



# 2018

Report  
on the 30<sup>th</sup> Financial Year

**Bergos Berenberg AG** is an internationally active, independent Swiss private bank based in Zurich. With a history that can be traced back to Joh. Berenberg, Gossler & Co. KG, founded in 1590, it has been active in the Swiss financial centre for more than 30 years. The international team is dedicated to all aspects of asset management and advisory with a focus on private clients, family businesses and shipping clients. With a business model oriented towards pure private banking, it offers advice for all liquid asset classes and alternative investments.

#### Key performance indicators

|  | 2016   | 2017   | 2018   |
|--|--------|--------|--------|
| <i>TCHF</i>                                      |        |        |        |
| Operating profit                                 | 7,262  | 9,009  | 7,166  |
| Operating income                                 | 1,653  | 7,782  | 6,151  |
| Net fee and commission income                    | 27,015 | 28,942 | 30,465 |
| Income from trading activities                   | 4,824  | 6,033  | 4,684  |
| Net interest income                              | 5,422  | 5,701  | 5,298  |
| Operating expenses                               | 30,039 | 30,408 | 31,983 |
| <i>in CHF million</i>                            |        |        |        |
| Total assets                                     | 716    | 605    | 707    |
| Assets under management (excl. custody accounts) | 6,273  | 6,774  | 5,851  |
| Net new funds (excl. custody accounts)           | -153   | -64    | -481   |
| • as a percentage of assets under management     | -2.4   | -1.0   | -8.2   |
| Eligible equity                                  | 32     | 32     | 32     |
| Required equity                                  | 11     | 12     | 14     |
| Number of employees (full-time equivalent)       | 95.2   | 98.8   | 103.6  |

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## GOVERNING BODIES

### Board of Directors

**Christian Kühn, Chairman**  
Head of Central Business Unit Bank Management, Member of the Extended Management Board of Joh. Berenberg, Gossler & Co. KG, Hamburg

**Urs A. Kaelin, Deputy Chairman<sup>1</sup>**  
Partner at Wehinger Kaelin Ferrari AG, Zurich

**Adrian T. Keller, Deputy Chairman**  
Deputy Chairman of the Board of Directors of Diethelm Keller Holding AG, Zurich  
Partner of Bergos Berenberg AG, Zurich

**Claus G. Budelmann<sup>1</sup>**  
Former personally liable Managing Partner of Joh. Berenberg, Gossler & Co. KG, Hamburg  
Partner of Bergos Berenberg AG, Zurich

**Christopher Michael Chambers<sup>1</sup>**  
Senior Advisor of Lone Star Europe (Real Estate), London  
Chairman of the Board of Directors of Leonteq AG, Zurich

**Dr Andreas Jacobs**  
Entrepreneur, Hamburg  
Partner of Bergos Berenberg AG, Zurich

**Sylvie Mutschler-von Specht<sup>1</sup>**  
Entrepreneur, Küsnacht  
Partner of Bergos Berenberg AG, Zurich

**Michael Pieper**  
President and CEO of Artemis Holding AG, Aarburg  
Partner of Bergos Berenberg AG, Zurich

**Moritz Suter<sup>1</sup>**  
Swiss entrepreneur in the aviation industry and the tourism and media sectors, Basel

<sup>1</sup> Independent members of the Board of Directors within the definition of the provisions of the Swiss Financial Market Supervisory Authority FINMA.

### General Managers

Dr Peter Raskin (Chairman), Partner  
Dr Reiner Schrupkowski, Partner  
Markus Zwysig, Partner

### Managing Directors

Guy Oliver Aufenacker  
Till Christian Budelmann  
Maximilian Hefe  
Dr Dominik Helberger  
Jürgen Hepp  
Dr Thomas Kellein  
Gianni Porpiglia  
Jens Schütrumpf  
Vanessa Skoura<sup>2</sup>  
Jürg Sonderegger  
Matthias Wiele

### Directors

Fabian v. Berenberg-Consbruch  
Marco Fuhrmann  
Oliver Goebel  
Stefan Kirsch  
Mathias Metzger  
Gertrud Preisig  
Sven-Erik Schipanski  
Soumaila Tékété  
Marc van Toornburg  
Susanne Toscan

### Associate Directors

Tino Bamberger  
René Bolhar  
Assimina Bota  
Raphael Dirren  
Frank Eggert  
Hanno Ferner  
Beate Gerrath  
Mareike Händel  
Andreas Käser  
Ruth Kessler  
Christine Layda  
Panagiotis Mavridis  
Till Singer  
Johanna Suter  
Patrycja Szymonska  
Dr Stefan Toth  
Nino Tschupp  
Marc Tütsch  
Margarita Vogiatzi<sup>2</sup>  
Oliver Watol

<sup>2</sup> Geneva branch.

As at: 1/5/2019



Christian Kühn

### Dear clients and friends,

The 2018 reporting period brought meaningful positive changes to our Bank: the Swiss private bank Bergos Berenberg AG emerged from the foreign Berenberg Bank (Switzerland) AG.

In the year of our 30th anniversary, a group of shareholders around the family entrepreneurs Adrian and Andreas Keller, Michael Pieper, Dr Andreas Jacobs, family Mutschler-von Specht – themselves descendants of the founding von Berenberg family – and Claus G. Budelmann, together with the management, took an 80.1% stake in Berenberg Bank (Schweiz) AG and thereby founded Bergos Berenberg AG. We can look back on many years of close ties between our shareholders and our Bank and know that they stand behind our business model with conviction. Michael Pieper has been a member of our Board of Directors for more than 25 years, Adrian Keller for more than 12 years. Claus G. Budelmann, a former personally liable managing partner of the Berenberg group, personally founded the bank in Zurich 31 years ago, and has since been a member of our Board of Directors without interruption, serving as Chairman for many years.

We have been very happy with the extremely positive response from our clients, colleagues and the media. This showed us how important and forward-looking this step was and how there is a real desire for a smaller, independent Swiss private bank. We can now really focus on the needs of our clients and will establish Bergos Berenberg as a leading, unique private bank for entrepreneurs and families in Switzerland, Germany and internationally.

We thereby intend to continue our great tradition as part of the world's second-oldest bank. Bergos stands for Berenberg and Gossler and thereby for the brothers Hans and Paul Berenberg, who founded Berenberg in 1590, and for Johann Hinrich Gossler, who joined in 1769. For a period of at least five years, we will cooperate very closely with the Berenberg group. This ensures that our clients can continue to enjoy their usual services.

This also brought about changes to our Board of Directors: the entrepreneurs Sylvie Mutschler-von Specht (Küsnacht) and Dr Andreas Jacobs (Hamburg) have joined. Dr Jan Böhm and Andreas Brodtmann have resigned. Andreas Brodtmann made a particularly significant contribution to our Bank as Chairman of our Board of Directors for many years and previously as Chairman of the General Managers. We thank both of them for their work for the good of our Bank.

Otherwise, we can look back on a very challenging business year in 2018. The very good start in the first half could not be maintained because of political stock markets and uncertain financial and capital markets. Taking into account some extraordinary effects, our annual operating profit totalled CHF 7.2 million. Consequently, our result was down 20% and stabilised at the level of 2017. The assets entrusted to us also decreased to CHF 5.9 billion. In this, performance effects and negative interest rates were crucial factors. Because of the negative interest rates on the Swiss franc and the euro, we had to ask clients not to make arrangements for investing specific liquidity in the medium term.

The persistent uncertainty on the financial and capital markets promise that the coming year will not be free from challenges, either. However, with highly motivated employees and a future-oriented business model, we are convinced that Bergos Berenberg will assert itself very well. Thank you for your cooperative partnership and the trust you place in us.

Christian Kühn  
Chairman of the Board of Directors



*Dr Peter Raskin*

### **Why Bergos Berenberg?**

To understand the uniqueness of Bergos Berenberg, you first need to take a look at the development of banks over the last ten years.

Although the principle of »big is beautiful« applied for a long time in the world of finance, a lot has changed in the last decade. Major banks developed, claiming to be universal banks that could apparently serve every customer on several continents through countless subsidiaries and branches and offer all conceivable services from a single source. With the goal of optimal performance, various new products were crafted and packaged in a wide variety of shapes. The banks thereby became increasingly interlocked, in hindsight maybe unconsciously, until almost no one knew anymore which concrete risks they had in their portfolio, who owed what to whom, or where and how the securities were recoverable. The priority was that short-term returns added up for the banks, and therefore also bankers' bonuses. The collapse of Lehman Brothers first brought to light the sickness of this system and the contagion risks that could no longer be prevented. The system imploded and in a matter of seconds, values in the amount of billions were destroyed.

»Big« was all of a sudden no longer »beautiful«, but synonymous with the greatest danger. In September 2008, the only hope was »too big to fail«. Across the world, major banks had to be saved, governments intervened and a banking crisis very rapidly became a national crisis that developed into a European crisis. A decade later, no one can yet really say whether the danger has been averted and what the role of large and universal banks will look like in the future. I dare

say I doubt whether we have actually learnt from the mistakes. Because some of the products demonised at the time are again, albeit slowly, catching on.

In the wake of the flagrant danger, and supposedly to protect clients, we have experienced a regulatory frenzy in recent years, which has in the meantime, in contrived forms, lost sight of consumer protection as its actual goal. De facto, clients are now protected against themselves, whether they like it or not. One of the reasons for this is that banks are required to provide documents and information that seem to neither make sense for clients nor protect them. Some banks are eager to pass on all the risks resulting from the new rules to clients. Other banks completely cease advising their clients.

As is generally known, excessive regulation and the associated enormous costs have caused margin erosion at banks. The latter tried to compensate for this lost revenue through drastic cost-saving on human resources, outsourcing, streamlining services, selling proprietary products and concocting new fees. Scaling, standardisation and price rises were the result. The banks also recognised that they could serve their clients by interlinking business areas and cross-selling at the various corners. The result was a consolidation wave between banks, at the end of which today only major banks of a universal character and very large private banks remain.

»As an entrepreneur, I'm very keen to work with clear, efficient structures. In my view, Bergos Berenberg AG, as a private bank, offers really superb conditions for this.«

DR ANDREAS JACOBS · *Entrepreneur and Partner of Bergos Berenberg AG*

My question is now where this scenario leaves clients. Is a bank's focus really on their clients' interests when it is all about offering them services only from their own company? Are clients not in much greater danger if all private assets are managed at the same bank, where, alongside their own ventures, they also take out loans? Can clients really trust that they will be spared in times of crisis? Is it still serious, if, in addition, high-earning business leaders also receive special conditions from the bank where their company is a major client? There

is a high risk in the above-mentioned situations of triggering conflicts of interest that should be avoided at all costs with serious client support. Clients have the most diverse needs when it comes to the preservation, protection and management of their assets. These generally stem from their personal circumstances, their respective family situation, their profession, their entrepreneurship, their hobbies and interests. Can a bank really meet these needs if it offers standardised products and services, replaces personal contact with call centres and artificial intelligence, and in fact creates more conflicts of interest rather than trying to reduce them to a minimum? Is it perhaps better for clients if their bank is a small but subtle one, gives priority to asset advice and management and refrains from churning out products and services themselves in order to sell them afterwards? Should a bank to which private individuals have entrusted considerable assets not ensure first and foremost that contagion risks from other business areas and group companies are eliminated?

»Over my long career, I have always strived – and continue to strive – to ensure service and support for our clients, including families, companies and foundations, over several generations. This is and remains our objective at Bergos Berenberg.«

CLAUS G. BUDELMANN · *Founder of Berenberg Schweiz AG · Partner of Bergos Berenberg AG*

This summarises the thoughts and questions that were vigorously debated with the new owners of Bergos Berenberg AG during the year 2018. For the new shareholders and the management, this was a process to clarify what an independent bank can and should do today.

It involved more than just a business model, but sustainable ethics. A large proportion of the new partners of Bergos Berenberg AG are successful, sustainable family businesses that have existed for several generations.

Not only from their own generation, but generally based on their experience, the new owners know the needs of wealthy clients. They understand the challenges and the worries, thanks to their many years of work which they can draw on to provide various solutions. Alongside these new partners, Bergos



Berenberg AG has a management team which is now just as involved in the company. We have gained experience over decades as client advisers and bank managers. We, too, know our clients' needs and concerns from our successful work to date, and we ourselves have successfully implemented solutions. At the same time, we know how to sensibly implement the growing regulatory requirements and how to ensure that the client relationship benefits as a result.

»I'm involved in many companies, and it is important that the corporate culture and conversations are strong. I've always really liked the atmosphere at our Bank in Switzerland. The management is very honest, unassuming and cheerful.«

MICHAEL PIEPER · Entrepreneur and Partner of Bergos Berenberg AG

From experience, the new owners and management of Bergos Berenberg AG know the challenging issues related to supporting family businesses, their family members and other key clients. We see the need for holistic advice for the most complex family assets and are clearly committed to Switzerland as a business location. In a world of global universal banks, we see a great opportunity for an experienced, excellent Swiss private bank that is close to its clients.

For the new partners, there were and are a number of fundamental assumptions that are key to successful private banking with our clients:

- The client requires comprehensive advice on all issues that could affect their assets. This covers not only investment, but also issues concerning succession planning and protecting their assets for future generations. It involves questions concerning the entrepreneurial activities of many clients, as well as legal and tax issues, and much more. The advisory topics that must be considered are manifold and can sometimes have stronger consequences for the assets than questions regarding the investment.
- A bank therefore looks at the client's complete environment, especially their families, and the specific circumstances of their lives. If possible, the next

generation should, step by step and following a concrete strategy, be involved and introduced to the assets and the associated responsibilities.

- Our Bank strives to keep potential conflicts of interest to a minimum. No risks for ourselves or our clients' assets should arise from our business model. We want to concentrate on our fundamental business model and not try to offer our clients all kinds of services ourselves.
- Our Bank can nonetheless offer excellent investment solutions. Alongside the known liquid asset classes, we advise on emotional asset classes (art) and illiquid ones such as real estate and private equity. Wealthy entrepreneurs have the need for M&A and other corporate finance services, which we also offer through our network. As an entrepreneurially minded Swiss private bank, we offer access to particular investment solutions that are often only known in limited circles.
- Following an open architecture approach, we relay all necessary services and products to our clients, guided by the principle »best in class«. It is therefore important for us to organise this architecture well. This does not mean that we can do everything ourselves. To reduce conflicts of interest and for the benefit of our clients, certain services should be available via selected third parties.
- We want our clients to be able to obtain information via all modern communications channels and retrieve it whenever and wherever they want.
- Our employees have a special role to play. They must be in a position to immerse themselves in the client's world, to recognise problems early on, to address them and, if required, to find a solution together with other advisers. They must also be able to communicate with clients at eye level. Our clients have a right to honest advice based on deep conviction. For this, our client advisers must be excellently trained and internationally experienced. Their



attitude is open-minded and entrepreneurial. They must have their own set of values and the ability to empathise, and treat our clients as people rather than commodities.

- For clients with a strong base in Switzerland, advisers must also be appropriately trained and experienced. They need the same foresight as our clients, for example when they send their children abroad at an early age for their education.
- Switzerland is possibly the best place for our individual, client-oriented form of private banking. Only Switzerland offers the necessary framework conditions such as security, neutrality, internationality and cosmopolitanism.

»We took the decision to participate in Bergos Berenberg AG very early and with great conviction, as we had already known all the active players, including the former administrative boards, for a long time. It is rare to be able to work with others with such trust, and this particularly motivated us.«

ADRIAN AND ANDREAS KELLER · *Entrepreneurs and Partners of Bergos Berenberg AG*

The fundamental assumptions outlined here are no longer practised either by large banks or by larger private banks. Nor can they be found within subsidiaries of foreign businesses or banks owned by investment companies. A solid understanding of banking that has been wisely handed down hardly exists any more. However, there is still great need for a deeper, genuine client orientation. In 2018, we – as the new shareholders and management now participating in the company – agreed unanimously on the importance of creating such a bank. As partners, we knew Bergos Berenberg AG, previously Berenberg Bank (Schweiz) AG, to a great extent for many decades.

We are dedicating ourselves to the task of further developing our new and at the same time old Swiss private bank and positioning it in Switzerland to the benefit of our clients. The long-term secured cooperation with Joh. Berenberg Gossler & Co. KG, founded in 1590 and the second-oldest bank in the world,

»For my brother Andreas von Specht, my children and myself, the values of Bergos Berenberg AG and the client-oriented, but also modern private banking correspond to the spirit of our great-uncle Heinrich Freiherr von Berenberg-Gossler. He joined Hamburg-based Bankhaus Berenberg in 1935, managed it until 1979 and had a strong influence on us as a family.«

SYLVIE MUTSCHLER-VON SPECHT · *Entrepreneur and Partner of Bergos Berenberg AG*

is a good basis that enables us to continue to offer our clients the usual services. Bergos stands for Berenberg and Gossler, and thus for all activities that the brothers Hans and Paul Berenberg in 1590 and Johann Hinrich Gossler, who joined in 1769, have decisively shaped.

We identify with many generations of enlightened, free-thinking, locally and internationally committed bankers of integrity. With bankers who love culture, who are socially committed and who have laid the foundation for true private banking; above all by trying to put the well-being of their clients first.

## BUSINESS DEVELOPMENT STATEMENT/ STATUS REPORT

### Underlying economic conditions

The upswing in the global economy slowed considerably in the course of 2018. At 2.8%, growth in global economic output did almost manage to match the previous year's figure. However, almost all of the good news came from the US, where the corporate and income tax reform financed on credit artificially boosted domestic demand. By contrast, growth lost momentum across large parts of Europe and Asia. Dark clouds gathered on the economic horizon in the autumn of 2018, particularly on account of international trade disputes and other political risks.

With growth of 1.8% in 2018, the eurozone was no longer able to match the previous-year result of 2.5%. It is true that the sustained decline in unemployment to a most recent figure of 7.9% is shoring up consumer confidence and private spending. Corporate investment and government spending also saw a further increase, albeit at a somewhat slowing pace. Because exports lagged behind the growth in imports, however, foreign trade weakened the economy overall in 2018. In 2017, the foreign trade balance had still been a significant growth driver.

Particularly concerns from the US surrounding the future of global trade burdened economic development in countries with a strong focus on foreign trade in the reporting year. This situation was compounded by the temporary oil price shock in the autumn of 2018 as well as declining growth rates in China. Problems in some emerging economies such as Turkey and Argentina, which had racked up excessive foreign debt and were forced to tighten their belts due to higher amounts of interest payable in dollars, also had a negative impact. Companies, households and the financial markets were also rattled by worries about Italy's financial stability and the risk of a no-deal Brexit in March 2019.

Germany continued its recovery in the reporting year, seeing its economic output grow by 1.4%. In addition to private consumption, this development was driven by capital expenditure. However, growth slowed in the German economy during the second half of the year, due in part to temporary special effects in the automotive and chemicals industries. Despite this economic setback and rising government spending, Germany once again enjoyed a healthy



*The General Managers of Bergos Berenberg AG: Markus Zwysig, Dr Peter Raskin, Dr Reiner Schrupkowski*

government surplus on the back of surging tax receipts and a robust labour market. Nevertheless, the golden era for German government finances is coming to an end.

As in the previous years, price increases in Germany, Europe and the US remained muted in 2018. The rapid pace of technological progress as well as globalisation continue to help dampen inflation pressure. There are, however, signs that the rapid rise in employment in recent years will be reflected in somewhat more generous pay agreements and a marginal increase in inflation in large parts of the Western world in 2019.

Switzerland also experienced a strong economy in the first half of 2018. Supported by the temporarily weaker Swiss franc, industrial goods exports in particular increased strongly. The most important growth factor was manufacturing industries. In the second quarter, GDP grew by a strong 3.2% year-on-year. Yet in the second half of the year, the slower global economic environment also affected Switzerland, so the economy contracted slightly in the third quarter. Despite this economic setback, the labour market developed positively throughout: the unemployment rate fell from 3.0% to 2.4% during the year.

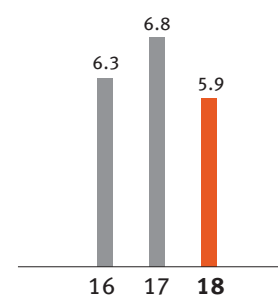
After a promising start, 2018 became unexpectedly challenging, hence the outlook for 2019 remains subdued. Once again, economic opportunities are faced with pronounced political risks. Whether the economy and financial markets can rediscover some of the dynamism of 2017 depends above all on whether the USA, China and Europe manage to contain political risks.

## Financial year

### Profit

After a promising start with new peaks on equity markets, the mood clouded during the 2018 reporting year and the financial markets recorded a sharp correction in the fourth quarter. In the wake of this, asset managers and clients refrained from repositioning, which led to clear falls in securities transactions. With ever-increasing regulation of the financial sector and the associated investment in digitalisation and automation of investment and Bank processes, the Banks' system and administrative costs rose again, which led to a decline in overall profits. Annual operating profit of CHF 7.2 million was down 20% compared with 2017.

Assets under management  
in CHF billion



### Assets under management

Assets managed and administered (incl. custody accounts) fell significantly by nearly 14% to CHF 5.9 billion during the reporting year, which was primarily caused by much weaker financial markets, the strong Swiss franc and, above all, net outflows induced by negative interest rates.

### Balance sheet

The amount of regulation grew further and countless new requirements concerning shareholders' equity, liquidity and improved risk cover gradually took effect. In addition, the Swiss National Bank continues to impose negative interest rates on the deposits of Swiss banks. With the Bank's focus on off-balance-sheet business, its lending activities are limited first and foremost to collateralised customer loans. Interbank business is conducted primarily in the short-term segment. The Bank held CHF 24 million of first-class bonds as financial assets at the end of the year. Total assets for Bergos Berenberg AG increased by CHF 102 million year-on-year to CHF 707 million, which was mainly because of greater amounts due from banks.

### Equity Capital

Eligible equity capital increased slightly to CHF 31.8 million. The Bank's capital adequacy remains well above the minimum required by the Swiss Financial Market Supervisory Authority (FINMA). The core capital ratio of 17.8% was only slightly below the level in 2017 (21.8%), but still clearly above the minimum ratio required by the regulator (including countercyclical buffer) of 10.5%. Bergos Berenberg AG also effortlessly fulfils FINMA's lending and liquidity requirements for banks. Our leverage ratio as required by Basel III remains stable at 4.42% and is therefore well above the prescribed minimum level of 3%. The liquidity coverage ratio (LCR) was 154.9% at the end of 2018 and thus significantly higher than the threshold of 90%. This ratio for short-term liquidity is intended to ensure that banks hold sufficient liquid assets at any time to offset short-term liquidity outflows.

### Income from operating activities

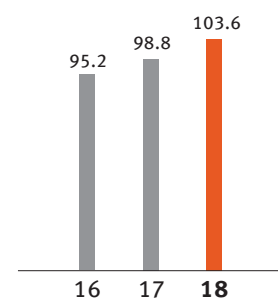
On the income statement, operating income of CHF 40.4 million remained at the previous year's level, thanks to higher asset management fees and despite much lower securities commissions. The core business, commission and service-fee activities, increased by 5% to CHF 30 million. Profits from new services in the Art Consult area, amongst others, contributed to this.

At CHF 4.7 million, income from trading activities and the fair value option was a good 22% above the previous year's level. In line with a prudent risk policy, we engage in trading operations solely on behalf of our clients and do not trade for our own account. Lower demand for loans meant net interest income fell year-on-year, from CHF 5.7 million to CHF 5.3 million.

### Operating expenses

Bergos Berenberg AG is maintaining its strategy of continuous and sustainable growth. Such a growth strategy can only be pursued with employees who feel bound to provide comprehensive service and a culture consistently focused on client needs. For this reason, our investment activities over the year under review continued to focus on human resources and particularly on developing individual ranges of solutions for our clients. Operating expenses increased by 5% to CHF 32.0 million. The cost-income ratio rose from 74.8% to 79.1% due to an increase in personnel.

Number of employees  
Full-time equivalent



### Employees

At the end of 2018, on a full-time equivalent basis, we had 103.6 employees (previous year: 98.8). Growing Compliance and IT requirements forced us to expand the support fields further. With the technical and human resources now at its disposal, the Bank is in a position to process significantly higher volumes of business, with the advantage of lower transaction costs. Overall, it can also be seen that the labour market is changing and the attractiveness of Bergos Berenberg AG as an employer for successfully and internationally trained relationship managers has grown palpably under the new shareholder structure.

### Personnel expenses and other administrative expenses

Personnel expenses rose by only 4% in comparison with the previous year, to CHF 22.4 million. Our most important clients – wealthy private individuals, family entrepreneurs, entrepreneurial decision makers, shipping clients – expect the highest-quality advice and an understanding of their individual needs.

Based on our conviction that the most important success factors in Private Banking are very personal support, a high degree of professionalism and a comprehensive advisory approach, we invest not only in new employees but also in their continuous training.

Administrative expenses rose by 8% compared with 2017, to CHF 9.6 million. In the reporting year, this included higher IT investment and extraordinary expenses for external advisory services.

### Research activities

The ongoing digitalisation of our living environment, which particularly also extends to the financial services industry, requires fundamental changes to client behaviour and needs. A new generation expects financial services to be available in digital form at any time and with the highest security levels. Above all, the ability to download an overview of total investments and assets at any time is ever more important. In the first half of 2019, Bergos Berenberg AG will provide its clients with a more modern and functionally highly developed e-banking platform that is capable of meeting these needs. On the other hand, personal contact with a trusted adviser and the traditional style of business is still valued and actively used.

Bergos Berenberg AG can devise individual solutions to meet the most diverse requirements and implement these rapidly and flexibly. Digital account opening is essential today. Using an electronic platform, clients can navigate through the onboarding process in a few simple steps, on their own or with their adviser. This ensures that all regulatory requirements are always met as a matter of course.

## Risk management

The Board of Directors continually assesses the primary risks to which the Bank is exposed. To this end, it has adopted a framework concept that defines the Bank's risk policy, tolerance and limits. The instruments and organisational structures used to identify, evaluate, monitor and report the defined risks within each risk category have also been described. Appropriate processes have been put in place to ensure the timely identification and assessment of new risks.

The Bank's independent supervisory bodies monitor risks and compliance with internal guidelines as well as legal and regulatory requirements. Compliance and Risk Control regularly present their activity and risk report to the Board of Directors. This report outlines the most significant risks to which the Bank is exposed together with the risk-minimizing measures and controls implemented in order to avoid financial damage and reputational risk.

## Business divisions

### Private Banking

As an independent Swiss private bank with a strong entrepreneurial character, our focus in serving our private banking clients is on a holistic approach, while at the same time avoiding conflicts of interest. This approach means we immerse ourselves in our clients' worlds, with the aim of identifying any challenges regarding their assets, addressing them and implementing a solution at an early stage. Therefore, we do not segment our clients according to the value of the assets under management as we are convinced that the challenges for the assets stem solely from the client's concrete circumstances. We focus particularly on the service for family businesses, wealthy individuals and shipping clients. We offer these client groups significant added value through our specialist expertise, tailored services and dedicated events and networking platforms.

Furthermore, in all business areas, we pay particular attention to developing a responsible attitude to wealth amongst the next generation. Our employees are internationally trained, highly experienced advisers who meet their clients at eye level and who are guided by their own values as well as by ours. To avoid conflicts of interest, on the investment side we follow an open product architecture with a best-in-class approach. We invest in and advise primarily in all liquid asset classes and all common reference currencies as well as alternative investments. In real estate and private equity, we can draw on a worldwide network. In addition, we advise our clients in the emotional assets class of art. This includes, for example, advice on creating, developing and divesting a collection, as well as support with transportation and restoration issues. As part of this service, we also offer guided tours of the world's leading art fairs, including Basel, Miami, Maastricht, Hong Kong, London and Paris. We understand art not only as a collector's passion, but also as a valuable component of an asset portfolio invested in a balanced way. For some years now, we have also been present in Western Switzerland and through our Geneva subsidiary have been able to establish a steadily growing reputation in this key financial centre. We work closely with the Berenberg Group



and thereby offer our clients all the services and expertise of an internationally successful company, in combination with the advantages and possibilities of a smaller Swiss private bank.

#### **Investment Services**

The Investment Services business area bundles all investment competencies. The range of services include classic asset management for private and institutional investors, as well as various advisory models to recommend tailored investment solutions that meet client needs. In addition, Investment Services is also responsible for actively managed investment funds in various asset classes.

In the year under review, all competencies were combined in a cross-functional investment process. The pooling of resources in the three highly specialised units – Asset Management, Active Advisory and Fund Management – enables in-depth analyses in order to produce a sound capital market opinion. To this end, the Investment Committee is the central decision-making committee and forms the basis for the consistent implementation of the investment strategies in asset management and advisory. Internal and external communications of the capital market opinion round off the process.

#### **Asset Management**

Asset Management is responsible for a broad range of discretionary investment strategies. Different multi-asset-class and single-asset-class solutions are offered for various client needs. In 2018, equity markets in Europe and emerging markets in particular suffered significant price losses. Alongside equities, most segments of the debt markets also came under pressure. Classically diversified investment concepts therefore generally recorded negative returns. In addition, the euro depreciated against the Swiss franc. Despite inflows of new money, the negative wealth effects led to a decline in mandated assets in

the private client segment. Due to a new, performance-based fee model, revenues increased slightly despite declining volumes. The significant growth in income from institutional mandates was pleasing, leading to significantly higher volumes of assets managed.

#### **Active Advisory**

The Active Advisory team is responsible for managing the central investment universe. All securities included in the universe are monitored on a daily basis and given a vote (buy, neutral and sell). Through cooperation with external partners, Active Advisory can offer clients a very broad investment universe with a large number of equities, bonds and funds. This ensures optimal advice tailored to our clients' needs. Derived from the overall opinion of Bergos Berenberg, the experts in the Active Advisory team generate high-conviction recommendations for all key asset classes.

Our Active Advisory team is also responsible for our special-purpose funds, the Berenberg Diversified Fund and the Asian Bond Opportunities Fund. In order to better meet the individual needs of our discerning clients, we plan to introduce new advisory models with various service levels. Based on a fundamental model of continuous advice and various monitoring functions, a second model with ad hoc advice and a third model with additional personal access to investment specialists will be offered.

#### **Fund Management**

The Fund Management team focuses on the equities as an asset class. A discretionary »top-down« approach is used to assess overall market performance and a systematic »bottom-up« method to select individual equities.

The evaluation of the various facets of the global equity market is always based on a specially designed four-dimensional approach. This involves continuously assessing the fundamental situation of the overall economy and companies, on the one hand, as well as analysing equities as traded instruments

and also looking at the sentiment of the market players, on the other hand. This methodical approach thus comprises the blocks macro (economics and politics), micro (corporate profits and valuations), technology (indices and market details) and sentiment (surveys and positioning).

Within stock selection, the emphasis continues to be on developed markets large caps, with a regional focus on North America and Western Europe. Since 2004, the STOCKPICKER model has been used, which selects stocks on the basis of fundamental and technical criteria. The approach is rules-based, but specifically not fully automated from a quantitative perspective. Bergos Berenberg uses the model in both the design of tailored client portfolios as well as for the management of various institutional mandates and the STOCKPICKER retail fund. In addition, since 2008 the model has also been used to weight sectors. The system's database enables analysis of more than 6,000 individual securities worldwide, and it has received multiple awards for its global industry forecasts.

#### **Subsidiaries: Bergos AG**

Bergos AG has since 2007 been our subsidiary providing comprehensive family office services. Catering for the needs of family office clients calls for specific knowledge and expertise. As their financial situations can be highly complex, these clients are increasingly thinking and acting globally. Bergos therefore specialises in structuring and managing complex assets. Wealthy private individuals, entrepreneurial families and private equity companies are provided with independent advice and support as part of an overall wealth management approach. Thanks to its high degree of autonomy and legal independence, Bergos can be clearly distinguished from its competitors in the family office market.

The range of services provided by Bergos is structured in modules. »Controlling« forms the basis of all services and includes consolidating and monitoring the individual assets distributed across various portfolio managers and various investment classes. In »Investment Advisory«, the Bergos team coordinates and monitors the implementation of an entire asset strategy that includes both liquid and illiquid investment classes. Bergos also offers other, specific services with its »Special Projects« and »Family Services« modules, depending on the wishes of the client. These include consulting services for property, art, succession planning and governance issues.

In the reporting year, Bergos once again demonstrated its expertise as a loyal and discreet partner for all asset-related issues. Bergos is well established in its core line of business and is planning to further expand its services in 2019.



## Outlook

After an unexpectedly difficult year in 2018, the outlook for 2019 is more overshadowed by political risks than usual. Nonetheless, we look to the future with cautious optimism. If it proves possible to resolve the trade disputes between the US, China and the European Union to a large extent and to avoid a hard Brexit, the economic situation in China, Japan and Europe could rebound slightly over the course of the year. By contrast, the US economy is likely to slow down slightly after the fiscal measures introduced in the previous year expire.

In view of the risks, the outlook for the finance industry also remains mixed. On the one hand, there is a good chance that the markets will recover slightly from the setbacks suffered in 2018 if economic policy succeeds in containing the political risks in relation to trade and Brexit. On the other hand, we shall continue to monitor these risks as well as the political situation in Italy and the »yellow vest« protests in France. In light of these risks, interest rates are not expected to rise significantly. Consequently, banks that traditionally generated most of their earnings in interest-related operations must continue to work hard to find new business models.

We are convinced that Bergos Berenberg will acquit itself well in this challenging environment and develop significantly. Thanks to our clear and structured investment process, we should be in a position to respond appropriately to capital market challenges and continue to generate above-average results for our clients, as in previous years. We will restructure our advisory business offer in 2019 and tailor it further to the diverse needs of our distinguished client base. The highly positive response to our new structure makes us optimistic. As an independent Swiss private bank, we see great opportunities to significantly build up our business in Switzerland and Europe. Our clear focus on the individual needs of our clients, our holistic service approach, independence and clear, risk-reduced business model will serve us very well in this.

## CORPORATE GOVERNANCE

### Corporate structure

As at 31 December 2018, Bergos Berenberg AG was structured as follows:

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Board of Directors

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Internal Auditing

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General Management

**Dr Peter Raskin**  
(Chairman)

**Dr Reiner Schrupkowski**

**Markus Zwysig**

**Private Banking**  
Customer Advisory Services  
Geneva branch

**Private Banking**  
Customer Advisory Services  
Zurich head office

**Back Office**

**Investment Services**  
Portfolio Management  
Active Advisory  
Fund Management

**Bergos AG**  
Subsidiary

**Business Project Management**

**Compliance**

**Marketing/  
Public Relations**

**Trading/Treasury**

**IT**

**Human Resources**

**Lending**

**Legal**  
Client Administration

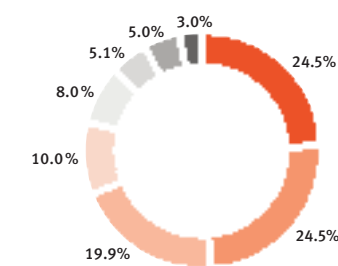
**Accounting/  
Controlling**

**Strategic  
Project Management**

**Risk Controlling**

### Ownership structure

Previously 100%-owned by the family-owned Joh. Berenberg, Gossler & Co. KG in Hamburg, Berenberg Bank (Schweiz) AG has traded as Bergos Berenberg AG since 31 October 2018. The new owners of the independent Swiss private bank are five family entrepreneurs and the current management. The key participants in Bergos Berenberg AG are:



24.5 % Centinox B AG, Hergiswil (Family Michael Pieper)  
24.5 % Diethelm Keller Holding AG, Zürich (Family Adrian and Andreas Keller)  
19.9 % Joh. Berenberg, Gossler & Co. KG, Hamburg  
10.0 % Niantic Holding GmbH, Hamburg (Family Dr Andreas Jacobs)  
8.0 % A & S Beteiligungen AG, Zug (Family Sylvie Mutschler-von Specht)  
5.1 % Claus G. Budelmann, Hamburg  
5.0 % Dr Peter Raskin, Grüningen  
3.0 % Other

As at: 31/12/2018

## Equity capitalisation

The Bank meets the more stringent equity capital requirements (Basel III), effective since 2017, without having to take additional measures.

In the year under review, Bergos Berenberg AG's eligible equity amounted to CHF 32 million. The ratio of eligible equity to required equity, as stipulated by Basel III, was 272%. Therefore, our ratio remains significantly above the equity capitalisation requirements.

## Board of Directors

The Board of Directors performs its duties pursuant to the Swiss Code of Obligations and the Swiss Banking Act. The members of the Board of Directors are not invested with any executive functions within Bergos Berenberg AG. Five of the nine members of the Board of Directors are independent in accordance with the provisions of the Swiss Financial Market Supervisory Authority FINMA.

Bergos Berenberg AG's General Meeting elects the chairman and the other members of the Board of Directors. The Board of Directors is self-constituting and determines its members' signatory powers and the form of signing required. The Board also appoints its chairman and deputy chairman. The members of the Board of Directors are appointed for one year and may be re-elected. The Board of Directors convenes as often as is necessitated by the business operations and meets at least four times a year. There were four meetings in the year under review.

The Board of Directors is quorate when the absolute majority of its members are present. In accordance with the Board of Directors' Organisation Regulations, votes and elections within the board require the absolute majority of the members present to be valid. In the event of a parity of votes, the chairman has the casting vote. In the event of circular resolutions, the majority of all the members of the Board of Directors must give their approval.

The Board of Directors is responsible for the overall management, supervision and controlling of the General Managers of Bergos Berenberg AG, and is responsible for appointing and dismissing the General Managers and the head of Internal Auditing. It also approves the appointment and promotion of the Bank's authorised signatories. The Board of Directors regularly revises and passes the Bank's mission statement and strategy, issues the necessary instructions and stipulates the Bank's organisational structure and risk policy. It also devises and passes the Bank's finance and capital plans, and receives the reports written regarding the existence, suitability and effectiveness of the internal control system. The Board of Directors has established a committee. This Committee of the Board of Directors must comprise at least two members. The Chairman of the Board of Directors is an ex officio member of this committee

and acts as its chairman. All other members are appointed by the Board of Directors based on the chairman's proposals. The distinction between the remits of the Board of Directors, the Committee of the Board of Directors, and the General Managers is stipulated in the Bank's Organisation Regulations.

The members of the Board of Directors are:

- Christian Kühn, Chairman  
Head of Central Business Unit Bank Management, Member of the Extended Management Board of Joh. Berenberg, Gossler & Co. KG, Hamburg  
Degree in Business Administration at the University of Kiel  
Born 1968, German national  
Member of the Board of Directors since 2014; Chairman since 2017
- Urs A. Kaelin, Deputy Chairman<sup>1</sup>  
Partner at Wehinger Kaelin Ferrari AG, Zurich  
Degree in Law (lic. iur.)  
Born 1948, Swiss national  
Member of the Board of Directors since 1995; Deputy Chairman since 2001
- Adrian T. Keller, Deputy Chairman<sup>1</sup>  
Deputy Chairman of the Board of Directors of Diethelm Keller Holding AG, Zurich  
Partner of Bergos Berenberg AG, Zurich  
Degree in business administration (lic. oec. HSG) from the University of St. Gallen  
Born 1951, Swiss national  
Member of the Board of Directors since 2006
- Claus G. Budelmann  
Former personally liable Managing Partner of Joh. Berenberg, Gossler & Co. KG, Hamburg  
Partner of Bergos Berenberg AG, Zurich  
Qualified banker  
Born 1944, German national  
Member of the Board of Directors since 1988; Chairman from 1999 to 2009

- Christopher Michael Chambers<sup>1</sup>  
Senior Advisor of Lone Star Europe (Real Estate), London  
Fellow of the Royal Society of Arts (FRSA)  
Born 1961, British and Swiss national  
Member of the Board of Directors since 2012
- Dr Andreas Jacobs  
Entrepreneur, Hamburg  
Partner of Bergos Berenberg AG, Zurich  
Dr. jur., Universities of Munich and Fribourg, MBA from INSEAD  
Born 1963, German citizen  
Member of the Board of Directors since 2018
- Sylvie Mutschler-von Specht<sup>1</sup>  
Entrepreneur, Küsnacht  
Partner of Bergos Berenberg AG, Zurich  
Degree in business administration (lic. oec. HSG) from the University of St. Gallen  
Born 1964, German and Swiss citizen  
Member of the Board of Directors since 2018
- Michael Pieper  
President and CEO of Artemis Holding AG, Aarburg  
Partner of Bergos Berenberg AG, Zurich  
Degree in business administration (lic. oec. HSG) from the University of St. Gallen  
Born 1946, Swiss national  
Member of the Board of Directors since 1993
- Moritz Suter<sup>1</sup>  
Swiss entrepreneur in the aviation industry and the tourism and media sectors, Basel  
Qualified airline pilot in Holland and England  
Born 1943, Swiss national  
Member of the Board of Directors since 2001

<sup>1</sup> Independent member of the Board of Directors within the definition of the provisions of the Swiss Financial Market Supervisory Authority FINMA.

## General Management

The General Managers of Bergos Berenberg AG act as one body and make decisions as a council. In the event of differences of opinion, the Board of Directors casts the deciding vote. The General Managers develop the strategy for the attention of the Board of Directors, implement the board's decisions and conduct the day-to-day business in accordance with the budget, the objectives for the year, and the risk policy. The General Managers ensure that the Bank adheres to the regulatory provisions and the applicable industry standards.

Decisions regarding new products, business activities and markets likewise fall within the remit of the General Managers. In the event that these fundamentally affect the Bank's business policies, the General Managers take the matter directly to the Board of Directors for a decision to be made.

The General Managers of Bergos Berenberg AG are:

- Dr Peter Raskin, Chairman  
Assessor jur., doctorate (Dr. rer. pol.) from TU Darmstadt  
Born 1968, German and Swiss national  
General Manager since 2009, Chairman since 2009  
Partner of Bergos Berenberg AG, Zurich
- Dr Reiner Schrupkowski  
Assessor jur., doctorate (Dr. iur.) from the University of Basel  
Born 1964, German and Swiss national  
General Manager since 2013  
Partner of Bergos Berenberg AG, Zurich
- Markus Zwysig  
Executive MBA from the Lucerne University of Applied Sciences and Arts, Swiss certified accounting and controlling expert (Dipl. Experte), certified accountant (Dipl.-Buchhalter)  
Born 1959, Swiss national  
General Manager since 2009  
Partner of Bergos Berenberg AG, Zurich

## Auditing body

The financial statements of Bergos Berenberg AG are audited by BDO AG. This external statutory auditor is appointed for a year at each ordinary General Meeting. BDO AG was first appointed to audit the financial statements for the financial year 1993.

The chief auditor is Erik Dommach, who started in this capacity in the 2014 financial year and who is also the leading supervisory auditor for the year under review. In accordance with the provisions of banking law, this position is rotated every seven years.

Supervision and control of the external audit is the responsibility of the Board of Directors. Its remit includes handling the reports of the internal and external auditors.

Bergos Berenberg AG is subject to supervision by the Swiss Financial Market Supervisory Authority FINMA. Both the requirements stipulated in Article 728 of the Swiss Code of Obligations (independence of the auditor) and the FINMA provisions pursuant to »Circular 13/3 Audit matters« therefore have to be complied with when selecting the external auditing body.

Other key selection criteria for the Board of Directors are the auditing body's proven expertise, including in relation to complex finance and valuation matters, and continuity of business relations with the auditor.





## FINANCIAL STATEMENTS

### Balance sheet

| Assets TCHF   | 31/12/2018     | 31/12/2017     |
|---|----------------|----------------|
| Cash and cash equivalents                                       | 83,006         | 98,975         |
| Due from banks  | 352,901        | 163,021        |
| Due from clients  | 236,897        | 270,028        |
| Trading transactions  | 3              | 3              |
| Positive replacement values of derivative financial instruments | 1,762          | 4,719          |
| Financial assets  | 24,361         | 59,844         |
| Accrued income and prepaid expenses                             | 5,081          | 4,438          |
| Participations  | 105            | 105            |
| Fixed assets  | 1,942          | 2,122          |
| Other assets  | 1,186          | 1,676          |
| <b>Total assets</b>   | <b>707,244</b> | <b>604,931</b> |

### Liabilities TCHF

|   |                |                |
|---|----------------|----------------|
| Due to banks  | 18,531         | 12,562         |
| Due to client deposits  | 641,040        | 540,964        |
| Negative replacement values of derivative financial instruments | 1,976          | 4,459          |
| Accrued expenses and deferred income                            | 6,286          | 6,511          |
| Other liabilities   | 5,368          | 1,081          |
| Provisions  | 2,053          | 1,523          |
| Share capital   | 10,000         | 5,000          |
| Statutory profit reserve  | 2,500          | 2,500          |
| Voluntary profit reserves                                       | 14,659         | 24,200         |
| Retained earnings carried forward                               | 31             | 12             |
| Profit  | 4,800          | 6,119          |
| <b>Total liabilities</b>  | <b>707,244</b> | <b>604,931</b> |

### Off-balance-sheet transactions

| TCHF                    | 31/12/2018 | 31/12/2017 |
|-------------------------|------------|------------|
| Contingent liabilities  | 7,933      | 15,122     |
| Irrevocable commitments | 1,572      | 1,468      |

### Income statement

| Income and expenses from ordinary banking activities TCHF               | 31/12/2018   | 31/12/2017   |
|---|--------------|--------------|
| <b>Interest income</b>  |              |              |
| Interest and discount income  | 4,653        | 5,052        |
| Interest and dividend income on trading activities                      | 2            | 2            |
| Interest and dividend income on financial assets                        | 0            | 0            |
| Interest expenses   | 643          | 647          |
| Gross interest income   | 5,298        | 5,701        |
| Changes to valuation adjustment for default risks and interest losses   | 0            | 0            |
| Subtotal net interest income  | 5,298        | 5,701        |
| <b>Commission and service-fee income</b>                                |              |              |
| Commission income on securities and investments                         | 32,261       | 32,161       |
| Commission income on lending activities                                 | 109          | 85           |
| Commission income on other services                                     | 994          | 669          |
| Commission expenses   | -2,899       | -3,973       |
| Subtotal commission and service-fee income                              | 30,465       | 28,942       |
| <b>Income from trading activities and the fair value option</b>         | <b>4,684</b> | <b>6,033</b> |
| <b>Other ordinary income</b>  |              |              |
| Results from the sale of financial assets                               | 0            | 0            |
| Sundry ordinary income  | 0            | 2            |
| Subtotal sundry ordinary income   | 0            | 2            |
| <b>Operating expenses</b>   |              |              |
| Personnel expenses  | -22,391      | -21,541      |
| Other administrative expenses   | -9,592       | -8,867       |
| Subtotal operating expenses   | -31,983      | -30,408      |
| Valuation adjustments to shareholdings, depreciation and amortisation   | -1,335       | -1,219       |
| Changes to provisions and other valuation adjustments as well as losses | -978         | -1,269       |
| <b>Annual profit</b>  | <b>6,151</b> | <b>7,782</b> |
| Extraordinary income  | 71           | 28           |
| Taxes   | -1,422       | -1,691       |
| <b>Profit</b>   | <b>4,800</b> | <b>6,119</b> |



### Allocation of retained earnings

| TCHF  | 31/12/2018   | 31/12/2017   |
|---|--------------|--------------|
| Profit  | 4,800        | 6,119        |
| Retained earnings                               | 31           | 12           |
| <b>Unallocated retained earnings</b>            | <b>4,831</b> | <b>6,131</b> |
| Allocation of retained earnings                 |              |              |
| • Distribution from unallocated retained profit | -4,644       | 0            |
| • Distribution from retained earnings           | -156         | -6,100       |
| <b>Retained earnings carried forward</b>        | <b>31</b>    | <b>31</b>    |

### STATEMENT OF EQUITY

| TCHF  | Capital resources | Statutory sources reserves | Statutory profit reserves | Reserves for general banking risks | Voluntary profit reserves and profit/loss carried forward | Own equity interest (minus position) | Profit for the period | Total         |
|---|-------------------|----------------------------|---------------------------|------------------------------------|---|--------------------------------------|-----------------------|---------------|
| <b>Equity at the start of the reporting period</b>                        | 5,000             | 0                          | 2,500                     | 0                                  | 24,200  | 0                                    | 6,131                 | <b>37,831</b> |
| Dividends and other distributions   |                   |                            |                           |                                    |   |                                      | -6,100                | <b>-6,100</b> |
| Other allocations (withdrawals) to the reserves for general banking risks |                   |                            |                           |                                    |   |                                      |                       | <b>0</b>      |
| Other allocations (withdrawals) to the other reserves                     | 5,000             |                            |                           |                                    | -9,541  |                                      |                       | <b>-4,541</b> |
| Profit/loss (profit for the reporting period)                             |                   |                            |                           |                                    |   |                                      | 4,800                 | <b>4,800</b>  |
| <b>Equity at the end of the reporting period</b>                          | <b>10,000</b>     | <b>0</b>                   | <b>2,500</b>              | <b>0</b>                           | <b>14,659</b>   | <b>0</b>                             | <b>4,831</b>          | <b>31,990</b> |

## NOTES TO THE FINANCIAL STATEMENTS

### Notes on business activities, general notes and details of personnel

#### General notes and details of personnel

Bergos Berenberg AG, based in Zurich, operates as a bank within the meaning of Art. 1 et seq. of the Swiss Federal Act on Banks, Savings Banks and Securities Dealers and mainly provides investment advice and asset management services. Adjusted for part-time staff, its headcount at the end of the year was 103.6 employees (previous year: 98.8). The average annual number of full-time positions is 102.5.

#### Balance sheet operations

With the Bank's focus on off-balance-sheet business, its lending activities are limited first and foremost to collateralised customer loans. Interbank business is primarily conducted in the short-term segment. Long-term financial requirements are essentially covered by the Berenberg Group. The Bank held CHF 24 million of first-class bonds as financial assets at the end of the year.

The acquired portfolios should – depending on the liquidity development on the one hand and the respective risk assessment on the other – be held to maturity and used neither for active speculation nor for capital gains. A very conservative investment strategy is pursued with various monitoring limits.

#### Commission and service-fee activities

Income from commission and service-fee activities constitutes the primary source of income for the Bank and essentially comprises income from securities trading and from portfolio and asset management activities. These services are used by both private customers and institutional clients.

#### Trading

The Bank implements and executes all standard trading transactions for its clients. In all of these activities, the Bank acts as a commission agent and does not engage in any active trading. There is only a small degree of own account trading with foreign currencies and this is limited to currencies with a liquid market.

### Notes on risk management

#### Risk assessment

The Board of Directors continually assesses the primary risks to which the Bank is exposed. The independent risk management presents the progress report and risk report to the Board of Directors for the purposes of assessing the appropriateness of the Bank's risk management. The risk report serves to outline the relevant risks and their possible impacts on the Bank's financial accounting, and to highlight the steps taken to measure, manage and limit these risks (risk management). The Board of Directors did not identify any risks in the course of the financial year which might necessitate a major revision of the assets, liabilities, financial position and profit or loss as presented in the annual financial statements. Please read the following statements for more details of risk management.

#### Risk management

The risks related to the Bank's activities are systematically recorded, managed and limited on the basis of uniform guidelines and standards whose appropriateness is periodically examined. The Bank complies with the guidelines and standards stipulated by the Swiss Financial Market Supervisory Authority FINMA and approved by the Swiss Bankers Association. The Bank's executive bodies are regularly notified about the development of the Bank's assets, liabilities and financial position.

The Board of Directors has opted not to set up an Audit Committee, since the size criteria stipulated in FINMA circular 2017/1 do not apply to Berenberg Bank (Schweiz) AG. This task is performed by the full board of directors.

#### Key types of risk for the Bank

As its core line of business is asset management and advisory services, the Bank is primarily exposed to risks concerning its reputation and legal issues. By granting collateral loans, the Bank exposes itself to default risks and interest rate risks. It is also subject to operational risks.

#### Default risks

The Bank's credit policy comprises all activities which can generate a loss if counterparties are unable to fulfil their obligations. To minimise the credit risk, conservative lending limits have been laid down which draw on, amongst other things, the ratings of the main rating agencies in order to ascertain a counterparty's default risk. Currency risks, country risks and other risks such as diversification and liquidity risks are likewise taken into account when determining lending amounts. Loans are issued in accordance with uniform guidelines and credit limits. Loan applications are assessed by a body independent of the Bank's front office. Individual loan applications are evaluated on the basis of the Bank's lending guidelines in accordance with a uniform procedure which recognises four different risk categories.

- Group A* Loans which are fully covered
- Group A-* Loans which are fully covered, but which entail a diversification risk and which therefore merit special attention
- Group B* Loans which merit special attention (e.g. when lending amount is exceeded or as a result of a request placed by the responsible member of the management board, the Credit department or the account manager)
- Group C* Loans with a risk of loss that are classed as in need of explanation according to the Bank's lending guidelines

Bank investments and the choice of counterparties for bank transactions are subject to stringent internal quality requirements and limits. Loans are evaluated and monitored on a daily basis. Violations of limits and loans requiring special attention are reported to the General Managers immediately and to the Board of Directors every quarter.

In order to manage the financial assets, minimum criteria have been defined for the issuer's credit rating along with maximum limits.

#### Market risks

Substantial interest rate risks are avoided by refinancing the loans issued with as closely matching maturities and currencies as possible. Financial assets with the shortest fixed-interest period possible are selected so as to avoid interest rate risks. The risk of losses due to interest rate changes is lowered by a system of limits. Interest rate risks resulting from balance sheet and off-balance-sheet operations are evaluated on the basis of the funds transfer pricing system, and the evaluations focus on the sensitivity of the present value of the equity. Industry-standard ALM software is used to calculate interest rate risks.

Credit spread change risks are relevant if fixed-income securities or other similar investments are not held to final maturity. These are limited by selecting prime debtors and the shortest maturities possible.

Market price risks are checked by means of a system of lines and monitored using suitable KPIs such as Value at Risk (VaR).

Foreign currency and retail trade is conducted primarily in connection with client transactions and is restricted to liquid markets. All other currency risks are kept to a minimum by means of a system of limits.

#### Other market risks

All other market risks are kept to a minimum by means of a system of limits. In relation to derivatives, the Bank has no exposures on its own account. There are no market liquidity risks relating to foreign exchange trading, as no transactions are made in tight markets. Trading transactions are evaluated and monitored daily. At the departmental level, responsibility for risk control is kept distinct from responsibility for trading.

#### Liquidity risks

The bank's liquidity risk management is monitored and secured by the provisions of banking legislation. Short-term ability to pay is ensured through the Execution Desk's active cash management, in accordance with the currency and bank limits approved by the General Managers. The bank's General Managers control the liquidity risk within the scope of the business competencies allocated to them by the Board of Directors and the provisions of banking legislation. The Board of Directors sets the counterparty limits and

defines requirements for financial investments. In order to minimise liquidity risk, high-quality liquid assets which can be credited to the liquidity coverage ratio should generally be selected. In the event of a liquidity shortfall, a four-stage emergency plan has been developed. On a quarterly basis, a liquidity stress test is carried out and the results are reported to the General Managers and once a year additionally to the Board of Directors. The calculation is based on figures from interest-rate risk reporting in the accounting system. The Liquidity Coverage Ratio (LCR) as a KPI for the liquidity of the Bank is calculated on a daily basis.

#### **Operational risks**

Pursuant to article 89 of the Capital Adequacy Ordinance (ERV), operational risks are defined as the »danger of losses resulting from the inadequacy or failure of internal procedures, individuals or systems, or from external events«. The definition covers all legal risks, including fines from regulatory authorities and settlements. The bank allocates operational risks into the following areas for simplified presentation of risk classification: codes of conduct and securities compliance, business risks and risk management, compliance risk, crossborder risk, client tax risk, risk of dormant assets, information technology risk, handling of electronic client data, cyber risks, outsourcing, business continuity management, physical security, fraud risks and personnel risk.

The Board of Directors has defined and regularly reviews a framework for management of operational risks, in particular the determination of risk appetite and risk tolerance. The form, type and level of the operational risks to which the bank is exposed and which it is prepared to accept should be recorded. The overall concept is based on the COSO Standard (Committee of Sponsoring Organizations of the Treadway Commission). In particular, various risk management techniques were adopted, for example for the overall risk assessment, risk metrics and risk indicators. To implement the framework agreement, Risk Control shows the Board of Directors, as part of the annual risk report, those operational risks that the Bank considers to be particularly critical. The criticality of an operational risk is assessed by Risk Control. The risks selected in this way are described using the principles laid

down by FINMA and measures taken to limit the risk are explained. The Bank uses the basic indicator approach to calculate operational risk.

#### **Compliance and legal risks**

The General Managers and the Compliance department ensure that the Bank's business activities are carried out in accordance with the applicable regulations and the due diligence requirements of a financial intermediary. They are responsible for compliance with the requirements and developments of the supervisory authority, the legislature and other organisations. They are also responsible for ensuring that directives and regulations are amended in accordance with regulatory developments and that these are complied with. The Bank's legal department handles all of the Bank's legal issues. In particular, it works to minimise the risks inherent in cross-border transactions using appropriate measures.

#### **Outsourcing of business divisions**

The Bank has outsourced its SIC and European SIC interbank payments to AnaSys AG, Zurich. An external provider is commissioned with linking anonymous transaction data with the corresponding tax information for the creation of customer tax breakdowns. Over the 2018 financial year, internal audit activities were outsourced to Joh. Berenberg, Gossler & Co. KG, Hamburg.

## Accounting and valuation methods

### Principles

The accounting and valuation methods are subject to the Swiss Code of Obligations, the Swiss Federal Act on Banks and its regulation, and the statutory provisions and directives of the Swiss Financial Market Supervisory Authority FINMA. The annual financial statements give an impression of the Bank's assets, liabilities, financial position and profit or loss in accordance with the financial reporting regulations applicable to banks and securities dealers.

### Recognition and reporting

All business transactions are recorded in the companies' books on the trade date and contribute to the calculation of income as of this date. Balance sheet transactions with a fixed time to maturity and futures are recognised as of their respective value dates. Securities and precious metals transactions as well as payment transactions for clients are recognised in the balance sheet as of their respective settlement dates.

### Foreign currency translation

Transactions in foreign currencies are recognised at their respective daily rates of exchange. Monetary assets are translated on the basis of the rate of exchange on the balance sheet date and are recognised in the income statement. Differences in the exchange rate arising between the trade date and the settlement date of a transaction are recognised in the income statement.

The following rates of exchange were used for foreign currency translation:

| Currency | Rate on balance sheet date<br>31/12/2018 | Rate on balance sheet date<br>31/12/2017 |
|----------|--|--|
| EUR      | 1.1283                                   | 1.1678                                   |
| USD      | 0.9859                                   | 0.9770                                   |
| GBP      | 1.2565                                   | 1.3161                                   |
| JPY      | 0.8944                                   | 0.8672                                   |
| CAD      | 0.7242                                   | 0.7783                                   |
| SEK      | 11.0140                                  | 11.8463                                  |

### General valuation methods

The individual items reported under a balance sheet item are valued on an individual basis (item-by-item valuation). Receivables and obligations in foreign currencies and foreign banknotes and coins held for exchange business are valued on the basis of their mid-rates on the balance sheet date.

### Cash and cash equivalents, receivables from banks, liabilities

These items are recognised at their par value or at cost less specific valuation adjustments for impaired receivables.

### Loans (receivables from clients)

Impaired receivables, i.e. receivables where it is unlikely that the debtor will be able to honour their future obligations, are valued on an individual basis and the impairment is covered by specific valuation adjustments. Off-balance-sheet transactions such as firm commitments, warranties and derivative financial instruments are likewise included in this valuation. At the very latest, loans are deemed to be impaired when the fair value of the collateral falls below the outstanding credit amount or if the contractually agreed payments of capital and/or interest have been outstanding for more than 90 days. Interest which is outstanding for more than 90 days is classed as overdue. Overdue interest and interest which is unlikely to be paid on schedule is no longer collected, but is allocated to valuation adjustments and deducted from the receivables. Loans are made interest-free if the collectability of the interest is so doubtful that accrual and deferral of said interest is no longer considered to be prudent.

Impairment is calculated on the basis of the difference between the carrying amount of the receivable and the likely recoverable amount, taking into account the counterparty risk and the net proceeds from the utilisation of existing collateral.

If a receivable is classified as wholly or partially irrecoverable or if collection of the receivable is waived, the receivable is written off and is recognised as part of the corresponding valuation adjustment. Amounts which are recovered having previously been written off are credited to the valuation adjustments for default risks.

#### Securities and precious metals trading portfolios

Securities and precious metals trading portfolios are measured and recognised at fair value. The fair value is considered to be the price determined on an efficient and liquid market or a price determined on the basis of a valuation model. If, in exceptional circumstances, no fair value is available, these trading portfolios are measured and recognised on the principle of the lower of cost or market value.

Price gains or losses resulting from the valuation are recognised as »Income from trading transactions and the fair value option«. Interest and dividend income from securities trading portfolios is recognised as »Interest and dividend income from trading portfolios«. Refinancing expenses for the trading positions are charged to interest cost.

#### Financial assets

Fixed-income debt instruments and convertible and option bonds not included in a trading portfolio are measured at the lower of cost or market value insofar as they are not due to be held until their final maturity. Valuation adjustments are netted and are recognised as »Sundry ordinary expenses« or »Sundry ordinary income«. An asset may be written up to no higher than its original cost provided its fair value that has fallen below said original cost subsequently increases. This valuation adjustment is recognised as described above.

Debt instruments acquired with the intention of being held until their final maturities are measured in accordance with the accrual method. In this case, premiums and discounts are accrued in the balance sheet for the entire term of the instrument until its final maturity. Interest-related gains or losses resulting from the early sale or redemption of an instrument are accrued over the course of its remaining term, i.e. until its original final maturity. Impairments or reversals of impairment losses triggered by a counterparty's credit quality are recognised in the income statement as explained as »Held to final maturity«.

#### Fixed assets

Investments in new fixed assets are capitalised and carried at cost if they are used in more than one accounting period and if their value exceeds the lower threshold for capitalisation. Investments in existing fixed assets are capitalised if this will lead to a sustained increase in their fair value or utility value or if this substantially lengthens their useful life.

In subsequent valuations, the fixed assets are carried at cost less cumulative write-downs. Write-downs are effected over the estimated useful life of an asset. Assets are tested for impairment annually. If impairment testing reveals a change in the useful life or impairment, the residual carrying amount is written down over the remainder of the asset's useful life or an impairment is recognised. Write-downs and any additional impairment are recognised in the income statement under »Depreciation of fixed assets«. Impairments are reversed if the reasons for impairment no longer exist.

The estimated useful life of individual fixed asset categories is as follows:

- Fixed assets 5 years
- Software, IT and communication systems 3 years

Gains realised through the sale of fixed assets are recognised under »Extraordinary income« and losses are recognised under »Extraordinary expenses«.

#### Pension obligations

The Bank has joined a defined-contributed pension scheme with Bâloise-Sammelstiftung, which is mandatory for employees over the age of 17. Retirement age is reached on the first day of the month following the employee's 65<sup>th</sup> birthday (female employees: 64<sup>th</sup> birthday). However, insured employees who are willing to accept pension cuts have the possibility of retiring at the age of 58.

The Bank bears the costs of the occupational pensions of all of its employees and their surviving dependants in accordance with the legal provisions. The Bank's pension obligations and the assets to cover these are outsourced to the collective pension foundation named above.

The pension plans are organised, managed and financed in accordance with the legal provisions, the foundation deeds and the applicable pension plan regulations. The Bank recognises its employer contributions as personnel expenses.

At the end of the year, there were no liabilities in relation to the pension plan.

**Taxes, current taxes**

Current taxes are recurring, usually annual, taxes on income. One-time or transaction-specific taxes are not classed as current taxes. Current taxes on the profit for the period are determined on the basis of the local taxation regulations for the assessment of profit and are carried as an expense in the accounting period in which the profits were accrued. Direct taxes owed on the Bank's current profits are recognised as accrued expenses and deferred income.

**Contingent liabilities, irrevocable commitments, liabilities to pay in capital or additional capital on shares**

These are presented under off-balance-sheet items at their par value. Provisions are made on the liabilities side of the balance sheet for foreseeable risks.

**Valuation adjustments and provisions**

Specific valuation adjustments and provisions are made for all discernible loss risks in accordance with the principle of caution. Valuation adjustments and provisions which are no longer required in an accounting period for economic reasons are reclassified to profit or loss. Specific valuation adjustments are deducted directly from the corresponding item on the assets side. Provisions for other risks are presented under this balance sheet item.

**Derivative financial instruments**

All derivative financial instruments are measured at fair value. They are recognised as positive or negative replacement values under »Positive replacement values of derivative financial instruments« or »Negative replacement values of derivative financial instruments«. Fair value is based on market prices, price quotations from dealers, and discounted cash flow and option pricing models.

In the case of transactions with derivative financial instruments effected for trading purposes, realised and unrealised gains and losses are recognised as »Income from trading transactions and the fair value option«.

**Changes to the accounting and valuation methods**

There were no changes to the accounting and valuation methods.



## Information on the balance sheet

### Collateral for coverage of receivables and off-balance-sheet transactions as well as impaired receivables TCHF

| Type of collateral  | Mortgage     | Other  | Without    | Total                          |
|---|--------------|--|------------|--------------------------------|
| <b>Loans</b><br>(before netting with valuation adjustments)       |              |  |            |                                |
| Due from clients  | 0            | 233,192  | 3,715      | 236,907                        |
| <b>Total loans</b><br>(before netting with valuation adjustments) |              |  |            |                                |
| Reporting year  | 0            | 233,192  | 3,715      | 236,907                        |
| Previous year   | 0            | 268,137  | 1,901      | 270,038                        |
| <b>Total loans</b><br>(after netting with valuation adjustments)  |              |  |            |                                |
| Reporting year  | 0            | 233,192  | 3,705      | 236,897                        |
| Previous year   | 0            | 268,137  | 1,891      | 270,028                        |
| <b>Off-balance-sheet</b>  |              |  |            |                                |
| Contingent liabilities  | 0            | 7,886  | 47         | 7,933                          |
| Irrevocable commitments   | 0            | 1,572  | 0          | 1,572                          |
| <b>Total off-balance-sheet</b>                                    |              |  |            |                                |
| Reporting year  | 0            | 9,458  | 47         | 9,505                          |
| Previous year   | 0            | 16,535   | 55         | 16,590                         |
| <b>Non-performing loans</b>                                       |              |  |            |                                |
|   | Gross claims | Estimated liquidation value of collateral <sup>1</sup> | Net claims | Specific valuation adjustments |
| Reporting year  | 10           | 0  | 10         | 10                             |
| Previous year   | 10           | 0  | 10         | 10                             |

### Trading transactions and other financial instruments measured at fair value (assets and liabilities) TCHF

|   | 2018 | 2017 |
|---|------|------|
| <b>Trading transactions – assets</b>  |      |      |
| <b>Trading transactions</b>   | 3    | 3    |
| • Debt instruments, money market instruments and transactions<br>Thereof listed | 0    | 0    |
| • Equity securities   | 3    | 3    |
| <b>Other financial instruments measured at fair value</b>                       | 0    | 0    |
| • Debt instruments  | 0    | 0    |
| <b>Total trading transactions and other financial instruments (assets)</b>      | 3    | 3    |
| • Thereof: determined on the basis of a valuation model                         | 0    | 0    |
| • Thereof: securities eligible for repo transactions                            | 0    | 0    |
| <b>Trading transactions – liabilities</b>                                       |      |      |
| <b>Total trading transactions and other financial instruments (liabilities)</b> | 0    | 0    |

### Open derivative financial instruments (assets and liabilities) TCHF

|  | Trading instruments                  |                              |                  | Hedging instruments                  |                     |                  |
|--|--------------------------------------|------------------------------|------------------|--------------------------------------|---------------------|------------------|
|  | Positive repl. val.                  | Negative repl. val.          | Contract volumes | Positive repl. val.                  | Negative repl. val. | Contract volumes |
| Interest instruments                                 |                                      |                              |                  |                                      |                     |                  |
| • Future contracts incl. FRAs                        | 0                                    | 0                            | 0                | 0                                    | 0                   | 0                |
| • Swaps  | 0                                    | 0                            | 0                | 0                                    | 0                   | 0                |
| Foreign exchange                                     |                                      |                              |                  |                                      |                     |                  |
| • Future contracts                                   | 1,762                                | 1,976                        | 378,507          | 0                                    | 0                   | 0                |
| <b>Total before netting agreements</b>               |                                      |                              |                  |                                      |                     |                  |
| Reporting year                                       | 1,762                                | 1,976                        | 378,507          | 0                                    | 0                   | 0                |
| Previous year  | 4,719                                | 4,388                        | 539,253          | 0                                    | 71                  | 7,007            |
| <b>Total after netting agreements</b>                |                                      |                              |                  |                                      |                     |                  |
|  | Pos. replacement values (cumulative) |                              |                  | Neg. replacement values (cumulative) |                     |                  |
| Reporting year                                       | 1,762                                |                              |                  | 1,976                                |                     |                  |
| Previous year  | 4,719                                |                              |                  | 4,459                                |                     |                  |
| <b>Breakdown according to counterparties</b>         | Central clearing offices             | Banks and securities dealers | Other clients    |                                      |                     |                  |
| Positive replacement values after netting agreements | 0                                    | 1,201                        | 561              |                                      |                     |                  |

Note:

<sup>1</sup> Loan or realisable value per client: the smaller amount is authoritative.

## Financial assets TCHF

|  | Book value<br>2018  | 2017  | Fair value<br>2018                 | 2017   |
|--|---|---|------------------------------------|--|
| Debt instruments   | 24,361  | 59,844  | 24,360                             | 59,952   |
| • Thereof: intended to be held to final maturity   | 24,361  | 59,844  | 24,360                             | 59,952   |
| <b>Total financial assets</b>  | <b>24,361</b>   | <b>59,844</b>   | <b>24,360</b>                      | <b>59,952</b>  |
| • Thereof: securities eligible for repo transactions                                     | 5,669   | 7,644   | 5,674                              | 7,663  |
| <b>Breakdown of counterparties according to rating in the reporting year<sup>1</sup></b> | <b>Highest credit rating to secure investments with a negligible default risk</b> | <b>Secure investments barring any unforeseen events</b> | <b>Good investments on average</b> | <b>Speculative to highly speculative investments</b> |
| Debt instrument at book value in the reporting year                                      | 24,361  | 0   | 0                                  | 0  |

## Fixed assets TCHF

|   | Procurement value | Depreciation accumulated | Book value 31/12/2017 | Reclassifications | Investments  | Divestments | Depreciation  | Book value 31/12/2018 |
|---|-------------------|--------------------------|-----------------------|-------------------|--------------|-------------|---------------|-----------------------|
| Bank building                                       | 0                 | 0                        | 0                     | 0                 | 0            | 0           | 0             | 0                     |
| Software developed in-house or purchased externally | 6,748             | 5,746                    | 1,002                 | 0                 | 912          | 0           | -817          | 1,097                 |
| Other fixed assets                                  | 9,961             | 8,841                    | 1,120                 | 0                 | 243          | 0           | -518          | 845                   |
| Objects in financial leasing                        | 0                 | 0                        | 0                     | 0                 | 0            | 0           | 0             | 0                     |
| Other   | 0                 | 0                        | 0                     | 0                 | 0            | 0           | 0             | 0                     |
| <b>Total fixed assets</b>                           | <b>16,709</b>     | <b>14,587</b>            | <b>2,122</b>          | <b>0</b>          | <b>1,155</b> | <b>0</b>    | <b>-1,335</b> | <b>1,942</b>          |

The acquisition cost and the accumulated depreciation thus far were reduced in the current year by the outflows.

## Participations TCHF

|                                   | Cost of acquisition | Valuation adjustments accumulated | Book value 31/12/2017 | Reclassifications | Investments | Divestments | Valuation adjustments | Book value 31/12/2018 |
|-----------------------------------|---------------------|-----------------------------------|-----------------------|-------------------|-------------|-------------|-----------------------|-----------------------|
| Other participations <sup>2</sup> |                     |                                   |                       |                   |             |             |                       |                       |
| • With market price               | 0                   | 0                                 | 0                     | 0                 | 0           | 0           | 0                     | 0                     |
| • Without market price            | 0                   | 0                                 | 105                   | 0                 | 0           | 0           | 0                     | 105                   |
| <b>Total participations</b>       | <b>0</b>            | <b>0</b>                          | <b>105</b>            | <b>0</b>          | <b>0</b>    | <b>0</b>    | <b>0</b>              | <b>105</b>            |

## Other assets and liabilities TCHF

|                              | Other assets | 2018 Other liabilities | Other assets | 2017 Other liabilities |
|------------------------------|--------------|------------------------|--------------|------------------------|
| Balancing account            | 214          | 0                      | 0            | 297                    |
| Strict clearing accounts     | 615          | 827                    | 675          | 784                    |
| Other assets and liabilities | 357          | 4,541                  | 1,001        | 0                      |
| <b>Total</b>                 | <b>1,186</b> | <b>5,368</b>           | <b>1,676</b> | <b>1,081</b>           |

## Permanent direct or indirect significant participations

| Company name and domicile | Business activities               | Capital in TCHF | Proportion in % | Proportion of votes in % | Direct ownership | Indirect ownership |
|---------------------------|-----------------------------------|-----------------|-----------------|--------------------------|------------------|--------------------|
| Bergos AG, Zurich         | Family Office management services | 100             | 100             | 100                      | Yes              | -                  |

## Pledged or relinquished assets to hedge own liabilities as well as assets subject to reservation of ownership TCHF

|   | 2018 Book value | 2018 Effective obligations |
|---|-----------------|----------------------------|
| Relinquished account balances as security for futures | 5,063           | 1,872                      |

Notes:

- Bergos Berenberg AG uses the ratings system of FINMA-recognised ratings agencies to assign financial assets to various credit rating categories.
- The participations do not show any market value.

## Pension commitments

The Bank offers a contributory pension scheme for its employees (Bäloise-Sammelstiftung für die obligatorische Vorsorge, Basel). Retirement age is reached on the first day of the month following the employee's 65<sup>th</sup> birthday (female employees: 64<sup>th</sup> birthday). However, insured employees who are willing to accept pension cuts have the possibility of retiring at the age of 58.

| Economic benefit/economic liability<br>and pension scheme expenses<br>TCHF | Surplus/<br>under-<br>funding |      | Economic<br>proportion<br>attributable<br>to Bank |  | Change compared with<br>previous year of the<br>economic share<br>(economic benefit or<br>economic liability) | Paid pension<br>scheme contri-<br>butions for the<br>reporting year |       | Personnel<br>expenses |
|--|-------------------------------|------|---|--|---|---|-------|-----------------------|
|  | 2018                          | 2018 | 2017  |  |   | 2018  | 2018  |                       |
| Pension schemes without surplus/<br>underfunding                           | 0                             | 0    | 0   |  | 0   | 0   | 1,481 | 1,424                 |

As in the previous year, there are no liabilities to own pension schemes and no reserves for employer contributions. There are also no welfare funds or welfare pension schemes.

Occupational pensions are provided for through a pension plan with a collective pension foundation at Basler Leben AG. An insurance solution was chosen that completely covers all insurance and investment risks. According to the collective pension foundation, it is not possible that the pension plan provides insufficient coverage at the reporting date.

Any surpluses will be credited to the pensions of those insured, which is why the pension plan cannot be excessively covered and there cannot be any economic benefit to the company.

## Valuation adjustments, provisions and reserves for general banking risks TCHF

|   | 31/12/2017   | Specific<br>usage | Transfers | Recoveries,<br>overdue<br>interest,<br>currency<br>differences | New<br>creation<br>charged<br>to income<br>statement | Reversal<br>credited<br>to income<br>statement | 31/12/2018   |
|---|--------------|-------------------|-----------|--|--|--|--------------|
| Provisions for deferred taxes   | 0            | 0                 | 0         | 0  | 0  | 0  | 0            |
| Provisions for default risks  | 0            | 0                 | 0         | 0  | 0  | 0  | 0            |
| Provisions for other business risks   | 1,523        | -414              | 0         | 0  | 944  | 0  | 2,053        |
| Provisions for restructuring  | 0            | 0                 | 0         | 0  | 0  | 0  | 0            |
| Provisions for pension liabilities  | 0            | 0                 | 0         | 0  | 0  | 0  | 0            |
| Other provisions*   | 0            | 0                 | 0         | 0  | 0  | 0  | 0            |
| <b>Total provisions</b>   | <b>1,523</b> | <b>-414</b>       | <b>0</b>  | <b>0</b>   | <b>944</b>   | <b>0</b>                                       | <b>2,053</b> |
| <b>Valuation adjustments for default<br/>and country risks</b>                  | <b>10</b>    | <b>0</b>          | <b>0</b>  | <b>0</b>   | <b>0</b>   | <b>0</b>                                       | <b>10</b>    |
| • Thereof: valuation adjustments for default risks<br>from impaired receivables | 10           | 0                 | 0         | 0  | 0  | 0  | 10           |
| • Thereof: valuation adjustments for deferred risks                             | 0            | 0                 | 0         | 0  | 0  | 0  | 0            |

## Capital resources and shareholders with more than 5% of all voting rights TCHF

| Capital resources              | Total nominal<br>value | Number of<br>units | 2018<br>Dividend-<br>bearing<br>capital | Total nominal<br>value | Number of<br>units | 2017<br>Dividend-<br>bearing<br>capital |
|--------------------------------|------------------------|--------------------|---|------------------------|--------------------|---|
|                                |                        |                    |   |                        |                    |   |
| • Thereof: paid in             | 10,000                 | 10,000             | 10,000                                  | 5,000                  | 5,000              | 5,000                                   |
| <b>Total capital resources</b> | <b>10,000</b>          | <b>10,000</b>      | <b>10,000</b>                           | <b>5,000</b>           | <b>5,000</b>       | <b>5,000</b>                            |

## Significant shareholders and shareholder groups with voting ties

| With voting right  | Nominal<br>TCHF | 2018<br>Share<br>in % | Nominal<br>TCHF | 2017<br>Share<br>in % |
|--|-----------------|-----------------------|-----------------|-----------------------|
| Centinox B AG, Hergiswil                                 | 2,450           | 24.5                  |                 |                       |
| Diethelm Keller Holding AG, Zurich                       | 2,450           | 24.5                  |                 |                       |
| Joh. Berenberg, Gossler & Co. KG, Hamburg                | 1,990           | 19.9                  | 5,000           | 100                   |
| Niantic Holding GmbH, Hamburg                            | 1,000           | 10.0                  |                 |                       |
| A & S Beteiligungen AG, Zug                              | 800             | 8.0                   |                 |                       |
| Claus G. Budelmann, Hamburg                              | 510             | 5.1                   |                 |                       |
| Dr Peter Raskin, Grüningen                               | 500             | 5.0                   |                 |                       |
| Other (respective capital owners up to and including 5%) | 300             | 3.0                   |                 |                       |
| <b>Total capital resources</b>                           | <b>10,000</b>   | <b>100.0</b>          | <b>5,000</b>    | <b>100</b>            |

Indirect participants through a stake of more than 5% in

|  |       |              |
|--|-------|--------------|
| Centinox B AG, Hergiswil:<br>Cetinox Holding AG, Hergiswil                                 | 100.0 |              |
| Diethelm Keller Holding AG, Zurich:<br>DKH Holding AG, Zurich                              | 100.0 |              |
| Joh. Berenberg, Gossler & Co. KG, Hamburg:<br>PetRie Beteiligungsgesellschaft mbH, Hamburg | 21.0  | 21.0         |
| Prof Dr Jan Philipp Reemtsma, Hamburg  | 15.0  | 15.0         |
| Christian Erbprinz zu Fürstenberg, Donaueschingen  | 15.0  | 15.0         |
| Compagnie du Bois Sauvage S.A., Brussels   | 12.0  | 12.0         |
| Joachim v. Berenberg-Consbruch, Hamburg  | 10.0  | 10.0         |
| Dr Hans-Walter Peters, Hamburg   | 5.1   | 5.1          |
| Other (respective capital owners up to and including 5%)                                   | 21.9  | 21.9         |
| Niantic Holding GmbH, Hamburg:<br>Dr Andreas Jacobs, Hamburg                               | 100.0 |              |
| A & S Beteiligungen AG, Zug:<br>C+H Development Holding AG, Zug                            | 75.0  |              |
| Andreas von Specht, Hamburg  | 12.5  |              |
| Henry Mutschler, Zürich  | 6.3   |              |
| Céline Mutschler, Zürich   | 6.3   |              |
| <b>Total</b>   |       | <b>5,000</b> |
|  |       | <b>100.0</b> |

#### Amounts due to and from related parties TCHF

|                       | Receivables<br>2018 | 2017    | Liabilities<br>2018 | 2017   |
|-----------------------|---------------------|---------|---------------------|--------|
| Qualified stakeholder | 119,011             | 147,112 | 5,694               | 11,027 |
| Group companies       | 0                   | 0       | 697                 | 657    |
| Governing bodies      | 1                   | 3       | 1,113               | 1,786  |

#### Transactions with related parties

Balance-sheet and off-balance-sheet transactions are administered in line with market requirements.

#### Maturity structure of financial instruments and debt capital TCHF

| Assets / financial instruments                                     | Demand  | Callable | Within<br>3 months | Due after                      | Due after                     | Due<br>after<br>5 years | Immo-<br>bilised | Total   |
|--|---------|----------|--------------------|--------------------------------|-------------------------------|-------------------------|------------------|---------|
|  |         |          |                    | 3 months<br>up to<br>12 months | 12 months<br>up to<br>5 years |                         |                  |         |
| Cash and cash equivalents  | 83,006  | 0        | 0                  | 0                              | 0                             | 0                       | 0                | 83,006  |
| Due from banks   | 134,778 | 57,366   | 160,757            | 0                              | 0                             | 0                       | 0                | 352,901 |
| Due from clients   | 0       | 100,562  | 45,897             | 62,524                         | 27,914                        | 0                       | 0                | 236,897 |
| Trading activities   | 3       | 0        | 0                  | 0                              | 0                             | 0                       | 0                | 3       |
| Positive replacement values of derivative<br>financial instruments | 1,762   | 0        | 0                  | 0                              | 0                             | 0                       | 0                | 1,762   |
| Financial assets   | 0       | 0        | 5,642              | 7,356                          | 11,363                        | 0                       | 0                | 24,361  |
| <b>Total assets / financial instruments</b>                        |         |          |                    |                                |                               |                         |                  |         |
| Reporting year   | 219,549 | 157,928  | 212,296            | 69,880                         | 39,277                        | 0                       | 0                | 698,930 |
| Previous year  | 266,718 | 126,746  | 71,081             | 96,763                         | 35,282                        | 0                       | 0                | 596,590 |
| <b>Debt capital / financial instruments</b>                        |         |          |                    |                                |                               |                         |                  |         |
| Due to banks   | 18,531  | 0        | 0                  | 0                              | 0                             | 0                       | 0                | 18,531  |
| Due to client deposits   | 641,040 | 0        | 0                  | 0                              | 0                             | 0                       | 0                | 641,040 |
| Negative replacement values of<br>derivative finance               | 1,976   | 0        | 0                  | 0                              | 0                             | 0                       | 0                | 1,976   |
| <b>Total debt capital / financial instruments</b>                  |         |          |                    |                                |                               |                         |                  |         |
| Reporting year   | 661,547 | 0        | 0                  | 0                              | 0                             | 0                       | 0                | 661,547 |
| Previous year  | 557,485 | 0        | 0                  | 500                            | 0                             | 0                       | 0                | 557,985 |

#### Balance sheet by domestic and foreign origin according to the domicile principle TCHF

| Assets  | 2018           |                | 2017           |                |
|---|----------------|----------------|----------------|----------------|
|   | Domestic       | Foreign        | Domestic       | Foreign        |
| Cash and cash equivalents                                       | 79,669         | 3,337          | 97,312         | 1,663          |
| Due from banks  | 133,129        | 219,772        | 11,520         | 151,501        |
| Due from clients  | 57,997         | 178,900        | 52,096         | 217,932        |
| Trading activities  | 0              | 3              | 0              | 3              |
| Positive replacement values of derivative financial instruments | 97             | 1,665          | 575            | 4,144          |
| Financial assets  | 0              | 24,361         | 0              | 59,844         |
| Accrued income and prepaid expenses                             | 4,560          | 521            | 4,103          | 335            |
| Participations  | 105            | 0              | 105            | 0              |
| Fixed assets  | 1,942          | 0              | 2,122          | 0              |
| Other assets  | 1,186          | 0              | 1,676          | 0              |
| Non-paid-in capital resources                                   | 0              | 0              | 0              | 0              |
| <b>Total assets</b>   | <b>278,685</b> | <b>428,559</b> | <b>169,509</b> | <b>435,422</b> |

#### Liabilities

|   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| Due to banks  | 2,139          | 16,392         | 0              | 12,562         |
| Due to client deposits  | 82,647         | 558,393        | 89,430         | 451,534        |
| Negative replacement values of derivative financial instruments | 1,026          | 950            | 786            | 3,673          |
| Accrued expenses and deferred income                            | 6,273          | 13             | 6,511          | 0              |
| Other liabilities   | 5,368          | 0              | 1,079          | 2              |
| Provisions  | 2,053          | 0              | 1,523          | 0              |
| Capital resources   | 10,000         | 0              | 5,000          | 0              |
| Statutory profit reserve  | 2,500          | 0              | 2,500          | 0              |
| Voluntary profit reserves                                       | 14,659         | 0              | 24,200         | 0              |
| Retained earnings carried forward                               | 31             | 0              | 12             | 0              |
| Profit  | 4,800          | 0              | 6,119          | 0              |
| <b>Total liabilities</b>  | <b>131,496</b> | <b>575,748</b> | <b>137,160</b> | <b>467,771</b> |

#### Assets by country/region (domicile principle)

| Assets              | 2018             |               | 2017             |               |
|---------------------|------------------|---------------|------------------|---------------|
|                     | Absolute<br>TCHF | Share<br>in % | Absolute<br>TCHF | Share<br>in % |
| Switzerland         | 278,685          | 39.40         | 169,509          | 28.02         |
| Other Europe        | 318,058          | 44.97         | 277,035          | 45.80         |
| North America       | 2,953            | 0.42          | 8,777            | 1.45          |
| Caribbean           | 28,446           | 4.02          | 44,669           | 7.38          |
| Latin America       | 8,693            | 1.23          | 7,701            | 1.27          |
| Africa              | 41,686           | 5.89          | 63,990           | 10.58         |
| Asia                | 7,366            | 1.04          | 10,359           | 1.71          |
| Other countries     | 21,357           | 3.02          | 22,891           | 3.79          |
| <b>Total assets</b> | <b>707,244</b>   | <b>99.99</b>  | <b>604,931</b>   | <b>100.00</b> |

### Assets by credit rating of regions (risk domicile)

| Rating class*               | 2018           |               | 2017           |               |
|-----------------------------|----------------|---------------|----------------|---------------|
|                             | Absolute TCHF  | Share in %    | Absolute TCHF  | Share in %    |
| Rating class 1              | 385,322        | 94.98         | 393,728        | 94.96         |
| Rating class 2              | 0              | 0.00          | 0              | 0.00          |
| Rating class 3              | 142            | 0.04          | 1,682          | 0.41          |
| Rating class 4              | 3,381          | 0.83          | 546            | 0.13          |
| Rating class 5              | 82             | 0.02          | 197            | 0.05          |
| Rating class 6              | 1,588          | 0.39          | 4,616          | 1.11          |
| Rating class 7              | 15,176         | 3.74          | 12,517         | 3.02          |
| No rating                   | 0              | 0.00          | 1,328          | 0.32          |
| <b>Total foreign assets</b> | <b>405,691</b> | <b>100.00</b> | <b>414,614</b> | <b>100.00</b> |

\* The country rating of the Swiss Export Risk Insurance is applied.

### Balance sheet by currency TCHF

| Assets  | CHF            | EUR            | USD            | GBP           | JPY          | Other         | Total            |
|---|----------------|----------------|----------------|---------------|--------------|---------------|------------------|
| Cash and cash equivalents                                       | 79,429         | 3,540          | 29             | 8             | 0            | 0             | 83,006           |
| Due from banks  | 22,107         | 197,581        | 82,934         | 21,198        | 1,617        | 27,464        | 352,901          |
| Due from clients  | 47,131         | 99,776         | 75,450         | 9,834         | 2,883        | 1,823         | 236,897          |
| Trading activities  | 0              | 2              | 1              | 0             | 0            | 0             | 3                |
| Positive replacement values of derivative financial instruments | 1,762          | 0              | 0              | 0             | 0            | 0             | 1,762            |
| Financial assets  | 0              | 24,361         | 0              | 0             | 0            | 0             | 24,361           |
| Accrued income and prepaid expenses                             | 3,073          | 158            | 1,840          | 8             | 2            | 0             | 5,081            |
| Participations  | 105            | 0              | 0              | 0             | 0            | 0             | 105              |
| Fixed assets  | 1,942          | 0              | 0              | 0             | 0            | 0             | 1,942            |
| Other assets  | 1,186          | 0              | 0              | 0             | 0            | 0             | 1,186            |
| <b>Total assets recognised in the balance sheet</b>             | <b>156,735</b> | <b>325,418</b> | <b>160,254</b> | <b>31,048</b> | <b>4,502</b> | <b>29,287</b> | <b>707,244</b>   |
| Claims deriving from forward exchange securities                | 74,395         | 160,858        | 131,031        | 5,531         | 4,399        | 2,291         | 378,505          |
| <b>Total assets</b>   | <b>231,130</b> | <b>486,276</b> | <b>291,285</b> | <b>36,579</b> | <b>8,901</b> | <b>31,578</b> | <b>1,085,749</b> |
| <b>Liabilities</b>  |                |                |                |               |              |               |                  |
| Due to banks  | 786            | 2,254          | 11,870         | 1,086         | 291          | 2,244         | 18,531           |
| Due to client deposits  | 65,891         | 368,020        | 148,795        | 29,929        | 1,631        | 26,774        | 641,040          |
| Negative replacement values of derivative financial instruments | 1,976          | 0              | 0              | 0             | 0            | 0             | 1,976            |
| Accrued expenses and deferred income                            | 5,974          | 230            | 82             | 0             | 0            | 0             | 6,286            |
| Other liabilities   | 5,368          | 0              | 0              | 0             | 0            | 0             | 5,368            |
| Provisions  | 2,053          | 0              | 0              | 0             | 0            | 0             | 2,053            |
| Capital resources   | 10,000         | 0              | 0              | 0             | 0            | 0             | 10,000           |
| Statutory profit reserve  | 2,500          | 0              | 0              | 0             | 0            | 0             | 2,500            |
| Voluntary profit reserves                                       | 14,659         | 0              | 0              | 0             | 0            | 0             | 14,659           |
| Retained earnings brought forward                               | 31             | 0              | 0              | 0             | 0            | 0             | 31               |
| Profit  | 4,800          | 0              | 0              | 0             | 0            | 0             | 4,800            |
| <b>Total balance sheet liabilities</b>                          | <b>114,038</b> | <b>370,504</b> | <b>160,747</b> | <b>31,015</b> | <b>1,922</b> | <b>29,018</b> | <b>707,244</b>   |
| Delivery payables from forward exchange transac.                | 118,171        | 115,654        | 129,894        | 5,526         | 6,971        | 2,289         | 378,505          |
| <b>Total liabilities</b>  | <b>232,209</b> | <b>486,158</b> | <b>290,641</b> | <b>36,541</b> | <b>8,893</b> | <b>31,307</b> | <b>1,085,749</b> |
| <b>Net position per currency</b>                                | <b>-1,079</b>  | <b>118</b>     | <b>644</b>     | <b>38</b>     | <b>8</b>     | <b>271</b>    | <b>0</b>         |

### Information on off-balance-sheet transactions

#### Contingent receivables and liabilities TCHF

|   | 2018         | 2017          |
|---|--------------|---------------|
| Credit guarantees and similar items                           | 7,933        | 15,122        |
| Other contingent liabilities                                  | 0            | 0             |
| <b>Total contingent liabilities</b>                           | <b>7,933</b> | <b>15,122</b> |
| Contingent receivables deriving from tax loss carried forward | 0            | 0             |
| Other contingent receivables                                  | 0            | 0             |
| <b>Total contingent receivables</b>                           | <b>0</b>     | <b>0</b>      |

#### Fiduciary transactions TCHF

|  | 2018           | 2017             |
|--|----------------|------------------|
| Fiduciary placements with third-party banks                      | 862,579        | 1,028,790        |
| Fiduciary placements at Group companies and affiliated companies | 0              | 69,176           |
| Fiduciary credits for third-party accounts                       | 0              | 0                |
| <b>Total</b>   | <b>862,579</b> | <b>1,097,966</b> |

#### Assets under management TCHF

|  | 2018             | 2017             |
|--|------------------|------------------|
| <b>Type of assets under management</b>   |                  |                  |
| Assets in funds managed by the Bank  | 322,046          | 529,587          |
| Assets with management mandate   | 1,638,860        | 1,859,268        |
| Other assets under management  | 3,774,820        | 4,197,826        |
| <b>Total assets under management (incl. double-counted)</b>                                    | <b>5,735,726</b> | <b>6,586,681</b> |
| • Thereof: double-counted  | 165,052          | 262,000          |
| <b>Total assets under management (incl. double-counted) at the start of the reporting year</b> | <b>6,586,681</b> | <b>6,110,337</b> |
| +/- Net inflow of new funds or net outflow of funds  | -336,676         | -18,106          |
| +/- Price development, interest, dividends and foreign currency development                    | -514,279         | 494,450          |
| <b>Total assets under management (incl. double-counted) at the end of the reporting year</b>   | <b>5,735,726</b> | <b>6,586,681</b> |

The clients' assets include account balances, trust funds and all portfolio holdings. Only assets held for custody purposes (custody assets) are not included. These comprise shares held by clients in their companies. The net inflow/outflow of new funds is the balance of all incomings and outgoings of money and securities. The interest credited to or invoiced to the clients is regarded as an internal accounting entry and is therefore not taken into account.

## Information on the income statement

### Significant refinancing income under the interest and discount income item as well as from significant negative interest TCHF

|  | 2018 | 2017 |
|--|------|------|
| Negative interest on lending activities (reduction of interest income)         | -724 | -793 |
| Negative interest on deposit-taking activities (reduction of interest expense) | 850  | 951  |

### Personnel expenses TCHF

|  | 2018          | 2017          |
|--|---------------|---------------|
| Salaries (attendance fees and fixed remuneration payable to banking authorities, salaries and supplements) | 18,907        | 18,252        |
| Bank contributions to staff pension funds  | 1,481         | 1,424         |
| Other social benefits  | 1,453         | 1,327         |
| Other personnel expenses   | 550           | 538           |
| <b>Total</b>   | <b>22,391</b> | <b>21,541</b> |

### Other administrative expenses TCHF

|   | 2018         | 2017         |
|---|--------------|--------------|
| Premises costs  | 1,680        | 1,645        |
| Costs of information and communication technology           | 2,952        | 2,664        |
| Costs of vehicles, machinery, furniture and other equipment | 194          | 219          |
| Auditors' fee   | 228          | 250          |
| • Thereof: for accounting and regulatory auditing           | 228          | 250          |
| • Thereof: for other services                               | 0            | 0            |
| Other operating expenses                                    | 4,538        | 4,089        |
| <b>Total</b>  | <b>9,592</b> | <b>8,867</b> |

### Notes regarding significant losses, extraordinary income and expenses, significant reversals of hidden reserves, reserves for general banking risks and released valuation adjustments and provisions

There are no significant extraordinary income and no extraordinary expenses.

## Link between the tables of FINMA Circular 2016/01 and regulatory reporting

### KM1: Regulatory key figures

|  | 2018    | 2017    |
|--|---------|---------|
| <b>Eligible equity</b> (in TCHF)   |         |         |
| 1 Tier 1 capital ratio (CET1)  | 31,834  | 31,731  |
| 2 Tier 1 capital (T1)  | 31,834  | 31,731  |
| 3 Total capital  | 31,834  | 31,731  |
| <b>Risk-weighted positions</b> (RWA in TCHF)   |         |         |
| 4 RWA  | 178,900 | 145,700 |
| 4a Minimum own funds   | 14,312  | 11,656  |
| <b>Risk-based capital ratio</b> (% of RWA)   |         |         |
| 5 CET1 ratio   | 17.79%  | 21.78%  |
| 6 Tier 1 capital ratio   | 17.79%  | 21.78%  |
| 7 Total capital ratio  | 17.79%  | 21.78%  |
| <b>CET1 buffer requirement</b> (% of RWA)  |         |         |
| 8 Own funds buffer under Basel minimum standards (2.5% from 2019)  | 1.88%   | 1.25%   |
| 9 Anti-cyclical buffer (Art. 44a ERV) under Basel minimum standards  | 0.00%   | 0.00%   |
| 10 Additional equity buffer because of international or national system relevance  | 0.00%   | 0.00%   |
| 11 Total buffer requirements under Basel minimum standards in CET1 quality   | 1.88%   | 1.25%   |
| 12 Available CET1 to cover buffer requirements under Basel minimum standards (after deduction of CET1 to cover minimum requirements and where applicable to cover TLAC requirements) | 9.79%   | 13.78%  |
| <b>Target capital ratios under Appendix 8 ERV</b> (% of RWA)   |         |         |
| 12a Own funds under Appendix 8 ERV   | 2.50%   | 2.50%   |
| 12b Anti-cyclical buffer (Art. 44 and 44a ERV)   | 0.00%   | 0.00%   |
| 12c Target CET1 ratio under Appendix 8 ERV plus anti-cyclical buffer under Art. 44 and 44a ERV   | 7.00%   | 7.00%   |
| 12d Target T1 ratio under Appendix 8 ERV plus anti-cyclical buffer under Art. 44 and 44a ERV   | 8.50%   | 8.50%   |
| 12e Target total capital ratio under Appendix 8 ERV plus anti-cyclical buffer under Art. 44 and 44a ERV  | 10.50%  | 10.50%  |
| <b>Basel III leverage ratio</b>  |         |         |
| 13 Total commitment (in TCHF)  | 720,857 | 626,224 |
| 14 Basel III leverage ratio (core capital as % of total commitment)  | 4.42%   | 5.07%   |

|  | 4 <sup>th</sup> quarter | 3 <sup>rd</sup> quarter | 2 <sup>nd</sup> quarter | 1 <sup>st</sup> quarter | 4 <sup>th</sup> quarter 2017 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|------------------------------|
| <b>Liquidity ratio (LCR)</b>                   |                         |                         |                         |                         |                              |
| 15 Total high-quality, liquid assets (in TCHF) | 101,484                 | 95,513                  | 110,278                 | 104,648                 | 134,412                      |
| 16 Total net outflows (in TCHF)                | 65,977                  | 60,849                  | 65,311                  | 66,988                  | 75,487                       |
| 17 LCR (liquidity coverage ratio)              | 153.82%                 | 156.97%                 | 168.85%                 | 156.22%                 | 178.06%                      |



### OV1: Overview of risk-weighted positions in TCHF

|  | 2018           | 2017           | 2018              |                    |
|--|----------------|----------------|-------------------|--------------------|
|  | RWA            | RWA            | Minimum own funds | RWA deviation in % |
| 1 Credit risk  | 101,884        | 70,778         | 8,151             | 43.95 %            |
| 20 Market risk   | 1,077          | 827            | 86                | 30.23 %            |
| 24 Operational risk  | 73,990         | 71,975         | 5,919             | 2.80 %             |
| 25 Amounts below the threshold deductions (with 250% according to positions to be risk-weighted) | 0              | 0              | 0                 | 0 %                |
| <b>27 Total</b>  | <b>176,951</b> | <b>143,580</b> | <b>14,156</b>     | <b>23.24 %</b>     |

### LIQA: Liquidity – Management of liquidity risks

Please see the notes to the »Liquidity risk« section.

### CR1: Credit risk – Credit quality of assets in TCHF

|  | A                                       | B   | C                       | D                     |
|--|---|---|-------------------------|-----------------------|
|  | Gross book value of defaulted positions | Gross book value of not defaulted positions | Adjustments/write-downs | Net value (a + b – c) |
| 1 Receivables (excluding debt instruments) | 0                                       | 680,735                                     | 10                      | 680,725               |
| 2 Debt instruments                         | 0                                       | 24,361                                      | 0                       | 24,361                |
| 3 Off-balance-sheet positions              | 0                                       | 13,612                                      | 0                       | 13,612                |
| <b>4 Total reporting year</b>              | <b>0</b>                                | <b>718,708</b>                              | <b>10</b>               | <b>718,698</b>        |
| Total previous year                        | 0                                       | 624,723                                     | 10                      | 624,713               |

More detailed definitions of internal default are given in the notes to the »Default risk« section.

### CRB: Credit risk – additional information on the credit quality of assets

Outstanding or overdue receivables of more than 90 days, in line with our notes to the »Receivables« section, only amount to a negligible TCHF 10. These were disclosed in the section »Collateral for coverage of receivables and off-balance-sheet transactions as well as impaired receivables«.

### CR3: Credit risk – Overall view of risk reduction techniques in TCHF

|                                      | A                                  | C  | E + G  |
|--------------------------------------|------------------------------------|--|--|
|                                      | Unsecured positions/<br>book value | Positions secured by collateral, effectively collateralised amount | Positions secured by financial guarantees or credit derivatives, effectively collateralised amount |
| Receivables (incl. debt instruments) | 488,740                            | 212,756  | 3,590  |
| Off-balance-sheet positions          | 3,768                              | 9,458  | 386  |
| <b>Total reporting year</b>          | <b>492,508</b>                     | <b>222,214</b>   | <b>3,976</b>   |
| of which defaulted                   | 0                                  | 0  | 0  |

### CR5: Credit risk – Positions according to position category and risk weighting under the standard approach in TCHF

| Position category / risk weighting                      | A<br>0%       | B<br>10% | C<br>20%       | D<br>35% | E<br>50%     | F<br>75%     | G<br>100%     | H<br>150%    | I<br>Other | Total credit risk positions |
|---|---------------|----------|----------------|----------|--------------|--------------|---------------|--------------|------------|-----------------------------|
| 1 Central governments and central banks                 | 90,740        |          |                |          |              |              |               |              |            | 90,740                      |
| 2 Banks and securities dealers                          | 3,337         |          | 357,446        |          | 1,117        |              |               |              |            | 361,900                     |
| 3 Public corporation and multilateral development banks |               |          | 18,573         |          |              |              |               |              |            | 18,573                      |
| 4 Companies   |               |          |                |          |              |              | 5,400         | 29           |            | 5,429                       |
| 5 Retail  |               |          |                |          |              | 4,667        | 12,257        | 2,548        |            | 19,472                      |
| 6 Equities  |               |          |                |          |              |              |               | 105          |            | 105                         |
| 7 Other positions                                       | 265           |          |                |          |              |              |               |              | 3          | 268                         |
| <b>8 Total reporting year</b>                           | <b>94,243</b> | <b>0</b> | <b>376,019</b> | <b>0</b> | <b>1,117</b> | <b>4,667</b> | <b>17,657</b> | <b>2,682</b> | <b>3</b>   | <b>496,487</b>              |
| 9 of which mortgage-backed receivables                  |               |          |                |          |              |              |               |              |            | 0                           |
| 10 of which overdue receivables                         |               |          |                |          |              |              |               |              |            | 0                           |

### CCR3: Counterparty risk – Positions according to position category and risk weighting under the standard approach in TCHF

| Position category / risk weighting                      | A<br>0%      | B<br>10% | C<br>20%     | D<br>50%     | E<br>75% | F<br>100%  | G<br>150% | H<br>Other | Total credit risk positions |
|---|--------------|----------|--------------|--------------|----------|------------|-----------|------------|-----------------------------|
| 1 Central governments and central banks                 |              |          |              |              |          |            |           |            | 0                           |
| 2 Banks and securities dealers                          | 118          |          | 2,640        | 1,117        |          |            |           |            | 3,875                       |
| 3 Public corporation and multilateral development banks |              |          | 386          |              |          |            |           |            | 386                         |
| 4 Companies   | 852          |          |              |              |          | 17         |           |            | 869                         |
| 5 Retail  | 625          |          |              |              |          | 108        | 7         |            | 740                         |
| 6 Equities  |              |          |              |              |          |            |           |            | 0                           |
| 7 Other positions                                       |              |          |              |              |          |            |           |            | 0                           |
| <b>8 Total reporting year</b>                           | <b>1,595</b> | <b>0</b> | <b>3,026</b> | <b>1,117</b> | <b>0</b> | <b>125</b> | <b>7</b>  | <b>0</b>   | <b>5,870</b>                |

### ORA: Operational risk – General information

Please see the notes to the »Operational risk« section.



## REPORT OF THE STATUTORY AUDITORS

to the General Meeting of Bergos Berenberg AG, Zurich

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**Report of the statutory auditor**  
to the general shareholder's meeting of

**Bergos Berenberg AG, Zurich**

As statutory auditor, we have audited the accompanying financial statements of Bergos Berenberg AG which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 40 - 66) for the year ended 31 December 2018.

*Board of Directors' Responsibility*

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

*Auditor's Responsibility*

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

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

*Opinion*

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

**BDO**

**Report on Other Legal Requirements**

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

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

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

Zurich, 8 February 2019

BDO Ltd

  
Erik Dommach  
Auditor in Charge  
Licensed Audit Expert

  
Dorothee Kammerer  
Licensed Audit Expert



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