

# ANNUAL REPORT 2020



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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

since the Ordinary General Meeting of 29<sup>th</sup> April 2020

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

### Board of Directors

after the resolutions of the Ordinary General Meeting and the Board of Directors of 29<sup>th</sup> April 2020

Raffaele Rossetti <sup>(2)</sup>	Chairman (independent member)
Viktor Dario	Vice-Chairman (independent member)
Alberto Banfi <sup>(1)</sup>	Director (independent member)
Antonio Sergi <sup>(1)</sup>	Director (independent member)

### Board of Directors

after the resolutions of the Extraordinary General Meeting of 16<sup>th</sup> December 2020

Antonio Sergi	Chairman (independent member)
Viktor Dario	Vice-Chairman (independent member)
Alberto Banfi	Director (independent member)
Hieronymus T. Dormann <sup>(3)</sup>	Director (independent member)
Stephan Eggenberg <sup>(3)</sup>	Director (independent member)
Gianluca Generali	Director (independent member)

### Auditors

KPMG AG, Lugano

### Executive Management

Mauro Scalfi	Chief Executive Officer
Massimo Bertini-Morini	Deputy Chief Executive Officer
Donatella Favalli <sup>(4)</sup>	Vice President Executive Officer

<sup>(1)</sup> members of the Audit Committee until 16<sup>th</sup> December 2020

<sup>(2)</sup> until 16<sup>th</sup> September 2020

<sup>(3)</sup> members of the Audit Committee since 16<sup>th</sup> December 2020

<sup>(4)</sup> until 31<sup>st</sup> March 2020

# BOARD OF DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

Dear Shareholders,

In 2020, the pandemic crisis caused by the spread of the Covid-19 virus had a major recessionary impact on the world economy with significant effects on the manufacturing activity and the international trade. The easing of restrictive measures introduced to contain the outbreaks helped the economic rebound that took place during the summer months. The subsequent increase in infections, which intensified in the fourth quarter, slowed again the economic activity on a global scale. All national governments decided on major economic support programs. Monetary authorities intervened with extensive expansionary measures, injecting abundant liquidity into the markets.

In the US, the year was marked by a higher than expected rate of contagion and increased polarization and social tensions. The epidemic spread with uneven intensity to the eurozone countries. After the summer recovery, the economic activity weakened. The European Central Bank recalibrated its monetary policy instruments in an expansive direction. Individual states and European institutions set up substantial support initiatives with a multi-year horizon. Inflation expectations were further dampened, also due to the weakness of the aggregate demand.

Financial markets recorded positive results overall. The increase in risk aversion and the higher volatility experienced in the first months of the year were reabsorbed by the improvement in growth prospects; this contributed to the recovery in equity prices, albeit with differentiated trends. Long-term interest rates remained subdued or slightly negative in the major advanced economies.

Starting in the second half of the year, the euro appreciated against the dollar. Strategic diversification objectives, demand for protection and falling real interest rates were supportive factors for gold investments.

Some specific features helped Switzerland to contain the impact of the economic crisis. In particular, the pharmaceutical and commodities trading sectors had a stabilizing effect. The crisis did not affect the real estate market, although the sector suffered from a higher proportion of vacant properties. The currency maintained its stability and relative strength.

# BOARD OF DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

Despite the operational constraints and the objective difficulties caused by the spread of the pandemic, the Bank's activities continued without any major impediment. The massive use of teleworking and the operational protocols adopted in compliance with the measures taken by the Confederation and the Canton, did not compromise the effectiveness of the various services, which were always adequately guaranteed. Remote access to the Bank's operating systems took place without any malfunctions or limitations. Given the characteristics and nature of the loans in place, which are granted on a covered basis, there was no need, and there is no current need, to set aside provisions for loan positions.

The Bank participated in the Covid-19 lending program in accordance with the law, acting on behalf of its customers who requested it. No problems were reported in this regard.

In the last quarter of the year, the FINMA procedure described in the previous annual report was concluded. The supervisory authority did not impose sanctions or coercive measures on the Bank but did require the implementation of a few measures, mainly organizational. The Bank has already addressed these requests. Although the activities associated with the closure of the procedure hindered the implementation of new business initiatives, the year ended with a significantly better operating result and net profit than in the previous year.

Gross profit amounted to CHF 1'402'646 (CHF 616'672 in 2019); net profit amounted to CHF 656'494 (CHF 3'931 in 2019).

Total revenues amounted to CHF 15'048'710 (CHF 14'513'703 in 2019). Total interest income equalled CHF 1'610'183 (CHF 1'775'852 in 2019), commissions and service income reached CHF 10'459'366 (CHF 9'677'873 in 2019), revenues from trading operations was CHF 2'979'161 (CHF 3'059'978 in 2019).

Total operating expenses amounted to CHF 13'646'064 (CHF 13'897'031 in 2019), of which CHF 8'473'791 allocated to personnel expenses (CHF 9'164'689 in 2019) and CHF 5'172'273 to general expenses (CHF 4'732'342 in 2019). The careful policy of cost control allowed the overall incidence of costs to be reduced compared to the previous year.

# BOARD OF DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

Personnel expenses were positively affected by the initiatives to rationalise resources that were gradually implemented during the year. General expenses were higher than in the previous year, mainly due to the high incidence of charges for professional services related to the closure of the FINMA procedure mentioned above and to the outsourcing of certain activities.

Total depreciations and amortizations equalled CHF 514'248 (CHF 596'860 in 2019), lower than the previous year.

At year end, total client assets amounted to CHF 1'737 million (CHF 2'127 million at the end of 2019), lower than the previous year, mainly due to the implementation of strategic repositioning initiatives towards both private customers and certain institutional counterparties. As at 31st December 2020, the Bank had a total of 47 employees (43.4 "full time equivalent"), compared to 52 employees (47.7 "full time equivalent") as at 31st December 2019.

The overall reduction in resources was accompanied by a policy of selective recruitment and collaboration with third parties characterised by a high degree of specialisation in specific areas of activity, including outsourcing contracts.

The surplus of available capital as at 31st December 2020 stood at CHF 21.2 million (CHF 20.3 million as at 31st December 2019), with a ratio of eligible capital to required capital of 301% and a Tier 1 capital ratio of 31.65%.

The issuance of debt instruments continued. 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.

Particular attention was paid to expanding the number of trading counterparties and increasing the quality of services offered to Swiss and foreign intermediaries. Numerous IT implementations were carried out to further optimise and streamline internal processes and ensure high quality risk management.

# BOARD OF DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

The Bank intensified its efforts to implement a development strategy characterised by increased specialisation in selected areas of operations. In this context, contacts were initiated with a view to concluding collaboration agreements in the field of asset management and the structuring of financial transactions. In private banking, the commercial strategy was redefined, with strategic repositioning on certain target markets and a particular focus on medium- and high-end clients.

The company organisation and corporate governance were strengthened by expanding the composition of the Board of Directors and by enlarging the Executive Board with new members, appointed in 2020, with effect from 1st January 2021.

Considering the annual result (CHF 656'494) and the profit carried forward (CHF 1'316'097), the Board of Directors recommends its allocation as follows

To:	CHF
legal reserve	34'500
dividend	1'200'000
profit to be carried forward	738'091

During 2021, the Bank will further intensify its efforts to expand services to customers, promote new commercial initiatives and seek opportunities to expand its area of activity, with the aim to further improve the overall profitability, while respecting a strict risk control policy.

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 31<sup>ST</sup> DECEMBER 2020

### BALANCE SHEET

31 <sup>st</sup> December	Notes	2020 CHF	2019 CHF	Change CHF
<b>ASSETS</b>				
Liquid assets		76'310'933	75'409'935	900'998
Amounts due from banks		169'869'190	117'714'393	52'154'797
Amounts due from customers	2	100'393'867	90'179'776	10'214'091
Mortgage loans	2	17'841'850	19'147'170	-1'305'320
Trading portfolio assets	3	7'077'448	22'646'937	-15'569'489
Positive replacement values of derivative financial instruments	4	4'196'184	13'879'086	-9'682'902
Other financial instruments at fair value	3	182'680'317	156'177'832	26'502'485
Accrued income and prepaid expenses		3'503'285	2'783'912	719'373
Tangible fixed assets	8	768'185	1'083'893	-315'708
Other assets	10	1'271'350	886'737	384'613
<b>TOTAL ASSETS</b>		<b>563'912'609</b>	<b>499'909'671</b>	<b>64'002'938</b>

31 <sup>st</sup> December	Notes	2020 CHF	2019 CHF	Change CHF
<b>LIABILITIES</b>				
Amounts due to banks		35'716'063	47'670'368	-11'954'305
Amounts due in respect of customer deposit		267'067'304	218'693'575	48'373'729
Negative replacement values of derivative financial instruments	4	4'378'012	13'936'999	-9'558'987
Liabilities from other financial instruments at fair value	3, 14	219'912'507	183'777'924	36'134'583
Accrued expenses and deferred income		3'544'596	3'269'104	275'492
Other liabilities	10	631'036	555'104	75'932
Provisions	16	240'000	0	240'000
Reserves for general banking risks	16	0	240'000	-240'000
Bank's capital	17	30'000'000	30'000'000	0
Legal reserve from profits		450'500	450'000	500
Profit carried forward		1'316'097	1'312'666	3'431
Profit (result of the period)		656'494	3'931	652'563
<b>TOTAL LIABILITIES</b>		<b>563'912'609</b>	<b>499'909'671</b>	<b>64'002'938</b>



# ANNUAL FINANCIAL STATEMENTS

## AS AT 31<sup>ST</sup> DECEMBER 2020

### BALANCE SHEET

<i>31<sup>st</sup> December</i>				
	<i>Notes</i>	<i>2020 CHF</i>	<i>2019 CHF</i>	<i>Change CHF</i>
<b>Off-Balance Sheet transactions</b>				
Contingent liabilities	2, 28	2'295'304	290'996	2'004'308
Irrevocable commitments	2	458'000	502'000	-44'000
Fiduciary transactions	30	26'391'619	142'349'817	-115'958'198

# ANNUAL FINANCIAL STATEMENTS

## AS AT 31<sup>ST</sup> DECEMBER 2020

### INCOME STATEMENT

	Notes	2020 CHF	2019 CHF	Change CHF
<b>Result from interest operations</b>				
Interest and discount income		714'088	1'050'710	-336'622
Interest and dividend income from trading portfolios		171'530	300'781	-129'251
Interest expenses		724'565	424'361	300'204
<b>Gross result from interest operations</b>		<b>1'610'183</b>	<b>1'775'852</b>	<b>-165'669</b>
Changes in value adjustments for default risks and losses from interest operations		0	0	0
<b>Subtotal:</b>				
<b>Net result from interest operations</b>		<b>1'610'183</b>	<b>1'775'852</b>	<b>-165'669</b>
<b>Result from commission business and services</b>				
Commission income from securities trading and investment activities		18'148'961	16'187'546	1'961'415
Commission income from lending activities		23'522	17'336	6'186
Commission income from other services		1'666'856	1'066'097	600'759
Commission expenses		-9'379'973	-7'593'106	-1'786'867
<b>Subtotal: Result from commission business and services</b>		<b>10'459'366</b>	<b>9'677'873</b>	<b>781'493</b>
<b>Result from trading activities and the fair value option</b>	32	<b>2'979'161</b>	<b>3'059'978</b>	<b>-80'817</b>
<b>Operating expenses</b>				
Personnel expenses	34	-8'473'791	-9'164'689	690'898
General and administrative expenses	35	-5'172'273	-4'732'342	-439'931
<b>Subtotal: Operating expenses</b>		<b>-13'646'064</b>	<b>-13'897'031</b>	<b>250'967</b>
<b>Gross profit</b>		<b>1'402'646</b>	<b>616'672</b>	<b>785'974</b>
Value adjustment on participations and depreciation and amortisations of tangible fixed assets and intangible assets	8	-514'248	-596'860	82'612
Changes to provisions and other value adjustments, losses	16	-240'000	-169'914	-70'086
<b>Operating result</b>		<b>648'398</b>	<b>-150'102</b>	<b>798'500</b>
Changes in reserves for general banking risks	16	240'000	240'000	0
Taxes	39	-231'904	-85'967	-145'937
<b>Profit (result of the period)</b>		<b>656'494</b>	<b>3'931</b>	<b>652'563</b>

# ANNUAL FINANCIAL STATEMENTS

## AS AT 31<sup>ST</sup> DECEMBER 2020

### ALLOCATION OF BALANCE SHEET RESULT

#### Allocation of Balance Sheet result

Proposal of the Board of Directors	2020 CHF	2019 CHF
Profit carried forward	1'316'097	1'312'666
Profit of the year	656'494	3'931
<b>Available Profit</b>	<b>1'972'591</b>	<b>1'316'597</b>
<b>Application of results</b>		
Allocation to legal reserve	34'500	500
Dividend distribution	1'200'000	0
<b>Profit to be carried forward</b>	<b>738'091</b>	<b>1'316'097</b>

#### Statement of changes in shareholders' equity

	2020					
	Bank's capital CHF	Legal retained earnings reserve CHF	Reserves for general banking risks CHF	Profit carried forward CHF	Result of the period CHF	Total CHF
<b>Equity at start of current period</b>	<b>30'000'000</b>	<b>450'000</b>	<b>240'000</b>	<b>1'312'666</b>	<b>3'931</b>	<b>32'006'597</b>
Dividends and other distributions						0
Other allocations to / other withdrawals from reserves for general banking risks			-240'000			-240'000
Other allocations to / other withdrawals from other reserves		500			-500	0
Other allocations to profit / loss carried forward (allocation of result)				3'431	-3'431	0
Profit (result of the period)					656'494	656'494
<b>Equity at end of current period</b>	<b>30'000'000</b>	<b>450'500</b>	<b>0</b>	<b>1'316'097</b>	<b>656'494</b>	<b>32'423'091</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## 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 2020 was 47, equivalents to 43.4 full-time staff (31.12.2019: 52 employees equivalent to 47.7 full-time staff).

Following art. 16 of the Swiss Capital Adequacy Ordinance (CAO) as well as the guidelines (Circular 2016/01) 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](http://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 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

- Market risk

Each banking institution, as broker 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 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The Bank issues financial instruments in the form of structured products. These instruments represent a direct and unconditional obligation on the part of the Bank to the investor, who assumes counterparty, liquidity and market risk.

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.

The Bank issues financial instruments in the form of structured products which entail an operational and reputational risk in the event of incorrect NAV calculation. In order to mitigate this risk, controls are in place to ensure compliance with the investment strategy and margins defined in the various Pricing Supplements as well as compliance with investment limits.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 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.

### Outsourcing

Banca Credinvest SA. has entered into an outsourcing contract with AnaSys AG, Zurich for interbank swift messages and another contract with ASMA Asset Management Audit & Compliance SA, Lugano for compliance activities. The contracts are 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 Ordinance in relation to the preparation and presentation of accounts (FINMA accounting Ordinance), the FINMA Circ. 2020/01 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 1.0840 (31.12.2019: EUR 1.0850); USD 0.8820 (31.12.2019: USD 0.9680).

### **Cash, amounts due from banks and amounts due to banks**

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

### **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 or latent reserves (on performing loans).

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.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### **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.

### **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, issued by the Bank and recorded under "Other financial instruments at fair value" and "Liabilities from other financial instruments at fair value." The latter are subscribed by institutional clients.

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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).

### **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 (Swiss Life). 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 additional obligation towards the social security foundation and there are no residual employer's contributions reserves. 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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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.

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 2 mn 8 and mn 14 of FINMA Circular 2020/01, the payment of negative interests on lending operations are recorded in deduction of interest income (2020: CHF 538'298; 2019: CHF 541'224) and interest income arising from borrowings are recorded in deduction of interest expenses (2020: CHF 806'187; 2019: CHF 563'298).

### **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 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### **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**

There are no significant events to report after the Balance Sheet date.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 1 Breakdown of securities financing transactions (assets and liabilities)

N/A
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### 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
<b>Loans (before value adjustments)</b>				
Amounts due from customers	0	100'314'595	79'272	100'393'867
Mortgage loans				
- Residential property	17'841'850	0	0	17'841'850
<b>Total loans (before netting with value adjustments)</b>				
<b>31.12.2020</b>	<b>17'841'850</b>	<b>100'314'595</b>	<b>79'272</b>	<b>118'235'717</b>
31.12.2019	19'147'170	89'746'814	432'962	109'326'946

#### Total loans (after netting with value adjustments)

<b>31.12.2020</b>	<b>17'841'850</b>	<b>100'314'595</b>	<b>79'272</b>	<b>118'235'717</b>
31.12.2019	19'147'170	89'746'814	432'962	109'326'946

#### Off-balance sheet

Contingent liabilities	0	2'188'325	106'979	2'295'304
Irrevocable commitments	0	0	458'000	458'000
<b>Total off-balance-sheet</b>				
<b>31.12.2020</b>	<b>0</b>	<b>2'188'325</b>	<b>564'979</b>	<b>2'753'304</b>
31.12.2019	0	183'139	609'857	792'996

#### Impaired loan / receivables

	Gross debt amount CHF	Estimated liquidation value of collateral CHF	Net debt amount CHF	Individual value adjustments CHF
<b>Impaired loans / receivables</b>				
<b>31.12.2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
31.12.2019	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 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

<b>Assets</b> 31 <sup>st</sup> December	2020 CHF	2019 CHF
<b>Trading portfolio assets</b>		
Debt securities, money market securities / transactions	7'077'448	22'646'937
- of which, listed	7'077'448	22'646'937
Equity securities	0	0
Precious metals and commodities	0	0
Other trading portfolio assets	0	0
<b>Total trading portfolio assets</b>	<b>7'077'448</b>	<b>22'646'937</b>
<b>Other financial instruments at fair value</b>		
Debt securities	0	0
Structured products	182'680'317	156'177'832
Other	0	0
<b>Total other financial instruments at fair value</b>	<b>182'680'317</b>	<b>156'177'832</b>
<b>Total assets</b>	<b>189'757'765</b>	<b>178'824'769</b>
- of which, determined using a valuation model	0	0
- of which, securities eligible for repurchase transactions in accordance with liquidity requirements	0	0
<b>Liabilities</b> 31 <sup>st</sup> December	2020 CHF	2019 CHF
<b>Trading portfolio liabilities</b>		
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
<b>Total trading portfolio liabilities</b>	<b>0</b>	<b>0</b>
<b>Other financial instruments at fair value</b>		
Debt securities	0	0
Structured products	219'912'507	183'777'924
Other	0	0
<b>Total other financial instruments at fair value</b>	<b>219'912'507</b>	<b>183'777'924</b>
<b>Total liabilities</b>	<b>219'912'507</b>	<b>183'777'924</b>
of which, determined using a valuation model	0	0

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## 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
<b>Foreign exchange / Precious metals</b>						
Forward contracts	305'138	308'498	26'284'852	0	0	0
Combined interest rate / currency swaps	800'161	978'629	126'377'232	0	0	0
Futures	0	0	0	0	0	0
Options (OTC)	0	0	0	0	0	0
Options (exchange-traded)	0	0	0	0	0	0
<b>Total</b>	<b>1'105'299</b>	<b>1'287'127</b>	<b>152'662'084</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Equity securities / Indices</b>						
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)	3'090'885	3'090'885	68'253'128	0	0	0
<b>Total</b>	<b>3'090'885</b>	<b>3'090'885</b>	<b>68'253'128</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total before netting agreements</b>						
<b>31.12.2020</b>	<b>4'196'184</b>	<b>4'378'012</b>	<b>220'915'212</b>	<b>0</b>	<b>0</b>	<b>0</b>
- of which, determined using a valuation model	0	0	0	0	0	0
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
<b>Total after netting agreements</b>						
	Positive replacement values (cumulative)		Negative replacement values (cumulative)			
<b>31.12.2020</b>	<b>4'196'184</b>		<b>4'378'012</b>			
31.12.2019	13'879'086		13'936'999			

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	4'102'184	94'000

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 5 Breakdown of financial investments

N/A

### 6 Presentation of participations

N/A

### 7 Disclosure of companies in which the bank holds a permanent direct or indirect significant participation as at 31<sup>st</sup> December 2020

N/A

### 8 Presentation of tangible fixed assets

	Acquisition cost	Accumulated depreciation at the beginning of the year	Book value at the beginning of the year	2020					
				Reclassifications	Additions	Disposals	Depreciation	Reversals	Book value at the end of current year
				CHF	CHF	CHF	CHF	CHF	CHF
Software	2'114'055	-1'978'150	135'905	0	47'888	0	-87'078	0	96'715
Other tangible fixed assets	4'455'244	-3'507'253	947'988	0	150'652	0	-427'170	0	671'470
<b>Total tangible fixed assets</b>	<b>6'569'299</b>	<b>-5'485'403</b>	<b>1'083'893</b>	<b>0</b>	<b>198'540</b>	<b>0</b>	<b>-514'248</b>	<b>0</b>	<b>768'185</b>

### Operating leases: total amount not included in the Balance Sheet

	Total 31.12.2020 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:	8'200	2'400	2'400	2'400	1'000	0	0
Future rental payment	3'473'000	527'520	527'520	527'520	527'520	462'920	900'000
<b>Total</b>	<b>3'481'200</b>	<b>529'920</b>	<b>529'920</b>	<b>529'920</b>	<b>528'520</b>	<b>462'920</b>	<b>900'000</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 9 Presentation of intangible assets

N/A
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### 10 Breakdown of other assets and other liabilities

31 <sup>st</sup> December	Other assets		Other liabilities	
	2020 CHF	2019 CHF	2020 CHF	2019 CHF
Guarantee deposits	42'444	42'444	0	0
Indirect taxes	747'656	453'049	576'604	500'672
Payments on account of accrued rebates	162'895	158'146	0	0
Direct taxes	132'821	229'450	0	0
Others	185'534	3'648	54'432	54'432
<b>Total</b>	<b>1'271'350</b>	<b>886'737</b>	<b>631'036</b>	<b>555'104</b>

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

31 <sup>st</sup> December	2020		2019	
	CHF	CHF	CHF	CHF
	Book value	Effective commitments	Book value	Effective commitments
<b>Pledged / assigned assets</b>				
Pledged assets to guarantee stock market and foreign exchange activities	3'134'791	3'134'791	2'514'897	2'514'897
Guarantee deposits	42'444	42'444	42'444	42'444

### 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
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 13 Disclosure on the economic situation of own pension schemes

a) Employer contribution reserves (ECR)	Nominal value: at current year end 2020	Waiver of use at current year end 2020	Net amount at current year end 2020	Net amount at previous year end 2019	Influence of ECR on personnel expenses at current year end 2020	Influence of ECR on personnel expenses at previous year end 2019
	CHF	CHF	CHF	CHF	CHF	CHF
Employer sponsored funds						
- Employer sponsored pensions scheme	0	0	0	0	0	0
- Pension scheme	0	0	0	0	0	0

b) Presentation of the economic benefit / obligation and the financial cost	Overfunding/ underfunding at end of current year 2020	Economic interest of the bank at end of current year 2020	Economic interest of the bank at end of previous year 2019	Change in economic interest versus previous year (economic benefit/ obligation)	Contributions paid for the current period 2020	Pensions expenses included in personnel expenses at end of current year 2020	Pensions expenses included in personnel expenses at end of previous year 2019
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Pension plans without overfunding / under-funding	0	0	0	0	0	721'799	819'903

For pension and social security purposes Banca Credinvest 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 14 Presentation of issued structured products

	Book value				Total
	Valued as a whole		Valued separately		
	Booked in trading portfolio CHF	Booked in other financial 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	41'852'687	0	0	41'852'687
Without oDC	0	0	0	0	0
Foreign currencies					
With own debenture component (oDC)	0	178'059'820	0	0	178'059'820
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 <sup>st</sup> December 2020	0	219'912'507	0	0	219'912'507

### 15 Presentation of outstanding bonds and mandatory convertible bonds

N/A
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 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	Reclassifications CHF	Currency differences CHF	Default interests, sums recovered CHF	New creations charged to P & L CHF	Release to P & L CHF	Balance at current year end CHF
Other provisions	0	0	0	0	0	240'000	0	240'000
<b>Total provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>240'000</b>	<b>0</b>	<b>240'000</b>
<b>Reserves for general banking risks</b>	<b>240'000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-240'000</b>	<b>0</b>
<b>Value adjustments for default risks and contry risks</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 17 Presentation of the share capital

31 <sup>st</sup> December	2020			2019		
	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 nominative 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
<b>Total bank's capital</b>	<b>30'000'000</b>	<b>36'408</b>	<b>30'000'000</b>	<b>30'000'000</b>	<b>36'408</b>	<b>30'000'000</b>
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 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 19 Disclosure of amounts due from / to related parties

31 <sup>st</sup> December	Amounts due from		Amounts due to	
	2020 CHF	2019 CHF	2020 CHF	2019 CHF
Holders of qualified participations	2'763'017	3'141'794	2'175'079	1'576'275
Group companies	0	0	0	0
Linked companies	0	0	0	0
Transactions with members of governing bodies	1'764'000	2'350'000	555'471	700'203
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 applied to transactions of group companies are carried out according to market criteria. One indirect shareholder of the Bank is also a member of the Executive Management; amounts due from (2020: CHF 800'000; 2019: CHF 1'200'000) and amounts due to (2020: CHF 260'985; 2019: CHF 377'467) this related party are included in both categories.

### 20 Disclosure of holders of significant participations

31 <sup>st</sup> December	2020		2019	
	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%	18'179'000	67.53%

As at 31<sup>st</sup> December 2020, 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 Andrea De Vido (94.71%) and his family members (5.29%).

### 21 Disclosure of own shares and composition of equity capital

N/A
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### 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
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## 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	
<b>Assets / financial instruments</b>								
Liquid assets	76'310'933	0	0	0	0	0	0	76'310'933
Amounts due from banks	103'763'130	0	64'480'120	1'083'960	541'980	0	0	169'869'190
Amounts due from customers	0	57'688'621	42'575'171	130'075	0	0	0	100'393'867
Mortgage loans	0	0	0	0	0	17'841'850	0	17'841'850
Trading portfolio assets	4'187	0	1'085'369	2'733'440	3'254'452	0	0	7'077'448
Positive replacement values of derivatives financial instruments	4'196'184	0	0	0	0	0	0	4'196'184
Other financial instruments at fair value	0	0	0	3'209'941	174'802'061	4'668'315	0	182'680'317
<b>31.12.2020</b>	<b>184'274'434</b>	<b>57'688'621</b>	<b>108'140'660</b>	<b>7'157'416</b>	<b>178'598'493</b>	<b>22'510'165</b>	<b>0</b>	<b>558'369'789</b>
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
<b>Debt capital / financial instruments</b>								
Amounts due to bank	35'461'048	0	255'015	0	0	0	0	35'716'063
Amounts due in respect of customer deposits	263'375'352	0	3'691'952	0	0	0	0	267'067'304
Negative replacement values of derivative financial instruments	4'378'012	0	0	0	0	0	0	4'378'012
Liabilities from other financial instruments con valutazione at fair value	0	0	0	3'723'829	211'296'906	4'891'772	0	219'912'507
<b>31.12.2020</b>	<b>303'214'412</b>	<b>0</b>	<b>3'946'967</b>	<b>3'723'829</b>	<b>211'296'906</b>	<b>4'891'772</b>	<b>0</b>	<b>527'073'886</b>
31.12.2019	461'515'810	0	2'563'056	0	0	0	0	464'078'866

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

31 <sup>st</sup> December	2020		2019	
	Domestic CHF '000	Foreign CHF '000	Domestic CHF '000	Foreign CHF '000
<b>Assets</b>				
Liquid assets	76'311	0	75'410	0
Amounts due from banks	24'119	145'750	13'022	104'692
Amounts due from customers	35'235	65'159	29'419	60'761
Mortgage loans	17'842	0	19'147	0
Trading portfolio assets	0	7'077	0	22'647
Positive replacement values of derivative financial instruments	667	3'529	5'770	8'109
Other financial instruments at fair value	182'680	0	156'178	0
Accrued income and prepaid expenses	3'503	0	2'784	0
Tangible fixed assets	768	0	1'084	0
Other assets	1'271	0	887	0
<b>Total assets</b>	<b>342'398</b>	<b>221'515</b>	<b>303'700</b>	<b>196'209</b>

31 <sup>st</sup> December	2020		2019	
	Domestic CHF '000	Foreign CHF '000	Domestic CHF '000	Foreign CHF '000
<b>Liabilities</b>				
Amounts due to banks	2'075	33'641	0	47'670
Amounts due in respect of customer deposit	31'140	235'927	26'552	192'142
Negative replacement values of derivative financial instruments	669	3'709	5'275	8'662
Other financial instruments at fair value	219'913	0	183'778	0
Accrued expenses and deferred income	3'545	0	3'269	0
Other liabilities	631	0	555	0
Provisions	240	0	0	0
Reserves for general banking risks	0	0	240	0
Bank's capital	30'000	0	30'000	0
Statutory retained earnings reserves	451	0	450	0
Profit carried forward	1'316	0	1'313	0
Profit (result of the period)	656	0	4	0
<b>Total liabilities</b>	<b>290'636</b>	<b>273'277</b>	<b>251'435</b>	<b>248'474</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

31 <sup>st</sup> December	2020		2019	
	Absolute CHF '000	Share as %	Absolute CHF '000	Share as %
<b>Assets</b>				
Switzerland	342'398	60.71%	303'700	60.75%
Rest of Europe	177'110	31.41%	154'711	30.95%
North America	38'332	6.80%	36'945	7.39%
South America	5'953	1.06%	4'306	0.86%
Others	120	0.02%	247	0.05%
<b>Total assets</b>	<b>563'913</b>	<b>100.00%</b>	<b>499'910</b>	<b>100.00%</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

31 <sup>st</sup> December			Net foreign exposure 2020		Net foreign exposure 2019	
Nation	S & P (Standard & Poor's)		CHF '000	%	CHF '000	%
Denmark	AAA - AA-		8'246	3.72%	11'688	5.96%
Germany	AAA - AA-		11'205	5.06%	15'651	7.98%
Luxembourg	AAA - AA-		47'284	21.35%	33'037	16.84%
Holland	AAA - AA-		24'606	11.11%	8'252	4.21%
USA	AAA - AA-		38'332	17.30%	36'945	18.83%
others	AAA - AA-		9	0.00%	1	0.00%
Belgium	A+ - A-		24'670	11.14%	21'910	11.17%
United Arab Emirates	A+ - A-		109	0.05%	107	0.05%
Cayman Islands	A+ - A-		437	0.20%	50	0.03%
Czech Republic	A+ - A-		630	0.28%	0	0.00%
France	A+ - A-		1'250	0.56%	1'349	0.69%
United Kingdom	A+ - A-		2'737	1.24%	1'786	0.91%
Israel	BBB+ - BBB-		0	0.00%	137	0.07%
Malta	BBB+ - BBB-		118	0.05%	278	0.14%
Poland	BBB+ - BBB-		651	0.29%	652	0.33%
Spain	BBB+ - BBB-		3'136	1.42%	3'879	1.98%
Panama	BB+ - BB-		8	0.00%	707	0.36%
Croatia	BB+ - BB-		196	0.09%	0	0.00%
Italy	BB+ - BB-		49'942	22.55%	55'140	28.10%
Portugal	BB+ - BB-		22	0.01%	0	0.00%
Russian Federation	BB+ - BB-		1'364	0.62%	1'078	0.55%
others	BB+ - BB-		2	0.00%	7	0.00%
Bahamas	B+ - B-		2'469	1.11%	2'918	1.49%
Dominican Republic	B+ - B-		230	0.10%	224	0.11%
Brazil	B+ - B-		2	0.00%	1	0.00%
Paraguay	B+ - B-		184	0.08%	157	0.08%
Cyprus	B+ - B-		2'932	1.32%	0	0.00%
others	B+ - B-		4	0.00%	2	0.00%
Venezuela	CCC+ - C		21	0.01%	8	0.00%
Montenegro	CCC+ - C		140	0.06%	0	0.00%
others	CCC+ - C		3	0.00%	3	0.00%
British Virgin Islands	Senza rating		419	0.19%	239	0.12%
Guernsey	Senza rating		153	0.07%	0	0.00%
Monaco	Senza rating		4	0.00%	2	0.00%
others	Senza rating		0	0.00%	1	0.00%
<b>Total</b>			<b>221'515</b>	<b>100.00%</b>	<b>196'209</b>	<b>100.00%</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## 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 <sup>st</sup> December	2020				
in CHF '000	CHF	EUR	USD	Others	Total
<b>Assets</b>					
Liquid assets	69'030	7'149	96	36	76'311
Amounts due from banks	6'993	70'758	76'217	15'901	169'869
Amounts due from customers	16'993	69'866	12'762	773	100'394
Mortgage loans	17'842	0	0	0	17'842
Trading portfolio assets	0	4'347	2'730	0	7'077
Positive replacement values of derivative financial instruments	155	474	3'564	3	4'196
Other financial instruments at fair value	178'547	1'002	3'047	84	182'680
Accrued income and prepaid expenses	3'434	58	8	3	3'503
Tangible fixed assets	768	0	0	0	768
Other assets	1'090	7	174	0	1'271
<b>Total assets shown in the balance sheet</b>	<b>294'852</b>	<b>153'661</b>	<b>98'598</b>	<b>16'800</b>	<b>563'913</b>
Delivery entitlements from spot exchange, forward forex and option transactions	13'725	38'786	80'156	19'995	152'662
<b>Total assets</b>	<b>308'577</b>	<b>192'447</b>	<b>178'754</b>	<b>36'795</b>	<b>716'575</b>

31 <sup>st</sup> December	2020				
in CHF '000	CHF	EUR	USD	Others	Total
<b>Liabilities</b>					
Amounts due to banks	3'009	11'536	13'141	8'030	35'716
Amounts due in respect of customer deposits	30'386	117'665	113'814	5'202	267'067
Negative replacement values of derivative financial instruments	312	470	3'576	20	4'378
Other financial instruments at fair value	180'396	27'678	11'786	53	219'913
Accrued expenses and deferred income	3'545	0	0	0	3'545
Other liabilities	589	24	2	16	631
Provisions	240	0	0	0	240
Bank's capital	30'000	0	0	0	30'000
Statutory retained earnings reserves	451	0	0	0	451
Profit carried forward	1'316	0	0	0	1'316
Profit (result of the period)	656	0	0	0	656
<b>Total liabilities shown in the balance sheet</b>	<b>250'900</b>	<b>157'373</b>	<b>142'319</b>	<b>13'320</b>	<b>563'913</b>
Delivery obligations from spot exchange, forward forex and forex options transactions	58'964	35'116	36'483	23'451	154'014
<b>Total liabilities</b>	<b>309'864</b>	<b>192'489</b>	<b>178'802</b>	<b>36'771</b>	<b>717'927</b>
<b>Net position per currency</b>	<b>-1'287</b>	<b>-42</b>	<b>-48</b>	<b>24</b>	<b>-1'352</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 28 Breakdown and explanation of contingent liabilities and assets

31 <sup>st</sup> December	2020 CHF	2019 CHF
Guarantees to secure credits and similar	2'255'426	251'118
Other contingent liabilities	39'878	39'878
<b>Total contingent liabilities</b>	<b>2'295'304</b>	<b>290'996</b>
Contingent assets arising from tax losses carried forward	0	0
Other contingent assets	0	0
<b>Total contingent assets</b>	<b>0</b>	<b>0</b>

### 29 Breakdown of credit commitments

N/A
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### 30 Breakdown of fiduciary transactions

31 <sup>st</sup> December	2020 CHF	2019 CHF
Fiduciary investments with third-parties	26'391'619	142'349'817
<b>Total</b>	<b>26'391'619</b>	<b>142'349'817</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 31 Breakdown of assets and presentation of their development

31 <sup>st</sup> December	2020 CHF	2019 CHF
a) Breakdown of assets		
Type of assets:		
- Assets in collective investment schemes managed by the Bank	135'408'846	155'519'516
- Assets under discretionary asset management agreements	128'215'104	166'729'708
- Other managed assets	1'473'184'894	1'804'380'286
<b>Total assets (included double counting)</b>	<b>1'736'808'844</b>	<b>2'126'629'510</b>
- of which double counting	38'902'649	33'625'828
- of which assets under discretionary asset management agreements with third-parties	73'364'405	78'258'183
b) Presentation of the development of assets		
<b>Total assets (including double counting) at beginning of the year</b>	<b>2'126'629'510</b>	<b>2'260'502'143</b>
+/- net new money inflow or net new money outflow	-350'906'127	-207'667'435
+/- price gains / losses, interest, dividends and currency gains / losses	-38'914'539	73'794'802
+/- other effects	0	0
<b>Total assets (included double counting) at the end of the year</b>	<b>1'736'808'844</b>	<b>2'126'629'510</b>

"Assets under discretionary management agreements" include also assets deposited with third parties.

"Other managed assets" includes all assets for which the Bank receives fees and/or additional fees to custody fees and account maintenance fees. Assets deposited simply for safekeeping ("custody assets") are excluded from the total of assets under management. The Bank has no assets that can be considered as "custody only".

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 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

	2020 CHF	2019 CHF
a) Breakdown by business area		
Private	2'979'161	3'059'978
<b>Total</b>	<b>2'979'161</b>	<b>3'059'978</b>
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)	1'173'066	896'865
- Equity securities (including funds)	0	0
- Foreign currencies	1'760'164	2'151'644
- Commodities / precious metals	45'931	11'469
<b>Total result from trading activities from:</b>	<b>2'979'161</b>	<b>3'059'978</b>
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 2 mn 2 and 8 of FINMA Circular 2020/01, the payment of negative interests on lending operations are recorded in deduction of interest income (2020: CHF 538'298; 2019: CHF 541'224) and interest income arising from borrowings are recorded in deduction of interest expenses (2020: CHF 806'187; 2019: CHF 563'298).

### 34 Breakdown of personnel expenses

	2020 CHF	2019 CHF
Salaries	7'097'554	7'617'306
- of which, forms of variable compensation	1'201'690	782'000
Social insurance benefits	1'257'911	1'402'951
Other personnel expenses	118'326	144'432
<b>Total</b>	<b>8'473'791</b>	<b>9'164'689</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 35 Breakdown of general and administrative expenses

	2020 CHF	2019 CHF
Office space expenses	915'796	916'024
Expenses for information and communication technology	1'785'327	1'654'595
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	18'879	10'726
Fees of audit firm (art. 961a n.2 CO)	350'892	528'564
- of which, for financial and regulatory audits	350'892	528'564
- of which, for other services	0	0
Other operating expenses	2'101'379	1'622'433
<b>Total</b>	<b>5'172'273</b>	<b>4'732'342</b>

### 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

	2020 CHF	2019 CHF
Changes in reserves for general banking risks		
- Changes in reserves for general banking risks	240'000	240'000
<b>Total</b>	<b>240'000</b>	<b>240'000</b>

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

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

N/A
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2020

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

	2020 CHF	2019 CHF
Current tax expenses	231'904	85'967
Deferred tax expenses	0	0
<b>Total</b>	<b>231'904</b>	<b>85'967</b>
Weighted average tax rate	26.10%	95.63%

### 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 2020.

**Board of Directors' Responsibility**

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the 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 2020 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



Patrizio Aggio  
Licensed Audit Expert  
Auditor in Charge



Claudia Brusatori

Lugano, 25 March 2021

# CORPORATE GOVERNANCE

## **Board of Directors**

### Antonio Sergi

Born in 1957, Swiss citizen, he is Board member since 2008 and Chairman since 2020. He holds a Diploma Federale in Economia Bancaria and has a large professional experience in the banking field.

### Viktor Dario

Born in 1948, Swiss citizen, he is Board member since 2016 and Vice-Chairman since 2020. He graduated in economics at the University of Zurich. He has held roles of responsibility in banks and asset managers.

### Alberto Banfi

Born in 1958, Italian citizen, he is a Board member since 2007. 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.

### Hieronymus T. Dormann

Born in 1960, Swiss citizen, he is Board member and member of the Audit Committee since 2020. He has a degree in economics from the HSG St. Gallen and is a certified auditor. During his professional career he held various management positions in a large international auditing and consulting company.

# CORPORATE GOVERNANCE

## Stephan Eggenberg

Born in 1956, Swiss citizen, he is Board member and member of the Audit Committee since 2020. He has a degree in economics from the Berne University of Applied Sciences and is a certified auditor. He held various management positions in a large international auditing and consulting company. During the last 20 years he was the Chief Audit Executive of first, an international Bank acting in Ticino and then of a large Swiss insurance company.

## Gianluca Generali

Born in 1969, Swiss citizen, he is Board member since 2020. He is practicing the legal profession since 2000. He Graduated in Law at the University of Zurich in 1994, after a training period abroad, he was admitted to the bar in 1996. He worked at the Lugano Magistrate's Court until 1998 and in 1999 for the Legal & Compliance unit of a leading Swiss bank institution. Since 2005 he is partner in a historic law firm in Lugano, operating, in particular, in the field of contractual, commercial and financial consulting. He is member of the board of several companies.

# CORPORATE GOVERNANCE

## **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 finally in Switzerland, since 2003.

Massimo Bertini-Morini

Born in 1965, Swiss citizen, is Deputy Chief Executive Officer since 2020. He holds 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 Crediinvest in 2007 as Chief Information Technology, he has been appointed Director in 2008 in charge of all activities of the Operational Division. He was appointed Vice President Executive Officer in 2017.



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