

ANNUAL REPORT 2018



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* The acquisition of 52.1875% of Alpe Adria Gestioni SIM S.p.A., Pordenone was completed on 2nd February 2018 and consequently the previous year's figures are not presented in the annual consolidated financial statements.

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

CORPORATE GOVERNANCE OF BANCA CREDINVEST SA

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 |

CORPORATE GOVERNANCE OF ALPE ADRIA GESTIONI SIM S.P.A.

Board of Directors

| | |
|-------------------|-------------------|
| Michele Calzolari | Chairman |
| Felice Fort | Managing Director |
| Umberto Spadotto | Managing Director |
| Mauro Scalfi | Director |
| Andrea De Vido | Director |

Collegio sindacale

| | |
|------------------------|----------|
| Dino Donato Abate | Chairman |
| Paolo Bailot | Member |
| Daniela Celsa Kalamian | Member |

Auditors

KPMG S.p.A., Trieste

⁽¹⁾ members of the Audit Committee

BOARD OF DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2018

Dear Shareholders,

During 2018 the recovery of the global economic activity continued. Short-term outlooks remain favorable, although with reduced growth expectations. The American protectionist turn has influenced the world trade trend, business confidence and manufacturing activity. The economic cycle has remained expansionary in the United States, weakened in the Euro area, stabilized in Japan. The growth of the emerging countries has been held back by the strength of the US dollar.

Inflation has remained weak and consumer prices have not shown signs of growth. Monetary policies have remained dovish in the Eurozone and in Japan. The Federal Reserve has continued its policy of increasing interest rates. Low inflation and a moderate credit activity favored the adoption of gradual normalization measures by central banks.

In the United States, the economic growth has remained solid, supported by all components of the domestic demand and favored, in particular, by the fiscal stimulus. A low unemployment rate and improved income conditions have fueled private consumption.

Growth has weakened in the European Union and has been mainly supported by domestic demand. The slowdown has been largely originated by the contraction of the automotive and manufacturing sectors. Moderate wage dynamics and large margins of labour under-capacity have helped to keep the inflation low. The ECB has started to reduce the net purchases of securities, while maintaining an accommodating monetary policy.

The Japanese economy has continued to grow at a moderate pace fueled by fiscal incentives and driven by consumption as well as public and private investments. Inflation, net of the energy and food components, turned out to be modest.

Financial markets have highlighted a higher level of volatility, mainly in the last quarter of the year. Long-term interest rates have remained at low levels, reflecting the expectations of a gradual normalization of monetary policies in the main advanced economies. Overall equities posted negative results, albeit with different

BOARD OF DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2018

trends in the various geographical areas. European stocks underperformed US stocks, while emerging markets recorded negative results. The Euro depreciated against the US dollar, while emerging currencies showed widespread depreciations.

In the last months of the year, after quarters of solid growth, the Swiss economy decelerated due to the slowdown in international growth and a weaker domestic demand. The appreciation of the Swiss franc against the Euro has impacted on exports.

Directors' report on the Parent Bank

During 2018 the Bank consolidated and outperformed the economic results achieved in the previous year. The range of products handled has been widened and further diversified. The level of capitalization continues to remain high. The excess of free capital available as at 31st December 2018 amounts to over CHF 22.6 million (CHF 25.6 million as at 31st December 2017), with a ratio between eligible and required capital of 307% and a Tier 1 capital ratio of 32.49%.

The net profit for the period amounted to CHF 2'530'663. This result is higher than that of the previous year equal to CHF 2'271'823. During the year, the Bank allocated CHF 240'000 to the "reserve for general banking risks", to further increase its net capital position.

Total revenues amounted to CHF 16'608'686 (CHF 16'296'145 in 2017). Total income from interest activities has been equal to CHF 2'161'100 (CHF 2'789'769 in 2017), revenues from commissions and service fees activities amounted to CHF 9'909'609 (CHF 10'013'534 in 2017), revenues from trading operations reached CHF 4'537'977 (CHF 3'492'842 in 2017). The residual cost arising from the "asset deal" concluded in 2016 has been completely amortized in the first quarter of the year.

Total costs amounted to CHF 12'606'267 (CHF 12'378'097 in 2017), of which CHF 8'701'811 allocated to personnel expenses (CHF 8'860'066 in 2017) and CHF 3'904'456 to general expenses (CHF 3'518'031 in 2017). Costs for general expenses increased from the previous year for the use of third parties' services previously provided by internal resources and by a higher recourse to support devices required for the execution of activities with institutional counterparties.

BOARD OF DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2018

Total depreciations have been equal to CHF 644'770 (CHF 692'994 in 2017), lower than the previous year.

At year's end, total assets from clients amounted to CHF 2'260 million (CHF 2'485 million at the end of 2017), lower than the previous year, mainly due to the negative performance of financial markets in the last month of the year and a lower contribution in terms of AUM from institutional clients. The number of relationships increased by 7% year on year. As at 31st December 2018, the Bank had a total of 53 employees (48.9 "full time equivalent"), compared to 53 employees (49.45 "full time equivalent") as at 31st December 2017.

In the first quarter of the year, all activities related to the acquisition of the control of Alpe Adria Gestioni SIM S.p.A., an Italian regulated broker/dealer, have been completed. During the year several measures have been taken to enable the company to achieve a better economic balance in 2019. The relevant purchase price was paid on 2nd February 2018.

The activity associated with the issuance of debt instruments has continued and has been expanded. 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 an underlying mainly composed by a security portfolio, underwritten by institutional clients.

Given the annual result (CHF 2'530'663), the Board of Directors recommends its allocation as follows:

| | CHF |
|---------------------------|-----------|
| to legal reserve | 200'000 |
| to dividend | 2'200'000 |
| to profit carried forward | 130'663 |

During 2019, the Bank will further intensify its efforts to expand the services and secure a stable growth of assets and profitability.

BOARD OF DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2018

Directors' report on Alpe Adria Gestioni SIM S.p.A.

The activity of the subsidiary focuses mainly on investment and portfolio management for a consolidated basis of customers, which, in several cases, are also shareholders of the company. In order to expand the activity, in the second half of the year several initiatives have been taken to verify the possibility to aggregate with other entities.

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

The Board of Directors

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

CONSOLIDATED BALANCE SHEET

| <i>31st December</i> | <i>Notes</i> | <i>2018 CHF</i> |
|--|--------------|---------------------|
| ASSETS | | |
| Liquid assets | | 160'207'953 |
| Amounts due from banks | | 112'673'318 |
| Amounts due from customers | 2 | 93'210'104 |
| Mortgage loans | 2 | 13'961'830 |
| Trading portfolio assets | 3 | 16'489'606 |
| Positive replacement values of derivative financial instruments | 4 | 7'814'651 |
| Other financial instruments at fair value | 3, 14 | 84'545'430 |
| Accrued income and prepaid expenses | | 1'895'905 |
| Non-consolidated participations | 6, 7 | 28'295 |
| Tangible fixed assets | 8 | 1'658'254 |
| Other assets | 10 | 818'765 |
| TOTAL ASSETS | | 493'304'111 |

| <i>31st December</i> | <i>Notes</i> | <i>2018 CHF</i> |
|--|--------------|---------------------|
| LIABILITIES | | |
| Amounts due to banks | | 71'430'263 |
| Amounts due in respect of customer deposit | | 266'290'434 |
| Negative replacement values of derivative financial instruments | 4 | 8'116'511 |
| Liabilities from other financial instruments at fair value | 3, 14 | 107'197'711 |
| Accrued expenses and deferred income | | 4'255'684 |
| Other liabilities | 10 | 536'417 |
| Provisions | 16 | 0 |
| Reserves for general banking risks | 16 | 480'000 |
| Bank's capital | | 30'000'000 |
| Retained earnings reserve | | 1'452'553 |
| Currency translation reserves | | -58'227 |
| Minority interests in equity capital | | 1'747'618 |
| Group profit | | 1'855'147 |
| <i>of which minority interests in group profit</i> | | <i>-364'207</i> |
| TOTAL LIABILITIES | | 493'304'111 |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2018

CONSOLIDATED BALANCE SHEET

| <i>31st December</i> | <i>Notes</i> | <i>2018 CHF</i> |
|--|--------------|---------------------|
| Consolidated Off-Balance Sheet transactions | | |
| Contingent liabilities | 2, 28 | 367'653 |
| Irrevocable commitments | 2 | 470'000 |
| Fiduciary transactions | 30 | 95'829'196 |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

CONSOLIDATED INCOME STATEMENT

| | Notes | 2018 CHF |
|--|-------|--------------------|
| Result from interest operations | | |
| Interest and discount income | | 1'857'146 |
| Interest and dividend income from trading portfolios | | 177'479 |
| Interest expenses | | 137'521 |
| Subtotal: | | |
| Gross result from interest operations | | 2'172'146 |
| Changes in value adjustments for default risks and losses from interest operations | | 0 |
| Subtotal: | | |
| Net result from interest operations | | 2'172'146 |
| Result from commission business and services | | |
| Commission income from securities trading and investment activities | | 16'581'716 |
| Commission income from lending activities | | 30'060 |
| Commission income from other services | | 1'266'111 |
| Commission expenses | | -6'787'348 |
| Subtotal: | | |
| Result from commission business and services | | 11'090'539 |
| Result from trading activities and the fair value option | 32 | 4'537'677 |
| Operating expenses | | |
| Personnel expenses | 34 | -9'622'791 |
| General and administrative expenses | 35 | -4'751'376 |
| Subtotal: Operating expenses | | -14'374'167 |
| Gross profit | | 3'426'195 |
| Value adjustment on participations and depreciation and amortisations of tangible fixed assets and intangible assets | 8 | -831'545 |
| Changes to provisions and other value adjustments, losses | 16 | 13'877 |
| Operating result | | 2'608'527 |
| Extraordinary income | 36 | 92'551 |
| Changes in reserves for general banking risks | 16 | -240'000 |
| Taxes | 39 | -605'931 |
| Group profit | | 1'855'147 |
| - of which minority interests in group profit | | -364'207 |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

CONSOLIDATED CASH FLOW STATEMENT

| | 2018 | |
|--|------------------|------------------|
| | CHF | CHF |
| | Cash in flow | Cash out flow |
| Cash flow from operating activities (internal financing): | | |
| Group profit | 1'855'147 | |
| Changes in reserves for general banking risks | 240'000 | |
| Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets | 831'545 | |
| Provisions and other value adjustments | | -414'284 |
| Change in value adjustments for default risks and losses | 22'543 | |
| Accrued income and prepaid expenses | | -286'344 |
| Accrued expenses and deferred income | 652'049 | |
| Other assets | | -430'145 |
| Other liabilities | 166'462 | |
| Previous year's dividend | | -1'600'000 |
| Subtotal | 1'036'973 | |
| Cash flow from shareholder's equity transactions: | | |
| Recognised in reserves | | |
| Currency differences (from consolidation) | | -111'573 |
| Subtotal | | 111'573 |
| Cash flow from transactions transactions in respect of participations, tangible fixed assets and intangible assets: | | |
| Modification in the consolidation area | 1'821'514 | |
| Non-consolidated participations | | |
| Other tangible fixed assets | | -837'755 |
| Subtotal | 983'759 | |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

CONSOLIDATED CASH FLOW STATEMENT

| | 2018 | |
|--|------------------|------------------|
| | CHF | CHF |
| | Cash in flow | Cash out flow |
| Cash flow from banking operations: | | |
| Medium and long-term business (> 1 year): | | |
| Mortgage loans | | -2'234'180 |
| Short-term business: | | |
| Amounts due to banks | | -18'216'039 |
| Amounts due in respect of customer deposits | 51'937'987 | |
| Negative replacement values of derivative financial instruments | 5'288'063 | |
| Liabilities from other financial instruments at fair value | 64'482'021 | |
| Amounts due from banks | | -29'124'755 |
| Amounts due from customers | 45'712'625 | |
| Trading portfolio assets | | -1'291'782 |
| Positive replacement values of derivative financial instruments | | -5'198'378 |
| Other financial instruments at fair value | | |
| Liquidity: | | |
| Liquid assets | | -54'722'902 |
| Subtotal | | 1'909'158 |
| TOTAL | 2'020'732 | 2'020'732 |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | 2018 | | | | | | |
|--|-----------------------|--------------------------|---|--------------------------------------|---------------------------|---------------------|-------------------|
| | <i>Bank's capital</i> | <i>Earnings reserves</i> | <i>Reserves for general banking risks</i> | <i>Currency translation reserves</i> | <i>Minority interests</i> | <i>Group profit</i> | <i>Total</i> |
| | CHF | CHF | CHF | CHF | CHF | CHF | CHF |
| Equity at start of current period | 30'000'000 | 760'180 | 240'000 | 0 | 0 | 2'271'823 | 33'272'003 |
| Modifications in the consolidation area | | 20'550 | | | 1'800'964 | | 1'821'514 |
| Dividends and other distributions | | | | | | -1'600'000 | -1'600'000 |
| Other allocations to / other withdrawals from reserves for general banking risks | | | 240'000 | | | | 240'000 |
| Other allocations to / other withdrawals from other reserves | | 140'000 | | | | -140'000 | 0 |
| Other allocations to profit carried forward (allocation of result) | | 531'823 | | | | -531'823 | 0 |
| Currency translation differences | | | | -58'227 | -53'346 | | -111'573 |
| Profit (result of the period) | | | | | | 1'855'147 | 1'855'147 |
| Equity at end of current period | 30'000'000 | 1'452'553 | 480'000 | -58'227 | 1'747'618 | 1'855'147 | 35'477'091 |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

1. General notes

Introduction

The Group Banca Credinvest is active in Lugano (Switzerland) through its parent company Banca Credinvest SA (hereinafter also the “Bank” or “Parent Bank”) and in Pordenone (Italy) through its subsidiary Alpe Adria Gestioni SIM S.p.A. (hereinafter also “AAG” or “SIM”). The subsidiary company was bought on 2nd February 2018.

The activity is principally focused on investment, portfolio management and private banking services for both private and corporate customers.

The number of employees at the end of 2018 was 65, of which 53 in the Parent Bank equivalent to 60.20 full-time employees (31.12.2017 only in the Parent Bank: 53 employees equivalent to 49.45 full-time employees).

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 in the Parent Bank

Banca Credinvest SA has established a specific directive (Directive on General Risks) 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 a specific directive on “Surveillance and Control” which, together with several other directives presently in place, represents a comprehensive instrument for the control, surveillance and mitigation of all risks.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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:

- 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. Banca Credinvest SA has adopted

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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.

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.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

- 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.

Consolidated risk management

The Bank has introduced specific internal guidelines for the management of risks on a consolidated basis. The control system of the financial activities put in place by each subsidiary is based on the close operational link between the parent company and the subsidiaries which enables the control by the parent company of the activities and the related risk profiles present in the client's portfolio of each subsidiary.

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 2008/7. AAG has outsourced all compliance controls related to anti-money laundering as well as the management of all procedures for the accounting and administrative maintenance of third parties accounts.

2. Accounting and valuation principles

The consolidated financial statements are prepared in accordance with the requirements of the Swiss Code of Obligations, the Federal Law on Banks, the FINMA Circ. 2015/1 on accounting rules as well as corporate by-laws.

The Consolidated Financial Statements are prepared in accordance with the true and fair view principle.

Consolidation area

Please refer to table 7 in the notes to the annual consolidated financial statements: "Disclosure of companies in which the Group holds a permanent direct or indirect qualified participation".

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

Consolidation method

The consolidated financial statements are prepared following the purchase-method. Any positive consolidation difference (Goodwill) is recorded as an asset item in the Balance Sheet and amortized by the straight-line method over 5 years. Otherwise, any negative consolidation difference (Badwill) is recorded in the income statement as an extraordinary income.

Foreign currencies

In order to prepare the consolidated financial statements, the balance sheets of subsidiaries which are not held in swiss francs, are converted at the year-end exchange rate, exemption made for the eligible capital items which are converted at the historical exchange rate. The items of the profit and loss are converted at the average exchange rate of the financial year (monthly average). Exchange currency conversion differences are recorded in the eligible capital.

The main exchange rates used to convert the main currencies in the Balance Sheet items are (against CHF): EUR 1.1248, 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.

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

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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.

AAG does not lend amounts to customers.

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 on a daily basis.

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

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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).

Non-consolidated participations

Minority participations held by the Bank (20% - 50%) are valued on the basis of the "equity method". Participations in which the Bank holds less than 20% of the voting rights or whose sizes and operations do not have a significant impact on the Group are valued individually at purchase price less any economically necessary value adjustment.

Tangible fixed assets

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

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

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 "Due to customers"

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

as they do not qualify as “Savings or investments”.

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. Consequently, Banca Credinvest SA does not have any economic advantage or any other coverage obligation.

The severance payment for AAG employees is recorded on the basis of its actuarial value. This calculation is based on the analysis of historical and statistical data, of the demographic curve as well as their present value considering a market interest rate. The economic effects of valuations are accounted for under “Personnel expenses”.

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.

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”.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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.

Derivative Financial Instruments

Banca Credinvest SA 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 Parent Bank and AAG have 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.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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 | 92'935'192 | 274'912 | 93'210'104 |
| Mortgage loans | | | | |
| - Residential property | 13'961'830 | 0 | 0 | 13'961'830 |
| Total loans (before netting with value adjustments) | | | | |
| 31.12.18 | 13'961'830 | 92'935'192 | 274'912 | 107'171'934 |
| Total loans (after netting with value adjustments) | | | | |
| 31.12.18 | 13'961'830 | 92'935'192 | 274'912 | 107'171'934 |

Off-balance-sheet

| | | | | |
|--------------------------------|----------|----------------|----------------|----------------|
| Contingent liabilities | 0 | 258'509 | 109'144 | 367'653 |
| Irrevocable commitments | 0 | 0 | 470'000 | 470'000 |
| Total off-balance sheet | | | | |
| 31.12.18 | 0 | 258'509 | 579'144 | 837'653 |

Impaired loan / receivables

| | Gross deb amount | Estimated liquidation value of collateral | Net debt amount | Individual value adjustments |
|------------------------------------|---------------------|--|--------------------|------------------------------------|
| | CHF | CHF | CHF | CHF |
| Impaired loan / receivables | | | | |
| 31.12.2018 | 0 | 0 | 0 | 0 |

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

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AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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

| Assets 31 st December | 2018 CHF |
|--|--------------------|
| Trading portfolio assets | |
| Debt securities, money market securities / ransactions | 16'489'606 |
| - of which, listed | 16'488'351 |
| Equity securities | 0 |
| Precious metals and commodities | 0 |
| Structured products | 0 |
| Total trading portfolio assets | 16'489'606 |
| Other financial instruments at fair value | |
| Debt securities | 0 |
| Structured products | 84'545'430 |
| Other | 0 |
| Total other financial instruments at fair value | 84'545'430 |
| Total assets | 101'035'036 |
| - of which, determined using a valuation model | 0 |
| - of which, securities eligible for repurchase transactions in accordance with liquidity requirements | 0 |
| Liabilities 31 st December | |
| Trading portfolio liabilities | |
| Debt securities, money market securities / transactions | 0 |
| - of which, listed | 0 |
| Equity securities | 0 |
| Precious metals and commodities | 0 |
| Other trading portfolio assets | 0 |
| Total trading portfolio liabilities | 0 |
| Other financial instruments at fair value | |
| Debt securities | 0 |
| Structured products | 107'197'711 |
| Other | 0 |
| Total other financial instruments at fair value | 107'197'711 |
| Total liabilities | 107'197'711 |
| - of which, determined using a valuation model | 0 |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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 | 325'626 | 513'838 | 61'313'910 | 0 | 0 | 0 |
| Combined interest rate / currency swaps | 483'975 | 597'623 | 130'729'478 | 0 | 0 | 0 |
| Futures | 0 | 0 | 0 | 0 | 0 | 0 |
| Options (OTC) | 105'276 | 105'276 | 15'723'864 | 0 | 0 | 0 |
| Options (exchange-traded) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 914'877 | 1'216'737 | 207'767'252 | 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) | 6'899'774 | 6'899'774 | 205'925'566 | 0 | 0 | 0 |
| Total | 6'899'774 | 6'899'774 | 205'925'566 | 0 | 0 | 0 |
| Total before netting agreements | | | | | | |
| 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) | | |
| 31.12.2018 | 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 houses | Banks and securities dealers | Other customers | | | |
| Positive replacement values | 0 | 7'287'651 | 527'000 | | | |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

5 Breakdown of financial investments

| |
|-----|
| N/A |
|-----|

6 Presentation of non-consolidated participations

| | Acquisition cost | Depreciation and/or value adjustment (equity method) to date | Book value at the beginning of the current year | 2018 | | | | | | | | Market value at the end of current year |
|---------------------------------------|------------------|--|---|---|-------------------|-------------|----------------|-------------------|--|---------------------------------------|----------|---|
| | | | | Modifications in the consolidation area | Reclassifications | Investments | Disinvestments | Value adjustments | Value adjustments of holdings valued at equity | Book value at the end of current year | | |
| | CHF | CHF | CHF | CHF | CHF | CHF | CHF | CHF | CHF | CHF | CHF | |
| Other non-consolidated participations | | | | | | | | | | | | |
| Not listed | 50'838 | 0 | 50'838 | 0 | 0 | 0 | 0 | 22'543 | 0 | 28'295 | 0 | |
| Total | 50'838 | 0 | 50'838 | 0 | 0 | 0 | 0 | 22'543 | 0 | 28'295 | 0 | |

7 Disclosure of companies in which the Group holds a permanent direct or indirect significant participation as at 31st December 2018

| Company, domicile | Business activity | Currency | Share capital | Share of capital in % | Share of votes in % | Direct holding | Indirect holding |
|--|--------------------|----------|---------------|-----------------------|---------------------|----------------|------------------|
| Fully consolidated participations | | | | | | | |
| Alpe Adria Gestioni SIM S.p.A. Pordenone | Financial services | EUR | 3'200'000 | 52.19% | 52.19% | 1'670'000 | 0 |
| Non-consolidated participations | | | | | | | |
| Garm & Partners S.R.L. Milano | Servizi | EUR | 100'000 | 47.05% | 47.05% | 47'050 | 0 |

AAG does not held participations.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

8 Presentation of tangible fixed assets

| | Acquisition cost | Accumulated depreciation at the beginning of the year | Book value at the beginning of the year | 2018 | | | | | Book value at the end of current year |
|------------------------------------|------------------|---|---|--|----------------|----------------|-----------------|-----------|---------------------------------------|
| | | | | Modification in the consolidation area | Additions | Disposals | Depreciation | Reversals | |
| | CHF | CHF | CHF | CHF | CHF | CHF | CHF | CHF | CHF |
| Participations | | | | | | | | | |
| Participations | 50'838 | 0 | 50'838 | 0 | 0 | 0 | -22'543 | 0 | 28'295 |
| Total participations | 50'838 | 0 | 50'838 | 0 | 0 | 0 | -22'543 | 0 | 28'295 |
| Software | 1'934'448 | -1'669'474 | 264'974 | 212'780 | 94'510 | 0 | -363'688 | 0 | 208'576 |
| Other tangible fixed assets | 3'311'079 | -1'965'306 | 1'387'070 | 37'326 | 550'708 | -57'569 | -467'857 | 0 | 1'449'678 |
| Total tangible fixed assets | 5'245'527 | -3'634'780 | 1'652'044 | 250'106 | 645'218 | -57'569 | -831'545 | 0 | 1'658'254 |

Operating leases: total amount not included in the Balance Sheet

| | Total 31.12.18 | whitin 1 year | from 1 to 2 years | from 3 to 3 years | from 3 to 4 years | from 4 to 5 years | over 5 years |
|--------------------------|------------------|----------------|-------------------|-------------------|-------------------|-------------------|---------------|
| | CHF | CHF | CHF | CHF | CHF | CHF | CHF |
| Future leasing payments: | 6'718 | 4'956 | 1'762 | 0 | 0 | 0 | 0 |
| Future rental payment | 1'889'055 | 671'515 | 573'030 | 539'412 | 39'412 | 39'412 | 26'275 |
| Total | 1'895'773 | 676'471 | 574'792 | 539'412 | 39'412 | 39'412 | 26'275 |

9 Presentation of intangible assets

N/A

10 Breakdown of other assets and other liabilities

| 31 st December | Other assets | Other liabilities |
|-------------------------------------|----------------|-------------------|
| | 2018 | 2018 |
| | CHF | CHF |
| Guarantee deposits | 300 | 0 |
| Indirect taxes | 555'308 | 513'690 |
| Receivable from AVS Pension Fund | 39'932 | 0 |
| Advance payments on accrued rebates | 147'589 | 0 |
| Receivable from third parties | 60'168 | 0 |
| Other assets | 15'468 | 22'727 |
| Total | 818'765 | 536'417 |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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

| | 2018 | |
|--|------------|-----------------------|
| | CHF | CHF |
| | Book value | Effective commitments |
| Pledged / assigned assets | | |
| Pledged assets to guarantee stock market and foreign exchange activities | 2'033'396 | 2'033'396 |
| Guarantee deposits | 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

a) Employer contribution reserves (ECR)

| | Nominal value at current year end 2018 CHF | Waiver of use at current year end 2018 CHF | Net amount at current year end 2018 CHF | Influence of ECR on personnel expenses at current year of 2018 CHF |
|--------------------------------------|--|--|---|--|
| ECR | | | | |
| Employer sponsored funds | | | | |
| - Employer sponsored pensions scheme | 0 | 0 | 0 | 0 |
| - Pension scheme | 0 | 0 | 0 | 0 |

b) Presentation of the economic benefit / obligation and the financial cost

| | Overfunding/ underfunding at end of current year 2018 CHF | Economic interest of the bank/financial group at end of current year 2018 CHF | Change in economic interest versus previous year (economic benefit / obligation) CHF | Contributions paid for the current period 2018 CHF | Pension expenses included in personnel expenses at end of current year 2018 CHF |
|--|---|---|--|--|---|
| Pension plans without overfunding / underfunding | 0 | 0 | 0 | 0 | 842'325 |

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.

The severance payment for AAG employees is recorded on the basis of its actuarial value. This calculation is based on the analysis of historical and statistical data, of the demographic curve as well as their present value considering a market interest rate. The economic effects of valuations are accounted for under "Personnel expenses".

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

13 Disclosure on the economic situation of own pension schemes

N/A

14 Presentation of issued structured products

| | Book value | | | | Total CHF |
|--|------------------------------------|---|---|--------------------------------|--------------------|
| | 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 | |
| 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 | 28'000'511 | 0 | 0 | 28'000'511 |
| Without oDC | 0 | 0 | 0 | 0 | 0 |
| Foreign currencies | | | | | |
| With own debenture component (oDC) | 0 | 79'197'200 | 0 | 0 | 79'197'200 |
| 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 31st December 2018 | 0 | 107'197'711 | 0 | 0 | 107'197'711 |

15 Presentation of outstanding bonds and mandatory convertible bonds

N/A

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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

| | Beginning of the period CHF | Modification in the consolidation area 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 | 414'284 | 0 | -426'949 | 0 | 0 | 0 | 12'665 | 0 | 0 |
| Total provisions | 414'284 | 0 | -426'949 | 0 | 0 | 0 | 12'665 | 0 | 0 |
| Reserves for general banking risks | 240'000 | 0 | 0 | 0 | 0 | 0 | 240'000 | 0 | 480'000 |
| Value adjustments for default risks and country risks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

17 Presentation of the share capital

See notes to the annual financial statement of the Parent company (table 12).

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

19 Disclosure of amounts due from / to related parties

| 31 st December | Amounts due from | Amounts due to |
|---|------------------|----------------|
| | 2018 CHF | 2018 CHF |
| Holders of qualified participations | 3'542'201 | 6'902'108 |
| Group companies | 0 | 0 |
| Linked companies | 0 | 0 |
| Transactions with members of governing bodies | 2'789'715 | 708'721 |
| Other related parties | 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 (CHF 1'602'201) and amounts due to (CHF 411'440) this related party are included in both categories in the above table.

In the managed assets of AAG totaling CHF 97'506'062 there are CHF 57'541'816 of assets considered as related parties to which corresponds CHF 778'886 of commission income.

20 Disclosure of holders of significant participations

See notes to the annual financial statement of the Parent company (table 15).

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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 and Art. 663c para.3 CO for banks whose equity securities are listed.

N/A

23 Presentation of the maturity structure of financial instruments

| | At sight CHF | With notice CHF | Maturity | | | | | 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 | 160'207'953 | 0 | 0 | 0 | 0 | 0 | 0 | 160'207'953 |
| Amounts due from banks | 66'271'085 | 0 | 45'402'233 | 1'000'000 | 0 | 0 | 0 | 112'673'318 |
| Amounts due from customers | 0 | 53'391'221 | 39'818'883 | 0 | 0 | 0 | 0 | 93'210'104 |
| Mortgage loans | 0 | 0 | 0 | 0 | 0 | 13'961'830 | 0 | 13'961'830 |
| Trading portfolio assets | 0 | 0 | 9'574'036 | 6'914'315 | 0 | 1'255 | 0 | 16'489'606 |
| Positive replacement values of derivatives | 7'814'651 | 0 | 0 | 0 | 0 | 0 | 0 | 7'814'651 |
| Other financial instruments at fair value | 84'545'430 | 0 | 0 | 0 | 0 | 0 | 0 | 84'545'430 |
| 31.12.2018 | 318'839'119 | 53'391'221 | 94'795'152 | 7'914'315 | 0 | 13'963'085 | 0 | 488'902'892 |
| Debt capital / financial instruments | | | | | | | | |
| Amounts due to bank | 70'939'813 | 0 | 490'450 | 0 | 0 | 0 | 0 | 71'430'263 |
| Amounts due in respect of customer deposits | 257'037'762 | 0 | 9'252'672 | 0 | 0 | 0 | 0 | 266'290'434 |
| Negative replacement values of derivative financial instruments | 8'116'511 | 0 | 0 | 0 | 0 | 0 | 0 | 8'116'511 |
| Liabilities from other financial instruments at fair value | 107'197'711 | 0 | 0 | 0 | 0 | 0 | 0 | 107'197'711 |
| 31.12.2018 | 443'291'797 | 0 | 9'743'122 | 0 | 0 | 0 | 0 | 453'034'919 |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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

| 31 st December | 2018 | |
|---|----------------------|---------------------|
| | Domestic CHF '000 | Foreign CHF '000 |
| Assets | | |
| Liquid assets | 108'820 | 51'388 |
| Amounts due from banks | 17'952 | 94'721 |
| Amounts due from customers | 37'004 | 56'206 |
| Mortgage loans | 13'962 | 0 |
| Trading portfolio assets | 0 | 16'490 |
| Positive replacement values of derivative financial instruments | 1'249 | 6'566 |
| Other financial instruments at fair value | 79'946 | 4'599 |
| Accrued income and prepaid expenses | 1'812 | 84 |
| Non-consolidated participations | 0 | 28 |
| Tangible fixed assets | 1'580 | 78 |
| Other assets | 497 | 322 |
| Total assets | 262'822 | 230'482 |

| 31 st December | 2018 | |
|---|----------------------|---------------------|
| | Domestic CHF '000 | Foreign CHF '000 |
| Liabilities | | |
| Amounts due to banks | 438 | 70'992 |
| Amounts due in respect of customer deposit | 35'309 | 230'981 |
| Negative replacement values of derivative financial instruments | 441 | 7'676 |
| Other financial instruments at fair value | 85'757 | 21'441 |
| Accrued expenses and deferred income | 3'421 | 835 |
| Other liabilities | 532 | 4 |
| Provisions | 0 | 0 |
| Reserves for general banking risks | 480 | 0 |
| Bank's capital | 30'000 | 0 |
| Retained earnings reserve | 1'452 | 0 |
| Currency translation reserves | -58 | 0 |
| Minority interest in equity capital | 1'748 | 0 |
| Group profit | 1'855 | 0 |
| Total liabilities | 161'375 | 331'929 |

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NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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

| 31 st December | 2018 | |
|---------------------------|----------------------|----------------|
| | Absolute CHF '000 | Share as % |
| Assets | | |
| Switzerland | 262'822 | 53.28% |
| Rest of Europe | 184'566 | 37.41% |
| North America | 40'586 | 8.23% |
| South America | 5'055 | 1.02% |
| Others | 275 | 0.06% |
| Total assets | 493'304 | 100.00% |

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

| 31 st December | | Net foreign exposure 2018 | |
|---------------------------|---------------------------|------------------------------|----------------|
| Nation | S & P (Standard & Poor's) | CHF '000 | % |
| Denmark | AAA , AA- | 9'381 | 4.07% |
| Germany | AAA , AA- | 51'976 | 22.55% |
| Luxembourg | AAA , AA- | 53'034 | 23.01% |
| Holland | AAA , AA- | 14'169 | 6.15% |
| USA | AAA , AA- | 40'586 | 17.61% |
| Belgium | A+, A- | 7'167 | 3.11% |
| Cayman Island | A+, A- | 121 | 0.05% |
| France | A+, A- | 4'704 | 2.04% |
| United Kingdom | A+, A- | 11'092 | 4.81% |
| others | A+, A- | 1 | 0.00% |
| Israel | BBB+, BBB- | 242 | 0.10% |
| Malta | BBB+, BBB- | 6 | 0.00% |
| others | BBB+, BBB- | 1 | 0.00% |
| Panama | BB+, BB- | 481 | 0.21% |
| Italy | BB+, BB- | 32'355 | 14.04% |
| Russian Federation | BB+, BB- | 622 | 0.27% |
| others | BB+, BB- | 1 | 0.00% |
| Bahamas | B+, B- | 3'176 | 1.38% |
| Brazil | B+, B- | 113 | 0.05% |
| Cyprus | B+, B- | 4 | 0.00% |
| others | iB+, B- | 1 | 0.00% |
| Venezuela | CCC+, C | 115 | 0.05% |
| others | CCC+, C | 2 | 0.00% |
| British Virgin Islands | without rating | 1'047 | 0.45% |
| Monaco | without rating | 79 | 0.03% |
| others | without rating | 1 | 0.00% |
| Totale | | 230'482 | 100.00% |

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NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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

| 31 st December | 2018 | | | | |
|---|----------------|----------------|----------------|---------------|----------------|
| | CHF | EUR | USD | Others | Total |
| CHF '000 | | | | | |
| Assets | | | | | |
| Liquid assets | 100'552 | 59'471 | 139 | 46 | 160'208 |
| Amounts due from banks | 10'477 | 24'785 | 61'622 | 15'789 | 112'673 |
| Amounts due from customers | 14'186 | 62'222 | 10'932 | 5'870 | 93'210 |
| Mortgage loans | 13'962 | 0 | 0 | 0 | 13'962 |
| Trading portfolio assets | 0 | 46 | 16'444 | 0 | 16'490 |
| Positive replacement values of derivative financial instruments | 202 | 1'149 | 6'377 | 87 | 7'815 |
| Other financial instruments at fair value | 13'694 | 18'233 | 52'618 | 0 | 84'545 |
| Accrued income and prepaid expenses | 1'742 | 115 | 28 | 11 | 1'896 |
| Non-consolidated participations | 0 | 28 | 0 | 0 | 28 |
| Tangible fixed assets | 1'580 | 78 | 0 | 0 | 1'658 |
| Other assets | 497 | 322 | 0 | 0 | 819 |
| Total assets shown in the balance sheet | 156'892 | 166'449 | 148'160 | 21'803 | 493'304 |
| Delivery entitlements from spot exchange, forward forex and option transactions | 11'866 | 93'916 | 71'601 | 30'385 | 207'768 |
| Total assets | 168'758 | 260'365 | 219'761 | 52'188 | 701'072 |

| 31 st December | 2018 | | | | |
|---|----------------|----------------|----------------|---------------|----------------|
| | CHF | EUR | USD | Others | Total |
| CHF '000 | | | | | |
| Liabilities | | | | | |
| Amounts due to banks | 4'800 | 24'130 | 26'807 | 15'693 | 71'430 |
| Amounts due in respect of customer deposit | 18'868 | 144'821 | 88'024 | 14'577 | 266'290 |
| Negative replacement values of derivative financial instruments | 523 | 439 | 6'371 | 784 | 8'116 |
| Other financial instruments at fair value | 21'872 | 23'157 | 62'169 | 0 | 107'198 |
| Accrued expenses and deferred income | 3'604 | 835 | 0 | -183 | 4'256 |
| Other liabilities | 480 | 31 | 2 | 23 | 536 |
| Provisions | 0 | 0 | 0 | 0 | 0 |
| Reserves for general banking risks | 480 | 0 | 0 | 0 | 480 |
| Bank's capital | 30'000 | 0 | 0 | 0 | 30'000 |
| Retained earnings reserve | 1'453 | 0 | 0 | 0 | 1'453 |
| Currency translation reserve | -58 | 0 | 0 | 0 | -58 |
| Minority interest in equity capital | 0 | 1'748 | 0 | 0 | 1'748 |
| Group profit | 2'531 | -676 | 0 | 0 | 1'855 |
| Total liabilities shown in the balance sheet | 84'553 | 195'185 | 183'373 | 30'194 | 493'304 |
| Delivery obligations from spot exchange, forward forex and forex options transactions | 90'283 | 61'739 | 37'087 | 20'132 | 209'241 |
| Total liabilities | 174'836 | 256'924 | 220'460 | 50'326 | 702'545 |
| Net position per currency | -6'078 | 3'441 | -699 | 1'862 | -1'474 |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

28 Breakdown and explanation of contingent liabilities and assets

| 31 st December | 2018 CHF |
|--|----------------|
| Guarantees to secure credits and similar | 327'775 |
| Performance guarantees and similar | 0 |
| Irrevocable commitments arising from documentary letters of credit | 0 |
| Other contingent liabilities | 39'878 |
| Total contingent liabilities | 367'653 |
| Contingent assets arising from tax losses carried forward | 0 |
| Other contingent assets | 0 |
| Total contingent assets | 0 |

29 Breakdown of credit commitments

| | |
|-----|--|
| N/A | |
|-----|--|

30 Breakdown of fiduciary transactions

| 31 st December | 2018 CHF |
|--|-------------------|
| Fiduciary investments with third-parties | 95'829'196 |
| Total | 95'829'196 |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

31 Breakdown of assets and presentation of their development

| 31 st December | 2018 CHF |
|--|----------------------|
| a) Breakdown of managed assets | |
| Type of managed assets: | |
| - Assets in collective investment schemes managed by the Bank | 147'243'851 |
| - Assets under discretionary asset management agreements | 266'133'741 |
| - Other managed assets | 28'509'058 |
| Total managed assets (included double counting) | 441'886'650 |
| - of which double counting | 30'474'373 |
| b) Presentation of the development of managed assets | |
| Total managed assets (including double counting) at beginning of the year | 414'305'022 |
| +/- net new money inflow or net new money outflow | -25'252'916 |
| +/- price gains / losses, interest, dividends and currency gains / losses | -44'671'518 |
| + inflows from the acquisition of the subsidiary | 97'506'062 |
| Total managed assets (included double counting) at the end of the year | 441'886'650 |
| - of which double counting | 30'474'373 |
| Total other assets | 1'916'121'555 |
| - of which double counting | 0 |
| Presentation of the development of other assets | |
| Total other assets (including double counting) at beginning of the year | 2'070'350'589 |
| +/- net new money inflow or net new money outflow | -32'550'164 |
| +/- price gains / losses, interest, dividends and currency gains / losses | -121'678'870 |
| + inflows from the acquisition of the subsidiary | 0 |
| Total other assets (included double counting) at the end of the year | 1'916'121'555 |
| - of which double counting | 0 |
| Total managed assets and other assets (included double counting) | 2'358'008'205 |

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.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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

| | 2018 CHF |
|---|------------------|
| a) Breakdown by business area | |
| Private | 4'537'677 |
| Total | 4'537'677 |
| 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) | 599'115 |
| - Equity securities (including funds) | 0 |
| - Foreign currencies | 3'938'562 |
| - Commodities / precious metals | 0 |
| Total result from trading activities | 4'537'677 |
| - of which, from fair value option | 0 |
| - of which, from fair value option on assets | 0 |
| - of which, from fair value option on liabilities | 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 (CHF 694'345) and interest income arising from borrowings are recorded in deduction of interest expenses (CHF 206'184).

34 Breakdown of personnel expenses

| | 2018 CHF |
|--|------------------|
| Salaries | 7'717'687 |
| - of which, forms of variable compensation | 684'680 |
| Social insurance benefits | 1'540'566 |
| Other personnel expenses | 364'538 |
| Total | 9'622'791 |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

35 Breakdown of general and administrative expenses

| | 2018 CHF |
|---|------------------|
| Office space expenses | 980'557 |
| Expenses for information and communication technology | 1'758'730 |
| Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses | 17'495 |
| Fees of audit firm (Art. 961a no. 2 CO) | 396'265 |
| - of which, for financial and regulatory audits | 396'625 |
| - of which, for other services | 0 |
| Other operating expenses | 1'598'329 |
| Total | 4'751'376 |

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

| | 2018 CHF |
|--|---------------|
| Extraordinary income | |
| Profit realized on the disposal of tangible fixed assets | 5'248 |
| Badwill from the acquisition of a participation | 86'224 |
| Others | 1'079 |
| Total | 92'551 |

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

| |
|-----|
| N/A |
|-----|

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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

| 31 st december | 2018 | |
|--|----------------------|---------------------|
| | Domestic CHF '000 | Foreign CHF '000 |
| Result from interest operations | | |
| Interest and discount income | 1'846 | 11 |
| Interest and dividend income from trading portfolios | 177 | 0 |
| Interest and dividend income from financial investments | 0 | 0 |
| Interest expenses | 138 | 0 |
| Gross result from interest operations | 2'161 | 11 |
| Changes in value adjustments for default risks and losses from interest operations | 0 | 0 |
| Subtotal: Net result from interest operations | 2'161 | 11 |
| Result from commission business and services | | |
| Commission income from securities trading and investment activities | 15'326 | 1'256 |
| Commission income from lending activities | 30 | 0 |
| Commission income from other services | 1'266 | 0 |
| Commission expenses | -6'712 | -75 |
| Subtotal: Result from commission business and services | 9'910 | 1'181 |
| Result from trading activities and the fair value option | 4'538 | 0 |
| Operating expenses | | |
| Personnel expenses | -8'702 | -921 |
| General and administrative expenses | -3'904 | -847 |
| Subtotal: Operating expenses | -12'606 | -1'768 |
| Gross profit | 4'003 | -576 |
| Value adjustment on participations and depreciation and amortisations of tangible fixed assets and intangible assets | -645 | -187 |
| Changes to provisions and other value adjustments, losses | 16 | -2 |
| Operating result | 3'374 | -765 |
| Extraordinary income | 92 | 1 |
| Changes in reserves for general banking risks | -240 | 0 |
| Taxes | -608 | 2 |
| Group profit | 2'618 | -762 |

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2018

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

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

| | 2018 CHF |
|---------------------------|----------------|
| Current tax expenses | 605'931 |
| Deferred tax expenses | 0 |
| Total | 605'931 |
| Weighted average tax rate | 24.62% |

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

N/A



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

BANCA CREDINVEST SA, Lugano

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of BANCA CREDINVEST SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 7 – 39) for the year ended 31 December 2018.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the provisions governing the preparation of financial statements for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended 31 December 2018 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the provisions governing the preparation of financial statements for banks and comply with Swiss law.

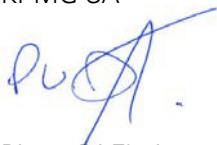
Report on Other Legal Requirements

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 consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG SA



Pietro Di Fluri
*Licensed Audit Expert
Auditor in Charge*



Claudia Brusatori

Lugano, 20 March 2019

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK

AS AT 31ST DECEMBER 2018

PARENT BANK BALANCE SHEET

| 31 st December | Notes | 2018 CHF | 2017 CHF | Change CHF |
|---|-------|--------------------|--------------------|--------------------|
| ASSETS | | | | |
| Liquid assets | | 160'207'839 | 105'485'051 | 54'722'788 |
| Amounts due from banks | | 109'349'272 | 83'548'563 | 25'800'709 |
| Amounts due from customers | 2 | 93'210'104 | 138'922'729 | -45'712'625 |
| Mortgage loans | 2 | 13'961'830 | 11'727'650 | 2'234'180 |
| Trading portfolio assets | 3 | 16'488'351 | 15'197'824 | 1'290'527 |
| Positive replacement values of derivative financial instruments | 4 | 7'814'651 | 2'616'273 | 5'198'378 |
| Other financial instruments at fair value | 3, 10 | 84'545'430 | 26'003'611 | 58'541'819 |
| Accrued income and prepaid expenses | | 1'812'529 | 1'609'561 | 202'968 |
| Participations | | 1'963'157 | 50'838 | 1'912'319 |
| Tangible fixed assets | | 1'580'262 | 1'652'044 | -71'782 |
| Other assets | 6 | 496'788 | 388'620 | 108'168 |
| TOTAL ASSETS | | 491'430'213 | 387'202'764 | 104'227'449 |

| 31 st December | Notes | 2018 CHF | 2017 CHF | Change CHF |
|---|-------|--------------------|--------------------|--------------------|
| LIABILITIES | | | | |
| Amounts due to banks | | 71'430'263 | 89'646'302 | -18'216'039 |
| Amounts due in respect of customer deposit | | 266'290'434 | 214'352'447 | 51'937'987 |
| Negative replacement values of derivative financial instruments | 4 | 8'116'511 | 2'828'448 | 5'288'063 |
| Liabilities from other financial instruments at fair value | 3, 10 | 107'197'711 | 42'715'690 | 64'482'021 |
| Accrued expenses and deferred income | | 3'420'644 | 3'603'635 | -182'991 |
| Other liabilities | 6 | 531'984 | 369'955 | 162'029 |
| Provisions | 11 | 0 | 414'284 | -414'284 |
| Reserves for general banking risks | 11 | 480'000 | 240'000 | 240'000 |
| Bank's capital | 12 | 30'000'000 | 30'000'000 | 0 |
| Legal reserve from profits | | 250'000 | 110'000 | 140'000 |
| Profit carried forward | | 1'182'003 | 650'180 | 531'823 |
| Profit (result of the period) | | 2'530'663 | 2'271'823 | 258'840 |
| TOTAL LIABILITIES | | 491'430'213 | 387'202'764 | 104'227'449 |

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK
AS AT 31ST DECEMBER 2018

PARENT BANK BALANCE SHEET

| <i>31st December</i> | | <i>2018</i> | <i>2017</i> | <i>Change</i> |
|---|--------------|-------------|-------------|---------------|
| | <i>Notes</i> | <i>CHF</i> | <i>CHF</i> | <i>CHF</i> |
| Parent Bank Off-Balance Sheet transactions | | | | |
| Contingent liabilities | 2 | 367'653 | 424'308 | -56'655 |
| Irrevocable commitments | 2 | 470'000 | 514'000 | -44'000 |
| Fiduciary transactions | 19 | 95'829'196 | 48'424'065 | 47'405'131 |

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK AS AT 31ST DECEMBER 2018

PARENT BANK INCOME STATEMENTS

| | Notes | 2018 CHF | 2017 CHF | Change CHF |
|--|-------|--------------------|--------------------|------------------|
| Result from interest operations | | | | |
| Interest and discount income | | 1'846'099 | 2'698'625 | -852'526 |
| Interest and dividend income from trading portfolios | | 177'479 | 54'767 | 122'712 |
| Interest expenses | | 137'522 | 36'377 | 101'145 |
| Gross result from interest operations | | 2'161'100 | 2'789'769 | -628'669 |
| Changes in value adjustments for default risks and losses from interest operations | | 0 | 0 | 0 |
| Subtotal: Net result from interest operations | | 2'161'100 | 2'789'769 | -628'669 |
| Result from commission business and services | | | | |
| Commission income from securities trading and investment activities | | 15'326'107 | 15'103'108 | 222'999 |
| Commission income from lending activities | | 30'060 | 26'584 | 3'476 |
| Commission income from other services | | 1'266'111 | 1'146'661 | 119'450 |
| Commission expenses | | -6'712'669 | -6'262'819 | -449'850 |
| Subtotal: Result from commission business and services | | 9'909'609 | 10'013'534 | -103'925 |
| Result from trading activities and the fair value option | 21 | 4'537'977 | 3'492'842 | 1'045'135 |
| Operating expenses | | | | |
| Personnel expenses | 23 | -8'701'811 | -8'860'066 | 158'255 |
| General and administrative expenses | 24 | -3'904'456 | -3'518'031 | -386'425 |
| Subtotal: Operating expenses | | -12'606'267 | -12'378'097 | -228'170 |
| Gross profit | | 4'002'419 | 3'918'048 | 84'371 |
| Value adjustment on participations and depreciation and amortisations of tangible fixed assets and intangible assets | | -644'770 | -692'994 | 48'224 |
| Changes to provisions and other value adjustments, losses | 11 | 15'575 | -74'654 | 90'229 |
| Operating result | | 3'373'224 | 3'150'400 | 222'824 |
| Extraordinary income | 25 | 5'248 | 39'351 | -34'103 |
| Changes in reserves for general banking risks | 11 | -240'000 | -240'000 | 0 |
| Taxes | 27 | -607'809 | -677'928 | 70'119 |
| Profit (result of the period) | | 2'530'663 | 2'271'823 | 258'840 |

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK
AS AT 31ST DECEMBER 2018

ALLOCATION OF PROFIT

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Allocation of Balance Sheet result

| | 2018 CHF | 2017 CHF |
|-------------------------------------|------------------|------------------|
| Proposal of the Board of Directors | | |
| Profit carried forward | 1'182'003 | 650'180 |
| Profit of the year | 2'530'663 | 2'271'823 |
| Available Profit | 3'712'666 | 2'922'003 |
| Application of results | | |
| Allocation to legal reserve | 200'000 | 140'000 |
| Dividend distribution | 2'200'000 | 1'600'000 |
| Profit to be carried forward | 1'312'666 | 1'182'003 |

Statement of changes in shareholders' equity

| | 2018 | | | | | |
|---|--------------------------|-----------------------------|---|-------------------------------------|--------------------------------|-------------------|
| | Bank's capital CHF | Earnings reserves 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 | 110'000 | 240'000 | 650'180 | 2'271'823 | 33'272'003 |
| Dividends and other distributions | | | | | -1'600'000 | -1'600'000 |
| Other allocations to / other withdrawals from reserves for general banking risks | | | 240'000 | | | 240'000 |
| Other allocations to / other withdrawals from other reserves | | 140'000 | | | -140'000 | 0 |
| Other allocations to profit / loss carried forward (allocation of result) | | | | 531'823 | -531'823 | 0 |
| Profit (result of the period) | | | | | 2'530'663 | 2'530'663 |
| Equity at end of current period | 30'000'000 | 250'000 | 480'000 | 1'182'003 | 2'530'663 | 34'442'666 |

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK ANNUAL FINANCIAL STATEMENTS

Accounting and valuation principles

The Bank's financial statements have been drawn up in accordance with the requirements of the Swiss Code of Obligations, the Federal Law on Banks, the FINMA Circ. 2015/1 on accounting rules as well as corporate by-laws.

The financial statements are prepared in such a way that a third party can make a reliable assessment of the financial situation and the result of the Bank. 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.

The accounting and valuation principles of the Parent Bank correspond to those of the Group given that no hidden reserves are created as defined in mn. 240 of Circular FINMA 2015/1 Accounting – Banks.

With regard to the balance sheet, income statement, statement of changes in equity and notes, the provisions regarding the minimum structure of reliable assessment apply in principle to the consolidated financial statement as well as those of the single-entity financial statements. Differences resulting from section VI Consolidated financial statements of Circular FINMA 2015/1 Accounting – Banks are taken in due consideration.

Furthermore, in order to prepare the Parent Bank financial statement, the following accounting principles are taken into account:

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".

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK ANNUAL FINANCIAL STATEMENTS

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.

Changes in accounting principles

The Bank has not made any change in the application of the accounting principles during the financial year. Under the terms of Article 36 para. 1 of the Bank Ordinance (BO), where a financial group prepares and publishes consolidated financial statements and a group management report, the banks consolidated within the group are exempted from the requirement to include a management report, cash flow statement and several other components of the notes according to mn. 327 of the Circular FINMA 2015/1 Accounting – Banks. These modifications are reflected in the annual financial statement of the Parent Bank as at 31st December 2018 as well to the figures of the previous year. These modifications have no impact on eligible capital or the result.

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK 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 | 92'935'192 | 274'912 | 93'210'104 |
| Mortgage loans | | | | |
| - Residential property | 13'961'830 | 0 | 0 | 13'961'830 |
| Total loans (before netting with value adjustments) | | | | |
| 31.12.2018 | 13'961'830 | 92'935'192 | 274'912 | 107'171'934 |
| 31.12.2017 | 11'727'650 | 138'752'664 | 170'065 | 150'650'379 |
| Total loans (after netting with value adjustments) | | | | |
| 31.12.2018 | 13'961'830 | 92'935'192 | 274'912 | 107'171'934 |
| 31.12.2017 | 11'727'650 | 138'752'664 | 170'065 | 150'650'379 |
| Off-balance sheet | | | | |
| Contingent liabilities | 0 | 258'509 | 109'144 | 367'653 |
| Irrevocable commitments | 0 | 0 | 470'000 | 470'000 |
| Total off-balance-sheet | | | | |
| 31.12.2018 | 0 | 258'509 | 579'144 | 837'653 |
| 31.12.2017 | 0 | 309'469 | 628'839 | 938'308 |
| Impaired loan / receivables | | | | |
| | Gross debt amount CHF | Estimated liquidation value of collateral CHF | Net debt amount CHF | Individual value adjustments CHF |
| Impaired loans / receivables | | | | |
| 31.12.2018 | 0 | 0 | 0 | 0 |
| 31.12.2017 | 0 | 0 | 0 | 0 |

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

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK ANNUAL FINANCIAL STATEMENTS

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

| Assets 31 st December | 2018 CHF | 2017 CHF |
|---|--------------------|-------------------|
| Trading portfolio assets | | |
| Debt securities, money market securities / transactions | 16'488'351 | 8'284'805 |
| - of which, listed | 16'488'351 | 8'284'805 |
| Equity securities | 0 | 0 |
| Precious metals and commodities | 0 | 0 |
| Structured products | 0 | 6'913'019 |
| Total trading portfolio assets | 16'488'351 | 15'197'824 |
| Other financial instruments at fair value | | |
| Debt securities | 0 | 0 |
| Structured products | 84'545'430 | 26'003'611 |
| Other | 0 | 0 |
| Total other financial instruments at fair value | 84'545'430 | 26'003'611 |
| Total assets | 101'033'781 | 41'201'435 |
| - of which, determined using a valuation model | 0 | 0 |
| - of which, securities eligible for repurchase transactions in accordance with liquidity requirements | 0 | 0 |
| Liabilities 31 st December | | |
| 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 assets | 0 | 0 |
| Total trading portfolio liabilities | 0 | 0 |
| Other financial instruments at fair value | | |
| Debt securities | 0 | 0 |
| Structured products | 107'197'711 | 42'715'690 |
| Other | 0 | 0 |
| Total other financial instruments at fair value | 107'197'711 | 42'715'690 |
| Total liabilities | 107'197'711 | 42'715'690 |
| - of which, determined using a valuation model | 0 | 0 |

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK
AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK 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 | 325'626 | 513'838 | 61'313'910 | 0 | 0 | 0 |
| Combined interest rate / currency swaps | 483'975 | 597'623 | 130'729'478 | 0 | 0 | 0 |
| Futures | 0 | 0 | 0 | 0 | 0 | 0 |
| Options (OTC) | 105'276 | 105'276 | 15'723'864 | 0 | 0 | 0 |
| Options (exchange-traded) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 914'877 | 1'216'737 | 207'767'252 | 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) | 6'899'774 | 6'899'774 | 205'925'566 | 0 | 0 | 0 |
| Total | 6'899'774 | 6'899'774 | 205'925'566 | 0 | 0 | 0 |
| Total before netting agreements | | | | | | |
| 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) |
|-------------------|--|--|
| 31.12.2018 | 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 houses | Banks and securities dealers | Other customers |
|-----------------------------|-------------------------|------------------------------|-----------------|
| Positive replacement values | 0 | 7'287'651 | 527'000 |

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK
AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK ANNUAL FINANCIAL STATEMENTS

5 Breakdown of financial investments

| |
|-----|
| N/A |
|-----|

6 Breakdown of other assets and other liabilities

| 31 st December | Other assets | | Other liabilities | |
|--|----------------|----------------|-------------------|----------------|
| | 2018 CHF | 2017 CHF | 2018 CHF | 2017 CHF |
| Guarantee deposits | 300 | 300 | 0 | 0 |
| Indirect taxes | 306'693 | 234'205 | 513'690 | 369'955 |
| Receivable from AVS Pension Funde | 39'932 | 0 | 0 | 0 |
| Payments on account of accrued rebates | 147'589 | 151'840 | 0 | 0 |
| Other assets | 2'274 | 2'275 | 18'294 | 0 |
| Total | 496'788 | 388'620 | 531'984 | 369'955 |

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

| 31 st December | 2018 | | 2017 | |
|--|------------|-----------------------|------------|-----------------------|
| | 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 | 2'033'396 | 2'033'396 | 9'737'231 | 9'737'231 |
| Guarantee deposits | 300 | 300 | 300 | 300 |

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK ANNUAL FINANCIAL STATEMENTS

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

| a) Employer contribution reserves (ECR) | Nominal value | Waiver of use | Net amount | Net amount | Influence of | Influence of |
|---|---------------|---------------|------------|------------------|-------------------|--------------|
| | at current | at current | at current | at previous | ECR on | ECR on |
| | year end | year end | year end | year end | personnel | personnel |
| 2018 | 2018 | 2018 | 2017 | expenses at | expenses at | |
| CHF | CHF | CHF | CHF | current year end | previous end year | |
| 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/ | Economic | Economic | Change | Contributions | Pension | OPension |
|---|-----------------|-----------------|-----------------|-------------|---------------|-------------|-------------|
| | underfunding | interest of the | interest of the | in economic | paid for | expenses | expenses |
| | at end of | bank/financial | bank/financial | interest | the current | included in | included in |
| current year | group at end of | group at end of | versus | period | personnel | personnel | |
| 2018 | current year | previous year | previous year | (economic | at end of | expenses | expenses |
| CHF | 2018 | 2017 | (economic | benefit / | current year | at end of | at end of |
| | CHF | CHF | benefit / | obligation) | 2018 | 2018 | 2017 |
| | | | obligation) | | CHF | CHF | CHF |
| Pension plans without overfunding / underfunding | 0 | 0 | 0 | 0 | 0 | 790'454 | 733'426 |

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.

9 Disclosure on the economic situation of own pension schemes

N/A

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK
AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK ANNUAL FINANCIAL STATEMENTS

10 Presentation of issued structured products

| | Book value | | | | Total CHF |
|--|------------------------------------|--|---|--------------------------------|--------------------|
| | 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 | |
| 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 | 28'000'511 | 0 | 0 | 28'000'511 |
| Without oDC | 0 | 0 | 0 | 0 | 0 |
| Foreign currencies | | | | | |
| With own debenture component (oDC) | 0 | 79'197'200 | 0 | 0 | 79'197'200 |
| 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 31st December 2018 | 0 | 107'197'711 | 0 | 0 | 107'197'711 |

11 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 | 414'284 | -426'949 | 0 | 0 | 0 | 12'665 | 0 | 0 |
| Total provisions | 414'284 | -426'949 | 0 | 0 | 0 | 12'665 | 0 | 0 |
| Reserves for general banking risks | 240'000 | 0 | 0 | 0 | 0 | 240'000 | 0 | 480'000 |
| Value adjustments for default risks and contry risks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK ANNUAL FINANCIAL STATEMENTS

12 Presentation of the share capital

| 31 st December | 2018 | | | 2017 | | |
|----------------------------------|---------------------|------------------|------------------------------------|---------------------|------------------|------------------------------------|
| | Total par value CHF | Number of shares | Capital eligible for dividends CHF | Total par value CHF | Number 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 |

13 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

14 Disclosure of amounts due from / to related parties

| 31 st December | Amounts due from | | Amounts due to | |
|---|------------------|-----------|----------------|-----------|
| | 2018 CHF | 2017 CHF | 2018 CHF | 2017 CHF |
| Holders of qualified participations | 3'542'201 | 1'940'000 | 6'902'108 | 1'854'129 |
| Group companies | 0 | 0 | 0 | 0 |
| Linked companies | 0 | 0 | 0 | 0 |
| Transactions with members of governing bodies | 2'789'715 | 1'940'000 | 708'721 | 1'314'392 |
| 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 (CHF 1'602'201) and amounts due to (CHF 411'440) this related party are included in both categories.

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK ANNUAL FINANCIAL STATEMENTS

15 Disclosure of holders of significant participations

| 31 st December | 2018 | | 2017 | |
|---|----------------|-------------|----------------|-------------|
| | 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 | 16'680'000 | 63.41% | 15'745'000 | 60.85% |

As at 31st December 2018, 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.

16 Disclosure of own shares and composition of equity capital

N/A

17 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

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK ANNUAL FINANCIAL STATEMENTS

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

| 31 st December | | | | | |
|---------------------------|------------------------------|------------------------------|----------------|------------------------------|----------------|
| Nation | S & P (Standard & Poor's) | Net foreign exposure 2018 | | Net foreign exposure 2017 | |
| | | CHF '000 | % | CHF '000 | % |
| Denmark | AAA , AA- | 9'381 | 4.14% | 5'731 | 2.66% |
| Germany | AAA , AA- | 51'976 | 22.93% | 23'240 | 10.78% |
| Luxembourg | AAA , AA- | 53'034 | 23.40% | 48'667 | 22.57% |
| Holland | AAA , AA- | 14'169 | 6.25% | 14'666 | 6.80% |
| Sweden | AAA , AA- | 0 | 0.00% | 114 | 0.05% |
| USA | AAA , AA- | 40'586 | 17.91% | 19'476 | 9.03% |
| others | AAA , AA- | 0 | 0.00% | 1 | 0.00% |
| Belgium | A+, A- | 7'167 | 3.16% | 0 | 0.00% |
| Cayman Islands | A+, A- | 121 | 0.05% | 328 | 0.15% |
| Hong Kong | A+, A- | 0 | 0.00% | 2'066 | 0.96% |
| France | A+, A- | 4'704 | 2.08% | 1'292 | 0.60% |
| United Kingdom | A+, A- | 11'092 | 4.89% | 3'722 | 1.73% |
| others | A+, A- | 1 | 0.00% | 10 | 0.00% |
| Israel | BBB+, BBB- | 242 | 0.11% | 0 | 0.00% |
| Malta | BBB+, BBB- | 6 | 0.00% | 178 | 0.08% |
| Bulgaria | BBB+, BBB- | 0 | 0.00% | 4'673 | 2.17% |
| others | BBB+, BBB- | 1 | 0.00% | 12 | 0.01% |
| Panama | BB+, BB- | 481 | 0.21% | 9'276 | 4.30% |
| Italy | BB+, BB- | 28'546 | 12.59% | 18'679 | 8.66% |
| Russian Federation | BB+, BB- | 622 | 0.27% | 1 | 0.00% |
| others | BB+, BB- | 6 | 0.00% | 0 | 0.00% |
| Bahamas | B+, B- | 3'176 | 1.40% | 21'228 | 9.85% |
| Brazil | B+, B- | 113 | 0.05% | 119 | 0.06% |
| Cyprus | B+, B- | 4 | 0.00% | 374 | 0.17% |
| others | B+, B- | 1 | 0.00% | 22 | 0.01% |
| Venezuela | CCC+, C | 115 | 0.05% | 25'657 | 11.90% |
| others | CCC+, C | 2 | 0.00% | 35 | 0.02% |
| British Virgin Islands | Without rating | 1'047 | 0.46% | 15'497 | 7.19% |
| Marshall Islands | Without rating | 0 | 0.00% | 503 | 0.23% |
| Monaco | Without rating | 79 | 0.03% | 6 | 0.00% |
| others | Without rating | 1 | 0.00% | 23 | 0.01% |
| Total | | 226'673 | 100.00% | 215'596 | 100.00% |

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK ANNUAL FINANCIAL STATEMENTS

19 Breakdown of fiduciary transactions

| 31 st December | 2018 CHF | 2017 CHF |
|--|-------------------|-------------------|
| Fiduciary investments with third-parties | 95'829'196 | 48'424'065 |
| Total | 95'829'196 | 48'424'065 |

20 Breakdown of assets and presentation of their development

| 31 st December | 2018 CHF | 2017 CHF |
|--|----------------------|----------------------|
| a) Breakdown of managed assets | | |
| Type of managed assets: | | |
| Assets in collective investment schemes managed by the Bank | 147'243'851 | 179'038'464 |
| Assets under discretionary asset management agreements | 168'627'679 | 204'926'593 |
| Other managed assets | 28'509'058 | 30'339'965 |
| Total managed assets (included double counting) | 344'380'588 | 414'305'022 |
| - of which double counting | 30'474'373 | 34'476'885 |
| b) Presentation of the development of managed assets | | |
| Total managed assets (including double counting) at beginning of the year | 414'305'022 | 401'020'366 |
| +/- net new money inflow or net new money outflow | -25'252'916 | -14'233'720 |
| +/- price gains / losses, interest, dividends and currency gains / losses | -44'671'518 | 27'518'376 |
| +/- other effects | 0 | 0 |
| Total managed assets (included double counting) at the end of the year | 344'380'588 | 414'305'022 |
| - of which double counting | 30'474'373 | 34'476'885 |
| Total other assets | 1'916'121'555 | 2'070'350'589 |
| - of which double counting | 0 | 0 |
| Presentation of the development of other assets | | |
| Total other assets (including double counting) at beginning of the year | 2'070'350'589 | 1'460'537'543 |
| +/- net new money inflow or net new money outflow | -32'550'164 | 552'282'451 |
| +/- price gains / losses, interest, dividends and currency gains / losses, | -121'678'870 | 57'530'595 |
| +/- other effects | 0 | 0 |
| Total managed assets (including double counting) at the end of the year | 1'916'121'555 | 2'070'350'589 |
| - of which double counting | 0 | 0 |
| Total managed assets and other assets (included double counting) | 2'260'502'143 | 2'484'655'611 |

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.

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK ANNUAL FINANCIAL STATEMENTS

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

| | 2018 CHF | 2017 CHF |
|---|------------------|------------------|
| a) Breakdown by business area | | |
| Private | 4'537'677 | 3'492'842 |
| Total | 4'537'677 | 3'492'842 |
| 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) | 599'115 | 1'023'180 |
| - Equity securities (including funds) | 0 | 0 |
| - Foreign currencies | 3'938'562 | 2'469'662 |
| - Commodities / precious metals | 0 | 0 |
| Total result from trading activities | 4'537'677 | 3'492'842 |
| - 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 |

22 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 (2018: CHF 694'345; 2017: CHF 319'123) and interest income arising from borrowings are recorded in deduction of interest expenses (2018: CHF 206'184; 2017: CHF 56'922).

23 Breakdown of personnel expenses

| | 2018 CHF | 2017 CHF |
|--|------------------|------------------|
| Salaries | 7'230'858 | 7'341'022 |
| - of which, forms of variable compensation | 684'680 | 788'000 |
| Social insurance benefits | 1'404'788 | 1'338'192 |
| Other personnel expenses | 66'165 | 180'852 |
| Total | 8'701'811 | 8'860'066 |

ANNUAL FINANCIAL STATEMENTS OF THE PARENT BANK AS AT 31ST DECEMBER 2018

NOTES TO THE PARENT BANK ANNUAL FINANCIAL STATEMENTS

24 Breakdown of general and administrative expenses

| | 2018 CHF | 2017 CHF |
|--|------------------|------------------|
| Office space expenses | 887'196 | 832'928 |
| Expenses for information and communication technology | 1'295'365 | 1'184'817 |
| Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses | 10'020 | 29'161 |
| Fees of audit firm | 370'000 | 345'000 |
| - of which, for financial and regulatory audits | 370'000 | 345'000 |
| - of which, for other services | 0 | 0 |
| Other operating expenses | 1'341'875 | 1'126'125 |
| Total | 3'904'456 | 3'518'031 |

25 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

| | 2018 CHF | 2017 CHF |
|--|--------------|---------------|
| Extraordinary income | | |
| Profit realized on the disposal of tangible fixed assets | 5'248 | 39'351 |
| Total | 5'248 | 39'351 |

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

N/A

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

| | 2018 CHF | 2017 CHF |
|---------------------------|----------------|----------------|
| Current tax expenses | 607'809 | 677'928 |
| Deferred tax expenses | 0 | 0 |
| Total | 607'809 | 677'928 |
| Weighted average tax rate | 19.37% | 21.99% |



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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 42 – 59) for the year ended 31 December 2018.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

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

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.

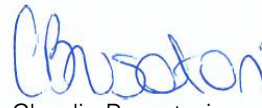
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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 SA



Pietro Di Fluri
*Licensed Audit Expert
Auditor in Charge*



Claudia Brusatori

Lugano, 20 March 2019

CORPORATE GOVERNANCE

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

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 Crediinvest 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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