BANQUE HERITAGE

Annual Report 2019

Statutory and consolidated financial statements

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Message from the Chairman and the CEO

Paul-André Sanglard
Chairman of the Board of Directors

Marcos Esteve
Chief Executive Officer

Dear Friends and Families,

If any expression characterizes 2019 it is the coming together of Banque Heritage and Sallfort Privatbank AG, two family run institutions with very similar histories and with legacies of long established entrepreneurial business experience. The official merger took place in June 2019 with the migration of our IT systems and the full integration of Sallfort's teams and operations into those of Banque Heritage. The merger is a further example of Banque Heritage's commitment to its strong foothold in the ever-evolving Swiss private banking industry.

Much of the year was spent devoting time to defining and emphasizing the core client markets in which the Bank is well established and wishes to further develop. This exercise was facilitated by the fact that both institutions had clients from similar geographies. These include Switzerland, Western Europe, Russia, the Middle East, and Latin America. The criteria for country selection include a thorough knowledge of the country and its marketplace, the offering of tax efficient investment solutions, a stringent analysis of risk in dealing with such markets, the growth potential of our business there, the size of the market, and of course the history of the Bank and the origins of its shareholding families.

Our core business continues to be Wealth Management, and our Relationship Managers each concentrate their business matters within a scope of five core markets, all the while keeping in mind the absolute respect of stringent cross border regulations. While both Banque Heritage and Sallfort Privatbank historically have had similar cultural values, the merger has required the integrating and regrouping of our various Relationship Management teams based on target markets, further bringing together the threads of our shared business culture.

On the investment front, the merger has allowed us to expand our investment offering to include pension planning for vested termination benefits for our Swiss client base in accordance with Swiss pension law. This is a business which Sallfort Privatbank developed successfully and which has had a very respectable track record.

During the year we decided to sub-contract the management of our flagship alternative investment fund, the Heritage Long/Short Equity Fund to Fundana, a well-established Geneva based asset manager who specializes in long/short hedge fund strategies. We have always maintained a cordial relationship with Fundana, and the rationale for this decision lies in combining our respective and profound investment experience in the hedge fund asset class space.

While financial markets posted banner year performances in 2019, the low to zero interest rate environment has incited a search for yield and has thus increased the attractiveness of "Club Deals", private debt placements which we can offer to our clients, all the while investing alongside them. We have developed this niche offering accordingly and continue to actively look for opportunities.

Finally, in November we launched a new service, M&A and Corporate Advisory. The seasoned team specializes in Mergers and Acquisitions, Growth Capital, Private Debt, and Financial Advisory services. We strongly believe that there are synergies between our private banking clients and those who might require Corporate Advisory services, and that this cross-fertilization is mutually beneficial to both groups of clients and to our business as a whole.

In the pursuit of wealth management excellence, we have trained and continue to train our staff to become Certified Wealth Management Advisors through l'Institut Supérieur de Formation Bancaire (ISFB). At the time of writing almost half of our Relationship Managers have been certified, and the remainder are programmed to pass their certification in the coming years.

We reiterate our belief that today's Private Bankers need to ensure an increasingly broad scope of competence when it comes to advising clients.

Paul-André Sanglard
Chairman of the Board of Directors

Marcos Esteve
Chief Executive Officer

Statutory Financial Statements

Asset Management Activities

Market Focus

After the sharp declines of equities in the fourth quarter of 2018, the first four months of the year 2019 were all about the global equity rebound, along with good returns from the fixed income asset class. The road then became a bit bumpy given ongoing trade negotiations between the US and China as well as the tug of war between deteriorating economic indicators globally, especially those related to the manufacturing sector. Central banks began to signal more stimulus and to lower interest rates to keep the current (and the longest ever) expansion intact.

The 4th quarter finally saw the announcement of the much anticipated "phase one" trade deal between the US and China while the US did not engage into the same arm wrestling on imported goods from Europe. This gave another boost to risk assets into year-end, further fueled by FOMO or "Fear of Missing Out". Brexit risk was dramatically reduced with the Conservative election win, and global central banks continued their accommodative stances. Corporate buybacks remained a significant driver of returns; equities saw inflows, but the major trend was actually into fixed income. The most important impetus, however, was from the injection of liquidity from the Federal Reserve via Repo agreements. What had begun as a temporary adjustment has continued into the beginning of 2020. This has been a dramatic reversal of the trend for the majority of last year of actually reducing its balance sheet, also known as quantitative tightening, and a clear example that reverting to a pre-2009 financial paradigm is not and will not be an easy task going forward.

Other asset classes also did well. As geopolitical tensions were kept high, especially within the Middle East, but also with mounting Hong Kong protests against China's regime, investors readily sought safe haven assets such as gold. Gold's spot price rose almost 19% during 2019, backed by investor demand amidst geo-political tensions and a dovish Fed.

Performance

Balanced portfolios denominated in EUR were up approximately 9% over 2019. Equities were the main performance driver with positive contribution from all positions. The gold position not only had a positive return overall for 2019, but it also helped keep portfolios' overall volatility low at times when geo-political tensions were weighing on financial markets. Most of the USD exposure was unhedged for 2019, also adding a positive contribution to the overall good year.

Our Angle for 2020

We head into 2020 slightly underweight in equities with a 42% exposure, an overweight in precious metals through gold, and an allocation to fixed income strategies of 38%. We remain invested in uncorrelated strategies such as Insurance-Linked securities which are benefitting from a strong rebound in yields as well as private market opportunities, notably in real estate financing which offers very attractive returns with a relatively low risk, in a world still starved for yield. We remain very granular in our approach, preferring to hedge European high yield to USD rather than holding US high yield in a bid to focus on quality. We are invested in niche asset classes such as financial subordinated debt and have a defensive stance, notably through our investments in the SIM funds which have been revamped to show a low volatility, high dividend profile.

We remain cautious, as we were throughout 2019, understanding that this is the longest economic cycle on record and that some shock, whether internal to financial markets, driven by macro-economics, or completely exogenous, will very abruptly and strongly test markets which are at all-time highs.

Staff Matters and Expression of Appreciation

Maitre Pierre Alain Schmidt stepped down as member of the Board of Directors during the year 2019. The Bank would like to express its gratitude to Maitre Schmidt for his longstanding dedication, engagement, and invaluable counsel during his tenure on the Board of Directors which commenced at the inception of the Bank's history in 1986. A faithful family friend and deeply respected professional, Maitre Schmidt was instrumental in the setting up of the Bank with its founding partner and CEO Carlos Esteve and his father Ramon Esteve, Jr. who served as Chairman of the Board of Directors until his death in 2000. At that time Maitre Schmidt became Chairman of the Board of Directors, a role he occupied for many years. He also served various terms as Vice Chairman of the Board. It was with Maitre Schmidt's foresight and vision that the Bank navigated its first 33 years, a period which saw enormous changes in the Swiss private banking landscape.

The Executive Committee remains strategically focused and united in its efforts to implement the corporate strategy put forth by the Board of Directors.

The Bank was profitable in its ordinary course of business during 2019, all the while maintaining cost control efficiency, and continues to post sound capital adequacy ratios (Statutory and Consolidated CET 1 ratios of 29.20% and 24.83%, respectively).

For the Bank as a whole, 2019 was a successful year in the guise of merger, integration, and transition, and we express our gratitude to all of the Bank's staff for their diligence, engagement, and loyalty in making this possible.

COVID 19

While this text is destined to our results and the events of 2019, we cannot close without commenting on the COVID-19 outbreak of early 2020. With four offices in Switzerland and clients around the world, we have a robust business continuity plan which has been developed over the last years and which we have put into place during the first weeks of March 2020. It is something which is fully adaptable to the developing state of the pandemic.

Our fundamental priority is to ensure that our day-to-day business continues, all the while providing a safe and healthy work environment for our employees and for our clients.

Across the organization, we have made sure that as many people as possible can work from home. Our IT system allows all employees to work from remote locations with access to our banking system as well as to all of the necessary analytical tools and sources of research (Bloomberg, Morningstar, etc.) as if they were physically in the office.

At the same, we have reduced the number of people present in our various locations to ensure the coordination of activities.

We are adhering to all cantonal and federal decrees as far as hygiene and personal conduct are concerned in order to diminish as quickly as possible the propagation of the virus. In this sense, all cross border business travel has been temporarily suspended, as well as travel between our four office locations in Switzerland. We are equipped with state of the art digital technology and video and telephone conferencing systems, and these are the methods which we are now using to conduct business meetings.

Our Executive Committee is closely monitoring the situation and keeps all employees informed of new developments on a regular basis.

Our core business is the management of our client's private wealth. Global financial markets are living a period of a confluence of unprecedented events and subsequent volatility. We assure you that we are doing all that is possible to ensure a seamless business continuity at this time of duress, to maintain the highest standards of client service, and to ensure the professional stewardship of the highest caliber of our clients' private wealth.

We take this opportunity to acknowledge our gratitude to the IT team for their foresight, preparedness, professionalism, and their rapid and nimble reaction to the extraordinary events of early 2020.

Annual Results

The year 2019 was marked by the integration of Sallfort Privatbank AG. The merger took place on June 7, 2019, but took effect retroactively as of January 1, 2019.

Our balance sheet total was clearly impacted, rising from CHF 626 million at 31 December 2018 to CHF 679 million, an increase of 8.5%.

The net profit for the financial year amounts to CHF 1.3 million compared to a loss of CHF 8.1 million in 2018.

Income from banking operations rose by 27.8% to CHF 51.4 million. This significant increase is due to the integration of Sallfort Privatbank AG with effect from 1 January 2019 as well as the proceeds generated by the exchange of Treasury shares held in the Bank's trading portfolio.

Operating expenses also rose by 24.11% to CHF 46.09 million. The takeover of the staff and part of the premises of Sallfort Privatbank AG, as well as the costs directly linked to the merger, explain this significant increase.

The assets under management for the Bank increased by CHF 639 million in 2019, attaining CHF 4.56 billion on 31 December 2019 versus CHF 3.92 billion on 31 December 2018.

We would also like to point out that no goodwill related to the merger has been created. All merger-related expenses have been accounted for in the 2019 results.

On behalf of the Board of Directors,

Paul-André Sanglard
Chairman of the Board of Directors

All amounts have been rounded off, which may result in minor discrepancies.

Information relating to Capital adequacy ratios, Liquidity Coverage Ratio (LCR) and Leverage ratio of the statutory financial statements

KM1: Key metrics

(in 1'000 CHF)		a	b	c	d	e
		31.12.19	30.9.19	30.6.19	31.3.19	31.12.18
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	48 008				38 773
1a	Fully loaded ECL accounting model	–				–
2	Tier 1	48 008				38 773
2a	Fully loaded ECL accounting model Tier 1	–				–
3	Total capital	62 456				53 186
3a	Fully loaded ECL accounting model total capital	–				–
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	164 392				134 685
4a	Minimum capital requirement	13 151				10 775
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	29.20 %				28.79 %
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	0.00 %				0.00 %
6	Tier 1 ratio (%)	29.20 %				28.79 %
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	0.00 %				0.00 %
7	Total capital ratio (%)	37.99 %				39.49 %
7a	Fully loaded ECL accounting model total capital ratio (%)	0.00 %				0.00 %
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital convervation buffer requirement (2.5% from 2019) (%)	2.50 %				1.88 %
9	Countercyclical buffer requirement (%)	0.00 %				0.00 %
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.00 %				0.00 %
11	Total of bank CET1 specific buffer requirements (%)	2.50 %				1.88 %
12	CET1 available after meeting the bank's minimum capital requirements (%)	23.20 %				22.79 %
Target capital ratios according to Annex 8 CAO (in % of RWA)						
12a(1)	Capital buffer according to Annex 8 CAO (%)	3.20 %				3.20 %
12b	Countercyclical buffer (articles 44 et 44a CAO) (%)	0.09 %				0.05 %
12c	CET1 target ratio (in %) according to Annex 8 CAO plus countercyclical buffer in accordance with Articles 44 and 44 a CAO	7.49 %				7.45 %
12d	T1 target ratio (in %) according to Annex 8 CAO plus countercyclical buffer in accordance with Articles 44 and 44a CAO	9.09 %				9.05 %
12e	Total capital target ratio (in %) according to Annex 8 CAO plus countercyclical buffer in accprdance with articles 44 and 44a CAO	11.29 %				11.25 %

All amounts have been rounded off, which may result in minor discrepancies.

(in 1'000 CHF)	a	b	c	d	e
	31.12.19	30.9.19	30.6.19	31.3.19	31.12.18
Basel III leverage ratio					
13 Total exposure (CHF)	690 577				634 634
14 Basel III leverage ratio (%)	6.95 %				6.11 %
14a Fully loaded ECL accounting model Basel III leverage ratio (%)					
Liquidity Coverage Ratio					
15 Total HQLA	349 839	404 739	405 720	381 852	412 912
16 Total net cash outflow	83 926	108 872	139 983	138 707	118 128
17 LCR ratio (%)	416.84 %	371.76 %	289.83 %	275.29 %	349.55 %
Net Stable Funding Ratio (2)					
18 Total available stable funding	486 923				430 989
19 Total required stable funding	248 050				193 670
20 NSFR ratio	196.30 %				222.54 %

OV1: Overview of risk weighted assets

(in 1'000 CHF)		a	b	c
		RWA	RWA	Minimum Capital Requirement
		31.12.2019	31.12.2018	31.12.2019
1	Credit risk	65 205	46 361	5 216
20	Market risk	3 619	5 062	290
24	Operational risk	95 567	80 590	7 645
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	–	–	–
27	**Total (1+20+24+25)**	**164 392**	**132 013**	**13 151**

Capital requirements

The following approaches are adopted by the Bank with regards to the calculation of the capital requirements:

Credit risk

- *External rating agencies (governments, public corporations, banks, corporates):* Moodys and S&P
- *Risk mitigation:* Comprehensive approach
- *Haircut:* Standard supervisory haircuts
- *Model applied for derivatives:* Standardised approach

Market risk

- *Standardised approach for interest rate risk:* Maturity method
- *Standardised approach for options:* Simplified approach

Operational risk

- *Measurement method:* Basis indicator approach

LIQA: Liquidity risk management

Please refer to the "Liquidity" section on page 23 of the introductory notes to the financial statements.

CR1: Credit risk: Credit quality of assets

	(in 1'000 CHF)	a	b	c	d
		31.12.2019			
		Gross carrying values of [1]		[2] Allowances/ impairments	Net values (a + b - c)
		[3] Defaulted exposures3	Non-defaulted exposures		
1	Loans (excluding debt securities)	1 942	170 766	1 942	170 766
2	Debt securities	—	20 087	—	20 087
3	Off-balance sheet exposures	—	22 444	—	22 444
4	**Total Reporting Period**	1 942	213 297	1 942	213 297

1 On and off-balance-sheet items with a credit risk exposure as defined in the capital adequacy provisions (with the exception of counterparty credit risks). On balance-sheet items shall include loans and debt securities. Off balance-sheet items must be measured using the following criteria: 1) Guarantees granted: the maximum amount that the bank would have to pay if the guarantee were called (gross amount, i.e. gross of any credit conversion factor (CCF) and prior to appying credit risk mitigation (CRM) techniques; 2) Irrevocable loan commitments must not be included. The gross value shall correspond to the carrying value before taking into account any valuation adjustments but after deducting any write-offs (write-offs are defined as being a direct reduction of the carrying amount made by tha bank if recovering the receivable is no longer possible). Banks must not take into account any credit risk mitigation technique of any type.

2 Total amount of valuation adjustments recorded without taking into account the fact that these cover impaired exposures as well as latent risks and direct write-offs.

3 In the case of SA-BIS, this included and impaired exposures, In the case of IRB, section 452 of the Basel minimum standards (Basel II text) gives the definition for regulatory purposes.

CR3: Credit risk: Credit risk mitigation techniques – overview

(in 1'000 CHF)	a	c	e&g
	31.12.2019		
	[1] Unsecured exposures/ carrying amount	[2] Secured exposures, actual collateralized amount	[3] Exposures secured by financial guarantees
Loans (including debt securities) [1]	24 704	166 149	—
Off balance sheet [2]	11 147	11 298	—
TOTAL	35 851	177 446	—
Of which defaulted	*1 942*	—	—

1 carrying amount of exposures (net of value adjustments) that do not benefit from a credit risk mitigation technique.

2 carrying amount of exposures (net of value adjustments) partly of totally secured by collateral, regardless of what portion of the original exposure is secured.

3 carrying amount of exposures (net of value adjustments) partly of totally secured by guarantees or credit derivatives, regardless of what portion of the original exposure is secured.

ORA: Operational risk: general information

Operational Risks

Please refer to the "Operational risks" section on page 23 of the introductory notes to the financial statements.

Capital Requirements

Please refer to the previous section OV1, subsection "Capital Requirements".

All amounts have been rounded off, which may result in minor discrepancies.

IRRBA: Interest rate risk: Objectives and guidelines for the management of interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) is a measure of the risk to a bank's capital and to its earnings arising from the movement of interest rates. This risk generally arises from repricing risk, basis risk, yield curve risk and risk arising from options.

Excessive levels of interest rate risks can significantly affect the economic value of equity (EVE) as well as the bank's earnings, defined as the net interest income (NII). It is therefore essential to establish an effective risk management process that effectively measures and contains these risks at established levels.

The Board of Directors overviews the Bank risk management and risk strategy process, and defines the interest rate risk appetite for the Bank on an annual basis. This is essentially performed with the validation of the IRR Global Limit of Banque Heritage (Suisse).

The General Management is responsible for the organization and operation of the management of the IRRBB. The Risk Management function monitors the interest rate risk on a daily basis. Furthermore, the interest rate risk is reviewed by the Asset and Liability Committee (ALM) of the Bank on a regular basis.

A formal measure of the IRRBB as defined by circular FINMA 2019/02 is performed by the Bank on a quarterly basis. Interest rate risk is measured using indicators to measure the changes in economic value of the banking book, indicators to measure changes in earnings as well as gap maturities analysis. The six regulatory scenarios that are to be applied within this measure as defined by Circular Finma 2019/2 are i) Parallel shift up; ii) Parallel shift down; iii) Steepener shock; iv) Flattener shock; v) Rise in short-term interest rates; vi) Fall in short-term interest rates.

The mapping process is established on product-specific payment streams that exist within the balance sheet of the Bank at the date of generation of the formal measures.

Discounted interest rates are based on present interbank interest rates. Intermediary inexistent rates are linearly extrapolated.

Replication keys are integrated in our internal model with a conservative approach with respect to maturities of the underlying balance sheet structure. These replication keys may be modified should the respective balance sheet(s) not reflect the underlying replication key assumptions. Within these replication keys, term deposits are treated as being withdrawn 70% within one month and 30% within one year to reflect potential behavioural early withdrawals.

Table IRRBBA1: Interest rate risk: quantitative information on the exposure's structure and interest rate fixing date

Fixed and flexible tables

	Volume in CHF million			Average interest rate reset period (in years)	
	Total	Of which in CHF	Of which other significant currencies*	Total	Of which in CHF
Defined interest rate reset date					
Amounts due from banks	43.32	–	38.75	0.03	–
Amounts due from customers	145.40	25.02	118.10	0.21	0.24
Money market mortgage (LIBOR-based)	8.19	8.19	–	0.14	0.14
Financial investments	20.24	–	20.24	0.69	–
Other receivables	–	–	–	–	–
Amounts due to banks	–	–	–	–	–
Amounts due in respect of client deposits	14.99	14.99	–	0.02	0.02
Undefined interest rate reset dates					
Amounts due from banks	23.75	6.62	9.48	0.08	0.08
Amounts due from customers	18.33	5.00	12.61	0.22	0.22
Amounts due in respect of client deposits	567.60	131.94	407.43	0.08	0.08
Other payables	6.28	0.69	4.66	1.04	1.04
Total	**848.09**	**192.45**	**611.27**	**–**	**–**

** representing more than 10% of assets or liabilities of total assets*

Table IRRBB1: Interest rate risk: quantitative information on the exposure's net present value and interest rate income

CHF '000		DELTA EVE		DELTA NII
Period	*31.12.2019*	*30.06.2019*	*31.12.2019*	*30.06.2019*
Parallel shift up	73	325	-5'484	-5'811
Parallel shift down	-63	-321	5'387	5'709
Steepener shock 1	-111	-282		
Flattener shock 2	126	341		
Rise in short-term interest rates	133	415		
Fall in short-term interest rates	-117	-409		
Maximum	-117	-409	-5'484	-5'811
Period		*31.12.2019*		*30.06.2019*
Tier 1 capital		48'008		47'309

For each of the supervisory prescribed interest rate shock scenarios, the bank must report for the current period and for previous period:
(1) The change in the economic value of equity based on its IMS, using a run-off balance sheet and an instantaneous shock or based on the result of the standardised framework as set out in Section IV if the bank has chosen to adopt the framework or has been mandated by its supervisor to follow the framework.
(2) The change in projected NII over a forward-looking rolling 12-month period compared with the bank's own best estimate 12-month projections, using a constant balance sheet assumption and an instantaneous shock.

All amounts have been rounded off, which may result in minor discrepancies.

Report of the statutory auditor to the General Meeting of Banque Heritage SA Geneva

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Banque Heritage SA (page 16 to 43), which comprise the balance sheet, income statement, statement of changes in equity and notes, for the year ended 31 December 2019.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

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

Report on Other Legal Requirements

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

In accordance with art. 728a para. 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.

PricewaterhouseCoopers SA

Omar Grossi	Mathieu Conus
Audit Expert Auditor in charge	Audit expert

Geneva, 29 April 2020

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Statutory Balance Sheet at 31 December 2019

CHF '000	2019	2018
ASSETS		
Liquid assets	403 650	411 424
Amounts due from banks	64 198	39 369
Amounts due from customers	162 599	106 671
Mortgage loans	8 167	4 475
Positive replacement values of derivative financial instruments	1 471	1 914
Financial investments	20 127	42 807
Accrued income and prepaid expenses	1 400	1 768
Participations	1 108	1 068
Tangible fixed assets	2 425	2 671
Other assets	14 267	14 126
Total assets	679 411	626 294
Total subordinated claims	–	–
of which subject to mandatory conversion and / or debt waiver	–	–
LIABILITIES		
Amounts due to banks	6 275	21 277
Amounts due in respect of customer deposits	582 746	516 071
Negative replacement values of derivative financial instruments	3 306	2 466
Accrued expenses and deferred income	8 814	10 930
Other liabilities	797	583
Provisions	29 466	30 927
Bank's capital	13 867	13 867
Statutory capital reserve	16 133	16 133
of which tax-exempt capital contribution reserve	*15 876*	*15 876*
Statutory retained earnings reserve	3 700	3 700
Voluntary retained earnings reserves	5 000	5 000
Own shares (negative item)	(3 038)	(5 745)
Profit carried forward	11 085	19 179
Profit/(loss) of the period	1 260	(8 094)
Total liabilities	679 411	626 294
Total subordinated liabilities	–	–
of which subject to mandatory conversion and / or debt waiver	–	–
OFF-BALANCE SHEET TRANSACTIONS		
Contingent liabilities	20 093	20 443
Irrevocable commitments	2 351	3 679

All amounts have been rounded off, which may result in minor discrepancies.

CHF '000	2019	2018
Result from interest operations		
Interest and discount income	4 216	4 114
Interest and dividend income from financial investments	808	817
Interest expense	–	–
Gross result from interest operations	**5 023**	4 930
Changes in value adjustments for default risks and losses from interest operations	(14)	(61)
Subtotal net result from interest operations	**5 009**	4 869
Result from commission business and services		
Commission income from securities trading and investment activities	36 267	30 575
Commission income from lending activities	80	185
Commission income from other services	2 099	1 946
Commission expense	(7 145)	(7 481)
Subtotal result from commission business and services	**31 301**	25 225
Result from trading activities and the fair value option	**9 618**	8 577
Other result from ordinary activities		
Result from the disposal of financial investments	286	1 300
Income from participations	1 006	44
Result from real estate	–	217
Other ordinary income	4 215	–
Other ordinary expenses	(11)	–
Subtotal other result from ordinary activities	**5 496**	1 561
Operating expenses		
Personnel expenses	(29 580)	(25 831)
General and administrative expenses	(16 505)	(11 300)
Subtotal operating expenses	**(46 085)**	(37 132)
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(5 187)	(1 837)
Changes to provisions and other value adjustments and losses	(1 802)	(9 165)
Operating result	**(1 649)**	(7 901)
Extraordinary income	4 058	7 353
Extraordinary expenses	(833)	(7 341)
Taxes	(316)	(205)
Profit/(Loss) of the period	**1 260**	(8 094)

All amounts have been rounded off, which may result in minor discrepancies.

Appropriation of profit for the year

CHF '000	2019	2018
Profit/(Loss) for the year	1 260	(8 094)
Profit carried forward	11 085	19 179
Distributable profit	12 346	11 085

Recommendation from the Board of Directors

CHF '000	2019	2018
Allocation to the voluntary retained earnings reserve	–	–
New amount carried forward	12 346	11 085

	Share capital	Capital reserve	Statutory retained earnings reserve	Voluntary retained earnings reserves and profit/loss carried forward	Own shares (negative item)	Result of the period	Total
Equity at 01.01.2019	13 867	16 133	3 700	24 179	(5 745)	(8 094)	44 040
Appropriation of retained earnings 2018							
- Allocation to the voluntary earnings reserve	–	–	–	–	–	–	–
- Dividends	–	–	–	–	–	–	–
- Net change in retained earnings brought forward	–	–	–	(8 094)	–	8 094	–
Acquisition of own shares	–	–	–	–	(10 068)	–	(10 068)
Disposal of own shares	–	–	–	–	12 775	–	12 775
Profit/(Loss) of the period	–	–	–	–	–	1 260	1 260
Equity at end of current period	13 867	16 133	3 700	16 085	(3 038)	1 260	48 007

Banque Heritage SA is a predominantly family owned bank that operates under Swiss law. Services are rendered by the Bank's head office in Geneva and branches in Zurich, Basel and Sion.

The share swap announced on 6th November 2018 effectively took effect on 3rd January 2019 between Banque Heritage SA and Bunita Holding AG generating the merger of Banque Heritage SA with Sallfort Holding AG and Sallfort Privatbank AG in June 2019 with retroactive effect as of 1st January 2019. Additional comments are enclosed in Annex 6 of these notes.

Accounting principles and valuation method

General principles

The accounting and valuation principles are based on the Code of Obligations (CO), the Banking Act and its related Ordinance as well as the Accounting rules for banks, securities dealers, financial groups and conglomerates (FINMA circular 15/1). The accompanying single-entity financial statements have been established to present the economic situation of the Bank such that a third party can form a reliable opinion. The financial statements are allowed to include hidden reserves.

In the notes, the individual amounts are rounded to the nearest thousand francs for publication purposes, but the calculations are based on non-rounded figures which may generate small rounding differences.

General valuation principles

The financial statements are established according to the assumption of the going concern principle.

Assets and liabilities, together with off-balance-sheet business recognised under the same accounting heading, are valued on an individual basis.

Transactions are recorded and valued in accordance with generally accepted principles. As a rule, they will be recognised in the balance sheet as of the settlement date or the date at which the trading and cash-management transactions were closed.

As a principle, no offsetting is undertaken between assets and liabilities or between expenses and income. The exception to this rule relates to the deduction of value adjustments from the corresponding asset item.

Liquid assets
Liquid assets are recognized at their nominal value.

Amounts due from banks, amounts due from customers and mortgage loans
Amounts due from banks, amounts due from customers and mortgage loans are recognized at their nominal value less any necessary value adjustments.

Amounts due in respect of precious metal account deposits are valued at fair value if the precious metal concerned is traded on a price-efficient, liquid market.

Doubtful receivables are valued individually and depreciated by means of individual value adjustments. The depreciation of doubtful receivables is determined by the difference between the book value of the receivable and the anticipated recoverable amount. The anticipated recoverable amount is the liquidation value (estimated realizable value minus the costs of retention and liquidation).

If a receivable is categorized as entirely or partially irrecoverable, the receivable is derecognized by booking it against the corresponding value adjustment.

If recovered amounts from receivables written off in earlier periods cannot be used immediately for other value adjustments of the same type, they are recognized in 'Changes in value adjustments for default risk and losses from interest operations' in the income statement.

Doubtful receivable are reclassified as performing if the outstanding amount of capital and interest are paid again on time according to the contractual agreements and other creditworthiness criteria. Value adjustments are released with an effect on income via the item 'Changes in value adjustments for default risk and losses from interest operations'.

Amounts due to banks and amounts due in respect of customer deposits
These items are recognized at their nominal value.

Amounts due in respect of precious metal account deposits are valued at fair value if the precious metal concerned is traded on a price-efficient, liquid market.

Positive and negative replacement values of derivative financial instruments
Derivative instruments are used for trading purposes. The Bank undertakes derivative transactions for its clients and systematically undertakes the same operation with bank counterparts thus limiting its own exposure.

The valuation of derivative financial instruments for trading purposes is done according to the fair value and the positive or negative replacement value is recorded in the corresponding item. The fair value is based on market prices, dealer's price quotations, discounted cash flows and option pricing models.

The realized result from trading operations and the unrealized result from valuations relating to trading operations are recorded via the item 'Result from trading activities and use of the fair value option'.

Financial investments
With regards to Banque Heritage, financial investments typically include debt instruments and equity securities, physical stocks of precious metals as well as properties and goods acquired in relation to loan transactions and destined for sale.

If the fair value of financial investments valued using the lower of cost or market principle increases again after declining below the historical cost, the value may be appreciated up to a maximum of the historical cost. The balance of the value adjustments is recorded via the item 'Other ordinary expenses' or 'Other ordinary income'.

Held-to-maturity debt instruments
The valuation is based on the acquisition cost principle with the agio/disagio (premium/discount) accrued/deferred over the residual term to maturity (accrual method). The agio/disagio is accrued/deferred over the residual term to maturity via the item 'Accrued income and prepaid expenses' or 'Accrued expenses and deferred income'. Value adjustments for default risk are recorded immediately under 'Changes in value adjustments for default risk and losses from interest operations'.

If held-to-maturity financial investments are sold or reimbursed early, the realized gains and losses, which correspond to the interest component, are accrued/deferred over the residual term to maturity of the transaction via the item 'Other assets' or 'Other liabilities'.

Equity securities, physical stocks of precious metals
The valuation is based on the lower of cost or market principle. The value adjustments arising from a subsequent valuation are recorded via the item 'Other ordinary expenses' or 'Other ordinary income'.

Participations
Participations are valued at historical costs minus any value adjustments due to business reasons.

Each participation is tested for impairment as of the balance sheet date. This test is based on indicators reflecting a possible impairment of individual assets. If any such indicators exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset. The recoverable amount is the higher amount of the net selling price and the value in use. An asset is impaired if its carrying amount exceeds its recoverable amount. If the asset is impaired, the book value is reduced to match the recoverable value and the impairment is charged via the item 'Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets'.

Realized gains from the sale of participations are recorded via the item 'Extraordinary income' and realized losses are recorded via the item 'Extraordinary expense'.

Tangible fixed assets
Investments in tangible fixed assets are capitalised as an asset if they are used for more than one accounting period and exceed the minimal value for recognition of CHF 2'000.

Tangible fixed assets are recognised at acquisition cost minus the scheduled accumulated amortisation over the estimated operating life.

Tangible fixed assets are amortized at a consistent rate (straight-line amortisation) over a prudent estimated operating life via the item 'Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets'. The estimated operating lives of specific categories of tangible fixed assets are as follows:

Asset class	Operating life
Building structural work	minimum between rent-term and 15 years
Building adaptation	minimum between rent-term and 8 years
Other work on the building	minimum between rent-term and 5 years
Equipment/vehicles	5 years
Computer software	5 years
Computer and audio-visual equipment	3 years

Acquisition of works of art are exempt from straight-line amortization and valued at the lower of acquisition cost, insurance value or impaired value.

Each tangible fixed asset is tested for impairment as of the balance sheet date. This test is based on indicators reflecting a possible impairment of individual assets impaired. If any such indicators exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset. An asset is impaired if its carrying amount exceeds its recoverable amount.

If the asset is impaired, the book value is reduced to match the recoverable value and the impairment is charged via the item 'Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets'.

If the impairment test shows that the operating life of an intangible asset has changed, the residual carrying amount should be depreciated systematically over the newly estimated useful life.

Realized gains from the sale of tangible fixed assets are recorded via the item 'Extraordinary income' and realized losses are recorded via the item 'Extraordinary expense'.

Intangible assets
The Bank may acquire intangible assets as part of asset transfer agreements or following the acquisition of participations. These assets are reviewed at least annually for impairment.

Provisions
Legal and factual obligations are valued regularly. If an outflow of resources is likely and can be reliably estimated, a corresponding provision must be created.

Existing provisions are reassessed at each balance sheet date. Based on this reassessment, the provisions are increased, left unchanged or released. Positions are recorded as follows via the individual items in the income statement:

- Pension provision: 'Personnel expenses'
- Other provisions: 'Changes to provisions and other value adjustments and losses', except provisions for restructuring

Provisions are released via the income statement if they are no longer needed on business grounds and cannot be used for other similar purposes at the same time.

Taxes
Current income taxes are recurring, usually annual, taxes on profits and capital. Transaction-related taxes are not included in current taxes.

Expense due to income and capital tax is disclosed in the income statement via the item 'Taxes'.

Off-balance-sheet transactions
Off-balance-sheet disclosures are at nominal value. Provisions are created in the liabilities in the balance sheet for foreseeable risks.

Own shares
Purchases of own shares are recorded at the acquisition date at the cost of acquisition and deducted from equity via the item 'Own shares'. No subsequent valuation is performed. The gains or losses realized from the sale of own shares are recorded in the profit and loss via;

- the item 'Result from trading activities and the fair value option' if own shares were held for trading purposes;
- the item 'Other ordinary income' or 'Other ordinary expenses' if own shares were not held for trading purposes.

Pension benefit obligations
The Bank's employees are insured through the Bank's pension fund. The organisation, management and financing of the pension funds comply with the legal requirements, the deeds of foundation and the current pension fund regulations. All of the Bank's pension funds are defined contribution plans.

The Bank bears the costs of the occupational benefit plan for employees and survivors as per the legal requirements. The employer contribution arising from the pension funds are included in 'Personnel expenses' on an accrual basis.

Since the Bank's pension scheme is a planned contribution scheme, no additional economic benefit or economic obligation are to be calculated from the pension fund.

Recording of business transactions

All business transactions concluded up to the balance sheet date are recorded as of their settlement date (settlement date accounting) and valued according to the above-mentioned principles.

Treatment of past-due interest
Past-due interest and the corresponding commissions are not included as interest income. Interest income only includes interest and commissions that are over 90 days past due and not yet paid. With regard to current account limits, interest and commissions are treated as past due if the credit limit has been exceeded for over 90 days. From this point in time, no accrued interest and commission is recorded in 'Interest and discount income' until there is no more past-due interest longer than 90 days.

Past-due interest is not cancelled retroactively. The liabilities from the accumulated interest up to the expiry of the 90-day term (due unpaid interest and accumulated accrued interest) are written down via the item 'Changes in value adjustments for default risk and losses from interest operations'.

Treatment of translation of foreign currencies
Transactions in foreign currencies are recorded at the respective daily exchange rate. Assets and liabilities are translated at the exchange rate effective at the close of financial year.

The price gain or loss resulting from the currency translation is recorded via the item 'Result from trading activities and the fair value option'.

For the foreign currency translation, the following exchange rates were used:

	31.12.2019	31.12.2018
USD	0.9676	0.9850
EUR	1.0852	1.1262
GBP	1.2704	1.2504

Risk management

The Bank is subject to various banking-specific risks: credit, market and liquidity risks as well as operational and legal risks. The monitoring, identification, measurement and management of these risks is a priority for the Bank.

The risk capacity is set in such a way that the Bank complies with the statutory capital adequacy requirements, even if under the influence of diverse negative events.

The key elements of risk management are:

- a comprehensive risk policy;
- the use of recognised risk measurement and risk management principles;
- the definition of various risk limits and the corresponding monitoring and reporting measures;
- ensuring timely and comprehensive reporting on all risks;
- the allocation of adequate financial and human resources to the risk management;
- highlighting risk awareness at all management levels.

The Board of Directors is the supreme organ of the risk management organisation. It specifies the risk policy and, as part of this, defines the risk philosophy, risk measurement and risk management. The Board of Directors approves the strategic risk limits based on the risk capacity and it monitors compliance with the limits as well as the implementation of the risk policy. To fulfil its monitoring duties, a comprehensive risk report is submitted to the Board of Directors on a regular basis. The internal reports ensure adequate reporting at all levels.

The executive management is responsible for the execution of the Board of Director's policies. It ensures a suitable risk management organisation is in place as well as the use of an adequate risk monitoring system. It allocates the limits approved by the Board of Directors to the organizational units and delegates the corresponding competences. Adequate reporting at all levels is ensured by the internal reports. The risk control unit is independent of business operations the credit, market, liquidity and operational risks incurred. In addition, the risk control unit coordinates all risk reporting.

Credit risk

Loans to clients
The monitoring of credit risks is performed at two levels:

- Ensuring established processes and tools for an in-depth assessment of credit risk and, hence, for high-quality decision-making relating to loans;
- Risk positions are closely monitored and restricted by limits.

Responsibility for sales and responsibility for decisions regarding loans are separated. Authority regarding credit matters is given to the Credit Risk unit and the Executive Committee.

At a different level of competence the Credit Committee of the Board and the Board of Directors are responsible for approving large credit exposures as well as loans and exposures to members of the governing bodies. The Executive Committee, which is independent of the client advisers and the Credit Risk unit, approves smaller credit exposures as well as reviewing the credit situation on a regular basis.

The credit policy of the Bank forms the basis of credit risk monitoring and control. This is expressed, particularly, in the credit conditions and the monitoring of loans. Significant aspects include knowing the purpose of the loan and the client's integrity along with the transparency, plausibility, capability to pay and the proportionality of the transaction.

Credit exposures to counterparties are restricted by credit limits. The loan-to-value ratios of collateral are based on the usual banking standards. All collateral used for mortgage loans is backed by an up-to-date valuation. Valuations are always dependent on the use of each object. The maximum possible financing amount is determined by the Bank's internal loan-to-value ratios and the ability to pay. Amortisation is fixed depending on the risk.

The credit lines and collateral are reassessed and, if necessary, depreciated according to the Bank's own internal time schedule and the process described in the previous section.

Counterparty risk in interbank business
In the interbank business and trading operations, a limit system is used to manage the counterparty and default risks. In principle, the Bank works only with first-class counterparties. The limit depends significantly on the rating and on the capital adequacy of the counterparty. Risk Control monitors compliance with the limits on a daily basis.

A review of the appropriate classification of the counterparties and, thus, of the set limits is performed, usually on an annual basis. Additionally, Risk Control monitors weekly the developments in counterparties' ratings. In cases of extreme market events, a daily situation report is prepared in order to react immediately to increased risk situations.

Market risks

Currency risks
The Bank's currency management serves to minimise any negative impact on the Bank's earnings due to interest rate changes by balancing assets denominated in foreign currencies with the liabilities in foreign currencies.

Trading operations
Trades in derivative financial instruments are mainly on behalf of clients; trades on own account are small and limited to hedging operations for 'nostro' positions and transactions relating to balance sheet structure management. The Bank does not have any market-making activities. Both standardized and OTC instruments are traded.

Liquidity
The liquidity strategy of the Bank has been developed by the Treasury department and approved by the Board of Directors. The Treasury department ensures that the limits and objectives are complied with. The liquidity and financing limits are approved annually by the executive management and the Board of Directors. In doing so, the current and planned business strategy and the risk appetite are considered.

Liquidity management aims to create a solid liquidity position to allow the Bank to pay its obligations in a timely manner at all times. Further, the financing risk is managed through the optimisation of the balance sheet structure.

Operational risks

Operational risks are defined as the risks of losses due to the inadequacy or failure of internal policies, people and systems or due to external events.

The assessment of operational risks and compliance risks evaluates the direct financial losses and the consequences of the loss of client trust and reputation. The primary objective of operational risk management is to ensure the trust of the clients, shareholders and regulators.

The Board of Directors reviews annually the operational risk policy, which, together with the detailed directives, serves as the basis for risk management. Risk-mitigation measures are implemented in the areas of process management, information security and control systems. This also includes ensuring that operations continue in cases of internal or external events or disasters.

The key controls have been documented in a standardized manner. All of the Bank's departments perform (usually on an annual basis) an assessment of the internal control processes in terms of their operational effectiveness and take any improvement measures necessary. The effectiveness of the Business Continuity Management is tested annually. The results of these review measures are included in a report on the operational risks. This report is discussed by the executive management and the Risk Committee of the Board of Directors. The improvement measures are summarily approved by these bodies.

Methods used for identifying default risks and determining the need for value adjustments

Mortgage-based loans
The Bank updates the loan-to-value ratio on an annual basis. Additionally, late payment of interest and amortisation payments are analysed. From this, the Bank identifies mortgages that involve higher risks. These loans are then reviewed in detail. If necessary, additional coverage is requested or a corresponding value adjustment is created based on the coverage shortfall.

Securities-based loans
The commitments and values of collateral for securities-based loans are monitored daily. If the collateral value of the securities falls below the amount of the credit line, the amount of the loan is reduced or additional securities are requested. In the event of extraordinary market conditions or in cases when the coverage gap becomes too significant, the securities are realized and the credit position is closed out.

Unsecured loans
Unsecured loans are usually unsecured account overdrafts of retail clients.

Process for determining value adjustments and provisions
Any new value adjustments and provisions needed are identified by the process described in previously. Furthermore, the known risk exposures already identified as at risk are reassessed at each balance sheet date and the value adjustments are adjusted, if necessary. The Risk Committee assesses and approves all of the value adjustments created for the risk exposures. Then, approval is given by the executive management and the Board of Directors.

Valuation of collateral

Mortgage-based loans
Each mortgage-based loan granted is backed by an up-to-date valuation of the collateral. Valuations are always dependent on the use of each object.

The Bank uses as the basis for granting a loan whichever has the lowest value of the internal valuation, the purchase price and the external estimate.

Securities-based loans
Primarily, transferable financial instruments (like loans and shares) that are liquid and actively traded are used for Lombard loans and other securities-based loans. Transferable structured products, for which there is regular market information and a market maker, are also accepted.

The Bank applies a discount to the market value in order to cover the market risk relating to marketable liquid securities and to calculate the value of the collateral. For structured products and products with long residual terms to maturity, the closing out period can be significantly longer; hence, higher discounts are applied to them than are applied to liquid instruments. For life insurance policies or guarantees, a product-specific or client-specific discount is fixed.

Business policy regarding the use of derivative financial instruments

Derivative financial instruments are used for trading.

Derivative financial instruments are traded exclusively by specially trained traders. The Bank does not have any market-making activities. Standardised and OTC instruments are traded on own account and on behalf of clients, especially interest-, currency- and equity/index-based instruments and, to a limited extent, those based on commodities. There is no trading in credit derivatives.

Material events after the balance sheet date

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. A number of measures to monitor and prevent the effects of COVID-19 such as health and safety measures for our people (like physical distancing and working from home) and securing the continuity of the activity by the consolidated entities.

At this stage, the impact on Banque Heritage's business and results is limited. The consolidated entities will continue to follow the various national institute's policies and advice published by governments and in parallel will do their utmost to continue operations in the best and safest way possible without jeopardizing the health of staff.

Balance sheet related information

1. Breakdown of securities financing transactions

Not applicable.

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

CHF '000	Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	–	158 172	6 369	164 541
Mortgage loans	8 167	–	–	8 167
Residential property	7 047	–	–	7 047
Office and business premises	1 120	–	–	1 120
Total loans (before netting with value adjustments) 2019	8 167	158 172	6 369	172 708
Total loans (before netting with value adjustments) 2018	4 475	100 387	8 889	113 751
Total loans (after netting with value adjustments) 2019	8 167	157 982	4 617	170 766
Total loans (after netting with value adjustments) 2018	4 475	100 295	6 376	111 146
Off-balance-sheet				
Contingent liabilities	–	10 235	9 859	20 093
Irrevocable commitments	–	1 063	1 288	2 351
Total off-balance sheet 2019	–	11 298	11 147	22 444
Total off-balance sheet 2018	–	12 728	11 395	24 122

CHF '000	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans/receivables				
2019	1 942	–	1 942	1 942
2018	2 605	–	2 605	2 605

As a result of difficulties encountered by certain debtors, the Bank cautiously considered these as impaired. Consequently, the level of impaired loans has been adapted.

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

Not applicable.

4. Presentation of derivative financial instruments (assets and liabilities)

CHF '000	Trading Instruments			Hedging Instruments		
	Positive replacement values	Negative replacement values	Contract volumes	Positive replacement values	Negative replacement values	Contract volumes
Foreign exchange/ precious metals						
Forward contracts	1 424	3 291	409 568	–	–	–
Combined interest rate / currency swaps	–	–	–	–	–	–
Futures	–	–	–	–	–	–
Options (OTC)	47	15	14 816	–	–	–
Options (exchange-traded)	–	–	–	–	–	–
Total	1 471	3 306	424 384	–	–	–
Total before netting agreements 2019	1 471	3 306	424 384	–	–	–
of which, determined using a valuation model	*1 471*	*3 306*	*424 384*	–	–	–
Total before netting agreements 2018	1 914	2 466	642 395	–	–	–
of which, determined using a valuation model	*1 914*	*2 466*	*642 395*	–	–	–

Total after netting agreements

CHF '000	Positive replacement values (cumulative)	Negative replacement values (cumulative)
2019	1 471	3 306
2018	1 914	2 466

Breakdown per counterparty

CHF '000	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	–	1 211	260

All amounts have been rounded off, which may result in minor discrepancies.

5. Breakdown of financial investments

	Book value		Fair value	
CHF '000	2019	2018	2019	2018
Debt securities	20 087	42 765	20 103	42 746
of which, intended to be held to maturity	*20 087*	*42 765*	*20 103*	*42 746*
of which, not intended to be held to maturity (available for sale)	–	–	–	–
Equity securities	40	42	40	42
of which, qualified participations	–	–	–	–
Precious metals	–	–	–	–
Total	20 127	42 807	20 144	42 788
of which, securities eligible for repo transactions in accordance with liquidity requirements	–	–	–	–

1. *at least 10% of capital or votes*

Breakdown of counterparties by rating

	Book value	
CHF '000	2019	2018
Debt securities		
1 & 2	20 087	42 765
3	–	–
4	–	–
5	–	–
6	–	–
7	–	–
Unrated	–	–
Total	20 087	42 765

Ratings are presented according to the Finma mapping tables. We use the specific ratings of 2 agencies (Standard & Poor's and Moody's), assigned to the instruments we subscribe to. Ratings are presented according to the Moody's rating scale. When the two ratings are available, Banque Heritage applies Moody's rating.

6. Presentation of participations

	2018			2019				
CHF '000	Acquisition cost	Accumulated value adjustments and changes in book value (valuation using the equity method)	Book value	Additions	Disposals	Value adjustments	Book value	Market value
Participations valued using the equity method								
Sallfort Partners AG in liquidation, CH	–	–	–	40	–	–	40	–
Other participations								
HFT International (Guernsey) Ltd., GG	31	–	31	–	–	–	31	–
Meridian Wealth Management SA, CH	255	–	255	–	–	–	255	–
GP Gestion Privée SA, CH	1 654	872	782	–	–	–	782	–
Heritage & Partners SA, CH	1 500	1 500	–	–	–	–	–	–
Sallfort Trinova AG, CH	–	–	–	2 960	200	2 760	–	–
Total participations	3 440	2 372	1 068	3 000	200	2 760	1 108	–

Sallfort Holding AG was merged with Banque Heritage SA on 7th June 2019 with a retroactive effect as of 1st January 2019. Sallfort Holding AG has been liquidated following the merger. Consecutively, on 7th June 2019, Banque Heritage SA merged with Sallfort Privatbank AG and the latter was liquidated in July 2019. On 17th December 2019, Banque Heritage SA merged with Sallfort Trinova AG which was liquidated the same day. For these reasons Sallfort Holding AG and Sallfort Partners AG are not presented in the table above.

All amounts have been rounded off, which may result in minor discrepancies.

7. Disclosure of companies in which the bank holds a permanent direct or indirect significant participation

Company name and domicile	Business activity		Company capital	Share of capital	Share of votes	Held directly	Held indirectly
			CCY 000	in %	in %		
HFT International (Guernsey) Ltd, Guernsey	Holding	CHF	31	100 %	100 %	100 %	—
Banque Heritage (Uruguay) SA, Montevideo, Uruguay	Bank	UYU	415 080	100 %	100 %	—	100 %
Bastions Management Ltd., George Town, Cayman Islands	Fund Management	USD	2	100 %	100 %	—	100 %
Meridian Wealth Management SA, Lausanne, Switzerland	Wealth Management	CHF	500	51 %	51 %	51 %	—
GP Gestion Privée, Sion, Switzerland	Wealth Management	CHF	250	100 %	100 %	100 %	—
Heritage and Partners SA, Geneva, Switzerland	Wealth Management	CHF	1 500	100 %	100 %	100 %	—
Sallfort Partners AG in liquidation, Zürich, Switzerland	Wealth Management	CHF	100	40 %	40 %	40 %	—

Banque Heritage acquired Sallfort Partners AG as a result of the merger with Sallfort Holding and the subsequent merger with Sallfort Privatbank AG.

8. Presentation of tangible fixed assets

CHF '000	Acquisition cost	Accumulated depreciation	Book value 31.12.2018	Reclassifications	Additions	Disposals	Depreciation	Book value as at 31.12.2019
Other tangible fixed assets	18 295	15 624	2 671	—	931	—	1 177	2 425
Total tangible fixed assets	**18 295**	**15 624**	**2 671**	**—**	**931**	**—**	**1 177**	**2 425**

Operating leases

	Maturity up to 12 months	Maturity between 12 months to 5 years	Maturity over 5 years	Total of balance sheet leasing obligations
Operating leases	78	118	—	197
of which can be terminated within 1 year	—	—	—	—
Total operating leases	**78**	**118**	**—**	**197**

9. Presentation of intangible assets

CHF '000	Cost value	Accumulated depreciation	Book value 31.12.2018	Additions	Disposals	Amortisation	Book value as at 31.12.2019
Goodwill	–	–	–	1 250	–	1 250	–
Total tangible fixed assets	–	–	–	1 250	–	1 250	–

On 2nd November 2018, Banque Heritage entered into a share purchase agreement in order to acquire Sallfort Holding AG. This agreement included the payment of a total of TCHF 1'250 which was booked as a goodwill and fully amortized in January 2019.

10. Breakdown of other assets and other liabilities

	Other assets		Other liabilities	
CHF '000	2019	2018	2019	2018
Taxes	267	146	797	583
Insurance claim to be received	14 000	13 980	–	–
Total	14 267	14 126	797	583

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

	2019		2018	
CHF '000	Book value	Effective commitments	Book value	Effective commitments
Pledged/assigned assets				
Amounts due from banks	14 363	–	15 675	–
Financial investments	20 087	–	42 765	–
Tangible fixed assets	–	–	–	–
Total pledged/assigned assets	34 450	–	58 440	–
Assets under reservation of ownership	–	–	–	–
Amounts due from banks	–	–	–	–
Financial investments	–	–	–	–
Tangible fixed assets	–	–	–	–
Total assets under reservation of ownership	–	–	–	–

All amounts have been rounded off, which may result in minor discrepancies.

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

CHF '000	2019	2018
Amounts due in respect of customer deposits	515	2 248
Negative replacement values	230	28
Total	745	2 276

13. Disclosures on the economic situation of own pension schemes

Employer contribution reserves (ECR)

There are no employer contribution reserves with the pension schemes relating to the current year or to the previous year.

Presentation of the economic benefit / obligation and the pension expenses

	Overfunding / underfunding at 31.12.2019	Economic interest of the bank CHF '000		Contributions paid for 2019 CHF '000	Pension expenses in personnel expenses CHF '000	
	in %	2019	2018		2019	2018
Pension plans with overfunding	8.0 %	–	–	2 195	2 195	2 059

Apart from the temporary staff and staff having reached the retirement age, all the Bank's employees are insured with the Bank's own pension scheme since 2006.

The retirement age is 65 years for men and 64 for women. However, the insured parties have the option of taking an early retirement as from the age of 58 resulting in a reduction in their pension.

The last financial statements of the Bank's pension fund (prepared in accordance with Swiss GAAP RPC 26) reveal the following funding ratio:

108.00% as of 31.12.2019 (unaudited)
103.40% as of 31.12.2018 (audited)

The pension scheme covers at a minimum the mandatory benefits stipulated in the Law on Pension Plans (LPP), with an anticipated funding ratio of 108.0% (unaudited) at 31st December 2019. Therefore, there is no requirement to include additonal pension obligations in the Bank's accounts. The Board of Trustees ensures that the pension scheme maintains a funding ratio of at least 100% and intervenes if this threshold is not met.

14. Presentation of issued structured products

Not applicable.

15. Presentation of bonds outstanding and mandatory convertible bond

Not applicable.

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

CHF '000	31.12.2018	Use in conformity with designated purpose	Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at 31.12.2019
Provisions for other business risks	11 912	(2 184)	–	(2)	–	782	(103)	10 405
Other provisions	19 015	–	–	–	–	803	(757)	19 061
Total provisions	30 927	(2 184)	–	(2)	–	1 585	(860)	29 466
Reserves for general banking risks	–	–	–	–	–	–	–	–
Value adjustments for default and country risks	2 605	(419)	–	(45)	–	558	(757)	1 942
of which, value adjustments for default risks in respect of impaired loans/receivables	*2 605*	*(419)*	–	*(45)*	–	*558*	*(757)*	*1 942*
of which, value adjustments for latent risks	–	–	–	–	–	–	–	–

17. Presentation of the bank's capital

	2019			2018		
	Total par value CHF '000	Number of shares	Capital eligible for dividend CHF '000	Total par value CHF '000	Number of shares	Capital eligible for dividend CHF '000
Share capital						
Registered shares	13 867	138 667	13 867	13 867	138 667	13 867
of which, paid up	*13 867*	*138 667*	*13 867*	*13 867*	*138 667*	*13 867*
Total bank's capital	13 867	138 667	13 867	13 867	138 667	13 867

No special rights are conferred by the share capital.

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

Banque Heritage SA does not have an employee participation scheme.

All amounts have been rounded off, which may result in minor discrepancies.

19. Disclosure of amounts due from/to related parties

CHF '000	Amounts due from 2019	Amounts due from 2018	Amounts due to 2019	Amounts due to 2018
Holders of qualified participations	–	–	–	–
Group companies	4 226	4 199	1 913	5 571
Linked companies	–	–	–	–
Transactions with members of governing bodies	8 777	9 348	6 834	6 606
Other related parties	–	–	–	–

Members of bank's governing bodies perform regular banking operations at the same conditions that apply to the personnel, with the exception of Directors to whom arm's length conditions apply.

20. Disclosure of holders of significant participations

	2019 Nominal CHF '000	2019 % of equity	2018 Nominal CHF '000	2018 % of equity
Holders of significant participations and groups of holders of participations with pooled voting rights				
with voting rights				
Esteve Family	5 345	38.55 %	5 870	42.33 %
Bunita Holding AG	2 514	18.13 %	–	–
Claudia Esteve	1 331	9.60 %	1 362	9.82 %
Apalachas Ltd.	1 067	7.69 %	1 067	7.69 %
Ecom Agroindustrial Corp. SA	1 012	7.30 %	1 012	7.30 %
Carlos Esteve	840	6.06 %	940	6.78 %
IEGT PTE Ltd	800	5.77 %	800	5.77 %
Banque Heritage SA, (own shares)	509	3.67 %	1 383	9.97 %
without voting rights	–	–	–	–

The bank's capital is composed exclusively of one type of registered share. The total number of shares amount to 138'667, each representing CHF 100.- of share capital and each with one voting right.

21. Disclosure of own shares and composition of equity capital

	Average transaction price CHF '000	Number of shares
Own registered shares as per 01.01.2019		13 830
+ Additions	618	17 302
- Disposals	693	(26 046)
Own registered shares as per 31.12.2019		5 086

According to the share purchase agreement signed between Banque Heritage SA and Bunita Holding AG (owner of Sallfort Holding AG), Bunita Holding AG delivered Sallfort Holding AG's shares in exchange of Banque Heritage SA shares. This exchange was done on the 3rd (13'830 shares) and 8th (12'216 shares) of January 2019.

The resulting gains were booked under:

- the caption 'Result from trading activities and the fair value option' for KCHF 1'360;
- the caption 'Other ordinary income' for KCHF 3'834.

In order to deliver the shares to Bunita Holding AG, Banque Heritage SA purchased 12'824 shares to various shareholders of the Bank. In addition, during the year 2019, Banque Heritage SA also acquired 4'478 shares from various shareholders.

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

Not applicable.

23. Presentation of the maturity structure of financial instruments

CHF '000	At sight	Cancellable	within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years	No maturity	Total
Assets/financial instruments								
Liquid assets	403 650	—	—	—	—	—	—	403 650
Amounts due from banks	25 494	—	38 704	—	—	—	—	64 198
Amounts due from customers	—	17 957	114 981	29 661	—	—	—	162 599
Mortgage loans	—	—	6 343	1 824	—	—	—	8 167
Positive replacement values of derivative financial instruments	1 471	—	—	—	—	—	—	1 471
Financial investments	40	—	—	20 087	—	—	—	20 127
Total 2019	**430 654**	**17 957**	**160 028**	**51 571**	**—**	**—**	**—**	**660 211**
Total 2018	438 960	20 513	93 576	53 612	—	—	—	606 661
Debt capital/ financial instruments	—	—	—	—	—	—	—	—
Amounts due to banks	6 275	—	—	—	—	—	—	6 275
Amounts due in respect of customer deposits	567 746	—	15 000	—	—	—	—	582 746
Negative replacement values of derivative financial instruments	3 306	—	—	—	—	—	—	3 306
Total 2019	**577 327**	**—**	**15 000**	**—**	**—**	**—**	**—**	**592 327**
Total 2018	529 814	—	10 000	—	—	—	—	539 814

All amounts have been rounded off, which may result in minor discrepancies.

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

	2019		2018	
CHF '000	Domestic	Foreign	Domestic	Foreign
ASSETS				
Liquid assets	354 788	48 861	409 453	1 972
Amounts due from banks	27 829	36 369	18 027	21 342
Amounts due from customers	50 536	112 063	34 572	72 099
Mortgage loans	8 167	–	4 475	–
Positive replacement values of derivative financial instruments	880	590	568	1 346
Financial investments	–	20 127	–	42 807
Accrued income and prepaid expenses	1 400	–	1 768	–
Participations	1 077	31	1 037	31
Tangible fixed assets	2 425	–	2 671	–
Other assets	14 267	–	14 126	–
Total assets	461 370	218 042	486 697	139 597
LIABILITIES				
Amounts due to banks	5 164	1 111	13 734	7 543
Amounts due in respect of customer deposits	161 511	421 234	97 775	418 296
Negative replacement values of derivative financial instruments	2 237	1 069	1 429	1 037
Accrued expenses and deferred income	8 814	–	6 833	4 097
Other liabilities	797	–	583	–
Provisions	29 466	–	30 927	–
Bank's capital	13 867	–	13 867	–
Statutory capital reserve	16 133	–	16 133	–
Statutory retained earnings reserve	3 700	–	3 700	–
Voluntary retained earnings reserves	5 000	–	5 000	–
Own shares (negative item)	(3 038)	–	(5 745)	–
Profit carried forward	11 085	–	19 179	–
Profit/(loss) of the period	1 260	–	(8 094)	–
Total liabilities	255 997	423 415	195 322	430 973

All amounts have been rounded off, which may result in minor discrepancies.

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

	2019		2018	
	Absolute CHF '000	Share as %	Absolute CHF '000	Share as %
Europe				
Switzerland	461 370	67.91 %	486 697	77.71 %
Greece	8 452	1.24 %	9 875	1.58 %
Portugal	3 475	0.51 %	8 987	1.43 %
Belgium	21 152	3.11 %	6 833	1.09 %
Germany	48 872	7.19 %	1 973	0.32 %
United Kingdom	10 239	1.51 %	3 045	0.49 %
Other European countries	25 696	3.78 %	14 168	2.26 %
North America				
United States	20 202	2.97 %	42 936	6.86 %
Other countries	8	0.00 %	479	0.08 %
Caribbean	19 200	2.83 %	18 019	2.88 %
Other countries	60 746	8.94 %	33 282	5.31 %
Total assets	679 411	100.00 %	626 294	100.00 %

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

	Net foreign exposure at 31.12.2019		Net foreign exposure at 31.12.2018	
	CHF '000	Share in %	CHF '000	Share in %
Rating According to the FINMA Mapping Tables				
1 & 2	148 862	68.27 %	86 369	61.87 %
3	5 463	2.51 %	11 243	8.05 %
4	7 916	3.63 %	12 951	9.28 %
5	1 629	0.75 %	335	0.24 %
6	4 142	1.90 %	700	0.50 %
7	35 925	16.48 %	12 820	9.18 %
Unrated	14 105	6.47 %	15 178	10.87 %
Total assets shown in balance sheet	218 042	100.00 %	139 597	100.00 %

The credit rating process is based on the Schweizerische Exportrisikoversicherung, (SERV) country credit ratings as allowed by the circular 2008/19 section 4-4.2 and converted to the FINMA rating standards.

With regards to the completion of this table, the domicile of the customer is retained for the captions "Amounts due from customers" and "Mortgage loans", the domicile of the counterparty is retained for "Amounts due from banks" and the risk domicile is retained for all other captions.

27. Presentation of assets and liabilies broken down by the most significant currencies for the Bank

Currencies in CHF '000 equivalent	CHF	USD	EUR	Others
ASSETS				
Liquid assets	353 926	169	49 476	78
Amounts due from banks	6 634	47 125	1 708	8 730
Amounts due from customers	29 877	86 498	43 241	2 982
Mortgage loans	8 167	–	–	–
Positive replacement values of derivative financial instruments	1 471	–	–	–
Financial investments	–	20 087	40	–
Accrued income and prepaid expenses	783	311	301	5
Participations	1 108	–	–	–
Tangible fixed assets	2 425	–	–	–
Other assets	14 266	–	–	2
Total assets shown in balance sheet	**418 657**	**154 190**	**94 767**	**11 797**
Delivery entitlements from spot exchange, forward forex and forex options transactions	29 158	198 249	157 537	39 441
Total assets	**447 815**	**352 439**	**252 304**	**51 238**
LIABILITIES				
Amounts due to banks	695	3 648	1 014	918
Amounts due in respect of customer deposits	146 977	233 783	173 687	28 299
Negative replacement values of derivative financial instruments	3 306	–	–	–
Accrued expenses and deferred income	8 685	44	85	1
Other liabilities	736	61	–	–
Provisions	29 466	–	–	–
Bank's capital	13 867	–	–	–
Statutory capital reserve	16 133	–	–	–
Statutory retained earnings reserve	3 700	–	–	–
Voluntary retained earnings reserves	5 000	–	–	–
Own shares (negative item)	(3 038)	–	–	–
Profit carried forward	11 085	–	–	–
Profit/(loss) of the period	1 260	–	–	–
Total liabilities shown in balance sheet	**237 872**	**237 536**	**174 786**	**29 217**
Delivery obligations from spot exchange, forward forex and forex options transactions	209 935	115 801	79 510	21 111
Total liabilities	**447 807**	**353 337**	**254 295**	**50 328**
Net position per currency	7	(898)	(1 991)	910

All amounts have been rounded off, which may result in minor discrepancies.

Off-balance sheet related information

28. Breakdown of contingent liabilities and contingent assets

CHF '000	2019	2018
Guarantees to secure credits and similar	20 093	20 443
Performance guarantees and similar	–	–
Irrevocable commitments arising from documentary letters of credit	–	–
Other contingent liabilities	–	–
Total contingent liabilities	20 093	20 443
Contingent assets arising from tax losses carried forward	–	–
Other contingent assets	–	–
Total contingent assets	–	–

29. Breakdown of credit commitments

Not applicable.

30. Breakdown of fiduciary transactions

CHF '000	Total
Fiduciary investments with third-party companies	475 390
Fiduciary investments with group companies and linked companies	–
Total fiduciary transactions 2019	475 390
Total fiduciary transactions 2018	373 111

31. Breakdown of managed assets and presentation of their development

Breakdown of managed assets

CHF '000	2019	2018
Assets in collective investment schemes managed by the bank	80 216	54 184
Assets under discretionary asset management agreements	945 838	552 400
Other managed accounts	3 535 047	3 315 787
of which, assets under advisory mandates	*981 913*	*602 208*
of which, "execution only"	*2 553 134*	*2 713 579*
Total managed assets (including double counting)	4 561 101	3 922 371
of which, double counting	*62 164*	*30 008*

Assets under discretionary asset management agreements comprise clients' deposits for which the Bank makes the investment decisions.

Other managed assets include those for which the client makes the investment decision. Other managed assets also include assets held for safekeeping by third party banks.

Assets kept by the bank but managed by a third party bank (custody only) are excluded from the table above.

Both assets take into account client deposits as well as market value of securities, precious metal and fiduciary investments placed at third party institutions.

Presentation of the development of managed assets

CHF '000	2019	2018
Total managed assets (including double counting) at beginning	3 922 371	4 181 700
+/– net new money inflow or net new money outflow	(377 333)	(298 805)
+/– price gains / losses, interest, dividends and currency gains / losses	(11 997)	39 475
+/– other effects in relation to "M&A" or "asset deal" operations	1 028 060	–
Total managed assets (including double counting) at end	4 561 101	3 922 371

The amount of net new money is calculated by determining the inflows and outflows of the managed assets based on transactions at client level. Interest and dividend income relating to the managed assets are not classed as new money inflows. Market and currency fluctuations, charges, commissions and charged interest payments are not included in the net new money.

Income statement related information

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

CHF '000	2019	2018
Breakdown by business area (in accordance with the organisation of the bank)		
Front	508	847
Trading activity / client intermediation	6 054	4 754
Corporate	3 056	2 976
Trading activity total	**9 618**	**8 577**
Breakdown by underlying risk and based on the use of the fair value option		
Result from trading activities from:		
Interest rate instruments (including funds)	–	6
Equity securities (including funds)	1 352	(5)
Foreign currencies	8 264	8 570
Commodities/precious metals	2	6
Trading result from trading activities	9 618	8 577
of which, from fair value option	–	–
of which, from fair value option on assets	–	–
of which, from fair value option on liabilities	–	–

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

CHF '000	2019	2018
Negative interest revenue	684	754
Total	**684**	**754**

Negative interest income of TCHF 684 (2018: TCHF 754) has been presented within the income statement as an increase in revenues of TCHF 214 (2018: TCHF 613) within the 'Interest and discount income' caption and a decrease of TCHF 470 (2018: TCHF 141) within the 'Interest expense' caption.

34. Breakdown of personnel expenses

CHF '000	2019	2018
Salaries of directors/officers and staff	24 924	21 368
of which, expenses relating to variable compensation	*4 204*	*2 949*
Social insurance benefits	4 313	3 951
Other personnel expenses	342	512
Total	**29 580**	**25 831**

35. Breakdown of general and administrative expenses

CHF '000	2019	2018
Office space expenses	3 550	3 087
Expenses for information and communications technology	7 688	4 636
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	160	104
Fees of audit firm(s) (Art. 961a no. 2 CO)	447	529
of which, for financial and regulatory audits	*447*	*480*
of which, for other services	*–*	*49*
Other operating expenses	4 659	2 945
Total	**16 505**	**11 300**

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

	2019		2018	
CHF '000	Extraordinary income	Extraordinary expenses	Extraordinary income	Extraordinary expenses
Profit on liquidation proceeds of Heritage Wealth Management	–	–	12	–
Profit resulting from merger with Sallfort Holding AG, Switzerland	2 198	–	–	–
Loss resulting from merger with Sallfort Trinova AG, Switzerland	–	30	–	–
Creation of hidden reserves	–	803	–	–
Release of hidden reserves	757	–	–	–
Proceeds from insurance claim	1 000	–	7 341	–
Liability in relation to insurance claim	–	–	–	7 341
Release of provisions for other business risks no longer required	103	–	–	–
Total extraordinary income and expenses	**4 058**	**833**	**7 353**	**7 341**

Banque Heritage SA recognized an extraordinary gain of CHF 2.2 million as a result of the merger with Sallfort Holding AG and the consecutive merger with Sallfort Privatbank AG. As a result of the settlement of a client claim, Banque Heritage SA recorded an extraordinary gain resulting from proceeds of an insurance claim. In 2018, Banque Heritage SA recognized an extraordinary gain of CHF 7.3 million in relation to the indemnity of the insurance company as well as an extraordinary loss of the same amount, corresponding to the amount due to our subsidiary; both of these amounts were linked to a past fraud, disclosed in the 2017 financial statements, committed by an employee of our subsidiary in Uruguay, Banque Heritage (Uruguay) SA.

37. Disclosure of and reasons for revaluations of participations and tangible fixed assets up to acquisition cost at maximum

Not applicable.

All amounts have been rounded off, which may result in minor discrepancies.

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

Not applicable.

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

CHF '000	2019	2018
Provisions for deferred taxes	–	–
Current tax expenses	316	205
Total taxes	316	205
Operating result	(1 649)	(7 901)
Average tax rate	not applicable	not applicable

40. Disclosures and explanations of the earnings per equity security in the case of listed banks

Not applicable.

Consolidated Financial Statements

Commentary on the Group Annual Results

The scope of consolidation changed significantly during the financial year 2019. We initially acquired 100% of Sallfort Holding AG, owner of Sallfort Privatbank AG and Sallfort Trinova AG and holder of a 40% stake in Sallfort Partner AG.

On June 7, 2019, we carried out two successive mergers by absorbing the companies Sallfort Holding AG and Sallfort Privatbank AG. Following this transaction, Banque Heritage SA directly owns 100% of Sallfort Trinova AG and 40% of Sallfort Partners AG.

In the interest of rationalization, on December 18, 2019 we merged with Sallfort Trinova AG by absorption and also initiated the liquidation procedure of Sallfort Partners AG.

Concerning the consolidated balance sheet as of December 31, 2019, the balance sheet total was impacted to the same extent as our statutory financial statements by the merger with Sallfort Privatbank AG on June 7, 2019.

For the financial year 2019, our main subsidiary, Banque Heritage (Uruguay) SA, realized a loss of CHF 691k, following an increase in credit provisions made necessary by a downturn in local economic activity.

The assets under management for the Group increased by CHF 685 million in 2019, attaining CHF 5.25 billion on 31 December 2019 versus CHF 4.57 billion on 31 December 2018.

The 2019 consolidated financial statements presents a loss of CHF 5.6 million. This amount deviates significantly from the sum of the results of our subsidiaries due to the treatment of the gains generated by the exchange of our own shares in the context of the merger with the Sallfort structure. At the consolidated level, these gains are recorded as an increase in capital reserves.

On behalf of the Board of Directors,

Pierre-André Sanglard
Chairman of the Board

All amounts have been rounded off, which may result in minor discrepancies.

Presentation of eligible capital

KM1: Key metrics

(in 1'000 CHF)		a	e
		31.12.19	31.12.18
Available capital (amounts)			
1	Common Equity Tier 1 (CET1)	87 916	85 382
1a	Fully loaded ECL accounting model	–	–
2	Tier 1	87 916	85 382
2a	Fully loaded ECL accounting model Tier 1	–	–
3	Total capital	87 916	85 382
3a	Fully loaded ECL accounting model total capital	–	–
Risk-weighted assets (amounts)			
4	Total risk-weighted assets (RWA)	354 138	352 841
4a	Minimum capital requirement	28 331	28 227
Risk-based capital ratios as a percentage of RWA			
5	Common Equity Tier 1 ratio (%)	24.83 %	24.99 %
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	0.00 %	0.00 %
6	Tier 1 ratio (%)	24.83 %	24.99 %
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	0.00 %	0.00 %
7	Total capital ratio (%)	24.83 %	24.99 %
7a	Fully loaded ECL accounting model total capital ratio (%)	0.00 %	0.00 %
Additional CET1 buffer requirements as a percentage of RWA			
8	Capital convervation buffer requirement (2.5% from 2019) (%)	2.50 %	1.88 %
9	Countercyclical buffer requirement (%)	0.00 %	0.00 %
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.00 %	0.00 %
11	Total of bank CET1 specific buffer requirements (%)	2.50 %	1.88 %
12	CET1 available after meeting the bank's minimum capital requirements (%)	16.83 %	16.99 %
Target capital ratios according to Annex 8 CAO (in % of RWA)			
12a(1)	Capital buffer according to Annex 8 CAO (%)	3.20 %	3.20 %
12b	Countercyclical buffer (articles 44 et 44a CAO) (%)	0.04 %	0.02 %
12c	CET1 target ratio (in %) according to Annex 8 CAO plus countercyclical buffer in accordance with Articles 44 and 44 a CAO	7.44 %	7.42 %
12d	T1 target ratio (in %) according to Annex 8 CAO plus countercyclical buffer in accordance with Articles 44 and 44a CAO	9.04 %	9.02 %
12e	Total capital target ratio (in %) according to Annex 8 CAO plus countercyclical buffer in accprdance with articles 44 and 44a CAO	11.24 %	11.22 %

All amounts have been rounded off, which may result in minor discrepancies.

(in 1'000 CHF)	a 31.12.19	b 30.9.19	c 30.6.19	d 31.3.19	e 31.12.18
Basel III leverage ratio					
13 Total exposure (CHF)	1 006 128				958 224
14 Basel III leverage ratio (%)	8.74 %				8.91 %
14a Fully loaded ECL accounting model Basel III leverage ratio (%)					
Liquidity Coverage Ratio					
15 Total HQLA	349 839	404 739	405 720	381 851	377 702
16 Total net cash outflow	92 556	123 762	149 681	140 920	127 650
17 LCR ratio (%)	377.98 %	327.03 %	271.06 %	270.97 %	295.89 %
Net Stable Funding Ratio (2)					
18 Total available stable funding	730 405				670 405
19 Total required stable funding	465 139				405 006
20 NSFR ratio	157.03 %				165.53 %

OV1: Overview of risk weighted assets

(in 1'000 CHF)		a RWA 31.12.2019	b RWA 31.12.2018	c Minimum Capital Requirement 31.12.2019
1	Credit risk	184 101	183 979	14 728
20	Market risk	34 517	26 539	2 761
24	Operational risk	135 520	123 473	10 842
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	–	–	–
27	**Total (1+20+24+25)**	354 138	333 991	28 331

Capital requirements

The following approaches are adopted by the Bank with regards to the calculation of the capital requirements

Credit risk

- *External rating agencies (governments, public corporations, banks, corporates):* Moodys and S&P
- *Risk mitigation:* Comprehensive approach
- *Haircut:* Standard supervisory haircuts
- *Model applied for derivatives:* Standardised approach

Market risk

- *Standardised approach for interest rate risk:* Maturity method
- *Standardised approach for options:* Simplified approach

Operational risk

- *Measurement method:* Basis indicator approach

LIQA: Liquidity risk management

Please refer to "Liquidity" section on page 62 of the introductory notes to the consolidated financial statements.

CR1: Credit risk: Credit quality of assets

	(in 1'000 CHF)	a	b	c	d
		31.12.2019			
		Gross carrying values of[1]		Allowances/ impairments[2]	Net values (a + b - c)
		Defaulted exposures[3]	Non-defaulted exposures		
1	Loans (excluding debt securities)	9 618	265 923	5 852	269 689
2	Debt securities	—	123 230	—	123 230
3	Off-balance sheet exposures	—	36 320	—	36 320
4	**Total Reporting Period**	9 618	425 473	5 852	429 239

1 On and off-balance-sheet items with a credit risk exposure as defined in the capital adequacy provisions (with the exception of counterparty credit risks). On balance-sheet items shall include loans and debt securities. Off balance-sheet items must be measured using the following criteria: 1) Guarantees granted: the maximum amount that the bank would have to pay if the guarantee were called (gross amount, i.e. gross of any credit conversion factor (CCF) and prior to appying credit risk mitigation (CRM) techniques; 2) Irrevocable loan commitments must not be included. The gross value shall correspond to the carrying value before taking into account any valuation adjustments but after deducting any write-offs (write-offs are defined as being a direct reduction of the carrying amount made by tha bank if recovering the receivable is no longer possible). Banks must not take into account any credit risk mitigation technique of any type.

2 Total amount of valuation adjustments recorded without taking into account the fact that these cover impaired exposures as well as latent risks and direct write-offs.

3 In the case of SA-BIS, this included and impaired exposures, In the case of IRB, section 452 of the Basel minimum standards (Basel II text) gives the definition for regulatory purposes.

CR3: Credit risk: Credit risk mitigation techniques – overview

(in 1'000 CHF)	a	c	e&g
	31.12.2019		
	Unsecured exposures[1]/ carrying amount	Secured exposures, actual collateralized amount[2]	Exposures secured by financial guarantees[3]
Loans (including debt securities) [1]	183 754	209 165	—
Off balance sheet [2]	21 517	14 803	—
TOTAL	205 271	223 968	—
Of which defaulted	*5 852*	—	—

1 carrying amount of exposures (net of value adjustments) that do not benefit from a credit risk mitigation technique.

2 carrying amount of exposures (net of value adjustments) partly of totally secured by collateral, regardless of what portion of the original exposure is secured.

3 carrying amount of exposures (net of value adjustments) partly of totally secured by guarantees or credit derivatives, regardless of what portion of the original exposure is secured.

ORA: Operational risk: general information
Operational Risks

Please refer to the "Operational risks" section on page 62 of the introductory notes to the financial statements.

Capital Requirements

Please refer to the previous section OV1, subsection "Capital requirements".

All amounts have been rounded off, which may result in minor discrepancies.

IRRBA: Interest rate risk: Objectives and guidelines for the management of interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) is a measure of the risk to the banking group's capital and to its earnings arising from the movement of interest rates. This risk generally arises from repricing risk, basis risk, yield curve risk and risk arising from options.

Excessive levels of interest rate risks can significantly affect the economic value of equity (EVE) as well as the bank's earnings, defined as the net interest income (NII). It is therefore essential to establish an effective risk management process that effectively measures and contains these risks at established levels.

The Board of Directors of the parent company, overviews the Group risk management and risk strategy process, and defines the interest rate risk appetite for the Group on an annual basis. This is essentially performed with the validation of the IRR Global Limit of the Group.

The General Management is responsible for the organization and operation of the management of the IRRBB. The Risk Management function of both banks monitors the interest rate risk of their respective Bank on a daily basis. Furthermore, the interest rate risk is reviewed by the Asset and Liability Committee (ALM) of the parent company on a regular basis.

A formal measure of the IRRBB as defined by circular FINMA 2019/02 is performed by the Bank on a semestrial basis. Interest rate risk is measured using indicators to measure the changes in economic value of the banking book, indicators to measure changes in earnings as well as gap maturities analysis. The six regulatory scenarios that are to be applied within this measure as defined by Circular Finma 2019/2 are i) Parallel shift up; ii) Parallel shift down; iii) Steepener shock; iv) Flattener shock; v) Rise in short-term interest rates; vi) Fall in short-term interest rates.

The mapping process is established on product-specific payment streams that exist within the balance sheet of the Group at the date of generation of the formal measures.

Discounted interest rates are based on present interbank interest rates. Intermediary inexistent rates are linearly extrapolated.

Replication keys are integrated in our internal model with a conservative approach with respect to maturities of the underlying balance sheet structure. These replication keys may be modified should the respective balance sheet(s) not reflect the underlying replication key assumptions. Within these replication keys, term deposits are treated as being withdrawn 70% within one month and 30% within one year to reflect potential behavioural early withdrawals.

Table IRRBBA1: Interest rate risk: quantitative information on the exposure's structure and interest rate fixing date

Fixed and flexible tables

	Volume in CHF million			Average interest rate reset period (in years)	
	Total	Of which in CHF	Of which other significant currencies*	Total	Of which in CHF
Defined interest rate reset date					
Amounts due from banks	107.92	–	73.32	0.04	–
Amounts due from customers	240.37	25.02	198.07	0.38	0.24
Money market mortgage (LIBOR-based)	8.19	8.19	–	0.14	0.14
Financial investments	125.76	–	106.77	0.49	–
Other receivables	–	–	–	–	–
Amounts due to banks	0.34	–	0.34	0.69	–
Amounts due in respect of client deposits	78.79	16.10	42.72	0.05	0.04
Undefined interest rate reset dates					
Amounts due from banks	42.99	6.86	24.88	0.08	0.08
Amounts due from customers	25.32	0.74	22.49	0.22	0.22
Amounts due in respect of client deposits	787.01	131.94	604.43	0.08	0.08
Other payables	5.33	0.61	3.93	1.04	1.04
Total	**1'427.76**	**189.45**	**1'078.90**	**–**	**–**

** representing more than 10% of assets or liabilities of total assets*

Table IRRBB1: Interest rate risk: quantitative information on the exposure's net present value and interest rate income

CHF '000		DELTA EVE		DELTA NII
Period	*31.12.2019*	*30.06.2019*	*31.12.2019*	*30.06.2019*
Parallel shift up	-1'768	-1'622	-6'345	-6'505
Parallel shift down	2'259	2'095	6'227	6'393
Steepener shock 1	61	-45		
Flattener shock 2	-375	-237		
Rise in short-term interest rates	-1'105	-916		
Fall in short-term interest rates	1'118	995		
Maximum	-1'768	-1'622	-6'345	-6'505
Period		*31.12.2019*		*30.06.2019*
Tier 1 capital		87'916		91'896

For each of the supervisory prescribed interest rate shock scenarios, the bank must report for the current period and for previous period:
(1) The change in the economic value of equity based on its IMS, using a run-off balance sheet and an instantaneous shock or based on the result of the standardised framework as set out in Section IV if the bank has chosen to adopt the framework or has been mandated by its supervisor to follow the framework.
(2) The change in projected NII over a forward-looking rolling 12-month period compared with the bank's own best estimate 12-month projections, using a constant balance sheet assumption and an instantaneous shock.

All amounts have been rounded off, which may result in minor discrepancies.

Report of the statutory auditor to the General Meeting of Banque Heritage SA Geneva

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Banque Heritage (page 54 to 82), which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes, for the year ended 31 December 2019.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with accounting rules for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation 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 2019 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules 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 (art. 728 CO and art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with art. 728a para. 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.

PricewaterhouseCoopers SA

Omar Grossi	Mathieu Conus
Audit expert Auditor in charge	Audit expert

Geneva, 29 April 2020

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Consolidated Balance Sheet as per 31 December 2019

CHF '000	2019	2018
ASSETS		
Liquid assets	445 632	483 218
Amounts due from banks	123 615	87 856
Amounts due from customers	261 145	209 088
Mortgage loans	8 544	5 009
Positive replacement values of derivative financial instruments	1 484	1 915
Financial investments	125 328	123 489
Accrued income and prepaid expenses	4 544	4 454
Non-consolidated participations	75	–
Tangible fixed assets	7 406	7 707
Other assets	14 271	14 130
Total assets	992 045	936 866
Total subordinated claims	–	–
of which subject to mandatory conversion and / or debt waiver	–	–
LIABILITIES		
Amounts due to banks	5 670	22 787
Amounts due in respect of customer deposits	864 928	792 366
Negative replacement values of derivative financial instruments	3 307	2 466
Accrued expenses and deferred income	14 137	12 512
Other liabilities	818	601
Provisions	15 270	–
Share capital	13 867	13 867
Capital reserve	23 624	18 445
Retained earnings reserve	60 495	67 511
Currency translation reserve	(1 685)	(1 114)
Own shares (negative item)	(3 038)	(5 745)
Minority interests in equity	263	253
Consolidated (loss)/profit	(5 611)	(7 834)
of which minority interests in consolidated (loss)/profit	*90*	*93*
Total liabilities	992 045	936 866
Total subordinated liabilities	–	–
of which subject to mandatory conversion and / or debt waiver	–	–
OFF-BALANCE SHEET TRANSACTIONS		
Contingent liabilities	32 362	36 918
Irrevocable commitments	3 958	4 641

All amounts have been rounded off, which may result in minor discrepancies.

CHF '000	2019	2018
Result from interest operations		
Interest and discount income	16 781	13 558
Interest and dividend income from financial investments	808	3 638
Interest expense	(2 160)	(1 480)
Gross result from interest operations	15 429	15 716
Changes in value adjustments for default risks and losses from interest operations	(511)	(1 054)
Subtotal net result from interest operations	14 918	14 662
Result from commission business and services		
Commission income from securities trading and investment activities	41 131	35 922
Commission income from lending activities	377	409
Commission income from other services	5 542	7 280
Commission expense	(7 985)	(8 140)
Subtotal result from commission business and services	39 065	35 470
Result from trading activities and the fair value option	10 159	9 627
Other result from ordinary activities		
Result from the disposal of financial investments	632	967
Result from real estate	–	217
Income from participations	35	–
of which, recognised using the equity method	*35*	–
of which, from other non-consolidated participations	–	–
Other ordinary income	389	–
Other ordinary expenses	(445)	(5)
Subtotal other result from ordinary activities	610	1 179
Operating expenses		
Personnel expenses	(41 808)	(39 835)
General and administrative expenses	(22 792)	(17 304)
Subtotal operating expenses	(64 600)	(57 139)
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(3 159)	(1 359)
Changes to provisions and other value adjustments and losses	(1 807)	(18 561)
Operating result	(4 814)	(16 121)
Extraordinary income	1 103	9 438
Extraordinary expenses	(598)	(1)
Taxes	(1 302)	(1 150)
Consolidated (loss)/profit	(5 611)	(7 834)
of which, minority interests in consolidated (loss)/profit	*90*	*93*

All amounts have been rounded off, which may result in minor discrepancies.

CHF '000	2019 Cash inflow	2019 Cash outflow	2018 Cash inflow	2018 Cash outflow
Cash flow from operating activities (internal financing)				
Consolidated loss	–	5 611	–	7 834
Change in reserves for general banking risks	–	–	–	–
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	3 159	–	1 359	–
Provisions and other value adjustments	1 034	6 515	18 074	18 190
Change in value adjustments for default risks and losses	1 390	317	1 041	817
Accrued income and prepaid expenses	–	90	2 510	–
Accrued expenses and deferred income	1 625	–	–	3 210
Other assets	–	142	–	3 165
Other liabilities	217	–	–	614
Previous year's dividend	–	81	–	66
Subtotal	**7 425**	**12 756**	22 984	33 895
Cash flow from shareholder's equity transactions				
Share capital	–	–	–	–
Recognised in reserves	5 179	–	515	–
Profit reserves	–	174	–	73
Currency translation adjustment	–	571	353	–
Change in own equity securities	2 707	–	2 425	–
Minority interests in equity	10	–	27	–
Subtotal	**7 897**	**744**	3 321	73
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Non-consolidated participations	–	75	–	–
Real estate	–	196	–	211
Other tangible fixed assets	–	1 412	6	875
Intangible assets	–	1 250	–	–
Subtotal	**–**	**2 932**	6	1 086
Cash flow from banking operations				
Medium and long-term business (> 1 year)				
Amounts due to banks	35	–	–	162
Amounts due in respect of customer deposits	–	95	95	–
Amounts due from banks	3	–	560	–
Amounts due from customers	5 177	–	6 594	–
Mortgage loans	157	–	172	–
Financial investments	–	12 566	6 254	–
Short-term business				
Amounts due to banks	–	17 153	3 328	–
Amounts due in respect of customer deposits	72 657	–	–	67 633
Negative replacement values of derivative financial instruments	841	–	–	3 194
Amounts due from banks	–	35 763	–	15 045
Amounts due from customers	–	57 234	18 515	–
Mortgage loans	–	3 692	157	–
Positive replacement values of derivative financial instruments	430	–	2 878	–
Financial investments	10 727	–	17 284	–
Liquidity				
Liquid assets	37 586	–	38 941	–
Total	**142 935**	**142 935**	121 088	121 088

All amounts have been rounded off, which may result in minor discrepancies.

	Share capital	Capital reserve	Retained earnings reserve	Currency translation reserves	Own shares (negative item)	Minority interests	Result	Total
Equity at start of current year	13 867	18 445	67 511	(1 114)	(5 745)	253	(7 834)	85 382
Appropriation of retained earnings 2018								
Allocated to the retained earnings reserve	—	—	(7 844)	—	—	10	7 834	—
Dividends	—	—	[1] (81)	—	—	—	—	(81)
Acquisition of own shares	—	—	—	—	(10 068)	—	—	(10 068)
Disposal of own shares	—	5 179	—	—	12 775	—	—	17 955
Currency translation differences	—	—	—	(571)	—	—	—	(571)
Other allocations (transfers from) the other reserves	—	—	909	—	—	—	—	909
Consolidated (loss)/profit	—	—	—	—	—	—	(5 611)	(5 611)
Equity at end of current period	13 867	23 624	60 495	(1 685)	(3 038)	263	(5 611)	87 916

1 *TCHF 81 of dividends of Meridian Wealth Management SA were paid to the minority shareholders.*

Banque Heritage Group (the 'Group') is composed of a bank with its headquarters in Geneva, three branches in Zurich, Basel and Sion as well as banking and non-banking subsidiaries established in Switzerland, Uruguay, Guernsey and the Cayman Islands.

The share swap announced on 6th November 2018 effectively took effect on 3rd January 2019 between Banque Heritage SA and Bunita Holding AG generating the merger of Banque Heritage SA with Sallfort Holding AG and Sallfort Privatbank AG in June 2019 with retroactive effect as of 1st January 2019

Accounting principles and valuation method

General principles

The accounting and valuation principles are based on the Code of Obligations (CO), the Banking Act and its related Ordinance as well as the Accounting rules for banks, securities dealers, financial groups and conglomerates (FINMA circular 15/1). The accompanying Group financial statements have been established to present the economic situation of the Group such that a third party can form a true and fair view.

In the notes, the individual amounts are rounded to the nearest thousand francs for publication purposes, but the calculations are based on non-rounded figures which may generate small rounding differences.

Scope of Consolidation

The consolidated accounts comprise the financial statements of Banque Heritage SA and those companies in which the latter has a controlling interest either directly or indirectly. Such an interest is established when the participation confers over 50% of the voting rights associated with a company's share capital. The part of shareholders' equity and net profit (loss) attributable to minority interests is stated separately in the balance sheet and in the income statement.

Method of Consolidation
The following companies were fully consolidated:

	Share of capital (in %)	
Entity	2019	2018
Banque Heritage SA, Geneva	(parent company)	(parent company)
HFT International (Guernsey) Limited, Guernsey	100%	100%
Banque Heritage (Uruguay) SA, Montevideo	100%	100%
Bastions Management Ltd., George Town, Cayman Islands	100%	100%
Meridian Wealth Management SA, Lausanne, Switzerland	51%	51%
GP Gestion Privée SA, Sion, Switzerland	100%	100%
Heritage and Partners SA, Geneva, Switzerland	100%	100%

The following company was integrated in the consolidated financial statement using the equity method:

	Share of capital (in %)	
Entity	2019	2018
Sallfort Partners AG in liquidation, Zürich, Switzerland	40%	–

General valuation principles

The financial statements are established according to the assumption of the going concern principle.

Assets and liabilities, together with off-balance-sheet business recognised under the same accounting heading, are valued on an individual basis.

Transactions are recorded and valued in accordance with generally accepted principles. As a rule, they will be recognised in the balance sheet as of the settlement date or the date on which the trading and cash-management transactions were closed.

As a principle, no offsetting is undertaken between assets and liabilities or between expenses and income. The exception to this rule relates to the deduction of value adjustments from the corresponding asset item.

Liquid assets
Liquid assets are recognized at their nominal value.

Amounts due from banks, amounts due from customers and mortgage loans
Amounts due from banks, amounts due from customers and mortgage loans are recognized at their nominal value less any necessary value adjustments.

Amounts due in respect of precious metal account deposits are values at fair value if the precious metal concerned is traded on a price-efficient, liquid market.

Doubtful receivables are valued individually and depreciated by means of individual value adjustments. The depreciation of doubtful receivables is determined by the difference between the book value of the receivable and the anticipated recoverable amount. The anticipated recoverable amount is the liquidation value (estimated realizable value minus the costs of retention and liquidation).

If a receivable is categorized as entirely or partially irrecoverable, the receivable is derecognized by booking it against the corresponding value adjustment.

If recovered amounts from receivables written off in earlier periods cannot be used immediately for other value adjustments of the same type, they are recognized in ‘Changes in value adjustments for default risks and losses from interest operations’ in the income statement.

Doubtful receivables are reclassified as performing if the outstanding amount of capital and interest are paid again on time according to the contractual agreements and other creditworthiness criteria. Value adjustments are released with an effect on income via the item ‘Changes in value adjustments for default risk and losses from interest operations’.

Amounts due to banks and amounts due in respect of customer deposits
These items are recognized at their nominal value.

Amounts due in respect of precious metal account deposits are valued at fair value if the precious metal concerned is traded on a price-efficient, liquid market.

Positive and negative replacement values of derivative financial instruments
Derivative instruments are used for trading purposes. The Bank undertakes derivative transactions for its clients and systematically undertakes the same operation with bank counterparts thus limiting its own exposure.

The valuation of derivative financial instruments for trading purposes is done according to the fair value and the positive or negative replacement value is recorded in the corresponding item. The fair value is based on market prices, dealer’s price quotations, discounted cash flows and option pricing models.

The realized result from trading operations and the unrealized result from valuations relating to trading operations are recorded via the item ‘Result from trading activities and the fair value option’.

Financial investments
Financial investments include debt instruments, equity securities, physical stocks of precious metals as well as properties and goods acquired in relation to loan transactions and destined for sale.

If the fair value of financial investments valued using the lower of cost or market principle increases again after declining below the historical cost, the value may be appreciated up to a maximum of the historical cost. The balance of the value adjustments is recorded via the item 'Other ordinary expenses' or 'Other ordinary income'.

Held-to-maturity debt instruments
The valuation is based on the acquisition cost principle with the agio/disagio (premium/discount) accrued/deferred over the residual term to maturity (accrual method). The agio/disagio is accrued/deferred over the residual term to maturity via the item 'Accrued income and prepaid expenses' or 'Accrued expenses and deferred income'. Value adjustments for default risk are recorded immediately under 'Changes in value adjustments for default risk and losses from interest operations'.

If held-to-maturity financial investments are sold or reimbursed early, the realized gains and losses, which correspond to the interest component, are accrued/deferred over the residual term to maturity of the transaction via the item 'Other assets' or 'Other liabilities'.

Available for sale
The valuation is based on the lower of cost or market value principle. The value adjustments arising from a subsequent valuation are recorded for each balance via the item 'Other ordinary expenses' or 'Other ordinary income'. Value adjustments for default risk are made immediately via the items 'Changes in value adjustments for default risk and losses from interest operations'.

Equity securities, physical stocks of precious metals
The valuation is based on the lower of cost or market value principle. The value adjustments arising from a subsequent valuation are recorded via the item 'Other ordinary expenses' or 'Other ordinary income'.

Tangible fixed assets
Investments in tangible fixed assets are capitalised as an asset if they are used for more than one accounting period and exceed the minimal value for recognition of CHF 2’000.

Tangible fixed assets are recognised at acquisition cost minus the scheduled accumulated amortisation over the estimated operating life.

Tangible fixed assets are amortized at a consistent rate (straight-line amortisation) over a prudent estimated operating life via the item 'Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets'. The estimated operating lives of specific categories of tangible fixed assets are as follows:

Asset class	Operating life
Buildings used by the Group	66 years
Building structural work	minimum between rent-term and 15 years
Building adaptation	minimum between rent-term and 8 years
Other work on the building	minimum between rent-term and 5 years
Equipment/vehicles	5 years
Computer software	5 years
Computer and audiovisual equipment	3 years

Acquisition of works of art are exempt from straight-line amortization and valued at the lower of acquisition cost, insurance value or impaired value.

Each tangible fixed asset is tested for impairment as of the balance sheet date. This test is based on indicators reflecting a possible impairment of individual assets impaired. If any such indicators exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset. An asset is impaired if its carrying amount exceeds its recoverable amount.

If the asset is impaired, the book value is reduced to match the recoverable value and the impairment is charged via the item 'Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets'.

If the impairment test shows that the operating life of an intangible asset has changed, the residual carrying amount should be depreciated systematically over the newly estimated useful life.

Realized gains from the sale of tangible fixed assets are recorded via the item 'Extraordinary income' and realized losses are recorded via the item 'Extraordinary expenses'.

Intangible assets
Acquired intangible assets are recognized in the balance sheet if they yield measurable benefits for the company for several years. The estimated operating lives of existing intangible fixed assets are as follows:

Intangible asset category	Operating life
Goodwill	max. 3 years

Each intangible asset is tested for impairment as of the balance sheet date. If such is the case, the book value is reduced to match the recoverable value and the impairment is charged via the item 'Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets'.

Provisions
Legal and factual obligations are valued regularly. If an outflow of resources is likely and can be reliably estimated, a corresponding provision must be created.

Existing provisions are reassessed at each balance sheet date. Based on this reassessment, the provisions are increased, left unchanged or released. Positions are recorded as follows via the individual items in the income statement:

- Provision for deferred taxes: 'Taxes'
- Pension provision: 'Personnel expenses'
- Other provisions: 'Changes to provisions and other value adjustments, losses', except provisions for restructuring

Provisions are released via the income statement if they are no longer needed on business grounds and cannot be used for other similar purposes at the same time.

Taxes
Current taxes
Current income taxes are recurring, usually annual, taxes on profits and capital. Transaction-related taxes are not included in current taxes. Expense due to income and capital tax is disclosed in the income statement via the item 'Taxes'.

Deferred taxes
Deferred taxes, arising from temporary timing differences between the value for tax purposes and the financial accounting value of assets and liabilities are recorded as deferred taxes under 'Provisions'.

Off-balance-sheet transactions
Off-balance-sheet disclosures are at nominal value. Provisions are created in the liabilities in the balance sheet for foreseeable risks.

Own equity securities
Purchases of own shares are recorded at the acquisition date at the cost of acquisition and deducted from equity via the item 'Own shares'. No subsequent valuation is performed. The gains or losses realized from the sale of own shares are recorded in the item 'Capital reserve' of the balance sheet.

Pension benefit obligations
The pension obligations and the assets used to cover them are segregated in the parent company's own pension scheme, which is legally autonomous. The organization, management and financing of the pension plan comply with legal requirements, the pension scheme's by-laws, and the prevailing pension regulations.

The economic liabilities to the pension scheme are posted under the parent company's 'Provisions'. The employer contributions are stated as personnel expenses.

Concerning Banque Heritage (Uruguay) SA, employees are insured with a state foundation in Uruguay which covers retirement benefits. Though the level of coverage of this foundation is underfunded, given the defined contribution plan characteristic, it does not generate pension commitments in the books of Banque Heritage (Uruguay) SA. Concerning other Group entities, contributions are based on the principle of distribution. Therefore, there are no commitments towards pension foundations.

Recording of business transactions
All business transactions concluded up to the balance sheet date are recorded as of their settlement date (settlement date accounting) and valued according to the above-mentioned principles.

Treatment of past-due interest
Past-due interest and the corresponding commissions are not included as interest income. These are defined as interest and commissions that are over 90 days past due and not yet paid. With regard to current account limits, interest and commissions are treated as past due if the credit limit has been exceeded for over 90 days. From this point in time, no accrued interest and commission is recorded in 'Interest and discount income' until there is no more past-due interest longer than 90 days.

Past-due interest is not cancelled retroactively. The liabilities from the accumulated interest up to the expiry of the 90-day term (due unpaid interest and accumulated accrued interest) are written down via the item 'Changes in value adjustments for default risk and losses from interest operations'.

Treatment of translation of foreign currencies
Transactions in foreign currencies are recorded at the respective daily exchange rate. Assets and liabilities of Group companies are translated at the exchange rate effective at the close of the financial year.

The profit and loss of entities with non-Swiss functional currencies are converted to Swiss francs in the consolidated financial statement using the average rate. Exchange differences resulting from conversion into Swiss francs of individual financial statements are recognized in equity in the item ‘Currency translation reserve’.

For the currency translation, the following exchange rates were used:

	2019		2018	
	Closing rate	Average rate	Closing rate	Average rate
USD	0.9676	0.99366	0.9850	0.97845
EUR	1.0852	not applicable	1.1262	not applicable
GBP	1.2704	not applicable	1.2504	not applicable

Risk management

The Group is subject to various banking-specific risks: credit, market and liquidity risks as well as operational and legal risks. The monitoring, identification, measurement and management of these risks is a priority for the Group.

The risk capacity is set in such a way that the Group complies with the statutory capital adequacy requirements, even if under the influence of diverse negative events.

The key elements of risk management are:

- a comprehensive risk policy;
- the use of recognised risk measurement and risk management principles;
- the definition of various risk limits and the corresponding monitoring and reporting measures;
- ensuring timely and comprehensive reporting on all risks;
- the allocation of adequate financial and human resources to the risk management; and
- highlighting risk awareness at all management levels.

The Board of Directors of the parent company is the supreme organ of the risk management organisation. It specifies the risk policy and, as part of this, defines the risk philosophy, risk measurement and risk management. The Board of Directors of the parent company approves the strategic risk limits based on the risk capacity and it monitors compliance with the limits as well as the implementation of the risk policy. To fulfil its monitoring duties, a comprehensive risk report is submitted to the Board of Directors of the parent company on a regular basis. The internal reports ensure adequate reporting at all levels.

The executive management of the parent company is responsible for the execution of the Board of Director's policies of the parent company. It ensures a suitable risk management organisation is in place as well as the use of an adequate risk monitoring system. It allocates the limits approved by the Board of Directors of the parent company to the organizational units and delegates the corresponding competences. Adequate reporting at all levels is ensured by the internal reports. The risk control unit of the parent company is independent of business operations the credit, market, liquidity and operational risks incurred. In addition, the risk control unit coordinates all risk reporting.

Credit risk

Loans to clients
The monitoring of credit risks is performed at two levels:

- Ensuring established processes and tools for an in-depth assessment of credit risk and, hence, for high-quality decision-making relating to loans;
- Risk positions are closely monitored by qualified experts and restricted by limits;

Responsibility for sales and responsibility for decisions regarding loans are separated. Authority regarding credit matters is given to the Credit Office and the Credit Committee.

At a different level of competence the Credit Committee of the Board and the Board of Directors are responsible for approving large credit exposures as well as loans and exposures to members of the governing bodies. The Executive Committee, which is independent of the client advisers and the Credit Risk unit, approves smaller credit exposures as well as reviewing the credit situation on a regular basis.

The credit policy of the Group forms the basis of credit risk monitoring and control. This is expressed, particularly, in the credit conditions and the monitoring of loans. Significant aspects include knowing the purpose of the loan and the client's integrity along with the transparency, plausibility, ability to pay and the proportionality of the transaction.

Credit exposures to counterparties are restricted by credit limits. The loan-to-value ratios of collateral are based on the usual banking standards. All collateral used for mortgage loans is backed by an up-to-date valuation. Valuations are always dependent on the use of each object. The maximum possible financing amount is determined by the Group's internal loan-to-value ratios and the ability to pay. Amortisation is fixed depending on the risk.

The credit lines and collateral are reassessed and, if necessary, depreciated according to the Group's own internal time schedule and the process described in the previous section.

Counterparty risk in interbank business
In the interbank business and trading operations, a limit system is used to manage the counterparty and default risks. In principle, the Group works only with first-class counterparties. The limit depends significantly on the rating and on the capital adequacy of the counterparty. Risk Control monitors compliance with the limits on a daily basis.

A review of the appropriate classification of the counterparties and, thus, of the set limits is performed, usually on an annual basis. Additionally, Risk Control monitors weekly the developments in counterparties' ratings. In cases of extreme market events, a daily situation report is prepared in order to react immediately to increased risk situations.

Market risks

Currency risks
The Group's currency management serves to minimise any negative impact on the Group's earnings due to interest rate changes by balancing assets denominated in foreign currencies with the liabilities in foreign currencies.

Trading operations
Trades in derivative financial instruments are mainly on behalf of clients; trades on own account are small and limited to hedging operations for 'nostro' positions and transactions relating to balance sheet structure management. The Group does not have any market-making activities. Both standardized and OTC instruments are traded.

Liquidity
The liquidity strategy of the Group has been developed by the Treasury department and approved by the Board of Directors of the parent company. The Treasury department ensures that the limits and objectives are complied with. The liquidity and financing limits are approved annually by the executive management and the Board of Directors of the parent company. In doing so, the current and planned business strategy and the risk appetite are considered.

Liquidity management aims to create a solid liquidity position to allow the Group to pay its obligations in a timely manner at all times. Further, the financing risk is managed through the optimisation of the balance sheet structure.

Operational risks

Operational risks are defined as the risks of losses due to the inadequacy or failure of internal policies, people and systems or due to external events.

The assessment of operational risks and compliance risks evaluates the direct financial losses and the consequences of the loss of client trust and reputation. The primary objective of operational risk management is to ensure the trust of the clients, shareholders and regulators.

The Board of Directors of the parent company reviews annually the operational risk policy, which, together with the detailed directives, serves as the basis for risk management. Risk-mitigation measures are implemented in the areas of process management, information security and control systems. This also includes ensuring that operations continue in cases of internal or external events or disasters.

The key controls have been documented in a standardized manner. All of the Group's departments perform (usually on an annual basis) an assessment of the internal control processes in terms of their operational effectiveness and take any improvement measures necessary. The effectiveness of the Business Continuity Management is tested annually. The results of these review measures are included in a report on the operational risks. This report is discussed by the executive management and the Risk Committee of the Board of Directors of the parent company. The improvement measures are summarily approved by these bodies.

Methods used for identifying default risks and determining the need for value adjustments

Mortgage-based loans
The Group updates the loan-to-value ratio on an annual basis. Additionally, late payment of interest and amortisation payments are analysed. From this, the Group identifies mortgages that involve higher risks. These loans are then reviewed in detail. If necessary, additional coverage is requested or a corresponding value adjustment is created based on the coverage shortfall.

Securities-based loans
The commitments and values of collateral for securities-based loans are monitored daily. If the collateral value of the securities falls below the amount of the credit line, the amount of the loan is reduced or additional securities are requested. In the event of extraordinary market conditions or in cases when the coverage gap becomes too significant, the securities are realized and the credit position is closed out.

Unsecured loans
Unsecured loans are usually commercial working-capital loans or unsecured account overdrafts of retail clients.

Process for determining value adjustments and provisions
Any new value adjustments and provisions needed are identified by the process described in previously. Furthermore, the known risk exposures already identified as at risk are reassessed at each balance sheet date and the value adjustments are adjusted, if necessary. The Risk Committee assesses and approves all of the value adjustments created for the risk exposures. Then, approval is given by the executive management and the Board of Directors.

Valuation of collateral

Mortgage-based loans
Each mortgage-based loan granted is backed by an up-to-date valuation of the collateral. Valuations are always dependent on the use of each object.

The Group uses, as the basis for granting a loan, the lowest value between the internal valuation, the purchase price and eventually the external estimate.

Securities-based loans
Primarily, transferable financial instruments (like loans and shares) that are liquid and actively traded are used for Lombard loans and other securities-based loans. Transferable structured products, for which there is regular market information and a market maker, are also accepted.

The Group applies a discount to the market value in order to cover the market risk relating to marketable liquid securities and to calculate the value of the collateral. For structured products and products with long residual terms to maturity, the closing out period can be significantly longer; hence, higher discounts are applied to them than are applied to liquid instruments. For life insurance policies or guarantees, a product-specific or client-specific discount is fixed.

Business policy regarding the use of derivative financial instruments

Derivative financial instruments are used for trading. Derivative financial instruments are traded exclusively by specially trained traders. The Group does not have any market-making activities. Standardised and OTC instruments are traded on own account and on behalf of clients, especially interest, currency and equity/index-based instruments and, to a limited extent, those based on commodities. There is no trading in credit derivatives.

Material event after the balance sheet date

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. A number of measures to monitor and prevent the effects of COVID-19 such as health and safety measures for our people (like physical distancing and working from home) and securing the continuity of the activity by the consolidated entities.

At this stage, the impact on the Group's business and results is limited. The consolidated entities will continue to follow the various national institute’s policies and advice published by governments and in parallel will do their utmost to continue operations in the best and safest way possible without jeopardizing the health of staff.

Balance sheet related information

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

CHF '000	Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	21 079	179 542	66 376	266 997
Mortgage loans	8 544	—	—	8 544
Residential property	7 424	—	—	7 424
Office and business premises	1 120	—	—	1 120
Total loans (before netting with value adjustments) 2019	29 624	179 542	66 376	275 541
Total loans (before netting with value adjustments) 2018	30 045	112 166	77 423	219 635
Total loans (after netting with value adjustments) 2019	29 624	179 542	60 524	269 689
Total loans (after netting with value adjustments) 2018	29 851	112 014	72 233	214 098
Off-balance-sheet				
Contingent liabilities	521	13 218	18 622	32 362
Irrevocable commitments	—	1 063	2 895	3 958
Total off-balance sheet 2019	521	14 281	21 517	36 320
Total off-balance sheet 2018	1 951	16 058	23 550	41 559

CHF '000	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans/receivables				
2019	9 618	1 307	8 311	5 852
2018	7 558	1 478	6 080	5 536

As a result of difficulties encountered by certain debtors, the Group cautiously considered these as impaired. Consequently, the level of impaired loans has been adapted.

2. Presentation of derivative financial instruments (assets and liabilities)

CHF '000	Trading Instruments: Positive replacement values	Trading Instruments: Negative replacement values	Trading Instruments: Contract volumes	Hedging Instruments: Positive replacement values	Hedging Instruments: Negative replacement values	Hedging Instruments: Contract volumes
Foreign exchange/ precious metals						
Forward contracts	1 437	3 292	409 324	–	–	–
Combined interest rate / currency swaps	–	–	–	–	–	–
Futures	–	–	–	–	–	–
Options (OTC)	47	15	14 816	–	–	–
Options (exchange-traded)	–	–	–	–	–	–
Total	1 484	3 307	424 140	–	–	–
Total	–	–	–	–	–	–
Total before netting agreements 2019	1 484	3 307	424 140	–	–	–
of which, determined using a valuation model	*1 484*	*3 307*	*424 140*	–	–	–
Total before netting agreements 2018	1 915	2 466	653 587	–	–	–
of which, determined using a valuation model	*1 915*	*2 466*	*653 587*	–	–	–

Total after netting agreements

CHF '000	Positive replacement values (cumulative)	Negative replacement values (cumulative)
2019	1 484	3 307
2018	1 915	2 466

Breakdown per counterparty

CHF '000	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	–	1 001	484

3. Breakdown of financial investments

	Book value		Fair value	
CHF '000	2019	2018	2019	2018
Debt securities	123 230	121 352	123 367	121 303
of which, intended to be held to maturity	*21 055*	*53 303*	*21 071*	*53 236*
of which, not intended to be held to maturity (available for sale)	*102 175*	*68 049*	*102 296*	*68 068*
Equity securities	66	68	66	68
*of which, qualified participations **	—	—	—	—
Precious metals	—	—	—	—
Real Estate	2 032	2 069	2 357	2 069
Total	125 328	123 489	125 789	123 440
of which, securities eligible for repo transactions in accordance with liquidity requirements	—	—	—	—

* at least 10% of capital or votes

Breakdown of counterparties by rating

	Book value	
CHF '000	2019	2018
Debt securities	—	—
1 & 2	81 367	89 954
3	18 493	17 168
4	23 370	14 230
5	—	—
6	—	—
7	—	—
Unrated	—	—
Total	123 230	121 352

Ratings are presented according to the Finma mapping tables.

The Group uses the specific ratings of Moody's, Fitch and Standard and Poor's to evaluate the creditworthiness of it's financial instruments. In case of diverging ratings (Moody's, Fitch, Standard & Poor's), the second worst rating is applied.

4. Disclosure of companies in which the bank holds a permanent direct or indirect significant participation

Company name and domicile	Business activity	Company capital		Share of capital	Share of votes	Held directly	Held indirectly
		CCY '000		(in %)	(in %)		
HFT International (Guernsey) Ltd, Guernsey	Holding	CHF	31	100 %	100 %	100 %	0 %
Banque Heritage (Uruguay) SA, Montevideo, Uruguay	Bank	UYU	415 080	100 %	100 %	0 %	100 %
Bastions Management Ltd., George Town, Cayman Islands	Fund management	USD	2	100 %	100 %	0 %	100 %
Meridian Wealth Management SA, Lausanne, Switzerland	Wealth management	CHF	500	51 %	51 %	51 %	0 %
GP Gestion Privée SA, Sion, Switzerland	Wealth management	CHF	250	100 %	100 %	100 %	0 %
Heritage and Partners SA, Geneve, Switzerland	Wealth management	CHF	1 500	100 %	100 %	100 %	0 %
Sallfort Partners AG in liquidation, Zürich, Switzerland	Wealth management	CHF	100	40 %	40 %	40 %	0 %

Banque Heritage SA acquired Sallfort Partners AG as a result of the merger with Sallfort Holding AG and the subsequent merger with Sallfort Privatbank AG.

5. Presentation of tangible fixed assets

CHF '000	Acquisition cost	Accumulated depreciation	Book value 31.12.2018	Reclassifications	Additions	Disposals	Depreciation	Book value as at 31.12.2019
Tangible fixed assets								
Real estate used by the Group	6 445	2 812	3 633	—	196	—	198	3 631
Other tangible fixed assets	32 343	28 268	4 074	—	1 412	—	1 711	3 775
Total tangible fixed assets	**38 787**	**31 080**	**7 707**	**—**	**1 607**	**—**	**1 909**	**7 406**

As a result of the merger between Banque Heritage SA and Sallfort Privatbank AG, additional acquisition of TCHF 623 and depreciation of TCHF 497 were booked.

Operating leases

	Maturity up to 12 months	Maturity between 12 months to 5 years	Maturity over 5 years	Total of balance sheet leasing obligations
Operating leases	78	118	—	197
of which can be terminated within 1 year	—	—	—	—
Total operating leases	**78**	**118**	**—**	**197**

6. Presentation of intangible assets

CHF '000	Cost value	Accumulated depreciation	Book value 31.12.2018	Additions	Disposals	Amortisation	Book value as at 31.12.2019
Goodwill	—	—	—	1 250	—	1 250	—
Total tangible fixed assets	—	—	—	1 250	—	1 250	—

On 2nd November 2018, Banque Heritage SA entered into a share purchase agreement in order to acquire Sallfort Holding AG. This agreement included the payment of a total of TCHF 1'250 which was booked as a goodwill and fully amortized in January 2019.

7. Breakdown of other assets and other liabilities

	Other assets		Other liabilities	
CHF '000	2019	2018	2019	2018
Taxes	271	149	818	601
Insurance claim to be received	14 000	13 980	—	—
Total	14 271	14 130	818	601

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

	2019		2018	
CHF '000	Book value	Effective commitments	Book value	Effective commitments
Pledged/assigned assets				
Liquid assets	13 865	13 330	1 570	1 429
Amounts due from banks	14 381	18	15 696	21
Financial investments	20 087	—	42 765	—
Tangible fixed assets	—	—	—	—
Total pledged/assigned assets	48 333	13 348	60 031	1 451
Assets under reservation of ownership				
Amounts due from banks	—	—	—	—
Financial investments	—	—	—	—
Tangible fixed assets	—	—	—	—
Total assets under reservation of ownership	—	—	—	—

All amounts have been rounded off, which may result in minor discrepancies.

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

CHF '000	2019	2018
Amounts due in respect of customer deposits	515	2 248
Negative replacement values	230	28
Total liabilities relating to own pension schemes	745	2 276

10. Disclosures on the economic situation of own pension schemes

Employer contribution reserves (ECR)

There are no employer contribution reserves with the pension schemes relating to the current year or to the previous year.

Presentation of the economic benefit / obligation and the pension expenses

	Overfunding at end of current year (unaudited)	Economic interest of the financial group CHF '000		Contributions paid for in current period CHF '000	Pension expenses in personnel expenses CHF '000	
	in %	2019	2018		2019	2018
Pension plans with overfunding						
Pension plan of Banque Heritage SA	8.0 %	–	–	2 195	2 195	2 059
Pension plan of Banque Heritage (Uruguay) SA	-6.0 %	–	–	1 722	1 722	1 817
Pension plan of GP Gestion Privée SA	–	–	–	–	–	–
Pension plan of Heritage and Partners SA	8.0 %	–	–	34	34	51
Pension plan of Meridian Wealth Management SA	–	–	–	48	48	68

Apart from the temporary staff and staff having reached the retirement age, all of the employees at Banque Heritage are insured with the Bank's own pension scheme since 2006.

The retirement age is 65 years for men and 64 for women. However, the insured parties have the option of taking an early retirement as from the age of 58 resulting in a reduction in their pension.

The last financial statements of the Bank's pension fund (prepared in accordance with Swiss GAAP RPC 26) reveal the following funding ratio:

108.00% as of 31.12.2019 (unaudited)
103.40% as of 31.12.2018 (audited)

The pension scheme covers at a minimum the mandatory benefits stipulated in the Law on Pension Plans (LPP), with an anticipated funding ratio of 108.0% (unaudited) at 31st December 2019. Therefore, there is no requirement to include additonal pension obligations in the Bank's accounts. The Board of Trustees ensures that the pension scheme maintains a funding ratio of at least 100% and intervenes if this threshold is not met. Banque Heritage SA paid TCHF 2'195 of pension contributions in 2019.

At the start of the activity of Heritage and Partners SA, the pension scheme was integrated and managed within the pension scheme of Banque Heritage SA with identical terms and conditions to those applicable to all employees at Banque Heritage SA, with an anticipated funding ratio of 108.0% (unaudited) at 31st December 2019. Heritage and Partners SA paid TCHF 34 of pension contributions in 2019.

All the employees of Banque Heritage (Uruguay) SA are covered by the Intergenerational Solidarity Retirement Plan which is managed by the "Caja de Jubilaciones y Pensiones Bancarias", a state related entity. The retirement age is 60 years with a minimum of 30 years of activity. The retirement obligations paid by Banque Heritage (Uruguay) SA amounting to TCHF 1'722 in 2019, in accordance with a defined contribution plan that does not generate any obligations.

The funding ratio of this retirement scheme amounted to 94.4% as of 31.12.2018. The last available unaudited coverage ratio amounted to 94.0% as per 30th November 2019.

The retirement scheme of Meridian Wealth Management SA is a Swiss defined contribution pension scheme that does not generate any obligations for the employer. The fund is managed by a Swiss insurance company (Axa Wintherthur AG) which reinsures the risk against underperformance. Meridian Wealth Management paid TCHF 48 of pension contributions in 2019.

Following the acquisition of GP Gestion Privé SA in 2016, the prior pension scheme was transferred to the pension scheme of Banque Heritage SA in 2017. As a result, this entity records nil expenses with regards to pension contributions in 2019.

11. Presentation of issued structured products

Not applicable for the current year or the previous year.

12. Presentation of bonds outstanding and mandatory convertible bond

Not applicable for the current year or the previous year.

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

CHF ’000	Previous year end	Use in conformity with designated purpose	Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income statement	Releases to income statement	Balance at year end
Provisions for deferred taxes	4 791	—	—	(5)	—	252	(183)	4 855
Provisions for other business risks	15 960	(6 178)	—	(47)	—	782	(103)	10 415
Total provisions	**20 751**	**(6 178)**	**—**	**(51)**	**—**	**1 034**	**(286)**	**15 270**
Reserves for general banking risks	—	—	—	—	—	—	—	—
Value adjustments for default and country risks	5 537	(190)	—	(128)	—	1 390	(757)	5 852
of which, value adjustments for default risks in respect of impaired loans/receivables	*5 537*	*(190)*	—	*(128)*	—	*1 390*	*(757)*	*5 852*
of which, value adjustments for latent risks	—	—	—	—	—	—	—	—

14. Disclosure of amounts due from/to related parties

	Amounts due from		Amounts due to	
CHF ’000	2019	2018	2019	2018
Holders of qualified participations	—	—	—	—
Linked companies	—	—	—	—
Transactions with members of governing bodies	8 780	9 351	7 255	7 041
Other related parties	—	—	—	—

Members of Group governing bodies perform regular banking operations at the same conditions that apply to the personnel, with the exception of Directors to whom arm’s length conditions apply.

15. Disclosure of own shares and composition of equity capital

	Average transaction price CHF '000	Number of shares
Own shares registered as per 01.01.2019		13 830
+ Additions	618	17 302
–Disposals	693	(26 046)
Own registered shares as per 31.12.2019		5 086

According to the share purchase agreement signed between Banque Heritage SA and Bunita Holding AG (owner of Sallfort Holding AG), Bunita Holding AG delivered Sallfort Holding AG's shares in exchange of Banque Heritage SA shares. This exchange was done on the 3rd (13'830 shares) and 8th (12'216 shares) of January 2019. The resulting gains were booked directly in the caption "Capital Reserve" of the balance sheet.

In order to deliver the shares to Bunita Holding AG, Banque Heritage SA purchased 12'824 shares to various shareholders of the Bank. In addition, during the year 2019, Banque Heritage SA also acquired 4'478 shares from various shareholders.

16. Presentation of the maturity structure of financial instruments

			Due					
CHF '000	At sight	Cancellable	within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years	No maturity	Total
Assets/financial instruments								
Liquid assets	445 632	—	—	—	—	—	—	445 632
Amounts due from banks	50 421	—	73 088	87	18	—	—	123 615
Amounts due from customers	—	17 722	196 827	38 416	6 572	1 608	—	261 145
Mortgage loans	—	—	6 343	1 831	57	313	—	8 544
Positive replacement values of derivative financial instruments	1 484	—	—	—	—	—	—	1 484
Financial investments	66	—	51 320	57 032	14 878	2 032	—	125 328
Total Current year	**497 604**	**17 722**	**327 579**	**97 366**	**21 525**	**3 953**	**—**	**965 749**
Total Previous year	528 242	19 432	277 147	67 503	14 171	4 079	—	910 575
Debt capital/ financial instruments								
Amounts due to banks	5 331	—	245	12	81	—	—	5 670
Amounts due in respect of customer deposits	786 979	—	75 382	2 567	—	—	—	864 928
Negative replacement values of derivative financial instruments	3 307	—	—	—	—	—	—	3 307
Total Current year	**795 617**	**—**	**75 628**	**2 578**	**81**	**—**	**—**	**873 904**
Total Previous year	749 872	—	64 712	2 895	141	—	—	817 619

All amounts have been rounded off, which may result in minor discrepancies.

17. Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

	2019		2018	
CHF '000	Domestic	Foreign	Domestic	Foreign
ASSETS				
Liquid assets	354 863	90 769	409 528	73 690
Amounts due from banks	39 473	84 142	29 704	58 151
Amounts due from customers	50 536	210 609	34 572	174 516
Mortgage loans	8 167	377	4 475	534
Positive replacement values of derivative financial instruments	880	604	568	1 346
Financial investments	—	125 328	2 095	121 394
Accrued income and prepaid expenses	1 758	2 786	2 408	2 046
Non-consolidated particpations	75	—	—	—
Tangible fixed assets	2 429	4 977	2 695	5 012
Other assets	14 271	—	14 130	—
Total assets	472 451	519 593	500 174	436 691
LIABILITIES				
Amounts due to banks	5 164	506	13 734	9 053
Amounts due in respect of customer deposits	160 603	704 325	98 568	693 798
Negative replacement values of derivative financial instruments	2 237	1 070	1 429	1 037
Accrued expenses and deferred income	9 611	4 526	7 895	4 617
Other liabilities	818	—	601	—
Provisions	15 018	252	16 514	4 237
Share capital	13 867	—	13 867	—
Capital reserve	23 624	—	18 445	—
Retained earnings reserve	60 495	—	67 511	—
Currency translation reserve	(1 685)	—	(1 114)	—
Own shares (negative item)	(3 038)	—	(5 745)	—
Minority interests in equity	263	—	253	—
Consolidated (loss)/profit	(5 611)	—	(7 834)	—
Total liabilities	281 366	710 678	224 123	712 742

All amounts have been rounded off, which may result in minor discrepancies.

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

	2019		2018	
	Absolute CHF '000	Share as %	Absolute CHF '000	Share as %
Europe				
Switzerland	472 451	47.62 %	500 174	53.39 %
Germany	49 281	4.97 %	8 552	0.91 %
United Kingdom	26 800	2.70 %	12 965	1.38 %
Belgium	25 862	2.61 %	7 983	0.85 %
France	11 720	1.18 %	2 692	0.29 %
Greece	8 452	0.85 %	9 876	1.05 %
Spain	8 317	0.84 %	8 717	0.93 %
Other European countries	21 050	2.12 %	16 041	1.71 %
Latam				
Uruguay	171 954	17.33 %	210 898	22.51 %
Other Latam countries	5 693	0.57 %	9 226	0.98 %
North America				
United States	104 380	10.52 %	98 092	10.47 %
Other North American countries	1 398	0.14 %	2 474	0.26 %
Caribbean	20 118	2.03 %	18 033	1.92 %
Other countries	64 567	6.51 %	31 142	3.32 %
Total assets	992 045	100.00 %	936 866	100.00 %

All amounts have been rounded off, which may result in minor discrepancies.

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

	Net foreign exposure at 31.12.2019		Net foreign exposure at 31.12.2018	
	CHF '000	Share in %	CHF '000	Share in %
Rating According to the FINMA Mapping Tables				
1 & 2	267 942	51.57 %	166 539	38.14 %
3	15	0.00 %	6	0.00 %
4	12 177	2.34 %	20 729	4.75 %
5	174 425	33.57 %	218 238	49.98 %
6	13 203	2.54 %	3 168	0.73 %
7	36 809	7.08 %	12 821	2.94 %
Unrated	15 022	2.89 %	15 191	3.48 %
Total assets shown in balance sheet	519 593	100.00 %	436 691	100.00 %

The credit rating process is based on the Schweizerische Exportrisikoversicherung (SERV) country credit ratings as allowed by the circular 2008/19 section 4-4.2 and converted to the FINMA rating standards.

With regards to the completion of this table, the domicile of the customer is retained for the captions "Amounts due from customers" and "Mortgage loans", the domicile of the counterparty is retained for "Amounts due from banks" and the risk domicile is retained for all other captions.

20. Presentation of assets and liabilies broken down by the most significant currencies for the Bank

Currencies in CHF '000 equivalent	CHF	USD	EUR	Others
ASSETS				
Liquid assets	354 704	29 284	53 665	7 980
Amounts due from banks	7 990	89 140	14 084	12 401
Amounts due from customers	25 662	173 492	43 241	18 749
Mortgage loans	8 167	—	—	377
Positive replacement values of derivative financial instruments	1 299	—	185	—
Financial investments	—	105 406	40	19 881
Accrued income and prepaid expenses	1 140	2 185	312	907
Non-consolidated participations	75	—	—	—
Tangible fixed assets	2 429	4 977	—	—
Other assets	14 270	—	2	—
Total assets shown in balance sheet	**415 735**	**404 485**	**111 530**	**60 295**
Delivery entitlements from spot exchange, forward forex and forex options transactions	29 158	198 249	157 567	39 441
Total assets	**444 892**	**602 734**	**269 097**	**99 735**
LIABILITIES				
Amounts due to banks	614	3 524	741	791
Amounts due in respect of customer deposits	147 296	457 902	189 069	70 662
Negative replacement values of derivative financial instruments	3 284	23	—	—
Accrued expenses and deferred income	9 482	1 961	85	2 610
Other liabilities	757	61	—	—
Provisions	15 018	252	—	—
Share capital	13 867	—	—	—
Capital reserves	23 624	—	—	—
Retained earnings reserve	60 495	—	—	—
Currency translation reserve	(1 685)	—	—	—
Own shares (negative item)	(3 038)	—	—	—
Minority interests in equity	263	—	—	—
Consolidated (loss)/profit	(5 611)	—	—	—
Total liabilities shown in balance sheet	**264 365**	**463 723**	**189 894**	**74 062**
Delivery obligations from spot exchange, forward forex and forex options transactions	209 935	115 785	79 510	21 111
Total liabilities	**474 301**	**579 507**	**269 404**	**95 173**
Net position per currency	**(29 409)**	**23 227**	**(306)**	**4 562**

All amounts have been rounded off, which may result in minor discrepancies.

Off-balance sheet related information

21. Breakdown of contingent liabilities and contingent assets

CHF '000	2019	2018
Guarantees to secure credits and similar	24 835	26 465
Performance guarantees and similar	–	–
Irrevocable commitments arising from documentary letters of credit	–	–
Other contingent liabilities	7 527	10 452
Total contingent liabilities	32 362	36 918
Contingent assets arising from tax losses carried forward	–	–
Other contingent assets	–	–
Total contingent assets	–	–

22. Breakdown of fiduciary transactions

CHF '000	Total
Fiduciary investments with third-party companies	477 857
Fiduciary investments with group companies and linked companies	–
Total fiduciary transactions 2019	477 857
Total fiduciary transactions 2018	375 623

All amounts have been rounded off, which may result in minor discrepancies.

23. Breakdown of managed assets and presentation of their development

Breakdown of managed assets

CHF '000	2019	2018
Assets in collective investment schemes managed by the bank	80 216	54 184
Assets under discretionary asset management agreements	1 041 415	615 213
Other assets	4 130 975	3 898 046
of which, assets under advisory mandates	*981 913*	*630 244*
of which, "execution only"	*3 149 063*	*3 267 802*
Total managed assets (including double counting)	5 252 606	4 567 442
of which, double counting	*62 164*	*30 008*

Assets under discretionary asset management agreements comprise clients' deposits for which the Group makes the investment decisions.

Other managed assets include those for which the client makes the investment decision. Other managed assets also include assets held for safekeeping by third party banks.

Assets kept by the Group but managed by a third party bank (custody only) are excluded from the table above.

Both assets take into account client deposits as well as market value of securities, precious metal and fiduciary investments placed at third party institutions.

Presentation of the development of managed assets

CHF '000	2019	2017
Total managed assets (including double counting) at beginning	4 567 442	4 875 252
+/– net new money inflow or net new money outflow	(326 333)	(327 295)
+/– price gains / losses, interest, dividends and currency gains / losses	(16 563)	19 485
+/- other effects in relation to "M&A" or "asset deal" operations	1 028 060	–
Total managed assets (including double counting) at end	5 252 606	4 567 442

The amount of net new money is calculated by determining the inflows and outflows of the managed assets based on transactions at client level. Interest and dividend income relating to the managed assets are not considered as new money inflows. Market and currency fluctuations, charges, commissions and charged interest payments are not included in the net new money.

Income statement related information

24. Breakdown of the result from trading activities and the fair value option

CHF '000	2019	2018
Breakdown by business area (in accordance with the organisation of the group)		
Front	1 342	1 382
Trading activity / client intermediation	4 927	5 102
Corporate	3 890	3 143
Trading activity total	10 159	9 627
Breakdown by underlying risk and based on the use of the fair value option		
Result from trading activities from:		
Interest rate instruments (including funds)	–	6
Equity securities (including funds)	1 352	(5)
Foreign currencies	8 805	9 620
Commodities/precious metals	2	6
Trading result from trading activities	10 159	9 627
of which, from fair value option	–	–
of which, from fair value option on assets	–	–
of which, from fair value option on liabilities	–	–

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

CHF '000	2019	2018
Negative interest revenue	684	754
Total	684	754

Negative interest income of TCHF 684 (2018: TCHF 754) has been presented within the income statement as an increase in revenues of TCHF 214 (2018: TCHF 613) within the 'Interest and discount income' caption and a decrease of TCHF 470 (2018: TCHF 141) within the 'Interest expense'

26. Breakdown of personnel expenses

CHF '000	2019	2018
Salaries of directors/officers and staff	32 667	30 441
of which, expenses relating to variable compensation	*4 541*	*3 327*
Social insurance benefits	8 719	8 798
Other personnel expenses	421	596
Total	41 808	39 835

27. Breakdown of general and administrative expenses

CHF '000	2019	2018
Office space expenses	4 594	4 321
Expenses for information and communications technology	8 803	5 698
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	305	255
Fees of audit firm(s) (Art. 961a no. 2 CO)	659	803
of which, for financial and regulatory audits	*659*	*755*
of which, for other services	—	*49*
Other operating expenses	8 432	6 228
Total	22 792	17 304

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

	2019		2018	
CHF '000	Extraordinary income	Extraordinary expenses	Extraordinary income	Extraordinary expenses
Loss resulting from merger with Sallfort Holding AG, Switzerland	—	562	—	—
Loss resulting from merger with Sallfort Trinova AG, Switzerland	—	30	—	—
Profit on assets seized from former employee of BHU	—	—	2 055	—
Profit on the sale of other tangible fixed assets	—	—	30	—
Profit on liquidation proceeds of Heritage Wealth Management	—	—	12	—
Proceeds from insurance claim	1 000	—	7 341	—
Other extraordinary income / expense	—	6	—	1
Release of provisions for other business risks	103	—	—	—
Total extraordinary income and expenses	1 103	598	9 438	1

Banque Heritage SA, the insurance taker, realized an extraordinary gain in relation to an insurance claim in relation to a client litigation of TCHF 1'000. A consolidated loss of TCHF 562 was realized as a result of the merger between Banque Heritage SA and Sallfort Holding AG and the consecutive merger with Sallfort Privatbank AG.

In 2018, Banque Heritage SA recognized an extraordinary gain of CHF 7.3 million in relation to the indemnity of the insurance company as well as an extraordinary loss of the same amount, corresponding to the amount due to our subsidiary; both of these amounts were linked to a past fraud, disclosed in the 2017 financial statements, committed by an employee of our subsidiary in Uruguay, Banque Heritage (Uruguay) SA.

29. Disclosure of and reasons for revaluations of participations and tangible fixed assets up to acquisition cost at maximum

Not applicable.

All amounts have been rounded off, which may result in minor discrepancies.

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

	2019		2018	
CHF '000	Swiss	Foreign	Swiss	Foreign
Interest & discount income	4 219	12 562	4 111	9 446
Interest & dividend income from financial investments	808	—	817	2 822
Interest expense	(3)	(2 157)	—	(1 480)
Gross interest income	5 023	10 406	4 928	10 788
Changes in value adjustments for default risks and losses from interest operations	202	(713)	(61)	(993)
Subtotal net result from interest operations	5 225	9 693	4 867	9 795
Commission income from securities trading and investment activities	37 754	3 378	32 125	3 797
Commission income from lending activities	80	297	185	223
Commission income from other services	1 976	3 566	1 917	5 363
Commission expenses	(7 229)	(756)	(7 168)	(972)
Subtotal result from commission business and services	32 580	6 485	27 058	8 412
Result from trading activities and the fair value option	8 254	1 905	8 535	1 092
Result from the disposal of financial investments	286	347	811	156
Result from real estate	—	—	217	—
Participations recognised using the equity method	35	—	—	—
of which, recognised using the equity method	*35*	—	—	—
of which,from other non-consolidated participations	—	—	—	—
Other ordinary income	389	—	—	—
Other ordinary expenses	(11)	(434)	—	(5)
Subtotal other result from ordinary activities	698	(88)	1 028	152
Personnel expenses	(30 985)	(10 823)	(27 560)	(12 275)
General and administrative expenses	(16 942)	(5 851)	(11 726)	(5 578)
Subtotal operating expenses	(47 927)	(16 673)	(39 286)	(17 853)
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(2 452)	(707)	(672)	(686)
Changes to provisions and other value adjustments, losses	(1 807)	—	(9 165)	(9 396)
Operating result	(5 428)	614	(7 637)	(8 484)
Extraordinary income	1 103	—	7 353	2 084
Extraordinary expenses	(598)	—	—	(1)
Taxes	(368)	(934)	(269)	(881)
Consolidated loss/(profit)	(5 291)	(320)	(552)	(7 282)

31. Presentation of current taxes, deferred taxes and disclosure of tax rate

CHF '000	2019	2018
Provisions for deferred taxes	69	49
Current tax expenses	1 233	1 101
Total taxes	1 302	1 150
Operating result	(4 814)	(16 121)
Average tax rate	not applicable	not applicable

All amounts have been rounded off, which may result in minor discrepancies.

Corporate Governance

Key elements of our corporate governance are: a clearly defined, well-balanced distribution of powers between the Board of Directors and the Executive Committee, the protection and promotion of shareholders' interests, and a transparent communication policy.

Capital Structure

Capital

The share capital of Banque Heritage SA amounted to CHF 13'866'700 as of 31 December 2019 and is divided into 138'667 fully paid in registered shares with a par value of CHF 100.–.

Changes in capital

There were no changes in the capital structure of Banque Heritage SA during the course of 2019 other than disposing of its own treasury shares for the acquisition of Sallfort Privatbank AG.

Significant shareholders

Please refer to the notes to the audited financial statements.

Board of Directors

Members of the Board of Directors as of 31st of December 2019[1]

Banque Heritage's Board of Directors is structured in order to ensure a high degree of diversity by age, education/qualifications, professional background, present activity, sector expertise, and special skills (classification).

Name	Function	Nationality	Committee	Initial election	Term expires
Paul-André Sanglard[1]	Chairman	CH	CC (Chair)	2017	2020
Carlos Esteve	Deputy-Chairman	CH	SC (Chair) / CC	2017	2020
Christian Wagner[1]	Member	A	CRC	1996	2020
Alain Nicod[1]	Member	CH	CRC / CC	1986	2020
Ramon Esteve	Member	CH	CRC (Chair) / RAC	2006	2020
Torsten Koster[1]	Member	CH	RAC (Chair) / SC	2016	2020
Sven Hoffmann	Member	CH	RAC	2019	2020

1 Independent Board Members within the meaning of FINMA Circular 2017/1

All members of the Board of Director are non-executive members.

Professional background and other activities and functions

Paul-André Sanglard, Chairman

Professional background

Paul-André Sanglard is an independent Economist in the banking and insurance sectors since 1989. He began his career in political economics at the University of Geneva. He joined the Swiss Federal Office of External Economic Affairs as an economist before becoming a research fellow at Stanford University and the Massachusetts Institute of Technology in 1978. A year later, he became Head of the Canton of Jura's financial services unit and has as well served as a member of the World Economic Forum Executive Committee during 5 years. He was also in charge of public finance classes at the University of Geneva from 1982 to 1995.

Mandates

Mr. Sanglard is a Board Member of various companies in the banking and insurance sectors. Among others, he is Chairman of the Board of Vaudoise Assurances, and acts as Vice-Chairman of QNB (Switzerland) and Société Générale Private Banking (Switzerland).

Education

Mr. Sanglard holds a PhD in Economics with a specialization in Political Economy from the University of Geneva.

Carlos Esteve, Deputy Chairman

Professional background
Although Carlos Esteve developed the initial idea for Banque Heritage as an undergraduate, he worked for ten years – first with Arthur Andersen in audit and consulting, then with Morgan Grenfell in private banking – before he gave shape to his vision in 1986. Since establishing the Family Office, Mr. Esteve has guided its growth into becoming the Bank it is today.

Mandates
Mr. Esteve is a Member of the Board of various companies and trusteeships outside of Switzerland.

Education
Mr. Esteve holds a Master's Degree in Business Administration from the University of Lausanne, HEC.

Christian Wagner, Board Member

Professional background
Christian Wagner is an Independent Economist and Advisor since 1994. He started his career at Banque Morgan Grenfell & Co in London and Geneva where he acted as Deputy Chief Executive during many years.

Mandates
Mr. Wagner is a Member of the Board of various companies and trusteeships outside of Switzerland.

Education
Mr. Wagner holds a Master's Degree in Business Administration from the University of Lausanne, HEC.

Ramon Esteve III, Board Member

Professional background
Ramon Esteve is a business leader with more than 30 years of experience in the Agricultural commodity sector. He has held various Senior Management positions throughout his career within the ECOM group and continues being involved in several aspects of the business.

Mandates
Mr. Esteve is a member of the Board of ECOM AgroIndustrial, he is also President of the Swiss-Latin American Chamber of Commerce as well as President of the Executive Board of the Swiss Trading and Shipping Association.

Education
Mr. Esteve holds a License in Law from the University of Lausanne.

Alain Nicod, Board Member

Professional background
Alain Nicod is an independent Consultant in the field of banking, information technology and consumer goods since 1989. With his entrepreneurial background, he is very active in various companies such as his role since 2002 of Managing Partner at VI Partners, a venture capital organization active in Switzerland whose shareholders are blue chip companies. Mr. Nicod is also one of the founders of leshop.ch where he acted as CEO during several years. He started his career at Arthur Andersen and McKinsey & Co.

Mandates
Mr. Nicod is a member of the Board of VI backed companies. He is also Chairman of the Board of VTX-Telecom, a member of the Board of Swiss Risk & Care SA and Board Member of Châteauform. He also acts as Board Member on a pro-bono basis for various Foundations.

Education
Mr. Nicod holds a Master's Degree in Business Administration from INSEAD as well as a Master's Degree in Economics from the University of Lausanne, HEC.

Torsten Koster, Board Member

Professional background
Torsten Koster is an Independent Advisor since 2016 and Partner at Baussan Concept. Previously, he had a long-standing and varied career within the Nestlé Group where he acted, notably, as Group CFO (Skin Health SA, Nespresso SA) and CFO and Member of the Management Board for Nestlé Russia & Eurasia, based in Moscow. He also was a member of the Board of Sodastream International from 2016 until 2018.

Mandates
Mr. Koster is a Member of the Board of Natra in Spain.

Education
Mr. Koster has completed a Program for Executive Development at IMD and holds a Master's Degree in Business Administration from the University of Lausanne, HEC.

Sven Hoffmann, Board Member

Professional background
Sven Hoffmann founded his own law firm in 1992. Previously and subsequent to his admission to the bar, he joined F. Hoffmann-La Roche & Co. Ltd. where he occupied various functions in Basel, Buenos Aires and Lima before being named Regional Manager of the Pharmaceutical Division in China, South-East Asia and Hong-Kong.

Mandates
Mr. Hoffmann was Chairman of the Board of Sallfort Privatbank prior to its merger with Banque Heritage. He is also a Board Member of various companies in Switzerland, mainly in the Real Estate, Biotech and Pharmaceutical sectors. Besides his professional commitments he is very active in various charities.

Education
Mr. Hoffmann studied Law at the Universities of Basel and Geneva and is a member of the Swiss Bar Association.

Elections and term of office
The General Meeting of the Shareholders has the competence to elect and remove the members of the Board of Directors. All members of the Board of Directors are elected individually by the General Meeting for a one-year term of office which runs until completion of the next Annual General Meeting. Members of the Board of Directors whose term of office has expired are immediately eligible for re-election.

The Board of Directors appoints a Chairman and a Vice-Chairman from amongst its own members. The Board of Directors meets as often as necessary and on notice by the Chairman or by the person designated by him. In addition, the Board must be convened as soon as a Board member requests the Chairman to call a meeting. All Committees provide a detailed report to the full Board at each meeting. For the year under review, meetings were held in February, March, April, June, July, October, November and December.

Internal Organisational structure
The powers and responsibilities of each Committee are established in the applicable Committee Charter which is approved by the board.

Compensation Committee (CC)
The Compensation Committee consists of the Chairman of the Board of Directors and a minimum of two other members who are appointed by the Board of Directors amongst its members. The Compensation Committee determines the system and principles for remuneration of the Board of Directors and Executive Committee and submits them to the Board for approval. It oversees and discusses the remuneration principles for Banque Heritage SA and the Group.

Risk and Audit Committee (RAC)
The Risk and Audit Committee consists of a Chairperson, who is an independent member of the Board and a minimum of two other members of the Board, excluding any former member of the Executive Committee. All members shall be independent. At least one member has to have recent and relevant financial expertise, the others must be familiar with the issues of accounting and audit. In discharging its responsibilities, it has unrestricted access to the Company's management, books, and records. The Risk and Audit Committee supports the Board of Directors in its supervision of financial controls through a direct link to PricewaterhouseCoopers (external auditors) and the Internal Audit function (outsourced to KPMG).

The Risk and Audit Committee's main duties include the following:

- To review and challenge, where necessary, the actions and judgements of management in relation to the Company's year-end financial accounts;
- To make recommendations to the Board of Directors regarding the nomination of external auditors to be appointed by the shareholders;
- To discuss the audit procedures, including the proposed scope and the results of the internal and external audit;
- To keep itself regularly informed on important findings of the audits and of their progress;
- To oversee the quality of the internal and external auditing;
- To present the conclusions on the approval of the Financial Statements to the Board of Directors;
- To review certain reports regarding internal control, compliance, and the Group's annual risk assessment.

The Risk and Audit Committee regularly reports to the Board on its findings and proposes appropriate actions. The responsibility for approving the annual Financial Statements remains with the Board of Directors.

Credit Committee (CRC)
The Credit Committee consists of the Chairperson member of the Board and a minimum of two other members of the Board, who are appointed by the Board of Directors amongst its members. The Credit Committee has the authority to approve the granting of loans in accordance with the powers defined in the internal Organizational Regulations of the Bank.

Strategy Committee (SC)
The Strategy Committee consists of the Chairperson member of the Board and a minimum of two other members of the Board, who are appointed by the Board of Directors amongst its members. The purpose of the Strategy Committee is to assist the Board in the performance of its oversight responsibilities of corporate strategy and opportunities, and to assist and advise the Executive Committee of the Company in the development of the Company's strategy and the making of strategic decisions regarding corporate and management organization; sales, marketing and product development; corporate development with respect to investments, acquisitions, divestures; and corporate finance.

Definition of areas of responsibility
The Board of Directors is the ultimate governing body of the Company. It is responsible for the long-term strategy and the ultimate supervision of the Group. The Board attends to all matters which are not reserved for the Annual General Meeting or another governance body of the Company by law, the Articles of Association or the internal Organizational Regulations. The delegation of powers between the Board of Directors and the Executive Board is set out in the Organizational Regulations of Banque Heritage SA.

The Board of Directors has the following main duties:

a) The ultimate direction of the Company, in particular the conduct, management and supervision of the business of the Company, and the provisions of necessary directions;

b) The determination of the Company's organization;

c) The determination of accounting and financial control principles, as well as the principles of financial planning;

d) The appointment and removal of the Chairman, Vice-Chairman, the Committee members and their Chairmen and members of the Executive Committee.

e) The ultimate supervision of the CEO and the members of the Executive Committee, in particular with respect to their compliance with the law, the Articles of Association, the Internal Organizational Regulations and instructions given from time to time by the Board;

f) The preparation of the Annual Report as well as the General Meetings and execution of their resolutions;

g) The notification of the court in the event of over indebtedness;

h) The discussion and approval of:

- The Group's long-term strategy and annual investment budget;
- Major financial operations;
- Any significant policy issue dealing with the Company's or the Group's general structure or with financial and commercial policy;
- Corporate Governance Principles of the Company,
- The review of and decision on any report submitted to the Board; and
- The Group's annual risk assessment.

Internal Audit

The Internal Audit assists the Board of Directors in exercising its statutory supervisory and control duties within Banque Heritage SA and its subsidiaries and performs the audit functions assigned to it. The duties and rights of the Internal Audit are detailed in a separate Audit Charter. It has an unlimited right of inspection within all Group companies; all business documents are available for it to inspect at any time. The Internal Audit reports to the Risk and Audit Committee.

Executive Committee

The Board of Directors delegates to the CEO, with the authorization to sub delegate, the power to manage the Company's and the Group's businesses, subject to law, the Articles of Association and the Internal Organizational Regulations.

The CEO chairs the Executive Committee and delegates to its members individually the powers necessary for carrying out their responsibilities within the limits fixed in the Internal Organizational Regulations, Policies and Directives.

Members of the Executive Committee as of 31st of December 2019

Name	Function	Nationality
Marcos Esteve	Chief Executive Officer (CEO)	CH
Johannes T. Barth	Deputy CEO – Head of Private Banking	CH
Eric Buehler	Group Head Compliance & Client Service Center	CH
Jean-Christophe Rochat	Chief Investment Officer	CH
André Thill	Chief Operating Officer	LUX
Nicolas Vetsch	Chief Financial Officer (CFO)	CH

The Executive Committee meets as often as business dictates. The Executive Committee is responsible for all Group matters that do not expressly fall within the remit of the Board of Directors of the company according to legislation, the Articles of Association or the Organizational Regulations.

Professional background and other activities and functions

Marcos Esteve
Chief Executive Officer

Professional background
Marcos Esteve joined the Bank in 2006 and has held a number of key senior management positions before being named Chief Executive Officer in July, 2017.

From January 2014 to July 2017, Mr. Esteve was Global Head of Private Banking. His prior assignments included Chief Financial Officer and Chief Operating Officer of the Bank, positions which afforded him an in-depth and thorough understanding of the intricacies of banking operations, the inherent regulatory framework, and the Bank's client service offering. Before joining Banque Heritage, he was Chief Financial Officer at a leading firm in the global fashion industry where he was responsible for the financial management of the group and where he also sat on the Board of Directors. During this time, he was appointed a member of the Board of Directors and of the Executive, Audit, and IT committees at Banque Heritage.

Mr. Esteve started his professional career in the corporate internal audit division of Nestlé's Swiss headquarters.

Education
Mr. Esteve graduated from HEC Lausanne with a Licence in Economics, majoring in Business Administration and obtained a Master's degree in Business Information Systems also at HEC Lausanne.

Johannes T. Barth
Deputy Chief Executive Officer – Head of Private Banking

Professional background
Johannes T. Barth was the main shareholder and Chairman of the Executive Board of Sallfort Privatbank AG until the merger with Banque Heritage in June 2019. He started his professional career as an employee at Joh. Barth & Sohn GmbH & Co. KG in Nuremberg, as an Assistant to the Executive Board, Legal Support for the Sale of Hop Products. He became a Member of the Board of Directors of AG Joh. Barth & Sohn and Sallfort Partners AG as well as Partner of Sallfort Privatbank AG. In 2002 he was named Chief Executive Officer of Sallfort Privatbank AG (Sallfort AG at the time). He became Deputy CEO of Banque Heritage in June 2019. He remains a Member of the Board of Bunita Holding AG. He has worked in various positions in international trade and private banking in Germany and abroad for many years.

Education
Mr. Barth graduated from Lyceum Alpinum Zuoz, majoring in economics. He holds a Master's Degree of Law from the Law Faculty of the University of Basel and has completed a Trainee Program and Education as Hops Merchant at John I Haas Inc., in Washington D.C.

Eric Buehler
Group Head Compliance and Client Service Center

Professional background
Eric Buehler, joined the Bank in March 2018. He has a proven track record of more than 25 years of experience and know-how in the areas of Compliance, Audit and Client Services within the banking industry.

Before joining Banque Heritage, Mr. Buehler was in charge of Compliance at CA Indosuez (Suisse), leading a substantial team. His experiences also include senior roles in Compliance, Client Services as well as Operations at Mirabaud & Cie and BNP Paribas. Mr. Buehler began his career as an auditor (KPMG, CS, Rothschild, BNP) both in Switzerland and in Monaco.

Education
Mr. Buehler holds an Advanced Certificate in Compliance from the University of Geneva as well as a Master's Degree in Economics from the University of Lausanne, HEC.

Jean-Christophe Rochat
Chief Investment Officer

Professional background
Jean-Christophe Rochat has more than 15 years of experience in asset management. He began his career at Lombard Odier in 2004 where he held several analyst positions in the Asset Management department. In 2009, he joined Banque Heritage where he developed the manager and fund selection process. In 2012, he launched the multi-asset advisory platform and managed the business until early 2019, when he was appointed Chief Investment Officer of the group and Head of the Asset Management department.

Education
Mr. Rochat holds a Master's degree in Finance from the University Lyon 3 (France). He is a Certified International Investment Analyst (CIIA) and a Certified Wealth Management Advisor (CWMA).

André Thill
Chief Operating Officer

Professional background
André Thill joined Sallfort AG in 1997. He was responsible for the operative business and risk management of Sallfort Privatbank AG as Chief Operating Officer until the merger with Banque Heritage in June 2019. He has been working in the banking business for more than 30 years, where he has gained valuable experience at renowned addresses in Luxembourg and abroad in various senior functions in Private Banking and Portfolio Management.

Education
Mr. Thill visited the Institut Supérieur de Technologie in Luxembourg.

Nicolas Vetsch
Chief Financial Officer

Professional background
Nicolas Vetsch joined the Bank in 2015. He brings along more than 20 years of experience in the financial and accounting field. After graduating from HEC Lausanne, he initially started his career with KPMG in the audit field before acquiring, over several years, various experiences as Finance and Administration Director in different industries.

He joined us from Banque Privée Espirito Santo where he previously spent 14 years as CFO.

Education
Mr. Vetsch graduated from HEC Lausanne with a Licence in Economics.

Statutory Auditor/Group Auditor

The consolidated financial statements and the financial statements of Banque Heritage and its subsidiaries are audited by PricewaterhouseCoopers (PWC). The external auditor of Banque Heritage is elected for a term of office of one year period at the General Meeting of Shareholders. PWC was initially elected as auditor when Banque Heritage was established as a bank in 2003. The role of statutory auditor is performed by M. Omar Grossi from PWC since 2016.

The Risk and Audit Committee reviews annually the appropriateness of retaining PWC as the auditor of the Group and of Banque Heritage SA, prior to proposing to the Board of Directors and to the Annual General Meeting the election of PWC as auditors. The Risk and Audit Committee assesses the effectiveness of the work of the auditors in accordance with Swiss law, based on their understanding of the Group's business, control, accounting and reporting issues, together with the way in which matters significant at Group level or in the statutory accounts are identified and resolved.

Audit fees are ultimately approved by the Risk and Audit Committee.

Risk Management Policy

The main objectives of our risk management policy are serving our customers to the best of our ability and contributing to the growth development of our businesses, guaranteeing the Bank's longevity by implementing an efficient system for risk analysis, measurement and monitoring, making risk control a differentiating element and a competitive factor.
Implementing a high-performance and efficient risk management structure is a critical undertaking for Banque Heritage, in all businesses and markets in which it operates, as is maintaining a balance between strong awareness of risks and promoting innovation. The Bank's risk management, supervised at the highest level, is compliant with the regulations in force.

Risk appetite

Risk appetite is defined at the aggregate level and reflects the types of risk that the Group and the Bank are willing to accept or intend to avoid. The Board of Directors is responsible for determining the risk principles proposed by the Executive Committee. The Risk and Finance Departments, together with Compliance, define the Group's and the Bank's risk appetite and provide monitoring and second-level control of its implementation. The Internal Audit periodically reviews the effectiveness of the risk appetite Framework. The Bank's risk appetite is formalized in a document that determines the general guidelines, policies, targets, limits and thresholds governing the risk appetite of Banque Heritage. This document is reviewed annually.

Risk control

The Board of Directors sub-delegates to the Risk and Audit the responsibility for examining the consistency of the internal risk monitoring framework, as well as compliance with this framework and with the applicable laws and regulations. The Risk and Audit Committee also ensures that the internal control systems operate effectively.

Internal control

Internal control is part of a strict regulatory framework applicable to all banking institutions. Banque Heritage's internal control system is organized along the "three lines of defense". The first line of defense comprises all employees and operational management of the Group and the Bank, both within the business lines and in corporate divisions (in the case of the latter, with regards to their own operations).
Operational management is responsible for its own risk exposures and is required to maintain effective processes and systems to manage its risks, including robust and comprehensive internal controls and documented procedures. Operational management has appropriate supervisory controls and review processes in pale designed to identify control weaknesses and inadequate processes.

The second line of defense, the control functions, are independent from the business and are exercised by the compliance, finance and risk functions. These functions are tasked with continuously verifying that controls and management of risks affecting operations are ensured, under the responsibility of operational management, through the effective application of established standards, defined procedures, methods and controls as instructed.

The third line of defense is provided by the Internal Audit which carries out audit reviews that are strictly independent from the business lines and from the permanent control functions.

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