves essential. As the owners

of our private bank, my sister Dr Carole Schmied-Syz and I attach great importance to involving proven experts and figures in the management of our company. This applies to the Executive Board and the Board of Directors. We are therefore extremely grateful that we have been able to count on the impressive expertise and vast experience of Prof. Bruno Gehrig for many years and that we will still be able to draw on his knowledge until the 2023 General Meeting. The former Vice Chairman of the Swiss National Bank and longstanding Chairman of the Board of Directors of Swiss Life has made important contributions to the overall success of our bank during his time with us.
He has been succeeded – including as Chairman of the Audit & Risk Committee – by Jörg Zulauf, who served for many years as the Head of the Finance Department at the Federation of Migros Cooperatives in combination with his mandate as Vice Chairman of the Board of Directors of Migros Bank. He will provide valuable new impetus and thus also ensure in the interests of our clients that we, as a family-run private bank, meet all of the applicable corporate governance requirements.
The new financial year will once again pose the entire financial sector with major challenges, and our bank will be no exception. Trust is crucial, especially in a phase such as this. Living up to the great and, in most cases, longstanding trust of our clients, who I would like to thank at this point for their loyalty, is not only an obligation for us, but also a source of incentive. However, the trust shown in us by our employees – to whom I would like to express our great appreciation for their performance on behalf of my sister and the entire Board of Directors – is also a key cornerstone for ensuring our future success. While trust has to be gained over a long period of time, it can also be destroyed very quickly and often irretrievably, as recent times have demonstrated.
It remains our great aspiration to continue to be a competent and reliable partner to our clients.

On behalf of the Board of Directors

Hans G. Syz-Witmer
Chairman

“We want to offer our clients reliability, especially in turbulent times.”

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, Jörg Zulauf

Members of the Board of Directors: short CVs

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

Hans G. Syz-Witmer (born 1957) has chaired our private bank since 1997. Furthermore, he has been Vice-Chairman of the Board of Directors of Maerki Baumann Holding AG since 2016 (after serving as Chairman from 2007 to 2016) and 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 Chairman from 2007 to 2009). Since 2003, he has also been a member of the Board of Directors of CHSZ-Holding AG.
As an entrepreneur, Hans G. Syz-Witmer owns Condor Films AG and is a member of several boards of directors and boards of trustees, including at 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), 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 (born 1963), Dr iur., has been a member of our private bank's Board of Directors since 1998 and has served as Vice-Chairwoman since 2005. She has been Chairwoman of Maerki Baumann Holding AG (having been Vice-Chairwoman from 2007 to 2016) since 2016 and 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 was also involved in the political sphere in the past, for example sitting as a member of the Zurich Constitutional Council. She holds a number of other mandates, including as a trustee of the Right To Play Foundation and as a member of the Board of the Friends of the Tonhalle-Gesellschaft Zürich in the cultural sector. She also chairs our bank's Art Committee.

Prof. Bruno Gehrig
Member of the Board of Directors

Bruno Gehrig (born1946), Prof. Dr rer. pol. Dr h.c., has been a member of our private bank's Board of Directors since 2014.
He was a professor at the University of St. Gallen (HSG) and Director of the Swiss Institute of Banking and Finance (s / bf-HSG) 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 (born 1958) is a Swiss certified PR adviser / management consultant. He has been a member of our private bank's Board of Directors since 2010, a member of the Board of Directors of Maerki Baumann Holding AG since 2009 and a member of the Board of Directors of CHSZ-Holding AG since 2007, serving as Chairman since 2021.
Urs Lauffer is a co-owner of Lauffer & Frischknecht, which operates in the field of management consultancy for communication. He is also a member of various boards of directors and boards of trustees, holding roles such as Vice-Chairman of the Board of Directors of Emil Frey Holding AG, Chairman of the Fritz Gerber Foundation for talented young people, Chairman of the Paradies Foundation for Social Innovation, Chairman of the Rahn Foundation and Vice-Chairman of the Swiss Life Perspectives Foundation. He is also a member of the Board of Directors of F. Hoffmann-La Roche Ltd.

Michele Moor
Member of the Board of Directors

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

Jörg Zulauf
Member of the Board of Directors

Jörg Zulauf (born 1958), lic. iur., lawyer, MBA (UCLA Anderson), has been a member of the Board of Directors of our private bank since 2022, also serving as Chairman of the Board of Director's Audit & Risk Committee.
From 2000 until 2021, Jörg Zulauf was Vice-Chairman of the Executive Board and Head of the Finance department at the Federation of Migros Cooperatives. Among other roles, this function saw him serve as a member and Vice-Chairman of the Board of Directors of Migros Bank AG, where he sat on the Audit Committee, the Risk Committee and the Credit Committee. He has also sat on other boards of directors and boards of trustees, including those of Hotelplan Holding AG, Ex Libris AG, the Migros Pension Fund, Generali Schweiz AG and the University Children's Hospital Zurich. Since 2022, Jörg Zulauf has also been a member of the Board of Directors of Crealogix AG.

An anchor in stormy waters

The coronavirus pandemic served as a powerful reminder of our limitations. But no sooner had the pandemic measures started to take effect than the world was rocked by the war of aggression unleashed by Russia against Ukraine. The great suffering that has been inflicted since then, primarily on the Ukrainian civilian population, continues to leave the world speechless. As the conflict has progressed, a great number of economic dependencies have been exposed, with many having previously underestimated them. In addition to disrupted supply chains and a scarcity of resources, 2022 was characterised by uncertainty, energy crises and high inflation. At Maerki Baumann, we responded to these developments by staying true to our investment philosophy of "security over return" and communicating proactively with our clients.

2022 was also one of those rare years during which both equities and bonds suffered considerable losses. The reason for this was high inflation, which took central banks around the world by surprise. The interest rate hikes – especially those imposed by the US Federal Reserve – were more aggressive than expected, leading to price losses for both asset classes. As the marked inflation was attributable to supply bottlenecks, commodity investments performed positively. It would come as no surprise if the massively higher interest rates give rise to a significant economic slowdown in the future, as experience shows that their impact on the real economy is delayed. The environment in which we are operating remains challenging, with caution still advisable on the investment side.

We can also look back on an eventful year on the crypto markets. In 2022, interested parties were able to have diversified portfolios of digital assets managed by Maerki Baumann, draw on specific advisory services or trade and hold common cryptocurrencies. It is true that the upheaval on the crypto markets led to restraint among many investors last year. The scandal surrounding the bankruptcy of the FTX exchange platform also destroyed trust and is likely to slow down the establishment of the new asset class. We are confident, however, that digital assets will nevertheless hold their own on the market. Both the reputation of the Swiss financial centre and the reliability of regulated institutions such as Maerki Baumann should be an advantage here.

In the midst of these turbulent times, we celebrated the 90th anniversary of our private bank. We looked back on nine decades of remarkable entrepreneurship, the drive and vigour shown by our founder Friedrich Maerki, the appointment of Switzerland's first female bank director Lotte Baumann, the initiatives of our patron Hans A. Syz-Abegg, the continuity under Raymonde Syz-Abegg and the prospective work of the current shareholder family with Hans G. Syz-Witmer and Dr Carole Schmied-Syz. At Maerki Baumann, independence, tradition and values have always been upheld and this continues to be the case. Today, the Board of Directors and the Executive Board are pushing ahead with the development and innovation of the family company. In doing so, focus is being placed on ensuring that the bank exhibits a client-oriented corporate culture and a high level of agility.

Business performance of Maerki Baumann

Operating in a challenging environment, Maerki Baumann generated a gross profit of CHF 10.93 million and a net profit of CHF 8.52 million in the 2022 financial year, representing an increase of 21% and 10%, respectively, relative to the prior 12-month period. While assets under management declined by CHF 1.1 billion owing to the negative developments on the financial markets, organic growth remained consistent. This pleasing result was made possible by the efforts made over the years to diversify our income structure. In addition to Maerki Baumann's successful private banking focus and indirect real estate business, our positioning in the market niche of corporate clients wishing to draw on the potential of blockchain and other technologies also contributed here.

At CHF 8.55 million, the result from the interest business exceeded the prior-year figure by approximately CHF 5 million, equating to an increase of 142%. This excellent result is primarily down to the higher interest rates and the targeted management of our balance sheet structure. The result from the commission and services business increased 3% year on year to CHF 35.18 million. In the asset-based business, we recorded a market-related decline in income. Transaction fees were also considerably lower than in the previous year due to a fall in securities turnover. The increased income from corporate clients in the blockchain and crypto space made a significant contribution to allowing us to nevertheless expand our earnings in the commission and services business relative to the previous year. The result from trading activities increased 14% year on year to CHF 3.86 million, thanks in part to the growing corporate client business and the associated foreign exchange income. Other ordinary income came in CHF 0.22 million or 13% below the prior-year figure due to the negative temporary valuation effects on financial assets.

Headcount adjusted for part-time employees increased from 73 to 83 during the reporting year. The increase in personnel was related to greater business volumes, the increase in operational complexity and our own quality demands. This resulted in higher personnel expenses of CHF 2.98 million, representing a rise of 13%. The increase of 1.48 million or 14% in general administrative expenses was especially due to stepped up market cultivation activities in our key markets of Switzerland and Germany as well as the expenses associated with the further development of our business model. In light of the strong business performance and our investments in the future, operating expenses stood at CHF 38.08 million, equating to a rise of CHF 4.46 million or 13%. On a positive note, the cost-income ratio was reduced during the reporting year relative to 2021 by a further percentage point to 78% despite higher expenses.

After we succeeded in increasing our assets under management to more than CHF 10 billion for the first time in 2021, the negative developments on the financial markets led to a decrease of CHF 1.1 billion or 11% in 2022 to CHF 9.16 billion. This figure stems from the negative performance of CHF –1.21 billion and the renewed positive organic growth of CHF 102.5 million in net new assets. In keeping with our market strategy, 79.3% of our client assets under management at the end of 2022 related to the Swiss market, and 8.1% 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, liquidity and operational risks. The bank's conservative risk and business policy is reflected in its outstanding liquidity and equity ratios. The liquidity ratio averaged 286.6% in 2022, well above the regulatory requirement of 100%. In view of the bank's promising growth outlook, we withdrew from the small banks regulatory regime on 30 April 2022. Irrespective of this, we were able to further improve the soundness of our private bank and increase our core capital by 12% to CHF 80.6 million. At the end of 2022, our private bank thus recorded a core capital or tier 1 ratio of 27.2%, considerably exceeding the regulatory minimum requirement of 11.2%. Maerki Baumann also classifies a proportion of the hidden reserves relating to the bank building as supplementary or tier 2 capital, which amounts to CHF 8.8 million after the deduction of deferred tax assets. The total capital ratio stood at a very comfortable 30.0% at the end of the year. This very robust capital base not only testifies to the stability of our private bank's balance sheet structure, but also gives us the necessary flexibility to finance future growth. Finally, the confirmation of our very good "A–" issuer rating also underlined the soundness and future potential of our bank.

Outlook

The lifting of the negative interest rate regime and higher interest rates have made fixed-income investments more attractive again. We have taken this as an opportunity to expand our competencies in this area. This will also be reflected in our modular investment solution, where we are focussing on both our proven equity modules and the further development of our bond modules. A further objective is to expand the range of alternative investments. In addition to our "Cryptocurrencies" focus module, interested clients looking to invest more modest amounts will in future be provided with access to a diversified portfolio with digital assets via a crypto certificate.

In the area of non-listed investments, we are also supplementing the "Private Equity" focus module that we offer in cooperation with the Swiss private equity specialist Partners Group AG. Only recently, for example, the "Venture Capital" focus module has been made available to our clients, allowing them to invest in a further asset class even with smaller investment volumes. To this end, we have entered into a collaboration with the renowned Swiss venture capital company Redalpine Venture Partners AG. This will not only benefit our private clients, but also our corporate clients. For example, specialists from Maerki Baumann and Redalpine will be on hand to provide advice to new entrepreneurs on financing issues via our newly established "Tech Advisory Board". Where required, Redalpine will also provide our clients with contacts in its first-class network comprising other international venture capitalists and technology firms.

We are convinced that we are well prepared to tackle the challenges ahead, despite a period of heightened uncertainty. Our investment activities are guided by our proven investment philosophy and our recently adopted sustainability approach. In the area of asset management, we introduced a sustainable investment universe on 1 January 2023, meaning that binding sustainability benchmarks apply to all investment modules. Sustainability aspects are also explicitly taken into account in providing our investment advisory services. We continue to attach great importance to personal interaction with our clients – in keeping with our motto "trust has a future".

On behalf of the Executive Board

Dr Stephan A. Zwahlen
Chief Executive Officer

“A client-oriented corporate culture and a high level of agility shape the development of our bank and its efforts in the area of 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 (born 1978), Dr oec. HSG, has been Chief Executive Officer (CEO) since February 2016. He joined our private bank's Executive Board as Head of Investment Solutions & Services in April 2009. From September 2010, he also had the additional role of Deputy CEO before being appointed to his current role.
Until 2009, Stephan Zwahlen worked at UBS Global Wealth Management in the international mandate business. Between 2005 and 2007, he had already worked at Maerki Baumann & Co. AG, where he was responsible for the strategic repositioning of the bank and the founding of a transaction bank. He then managed various strategic projects within the Maerki Baumann Group as Head of Corporate Development. Stephan Zwahlen began his career at the Swiss Institute of Banking and Finance (s/bf-HSG), which is attached to the University of St. Gallen.
Stephan Zwahlen studied – and obtained a doctorate in – business administration with a specialisation in banking and finance at the University of St. Gallen (HSG) and the Richard Ivey School of Business in London, Canada. He has supported the interests of the Swiss financial centre for many years, for example 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 maintains links with the world of academia. He also lectures in banking at the University of St. Gallen.
Stephan Zwahlen is married and has two daughters. As well as spending time with his family, he enjoys travelling, golf, skiing and modern art.

Lukas S. Risi
Deputy CEO
Head of Private Banking

Lukas S. Risi (born 1974), lic. iur., LL.M., has been Head of Private Banking and Deputy CEO since February 2016. Lukas Risi joined Maerki Baumann & Co. AG as General Counsel and Head of Legal & Compliance in 2009. Since November 2012, he has also headed the Risk & Internal Control department. He was appointed to our private bank's Executive Board as General Counsel and Head of Corporate Services in January 2014.
From 2003 to 2008, Lukas Risi worked as Legal Counsel at Bank Julius Baer, 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 travelling, outdoor sports and concert-going.

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

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

Ownership and organisational structure

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

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

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

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

Audit & Risk Committee***
Jörg Zulauf, Thalwil, Chairman*
Michele Moor, Cureglia*
Dr Carole Schmied-Syz, Erlenbach

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

Extended Executive Board
Rolf Frey, Head of Indirect Real Estate

Senior Management
Emilio Amati, Roger Arnet, Anita Binz, Thomas Bollhalder, Stefan Brunner, Andreas Fröhlicher, Nils Ganz, Patrick Haimoff, Milko Hensel, Philippe Hungerbühler, Annette Käppeli, Christian Kappes, Jörg Krämer, Rolf Kunz, Stefan Meier, Markus Meili, Monika Mose-Lüscher, Armin Müller, Marco Müller, Will Nef, Konstantinos Ntefeloudis, Marko Pavic, Gérard Piasko, Reinhard Rutz, Roger Sharma, Timur Siber, Marcel Spalinger, Nicole Trachsel, Fabian Welandagoda, Remo Wissmann, Marc Wyss

Internal Audit
gwp Geissbühler Weber & Partner, Zurich

Auditors
PricewaterhouseCoopers AG, Zurich

As at 1 April 2023

* Independent members of the Board of Directors, as defined by the regulations of the Swiss Financial Market Supervisory Authority (FINMA).
** Until the General Meeting 2023
*** 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, Jörg Zulauf
Executive Board: Dr Stephan A. Zwahlen (CEO), Lukas S. Risi (Deputy CEO), Dr Alexander Ising

Human Resources
Annette Käppeli

Internal Audit
gwp Geissbühler Weber & Partner

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

- **Private Banking Switzerland**
  Reinhard Rutz
- **Private Banking Germany**
  Roger Arnet
- **Tech Banking**
  Marcel Spalinger
- **Lawyers & Fiduciaries**
  Gerald Lulei
- **Chief Investment Officer**
  Gérard Piasko
- **Investment Management**
  Konstantinos Ntefeloudis
- **External Asset Managers**
  Yara Lavanga
- **Marketing**
  Anita Binz

Indirect Real Estate
Rolf Frey**
Deputy Marc Wyss

Corporate Services
Dr Alexander Ising
Deputy Marco Müller
Deputy Armin Müller

- **Legal & Compliance**
  Andreas Fröhlicher
- **Finance & Risk Management**
  Armin Müller
- **Business Development**
  Mirielle Wyss
- **Mortgages & Retirement Planning**
  Nils Ganz
- **Technology & Services**
  Marco Müller
- **Operations Center**
  Fabian Welandagoda
- **Cash Desk & Reception**
  Nils Ganz
- **Services**
  Eugen Hasler

As at 1 April 2023

* Until the General Meeting 2023
** Member of the extended Executive Board

Key figures

in CHF 1 000	2022	2021
Profit (result of the period)	8 515	7 721
Gross profit	10 934	9 060
Net commission business and services income	35 178	34 114
Net trading income	3 855	3 379
Net interest income	8 546	3 532
Operating expenses	38 083	33 620
Total assets	1 102 664	1 159 021
Client assets	9 156 033	10 260 823
Eligible capital	89 886	80 994
Required regulatory capital	23 708	21 105
Excess capital	66 179	59 889
Tier 1 capital ratio	27.2%	27.4%
Total capital ratio	30.0%	30.7%
Number of employees (full-time equivalents)	83	73

Financial statements

Balance sheet

in CHF 1 000	31.12.2022	31.12.2021	Change
Assets			
Liquid assets	309 480	572 945	–263 465
Amounts due from banks	103 986	127 072	–23 086
Amounts due from clients	61 514	58 785	2 729
Mortgage loans	129 467	122 541	6 926
Trading portfolio assets	366	6 506	–6 140
Positive replacement values of derivative financial instruments	3 717	1 515	2 203
Financial investments	465 138	241 572	223 566
Accrued income and prepaid expenses	8 723	8 237	486
Participations	3 843	3 844	–1
Tangible fixed assets	13 910	13 872	38
Other assets	2 521	2 135	387
Total assets	**1 102 664**	**1 159 021**	**–56 357**
Total subordinated claims	–	–	–

in CHF 1 000	31.12.2022	31.12.2021	Change
Liabilities			
Amounts due to banks	8 805	757	8 048
Amounts due in respect of client deposits	988 716	1 063 807	–75 091
Negative replacement values of derivative financial instruments	5 805	5 648	157
Bond issues and central mortgage institution loans	18 000	13 600	4 400
Accrued expenses and deferred income	11 173	10 378	794
Other liabilities	2 335	1 639	695
Provisions	753	428	325
Reserves for general banking risks	14 247	14 247	–
Share capital	3 000	3 000	–
Statutory capital reserve	147	147	–
of which tax-exempt capital contribution reserve	147	147	–
Statutory retained earnings reserve	18 650	18 650	–
Voluntary retained earnings reserve	15 000	13 000	2 000
Profit carried forward	7 520	5 998	1 521
Profit (result of the period)	8 515	7 721	794
Total liabilities	**1 102 664**	**1 159 021**	**–56 357**
Total subordinated liabilities	18 282	13 609	4 673
of which with conversion obligation and/or debt waiver	18 282	13 609	4 673
Off-balance-sheet transactions			
Contingent liabilities	8 435	4 690	3 745
Irrevocable commitments	7 434	12 702	–5 268

Income statement

in CHF 1 000	2022	2021	Change
Result from interest operations			
Interest and discount income	6 597	2 025	4 572
Interest and dividend income from trading portfolio	64	14	50
Interest and dividend income from financial investments	2 317	1 032	1 285
Interest expense	–159	551	–710
Gross result from interest operations	**8 820**	**3 623**	**5 197**
Changes in value adjustments for default risks and losses from interest operations	–274	–91	–183
Subtotal net result from interest operations	**8 546**	**3 532**	**5 014**
Result from commission business and services			
Commission income from securities trading and investment activities	39 040	38 258	782
Commission income from lending activities	93	45	48
Commission income from other services	819	837	–19
Commission expense	–4 773	–5 026	252
Subtotal result from commission business and services	**35 178**	**34 114**	**1 064**
Result from trading activities and the fair value option	**3 855**	**3 379**	**476**
Other result from ordinary activities			
Result from the disposal of financial investments	–	–	–
Income from participations	1 113	1 007	105
Other ordinary income	656	652	4
Other ordinary expenses	–330	–4	–326
Subtotal other result from ordinary activities	**1 438**	**1 655**	**–217**

in CHF 1 000	2022	2021	Change
Operating expenses			
Personnel expenses	–26 272	–23 291	–2 981
General and administrative expenses	–11 812	–10 329	–1 482
Subtotal operating expenses	**–38 083**	**–33 620**	**–4 463**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	–248	–399	151
Changes to provisions and other value adjustments and losses	–525	–90	–435
Operating result	**10 161**	**8 571**	**1 590**
Extraordinary income	–	–	–
Extraordinary expenses	–	–	–
Changes in reserves for general banking risks	–	–	–
Taxes	–1 646	–850	–796
Profit (result of the period)	**8 515**	**7 721**	**794**
Appropriation of profit			
Profit (result of the period)	8 515	7 721	794
Profit carried forward	7 520	5 998	1 521
Distributable profit	**16 035**	**13 720**	**2 315**
Appropriation of profit			
Allocation to statutory retained earnings reserves	–	–	–
Allocation to voluntary retained earnings reserves	–2 500	–2 000	–500
Distributions from distributable profit	–4 500	–4 200	–300
Other appropriation of profit	–	–	–
New amount carried forward	**9 035**	**7 520**	**1 515**

Statement of changes in equity

in CHF 1 000	Share capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Voluntary retai-ned earnings reserves and profit/loss carried forward	Own shares (negative item)	Result of the period	Total
Equity at start of current period	**3 000**	**147**	**18 650**	**14 247**	**18 998**	**–**	**7 721**	**62 763**
Dividends and other distributions							–4 200	–4 200
Other allocations to (releases from) other reserves		–	–	–	2 000		–2 000	–
Net change of profit carried forward					1 521		–1 521	–
Profit/loss of the period							8 515	8 515
Equity at end of current period	**3 000**	**147**	**18 650**	**14 247**	**22 520**	**–**	**8 515**	**67 078**

Notes to the financial statements

Description of business activities

Business activities
Established in 1932, Maerki Baumann & Co. AG is a limited company under Swiss law and has its registered office in Zurich. It is mainly active in the areas of asset management and investment advisory services for private and institutional clients as well as the provision of services to external asset managers. In this context, it also conducts lending business. Its main business area and principal source of income is the commission and service fee business, which accounts for approximately 72% of ordinary income. Interest margin business contributes 17% to ordinary income and trading business 8%. Other ordinary income accounts for around 3%.

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 technology firms (blockchain and crypto)

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 as well as the business accounts for technology firms also generate significant income for the bank.

Trading business
Clients are offered the full range of execution and settlement services for all customary types of trading transactions, including the trading of various digital assets. The bank does not engage in any significant trading in securities for its own account. Proprietary trading in foreign currencies is primarily required for the smooth processing of business transactions with clients and is restricted to currencies for which there is a liquid market.

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

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

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

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

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

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

The bank conducts an assessment of the counterparty risk involved before entering into any business 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).
As a rule, Maerki Baumann grants collateralised loans against liquid securities in diversified portfolios. Loan-to-value ratios are conservative, in order to minimise the default risk. In addition, Maerki Baumann grants mortgages to clients as well as employees. The loans reported as mortgages are exclusively secured by Swiss real estate.
Risk is managed through careful selection, a thorough financial assessment and personal knowledge of the clients, as well as the cautious structuring of transactions and vigilant credit monitoring. With that in mind, the bank does not enter into credit risks without having first subjected the transaction to a thorough credit assessment. Mandatory elements of the assessment are:
- Creditworthiness: includes assessing the integrity, business acumen and business conduct of the persons participating in a transaction;
- Solvency: includes the financial situation and business potential of clients, as well as the economic backdrop;
- Structure of the business: the structure and commercial purpose of a transaction must be clearly identifiable and in line with the contractual provisions; the intrinsic value and marketability of collateral also need to be guaranteed;
- Repayment: the sources of repayment and ability to withdraw from a credit exposure must be ascertained when concluding the transaction.

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

Market risks

Interest rate risks

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

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

Currency risks

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

Risks in trading business

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

Liquidity risks

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

Operational risks

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

(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

Identifying default risks

Mortgage-backed loans

The fair value of owner-occupied residential properties is determined regularly using hedonistic assessment methods or external real estate valuations. Moreover, the affordability of the loan for the borrower is reviewed at regular intervals. Mortgage loans are generally granted to clients with investment holdings and to employees.
Rental income is reviewed at regular intervals in the case of multi-family homes, commercial and specialist properties, and also where there are indications of significant changes in the level of rental income or vacancy rates. In addition, interest and amortisation arrears are analysed. On this basis, the bank identifies higher-risk mortgages. Where appropriate, 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.

Determining the need for value adjustments
As an institution participating in supervisory category 4, value adjustments for default risks on non-impaired loans need to be created for latent default risks. The bank has decided to create additional value adjustments for default risks on non-impaired loans for inherent default risks.

Value adjustments for default risks on impaired loans
Loans are impaired if there is a high probability that the debtor will be unable to meet his future obligations. Signs of impairment are present in the following cases:
- where the debtor is in considerable financial difficulties;
- where an actual breach of contract has occurred;
- where concessions are granted to the debtor owing to economic or legal circumstances in connection with financial difficulties on the part of the debtor, which the creditor would not otherwise grant;
- where there is a high probability of the debtor facing bankruptcy or restructuring;
- where an impairment loss is recorded for the asset concerned in a preceding reporting period;
- where an active market for this financial asset disappears owing to financial difficulties;
- in the event of past experience with collection of the receivable suggesting that the full nominal value cannot be recovered.

Impaired loans are shown at liquidation value, as is any collateral. Individual value adjustments are made for impaired loans. These are based on regular analyses of the individual credit exposures based on the debtor's creditworthiness and the counterparty risk as well as the estimated net recoverable amount of the collateral. Where the recovery of the receivable is dependent exclusively on the realisation of the collateral, an allowance is made to completely cover the unsecured portion.

Value adjustments for default risks on non-impaired loans
In the case of losses incurred that cannot be assigned to a specific borrower, value adjustments are created for latent default risks. Value adjustments are created for inherent default risks in the case of loans that are not impaired and where losses have not yet been incurred. The bank does not create value adjustments for expected losses on non-impaired loans. In accordance with the requirements of FINMA, the value adjustments for latent and inherent default risks are reported in the Note "Value adjustments, provisions and reserves for general banking risks" in their entirety under the value adjustments for default risks

on non-impaired loans (value adjustment for inherent default risks).

Value adjustments for latent default risks
Default risks are deemed latent and covered by value adjustments for latent default risks if, due to events that have already occurred by the date on which the annual financial statements were prepared, losses are expected but cannot yet be assigned to specific borrowers.
Such events may include empirical values recorded by the bank showing the regular occurrence of losses on amounts due from clients and mortgages where the cause lies in the past financial year but information about the loss event in relation to the individual borrower was not yet known to the bank by the date on which the annual financial statements were prepared. A historical perspective shows that the bank did not have any credit defaults to report in previous years.
Other events of this type may include major events that occur on a sporadic basis, including natural disasters, pandemics, economic shocks and turmoil in financial and money markets. In the case of major sporadic events that were recorded prior to the close of the financial year but whose impact on the individual exposures cannot be assessed individually, the potential effects on affected regions or sectors are estimated and corresponding value adjustments created where there is a risk of loss.
The COVID-19 pandemic had no impact on the bank's borrowers, as the bank does not engage in commercial lending. Any COVID-19 credits that were granted are secured by corresponding guarantees.

Value adjustments for inherent default risks
Every credit transaction involves an inherent default risk. Value adjustments for inherent default risks are value adjustments for losses that have not yet occurred. The following balance sheet items are included in the estimate of inherent loss risks:
- Amounts due from banks
- Amounts due from clients
- Mortgages
- Financial investments (debt instruments held to maturity)

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

Rating category	Description	Comparable ratings of external agencies	Probability of default depending on residual maturity (1–15 years)
1	Investment grade	AAA	0.00%–0.89%
2		AA	0.02%–0.96%
3		A	0.05%–1.76%
4		BBB	0.15%–4.34%
5	Speculative	BB	0.60%–14.08%
6		B	3.18%–26.92%
7	Exposed	C and D	26.55%–52.97%

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

Provisions for default risks on off-balance-sheet transactions

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

Use of value adjustments and provisions for latent and inherent default risks

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

Replenishing a funding gap

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

Funding gap in value adjustments and provisions for inherent default risks

The requirements regarding the creation of value adjustments and provisions for inherent default risks entered into force on 1 January 2020. The bank implemented these provisions in 2021 and is currently in the process of initial creation of these value adjustments on a dynamic, straight-line basis. As at 31 December 2022, the value adjustments are estimated at CHF 1 160 000 for the year 2025. The transitional provisions of the FINMA Accounting Ordinance (FINMA-AO) permit initial creation up to 31 December 2025. In addition to the current value adjustments and provisions for inherent risks of CHF 464 000, a further CHF 696 000 therefore needs to be created by the end of 2025.
There is currently no funding gap in value adjustments and provisions for inherent default risks due to utilisation to cover required individual value adjustments and provisions.

Valuation of collateral

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

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

Business policy on the use of derivatives and hedge accounting

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

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

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

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

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

Measuring effectiveness

A hedge is deemed to be effective to a significant extent if the following criteria are essentially fulfilled:

- The hedge is deemed to be highly effective both when first applied and during the corresponding term.
- There is a close economic correlation between the underlying transaction and hedging transaction.
- There is an inverse relationship between value changes on the part of the underlying and the hedging transaction with respect to the risk being hedged.

Ineffectiveness

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

Personnel

At year-end the bank had 83 full-time equivalent employees (previous year: 73).

Regime for small banks

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

Material events after the balance sheet date

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

Accounting and valuation principles

General principles

The bookkeeping, accounting and valuation principles are based on the Swiss Code of Obligations, the Banking Act, the Banking Ordinance, the FINMA Accounting Ordinance and Circular 20/1 "Accounting – banks" of the Swiss Financial Market Supervisory Authority (FINMA). These financial statements are deemed to be reliable assessment statutory single-entity financial statements, which present a true and fair view of the commercial situation of the bank in such a way that allows a third party to form a reliable opinion. The financial statements may contain hidden reserves. Transactions are recognised in accordance with the trade date principle. Assets and liabilities as well as off-balance-sheet transactions are valued individually. The main valuation principles are described below. There may be rounding differences in the values shown in the tables in the Notes as compared to the values in the balance sheet and income statement.

This Annual Report is also available in German. The German version is authoritative.

General valuation principles

The annual financial statements are prepared based on a going-concern assumption and items are stated in the balance sheet as going-concern values. The items under a particular balance-sheet heading are individually valued. As a matter of principle, there is no netting of assets and liabilities or of expenses and income. The netting of assets and liabilities is only permissible in the following cases:

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

Expenses and income are netted only in the following cases:

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

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

Client assets that take the form of digital assets are held in custody separately for each client on the blockchain, hence they are assignable to the individual client at any time. Their separability is therefore ensured, and client assets held in the form of digital assets appear as safe custody assets in client custody account statements rather than being included on the bank's balance sheet.

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

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

Currency	31.12.2022	31.12.2021
EUR	0,9886	1,0364
USD	0,9251	0,9126

Liquid assets
Liquid assets are shown at nominal value.

Due from banks and clients, mortgages
These items are shown in the balance sheet at nominal value less necessary value adjustments. Precious metal holdings in metal accounts are stated at fair value, if the corresponding metals are traded on a price-efficient, liquid market.
The methods for identifying default risks and determining the need for value adjustments are explained in detail in the Notes under “Methods used to identify default risks and determine the need for value adjustments”:

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

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

Trading portfolios and obligations relating to trading portfolios
The bank’s own positions in securities, precious metals and digital assets that are actively managed in order to benefit from market price fluctuations or achieve arbitrage profits are classified as trading portfolios. Trading portfolios are valued and stated at market prices as at the balance sheet date.
Positions for which there is no representative market or, in exceptional cases, where fair value is unavailable, are stated at the lower of cost or market.
Gains and losses resulting from this valuation, as well as gains and losses realised during the period, are shown in “Net trading income and the fair-value option”. Interest and dividends on trading portfolios are reported as “Interest and dividend income from trading portfolios”

under "Result from interest operations". There is no netting of refinancing income with trading portfolios.

Positive and negative replacement values of derivative financial instruments

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

Trading transactions

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

Hedging transactions

The bank also uses derivative financial instruments in the context of its assets/liability management activities to manage interest rate risks. Hedging transactions are valued in the same way as the hedged underlying transactions. The profit on the hedge is assigned to the same income position as the corresponding profit on the hedged transaction. The valuation gain of hedging instruments is booked to the compensation account if no value adjustment has been made for the underlying transaction. The net balance of the compensation account is indicated in the "Other assets" or "Other liabilities" positions.
Hedging relationships and the objectives and strategies of the hedging business are documented by the bank upon conclusion of each derivative hedging transaction.
The effectiveness of the hedging relationship is periodically reviewed. Hedging transactions for which the hedging relationship is no longer wholly effective or is only partly effective are treated in the same way as trading portfolios in respect of the ineffective part.

Client transactions

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

Financial investments

Equities, proprietary physical precious metal holdings and proprietary digital assets held as financial investments are valued in accordance with the principle of lower of cost or market.
Fixed-interest investments which are expected to be held to maturity are valued according to the acquisition cost principle; premiums and discounts are accrued over the remaining term (accrual method). Interest and dividend income is reported under "Interest and dividend income from financial investments".
Where financial investments which are expected to be held to maturity are sold or redeemed early, the gains and losses realised, which correspond to the interest component, are accrued over the remaining term until maturity of the transaction via "Other assets" and "Other liabilities".

Debt investments which are not expected to be held to maturity as well as equities, own holdings of precious metals and own digital assets held as financial investments are carried at the lower of cost or market. Valuation adjustments arising from subsequent measurement are recorded net in the item "Other ordinary expenses" or "Other ordinary income".

Participations

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

Tangible fixed assets

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

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

Pension liabilities

The bank operates a full-insurance defined contribution scheme for employees. The actual financial effects of employee benefit obligations are calculated on the basis of the annual financial statements of the employee benefits institution, which in turn are based on Swiss GAAP FER 26. A judgement is made as to whether any surplus or shortfall for employee benefits institutions could result in economic gains or losses for the bank. Any economic benefits or existing employer's contribution reserves can be capitalised; for economic risks, however, provisions are created in the balance sheet.
In addition, there is a legally independent employer's fund for supporting employees and retirees in case of financial difficulties. Employer contributions are reported as personnel expenses.
Since 1 January 2020, Maerki Baumann has established a 1e solution to complement its existing full-insurance solution; this gives employees on a higher income additional flexibility in terms of investing their retirement assets.

Provisions

Legal and constructive obligations are valued on a regular basis. Where an outflow of resources is likely and

can be reliably estimated, a corresponding provision is made. Existing provisions are revalued as per each balance sheet date. Based on this reassessment they are increased, maintained at the same level or released.
In the case of default risks on off-balance-sheet transactions in the "Contingent liabilities" and "Irrevocable undertakings" items, for which no provisions have yet been made due to the absence of a likely cash outflow that can be reliably estimated, additional provisions are created for inherent and latent default risks. The methods for identifying default risks and determining the need for provisions are explained in detail in the Notes under "Methods used to identify default risks and determine the need for value adjustments":

- In the case of losses incurred on off-balance-sheet transactions that cannot yet be assigned to a specific borrower, value adjustments are created for latent default risks.
- In the case of off-balance-sheet transactions that are not impaired and where losses have not yet been incurred, value adjustments are created for inherent default risks.
- The bank does not create value adjustments for expected losses on off-balance-sheet transactions.

Provisions are recognised as follows via the individual items of the income statement:

- Provisions for deferred taxes: "Taxes" item
- Pension provisions and restructuring provisions in connection with personnel: "Personnel expenses" item
- Other provisions: "Changes in provisions and other value adjustments and losses" item

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

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

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

Taxes
Ongoing expenses relating to income and capital tax are reported in the income statement under "Taxes". No deferred taxes are recognised.

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

Treatment of overdue interest
Interest and corresponding commissions that have been due for more than 90 days are deemed overdue. Should a debtor be more than 90 days in arrears on interest payments, the interest due is allocated directly to the value adjustments. In this case, a credit to income is only made after the interest payment has actually been made. If a receivable is deemed to be non-recoverable, it is written off. Loans on which value adjustments have been made are classified as exposed loans until they have been repaid in full.

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

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		–	61 359	174	61 534
Mortgage loans		129 619			129 619
Residential property		126 619	–	–	126 619
Other		3 000	–	–	3 000
Total loans	**2022**	**129 619**	**61 359**	**174**	**191 152**
(before netting with value adjustments)	2021	122 605	57 021	1 765	181 390
Total loans	**2022**	**129 467**	**61 359**	**154**	**190 980**
(after netting with value adjustments)	2021	122 541	57 020	1 765	181 325
Off-balance-sheet					
Contingent liabilities		–	8 435	–	8 435
Irrevocable commitments		–	5 996	1 438	7 434
Total off-balance-sheet	**2022**	**–**	**14 431**	**1 438**	**15 869**
	2021	–	16 070	1 322	17 392

		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans/receivables	**2022**	**–**	**–**	**–**	**–**
	2021	–	–	–	–

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

in CHF 1000	31.12.2022	31.12.2021
Assets		
Trading portfolio assets		
Debt securities	366	6406
of which listed	–	6406
Equity securities	–	–
Precious metals and commodities	–	–
Other trading portfolio assets	–	99
Total trading portfolio assets	**366**	**6506**
Other financial instruments at fair value		
none		
Total of trading portfolio assets and other financial instruments at fair value	**366**	**6506**
of which determined using a valuation model	–	–
of which securities eligible for repo transactions in accordance with liquidity requirements	–	4581

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

Presentation of derivative financial instruments (assets and liabilities)

in CHF 1 000	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments						
Forward contracts incl. FRAs	–	–	–	–	–	–
Swaps	–	–	–	1 255	–	10 000
Futures	–	–	–	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (Exchange-traded)	–	–	–	–	–	–
Foreign exchange/precious metals						
Forward contracts	976	4 318	318 736	–	–	–
Combined interest rate/currency swaps	–	–	–	–	–	–
Futures	–	–	–	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (Exchange-traded)	–	–	–	–	–	–
Equity securities/indices						
Forward contracts	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures	–	–	–	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (Exchange-traded)	1 487	1 487	310 323	–	–	–
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	**2022**	**2 463**	**5 805**	**629 059**	**1 255**	**–**	**10 000**
	2021	1 342	5 648	704 903	173	–	10 000
Total after netting agreements	**2022**	**2 463**	**5 805**	**629 059**	**1 255**	**–**	**10 000**
	2021	1 342	5 648	704 903	173	–	10 000

in CHF 1 000		Total	
		Positive replacement values	Negative replacement values
Total after netting agreements	**2022**	**3 717**	**5 805**
	2021	1 515	5 648

Breakdown by counterparty

in CHF 1 000	Central clearing houses	Banks and securities dealers	Other clients
Positive replacement value (after consideration of netting agreements)	–	3 128	589

Breakdown of financial investments

in CHF 1 000	Carrying amount		Fair value	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Debt securities	457 041	235 587	438 892	237 312
of which intended to be held to maturity	457 041	235 587	438 892	237 312
of which not intended to be held to maturity (available for sale)	–	–	–	–
Equity securities	8 097	5 985	8 638	6 967
Total	**465 138**	**241 572**	**447 530**	**244 279**
of which securities eligible for repo transactions in accordance with liquidity requirements	243 816	64 646	234 886	64 329

Breakdown of counterparties by rating (FINMA Concordance table)

in CHF 1 000	1 & 2	3	4	5 & 6	7	Unrated
Debt securities: book values	353 990	72 682	26 430	–	–	3 938

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	–	–1
Value adjustments	–	–
Book value at end of current year	**–**	**3 843**
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 1000	Bank buildings	Software	Other tangible fixed assets	Total tangible fixed assets
Acquisition cost	24 554	4 844	3 169	32 566
Accumulated depreciation	–11 013	–4 637	–3 043	–18 694
Book value at end of previous year	**13 541**	**207**	**125**	**13 872**
Current year				
Additions	–	55	231	286
Disposals	–	–	–	–
Depreciation	–16	–154	–78	–248
Reversals	–	–	–	–
Book value at end of current year	**13 524**	**108**	**278**	**13 910**

Lease commitments from operating leases

in CHF 1000	31.12.2022	31.12.2021
Due within 12 months	9	15
Due between 12 months and 5 years	–	–
Due after more than 5 years	–	–
Total leasing obligations not recognised in the balance sheet	9	15

Presentation of intangible assets

none

Breakdown of other assets and other liabilities

in CHF 1 000	Other assets		Other liabilities	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Compensation account	–	–	1 255	173
Settlement accounts	–	–	371	1 147
Indirect taxes	801	1 104	587	219
Other	1 721	1 030	122	101
Total	**2 521**	**2 135**	**2 335**	**1 639**

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

in CHF 1 000	Book values	Effective commitments	Book values	Effective commitments
	31.12.2022	31.12.2022	31.12.2021	31.12.2021
Pledged/assigned assets				
Due from banks	4 320	4 273	5 095	3 897
Financial investments to cover margin requirements of banks	17 943	p.m.	17 080	p.m.

Assets under reservation of ownership
none

Disclosure on the economic situation of own pension schemes

none

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

in CHF 1000

Employer contribution reserves	31.12.2022	31.12.2021
Nominal value	1000	500
Waiver of use	–	–
Net amount	**1000**	**500**

Impact of employer contribution reserves on personnel expenses

in CHF 1000	2022	2021
	500	500

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

in CHF 1000	2022	2021
Pension expenses in personnel expenses: pension fund	2297	2156
Paid-in contributions for the reporting period: pension fund	2297	2156

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, whereby the investment risks with the supplementary fund (1-e solution) are borne by the beneficiaries. Beneficiaries have no regulatory claims on the employer pension fund that could result in a future obligation on the company.

Bonds and mandatory convertible bonds outstanding

in CHF 1 000	Interest rate	Type of bond	Year of issue	Maturity	Callable as of	Outstanding amount
	3.000%	subordinated additional Tier 1 bond	2021	indefinite	22.06.27	18 000
Total as at 31.12.2022						**18 000**

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

in CHF 1 000	Balance at end of 2021	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 2022
Provisions								
Provisions for deferred taxes	–	–	–	–	–	–	–	–
Provisions for default risks	–	–	–	–	–	–	–	–
Provisions for other business risks	216	–	–	–	–	325	–	541
Other provisions	212	–	–	–	–	–	–	212
Total provisions	**428**	**–**	**–**	**–**	**–**	**325**	**–**	**753**

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

in CHF 1 000	Balance at end of 2021	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 2022
Value adjustments for default risks and country risks								
Value adjustments for default risks on impaired loans	–	–	–	–	–	–	–	–
Value adjustments for default risks on non-impaired loans (value adjustment for inherent default risks)	190	–	–	–	–	274	–	464
Total value adjustments for default risks and country risks	**190**	**–**	**–**	**–**	**–**	**274**	**–**	**464**
Reserves for general banking risks (tax paid)	**14 247**	**–**	**–**	**–**	**–**	**–**	**–**	**14 247**

Presentation of the share capital

	2022			2021		
	Total par value (in CHF)	No. of shares	Capital eligible for dividend (in CHF)	Total par value (in CHF)	No. of shares	Capital eligible for dividend (in CHF)
Share capital	3 000 000	30 000	3 000 000	3 000 000	30 000	3 000 000

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

none

Disclosure of amounts due from/to related parties

in CHF 1 000	Amounts due from		Amounts due to	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Significant shareholders	4 000	6 504	8 328	770
Group companies	–	–	–	–
Linked companies	–	–	96	101
Transactions with members of governing bodies	–	–	127	407
Other related parties and companies	8 849	27 122	1 881	0

Amounts due from and amounts due to significant shareholders in the bank who are simultaneously members of governing bodies are shown in the first item “Significant shareholders”. Ordinary banking transactions are conducted on the terms applicable to employees. The amounts due from significant shareholders include no unsecured amounts.

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

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

in CHF 1 000	2022		2021	
	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

	31.12.2022	31.12.2021
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	31.12.2022	31.12.2021
Bank's capital	3 000	3 000
Voluntary reserves	40 781	36 766
Statutory reserves	18 797	18 797
Total equity capital (after appropriation of profit)	**62 578**	**58 563**
non-distributable reserves	34 322	27 700

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 and equity 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	309 480	–	–	–	–	–	309 480
Amounts due from banks	41 861	27 735	34 390	–	–	–	103 986
Amounts due from clients	–	2 147	21 333	14 813	23 220	–	61 514
Mortgage loans	–	699	1 529	29 082	48 206	49 951	129 467
Trading portfolio assets	366	–	–	–	–	–	366
Positive replacement values of derivative financial instruments	–	–	2 100	362	–	1 255	3 717
Financial investments	8 097	–	97 827	62 706	283 711	12 796	465 138
Total 2022	**359 804**	**30 581**	**157 180**	**106 964**	**355 137**	**64 002**	**1 073 667**
Total 2021	632 216	33 487	114 512	47 696	240 492	62 530	1 130 934
Debt capital/financial instruments							
Amounts due to banks	8 805	–	–	–	–	–	8 805
Amounts due in respect of client deposits	943 359	17 609	22 805	4 943	–	–	988 716
Negative replacement values of derivative financial instruments	–	–	5 447	358	–	–	5 805
Bond issues and central mortgage institution loans	–	–	–	–	18 000	–	18 000
Total 2022	**952 164**	**17 609**	**28 251**	**5 301**	**18 000**	**–**	**1 021 325**
Total 2021	1 043 447	3 321	16 146	7 297	–	13 600	1 083 812

Presentation of assets and liabilities by domestic and foreign origin

in CHF 1 000	31.12.2022		31.12.2021	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	309 480	–	572 945	–
Amounts due from banks	79 186	24 800	124 823	2 249
Amounts due from clients	47 112	14 402	41 027	17 757
Mortgage loans	129 467	–	122 541	–
Trading portfolio assets	–	366	99	6 406
Positive replacement values of derivative financial instruments	3 535	182	1 350	165
Financial investments	223 984	241 154	47 163	194 409
Accrued income and prepaid expenses	8 723	–	8 237	–
Participations	3 826	17	3 826	18
Tangible fixed assets	13 910	–	13 872	–
Other assets	2 521	–	2 135	–
Total assets	**821 743**	**280 921**	**938 018**	**221 004**

Presentation of assets and liabilities by domestic and foreign origin

in CHF 1 000	31.12.2022		31.12.2021	
	Domestic	Foreign	Domestic	Foreign
Liabilities				
Amounts due to banks	8 805	–	757	–
Amounts due in respect of client deposits	603 342	385 374	517 116	546 691
Negative replacement values of derivative financial instruments	5 709	96	5 499	149
Bond issues and central mortgage institution loans	18 000	–	13 600	–
Accrued expenses and deferred income	11 173	–	10 378	–
Other liabilities	2 335	–	1 639	–
Provisions	753	–	428	–
Reserves for general banking risks	14 247	–	14 247	–
Share capital	3 000	–	3 000	–
Statutory capital reserve	147	–	147	–
of which tax-exempt capital contribution reserve	147	–	147	–
Statutory retained earnings reserve	18 650	–	18 650	–
Voluntary retained earnings reserve	15 000	–	13 000	–
Profit carried forward	7 520	–	5 998	–
Profit (result of the period)	8 515	–	7 721	–
Total liabilities	**717 194**	**385 470**	**612 181**	**546 840**

Breakdown of total assets by country or group of countries

in CHF 1 000	31.12.2022		31.12.2021	
	CHF 1 000	%	CHF 1 000	%
Assets				
Europe	178 579	16.2%	124 950	10.8%
Other countries	102 342	9.3%	96 054	8.3%
Total foreign country assets	**280 921**	**25.5%**	**221 004**	**19.1%**
Switzerland	821 743	74.5%	938 018	80.9%
Total assets	**1 102 664**	**100.0%**	**1 159 021**	**100.0%**

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

in CHF 1 000	31.12.2022		31.12.2021	
	CHF 1 000	%	CHF 1 000	%
FINMA Concordance table				
1 & 2	248 444	88.4%	190 851	86.4%
3	6 969	2.5%	5 229	2.4%
4	3 923	1.4%	–	0.0%
5	–	0.0%	–	0.0%
6	–	0.0%	–	0.0%
7	–	0.0%	–	0.0%
No rating	7 001	2.5%	7 003	3.2%
Lombard loans *	14 584	5.2%	17 922	8.1%
Total assets	**280 921**	**100.0%**	**221 004**	**100.0%**

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

Balance sheet by currencies
as at 31.12.2022

in CHF 1 000	CHF	EUR	USD	Other
Assets				
Liquid assets	308 865	506	97	12
Amounts due from banks	54 768	21 926	16 290	11 003
Amounts due from clients	42 316	11 489	7 079	630
Mortgage loans	128 451	–	1 016	–
Trading portfolio assets	366	–	–	–
Positive replacement values of derivative financial instruments	3 502	177	39	–
Financial investments	272 072	93 208	99 858	–
Accrued income and prepaid expenses	8 723	–	–	–
Participations	3 826	17	–	–
Tangible fixed assets	13 910	–	–	–
Other assets	2 521	–	–	–
Total assets shown in balance sheet	**839 319**	**127 323**	**124 378**	**11 645**
Delivery claims on forward transactions	23 933	79 717	191 320	24 370
Total assets	**863 252**	**207 041**	**315 698**	**36 014**

Balance sheet by currencies
as at 31.12.2022

in CHF 1 000	CHF	EUR	USD	Other
Liabilities				
Amounts due to banks	6 264	2 430	0	110
Amounts due in respect of client deposits	458 557	203 260	291 796	35 103
Negative replacement values of derivative financial instruments	5 589	177	39	–
Bond issues and central mortgage institution loans	18 000	–	–	–
Accrued expenses and deferred income	11 173	–	–	–
Other liabilities	2 330	2	3	0
Provisions	753	–	–	–
Reserves for general banking risks	14 247	–	–	–
Share capital	3 000	–	–	–
Statutory capital reserve	147	–	–	–
of which tax-exempt capital contribution reserve	147	–	–	–
Statutory retained earnings reserve	18 650	–	–	–
Voluntary retained earnings reserve	15 000	–	–	–
Profit carried forward	7 520	–	–	–
Profit (result of the period)	8 515	–	–	–
Total liabilities shown in the balance sheet	**569 745**	**205 869**	**291 837**	**35 213**
Delivery liabilities on forward transactions	296 262	1 257	23 880	707
Total liabilities	**866 007**	**207 125**	**315 717**	**35 920**
Net position per currency	**–2 754**	**–85**	**–20**	**94**

Information on the off-balance-sheet business

Breakdown of contingent liabilities and contingent assets

in CHF 1 000	31.12.2022	31.12.2021	Change
Guarantees to secure credits and similar	8 435	4 690	3 745
Performance guarantees and similar	–	–	–
Other contingent liabilities	–	–	–
Total contingent liabilities	**8 435**	**4 690**	**3 745**
Contingent assets arising from tax losses carried forward	–	–	–
Other contingent assets	–	–	–
Total contingent assets	**–**	**–**	**–**

Breakdown of credit commitments

none

Breakdown of fiduciary transactions

in CHF 1 000	31.12.2022	31.12.2021	Change
Fiduciary investments with third-party companies	158 610	30 653	127 958
Fiduciary investments with group companies and linked companies	–	–	–
Fiduciary loans and other fiduciary transactions	–	–	–
Total fiduciary transactions	**158 610**	**30 653**	**127 958**

Breakdown of managed assets

in CHF million	31.12.2022	31.12.2021	Change
Assets in collective investment schemes managed by the bank	–	–	–
Assets under discretionary asset management agreements	5 462	6 344	–882
Other managed assets	3 694	3 917	–223
Total managed assets (including double counting)	**9 156**	**10 261**	**–1 105**
of which double counting	–	–	–
Total managed assets (including double counting) at beginning	**10 261**	**8 603**	**1 658**
Net new money inflow or net money outflow	102	934	–831
Price gains/losses, interests, dividends and currency gains/losses	–1 207	724	–1 931
Other effects	–	–	–
Total managed assets (including double counting) at end	**9 156**	**10 261**	**–1 105**

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

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

Information on the income statement

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

in CHF 1 000	2022	2021	Change
Negative interest in lending business (reduction in interest and discount income)	–1 786	–1 199	–587
Negative interest received on deposit business	986	589	397

Personnel expenses

in CHF 1 000	2022	2021	Change
Salaries	22 045	19 447	2 598
Social insurance benefits	3 833	3 530	303
Other personnel expenses	394	314	80
Total personnel expenses	**26 272**	**23 291**	**2 981**

Other operating expenses

in CHF 1 000	2022	2021	Change
Office space expenses	479	508	–28
Expenses for information and communications technology	1 695	1 602	94
Expenses for vehicles, equipment, furniture and other fixtures	173	199	–26
Fees of audit firm	203	186	18
of which for financial and regulatory audits	189	157	32
of which for other services	14	28	–14
Other operating expenses	9 261	7 836	1 425
Total other operating expenses	**11 812**	**10 329**	**1 482**

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

none

Current and deferred taxes/disclosure of the tax rate

in CHF 1000	2022	2021	Change
Current taxes	1646	850	796
Deferred taxes	–	–	–
Total taxes	**1646**	**850**	**796**
Average tax rate on the basis of operating result	16.2%	9.9%	

The weighted average tax rate is 16.2%.

Disclosure relating to equity capital and liquidity

Regulatory disclosure obligations for banks

Due to expected further growth, the bank took the decision to withdraw from the small banks regulatory regime for business reasons at the end of April 2022. The disclosure requirements associated with capital adequacy and liquidity in accordance with the FINMA Circular 2016/01 “Disclosure – banks” are published online at www.maerki-baumann.ch/CorporateGovernance.
The disclosure report is prepared annually and published as a separate document on the website. As a category 4 bank, we publish the “partial disclosure”. The most important key figures regarding equity capital and liquidity are listed below.

Eligible and regulatory capital

in CHF 1000		31.12.2022	31.12.2021
Eligible Capital			
Common equity Tier 1 capital (CET1)		62578	58563
Additional core capital (AT1)		18000	13600
Core capital (T1)		**80578**	**72163**
Supplementary capital (T2)		9308	8831
Total eligible capital		**89886**	**80994**
Required Capital	**Approach used**		
Credit risk	International BIS SA-CCR, comprehensive	15445	14307
Non-counterparty-related risks	International BIS SA-CCR, comprehensive	1113	1110
Market risk	Market risk standard approach	1110	119
Operational risk	Basic indicator approach	6040	5506
Other minimum required capital		–	64
Total minimum required capital		**23708**	**21105**
Countercyclical capital buffer		1131	–
Sum of risk weighted positions		296344	263814
Countercyclical capital buffer in relation to the sum of risk weighted positions		0.4%	0.0%

Eligible and regulatory capital (continued)

in CHF 1 000	31.12.2022	31.12.2021
Capital Ratios		
Common equity Tier 1 capital ratio (CET1 ratio)	21.1%	22.2%
Tier 1 capital ratio	27.2%	27.4%
Ratio of regulatory capital (Tier 1 & Tier 2) without countercyclical capital buffer	30.3%	30.7%
Ratio of regulatory capital (Tier 1 & Tier 2) with countercyclical capital buffer	30.0%	30.7%
Basel III Leverage Ratio		
Total exposure	1 128 773	1 177 856
Basel III leverage ratio (core capital in % of total exposure)	6.8%	5.8%
Funding ratio (NSFR)		
Available stable refinancing	735 182	832 821
Required stable refinancing	313 530	293 082
Funding ratio, NSFR (in %)	234.5%	284.2%

Liquidity ratio (LCR)	Q4 2022 average	Q3 2022 average	Q2 2022 average	Q1 2022 average	Q4 2021 average
LCR numerator: Total high-quality liquid assets	484 384	599 480	717 858	600 284	569 919
LCR denominator: Total net cash outflow	170 858	228 883	266 672	180 945	168 926
Liquidity ratio, LCR (in %)	283.5%	261.9%	269.2%	331.7%	337.4%

Proposals to the General Meeting

The Board of Directors proposes the following motions to the General Meeting to be held on 3 April 2023:

1. To approve the Annual Report consisting of management report and financial statements for 2022.

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 2022 financial year.

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

in CHF 1 000	2022
Profit carried forward	7 520
Plus annual profit	8 515
At the disposal of the General Meeting	16 035
Dividend	–4 500
Allocation to statutory retained earnings reserve	0
Allocation to voluntary retained earnings reserve	–2 500
Carried forward to new account	9 035

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

   Prof. Bruno Gehrig will step down from the Board of Directors on 3 April 2023.

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 audit of the financial statements

Opinion

We have audited the financial statements of Maerki Baumann & Co. AG (the Company), which comprise the balance sheet as at 31 December 2022, income statement and statement of changes in equity for the year then ended and notes to the financial statements, including accounting and valuation principles.

In our opinion, the financial statements (pages 24 to 72 and 76) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and

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SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website: http://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

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

Furthermore, we 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

Thomas Romer	Adrian Oehri
Audit expert Auditor in charge	Audit expert

Zurich, 20 March 2023

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