

ANNUAL REPORT 2019



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The present document is the English translation of the Italian annual report. In case of dispute the Italian version shall prevail.

CORPORATE GOVERNANCE

Board of Directors

Raffaele Rossetti	Chairman (independent member)
Joseph Louis Toson	Vice-Chairman (independent member)
Alberto Banfi ⁽¹⁾	Director (independent member)
Viktor Dario	Director (independent member)
Antonio Sergi ⁽¹⁾	Director (independent member)

Auditors

KPMG SA, Lugano

Executive Management

Mauro Scalfi	Chief Executive Officer
Massimo Bertini-Morini	Vice President Executive Officer
Donatella Favalli	Vice President Executive Officer

⁽¹⁾ members of the Audit Committee

BOARD OF DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019

Dear Shareholders,

During the year, there was a consolidation of the favorable expectations for the recovery of the global economic activity. The U.S. claims against several trading partners did not have a significant impact on world trade, business confidence or manufacturing activity. The economic cycle was moderately expansive in the United States, stabilized in Japan, while it remained weak overall in the Euro area. In the emerging countries the growth has been partially held back by the strength of the US dollar.

Inflation remained subdued in all major economies. Central banks maintained an accommodating stance, albeit with different approaches. Fiscal policies contributed to support growth, both in advanced as well as in emerging countries.

In the United States, economic growth, supported by all components of the domestic demand, was positive. Low unemployment and improved income conditions have fueled private consumption. Non-residential investments were overall weak, held back both by internal and international political uncertainty. The Federal Reserve has implemented several interest rate cuts.

The European economy remains affected by the contraction in manufacturing production. Growth weakened despite a good level of domestic demand. The contribution of the real estate sector to growth was modest; exports also provided a negative contribution. Consumptions were supported by employment growth and by slightly expansionary fiscal policies. Moderate wage increases contributed to maintain inflation at a low level. The European Central Bank entered a phase of wait-and-see, following the stimulus measures announced in September.

The Japanese economy continues to grow at a limited pace, despite the implementation of expansionary measures aimed at mitigating the effect of the rise in consumption tax on household spending. Growth is fueled mainly by investments and exports. Inflation, net of energy and food components, was modest, allowing the Bank of Japan to continue its expansionary monetary policy.

International financial markets showed very positive trends, with prospects still favorable. Government bonds yields fell during the year. Corporate bonds, supported

BOARD OF DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019

by favorable liquidity conditions, showed low yield differentials compared to historical averages. Equities achieved positive results in the various geographical areas, albeit with different trends. European stocks, as well as emerging markets, underperformed the US market. Information technology, pharmaceutical and industrial stocks performed well, while energy and raw materials stocks showed a lower relative strength. In the United States, "large caps" overperformed "small caps", "growth" stocks overperformed "value" stocks. The Euro depreciated against the US dollar, while some emerging currencies appreciated.

In the final months of the year, the Swiss economy decelerated. Whilst chemical and pharmaceutical sectors have little exposure to the economic trend, others, like the mechanical and metallurgical sectors, suffered from the weak growth of the international economy. Real estate investments have been negatively affected by the increasing percentage of vacant rent houses and by a demographic growth which remains relatively weak. The slowdown in international growth has weighed on foreign trade. Domestic demand has not been able to stimulate growth. The appreciation of the Swiss Franc against the Euro further dampened exports.

During 2019 the Bank has been affected by a procedure initiated by FINMA aimed at verifying the correct implementation of the controls in the management of high-risk relationships. The activity has been carried out at the Bank's offices and has been having a significant impact on the overall costs for the year and the ability to promote new initiatives. Nevertheless, the Bank managed to limit the consequences of such initiative by consolidating and expanding the range of products handled and the active counterparties. The level of capitalization continues to remain high. The excess of free capital available as at 31st December 2019 amounts to over CHF 20.3 million (CHF 22.6 million as at 31st December 2018), with a ratio between eligible and required capital of 272% and a Tier 1 capital ratio of 28.85%.

As part of a strategy to reposition the Bank in the provision of specialized financial services to institutional and high-end private clients, it was decided, during the course of the year, to dismiss all participations held and, in particular, to sell the shares owned in Alpe Adria Gestion SIM SpA.

BOARD OF DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019

Following the authorization issued by the Bank of Italy, the transaction was completed during the month of September.

The year closed at break-even. Net profit amounted to CHF 3'931. This result includes the extraordinary loss arising from the sale of the participation held in Alpe Adria Gestioni SIM of CHF 147'170.

Total revenues amounted to CHF 14'513'703 (CHF 16'608'686 in 2018). Total interest income equalled to CHF 1'775'852 (CHF 2'161'100 in 2018), commissions and service income reached CHF 9'677'873 (CHF 9'909'609 in 2018), revenues from trading operations was CHF 3'059'978 (CHF 4'537'977 in 2018).

Total costs amounted to CHF 13'897'031 (CHF 12'606'267 in 2018), of which CHF 9'164'689 allocated to personnel expenses (CHF 8'701'811 in 2018) and CHF 4'732'342 to general expenses (3'904'456 in 2018). Costs for general expenses increased from the previous year mainly for the high level of professional fees associated with the FINMA procedure.

Total depreciations and amortizations equalled CHF 596'860 (CHF 644'770 in 2018), lower than the previous year.

At year's end, total client assets amounted to CHF 2'127 million (CHF 2'260 million at the end of 2018), lower than the previous year, mainly due to the reduction in the number of extra European clients and a lower contribution in terms of AUM from institutional clients. The number of relationships decreased slightly compared to the previous year (4% year on year). As at 31st December 2019, the Bank had a total of 52 employees (47.7 "full time equivalent"), compared to 53 employees (48.9 "full time equivalent") as at 31st December 2018.

The issuance of debt instruments continued and intensified. These are recorded under the items "Other financial instruments at fair value" and "Liabilities from other financial instruments at fair value". It relates to the issuance of structured products, with underlying assets consisting, mainly, of a portfolio of securities, underwritten by institutional clients.

BOARD OF DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019

Considering the annual result and the profit carried forward (CHF 1'312'666), the Board of Directors recommends its allocation as follows:

	CHF
To legal reserve	500
To dividend	1'000'000
To profit to be carried forward	316'097

With reference to the consequences of the pandemic caused by the spread of the Coronavirus (Covid 19) and the measures introduced by the Confederation and the Canton in March 2020, the Bank launched an operational protocol and made extensive use of teleworking. The activities, operating systems and coverage of the various services are currently guaranteed. At present, there is no need for provisions on loan positions. The impact of the Coronavirus on the 2020 financial result will depend on developments in the pandemic.

During 2020, the Bank will further intensify its efforts to expand the services and secure a stable growth of assets and profitability.

The Board of Directors expresses its gratitude to the clients, the shareholders, the management and all employees of the Bank.

The Board of Directors

ANNUAL FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2019

BALANCE SHEET

31 st December	Notes	2019 CHF	2018 CHF	Change CHF
ASSETS				
Liquid assets		75'409'935	160'207'839	-84'797'904
Amounts due from banks		117'714'393	109'349'272	8'365'121
Amounts due from customers	2	90'179'776	93'210'104	-3'030'328
Mortgage loans	2	19'147'170	13'961'830	5'185'340
Trading portfolio assets	3	22'646'937	16'488'351	6'158'586
Positive replacement values of derivative financial instruments	4	13'879'086	7'814'651	6'064'435
Other financial instruments at fair value	3, 14	156'177'832	84'545'430	71'632'402
Accrued income and prepaid expenses		2'783'912	1'812'529	971'383
Participations	6, 7	0	1'963'157	-1'963'157
Tangible fixed assets	8	1'083'893	1'580'262	-496'369
Other assets	10	886'737	496'788	389'949
TOTAL ASSETS		499'909'671	491'430'213	8'479'458

31 st December	Notes	2019 CHF	2018 CHF	Change CHF
LIABILITIES				
Amounts due to banks		47'670'368	71'430'263	-23'759'895
Amounts due in respect of customer deposit		218'693'575	266'290'434	-47'596'859
Negative replacement values of derivative financial instruments	4	13'936'999	8'116'511	5'820'488
Liabilities from other financial instruments at fair value	3, 14	183'777'924	107'197'711	76'580'213
Accrued expenses and deferred income		3'269'104	3'420'644	-151'540
Other liabilities	10	555'104	531'984	23'120
Reserves for general banking risks	16	240'000	480'000	-240'000
Bank's capital	17	30'000'000	30'000'000	0
Legal reserve from profits		450'000	250'000	200'000
Profit carried forward		1'312'666	1'182'003	130'663
Profit (result of the period)		3'931	2'530'663	-2'526'732
TOTAL LIABILITIES		499'909'671	491'430'213	8'479'458

ANNUAL FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2019

BALANCE SHEET

<i>31st December</i>				
	<i>Notes</i>	<i>2019 CHF</i>	<i>2018 CHF</i>	<i>Change CHF</i>
Off-Balance Sheet transactions				
Contingent liabilities	2, 28	290'996	367'653	-76'657
Irrevocable commitments	2	502'000	470'000	32'000
Fiduciary transactions	30	142'349'817	95'829'196	46'520'621

ANNUAL FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2019

INCOME STATEMENT

	Notes	2019 CHF	2018 CHF	Change CHF
Result from interest operations				
Interest and discount income		1'050'710	1'846'099	-795'389
Interest and dividend income from trading portfolios		300'781	177'479	123'302
Interest expenses		424'361	137'522	286'839
Gross result from interest operations		1'775'852	2'161'100	-385'248
Changes in value adjustments for default risks and losses from interest		0	0	0
Subtotal:				
Net result from interest operations		1'775'852	2'161'100	-385'248
Result from commission business and services				
Commission income from securities trading and investment activities		16'187'546	15'326'107	861'439
Commission income from lending activities		17'336	30'060	-12'724
Commission income from other services		1'066'097	1'266'111	-200'014
Commission expenses		-7'593'106	-6'712'669	-880'437
Subtotal: Result from commission business and services		9'677'873	9'909'609	-231'736
Result from trading activities and the fair value option	32	3'059'978	4'537'977	-1'477'999
Operating expenses				
Personnel expenses	34	-9'164'689	-8'701'811	-462'878
General and administrative expenses	35	-4'732'342	-3'904'456	-827'886
Subtotal: Operating expenses		-13'897'031	-12'606'267	-1'290'764
Gross profit		616'672	4'002'419	-3'385'747
Value adjustment on participations and depreciation and amortisations of tangible fixed assets and intangible assets	8	-596'860	-644'770	47'910
Changes to provisions and other value adjustments, losses	16	-169'914	15'575	-185'489
Operating result		-150'102	3'373'224	-3'523'326
Extraordinary income	36	0	5'248	-5'248
Changes in reserves for general banking risks	16	240'000	-240'000	480'000
Taxes	39	-85'967	-607'809	521'842
Profit (result of the period)		3'931	2'530'663	-2'526'732

ANNUAL FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2019

ALLOCATION OF BALANCE SHEET RESULT

Allocation of Balance Sheet result

Proposal of the Board of Directors	2019 CHF	2018 CHF
Profit carried forward	1'312'666	1'182'003
Profit of the year	3'931	2'530'663
Available Profit	1'316'597	3'712'666
Application of results		
Allocation to legal reserve	500	200'000
Dividend distribution	1'000'000	2'200'000
Profit to be carried forward	316'097	1'312'666

Statement of changes in shareholders' equity

	2019					
	Bank's capital CHF	Statutory retained ear- nings reserve CHF	Reserves for general banking risks CHF	Profit carried forward CHF	Result of the period CHF	Total CHF
Equity at start of current period	30'000'000	250'000	480'000	1'182'003	2'530'663	34'442'666
Dividends and other distributions					-2'200'000	-2'200'000
Other allocations to / other withdrawals from reserves for general banking risks			-240'000			-240'000
Other allocations to / other withdrawals from other reserves		200'000			-200'000	0
Other allocations to profit / loss carried forward (allocation of result)				130'663	-130'663	0
Profit (result of the period)					3'931	3'931
Equity at end of current period	30'000'000	450'000	240'000	1'312'666	3'931	32'006'597

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. General notes

Introduction

Banca Credinvest SA (hereinafter also “the Bank”) is an independent Swiss bank based in Lugano. The Bank provides investment / portfolio management and private banking services for both institutional and private clients. The year-end date of the annual Financial Statements is 31st December.

The number of employees at the end of 2019 was 52, equivalents to 47.7 full-time staff (31.12.2018: 53 employees equivalent to 48.9 full-time staff).

Following art. 16 of the Swiss Capital Adequacy Ordinance (CAO) as well as the guidelines (Circular 2008/22) of the Swiss Financial Market Supervisory Authority FINMA (hereinafter “FINMA”), Banca Credinvest SA publishes its own available and required capital. Information can be obtained on the Bank’s website (www.credinvest.ch).

Risk management

Banca Credinvest SA has adopted a set of internal regulations and circulars aimed to identify, manage and control all potential risks associated with the Bank’s activity.

As defined by FINMA Circular 2017/1 “Corporate governance - banks”, the Board of Directors of the Bank has issued several directives presently in place, which represents a comprehensive instrument for the control, surveillance and mitigation of all risks.

The Board of Directors constantly examines the main risks at which the Bank is exposed. In particular, the Board of Directors has examined, on the basis of the internal documentation prepared by the Risk Manager and the Internal Control Committee, those risks with significant impact on the Annual Accounts. When necessary, adequate measures have been taken. The main risks are described thereafter:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

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- Credit risk

This risk is kept under control by monitoring all collaterals. Credit facilities given to clients are mainly “Lombard loans” made available only if supported by adequate guarantees. Responsibilities, limits and haircuts percentages applied to credit facilities are set in the internal directives in accordance with the applicable requirements. The Credit Division is responsible for carrying out regularly, using specific IT tools, the following controls:

- control on cash withdrawals/outgoing bank transfers for (i) amounts exceeding the collateralized value of assets, (ii) amounts that decrease the assets pledged in favor of third parties;
- control on customers with insufficient and/or unsecured coverage (by over 5%);
- control on all amounts exceeding the collateralized values for pledged assets;
- notification to the Relationship Managers of all customers exceeding allowed limits without a deed of pledge or without a global limit or without a signed customer letter, with a copy sent to the Credit Committee;
- minutes of the Credit Committee;
- list of customers with loans;
- list of assets in place for each customer with a credit facility;
- list of customers without a signed deed of pledge.

The Credit Division reports, on a quarterly basis, to the Credit Committee all irregular positions, whether formal or substantial, as well as positions with doubtful interests and fees. The General Management, when deemed appropriate, immediately informs the Chairman of the Board of Directors about positions considered critical.

- Market risk

Each banking institution, as dealer and intermediary in securities and financial instruments, is subject to this kind of risk. The Bank has adopted a policy for monitoring financial markets and preventing this kind of risk. The Bank assumes market risks on a residual basis as it tends to hedge the exposure originated by the clients' activity. Proprietary investments are mainly limited to bond positions with high rating and short maturity and interbank deposits.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The Bank's operations on its own portfolio are governed by an internal directive. The proprietary portfolio is constantly monitored within the limits established by the Board of Directors. A detailed list of the positions in the proprietary portfolio (trading and financial investments portfolio) is submitted to the Board of Directors at least twice a year, specifying the investment policy adopted. The General Management informs the Board of Directors if the loss on positions in the proprietary portfolio, with respect to the purchase price and/or the book value at the end of the previous financial year, exceeds 5% of the total own funds, as defined in the Business and Organization Rules (BOR). The Bank carries out foreign exchange transactions within the limits established in a directive. The General Management informs the Board of Directors if the loss on exchange rate operations exceeds CHF 500 thousand from the beginning of the year.

- Interest rate risk

The Bank has a limited exposure to this kind of risk as assets and liabilities maturities are matched. Exposure to interest rate risk is measured with specific software systems.

- Legal and reputational risk

This risk category is monitored by the Head of the Legal & Compliance Department who supervises the respect of regulations as well as the duties imposed to each financial intermediary. He is responsible for monitoring the current legal developments and to adapt all internal procedures to any new legal regulation.

- Operational risk

Operational risk is mitigated through internal procedures and regulations. Control activities are an integral part of daily operational duties.

- Liquidity and refinancing risk

Such risk is measured on the basis of specific IT procedures and mitigated through a broad diversification of the financing sources, which originate mainly from clients' and interbank deposits.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Outsourcing

Banca Credinvest SA. has entered into an outsourcing contract with AnaSys AG, Zurich for interbank swift messages. The contract is considered as outsourcing under the terms of the FINMA Circular 2018/3.

2. Accounting and valuation principles

The Bank's Financial Statements are prepared in accordance with the requirements of the Swiss Code of Obligations, the Federal Law on Banks, the FINMA Circular 2015/1 on accounting rules as well as corporate by-laws.

The Annual Financial Statements are prepared to present a reliable assessment of the bank's economic position. All transactions carried out by the Bank are recorded on the date when they occur (trade date). Assets, liabilities and off-Balance Sheet transactions are valued individually.

Foreign currencies

The Bank makes use of a multi-currency accounting system. All foreign currency transactions are recorded in the currency in which they have been concluded.

Assets and liabilities denominated in foreign currencies are converted at the exchange rate prevailing at the end of the financial period. Revenues and costs are converted into CHF at the exchange rate applicable on the day when the transaction took place.

The main exchange rates used to convert the main currencies in the Balance Sheet items are (against CHF): EUR 1.0850 (31.12.2018: EUR 1.1248); USD 0.9680 (31.12.2018: USD 0.9809).

Cash, amounts due from banks and amounts due to banks

Such items are recorded in the Balance Sheet at their nominal value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

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Due from customers

They are recorded in the Balance Sheet at their nominal value. If the repayment of a credit is, totally or partially, doubtful, the Bank makes specific provisions on the basis of a prudent approach in deduction to the relevant asset value. The Bank does not make general provisions.

If a borrower is late in the payment of interests by more than 90 days, the related loan would be regarded as non-performing and would be recorded in the appropriate account "Changes in value adjustments for default risks and losses from interest operations". The related revenue will be recorded only when received. The Bank considers a loan to be non-performing when it is unlikely that the borrower is in the position to meet his future obligations. The amount of the provision is the difference between the book value of the credit exposure and the realizable value of the collateral guarantees, and it is deducted from the relevant asset value.

Off-Balance Sheet transactions are valued in the same way.

Valuation of collaterals

The Bank has defined in its internal lending rules the limits and haircuts percentages to be applied to credit facilities. Loans are usually granted against a deed of pledge in favor of the Bank.

To properly weight the ratings assigned to bonds, the Credit Division uses the better of the two worst ratings issued by Standard & Poor's, Moody's and Fitch. In the case a rating is issued only by two of the agencies, the lower of the two is used. If only one agency issues a rating, the security is assigned this rating.

Mortgages are granted on the basis of the market value of the real estate asset, limited to residential properties located in Switzerland.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Securities and precious metals trading portfolio

The valuation is made at fair value, being the year-end market price quoted on a recognized stock exchange. For securities traded on the proprietary book, the Bank has set limits, which are checked daily.

Other financial instruments at fair value (assets and liabilities)

These are debt instruments (structured notes with an underlying, mainly composed, by a security portfolio, underwritten by institutional clients) issued by the Bank and recorded under “Other financial instruments at fair value” and “Liabilities from other financial instruments at fair value.”

The financial instruments are valued at fair value and their risks are managed in the same way as those of trading activities. There is a hedging between the financial instruments on the asset side and those on the liability side which is economically offset through the fair value valuation of the relevant engagements.

Financial investments

Financial investments include all financial investments not held for trading. Fixed-income securities are held until maturity. The difference between the purchase price and the redemption value is accrued over the number of years between the date of acquisition and the maturity date. All other securities are valued according to the principle of the lower between cost or market value (LOCOM).

Participations

This item includes all participations held by the Bank as long-term investments. The valuation is made on the basis of the purchase price less any economically necessary depreciation. These depreciations are included in item “Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets”.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Tangible fixed assets

Fixed assets are recorded in the Balance Sheet at their acquisition cost less depreciations economically required and based on the expected period of use and defined as follows:

- | | |
|--|----------|
| • technological appliances, hardware and software | 3 years |
| • installation | 10 years |
| • other fixed assets (costs of incorporation, equipment and furnishings, etc.) | 5 years |

The valuation criteria are verified on an annual basis.

Accrued income and prepaid expenses

All revenues and charges are recorded on the basis of the accrual method.

Due to customers

All amounts due to customers are expressed at their nominal value. They are classified in the Liabilities section of the Balance Sheet under “Amounts due in respect of customer deposit”.

Liabilities to own pension schemes

For all employees, Banca Credinvest SA has joined an independent social security institution. The foundation covers all obligations defined by the LPP law, as well as additional fringe benefits. The pension plans are conformed to the Swiss GAAP FER 16 directives.

At the end of the period under review, following the same procedure adopted in the past, there is no need for the Bank to record any engagement towards the social security foundation and no need to record any kind of residual employer’s contributions. Employer’s charges are included in “Personnel expenses”. As foreseen in the participation contract, the employees are insured with an independent social security institution through an insurance policy. Such insurance policy is a global agreement that covers investment risks as well as technical-insurance risks and provides at all times a 100% coverage.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

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Consequently, the Bank does not have any economic advantage or any other coverage obligation.

Reserves for general banking risks

According to the Swiss Capital Adequacy Ordinance (CAO) these reserves are considered regulatory capital. Reserves for general banking risks are not taxed.

Result from interest operations

In accordance with Annex 3 mn A3-10 and mn A3-19 of FINMA Circular 2015/1, the payment of negative interests on lending operations are recorded in deduction of interest income (2019: CHF 541'224; 2018: CHF 694'345) and interest income arising from borrowings are recorded in deduction of interest expenses (2019: CHF 563'298; 2018: CHF 206'184).

Taxation

Current taxes, recorded in the Income Statement, are computed according to current tax rules. Taxes on capital are calculated on the taxable capital at the period end. The associated provision is recorded in the liability section of the Balance Sheet under "Accrued expenses and deferred income".

Valuation adjustments and provisions

Following the principle of prudence, specific valuation adjustments and provisions are made for all real or potential situations of risk.

Contingent liabilities

Contingent liabilities are recorded at their nominal value. For all potential risks the Bank makes provisions in the liability section of the Balance Sheet.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

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Derivative Financial Instruments

The Bank executes transactions in derivative financial instruments mainly on behalf of its own customers. Positive and negative replacement values are recorded at their market value and are included in the Balance Sheet under the caption “Positive replacement values of derivative financial instruments” and “Negative replacement values of derivative financial instruments”.

Changes in accounting principles

The Bank has not made any change in the application of the accounting principles during the financial year.

Significant post Balance Sheet events

With reference to the consequences of the pandemic caused by the spread of the Coronavirus (Covid 19) and the measures introduced by the Confederation and the Canton in March 2020, the Bank launched an operational protocol and made extensive use of teleworking. The activities, operating systems and coverage of the various services are currently guaranteed. At present, there is no need for provisions on loan positions. The impact of the Coronavirus on the 2020 financial result will depend on developments in the pandemic.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1 Breakdown of securities financing transactions (assets and liabilities)

N/A

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

	Type of collateral			
	Secured by mortgage CHF	Other collateral CHF	Unsecured CHF	Total CHF
Loans (before value adjustments)				
Amounts due from customers	0	89'746'814	432'962	90'179'776
Mortgage loans				
- Residential property	19'147'170	0	0	19'147'170
Total loans (before netting with value adjustments)				
31.12.2019	19'147'170	89'746'814	432'962	109'326'946
31.12.2018	13'961'830	92'935'192	274'912	107'171'934

Total loans (after netting with value adjustments)

31.12.2019	19'147'170	89'746'814	432'962	109'326'946
31.12.2018	13'961'830	92'935'192	274'912	107'171'934

Off-balance sheet

Contingent liabilities	0	183'139	107'857	290'996
Irrevocable commitments	0	0	502'000	502'000
Total off-balance-sheet				
31.12.2019	0	183'139	609'857	792'996
31.12.2018	0	258'509	579'144	837'653

Impaired loan / receivables

	Gross debt amount CHF	Estimated liquidation value of collateral CHF	Net debt amount CHF	Individual value adjustments CHF
Impaired loans / receivables				
31.12.2019	0	0	0	0
31.12.2018	0	0	0	0

There are no impaired loans at the end of the period under review.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

Assets <i>31st December</i>	<i>2019</i> <i>CHF</i>	<i>2018</i> <i>CHF</i>
Trading portfolio assets		
Debt securities, money market securities / transactions	22'646'937	16'488'351
- of which, listed	22'646'937	16'488'351
Equity securities	0	0
Precious metals and commodities	0	0
Other trading portfolio assets	0	0
Total trading portfolio assets	22'646'937	16'488'351
Other financial instruments at fair value		
Debt securities	0	0
Structured products	156'177'832	84'545'430
Other	0	0
Total other financial instruments at fair value	156'177'832	84'545'430
Total assets	178'824'769	101'033'781
- of which, determined using a valuation model	0	0
- of which, securities eligible for repurchase transactions in accordance with liquidity requirements	0	0
Liabilities <i>31st December</i>	<i>2019</i> <i>CHF</i>	<i>2018</i> <i>CHF</i>
Trading portfolio liabilities		
Debt securities, money market securities / transactions	0	0
- of which, listed	0	0
Equity securities	0	0
Precious metals and commodities	0	0
Other trading portfolio liabilities	0	0
Total trading portfolio liabilities	0	0
Other financial instruments at fair value		
Debt securities	0	0
Structured products	183'777'924	107'197'711
Other	0	0
Total other financial instruments at fair value	183'777'924	107'197'711
Total liabilities	183'777'924	107'197'711
- of which, determined using a valuation model	0	0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments			Hedging instruments		
	Positive replacement values CHF	Negative replacement values CHF	Contract volumes CHF	Positive replacement values CHF	Negative replacement values CHF	Contract volumes CHF
Foreign exchange / Precious metals						
Forward contracts	339'966	304'738	37'912'285	0	0	0
Combined interest rate / currency swaps	1'179'687	1'272'828	116'994'432	0	0	0
Futures	0	0	0	0	0	0
Options (OTC)	1'432'654	1'432'654	3'165'271	0	0	0
Options (exchange-traded)	0	0	0	0	0	0
Total	2'952'307	3'010'220	158'071'988	0	0	0
Foreign exchange / Precious metals						
Forward contracts	0	0	0	0	0	0
Combined interest rate / currency swaps	0	0	0	0	0	0
Futures	0	0	0	0	0	0
Options (OTC)	0	0	0	0	0	0
Options (exchange-traded)	10'926'779	10'926'779	645'906'266	0	0	0
Total	10'926'779	10'926'779	645'906'266	0	0	0
Total before netting agreements						
31.12.2019	13'879'086	13'936'999	803'978'254	0	0	0
- of which, determined using a valuation model	0	0	0	0	0	0
31.12.2018	7'814'651	8'116'511	413'692'818	0	0	0
- of which, determined using a valuation model	0	0	0	0	0	0
Total after netting agreements						
	Positive replacement values (cumulative)		Negative replacement values (cumulative)			
31.12.2019	13'879'086		13'936'999			
31.12.2018	7'814'651		8'116'511			

The Bank does not apply netting agreements in the presentation of the above-mentioned scheme.

Breakdown by counterparty			
	Central clearing	Banks and securities dealers	Other customers
Positive replacement values	0	10'623'000	3'256'086

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5 Breakdown of financial investments

N/A

6 Presentation of participations

31 st December	2019									
	Acquisition cost	Depreciation and/or value adjustment (equity method) to date	Book value: previous year end	Reclassifications	Investments	Disinvestments	Value adjustments	Value adjustments of holdings valued at equity	Book value: at the end of current year	Market value at the end of current year
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Other participations										
Not listed	1'985'700	-22'543	1'963'157	0	0	-1'713'062	-250'095	0	0	0
Total participations	1'985'700	-22'543	1'963'157	0	0	-1'713'062	-250'095	0	0	0

In June 2019 the minority stake (47.05%) held in GARM & Partners S.r.l., Milan was sold, while in September 2019 the sale of 52.1875% of the company Alpe Adria Gestioni SIM S.p.A., Pordenone, was completed.

7 Disclosure of companies in which the bank holds a permanent direct or indirect significant participation as at 31st Decembre 2019

N/A

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8 Presentation of tangible fixed assets

	Acquisition cost CHF	Accumulated depreciation at the beginning of the year CHF	Book value at the beginning of the year CHF	2019					Book value at the end of current year CHF
				Reclassification CHF	Additions CHF	Disposals CHF	Depreciation CHF	Reversals CHF	
Software	2'028'958	-1'860'944	168'014	0	85'097	0	-117'206	0	135'905
Other tangible fixed assets	4'439'850	-3'027'600	1'412'248	0	15'394	0	-479'654	0	947'988
Total tangible fixed assets	6'468'808	-4'888'544	1'580'262	0	100'491	0	-596'860	0	1'083'893

Operating leases: total amount not included in the Balance Sheet

	Total 31.12.19 CHF	within years CHF	from 1 to 2 years CHF	from 2 to 3 years CHF	from 3 to 4 years CHF	from 4 to 5 years CHF	over 5 years CHF
Future leasing payments:	1'762	1'762	0	0	0	0	0
Future rental payment	1'421'218	591'758	577'520	77'520	77'520	77'520	19'380
Total	1'422'980	593'520	577'520	77'520	77'520	77'520	19'380

9 Presentation of intangible assets

N/A

10 Breakdown of other assets and other liabilities

31 st December	Other assets		Other liabilities	
	2019 CHF	2018 CHF	2019 CHF	2018 CHF
Guarantee deposits	42'444	300	0	0
Indirect taxes	453'049	306'693	500'672	513'690
Receivable from AVS Pension Fund	0	39'932	0	0
Payments on account of accrued rebates	158'146	147'589	0	0
Direct taxes	229'450	0	0	0
Others	3'648	2'274	54'432	18'294
Total	886'737	496'788	555'104	531'984

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

31 st December	2019		2018	
	CHF	CHF	CHF	CHF
	Book value	Effective commitments	Book value	Effective commitments
Pledged / assigned assets				
Pledged assets to guarantee stock market and foreign exchange activities	2'514'897	2'514'897	2'033'396	2'033'396
Guarantee deposits	42'444	42'444	300	300

12 Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the bank held by own pension schemes

N/A

13 Disclosure on the economic situation of own pension schemes

a) Employer contribution reserves (ECR)	Nominal value: at current year end	Waiver of use at current year end	Net amount: at current year end	Net amount: at previous year end	Influence of ECR on personnel expenses at current year end	Influence of ECR on personnel expenses at previous year end
	2019: CHF	2019 CHF	2019: CHF	2018 CHF	2019: CHF	end 2018: CHF
RCDL						
Employer sponsored funds						
- Employer sponsored pensions scheme	0	0	0	0	0	0
- Pension scheme	0	0	0	0	0	0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

b) Presentation of the economic benefit / obligation and the financial cost	<i>Overfunding/ underfunding at end of current year 2019 CHF</i>	<i>Economic interest of the bank at end of current year 2019 CHF</i>	<i>Economic interest of the bank at end of previous year 2018 CHF</i>	<i>Change in economic interest versus previous year (economic benefit/ obligation) CHF</i>	<i>Contributions paid for the current period 2019 CHF</i>	<i>Pensions expenses included in personnel expenses at end of current year 2019 CHF</i>	<i>Pensions expenses included in personnel expenses at end of previous year 2018 CHF</i>
Pension plans without overfunding / under-funding	0	0	0	0	0	819'903	790'454

For pension and social security purposes Banca Credinvest SA has covered its own staff through a collective scheme promoted by "Fondazione Collettiva LPP Swiss Life". All insurance and investment risks are entirely covered by the Swiss Life Group at any time.

Neither economic liabilities nor economic benefits towards the pension scheme did exist at year end. The pension scheme did not have any reserve pertaining to employer's contributions.

14 Presentation of issued structured products

	Book value				Total
	Valued as a whole		Valued separately		
	Booked in : trading : portfolio : CHF	Booked : in other : financials : instruments : at fair value : CHF	Value of the : underlying : instrument : CHF	Value of the : derivative : CHF	
					CHF
Interest rate instruments					
With own debenture component (oDC)	0	0	0	0	0
Without oDC	0	0	0	0	0
Equity securities					
With own debenture component (oDC)	0	34'948'729	0	0	34'948'729
Without oDC	0	0	0	0	0
Foreign currencies					
With own debenture component (oDC)	0	148'829'195	0	0	148'829'195
Without oDC	0	0	0	0	0
Commodities / precious metals					
With own debenture component (oDC)	0	0	0	0	0
Without oDC	0	0	0	0	0
Total as at 31 st December 2019	0	183'777'924	0	0	183'777'924

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

15 Presentation of outstanding bonds and mandatory convertible bonds

N/A

16 Presentation of value adjustments and provisions, reserves for general banking risks and changes during the current year

	Previous year end CHF	Used in conformity with designated purpose CHF	Reclassifi- cations CHF	Currency differences CHF	Default interests, sums recovered CHF	New creations charged to income CHF	Release to income CHF	Balance at current year end CHF
Other provisions	0	0	0	0	0	0	0	0
Total provisions	0	0	0	0	0	0	0	0
Reserves for general banking risks	480'000	0	0	0	0	0	-240'000	240'000
Value adjustments for default risks and contry risks	0	0	0	0	0	0	0	0

17 Presentation of the share capital

31 st December		2019			2018		
		Total par value CHF	Numbers of shares	Capital eligible for dividends CHF	Total par value CHF	Numbers of shares	Capital eligible for dividends CHF
Ordinary bearer shares	-A-	25'500'000	25'500	25'500'000	25'500'000	25'500	25'500'000
Preference nominative shares	-B-	4'496'250	10'900	4'496'250	4'496'250	10'900	4'496'250
Preference nominative shares	-C-	1'950	4	1'950	1'950	4	1'950
Preference nominative shares	-D-	1'800	4	1'800	1'800	4	1'800
Total bank's capital		30'000'000	36'408	30'000'000	30'000'000	36'408	30'000'000
of which, paid up		30'000'000	36'408	30'000'000	30'000'000	36'408	30'000'000

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

N/A

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

19 Disclosure of amounts due from / to related parties

31 st December	Amounts due from		Amounts due to	
	2019 CHF	2018 CHF	2019 CHF	2018 CHF
Holders of qualified participations	3'141'794	3'542'201	1'576'275	6'902'108
Group companies	0	0	0	0
Linked companies	0	0	0	0
Transactions with members of governing bodies	2'350'000	2'789'715	700'203	708'721
Other related parties	0	0	0	0

Terms and conditions applied to transactions of the staff and members of the Bank's governing bodies are more favorable than those applied to client's transactions. Terms and conditions to group companies are those applied to client's transactions. One indirect shareholder of the Bank is also a governing body; amounts due from (2019: CHF 1'200'000; 2018: CHF 1'602'201) and amounts due to (2019: CHF 377'467; 2018: CHF 411'440) this related party are included in both categories.

20 Disclosure of holders of significant participations

31 st December	2019		2018	
	Nominal CHF	% of equity	Nominal CHF	% of equity
Holders of significant participations and groups of holders of participations with pooled voting rights				
With voting rights				
HBC Luxembourg Sàrl	18'179'000	67.53%	16'680'000	63.41%

As at 31st December 2019, HBC Luxembourg Sàrl belongs to HBS International Luxembourg SA (54.50%) and Sintesi S.p.A. (45.50%).

HBS International Luxembourg SA is owned by Mauro Scalfi (50.0002%) and Gianfranco Basta (49.9998%)

Sintesi S.p.A. belongs to the De Vido family.

21 Disclosure of own shares and composition of equity capital

N/A

22 Disclosure in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations and Art. 663c para.3 CO for banks whose equity securities are listed

N/A

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23 Presentation of the maturity structure of financial instruments

	At sight CHF	With notice CHF	Maturities					Total CHF
			within 3 months CHF	within 3 to 12 months CHF	within 1 to 5 years CHF	over 5 years CHF	no maturity CHF	
Assets / financial instruments								
Liquid assets	75'409'935	0	0	0	0	0	0	75'409'935
Amounts due from banks	96'528'708	0	19'100'695	2'084'990	0	0	0	117'714'393
Amounts due from customers	0	50'044'070	40'135'706	0	0	0	0	90'179'776
Mortgage loans	0	0	0	0	0	19'147'170	0	19'147'170
Trading portfolio assets	0	0	10'856'488	5'124'006	6'666'443	0	0	22'646'937
Positive replacement values of derivatives financial instruments	13'879'086	0	0	0	0	0	0	13'879'086
Other financial instruments at fair value	156'177'832	0	0	0	0	0	0	156'177'832
31.12.2019	341'995'561	50'044'070	70'092'889	7'208'996	6'666'443	19'147'170	0	495'155'129
31.12.2018	315'514'959	53'391'221	94'795'152	7'914'315	0	13'961'830	0	485'577'477
Debt capital / financial instruments								
Amounts due to bank	45'893'816	0	1'776'552	0	0	0	0	47'670'368
Amounts due in respect of customer deposits	217'907'071	0	786'504	0	0	0	0	218'693'575
Negative replacement values of derivative financial instruments	13'936'999	0	0	0	0	0	0	13'936'999
Liabilities from other financial instruments at fair value	183'777'924	0	0	0	0	0	0	183'777'924
31.12.2019	461'515'810	0	2'563'056	0	0	0	0	464'078'866
31.12.2018	443'782'247	0	9'252'672	0	0	0	0	453'034'919

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

24 Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principles

31 st December	2019		2018	
	Domestic CHF '000	Foreign CHF '000	Domestic CHF '000	Foreign CHF '000
Assets				
Liquid assets	75'410	0	108'820	51'388
Amounts due from banks	13'022	104'692	17'952	91'397
Amounts due from customers	29'419	60'761	37'004	56'206
Mortgage loans	19'147	0	13'962	0
Trading portfolio assets	0	22'647	0	16'488
Positive replacement values of derivative financial instruments	5'770	8'109	1'249	6'566
Other financial instruments at fair value	156'178	0	79'946	4'599
Accrued income and prepaid expenses	2'784	0	1'813	0
Participations	0	0	1'963	0
Tangible fixed assets	1'084	0	1'580	0
Other assets	887	0	497	0
Total assets	303'700	196'209	264'786	226'644

31 st December	2019		2018	
	Domestic CHF '000	Foreign CHF '000	Domestic CHF '000	Foreign CHF '000
Liabilities				
Amounts due to banks	0	47'670	438	70'992
Amounts due in respect of customer deposit	26'552	192'142	35'309	230'981
Negative replacement values of derivative financial instruments	5'275	8'662	441	7'676
Other financial instruments at fair value	183'778	0	85'757	21'441
Accrued expenses and deferred income	3'269	0	3'421	0
Other liabilities	555	0	532	0
Reserves for general banking risks	240	0	480	0
Bank's capital	30'000	0	30'000	0
Statutory retained earnings reserves	450	0	250	0
Profit carried forward	1'313	0	1'182	0
Profit (result of the period)	4	0	2'531	0
Total liabilities	251'435	248'474	160'340	331'090

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

25 Breakdown of total assets by country or group of countries (domicile principle)

31 st December	2019		2018	
	Absolute CHF '000	Share as %	Absolute CHF '000	Share as %
Attivo				
Switzerland	303'700	60.75%	264'786	53.88%
Rest of Europe	154'711	30.95%	180'758	36.78%
North America	36'945	7.39%	40'586	8.26%
South America	4'306	0.86%	5'055	1.03%
Others	247	0.05%	245	0.05%
Total assets	499'910	100.00%	491'430	100.00%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

26 Breakdown of total assets by credit rating of country groups (risk domicile view)

31 st December			Net foreign exposure 2019		Net foreign exposure 2018	
Nation	S & P (Standard & Poor's)		CHF '000	%	CHF '000	%
Denmark	AAA , AA-		11'688	5.96%	9'381	4.14%
Germany	AAA , AA-		15'651	7.98%	51'976	22.93%
Luxembourg	AAA , AA-		33'037	16.84%	53'034	23.40%
Holland	AAA , AA-		8'252	4.21%	14'169	6.25%
USA	AAA , AA-		36'945	18.83%	40'586	17.91%
others	AAA , AA-		1	0.00%	0	0.00%
Belgium	A+, A-		21'910	11.17%	7'167	3.16%
United Arab Emirates	A+, A-		107	0.05%	0	0.00%
Cayman Islands	A+, A-		50	0.03%	121	0.05%
France	A+, A-		1'349	0.69%	4'704	2.08%
United Kingdom	A+, A-		1'786	0.91%	11'092	4.89%
others	A+, A-		0	0.00%	1	0.00%
Israel	BBB+, BBB-		137	0.07%	242	0.11%
Malta	BBB+, BBB-		278	0.14%	6	0.00%
Polland	BBB+, BBB-		652	0.33%	0	0.00%
Spain	BBB+, BBB-		3'879	1.98%	0	0.00%
others	BBB+, BBB-		0	0.00%	1	0.00%
Panama	BB+, BB-		707	0.36%	481	0.21%
Italy	BB+, BB-		55'140	28.10%	28'546	12.59%
Russian Federation	BB+, BB-		1'078	0.55%	622	0.27%
others	BB+, BB-		7	0.00%	6	0.00%
Bahamas	B+, B-		2'918	1.49%	3'176	1.40%
Dominican Republic	B+, B-		224	0.11%	0	0.00%
Brazil	B+, B-		1	0.00%	113	0.05%
Paraguay	B+, B-		157	0.08%	0	0.00%
Cyprus	B+, B-		0	0.00%	4	0.00%
others	B+, B-		2	0.00%	1	0.00%
Venezuela	CCC+, C		8	0.00%	115	0.05%
others	CCC+, C		3	0.00%	2	0.00%
British Virgin Islands	Without rating		239	0.12%	1'047	0.46%
Monaco	Without rating		2	0.00%	79	0.03%
others	Without rating		1	0.00%	1	0.00%
Total			196'209	100.00%	226'673	100.00%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

27 Presentation of assets and liabilities split on the basis of the most significant currencies for the bank

31 st December	2019				
CHF '000	CHF	EUR	USD	Others	Total
Assets					
Liquid assets	67'688	7'547	129	46	75'410
Amounts due from banks	11'952	57'427	35'150	13'185	117'714
Amounts due from customers	13'401	67'829	5'544	3'406	90'180
Mortgage loans	19'147	0	0	0	19'147
Trading portfolio assets	0	9'925	12'722	0	22'647
Positive replacement values of derivative financial instruments	173	3'045	10'644	17	13'879
Other financial instruments at fair value	148'648	1'944	4'848	738	156'178
Accrued income and prepaid expenses	2'712	30	42	0	2'784
Tangible fixed assets	1'084	0	0	0	1'084
Other assets	887	0	0	0	887
Total assets shown in the balance sheet	265'692	147'747	69'079	17'391	499'909
Delivery entitlements from spot exchange, forward forex and forex options transactions	7'324	61'316	64'553	24'879	158'072
Total assets	273'016	209'063	133'632	42'270	657'981

31 st December	2019				
CHF '000	CHF	EUR	USD	Others	Total
Liabilities					
Amounts due to banks	1'962	16'967	15'648	13'093	47'670
Amounts due in respect of customer deposit	27'439	127'656	56'015	7'584	218'694
Negative replacement values of derivative financial instruments	389	3'042	10'497	9	13'937
Other financial instruments at fair value	157'616	16'714	9'195	253	183'778
Accrued expenses and deferred income	3'269	0	0	0	3'269
Other liabilities	506	19	2	28	555
Reserves for general banking risks	240	0	0	0	240
Bank's capital	30'000	0	0	0	30'000
Statutory retained earnings reserves	450	0	0	0	450
Profit carried forward / loss carried forward	1'313	0	0	0	1'313
Profit (result of the period)	4	0	0	0	4
Total liabilities shown in the balance sheet	223'188	164'398	91'357	20'966	499'909
Delivery obligations from spot exchange, forward forex and forex options transactions	51'476	44'613	41'961	21'305	159'355
Total liabilities	274'664	209'011	133'318	42'271	659'264
Net position per currency	-1'648	52	314	-1	-1'283

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

28 Breakdown and explanation of contingent liabilities and assets

31 st December	2019 CHF	2018 CHF
Guarantees to secure credits and similar	251'118	327'775
Other contingent liabilities	39'878	39'878
Total contingent liabilities	290'996	367'653
Contingent assets arising from tax losses carried forward	0	0
Other contingent assets	0	0
Total contingent assets	0	0

29 breakdown of credit commitments

N/A

30 Breakdown of fiduciary transactions

31 st December	2019 CHF	2018 CHF
Fiduciary investments with third-parties	142'349'817	95'829'196
Total	142'349'817	95'829'196

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 Breakdown of assets and presentation of their development

31 st December	2019 CHF	2018 CHF
a) Breakdown of managed assets		
Type of managed assets:		
- Assets in collective investment schemes managed by the Bank	155'519'516	147'243'851
- Assets under discretionary asset management agreements	166'729'708	168'627'679
- Other managed assets	24'020'780	28'509'058
Total managed assets (included double counting)	346'270'004	344'380'588
- of which double counting	33'625'828	30'474'373
b) Presentation of the development of managed assets		
Total managed assets (including double counting) at beginning of the year	344'380'588	414'305'022
+/- net new money inflow or net new money outflow	15'550'434	-25'252'916
+/- price gains / losses, interest, dividends and currency gains / losses	-13'661'018	-44'671'518
+/- other effects	0	0
Total managed assets (including double counting) at the end of the year	346'270'004	344'380'588
- of which double counting	33'625'828	30'474'373
Total other assets	1'780'359'506	1'916'121'555
- of which double counting	0	0
Presentation of the development of other assets		
Total other assets (including double counting) at beginning of the year	1'916'121'555	2'070'350'589
+/- net new money inflow or net new money outflow	-223'217'869	-32'550'164
+/- price gains / losses, interest, dividends and currency gains / losses	87'455'820	-121'678'870
+/- other effects	0	0
Total other assets (including double counting) at the end of the year	1'780'359'506	1'916'121'555
- of which double counting	0	0
Total managed assets and other assets (included double counting)	2'126'629'510	2'260'502'143

Lombard loans have not been deducted from managed assets.

Net inflow / (outflow) from clients is calculated without including any accrued interests, charged commissions and expenses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

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32 Breakdown of the result from trading activities and the fair value option

	2019 CHF	2018 CHF
a) Breakdown by business area		
Private	3'059'978	4'537'977
Total	3'059'978	4'537'977
b) Breakdown by underlying risk and based on the use of the fair value option		
Result from trading activities from:		
- Interest rate instruments (including funds)	896'865	595'869
- Equity securities (including funds)	0	0
- Foreign currencies	2'151'644	3'938'862
- Commodities / precious metals	11'469	3'246
Total result from trading activities from:	3'059'978	4'537'977
of which, from fair value option	0	0
- of which, from fair value option on assets	0	0
- of which, from fair value option on liabilities	0	0

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

In accordance with Annex 3 mn A3-10 and mn A3-19 of FINMA Circular 2015/1, the payment of negative interests on lending operations are recorded in deduction of interest income (2019: CHF 541'224; 2018: CHF 694'345) and interest income arising from borrowings are recorded in deduction of interest expenses (2019: CHF 563'298; 2018: CHF 206'184).

34 Breakdown of personnel expenses

	2019 CHF	2018 CHF
Salaries	7'617'306	7'230'858
- of which, forms of variable compensation	782'000	684'680
Social insurance benefits	1'402'951	1'404'788
Other personnel expenses	144'432	66'165
Total	9'164'689	8'701'811

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35 Breakdown of general and administrative expenses

	2019 CHF	2018 CHF
Office space expenses	916'024	887'196
Expenses for information and communication technology	1'654'595	1'295'365
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	10'726	10'020
Fees of audit firm	528'564	370'000
- of which, for financial and regulatory audits	528'564	370'000
- of which, for other services	0	0
Other operating expenses	1'622'433	1'341'875
Total	4'732'342	3'904'456

36 Explanations regarding material losses, extraordinary income and expenses, as well as material releases of hidden reserves, reserves for banking risks, and value adjustments and provisions no longer required

	2019 CHF	2018 CHF
Extraordinary income		
Profit realized on the disposal of tangible fixed assets	0	5'248
Total	0	5'248
Changes in reserves for general banking risks		
Changes in reserves for general banking risks	240'000	-240'000
Total	240'000	-240'000

37 Disclosure of and reasons for revaluations of participations and tangible fixed assets up to the acquisitions cost

N/A

38 Presentation of the operating result divided between domestic and foreign origin, according to the principle of permanent establishment

N/A

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

39 Presentation of current taxes, deferred taxes, and disclosure of tax rate

	2019 CHF	2018 CHF
Current tax expenses	85'967	607'809
Deferred tax expenses	0	0
Total	85'967	607'809
Weighted average tax rate	95.63%	19.37%

40 Disclosures and explanations of the earnings for each right of participation in the case of listed banks

N/A



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Report of the Statutory Auditor to the General Meeting of Shareholders of

BANCA CREDINVEST SA, Lugano

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of BANCA CREDINVEST SA, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 7 - 38) for the year ended 31 December 2019.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

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.

KPMG AG



Carla Scoca
*Licensed Audit Expert
Auditor in Charge*



Claudia Brusatori

Lugano, 2 April 2020

CORPORATE GOVERNANCE INFORMATION

Board of Directors

Raffaele Rossetti

Born in 1967, Swiss citizen, he is Board member since 2010 and Chairman since 2014. He received his law degree from the University of Zurich. He has a wide and consolidated experience in advising on finance and banking law, banks, insurance companies, stock exchanges, securities dealers and collective investment schemes.

Joseph Louis Toson

Born in 1950, French citizen, he is Vice-Chairman of the Board since 2014. He holds a Diploma of Maîtrise de Mathématiques from the University of Paris and a Post graduate diploma in banking studies. His former professional career has given him a wide experience in the private banking sector.

Alberto Banfi

Born in 1958, Italian citizen, he is a Board member since 2007 and is currently member of the Audit Committee. He graduated in Scienze Economiche e Bancarie at Università Cattolica in Milan and is currently ordinary Professor at the Faculty of Scienze Bancarie Finanziarie e Assicurative in the same university.

Viktor Dario

Born in 1948, Swiss citizen, is Board member since 2016. He graduated in economics at the University of Zurich. He has held roles of responsibility in banks and asset managers.

Antonio Sergi

Born in 1957, Swiss citizen, he is Board member since 2008 and is also member of the Audit Committee. He holds a Diploma Federale in Economia Bancaria and has a large professional experience in the banking field.

CORPORATE GOVERNANCE INFORMATION

Executive Management

Mauro Scalfi

Born in 1958, Italian citizen, is Chief Executive Officer since 2007. He graduated in Discipline Economiche e Sociali at Bocconi University in Milan and has held roles of responsibility in banks, asset managers, financial intermediaries and SICAV. He has gained professional experiences in London, Italy and subsequently in Switzerland, since 2003. He is a Board Member of Alpe Adria Gestioni SIM SpA.

Massimo Bertini-Morini

Born in 1965, Swiss citizen, is Vice President Executive Officer since 2017. Holding a Diploma in Commerce, he has held roles of responsibility in financial institutions, especially in information technology, operational processes and administrative services. Started in Banca Credinvest in 2007 as Chief Information Technology, he has been appointed Director in 2008 in charge of all activities of the Operational Division of which he took responsibility in 2017.

Donatella Favalli

Born in 1971, Italian citizen, she has been Vice President Executive Officer since 2017. Graduated in Law at the University of Turin, she was admitted to the bar and started working in an international law firm. Subsequently she worked as corporate lawyer in an Italian multinational corporation. Since 2006 she has been active in Switzerland at a leading banking group, working first in the legal department and subsequently as head of the legal & compliance unit.



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