

Annual Report 2019

AP Anlage & Privatbank AG, Zürich

Annual financial statement for the financial year ended
December 31, 2019 and report of the statutory auditors

Board of Directors



Urs E. Hottiger, Chairman (Independent Member)

Mr Hottiger completed his studies at the University of St. Gallen (HSG) with a Master in Law degree. Mr Hottiger has been with Credit Suisse from 1992 until 2015 in several management positions and served in the end as the Global Head of Operational Risk of Private Banking & Wealth Management Products.

Mr Hottiger became a Member of the Supervisory Board in August 2015 and was appointed as Chairman in March 2016.

Vladimirs Ivanovs, Vice Chairman

Mr Ivanovs has received an MBA degree from Riga International School of Economics and Business Administration. Mr Ivanovs has more than 20 years of experience in the banking sector and has been with Citadele since 2001. He currently serves as Head of Wealth Management of Citadele and Vice Chairman of the Supervisory Board at CBL Asset Management.

Mr Ivanovs was appointed as Member of the Board in 2010.



Dr Juris Jākobsons, Member of the Board

Dr Jākobsons holds a Dr. chem. degree (1992) and also a Masters (MBA) degree from Helsinki School of Economics and Business Administration (1998). Dr Jākobsons has had an accomplished career with several foreign-owned commercial banks in Latvia since 1994. He is also a former CEO of Citadele and Vereinsbank Riga (UniCredit Latvia).

Dr Jākobsons has been a Member of the Board since June 2012.

Dr Leo Th. Schrutt, Member of the Board (Independent Member)

Dr Schrutt studied at the University of Basle. He built a long career at UBS and later at Julius Baer Bank (1997 – 2007), where he served as Member of the Executive Board and headed the Investment Research & Portfolio Management division. Since 2010 Dr Schrutt is an independent consultant.

Dr Schrutt was elected to the Supervisory Board in July 2016.



Søren Mose, Member of the Board (Independent Member)

Mr Mose is a dual Danish and Swiss Citizen. He holds a MBA from Henley Management College and a Bachelor in Credit and Commerce from Aarhus Business University. Mr Mose is a former CEO of SAXO Bank Schweiz and former CEO of Jyske Bank Schweiz. Today he is apart from being a board member of AP Anlage & Privatbank AG, Chairman of TWINT AG, Board member and chairman of Risk Committee of SIX AG and a Board Member of Tissot Velodrome Suisse AG.

Mr Mose became a Member of the Board in December 2015.

Uldis Upenieks, Member of the Board

Mr. Upenieks holds Master of Business Administration degree from Riga Technical University. He also studied in Riga Graduate School of Law and well as governance in banking in INSEAD business school. He works in financial industry and related area for over 22 years and is certified anti-money laundering specialist (CAMS) since 2007. Currently he serves as Chief Compliance officer of Citadele group and member of the Management Board of Citadele banka.

Mr. Upenieks was appointed as Member of the Board in 2019.



Executive Board



Joachim Bodschwinna, Managing Director

Mr Bodschwinna graduated from Frankfurt School of Finance & Management. Mr Bodschwinna joined AP Bank in 1995 and became Managing Director in 1999. Prior to joining the AP Bank, he built his career at Hypo Bank in Germany where he focused on Investments and Institutional Asset Management. Today, Mr Bodschwinna is primarily responsible for general administration, compliance, regulatory matters and back office activities.

Valērijs Hudorožkovs, Deputy Managing Director

Mr Hudorožkovs graduated from Riga Technical University in 1985 and obtained an MBA in Riga Business School in 2003. Mr Hudorožkovs has been with Citadele Group since 1998 and has worked extensively on the Group's international projects. He has been with AP Bank since the acquisition by Parex in 2004 and is responsible for private banking, customer service and financial planning of the business.



Boriss Prudnikovičs, Member of the Board

Mr Prudnikovičs graduated from Riga Technical University, Riga, Latvia and obtained a Master Degree in Economics. Mr Prudnikovičs has been with Citadele Group since 1998, focusing primarily on the back office and securities aspects of the business. He has been with AP Bank since the acquisition by Parex in 2004 and is responsible for Treasury & Trading as well as Asset Management.

Management Report

The Board of Directors of AP Anlage & Privatbank AG is pleased to report that 2019 has become another successful year in the bank's history.

The performance of 2019 demonstrated our ability to exceed targets set for various revenue sources along with careful monitoring of costs. Last year the bank witnessed several important trends taking place across the whole financial industry. The most critical ones were strengthened standards regarding client transparency and a volatile, but still positive investment climate. On the background of these factors, nonetheless, the bank was able to outperform substantially the results of 2018, reaching profits after tax and depreciation of TCHF 3,366 (2018: TCHF 2,180). This achievement was accompanied by growth and further concentration of client assets under management, thus allowing the bank to focus on servicing target groups of high net-worth clients according to the strategy set by the bank's shareholder.

Our bank's business activities continue to address traditional private banking. In addition to account management and various related services, this also includes the coverage of commercial and investment transactions as well as foreign exchange transactions and asset management with a focus on the Baltic States, their neighboring countries in Eastern Europe and wider on other global markets.

In 2019 AP Anlage & Privatbank AG has expanded its composition of the Board of Directors with the entrance of Mr. Uldis Upenieks, Chief Compliance Officer of Citadele Bank, Riga, Latvia. This nomination serves the continuous commitment of the bank to the utmost quality of risk management practices. As in previous years, the Board of Directors has carried out a risk assessment for 2019 based on developments during the business year. As of December 31st, 2019, the bank had 24 FTEs (unchanged from 2018).

A focus in 2019 was put on defining an investment strategy that enables the bank to meet the challenges of a constantly changing global environment. As the investments of the bank are still a major source of revenues, our strategy aimed at stabilizing returns across the different investment instruments, maturities and currencies without taking any unnecessary liquidity or FX risks for our clients.

During the last year, the main news topic was the expectation that after more than a decade of expansion the economy will start to slow down. This re-assessment has forced major world's Central Banks to change their stance towards being more pessimistic. The US Federal Reserve, which was raising the benchmark rate almost on every single meeting during the YY2017-2018, has changed its policy to the dovish one. During 2019, the FED has lowered its benchmark rate 3 times, bringing it down to a 1.50-1.75% range. Disruptive elements, such as the continuation of the US – China trade war, uncertainty about the Brexit and Middle-East tensions, were among the major reasons.

The economic outlook has also significantly deteriorated in Europe due to an abrupt slowdown in world trade activities. The European Central Bank has restarted a new series of TLTROs (targeted longer-term refinancing operations) to provide financing to credit institutions, and in September decided to further lower its Deposit Facility Rate by 10bps down to negative 0.5% for the first time since 2016. Swiss National Bank has maintained its benchmark rate at negative 0.75%.

In such environment, the investors were desperately looking for a safe harbor to park the assets. This search for safety has pushed core bond yields to unprecedentedly low levels. During the year, the yield of the 30-year German bonds has turned negative for the first time ever. The yield of US 10Y Treasury which started the year at 2.68%, fell below the 1.5% level in September touching the low point at 1.43%.

On the other hand, the historically low yield resulted in a fantastic year for the stock markets. Stock indices shot up to uncharted territories: Dow Jones Industrial average gained 22.3% to close at 28,538 point while S&P 500 rose 28.9% to 3,230 points and NASDAQ Composite has increased impressive 35.2% to 8,972 points. Stocks in Europe showed similar developments - EURO Stoxx 50 gained 24.8% to close at 3,745 points and Swiss SMI added almost 26% to close at 10,616 points.

Also precious metals were on a rise – with Silver gaining 15.8% to close at 17.94 USD per ounce while Gold added 18.8% to 1,522 USD per ounce. The price for Palladium has more than doubled to close at 1,941 USD/oz due to the automotive industry which tried to improve its ecological standards. On the currency market, Swiss Franc has strengthened both against Euro (by 3.5% to close at 1.0854) and against USD (by 1.7% to close at 0.9664).

The bank started the year 2020 with readiness to meet the challenges that it may bring. Continued complexity of the market environment, along with new regulatory initiatives like Anti-Money Laundering Ordinance CBD 20, FIDLEG and Data Protection Act, will set the base for hard and dedicated work for the whole team of the bank in 2020.

The Board of Directors expresses its gratitude and appreciation for the outstanding work and commitment to the management and all employees of AP Anlage & Privatbank AG.

March 2020

Report of the statutory auditor





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

AP ANLAGE & PRIVATBANK AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of AP ANLAGE & PRIVATBANK AG, 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 (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

KPMG AG


Ertugrul Tüfekci
Licensed Audit Expert
Auditor in Charge


Philip Waltisberg
Licensed Audit Expert

Zurich, 25 March 2020



Balance Sheet Income Statement Statement of changes in equity Notes



Balance sheet as of December 31, 2019 and 2018

	Swiss Francs	
	31/12/2019	31/12/2018
Assets		
Liquid assets	18,287,143	34,511,832
Amounts due from banks	23,632,795	43,642,320
Amounts due from securities financing transactions	-	-
Amounts due from customers	10,196,382	2,708,153
Trading portfolio assets	167,384,134	156,368,374
Positive replacement values of derivative financial instruments	-	-
Financial investments	69,454,836	63,334,904
Accrued income and prepaid expenses	1,443,780	1,343,335
Tangible fixed assets	13,098	31,595
Other assets	94,789	94,934
Total assets	290,506,957	302,035,447
Total subordinated claims	-	-
Liabilities		
	31/12/2019	31/12/2018
Amounts due to banks	99	21,996,757
Amounts due in respect of customer deposits	260,504,522	253,614,885
Negative replacement values of derivative financial instruments	-	-
Accrued expenses and deferred income	2,024,479	1,814,061
Other liabilities	14,549	12,619
Provisions	-	-
Bank's capital	10,000,000	10,000,000
Statutory capital reserve	2,480,000	2,480,000
- of which tax-exempt capital contribution reserve	-	-
Voluntary retained earnings reserves	8,100,000	8,100,000
Profit carried forward	4,017,125	1,836,151
Profit (result of the period)	3,366,183	2,180,974
Total Liabilities	290,506,957	302,035,447
Total subordinated liabilities	-	-
Off-balance-sheet transactions		
	31/12/2019	31/12/2018
Contingent liabilities	762,197	1,013,750
Irrevocable commitments	480,000	482,000
Obligations to pay up shares and make further contributions	-	-
Credit commitments	-	-

Income statement for the financial years ended December 31, 2019 and 2018

	Swiss Francs	
	2019	2018
Result from interest operations		
- Interest and discount income	460,581	301,541
- Interest and dividend income from trading portfolios	2,721,099	2,256,942
- Interest and dividend income from financial investments	801,941	900,408
- Interest expense	467,680	558,071
Gross result from interest operations	4,451,301	4,016,962
Changes in value adjustments for default risks and losses from interest operations	–	–
Subtotal net result from interest operations	4,451,301	4,016,962
Result from commission business and services		
- Commission income from securities trading and investment activities	980,242	868,258
- Commission income from lending activities	6,250	3,500
- Commission income from other services	3,406,678	3,667,036
- Commission expense	-455,257	-468,579
Subtotal result from commission business and services	3,937,913	4,070,215
Result from trading activities and the fair value option	1,938,996	246,529
Other result from ordinary activities		
- Result from the disposal of financial investments	–	–
- Other ordinary income	–	–
- Other ordinary expenses	–	–
Subtotal other result from ordinary activities	0	0
Operating expenses		
- Personnel expenses	-3,757,604	-3,358,800
- General and administrative expenses	-2,232,703	-2,127,173
Subtotal operating expenses	-5,990,307	-5,485,973
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-18,497	-29,467
Changes to provisions and other value adjustments, and losses	–	-9,924
Operating result	4,319,406	2,808,342

Income statement, appropriation of profit and presentation of statement of changes in equity

	Swiss Francs	
	2019	2018
Extraordinary income	–	–
Extraordinary expenses	–	–
Taxes	-953,223	-627,368
Profit (result of the period)	3,366,183	2,180,974
Appropriation of profit		
Profit (result of the period)	3,366,183	2,180,974
Profit carried forward	4,017,125	1,836,151
Distributable profit	7,383,308	4,017,125
Appropriation of profit		
- Allocation to statutory retained earnings reserve		
- Allocation to voluntary retained earnings reserve		
- Distributions from distributable profit		
New amount carried forward	7,383,308	4,017,125

Presentation of the statement of changes in equity 2019

	Bank,s capital	Capital reserve	Voluntary retained earnings reserve	Reserves for general banking risks	Profit carried forward	Total
Equity at start of current period	10,000,000	2,480,000	8,100,000	–	4,017,125	24,597,125
Dividends and other distributions						–
Profit / loss (result of the period)	–	–	–	–	3,366,183	3,366,183
Equity at end of current period	10,000,000	2,480,000	8,100,000	–	7,383,308	27,963,308

Notes for the financial years ended December 31, 2019 and 2018

1. Notes on business activities and personnel

General

AP Anlage & Privatbank AG is a 100% subsidiary of Citadele Bank, Riga, Latvia. Its business activities focus on private banking, concentrating on private and corporate clients based in the Baltic states, CEE and Switzerland.

Business activities

The bank is engaged in private banking activities and generates profits from the investment of funds. In addition to account management and related services for private and corporate clients, the bank offers securities trading on behalf of clients and asset management services.

Employees

As of the end of the reporting year, the bank employed a staff of 24 (24 in the previous year).

Risk assessment according to Article 663b item 12

The Board of Directors undertakes an annual risk assessment. Additional information on risk management can be found under 2.4.

2. Accounting and valuation principles

2.1 Accounting and valuation principles

General principles

Accounting and valuation principles follow Switzerland's Code of Obligations, its Banking Act and the related ordinance, as well the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

Accounting principles and valuation method

The accounting requirements applicable for banks, securities dealers, financial groups and conglomerates are applicable for financial years starting on 1 January 2015, as set out in FINMA Circular 2015/1.

Foreign currencies

Receivables and liabilities in foreign currencies are valued according to average exchange rates on the reporting date. The following exchange rates were used:

2019:		2018:	
USD	0.9726	USD	0.9845
EUR	1.0888	EUR	1.1280
GBP	1.2751	GBP	1.2467
CAD	0.7440	CAD	0.7231
SEK	10.4309	SEK	10.9438
RUR	1.5700	RUR	1.4200
AUD	0.6796	AUD	0.6942

Notes for the financial years ended December 31, 2019 and 2018

Securities and precious metals trading portfolios

Short-term securities held at the bank's own risk are reported at market value on the reporting date.

Financial investments

Financial investments are valued according to the accrual method.

Fixed assets

According to group guidelines, fixed assets are depreciated over five years with the exception of IT equipment, which is depreciated over three years.

Deferrals

Interest expense and interest income, personnel and operating expenses are deferred. Commission income from securities business is booked at the time the transaction is entered in the income statement.

Valuation adjustments and provisions

Valuation adjustments are made and provisions set aside for all identifiable risks on the basis of the prudence principle.

Taxes

Owed and net income attributable to income tax are provided for under deferred income; excess pre-paid taxes are booked as pre-paid expenses.

Derivative financial instruments

Derivatives are stated at fair (market) value.

Notes for the financial years ended December 31, 2019 and 2018

2.2 Management of endangered interest

The management of endangered interest is implemented according to the guidelines on accounting standards.

2.3 Treatment of refinancing of trading activity positions

Refinancing expenses for trading activities are charged to interest expense.

2.4 Notes on risk management

The bank is mainly active in the commission business and, as a rule, does not incur significant credit or market risks. The limits for credit and market risks are monitored constantly.

Operational risks are governed by internal regulations and directives on internal organisation. In order to limit legal risks, the bank brings in external lawyers. The bank's governing body carries out an annual risk assessment and is regularly informed, through a management information system, about asset, financial, liquidity and earnings positions, and associated risks.

2.5 Business policy for the use of derivative instruments

Transactions involving the use of derivative financial instruments are carried out for the account of clients and for hedging.

2.6 Reporting of transactions

All transactions are recorded on the transaction date and assessed according to the principles laid out above. All completed transactions are included in the income statement. Fixed term balance sheet transactions and forward contracts are recognised at their value date. Securities transactions are reported on the balance sheet as of the settlement date.

2.7 Extra ordinary events after closing the business year

The outbreak of COVID-19 beyond China in the beginning of the Y2020 effected the society and the economies in a dramatic way. In accordance with the recommendations of the local authorities, the bank has taken the necessary actions to protect the employees, customers and partners. We have activated our internal business contingency plan which has been set up to handle the outbreak of COVID-19. The employees have been instructed of the conduct of behavior. Some employees working from home and some operations will be carried out on site with necessary precautions.

Following the developments and the possible implications in order to mitigate credit risk related to potentially impact on various countries and industries worldwide due to COVID-19 outbreak the board of the parent company Citadele has decided to fully liquidate investments in various bond positions on the group level. The sold positions included both AFS and HTM portfolios of AP Anlage & Privatbank AG – for the total amount of CHF 4.47mln in AFS and CHF 5.47 mln in HFT. Those sales will have a negative effect on the financial results of the Y2020. However, full consequences of the outbreak of COVID-19 cannot be assessed for time being.

Notes for the financial years ended December 31, 2019 and 2018

3. Details on the individual items in the notes to annual financial statement

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

Loans (before netting with value adjustments)	Type of collateral			Total 31/12/2019
	Secured by mortgage	Other collateral	Unsecured	
Amounts due from customers	–	10,196,382	–	10,196,382
Total loans	0	10,196,382	0	10,196,382
<i>Previous year</i>	–	2,708,153	–	2,708,153

Loans (after netting with value adjustments)	Type of collateral			Total 31/12/2019
	Secured by mortgage	Other collateral	Unsecured	
Amounts due from customers	–	10,196,382	–	10,196,382
Total loans	0	10,196,382	0	10,196,382
<i>Previous year</i>	–	2,708,153	–	2,708,153

Off-balance-sheet	Type of collateral			Total 31/12/2019
	Secured by mortgage	Other collateral	Unsecured	
Contingent liabilities	–	762,197	–	762,197
Irrevocable commitments	–	480,000	–	480,000
Total off-balance-sheet	0	1,242,197	0	1,242,197
<i>Previous year</i>	–	1,495,750	–	1,495,750

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

Assets	31/12/2019	31/12/2018
Trading portfolio assets		
Debt securities, money market securities / transactions	167,384,134	156,368,374
- of which, listed	167,384,134	156,368,374
Equity securities	–	–
Precious metals and commodities	–	–
Other trading portfolio assets	–	–
Total assets	167,384,134	156,368,374
- of which, securities eligible for repo transactions in accordance with liquidity requirements	56,766,440	35,796,902
No liabilities		

Notes for the financial years ended December 31, 2019 and 2018

3.3 Breakdown of financial investments

Financial investments	Book value		Fair value	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Debt securities				
- of which, intended to be held to maturity	69,454,836	63,334,904	71,079,612	63,450,536
- of which, not intended to be held to maturity (available for sale)	-	-	-	-
Equity securities	-	-	-	-
Precious metals	-	-	-	-
Real estate	-	-	-	-
Total financial investments	69,454,836	63,334,904	71,079,612	63,450,536
- of which, securities eligible for repo transactions in accordance with liquidity requirements	-	-	-	-
Financial investments	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-
Debt securities: book value	27,022,620	27,062,194	15,370,022	-
Total financial investments	27,022,620	27,062,194	15,370,022	0
<i>Previous year</i>	<i>20,228,775</i>	<i>21,676,826</i>	<i>21,429,303</i>	<i>-</i>

The lowest rating of the following rating agencies:

1. S&P
2. Moody's
3. Fitch

3.4 Presentation of tangible fixed assets

	Acquisition cost	Accumulated depreciation	Book value previous year end	2019		Book value as at end of current year
				Additions	Depreciation	
Other tangible fixed assets	1,261,226	1,229,631	31,595	0	18,497	13,098
Total tangible fixed assets	1,261,226	1,229,631	31,595	0	18,497	13,098

No Reclassifications and disposals

According to group guidelines, fixed assets are depreciated over five years with the exception of IT equipment, which is depreciated over three years.

Notes for the financial years ended December 31, 2019 and 2018

3.5 Breakdown of other assets and other liabilities

	Other assets		Other liabilities	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Compensation account	–	–	–	–
Indirect taxes	19,638	16,032	14,549	12,619
Others	75,151	78,902	–	–
Total	94,789	94,934	14,549	12,619

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

	Book value	Effective commitments
	31/12/2019	31/12/2019
Pledged/assigned assets	2,341,762	2,341,762

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

	2019						
	Previous year end	Use in conformity with designated purpose	Reclassifications	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at current year end
Provisions for default risks	–	–	–	–	–	–	–
Provisions for other business risks	–	–	–	–	–	–	–
Other provisions	–	–	–	–	–	–	–
Total provisions	0	0	0	0	0	0	0

3.8 Presentation of the bank,s capital

	31/12/2019			31/12/2018		
	Total par value	No. of shares	Capital eligible for dividend	Total par value	No. of shares	Capital eligible for dividend
Bank,s capital						
Share capital, paid up	10,000,000	100,000	10,000,000	10,000,000	100,000	10,000,000
Total bank,s capital	10,000,000	100,000	10,000,000	10,000,000	100,000	10,000,000

Notes for the financial years ended December 31, 2019 and 2018

3.9 Disclosure of amounts due from / to related parties

	Amounts due from		Amounts due to		Fiduciary investments	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Holders of qualified participations	4,120,560	2,079,073	99	21,996,757	36,625,288	31,892,990
Group companies	–	–	–	–	–	–
Linked companies	–	–	–	–	–	–
Transactions with members of governing bodies	–	–	107,541	105,303	–	–
Other related parties	–	–	–	–	–	–

Every transaction is in line with the market.

3.10 Disclosure of holders of significant participations

Holders of significant participations and groups of holders of participations with pooled voting rights	31/12/2019		31/12/2018	
	Nominal	% of equity	Nominal	% of equity
With voting rights:				
Direct: Citadele Bank, Riga, Latvia	10,000,000	100.00%	10,000,000	100.00%
Indirect:				
European Bank for Reconstruction & Development, London, UK	2,500,000	25.00%	2,500,000	25.00%
RA Citadele Holdings, LLC	2,241,000	(minus 1 share) 22.41% (plus 1 share)	2,241,000	(minus 1 share) 22.41% (plus 1 share)
Delan S.à.r.l.	996,000	9.96%	996,000	9.96%
EMS LB LLC	886,000	8.86%	886,000	8.86%
NNS Luxembourg Investments S.à.r.l.	886,000	8.86%	886,000	8.86%
Amolino Holdings Inc.	886,000	8.86%	886,000	8.86%
Shuco LLC	703,000	7.03%	703,000	7.03%
Other participations, none of them exceeding 5 %	902,000	9.02%	902,000	9.02%
Without voting rights: none				

Notes for the financial years ended December 31, 2019 and 2018

3.11 Presentation of the maturity structure of financial instruments

					Due		31/12/2019
	At sight	Cancellable	within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years	Total
Assets/financial instruments							
Liquid assets	18,287,143	–	–	–	–	–	18,287,143
Amounts due from banks	22,628,190	–	1,004,605	–	–	–	23,632,795
Amounts due from securities financing transactions	–	–	–	–	–	–	0
Amounts due from customers	–	–	7,552,428	2,153,994	489,960	–	10,196,382
Trading portfolio assets	167,384,134	–	–	–	–	–	167,384,134
Positive replacement values of derivative financial instruments	–	–	–	–	–	–	0
Financial investments	–	–	2,966,255	2,161,677	30,267,897	34,059,007	69,454,836
Total assets / financial instruments	208,299,467	0	11,523,288	4,315,671	30,757,857	34,059,007	288,955,290
<i>Previous year</i>	<i>219,995,483</i>	<i>–</i>	<i>18,934,882</i>	<i>9,042,777</i>	<i>25,064,726</i>	<i>27,527,715</i>	<i>300,565,583</i>
Debt capital/ financial instruments							
Amounts due to banks	99	–	–	–	–	–	99
Amounts due in respect of customer deposits	260,504,522	–	–	–	–	–	260,504,522
Negative replacement values of derivative financial instruments	–	–	–	–	–	–	0
Total debt capital/ financial instruments	260,504,621	0	0	0	0	0	260,504,621
<i>Previous year</i>	<i>275,611,642</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>275,611,642</i>

Notes for the financial years ended December 31, 2019 and 2018

**3.12 Presentation of assets and liabilities by domestic and foreign origin
in accordance with the domicile principle**

Assets	31/12/2019		31/12/2018	
	Domestic	Foreign	Domestic	Foreign
Liquid assets	17,864,367	422,776	33,637,230	874,602
Amounts due from banks	10,525,725	13,107,070	39,966,362	3,675,958
Amounts due from securities financing transactions	-	-	-	-
Amounts due from customers	5,057,520	5,138,862	-	2,708,153
Trading portfolio assets	3,762,361	163,621,773	5,862,819	150,505,555
Positive replacement values of derivative financial instruments	-	-	-	-
Financial investments	8,200,359	61,254,477	8,778,840	54,556,064
Accrued income and prepaid expenses	207,779	1,236,001	250,774	1,092,561
Tangible fixed assets	13,098	-	31,595	-
Other assets	90,562	4,227	91,374	3,560
Total assets	45,721,771	244,785,186	88,618,994	213,416,453

Liabilities	31/12/2019		31/12/2018	
	Domestic	Foreign	Domestic	Foreign
Amounts due to banks	-	99	-	21,996,757
Amounts due in respect of customer deposits	5,875,678	254,628,844	10,392,117	243,222,768
Negative replacement values of derivative financial instruments	-	-	-	-
Accrued expenses and deferred income	2,024,479	-	1,814,061	-
Other liabilities	14,549	-	12,619	-
Provisions	-	-	-	-
Bank,s capital	10,000,000	-	10,000,000	-
Statutory capital reserve	2,480,000	-	2,480,000	-
Voluntary retained earnings reserves	8,100,000	-	8,100,000	-
Profit carried forward	4,017,125	-	1,836,151	-
Profit (result of the period)	3,366,183	-	2,180,974	-
Total liabilities	35,878,014	254,628,943	36,815,922	265,219,525

Notes for the financial years ended December 31, 2019 and 2018

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

Assets	31/12/2019		31/12/2018	
	Absolute	Share as %	Absolute	Share as %
Europe without Switzerland	179,012,186	61.62%	138,291,453	45.79%
North America	51,766,000	17.82%	61,343,000	20.31%
Caribbean	-	0.00%	-	0.00%
Latin America	1,507,000	0.52%	1,540,000	0.51%
Africa	-	0.00%	-	0.00%
Asia	5,085,000	1.75%	7,215,000	2.39%
Oceania	7,415,000	2.55%	5,027,000	1.66%
Switzerland	45,721,771	15.74%	88,618,994	29.34%
Total assets	290,506,957	100.00%	302,035,447	100.00%

Liabilities	31/12/2019		31/12/2018	
	Absolute	Share as %	Absolute	Share as %
Europe without Switzerland	149,881,943	51.59%	175,452,525	58.09%
North America	7,875,000	2.71%	5,076,000	1.68%
Caribbean	47,515,000	16.36%	46,332,000	15.34%
Latin America	19,506,000	6.71%	6,955,000	2.30%
Africa	1,202,000	0.41%	2,859,000	0.95%
Asia	25,631,000	8.82%	20,660,000	6.84%
Oceania	3,018,000	1.04%	7,885,000	2.61%
Switzerland	35,878,014	12.35%	36,815,922	12.19%
Total liabilities	290,506,957	100.00%	302,035,447	100.00%

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

Bank,s own country rating	31/12/2019		31/12/2018	
	Net foreign exposure		Net foreign exposure	
	In CHF	Share as %	In CHF	Share as %
Aaa - Aa3	223,127,186	91.15%	200,468,453	93.93%
A1 - A3	16,999,000	6.94%	10,357,000	4.85%
Baa1 - Baa3	4,659,000	1.90%	2,223,000	1.04%
Ba1 - Ba2	-	0.00%	368,000	0.17%
Ba3	-	0.00%	-	0.00%
B1 - B3	-	0.00%	-	0.00%
Caa1 - C	-	0.00%	-	0.00%
Total	244,785,186	100.00%	213,416,453	100.00%

Bank,s own country rating: Moody,s

Notes for the financial years ended December 31, 2019 and 2018

3.15 Presentation of assets and liabilities broken down by the most significant currencies for the bank

	Currencies						31/12/2019
Assets	CHF	EUR	USD	GBP	Metal ounces	Others	Total
Liquid assets	17,864,367	422,776	-	-	-	-	18,287,143
Amounts due from banks	846,685	5,853,589	12,889,937	117,109	2,217,219	1,708,256	23,632,795
Amounts due from securities financing transactions	-	-	-	-	-	-	0
Amounts due from customers	-	2,400,804	7,795,578	-	-	-	10,196,382
Trading portfolio assets	-	88,435,588	76,910,450	2,038,096	-	-	167,384,134
Positive replacement values of derivative FI	-	-	-	-	-	-	0
Financial investments	14,684,318	37,536,784	17,233,734	-	-	-	69,454,836
Accrued income and prepaid expenses	188,708	592,717	658,870	3,482	-	3	1,443,780
Tangible fixed assets	13,098	-	-	-	-	-	13,098
Other assets	94,789	-	-	-	-	-	94,789
Total assets shown in balance sheet	33,691,965	135,242,258	115,488,569	2,158,687	2,217,219	1,708,259	290,506,957
Delivery entitlements from forward forex	-	-	-	-	-	-	0
Total assets	33,691,965	135,242,258	115,488,569	2,158,687	2,217,219	1,708,259	290,506,957
Liabilities	CHF	EUR	USD	GBP	Metal ounces	Others	Total
Amounts due to banks	99	-	-	-	-	-	99
Amounts due in respect of customer deposits	4,610,046	135,040,254	114,784,683	2,151,831	2,217,219	1,700,489	260,504,522
Negative replacement values of derivative FI	-	-	-	-	-	-	0
Accrued expenses and deferred income	2,024,479	-	-	-	-	-	2,024,479
Other liabilities	14,549	-	-	-	-	-	14,549
Provisions	-	-	-	-	-	-	0
Bank,s capital	10,000,000	-	-	-	-	-	10,000,000
Statutory capital reserve	2,480,000	-	-	-	-	-	2,480,000
Voluntary retained earnings reserve	8,100,000	-	-	-	-	-	8,100,000
Profit carried forward	4,017,125	-	-	-	-	-	4,017,125
Profit (result of the period)	3,366,183	-	-	-	-	-	3,366,183
Total liabilities shown in balance sheet	34,612,481	135,040,254	114,784,683	2,151,831	2,217,219	1,700,489	290,506,957
Delivery obligations from forward forex	-	-	-	-	-	-	0
Total liabilities	34,612,481	135,040,254	114,784,683	2,151,831	2,217,219	1,700,489	290,506,957
Net position per currency	-920,516	202,004	703,886	6,856	0	7,770	0

Notes for the financial years ended December 31, 2019 and 2018

3.16 Breakdown of contingent liabilities and contingent assets

Contingent liabilities	31/12/2019	31/12/2018
Other contingent liabilities	762,197	1,013,750
Total contingent liabilities	762,197	1,013,750

3.17 Breakdown of fiduciary transactions

Fiduciary transactions	31/12/2019	31/12/2018
Fiduciary investments with third-party companies	60,880,441	101,835,928
Fiduciary investments with group companies and linked companies	36,625,288	31,892,990
Fiduciary loans	379,314	15,409,998
Total fiduciary transactions	97,885,043	149,138,916

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

Result from trading activities from:	2019	2018
Interest rate instruments (including funds)	801,627	-797,695
Foreign currencies	1,137,369	1,044,224
Commodities / precious metals	–	–
Total result from trading activities	1,938,996	246,529
- of which, from fair value option on assets	–	–
- of which, from fair value option on liabilities	–	–

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

Debit interest	2019	2018
Debit interest from banks	461,226	460,576
Negative debit interest from banks	-74,667	-210,925
Debit interests from clients	74,022	51,890
Negative debit interest from clients	–	–
Total interest receivable	460,581	301,541

The most of the negative debit interest from banks is from the account with the Swiss National bank.

Credit interest	2019	2018
Credit interest from banks	-726	-2,534
Negative credit interest from banks	3,424	113,814
Credit interests from clients	–	–
Negative credit interest from clients	464,982	446,791
Total credit interest	467,680	558,071

The negative credit interest from banks results from a group company

Notes for the financial years ended December 31, 2019 and 2018

3.20 Breakdown of personnel expenses

Personnel expenses	2019	2018
Salaries	3,210,036	2,949,876
Social insurance benefits	417,224	405,098
Other personnel expenses	130,344	3,826
Total	3,757,604	3,358,800

3.21 Breakdown of general and administrative expenses

General and administrative expenses	2019	2018
Office space expenses	283,288	290,350
Expenses for information and communications technology	971,097	914,278
Fees of audit firms		
- of which, for financial and regulatory audits	188,785	238,786
- of which, for other services*	267,080	195,146
Other operating expenses	522,453	488,613
Total	2,232,703	2,127,173

* invoiced by two third companies

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

Tax expense	2019	2018
Income tax	905,200	585,123
Tax on assets	48,023	42,245
Total tax expense	953,223	627,368

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

There are no liabilities to the own pension fund and no equity instruments of the bank held by the bank's staff pension scheme as of 31 December 2019.

3.24 Disclosures on the economic situation of own pension schemes

The bank uses a follow-on contract with the collective fund of Axa Leben AG, based on a defined contribution plan.

According the Axa Leben AG, the cover ratio of 100 % is guaranteed as of 31 December 2019. Employer contributions amounted to CHF 164,164 (2018: CHF 157,897) and are reported under personnel expenses. The bank has no employer contribution reserve. There are no liabilities due to the termination of employment contracts or future reductions in contributions from available funds.

From 1 January 2019, the mentioned pension fund will no longer offer a full insurance, but will switch to a semi-autonomous solution. All employees have been informed since 13 November 2018.

Notes for the financial years ended December 31, 2019 and 2018

4. Key metrics for disclosure

	2019	2018			
Available capital (CHF)					
1 Common Equity Tier 1 (CET1)	27,963,308	24,597,125			
2 Tier 1	27,963,308	24,597,125			
3 Total capital	27,963,308	24,597,125			
Risk-weighted assets (CHF)					
4 Total risk-weighted assets (RWA)	141,042,386	141,211,107			
4a Minimum capital requirements (CHF)	11,283,391	11,296,889			
Risk-based capital ratios (as a percentage % of RWA)					
5 CET1 ratio (%)	19.8%	17.4%			
6 T1 ratio (%)	19.8%	17.4%			
7 Total capital ratio (%)	19.8%	17.4%			
Additional CET1 requirements (buffers) as a percentage of RWA					
8 Capital conservation buffer requirements according to Basel minimum requirements (%)	2.500%	1.875%			
9 Countercyclical buffer requirements according to Basel minimum requirements (%)	0.0%	0.0%			
10 Bank G-SIB and/or D-SIB additional requirements	0.0%	0.0%			
11 Total of bank CET1 specific buffer requirements according to Basel minimum requirements (%)	2.500%	1.875%			
12 CET1 available after meeting the bank,s minimum capital requirements (%)	11.8%	9.4%			
Target capital ratios according to Annex 8 of the Capital Adequacy Ordinance (CAO) (% of RWA)					
12a Capital conservation buffer according to CAO, Annex 8 (%)	2.5%	2.5%			
12b Countercyclical capital buffer according to CAO, Art. 44 and Art. 44a (%)	0.0%	0.0%			
12c CET1 capital target (%) according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	7.0%	7.0%			
12d T1 capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	8.5%	8.5%			
12e Total capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	10.5%	10.5%			
Basel III Leverage Ratio					
13 Basel III leverage ratio exposure measure (CHF)	291,509,153	303,289,547			
14 Basel III Leverage Ratio	9.6%	8.1%			
Short-term liquidity coverage ratio (LCR)					
15 LCR numerator: Total high quality liquid assets (HQLA) (CHF 1000)	2019 Q4 119,174	2019 Q3 117,014	2019 Q2 112,229	2019 Q1 84,237	2018 Q4 91,825
16 LCR denominator: Total of net cash outflow (CHF 1000)	73,832	70,026	65,059	56,130	66,681
17 Short-term liquidity coverage ratio (LCR) (%)	161.4%	167.1%	172.5%	150.1%	137.7%

* According to Swiss Financial Market Supervisory Authority (FINMA) Circular 2016/1 we refer to the disclosures at parent company level (cblgroup.com) for additional key figures.



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