BANQUE CRAMER

Annual Report

2016

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English translation. In case of discrepancies between the original French version and the English translation, the French version shall prevail.

Board of Directors, Management and Auditors as of 31 December 2016

Board of Directors

Marco J. Netzer	Chairman
Massimo Esposito	Vice-Chairman
Arthur Bolliger	Member
Michel Ehrenhold	Member
Manuel Leuthold	Member
Sophie Maillard	Member
Christian Mossaz	Member

Executive Committee

Christian Grütter [1]	Chief Executive Officer
Placido Albanese [2]	Member
Alberto Bertini [3]	Member
Xavier Clavel [4]	Member
Matteo Maccio [5,7]	Member

Management - Geneva

Pierre Bezençon	Member of the extended Executive Committee
Olivier Taillard	Member of the extended Executive Committee
Michel Arni	Managing Director
Henri Bandelier	Managing Director
Xavier Bosco	Managing Director
Nicholas Davies	Managing Director
José Garcia Rugarcia	Managing Director
Serge Janowski	Managing Director
Isabelle Mach-Gosse	Managing Director
Alexandre Shesterikov	Managing Director
Roland Woerndli	Managing Director
Nicolas Bader	Executive Director
Elvan Cetinel-Walker	Executive Director
Thierry Demieville	Executive Director
Jean-Pierre Bitz	Executive Director
Peter Halter	Executive Director
Jacques Micheloud	Executive Director
Yann Peier	Executive Director
Jean-Marc Robyr	Executive Director
Eric Vernet	Executive Director
Alexandre Berger	Director
Christophe Clabots	Director
Olivier Micheloud	Director
Tiago Leal	Director
Charles Salvaire	Director
Gianvito Schiro	Director

1) Chief Executive Officer
2) Chief Investment Officer
3) Chief Financial and Operations Officer
4) Group Head of Private Banking
5) Chief Risk Officer
6) Head of Lugano Branch
7) Head of Zurich Branch

Management - Lausanne

André Follonier	Executive Director
Carole Héritier	Director
Sandro Marfia	Director
Christophe Naz	Director

Management - Lugano

Antonio Zarro	Member of the extended Executive Committee
Keros Bragagnolo [6]	Member of the extended Executive Committee
Giuseppe Ricciardi	Managing Director
Riccardo Ferraresi	Executive Director
Emilio Bosia	Director
Massimo Bosia	Director
Mario Pasquali	Director
Marco Vetter	Director

Management - Zurich

Christoph Stocker	Member of the extended Executive Committee
Michael Bauer	Member of the extended Executive Committee
Ulrich Bender	Managing Director
Rolf Bürgi	Managing Director
Janna Cardinale	Managing Director
Markus Huber	Managing Director
Jean-Jacques Hunziker	Managing Director
Jonas Misteli	Managing Director
Christian Scheer	Managing Director
Andreas Borsari	Executive Director
Markus Fischer	Executive Director
Igor Kostelny	Executive Director
Rolf Meier	Executive Director
Markus Römer	Executive Director
Stefan Heinz	Director
Mauro Manzoni	Director
André Müller	Director
Alexander Pozenel	Director
Adrian Walter	Director

Audit Committee

Christian Mossaz	Chairman
Michel Ehrenhold	Member

Nomination and Compensation Committee

Marco J. Netzer	Chairman
Massimo Esposito	Member

Internal Auditor

PricewaterhouseCoopers Ltd	Geneva

Statutory Auditor

KPMG SA	Geneva

Report of the Board of Directors and the Executive Committee

Dear Shareholders,

Review of the economic and financial markets in 2016

In 2016, global economic developments largely proved the forecasts right. The eurozone continued its recovery, with the region's economies no longer being battered by the sovereign debt crisis, in particular fiscal austerity. The unemployment rate continued to decline in the eurozone, falling to as low as 9.8% after cresting at more than 12% in 2013.

In Switzerland, the economic data has offered a faint glimpse of growth since the start of 2015. Because of the low level of consumer spending, domestic demand rose by only 1.3% on average during the last four quarters. Then again, we saw improvements in the industrial sector, at least in the second half of 2016. While the strength of the Swiss franc has weighed down the Swiss economy since early 2015, it has not hindered its economic expansion. Nevertheless, growth remained weaker in Switzerland than in the eurozone.

In the United States, where the economy has continued to expand for eight years, economic growth remained positive in 2016, with consumer sentiment coming close to historic highs.

After steep declines, raw material prices recovered, which helped to stabilize the economies of exporting countries in the second half of 2016. The large economies of Brazil and Russia benefited in particular. Although the emerging market economies as a whole continued to outperform the industrial countries, their growth advantage nevertheless narrowed.

China contributed the most to economic growth. Its economy continued to transition to more of a consumer focus despite a slight slowdown. China nevertheless posted a growth rate of no less than 6.7% in 2016. Political measures, in particular public expenditures, controls on credit growth (reflected by another increase in the debt-to-GDP ratio), and the decline of China's currency, once again provided strong support. In addition, stricter controls on capital helped to slow the dwindling of foreign-exchange reserves.

Since the Great Recession of 2008 to early 2009, global economic growth has been lethargic. This was still the case in 2016. The main factors behind this sluggishness in the medium term are unfavorable demographics and lackluster growth in productivity. The aging population is a concern not only for the industrialized countries, but for a growing number of emerging economies as well, particularly China.

Apart from the economic doldrums, in 2016 unemployment rates declined in the major industrialized countries, not only in the United States, but in the eurozone as well.

Key events in 2016

2016 was a difficult year, particularly due to negative interest rates, which continue to prevail in Switzerland. What is more, the cautious attitude of many investors in the financial markets also had a negative impact on the Bank's brokerage profits. Nevertheless, we carried on with our development strategy in the Bank's principal services and commercial activities.

At the same time, the regulatory environment continued to tighten. Consequently, the Bank was careful to prepare for both the Automatic Exchange of Information (AEI), which went into effect on 1 January 2017, and the Swiss Federal Financial Services Act. We adapted our structures and systems as a result, which should improve our Bank's competitiveness in the Swiss market and in cross-border business activities. Notwithstanding this challenging environment, and despite the Voluntary Disclosure program in Italy (VDI) that affected the substantial Italian market, the Bank was able to win new clients and expand the assets under management in our principal markets. These are encouraging signs.

The Bank and our Nassau subsidiary have also continued to inform our respective client bases of any key developments regarding international tax transparency and voluntary disclosure program procedures.

In recent years, the Bank has made various acquisitions to step up our development. To a certain extent, these have created a juxtaposition of diverse business models and commercial activities. In the second half of 2016, the Bank launched a program designed to identify the areas in which we still have significant potential to streamline our operations, which should enable us to optimize our structures and gain efficiency.

This program should simplify the current business model and reduce operational costs by the end of 2017. Thanks to considerable development in the business base in recent years (assets under management nearly tripled between 2011 and 2016) and the rationalization program mentioned above, we believe that the Bank has the skills and strength needed to successfully pursue our development and meet both current and future challenges. Banque Cramer & Cie SA will also continue to analyze any suitable business or strategic opportunity that may present itself.

The strategy of the Private Investment Bank Limited (PIBL) subsidiary in Nassau has also been adjusted. PIBL's strategy now differs from that of the parent company, more particularly with regard to the countries in which it seeks prospects. During the year under review, Banque Cramer & Cie SA took steps to sell a majority of the shares held in PIBL.

The activities of Unicorn Capital SICAV in Luxembourg were also modified to expand the business strategy and launch new collective investment funds.

The Board of Directors and the Executive Committee conducted risk assessments on a regular basis (quarterly for the Board of Directors and monthly for the Executive Committee) to ensure that the operations are functioning properly.

The Bank is also making headway in the development of a new Advisory information technology tool. This tool will be critical to ensuring compliance with the rules of MIFID II and will assist clients according to their particular investment profile and specific needs.

To improve transparency, increase our visibility in the market and promote our expertise and services, the Bank launched a new communications concept and a new website (www.banquecramer.ch) in 2016.

2016 results

Conditions proved challenging in 2016. Although affected by the sluggishness of the financial markets and negative interest rates, the Group's total income of CHF 59.4 million remained in line with that of last year (-0.7%). Nevertheless, the current unfavorable environment, both from an economic and a regulatory standpoint, necessitated considerable capital expenditures that contributed to a significant increase in expenses (personnel expenses and general and administrative expenses).

During the second half of 2016, the Board of Directors and the Executive Committee adopted measures aimed at reducing costs and improving the cost-income ratio. These initiatives should begin to bear fruit during the 2017 financial year.

The transformations made necessary by changes in regulatory standards and taxation require the ability to manage several new projects at the same time. This calls for sizable capital expenditures.

Changes with regard to members of governing bodies

The Board of Directors was bolstered by the election of two new members on 28 April 2016:

- Manuel Leuthold is an economist and legal expert with previous upper-level management experience in the banking sector and brings in-depth knowledge of the banking world, finance, and risk.
- Michel Ehrenhold is qualified as an attorney-at-law and works with Norinvest Holding. He has several years of experience in the banking sector, particularly in investment banking.

Christian Bühlmann served as a member of the Board of Directors until 28 April 2016. He did not seek a new term so that he could devote himself fully to his many other professional commitments. We take this opportunity to thank him for his significant contribution.

These changes led to adjustments with regard to the Board's Committees:

- The Board Committee is now composed of Marco J. Netzer, Chairman of the Board of Directors, Sophie Maillard and Manuel Leuthold.
- The Audit Committee is now composed of Christian Mossaz, Head of the Committee, and Michel Ehrenhold.

With regard to the Executive Committee, the Bank announced the appointment of Cédric Anker as the new CEO effective 1 October 2017. Cédric Anker has 30 years of experience in the banking sector, during which he held positions of responsibility in several prestigious institutions, particularly in private banking.

The Board of Directors wishes to express its gratitude to Christian Grütter for his significant contribution to the Group's development. His important work and his professionalism allowed Banque Cramer & Cie SA to reach several key milestones. The Board wishes him every success in his future endeavors. Lastly, it is important to remember that Banque Cramer & Cie SA owes our credibility, our reputation, and our growth to the trust that our clients place in us year after year, and to the support of our shareholder and the hard work of all our employees.

The Board of Directors and the Executive Committee would like to take this opportunity to thank them all for their invaluable support and unfailing loyalty.

Geneva, April 21, 2017

On behalf of the Board of Directors and the Executive Committee

Marco J. Netzer
Chairman

Alberto Bertini
CEO ad interim

Financial Statements

Consolidated Balance Sheet
(in CHF thousands)

Assets	Note	31.12.2016	31.12.2015
Liquid assets		413,172	596,933
Amounts due from banks	3.9	163,347	248,424
Amounts due from customers	3.1	613,249	921,998
Mortgage loans	3.1	180,924	183,832
Trading portfolio assets	3.2, 3.9	67,043	65,007
Positive replacement values of derivative financial instruments	3.3	21,939	26,366
Financial investments	3.4, 3.9	99,995	105,131
Accrued expenses and deferred income		5,921	7,743
Non-consolidated participations	3.5, 3.6	-	-
Tangible fixed assets	3.7	18,783	19,479
Other assets	3.8	6,080	7,416
Total assets		**1,590,453**	**2,182,329**
Total subordinated claims		10	6

Liabilities	Note	31.12.2016	31.12.2015
Amounts due to banks		14,974	14,083
Amounts due in respect of customer deposits		1,445,825	2,017,772
Negative replacement values of derivative financial instruments	3.3	28,070	45,189
Liabilities from other financial instruments at fair value	3.2, 3.11	482	-
Cash bonds		615	805
Accrued expenses and deferred income		14,456	15,718
Other liabilities	3.8	3,633	6,441
Provisions	3.12	1,971	2,728
Reserves for general banking risks	3.12	1,000	1,500
Bank's capital		50,000	50,000
Capital reserve		11,772	11,772
Retained earnings reserve		16,772	-1,995
Currency translation reserve		-127	-542
Consolidated profit		1,010	18,858
Total liabilities		**1,590,453**	**2,182,329**

Off-balance-sheet transactions	Note	31.12.2016	31.12.2015
Contingent liabilities	3.1, 4.1	14,048	16,409
Irrevocable commitments	3.1	23,503	16,086

Consolidated Income Statement
(in CHF thousands)

	Note	2016	2015
Result from interest operations			
Interest and discount income	5.2	8,004	10,411
Interest and dividend income from trading portfolios		1,415	640
Interest and dividend income from financial investments		792	750
Interest expense	5.2	-1,214	-2,137
Gross result from interest operations		**8,997**	**9,664**
Changes in value adjustments for default risks and losses from interest operations	3.12	1,947	-3,868
Subtotal net result from interest operations		**10,944**	**5,796**
Result from commission business and services			
Commission income from securities trading and investment activities		40,110	44,875
Commission income from lending activities		230	324
Commission income from other services		3,890	5,848
Commission expense		-9,040	-13,053
Subtotal result from commission business and services		**35,190**	**37,994**
Result from trading activities and the fair value option	5.1	**10,545**	**17,970**
Other result from ordinary activities			
Result from the disposal of financial investments		513	-
Result from real estate		30	418
Other ordinary income		2,916	-
Other ordinary expenses		-764	-2,401
Subtotal other result from ordinary activities		**2,695**	**-1,983**
Operating expenses			
Personnel expenses	5.3	-34,814	-31,652
General and administrative expenses	5.4	-20,359	-19,021
Subtotal operating expenses		**-55,173**	**-50,673**
Value adjustments on participations, depreciation and amortization of tangible fixed assets and intangible assets	3.5, 3.7	-2,473	-2,384
Changes to provisions and other value adjustments, and losses	3.12, 5.5	-1,899	-1,083
Operating result		**-171**	**5,637**
Extraordinary income	5.5	1,569	15,204
Extraordinary expenses	5.5	-526	-104
Changes in reserves for general banking risks	5.5	500	-1,500
Taxes	5.8	-362	-379
Consolidated profit		**1,010**	**18,858**

Consolidated Cash Flow Statement
(in CHF thousands)

	2016		2015	
	Cash inflows	Cash outflows	Cash inflows	Cash outflows
Cash flow from operating activities (internal financing)				
Consolidated profit	1,010	-	18,858	-
Changes in reserves for general banking risks	-	500	1,500	-
Value adjustments on participations, depreciation and amortization of tangible fixed assets and intangible assets	2,473	-	2,384	-
Currency translation differences on tangible fixed assets	-	47	-	2
Profit on sale of tangible fixed assets	-	-	-	14,511
Provisions and other value adjustments	-	757	-	1,384
Changes in value adjustments for default risks and losses	-	1,947	3,868	-
Accrued assets	3,157	-	-	3,604
Accrued liabilities	-	4,072	-	1,092
Total	**6,640**	**7,323**	**26,610**	**20,593**
Net cash flow from operating activities	**-**	**683**	**6,017**	**-**
Cash flow from shareholder's equity transactions				
Currency translation reserve	415	-	283	-
Recognized in reserves	-	91	-	19
Total	**415**	**91**	**283**	**19**
Net cash flow from shareholder's equity transactions	**324**	**-**	**264**	**-**
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Real estate	-	96	31,228	-
Other tangible fixed assets	-	1,634	-	1,010
Total	**-**	**1,730**	**31,228**	**1,010**
Net cash flow from transactions in respect of participations, tangible fixed assets and intangible assets	**-**	**1,730**	**30,218**	**-**
Cash flow from banking operations				
Amounts due in respect of customer deposits	-	103,562	135,157	-
Cash bonds	-	115	-	130
Amounts due from banks	100	-	-	-
Amounts due from customers	109,005	-	-	139,583
Mortgage loans	5,030	-	-	5,269
Financial investments	47,095	-	-	68,485
Medium and long-term business (> 1 year)	**161,230**	**103,677**	**135,157**	**213,467**

Consolidated Cash Flow Statement (continued)
(in CHF thousands)

	2016		2015	
	Cash inflows	Cash outflows	Cash inflows	Cash outflows
Amounts due to banks	891	-	3,912	-
Amounts due in respect of customer deposits	-	468,385	208,963	-
Cash bonds	-	75	-	475
Negative replacement values of derivative financial instruments	-	17,119	36,669	-
Amounts due from banks	85,011	-	137,834	-
Amounts due from customers	201,910	-	-	173,444
Mortgage loans	-	2,372	-	6,342
Trading portfolio assets	-	2,036	-	58,988
Positive replacement values of derivative financial instruments	4,427	-	-	14,787
Other financial instruments at fair value	482	-	-	-
Financial investments	-	41,959	-	8,523
Short-term business	**292,721**	**531,946**	**387,378**	**262,559**
Total	**453,951**	**635,623**	**522,535**	**476,026**
Net cash flow from banking operations	**-**	**181,672**	**46,509**	**-**
Liquid assets	**183,761**	**-**	**-**	**83,008**
Total	**184,085**	**184,085**	**83,008**	**83,008**

Consolidated Statement of Changes in Equity
(in CHF thousands)

	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Currency translation reserve	Consolidated profit	Total
Equity at 1 January 2016	50,000	11,772	-1,995	1,500	-542	18,858	79,593
Transfer to retained earnings reserve	-	-	18,858	-	-	-18,858	-
Currency translation differences	-	-	-91	-	415	-	324
Withdrawals affecting reserves for general banking risks	-	-	-	-500	-	-	-500
Consolidated profit 2016	-	-	-	-	-	1,010	1,010
Equity at 31 December 2016	**50,000**	**11,772**	**16,772**	**1,000**	**-127**	**1,010**	**80,427**

Notes to the Consolidated Financial Statements

1 Business Name, Legal Form and Domicile

Banque Cramer & Cie SA (parent company) is a company limited by shares organized under Swiss law. In addition to its headquarters in Geneva, the Bank operates branches in Lausanne, Lugano and Zurich. The Bank has one subsidiary, Private Investment Bank Limited based in Nassau, Bahamas.

Business Activity and Staff Level

The Group engages in the following activities in the course of its business:

- Receipt of funds in current accounts
- Asset management
- Execution of transactions in certificated and uncertificated financial instruments, derivatives, and precious metals, together with stock exchange transactions, either on a proprietary basis or on behalf of third parties
- Granting of Lombard and mortgage loans, fixed term or sight loans and advances
- Spot or forward exchange transactions
- Execution of fiduciary transactions
- Asset management and custody
- Structured Finance activities

The Group may also acquire, administer, and control participations in any companies operating in the same business sector and acquire real estate in Switzerland or abroad. In 2012, the Group outsourced its back office activities and some activities related to IT infrastructure maintenance, as defined in FINMA Circular 2008/7.

As of 31 December 2016, the Group had 158 employees, for a full-time equivalent of 151 employees (year-end 2015: 150 and 135).

2 Other disclosures required by FINMA Circular 2015/01

2.1 Accounting and valuation principles

2.1.1 General principles

The accounting and valuation principles comply with the Swiss Code of Obligations, the Swiss Federal Act on Banks and Savings Banks, the Ordinance on Banks and Savings Banks, and the accounting provisions for banks, securities dealers, and financial groups and conglomerates as defined by FINMA Circular 2015/01 of the Swiss Financial Market Supervisory Authority (ARB-FINMA).

The consolidated financial statements are prepared in accordance with the principle of providing a true and fair view and in such a way that a third party can make a reliable assessment of the Group's economic position. The consolidated financial statements may not contain hidden reserves. The figures in the notes are rounded for publication purposes.

Consolidation method

The companies in which the parent company directly or indirectly holds a majority of the voting rights, has the power to appoint or remove the majority of the members of the Board of Directors or management, or exercises control in any other way are consolidated using the full consolidation method. Consolidation of capital is performed using the purchase method.

The Group's internal trades, as well as intragroup profits, are eliminated from the consolidated financial statements.

Participations held for sale in the next 12 months are not consolidated. They are recognized at their acquisition cost, after deducting economically necessary value adjustments.

Scope of consolidation

The scope of consolidation includes one single participation, Private Investment Bank Limited (PIBL), Nassau.

General valuation principles

The financial statements have been prepared on the assumption that the Group will continue as a going concern. Balance sheet entries are made on a going-concern basis.

The asset side of the balance sheet includes assets that the Group may have available due to past events, from which it expects to receive economic benefits, and the value of which can be reliably estimated. If no reliable estimate of the value of an asset can be made, it is considered to be a contingent asset requiring explanation in the notes.

Borrowed capital resulting from past events, from which a cash outflow is probable, and the value of which can be reliably estimated are entered as liabilities on the balance sheet. If no reliable estimate of the value of a liability can be made, it is considered to be a contingent liability requiring explanation in the notes.

The items presented on the balance sheet are valued individually, with the exception of tangible fixed assets. For these, the transitional provision deferring implementation of individual valuation to 1 January 2020 at latest is applied. Unrealized and unrecorded losses are listed in note 5.6.

Offsetting and netting of assets and liabilities and of income and expenses is in principle prohibited. The offsetting of receivables and liabilities is limited to the netting of value adjustments from the corresponding asset items.

Financial instruments

Liquid assets
Liquid assets are recognized at their nominal value.

Securities financing transactions
Securities financing transactions include repurchase and reverse repurchase transactions, securities lending and securities borrowing.

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.

Impaired loans and receivables, which result when it is unlikely that the debtor will be able to fulfill its future obligations, are valued individually, and the impairment is covered by individual value adjustments. The impairment corresponds to the difference between the book value of the loan or receivable and the likely recoverable amount.

The likely recoverable amount of the collateral is the liquidation value (estimated disposal value, after deducting holding costs and liquidation costs). In these cases, the Group always reviews the total obligations of the client or the economic entity as to the counterparty risk that it might represent.

The Group does not use an internal rating system for its loans and receivables. The Credit Department monitors risk positions and determines the necessary value adjustments for impaired loans and receivables and those identified as non-performing.

Impaired loans and receivables are carried on the balance sheet at their nominal value when the principal and interest due are once again paid according to contractual provisions and the criteria for creditworthiness.

Individual value adjustments and value adjustments for latent default risks are offset with the corresponding assets.

Value adjustments that are released to income have an impact on the income statement under the item "Changes in value adjustments for default risks 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 financial instruments are used for trading and hedging purposes.

Trading portfolio assets
All derivative financial instruments from trading portfolio assets are valued at fair value and their positive and negative replacement values are reported in the corresponding balance sheet items. Fair value is based on market prices, information from brokers, and valuation models (discounted cash flow).

The result from trading activities and the unrealized valuation result from trading activities are recorded in the item "Result from trading activities and the fair value option."

Hedging transactions
The Group uses derivative financial instruments to hedge interest rate risk in managing its balance sheet. Hedging transactions are valued using the same method as the hedged item.

The valuation result of hedging instruments is reported in the compensation account unless a change in book value has been recorded in the hedged item. The net balance of the compensation account is presented either in the item "Other assets" or in "Other liabilities."

The Group documents hedging relationships and the goals and strategies of hedging transactions when entering into these transactions. The Group periodically measures the effectiveness of hedging relationships. If a portion or the entirety of the relationship is ineffective, the ineffective portion of the transaction is treated as equivalent to a trading transaction and recorded in the item "Result from trading activities and the fair value option."

Other financial instruments at fair value and liabilities from financial instruments at fair value
As part of its Structured Finance activities, the Group may issue structured products. Self-issued structured products are recognized in the item "Liabilities from other financial instruments at fair value." These are recorded on the balance sheet in those positions and valued at fair value when all of the conditions below are met:

- Financial instruments are valued at fair value and correspond to the investment and risk management strategy that appropriately accounts for, measures and limits the various risks.
- There is an economic hedging relationship between the financial instruments on the asset side and the liability side of the balance sheet that largely neutralizes the fair value valuation in the income statement.
- Any impact of a change in own creditworthiness on the fair value following first-time recognition is neutralized in the income statement and recognized in the compensation account.

Financial investments

Financial investments comprise debt securities, equity securities, physical precious metal holdings and any real estate and commodities that have been acquired as a result of credit activities and are intended for resale.

For financial investments valued at the lower of cost or market value, an upwards revaluation to the historical or acquisition cost at maximum is recognized where the fair value falls below the acquisition cost and then recovers.

The balance of the changes in book value is recognized under the items "Other ordinary expenses" or "Other ordinary income," as appropriate.

Debt securities intended to be held to maturity

Debt securities intended to be held to maturity are valued and recorded at acquisition cost and the premium/discount (interest component) is accrued over the term (accrual method).

Default-risk-related changes in book value are recognized immediately by means of a charge to the item "Changes in value adjustments for default risks and losses from interest operations."

If financial investments intended to be held until maturity are sold or repaid prior to maturity, the profits and losses realized that correspond to the interest component are accrued over the remaining term to maturity in the items "Other assets" or "Other liabilities."

Debt securities not intended to be held to maturity (available for sale)

These are valued at the lower of cost or market value. Changes in book value resulting from subsequent valuations are generally recognized in the items "Other ordinary expenses" or "Other ordinary income," as appropriate.

Default-risk-related changes in book value are recognized in the item "Changes in value adjustments for default risks and losses from interest operations."

Equity securities, own physical precious metal holdings, real estate properties and commodities that have been acquired as a result of credit activities and are intended for resale.

Equity securities are valued at the lower of cost or market value. Own physical precious metal holdings included under financial investments that serve to secure obligations arising from precious metal accounts are to be valued at fair value. Changes in book value are generally recognized in the items "Other ordinary expenses" or "Other ordinary income," as appropriate. In the case of real estate properties acquired via credit activities and intended for resale, the lower of cost or market value is deemed to be the lower of the acquisition value or the liquidation value.

Non-consolidated participations

Equity securities issued by companies that the Group holds with the intention of a permanent investment regardless of the percentage of voting shares held are considered to be non-consolidated participations.

Non-consolidated participations are valued individually, at their acquisition cost, after deducting economically necessary value adjustments. On each balance sheet date, the Group tests whether the value of participations has been impaired. This test is based on indications reflecting a possible impairment of individual assets.

Where such indications are present, the Group determines the recoverable amount of each asset. The recoverable amount is deemed to be the higher of the net market value and the value-in-use. An asset is impaired if its book value exceeds its recoverable amount. If there is impairment, the book value is reduced to the recoverable amount and the impairment is charged to "Value adjustments on participations, depreciation and amortization of tangible fixed assets and intangible assets."

Gains realized from the disposal of participations are recorded in the item "Extraordinary income," and losses realized are recorded in "Extraordinary expenses."

Tangible fixed assets

Tangible fixed assets are carried on the balance sheet at their acquisition cost, after deducting accumulated scheduled depreciation over the estimated useful life.

Tangible fixed assets are depreciated on a straight-line basis in the item "Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets" based on the conservatively estimated useful life of the asset.

The estimated useful life of tangible fixed assets is as follows:

- Bank real estate	100 years
- Bank real estate in Nassau	10 years
- Real estate renovation work	10 years
- Vehicles	8 years
- ASSL software package	depending on term of contract
- Office equipment and furniture	5 years
- Server hardware	5 years
- Other computer programs	3 years
- Other hardware	3 years
- Telephone equipment	3 years
- Leasehold improvements	depending on term of lease

On each balance sheet date, the Group tests whether the value of each tangible fixed asset has been impaired.

This test is based on indications reflecting a possible impairment of individual assets. Where such indications are present, the Group determines the recoverable amount of each asset. An asset is impaired if its book value exceeds its recoverable amount.

If there is impairment, the book value is reduced to the recoverable amount and the impairment is charged to "Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets."

If, during impairment testing of a tangible fixed asset, a change in the asset's useful life is established, the remaining book value is subjected to scheduled depreciation over the useful life newly determined by the Group.

Gains realized from the disposal of tangible fixed assets are recorded in the item "Extraordinary income," and losses realized are recorded in "Extraordinary expenses."

Intangible assets
Intangible assets acquired are recognized as assets if they will yield a measurable benefit for the Group over more than one year. Intangible assets generated by the Group are not recognized as assets. They are carried on the balance sheet and valued at their acquisition cost. Gains realized from the disposal of intangible assets are recorded in the item "Extraordinary income," and losses realized are recorded in "Extraordinary expenses."

Provisions
Legal or factual obligations are valued on a regular basis. Where a cash outflow is probable and can be reliably estimated, a provision in the corresponding amount is created. Existing provisions are reassessed on each balance sheet date. Based on this assessment, they are increased, remain unchanged or are released.

Provisions that are no longer economically necessary and are not simultaneously used for other requirements of the same type are released to income.

Releases to income of provisions that are no longer economically necessary are reported as follows:

- Tax provisions via the item "Taxes"
- Provisions for pension benefit obligations via the item "Personnel expenses"
- Other provisions via the item "Changes to provisions and other value adjustments, and losses," with the exception of restructuring provisions that were created via the item "Personnel expenses."

Reserves for general banking risks
Reserves for general banking risks are reserves that are established as a precaution to cover the Group's business risks.

Reserves for general banking risks are created and released under the income statement item "Changes in reserves for general banking risks." Reserves for general banking risks are not taxed considering the deductible tax loss carry-forwards available to the Group.

Taxes
Current taxes are recurring taxes affecting income and capital, generally annually. Transaction taxes are not included.

Liabilities from current income taxes and capital taxes are disclosed in the item "Accrued expenses and deferred income." Current income taxes and capital tax expenses are reported in the income statement in the item "Taxes."

The Group systematically determines valuation differences between book values and values relevant for tax law purposes and takes into account deferred tax income (expense) on such amounts. If necessary, the Group establishes provisions for deferred taxes under the "Taxes" item.

Pension benefit obligations
The accounting treatment of pension benefit obligations is based on the Swiss GAAP standard FER 16. Pension benefit obligations include all obligations from pension schemes that provide benefits for retirement, death or disability.

The Group is liable for all regulatory pension contributions. Reserves are established to finance the cost inherent in the increase in life expectancy.

Off-balance-sheet transactions
Off-balance-sheet transactions are presented at nominal value. Provisions are established on the liabilities side of the balance sheet for foreseeable risks.

2.1.2 Changes to accounting and valuation principles
No changes were made to accounting and valuation principles compared to the prior year.

2.1.3 Recording of business transactions
Transactions are recorded on the balance sheet on the day they are entered into. Results from all transactions entered into are included in the income statement on the date they are transacted.

2.1.4 Treatment of past-due interest
Past-due interest is not retroactively canceled. Receivables arising from interest accrued up to the expiry of the 180-day period (due and unpaid interest and accrued interest) are written off via the item "Changes in value adjustments for default risks and losses from interest operations."

Interest and related commissions that are considered impaired are not recorded as interest income. Interest and fees due and unpaid for more than 180 days are considered impaired.

In the case of current account credit facilities used, interest and commissions are considered impaired where the credit facility limit has been exceeded for more than 180 days. From then on, future interest and commissions accruing may no longer be credited to the income statement item "Interest and discount income" until no overdue interest has been outstanding for longer than 180 days.

2.1.5 Foreign currency translation

Positions in foreign currencies at the balance sheet date are converted into Swiss francs at the exchange rate prevailing on the balance sheet date insofar as they are not valued at historical exchange rates. Foreign exchange income from the conversion of foreign currency positions is recorded in the line time "Result from trading activities and the fair value option."

The conversion rates for key currencies were as follows:

31.12.2016 Closing rate		31.12.2015 Closing rate	
USD	1.0182	USD	1.0018
EUR	1.0711	EUR	1.0877
GBP	1.2567	GBP	1.4766

Transactions in foreign currencies are converted into the local currency at the rate of exchange prevailing on the transaction date. Foreign exchange income in foreign currencies is converted into the local currency when recorded. Unrealized foreign exchange gains and losses are recorded on the income statement on the balance sheet date.

For the consolidation, assets and liabilities of the Group's companies are converted into Swiss francs at the rate of the closing date. Income and expenses are converted at the average annual exchange rate for the financial year. Differences resulting from the conversion into Swiss francs of individual company financial statements are allocated to equity (Currency translation reserve).

2016 Average annual rate		2015 Average annual rate	
USD	0.9895	USD	0.9651

2.1.6 Treatment of the refinancing of trading positions

The costs of refinancing trading activities are not charged to the result from trading activities.

2.2 Risk management

The Board of Directors conducted an analysis of the Group's principal risk exposure. This analysis is based on the information and tools adopted by the Group for its risk management. In its risk analysis, the Board of Directors took into account the control system implemented to manage and reduce risks.

The internal directive, "Risk policy – Risk management," approved by the Board of Directors, sets forth the guidelines defining the risk policy and sets the limits for transactions for own account. The Group has created different committees so as to manage risks internally.

Credit risk

The Group's strategy consists mainly in limiting the loans it grants to those secured by pledged assets deposited with the Group. Client assets serving as collateral for Lombard loans are calculated daily at market value, weighted by the collateral margins defined by investment type and approved by the Board of Directors. The Group also grants mortgage loans on real property located in Switzerland. A review is conducted every five or ten years for residential property and every three or five years for all other real estate on the basis of the loan-to-value ratio.

Following the acquisition and merger of Valartis Bank AG (hereinafter former VBAG), the Group acquired a team of staff specializing in Structured Finance. This activity consists of developing and implementing complex, tailor-made investments for institutional clients and wealthy private clients. These transactions generally include predominantly secured loans.

The Credit Department regularly monitors compliance with credit margins. A detailed credit risk report is delivered to the Executive Committee at each of its meetings. Overdrafts and advances made without a signed pledge agreement are considered unsecured for accounting purposes, even if the borrower has securities on deposit with the Group.

Past-due receivables are divided into two categories, depending on the degree of risk of loss: non-performing receivables and impaired receivables. A receivable is considered non-performing when any payment relating to interest, commissions, or full or partial repayment of principal has not been received more than 90 days after the due date. A non-performing receivable requires no specific accounting entry. A receivable is considered impaired when evidence suggests that future contractual payments due of principal and/or interest are unlikely to be made or, no later than when such payments are more than 180 days late. These receivables are assessed individually at liquidation value and the impairment relating thereto is posted as a reduction to the item in question on the asset side of the balance sheet.

The Group updates the list of non-performing and impaired receivables on a monthly basis. A receivable is no longer considered impaired if the arrears (principal and interest) have been paid and debt service has resumed as normal. In 2012, the Board of Directors decided to suspend international trading activities on behalf of client. As of 31 December 2016, one transaction subject to an impairment was still open but will be settled in the short term. Unsecured loans are generally commercial loans or client account overdrafts.

Counterparty risk in interbank business

The Group uses a limit system to manage counterparty risk in interbank transactions and trading activities. It works only with first-rate counterparties and enters into business relationships only after conducting a detailed assessment of the default risk. The limit amount is essentially based on the counterparty's credit rating.

The counterparty's credit rating and, therefore, its maximum credit limit are reassessed on a regular basis. The risk control function monitors the counterparty rating on a monthly basis. In the case of extreme market events, the Group analyzes the situation so that it can react quickly to any increase in risk.

Interest rate risk

Because of the structure of its balance sheet activities, the Group is exposed to the risk of an unfavorable change caused by a fluctuation of interest rates in the market. Interest rate risk is limited by regularly monitoring the matching of maturities of assets and liabilities and the occasional use of hedging instruments. Interest rate risk analysis is governed by a specific Directive approved by the Board of Directors that establishes limits, risk taking authority, and controls to be carried out.

The Risk Management Department determines the exposure to interest rate risk and reports such exposure to the Executive Committee on a regular basis. The Execution Desk manages interest rate risk and long-term refinancing in collaboration with Risk Management.
The objectives are:

- To assess, measure and manage the interest rate risk related to client transactions
- To optimize the net financial income from hedging transactions
- To monitor liquidity and prevent potential liquidity shortages.

Compliance risk

The Group has set forth a methodology and implemented the directives and procedures required to identify, measure, control and monitor compliance risk and to transmit information relating thereto through detailed reports to the governing bodies. The compliance risk directives and procedures are adapted as and when there are changes to the regulatory framework, which the Group carefully tracks through constant regulatory monitoring. The Compliance unit annually reviews activities and events relating to compliance risk and reports to the governing bodies. Likewise, planning for tasks to control compliance risk is done annually.

Other market risks

Foreign currency risk

The Group manages foreign currency risk so as to minimize the impact that currency fluctuations could have on its income. Its strategy is essentially to balance its assets in foreign currencies with its liabilities in foreign currencies.

Trading portfolio assets

Financial instruments are traded on behalf of clients and for the Group's own account. Activities for own account are limited to hedging transactions in connection with nostro positions and transactions concerning management of the balance sheet structure. As part of the Group's liquidity management, the Group acquires various positions in its securities portfolios. The limits for these positions are authorized in advance by the Board of Directors.

Liquidity

The liquidity strategy is developed by the ALM Committee. Risk Management is responsible for monitoring liquidity risk and compliance with liquidity limits. Risk Management conducts a review at least one time annually intended for the Board of Directors.

The strategy, determined by the ALM Committee, is approved by the Executive Committee. Liquidity limits are approved on a regular basis by the Executive Committee and the Board of Directors, which take into account the Group's strategy and risk appetite. Liquidity management is designed to provide the Group with sufficient liquidity to meet its payment obligations at all times.

Operational risk

Operational risk refers to the risk of loss arising from the inadequacy or failure of internal procedures, people, and systems or resulting from external events.

The assessment of operational risk relates to direct financial losses and the consequences that would result from a loss of client trust. The primary objective of operational risk management is to strengthen the Group's reputation with regard to clients, shareholders and regulators. Operational errors are monitored and reported to the CFO each month.

Other risks

The Swiss government and the US Department of Justice signed an agreement in August 2013 aimed at settling a tax dispute between the two countries. Against this backdrop, the Group, like all other Swiss banks, is dealing with uncertainties weighing on the legal and regulatory environment in which it operates.

The Group reported CHF 630,760 (year-end 2015: CHF 630,760) in investments deposited with the Group related to real property for which there is no orderly market. These investments were created by the former Cramer & Cie on the basis of expanded management mandates that are not limited to ordinary banking transactions, as defined in the Portfolio Management Guidelines published by the Swiss Bankers Association.

2.3 Methods used to identify default risks and to determine the need for value adjustments

Mortgage-based loans

For financing real property for its own use, on a regular basis depending on the circumstances, but at least every ten years, the Group updates the value of the pledges provided by hedonic models prepared by third-party service providers. After approving new valuations, the loan-to-value ratio is updated.

It also analyzes interest in arrears and compliance with the amortization schedule. On this basis, the Group identifies mortgage loans with increased risk exposure. After a detailed analysis by internal specialists, these loans may be subject to a request for additional collateral or a value adjustment for collateral shortfall.

The value of investment properties is determined using a capitalization model for estimated sustainable income. This model takes into account market data and vacancy rates. The rent roll for investment properties is checked during regulatory reviews. If there are indications of changes in the rent roll or vacancy rate, the Group conducts a reappraisal without waiting for the reassessment period to expire.

Loans secured by other collateral

The obligations and the value of the pledged securities are checked daily. If the value of the pledged collateral falls below the amount of the loan, the Group requires either partial repayment or additional collateral. If the collateral shortfall increases or if there are exceptional market conditions, the Group realizes the collateral.

Unsecured loans

For commercial loans, the Group requests information on the company's course of business annually or on a more frequent basis. It requires the transmission of audited annual financial statements and, where applicable, interim financial statements.

The Credit Department analyzes this information and will identify any potential increase in risk. In such a case, the Group will conduct a detailed analysis and will work with the client advisor to determine the measures required. If the loan proves to be impaired at this stage, the Group establishes a value adjustment.

Process for determining value adjustments and provisions

Needs for new value adjustments and provisions are identified using the procedure described in previous sections. Risk positions are reassessed at each monthly closing, and value adjustments are made as a result, if necessary. Value adjustments on risk positions are analyzed and determined by the Credit Committee.

The decisions of the Credit Committee are submitted either to the Executive Committee or to the Board of Directors for approval.

Valuation of loan collateral

Mortgage-based loans

Loans secured by pledged real estate are never granted without an assessment of the collateral centered on the use of the property. Internal appraisers use hedonic valuation models for residential properties. These valuations are compared with actual transaction prices in the same vicinity. For rental properties, commercial buildings and special-use properties, the appraisal is completed by third-party real estate appraisers who determine the capitalized income value. For impaired receivables, the liquidation value of the property is established. The Group bases its decision to grant loans on the lowest value among the internal appraisal, the purchase price, and any outside appraisal.

Securities-based loans

For Lombard loans and other loans collateralized by securities, only collaterals (bonds, equities) that can be easily traded are accepted. The Group accepts structured products if the investments are regularly listed or if they are issued by the Group itself. To cover market risk, the Group applies discounts to the market price of the securities accepted as collateral.

Single securities or concentrations loans

For loans secured by single securities or poorly diversified securities, collateral that can be easily traded on a recognized exchange or a representative market are accepted.

To cover market risk, the Group applies discounts to the market price of the securities accepted as collateral, consistent with the values determined in advance in the Group's internal regulations or corresponding discounts that are normally more conservative in practice than standard regulatory discounts or at least equivalent.

2.4 Business policy for the use of derivative financial instruments and hedge accounting

Business policy for the use of derivative financial instruments

The Group enters into derivative financial instrument contracts for trading and hedging purposes. The Group has no significant market-maker activity. It uses standardized trading instruments and over the counter instruments both for its own account and at the request of clients. It does not trade in credit derivatives.

Derivative financial instruments are used both in the Structured Finance activity and in risk management. In risk management, they are essentially used to hedge interest rate risk.

Use of hedge accounting

Hedge accounting is used in connection with interest rate swaps.

Establishing groups of financial instruments

Positions that are sensitive to interest rate fluctuations (essentially mortgage loans) are grouped by maturity and by currency and are hedged using macro hedges.

The Group documents the relationship between the hedging instrument and the hedged item. It documents the objective of the hedging transaction and the method for measuring the effectiveness of the hedging relationship.

2.5 Material events occurring after the balance sheet date

No events likely to have a material impact on the Group's assets, financial condition, or results occurred after 31 December 2016, the Group’s balance sheet date.

3 Information on the Consolidated Balance Sheet

3.1 Presentation of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables
(in CHF thousands)

Collateral for loans/receivables and off-balance-sheet transactions	Type of collateral: Secured by mortgage	Type of collateral: Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	1,316	603,587	11,872	616,776
Mortgage loans				
- Residential property	151,211	-	-	151,211
- Office and business premises	10,552	-	-	10,552
- Commercial and industrial premises	8,805	-	-	8,805
- Other	10,636	-	-	10,636
Total loans (before netting with value adjustments) 31.12.2016	**182,520**	**603,587**	**11,872**	**797,980**
Total loans (before netting with value adjustments) 31.12.2015	*185,404*	*909,604*	*16,529*	*1,111,537*
Total loans (after netting with value adjustments) 31.12.2016	**182,240**	**603,587**	**8,346**	**794,173**
Total loans (after netting with value adjustments) 31.12.2015	*185,375*	*905,848*	*14,608*	*1,105,831*
Off-balance-sheet				
Contingent liabilities	-	13,056	992	14,048
Irrevocable commitments	8,660	12,261	2,582	23,503
Total off-balance-sheet 31.12.2016	**8,660**	**25,317**	**3,574**	**37,551**
Total off-balance-sheet 31.12.2015	*390*	*28,021*	*4,084*	*32,495*

Impaired loans/receivables	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
31.12.2016	**7,547**	**3,750**	**3,797**	**3,797**
31.12.2015	*5,538*	*3,002*	*2,536*	*2,536*

The net amount of impaired loans and receivables rose by CHF 1,261K compared to the prior year. This deterioration was essentially due to a decline in the realizable value of the collateral.

3.2 Breakdown of trading portfolios and other financial instruments at fair value
(in CHF thousands)

Assets	31.12.2016	31.12.2015
Trading portfolio assets		
Debt securities, money market securities/transactions	55,842	61,002
- of which, listed	*53,953*	*61,002*
Equity securities	1,930	4,005
Other trading assets	9,271	-
Total assets	**67,043**	**65,007**

Liabilities	31.12.2016	31.12.2015
Other financial instruments at fair value		
Structured products issued by the Group (note 3.11)	482	-
Total liabilities	**482**	**-**

3.3 Presentation of derivative financial instruments (assets and liabilities)
(in CHF thousands)

	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments						
Interest rate swaps	1	10	1,350	78	4,047	89,520
Foreign exchange/precious metals						
Forward contracts	3,430	3,533	265,874	-	-	-
Currency swaps	5,102	5,350	644,514	-	-	-
Options (OTC)	13,328	15,130	412,063	-	-	-
31.12.2016	**21,861**	**24,023**	**1,323,801**	**78**	**4,047**	**89,520**
31.12.2015	*26,277*	*39,761*	*1,739,716*	*89*	*5,428*	*99,125*

The Group makes no netting agreements for positive and negative replacement values.

Breakdown by counterparty	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	7,984	13,955

3.4 Breakdown of financial investments
(in CHF thousands)

Breakdown of financial investments	Book value 31.12.2016	Book value 31.12.2015	Fair value 31.12.2016	Fair value 31.12.2015
Debt securities	69,356	79,543	69,231	79,223
- of which, intended to be held to maturity	*69,356*	*79,543*	*69,231*	*79,223*
Equity securities	5,962	4,548	6,097	4,706
Precious metals	24,677	21,040	24,677	21,040
Total financial investments	**99,995**	**105,131**	**100,005**	**104,969**
- of which, securities eligible for repo transactions in accordance with liquidity requirements	*61,226*	*66,530*	*61,115*	*66,253*

Breakdown of counterparties by rating	AAA	AA+	AA	AA-
Book value of debt securities	48,973	3,056	12,244	5,083

The Group bases its ratings on Fitch rating categories.

3.5 Presentation of non-consolidated participations
(in CHF thousands)

	Acquisition cost	Accumulated value adjustments and changes in book value	Book value at 31.12.2015	Additions	Disposals	Value adjustments	Book value at 31.12.2016
Non-consolidated participations - without market value	602	-602	-	-	-	-	-

The figures above refer to a 30% participation in Sofipo SA, which is in liquidation. This company is therefore excluded from the scope of consolidation. It is recorded on the balance sheet at its acquisition cost, after deducting necessary value adjustments.

3.6 Disclosure of companies in which the Group holds a permanent direct or indirect significant participation

Company name and domicile	Business activity	Currency	Bank's capital	Share of capital and votes (in %) 31.12.2016	Share of capital and votes (in %) 31.12.2015	Held directly/ indirectly
Participations consolidated by full consolidation						
Private Investment Bank Limited, Nassau	Asset management	USD	7,000,000	100	100	Directly
Non-consolidated participations						
Sofipo SA, in liquidation, Lugano	Fiduciary	CHF	2,000,000	30	30	Directly
Cramer Wealth Management SA, in liquidation, Geneva	Wealth management and financial services	CHF	2,000,000	-	100	Directly

Cramer Wealth Management SA, in liquidation, was dissolved in December 2016 in accordance with the Board of Directors' decision of 25 June 2015 to liquidate the company.

3.7 Presentation of tangible fixed assets
(in CHF thousands)

Tangible fixed assets	Acquisition cost	Accumulated depreciation	Book value at 31.12.2015	Additions	Disposals (including currency translation	Depreciation	Book value at 31.12.2016
Bank buildings	27,775	-13,608	14,166	96	8	-990	13,281
Other real estate	2,730	-43	2,688	-	40	-137	2,590
Separately acquired software	20,986	-18,958	2,028	1,466	-2	-1,035	2,457
Other tangible fixed assets	6,977	-6,380	597	168	1	-311	455
Total tangible fixed assets	**58,468**	**-38,989**	**19,479**	**1,730**	**47**	**-2,473**	**18,783**

Operating leases	31.12.2016	31.12.2015
Lease commitments not recognized on the balance sheet		
Maturity up to 12 months	539	290
Maturity between 12 months to 5 years	4,540	4,113
Maturity over 5 years	8,481	3,303
Total lease commitments not recognized on the balance sheet	**13,560**	**7,706**
- of which, may be terminated within 12 months	-	-

3.8 Breakdown of other assets and other liabilities
(in CHF thousands)

Other assets	31.12.2016	31.12.2015
Settlement accounts	13	73
Indirect taxes receivable	240	285
Compensation account	3,295	4,526
Balance receivable of former-BDG building sale	2,531	2,531
Miscellaneous assets	1	1
Total other assets	**6,080**	**7,416**

Other liabilities	31.12.2016	31.12.2015
Settlement accounts	230	993
Indirect taxes due	1,082	1,547
Compensation account	79	89
Balance of interest rate component of former VBAG interest rate transactions	2,242	3,812
Total other liabilities	**3,633**	**6,441**

3.9 Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership
(in CHF thousands)

	31.12.2016		31.12.2015	
Pledged/assigned assets	Book values	Effective commitments	Book values	Effective commitments
Amounts due from banks	16,003	6,908	12,343	6,344
Trading portfolio assets	5,091	1,597	4,500	295
Financial investments	2,037	1,459	7,030	-
Total pledged/assigned assets	**23,131**	**9,964**	**23,873**	**6,639**

3.10 Disclosures on the economic situation of own pension schemes
(in CHF thousands)

Employer contribution reserve (ECR)
There are no employer contribution reserves with respect to pension schemes as of 31 December 2016 (2015: none).

Presentation of the economic benefit/obligation and the pension expenses	Contributions paid	Pension expenses in personnel expenses	
	2016	2016	2015
Pension plans without overfunding/underfunding:			
- all employees	1,987	1,987	2,083
- voluntary other employees	592	592	337
Total	**2,579**	**2,579**	**2,420**

All employees of the Bank over 18 years of age are participants in AXA Occupational Benefits Foundation, a company legally independent of the Bank, which offers a defined-contribution plan. Its goal is to insure employees against the economic impacts resulting from retirement, disability and death and guaranteeing benefits set by regulation. It participates in implementing the mandatory insurance plan introduced by the Swiss Federal Occupational Pensions Act and meets its minimum requirements. Employees with contracts of less than three months are not participants in the plan.

Executives and members of management are eligible for a supplemental defined-contribution plan. The foundation for executives covers the portion of salary that exceeds the amount provided in the basic plan. It is financed jointly by the Bank and the insured parties. All employees with over ten years of service may, at their option and on request, switch plans in order to participate in the plan for executives. The retirement age is 64 years old for women and 65 for men. The insured salary of each employee corresponds to the Old Age and Survivors Insurance salary without coordination deduction and 60% of the premiums are paid by the Bank.

The pension scheme and the foundation for executives prepare their financial statements in accordance with the recommendations of Swiss GAAP FER 26. There are no other commitments concerning the employer.

The Bank's pension scheme offered a coverage rate of greater than or equal to 100% at 31 December 2016. There is no economic benefit for the Bank as of 31 December 2016 (2015: none). The Bank is not required to pay any contributions beyond the contributions stipulated by regulations.

The Nassau subsidiary's employees participate on a voluntary basis in Rofenberg, Employee Welfare Foundation, which does not create any economic obligation for the Group.

Liabilities relating to own pension schemes
The Bank has no liabilities relating to its own pension schemes as of 31 December 2016 (2015: none).

3.11 Issued structured products
(in CHF thousands)

Underlying risk of the embedded derivative	Book value – Valued as a whole – Booked in trading portfolio	Book value – Valued as a whole – Booked in other financial instruments at fair value	Book value – Valued separately – Value of the host instrument	Book value – Valued separately – Value of the derivative	Total
Equity securities	-	161	-	-	161
Commodities /precious metals	-	321	-	-	321
Total at 31.12.2016	**-**	**482**	**-**	**-**	**482**
Total at 31.12.2015	-	-	-	-	-

All issued structured products are issued with their own debenture component.

Valuation as a whole:
At 31 December 2016, structured products issued by the Group were valued as a whole and recorded in “Liabilities from other financial instruments at fair value.” Fair value stems from a market price and subsequent revaluations are recorded under “Result from trading activities and the fair value option.”

3.12 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year
(in CHF thousands)

	Balance at 31.12.2015	Use in conformity with designated purpose	Currency translation differences	New creations charged to income	Releases to income	Balance at 31.12.2016
Provisions for other business risks	164	-	-	614	-639	139
Provisions for restructuring	1,268	-785	-	1,412	-1,058	837
Other provisions	1,296	-1,126	-	1,145	-320	995
Total provisions	**2,728**	**-1,911**	**-**	**3,171**	**-2,017**	**1,971**
Reserves for general banking risks	**1,500**	**-**	**-**	**760**	**-1,260**	**1,000**
Value adjustments for default and country risks	**5,742**	**0**	**12**	**1,378**	**-3,325**	**3,807**
- of which, value adjustments for default risks in respect of impaired loans/receivables	*2,536*	*0*	*13*	*1,308*	*-60*	*3,797*
- of which, value adjustments for latent risks	*3,206*	*-*	*-1*	*70*	*-3,265*	*10*

As a result of the improvement in the financial condition of Valartis Group in 2016, the provision for other business risks established to cover the amounts of rents receivable from Valartis Group AG (CHF 590K) was released as of 31 December 2016.

The release of provisions for restructuring relates to provisions not economically necessary at the end of the financial year and relating to the acquisition of a client portfolio from another banking institution (CHF 455K) as well as the acquisition and merger of Valartis Bank AG in 2014 (CHF 603K). The Group also established a provision of CHF 1,412K relating to a restructuring plan initiated in September, which was partially utilized at 31 December 2016.

Other provisions include a new provision covering the guarantee extended to the buyer for the sale of buildings in Lausanne in 2015 (CHF 645K) and a provision for complaints and legal proceedings (CHF 350K). The Group released CHF 320K in provisions not economically necessary during the reference financial year.

Value adjustments for default risks were restated to identified economic risks. The CHF 3,166K value adjustment established last year as a result of the deterioration in the economic situation of Valartis Group was fully released during the reference financial year. In addition, the Group established CHF 1,308K in value adjustments for default risks associated with non-performing and impaired receivables at 31 December 2016.

3.13 Disclosure of amounts due from/to related parties
(in CHF thousands)

	Amounts due from		Amounts due to	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Holders of qualified participations	22,187	25,293	12,132	12,552
Non-consolidated Group companies	332	362	42	87
Transactions with members of governing bodies	128	2,729	313	338
Other related parties	7,713	9,323	11,987	24,906

In the normal course of business, the Group conducts transactions with holders of qualified participations. These include advances, deposits and transactions in financial instruments (currency transactions, securities transactions, etc.).

As of 31 December 2016, one related party was both a holder of a qualified participation and a member of a governing body for a receivable of CHF 2,600K (2015: CHF 2,601K) and an obligation of CHF 4K (2015: CHF 3K). These amounts were recorded on the line "Holders of qualified participations."

The Group has receivables and obligations to companies that are predominantly held by holders of qualified participations. These are considered to be other related parties.

There are no material off-balance-sheet transactions with related parties.

Transactions with related parties are entered into under market conditions, with the exception of the following:
- On 22 September 2016, 206,116 shares of Norinvest Holding SA were purchased by the Bank at the price of CHF 3.31 (versus a market price of CHF 2.6 at the time of the transaction).
- Members of the governing bodies benefit from discounted custodian fees and costs.
- Members of the governing bodies benefit from a lower interest rate on mortgage loans (market rate -0.5%).

3.14 Presentation of the maturity structure of financial instruments
(in CHF thousands)

Assets/financial instruments	At sight	Cancellable	Due: Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	After 5 years	Total
Liquid assets	413,172	-	-	-	-	-	413,172
Amounts due from banks	163,347	-	-	-	-	-	163,347
Amounts due from customers	-	74,944	115,420	122,330	134,039	166,516	613,249
Mortgage loans	-	1,935	42,238	17,814	74,193	44,744	180,924
Trading portfolio assets	67,043	-	-	-	-	-	67,043
Positive replacement values of derivative financial instruments	21,939	-	-	-	-	-	21,939
Financial investments	30,639	-	7,129	40,838	21,389	-	99,995
Total 31.12.2016	**696,140**	**76,879**	**164,787**	**180,982**	**229,621**	**211,260**	**1,559,669**
Total 31.12.2015	*962,218*	*89,415*	*271,667*	*229,379*	*354,684*	*240,328*	*2,147,691*
Debt capital/financial instruments							
Amounts due to banks	14,974	-	-	-	-	-	14,974
Amounts due in respect of customer deposits	1,030,580	58,601	2,375	72,678	115,175	166,416	1,445,825
Negative replacement values of derivative financial instruments	28,070	-	-	-	-	-	28,070
Liabilities from other financial instruments at fair value	482	-	-	-	-	-	482
Cash bonds	-	-	-	55	560	-	615
Total 31.12.2016	**1,074,106**	**58,601**	**2,375**	**72,733**	**115,735**	**166,416**	**1,489,966**
Total 31.12.2015	*1,434,191*	*94,124*	*4,604*	*159,102*	*190,299*	*195,529*	*2,077,849*

3.15 Presentation of assets and liabilities by Swiss and foreign origin in accordance with the domicile principle
(in CHF thousands)

	31.12.2016		31.12.2015	
Assets	Switzerland	Foreign	Switzerland	Foreign
Liquid assets	412,212	960	596,191	742
Amounts due from banks	122,227	41,120	200,249	48,175
Amounts due from customers	89,398	523,851	104,864	817,134
Mortgage loans	180,924	-	183,832	-
Trading portfolio assets	38	67,005	790	64,217
Positive replacement values of derivative financial instruments	6,738	15,201	8,619	17,747
Financial investments	29,026	70,969	23,718	81,413
Accrued expenses and deferred income	2,523	3,398	5,842	1,901
Tangible fixed assets	14,899	3,884	15,775	3,704
Other assets	6,016	64	7,299	117
Total assets	**864,001**	**726,452**	**1,147,179**	**1,035,150**

	31.12.2016		31.12.2015	
Liabilities	Switzerland	Foreign	Switzerland	Foreign
Amounts due to banks	8,177	6,797	6,967	7,116
Amounts due in respect of customer deposits	257,905	1,187,920	254,832	1,762,940
Negative replacement values of derivative financial instruments	10,517	17,553	29,007	16,182
Liabilities from other financial instruments at fair value	-	482	-	-
Cash bonds	615	-	805	-
Accrued expenses and deferred income	10,542	3,914	10,880	4,838
Other liabilities	3,547	86	6,359	82
Provisions	1,971	-	2,728	-
Reserves for general banking risks	1,000	-	1,500	-
Bank's capital	50,000	-	50,000	-
Capital reserve	11,772	-	11,772	-
Retained earnings reserve	6,294	10,478	-7,900	5,905
Currency translation reserve	-	-127	-542	-
Consolidated profit	-2,163	3,173	13,772	5,086
Total liabilities	**360,177**	**1,230,276**	**380,180**	**1,802,149**

The breakdown by Swiss and foreign origin is made on the basis of the client's domicile, with the exception of mortgage loans where the domicile of the property is the relevant criterion. Liechtenstein is deemed to be a foreign country.

3.16 Breakdown of total assets by country or by country groups (domicile principle)
(in CHF thousands)

Assets	31.12.2016 Absolute value	31.12.2016 Share as %	31.12.2015 Absolute value	31.12.2015 Share as %
Europe				
- Switzerland	864,001	54.33	1,147,179	52.56
- Germany	233,819	14.70	403,273	18.48
- United Kingdom	190,212	11.96	229,717	10.53
- Italy	32,239	2.03	5,189	0.24
- Luxembourg	17,129	1.08	20,024	0.92
- Sweden	15,804	0.99	14,395	0.66
- Russian Federation	9,855	0.62	83,962	3.85
- Rest of Europe	65,063	4.09	67,063	3.07
Subtotal Europe	1,428,122	89.80	1,970,802	90.31
America				
- North America	36,799	2.31	52,460	2.40
- British West Indies	47,221	2.97	48,212	2.21
- Panama	33,961	2.14	43,589	2.00
- Bahamas	5,914	0.37	8,469	0.39
- Rest of America	14,895	0.94	13,952	0.64
Subtotal America	138,790	8.73	166,682	7.64
Africa	3,389	0.21	1,882	0.09
Asia	7,216	0.45	12,972	0.59
Australia/Oceania	12,936	0.81	29,991	1.37
Total assets	**1,590,453**	**100.00**	**2,182,329**	**100.00**

3.17 Breakdown of total assets by credit rating of country groups
(in CHF thousands)

Net foreign exposure	31.12.2016 Absolute value	31.12.2016 Share as %	31.12.2015 Absolute value	31.12.2015 Share as %
SERV risk categories				
1 & 2	605,447	83.35	831,784	80.36
3	1,089	0.15	10	0.00
4	43,340	5.97	55,699	5.38
5	10,582	1.46	86,184	8.33
6	5,992	0.82	3,081	0.30
7	6,954	0.96	5,482	0.53
Unrated	53,048	7.29	52,910	5.10
Total assets	**726,452**	**100.00**	**1,035,150**	**100.00**

The Group uses the ratings provided by FINMA, which are derived from SERV Swiss Export Risk Insurance (an institution of the Swiss Confederation under public law).

3.18 Presentation of assets and liabilities broken down by the most significant currencies for the Group
(in CHF thousands)

Assets	CHF	USD	EUR	GBP	Various	Total
Liquid assets	410,299	247	2,553	60	13	413,172
Amounts due from banks	42,346	52,533	40,048	2,114	26,306	163,347
Amounts due from customers	87,233	105,211	242,386	175,808	2,611	613,249
Mortgage loans	180,924	-	-	-	-	180,924
Trading portfolio assets	53	19,682	47,234	-	74	67,043
Positive replacement values of derivative financial instruments	7,830	1,184	12,925	-	-	21,939
Financial investments	1,718	69,369	4,231	-	24,677	99,995
Accrued expenses and deferred income	2,488	2,672	647	10	104	5,921
Tangible fixed assets	14,899	3,884	-	-	-	18,783
Other assets	6,009	62	1	7	1	6,080
Total assets shown in balance sheet	**753,799**	**254,844**	**350,025**	**177,999**	**53,786**	**1,590,453**
Delivery entitlements from spot exchange, forward forex and forex options transactions	144,778	377,116	380,117	58,921	452,387	1,413,319
Total assets	**898,577**	**631,960**	**730,142**	**236,920**	**506,173**	**3,003,772**
Liabilities						
Amounts due to banks	4,763	7,228	2,872	19	92	14,974
Amounts due in respect of customer deposits	249,495	357,975	373,270	198,841	266,244	1,445,825
Negative replacement values of derivative financial instruments	12,437	896	14,727	10	-	28,070
Liabilities from other financial instruments at fair value	-	-	482	-	-	482
Cash bonds	615	-	-	-	-	615
Accrued expenses and deferred income	10,369	2,440	233	-	1,414	14,456
Other liabilities	3,338	84	120	91	-	3,633
Provisions	1,971	-	-	-	-	1,971
Reserves for general banking risks	1,000	-	-	-	-	1,000
Bank's capital	50,000	-	-	-	-	50,000
Capital reserve	11,772	-	-	-	-	11,772
Retained earnings reserve	6,294	10,478	-	-	-	16,772
Currency translation reserve	-	-127	-	-	-	-127
Consolidated profit	-2,163	3,173	-	-	-	1,010
Total liabilities shown in the balance sheet	**349,891**	**382,147**	**391,704**	**198,961**	**267,750**	**1,590,453**
Delivery obligations from spot exchange, forward forex and forex options transactions	566,576	192,765	377,805	37,650	238,523	1,413,319
Total liabilities	**916,467**	**574,912**	**769,509**	**236,611**	**506,273**	**3,003,772**
Net position per currency	-17,890	57,048	-39,367	309	-100	-

4 Information on Off-Balance-Sheet Transactions (consolidated)

4.1 Breakdown and explanations of contingent assets and liabilities
(in CHF thousands)

	31.12.2016	31.12.2015
Guarantees to secure credits and similar	14,048	16,409
Total contingent liabilities	**14,048**	**16,409**
Contingent assets arising from tax losses carried forward (not recognized as assets)	15,261	20,606
Total contingent assets	**15,261**	**20,606**

Contingent liabilities include guarantees issued on behalf of clients and are for the most part covered by pledged client assets (note 3.1).

4.2 Breakdown of fiduciary transactions
(in CHF thousands)

	31.12.2016	31.12.2015
Fiduciary investments with third-party companies	320,006	277,298
Total fiduciary transactions	**320,006**	**277,298**

4.3 Breakdown of managed assets and presentation of their development
(in CHF thousands)

Breakdown of managed assets	31.12.2016	31.12.2015
Assets in collective investment schemes managed by the Group	19,993	26,989
Assets under discretionary asset management agreements	621,338	694,649
Other managed assets	4,252,078	4,652,638
Total managed assets (including double counting)	**4,893,409**	**5,374,276**
- of which, double counting	*19,287*	*22,279*

Managed assets include all client assets that are investments under custody with the bank and client assets under custody with third-party banks but managed by the Bank.

Assets under discretionary asset management agreements include client assets for which the investment decisions are made by the Bank. Other managed assets are those for which the investment decisions are made by the client. Assets in collective investment schemes managed by the Bank and sold in another sector are recognized twice given that each unit provides services to clients and generates income.

4.3 Breakdown of managed assets and presentation of their development (continued)
(in CHF thousands)

Presentation of the development of managed assets	2016	2015
Total managed assets (including double counting) at beginning	5,374,276	5,183,474
+/- Net new money inflow or net new money outflow	-308,867	58,286
+/- Price gains/losses, interest, dividends and currency gains/losses	31,094	-210,771
+/- Changes in managed assets financed by Lombard loans	-203,094	311,699
+/- Other effects	-	31,588
Total managed assets (including double counting) at end	**4,893,409**	**5,374,276**

During the 2016 financial year, loans extended in connection with the Structured Finance activity secured by gold deposits decreased by CHF 169,965K.

The Group determines the amount of net new money based on inflows and outflows of client funds. Interest income and dividends generated by managed assets are not considered an inflow of new money. The amount of net new money excludes changes related to the market and exchange rates and excludes fees, commissions and debited interest.

5 Information on the Consolidated Income Statement

5.1 Breakdown of the result from trading activities and the fair value option
(in CHF thousands)

Breakdown by business area	2016	2015
Trading activities for the account of the client	7,297	8,260
Trading activities for own account	706	5,509
Trading activities for Structured Finance	2,542	4,201
Total result from trading activities	**10,545**	**17,970**

Result from the use of the fair value option	2016	2015
Result from trading activities from:		
Equity securities (including funds)	1,828	2,244
Foreign currencies	49,743	872
Commodities/precious metals	-41,026	14,854
Total result from trading activities	**10,545**	**17,970**
- of which, from fair value option	*312*	*2,287*
• *of which, from fair value option on assets*	*-*	*-*
• *of which, from fair value option on liabilities*	*312*	*2,287*

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

(in CHF thousands)

Material refinancing income in the item "Interest and discount income"

Interest and discount income is not credited for refinancing costs for trading positions.

Material negative interest	2016	2015
Negative interest on the lending business (reduction in interest and discount income)	-3,046	-2,067
Negative interest on the borrowing business (reduction in interest expense)	-	-

5.3 Breakdown of personnel expenses

(in CHF thousands)

	2016	2015
Salaries (meeting attendance fees and fixed compensation to members of the Group's governing bodies, salaries and benefits)	27,846	25,741
Social insurance benefits	1,904	1,546
Contributions to pension funds for personnel	2,579	2,420
Insurance for personnel	365	264
Professional training expenses	226	115
Other personnel expenses	1,894	1,566
Total personnel expenses	**34,814**	**31,652**

5.4 Breakdown of general and administrative expenses

(in CHF thousands)

	2016	2015
Office space expenses	3,116	2,622
Expenses for information and communications technology	9,290	8,512
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	495	364
Professional fees	2,571	2,678
Fees of audit firms	813	931
- of which, for financial and regulatory audits	*735*	*841*
- of which, for other services	*78*	*90*
Travel and representation expenses	1,299	983
Costs related to various projects	1,195	1,065
Indirect taxes	51	206
Other operating expenses	1,529	1,660
Total general and administrative expenses	**20,359**	**19,021**

5.5 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

Material losses

The parent company billed back an operational loss of CHF 522K to the Bank. The Group recorded another material loss of CHF 138K during the financial year as a result of poor execution of a stock market transaction.

Extraordinary income

Extraordinary income is essentially comprised of a tax refund of CHF 582K related to the sale of the building held by the former BDG in the Canton of Neuchâtel in 2011, a repayment from Valartis Group following the formal collateral call provided in the share purchase agreement for CHF 400K, and a repayment received by the Bank's subsidiary in Nassau in connection with the liquidation of a financial product of CHF 396K.

Extraordinary expenses

Extraordinary expenses relate mainly to a charge of CHF 331K associated with the VAT audit of the prior five financial years.

Reserves for general banking risks

During the financial year, the Group released CHF 1,260K in reserves for general banking risks created in the prior year and reestablished the reserve amount at year-end for CHF 760K to cover potential value fluctuations arising from its Structured Finance activity.

Value adjustments and provisions no longer required

Significant changes to provisions and other value adjustments are detailed in the table showing value adjustments and provisions (note 3.12).

5.6 Unrealized and unrecorded losses on tangible fixed assets stemming from the application of the transitional provision relating to the individual valuation principle

Unrealized and unrecorded losses stemming from the application of the transitional provision deferring implementation of individual valuation to 1 January 2020 at latest amounted to CHF 2.7 million on buildings used by the Group.

5.7 Presentation of the operating result broken down according to Swiss and foreign origin, according to the principle of permanent establishment
(in CHF thousands)

	2016		2015	
	Switzerland	Foreign	Switzerland	Foreign
Result from interest operations	10,380	563	5,377	418
Result from commission business and services	23,649	11,541	26,368	11,626
Result from trading activities and the fair value option	7,719	2,826	15,055	2,915
Other result from ordinary activities	2,695	-	-1,983	-
Total income	**44,443**	**14,930**	**44,817**	**14,959**
Personnel expenses	-30,519	-4,295	-28,126	-3,526
General and administrative expenses	-16,249	-4,110	-15,880	-3,141
Total operating expenses	**-46,768**	**-8,405**	**-44,006**	**-6,667**
Value adjustments on participations, depreciation and amortization of tangible fixed assets and intangible assets	-1,972	-501	-2,096	-287
Changes to provisions and other value adjustments, and losses	-1,740	-158	-1,016	-67
Operating result	**-6,037**	**5,866**	**-2,301**	**7,938**

5.8 Presentation of current and deferred taxes and disclosure of tax rate
(in CHF thousands)

	2016	2015
Expenses for current income and capital taxes	362	379
Total taxes	**362**	**379**
The weighted average tax rate (as a %) on the basis of the operating result	n/a	n/a

The Group did not calculate an average tax rate for 2016 and 2015 because it has deductible tax loss carry-forwards totaling CHF 61 million at year-end 2016 (2015: CHF 84 million).

Tax expense relates only to tax on capital (approximate rate of 0.45%).

Due to the prevailing tax laws in the Bahamas, the Private Investment Bank Ltd subsidiary is not subject to any tax either on profits or on capital.

KPMG SA
Audit Financial Services Western Switzerland
111 Rue de Lyon
CH-1203 Geneva
P.O. Box 347
CH-1211 Geneva 13
Telephone +41 58 249 25 15
Fax +41 58 249 25 13
Internet www.kpmg.ch

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

Banque Cramer & Cie SA, Geneva

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Banque Cramer & Cie SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 10 to 39 of the 2016 Annual Report) for the year ended 31 December 2016.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the provisions governing the preparation of financial statements for financial groups and comply with Swiss law.

KPMG

Banque Cramer & Cie, Geneva
Report of the Statutory Auditor
on the Consolidated Financial Statements
to the General Meeting of Shareholders

Report on Other Legal Requirements

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

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

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

KPMG SA

Nicolas Moser	Raphaël Prébandier
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Geneva, 21 April 2017

Enclosure:
- Consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes)

Capital Adequacy and Liquidity Disclosure Requirements

Eligible Capital
(in CHF thousands)

	31.12.2016	31.12.2015
Common Equity Tier 1 Capital (CET1)	76,523	74,071
Tier 2 Capital (T2)	2,426	2,291
Total eligible capital	**78,949**	**76,362**
- of which, Tier 1 Capital (T1)	*76,523*	*74,071*

Minimum Required Capital
(in CHF thousands)

	Approach	31.12.2016	31.12.2015
Minimum required capital for:			
- Credit risk	International	19,413	20,211
- Non-counterparty-related risk		1,503	1,558
- Market risk	Standard	1,729	4,246
- Operational risk	Basic indicator	8,959	10,030
Total minimum required capital		**31,604**	**36,045**
Risk weighted assets		**395,050**	**450,563**

Capital Ratios
(as a % of risk weighted assets)

	31.12.2016	31.12.2015
CET1 ratio	19.37	16.44
T1 ratio	19.37	16.44
Regulatory capital ratio	19.98	16.95
CET1 requirements in acccordance with CAO transitional arrangements	4.84	4.74
- of which, countercyclical buffer	*0.34*	*0.24*
CET1 available to meet minimum and buffer requirements, after deduction of the AT1 and T2 requirements met by CET1	11.63	8.80
CET1 target in accordance with CAO Annex 8 plus the countercyclical buffer	7.74	7.64
Available CET1	11.63	8.80
T1 target in accordance with CAO Annex 8 plus the countercyclical buffer	9.34	9.24
Available T1	10.03	7.20
Target for regulatory capital ratio in accordance with CAO Annex 8 plus the countercyclical buffer	11.54	11.44
Available regulatory capital	8.45	5.51

Leverage Ratio
(in CHF thousands)

	31.12.2016	31.12.2015
Tier 1 Capital (T1)	76,523	74,071
Exposure measure subject to the leverage ratio	1,617,717	2,217,757
Basel III leverage ratio (Tier 1 capital as a % of total exposure)	4.73	3.34

Liquidity Coverage
(in CHF thousands)

	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total high quality liquid assets (HQLA)	500,866	420,917	499,542	578,410
Total net cash outflows	125,742	82,526	155,329	214,937
Liquidity coverage ratio (as a %)	398.33	510.04	321.60	269.11

Banque Cramer & Cie SA

Financial Statements

Balance Sheet
(in CHF thousands)

Assets	Note	31.12.2016	31.12.2015
Liquid assets		413,172	596,933
Amounts due from banks	3.6	146,671	229,291
Amounts due from customers	3.1	588,424	901,164
Mortgage loans	3.1	180,924	183,832
Trading portfolio assets	3.2, 3.6	66,995	65,003
Positive replacement values of derivative financial instruments	3.3	22,302	26,367
Financial investments	3.4, 3.6	99,982	105,119
Accrued expenses and deferred income		3,804	7,018
Participations		8,041	10,615
Tangible fixed assets		14,899	15,775
Other assets	3.5	6,016	7,305
Total assets		**1,551,230**	**2,148,422**
Total subordinated claims		10	6

Liabilities	Note	31.12.2016	31.12.2015
Amounts due to banks		310,376	363,410
Amounts due in respect of customer deposits		1,128,142	1,649,335
Negative replacement values of derivative financial instruments	3.3	28,521	45,209
Liabilities from other financial instruments at fair value	3.2, 3.8	482	-
Cash bonds		615	805
Accrued expenses and deferred income		10,675	10,946
Other liabilities	3.5	3,546	6,360
Provisions	3.9	1,971	3,142
Reserves for general banking risks	3.9, 5.5	1,000	1,500
Bank's capital	3.10	50,000	50,000
Capital reserve		11,772	11,772
- of which tax-exempt capital contribution reserve		*11,772*	*11,772*
Retained earnings reserve		7,591	7,591
Loss carried forward		-1,648	-15,216
Loss/profit (result of the period)		-1,813	13,568
Total liabilities		**1,551,230**	**2,148,422**

Off-balance-sheet transactions	Note	31.12.2016	31.12.2015
Contingent liabilities	3.1	13,888	16,000
Irrevocable commitments	3.1	23,503	16,086

Income Statement
(in CHF thousands)

	Note	2016	2015
Result from interest operations			
Interest and discount income	5.2	7,594	9,948
Interest and dividend income from trading portfolios		1,415	640
Interest and dividend income from financial investments		792	748
Interest expense	5.2	-766	-1,580
Gross result from interest operations		**9,035**	**9,756**
Changes in value adjustments for default risks and losses from interest operations	3.9	1,956	-3,745
Subtotal net result from interest operations		**10,991**	**6,011**
Result from commission business and services			
Commission income from securities trading and investment activities		27,673	29,328
Commission income from lending activities		151	254
Commission income from other services		2,580	5,206
Commission expense		-5,123	-6,615
Subtotal result from commission business and services		**25,281**	**28,173**
Result from trading activities and the fair value option	5.1	**7,922**	**15,549**
Other result from ordinary activities			
Result from the disposal of financial investments		513	-
Result from real estate		30	418
Other ordinary income		2,916	-
Other ordinary expenses		-764	-2,401
Subtotal other result from ordinary activities		**2,695**	**-1,983**
Operating expenses			
Personnel expenses	5.3	-30,519	-28,126
General and administrative expenses	5.4	-15,605	-15,663
Subtotal operating expenses		**-46,124**	**-43,789**
Value adjustments on participations, depreciation and amortization of tangible fixed assets and intangible assets		-1,973	-2,207
Changes to provisions and other value adjustments, and losses	3.9, 5.5	-1,741	-1,430
Operating result		**-2,949**	**324**
Extraordinary income	5.5	1,524	15,204
Extraordinary expenses	5.5	-526	-104
Changes in reserves for general banking risks	5.5	500	-1,500
Taxes	5.8	-362	-356
Loss/profit (result of the period)		**-1,813**	**13,568**

Statement of Changes in Equity
(in CHF thousands)

	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Loss carried forward	Profit/loss (result of the period)	Total
Equity at 1 January 2016	50,000	11,772	7,591	1,500	-15,216	13,568	69,215
Transfer to loss carried forward	-	-	-	-	13,568	-13,568	-
Withdrawals affecting reserves for general banking risks	-	-	-	-500	-	-	-500
2016 loss	-	-	-	-	-	-1,813	-1,813
Equity at 31 December 2016	**50,000**	**11,772**	**7,591**	**1,000**	**-1,648**	**-1,813**	**66,902**

Notes to the Annual Financial Statements

1 Business Name, Legal Form and Domicile

Banque Cramer & Cie SA is a corporation organized under Swiss law. In addition to its headquarters in Geneva, the Bank operates branches in Lausanne, Lugano and Zurich. The Bank has one subsidiary, Private Investment Bank Limited based in Nassau, Bahamas.

Business Activity and Staff Level

The Bank engages in the following activities in the course of its business:

- Receipt of funds in current accounts
- Asset management
- Execution of transactions in certificated and uncertificated financial instruments, derivatives, and precious metals, together with stock exchange transactions, either on a proprietary basis or on behalf of third parties
- Granting of Lombard and mortgage loans, fixed term or sight loans and advances
- Spot or forward exchange transactions
- Execution of fiduciary transactions
- Asset management and custody
- Structured Finance activities

The Bank may also acquire, administer, and control participations in any companies operating in the same business sector and acquire real estate in Switzerland or abroad. In 2012, the Bank outsourced its back office activities and some activities related to IT infrastructure maintenance, as defined in FINMA Circular 2008/7.

As of 31 December 2016, the Bank had 132 employees, for a full-time equivalent of 125 employees (year-end 2015: 123 and 109).

2 Other Information Required by FINMA Circular 2015/01

2.1 Accounting and valuation principles

2.1.1 General principles

The accounting and valuation principles comply with the Swiss Code of Obligations, the Swiss Federal Act on Banks and Savings Banks, the Ordinance on Banks and Savings Banks, and the accounting provisions for banks, securities dealers, and financial groups and conglomerates as defined by FINMA Circular 2015/01 of the Swiss Financial Market Supervisory Authority (ARB-FINMA).

The reliable-assessment statutory single-entity financial statements are presented in such a way that a third party can make a reliable assessment of the Bank's economic position. The annual financial statements may contain hidden reserves. The figures in the notes are rounded for publication purposes.

General valuation principles

The financial statements have been prepared on the assumption that the Bank will continue as a going concern. Balance sheet entries are made on a going-concern basis.

The asset side of the balance sheet includes assets that the Bank may have available due to past events, from which it expects to receive economic benefits, and the value of which can be reliably estimated. If no reliable estimate of the value of an asset can be made, it is considered to be a contingent asset requiring explanation in the notes.

Borrowed capital resulting from past events, from which a cash outflow is probable, and the value of which can be reliably estimated are entered as liabilities on the balance sheet. If no reliable estimate of the value of a liability can be made, it is considered to be a contingent liability requiring explanation in the notes.

The items presented on the balance sheet are valued individually, with the exception of tangible fixed assets. For these, the transitional provision deferring implementation of individual valuation to 1 January 2020 at latest is applied. Unrealized and unrecorded losses are listed in note 5.7.

Offsetting and netting of assets and liabilities and of income and expenses is in principle prohibited. The offsetting of receivables and payables is limited to the netting of value adjustments from the corresponding asset items.

Participations held exclusively for sale at a later time are excluded from the scope of consolidation. They are recorded on the balance sheet at their acquisition cost, after deducting necessary value adjustments.

Financial instruments

Liquid assets

Liquid assets are recognized at their nominal value.

Securities financing transactions

Securities financing transactions include repurchase and reverse repurchase transactions, securities lending and securities borrowing.

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.

Impaired loans and receivables, which result when it is unlikely that the debtor will be able to fulfill its future obligations, are valued individually, and the impairment is covered by individual value adjustments. The impairment corresponds to the difference between the book value of the loan or receivable and the likely recoverable amount.

The likely recoverable amount of the collateral is the liquidation value (estimated disposal value, after deducting holding costs and liquidation costs). In these cases, the Bank always reviews the total obligation of the client or the economic entity as to the counterparty risk that it might represent.

The Bank does not use an internal rating system for its loans and receivables. The Credit Department monitors risk positions and determines the necessary value adjustments for impaired loans and receivables and those identified as non-performing.

Impaired loans and receivables are carried on the balance sheet at their nominal value when the principal and interest due are once again paid according to contractual provisions and the criteria for creditworthiness.

Individual value adjustments and value adjustments for latent default risks are offset with the corresponding assets.

Value adjustments that are released to income have an impact on the income statement under the item "Changes in value adjustments for default risks 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 financial instruments are used for trading and hedging purposes.

Trading portfolio assets

All derivative financial instruments from trading portfolio assets are valued at fair value and their positive and negative replacement values are reported in the corresponding balance sheet items.

Fair value is based on market prices, information from brokers, and valuation models (discounted cash flow).

The result from trading activities and the unrealized valuation result from trading activities are recorded in the item "Result from trading activities and the fair value option."

Hedging transactions

The Bank uses derivative financial instruments to hedge interest rate risk in managing its balance sheet. Hedging transactions are valued using the same method as the hedged item.

The valuation result of hedging instruments is reported in the compensation account unless a change in book value has been recorded in the hedged item. The net balance of the compensation account is presented either in the item "Other assets" or in "Other liabilities."

The Bank documents hedging relationships and the goals and strategies of hedging transactions when entering into these transactions. The Bank periodically measures the effectiveness of hedging relationships. If a portion or the entirety of the relationship is ineffective, the ineffective portion of the transaction is treated as equivalent to a trading transaction and recorded in the item "Result from trading activities and the fair value option."

Other financial instruments at fair value and liabilities from financial instruments at fair value

As part of its Structured Finance activities, the Bank may issue structured products. Self-issued structured products are recognized in the item "Liabilities from other financial instruments at fair value." These are recorded on the balance sheet in those positions and valued at fair value when all of the conditions below are met:

- Financial instruments are valued at fair value and correspond to the investment and risk management strategy that appropriately accounts for, measures and limits the various risks.
- There is an economic hedging relationship between the financial instruments on the asset side and the liability side of the balance sheet that largely neutralizes the fair value valuation in the income statement.
- Any impact of a change in own creditworthiness on the fair value following first-time recognition is neutralized in the income statement and recognized in the compensation account.

Financial investments

Financial investments comprise debt securities, equity securities, physical precious metal holdings and any real estate and commodities that have been acquired as a result of credit activities and are intended for resale.

For financial investments valued at the lower of cost or market value, an upwards revaluation to the historical or acquisition cost at maximum is recognized where the fair value falls below the acquisition cost and then recovers.

The balance of the changes in book value is recognized under the items "Other ordinary expenses" or "Other ordinary income," as appropriate.

Debt securities intended to be held to maturity

Debt securities intended to be held to maturity are valued and recorded at acquisition cost and the premium/discount (interest component) is accrued over the term (accrual method).

Default-risk-related changes in book value are recognized immediately by means of a charge to the item "Changes in value adjustments for default risks and losses from interest operations."

If financial investments intended to be held until maturity are sold or repaid prior to maturity, the profits and losses realized that correspond to the interest component are accrued over the remaining term to maturity in the items "Other assets" or "Other liabilities."

Debt securities not intended to be held to maturity (available for sale)

These are valued at the lower of cost or market value. Changes in book value resulting from subsequent valuations are generally recognized in the items "Other ordinary expenses" or "Other ordinary income," as appropriate.

Default-risk-related changes in book value are recognized in the item "Changes in value adjustments for default risks and losses from interest operations."

Equity securities, own physical precious metal holdings, real estate properties and commodities that have been acquired as a result of credit activities and are intended for resale

Equity securities are valued at the lower of cost or market value. Own physical precious metal holdings included under financial investments that serve to secure obligations arising from precious metal accounts are to be valued at fair value. Changes in book value are generally recognized in the items "Other ordinary expenses" or "Other ordinary income," as appropriate. In the case of real estate properties acquired via credit activities and intended for resale, the lower of cost or market value is deemed to be the lower of the acquisition value or the liquidation value.

Participations

Equity securities issued by companies that the Bank holds with the intention of a permanent investment regardless of the percentage of voting shares held are considered to be participations.

Participations are valued individually, at their acquisition cost, after deducting economically necessary value adjustments.

On each balance sheet date, the Bank tests whether the value of participations has been impaired. This test is based on indications reflecting a possible impairment of individual assets.

Where such indications are present, the Bank determines the recoverable amount of each asset. The recoverable amount is deemed to be the higher of the net market value and the value-in-use. An asset is impaired if its book value exceeds its recoverable amount. If there is impairment, the book value is reduced to the recoverable amount and the impairment is charged to "Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets."

Gains realized from the disposal of participations are recorded in the item "Extraordinary income," and losses realized are recorded in "Extraordinary expenses."

Tangible fixed assets

Tangible fixed assets are carried on the balance sheet at their acquisition cost, after deducting accumulated scheduled depreciation over the estimated useful life.

Tangible fixed assets are depreciated on a straight-line basis in the item "Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets" based on the conservatively estimated useful life of the asset.

The estimated useful life of tangible fixed assets is as follows:

- Bank real estate	100 years
- Real estate renovation work	10 years
- Vehicles	8 years
- ASSL software package	depending on term of contract
- Office equipment and furniture	5 years
- Server hardware	5 years
- Other computer programs	3 years
- Other hardware	3 years
- Telephone equipment	3 years
- Leasehold improvements	depending on term of lease

On each balance sheet date, the Bank tests whether the value of each tangible fixed asset has been impaired. This test is based on indications reflecting a possible impairment of individual assets. Where such indications are present, the Bank determines the recoverable amount of each asset. An asset is impaired if its book value exceeds its recoverable amount.

If there is impairment, the book value is reduced to the recoverable amount and the impairment is charged to "Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets."

If, during impairment testing of a tangible fixed asset, a change in the asset's useful life is established, the remaining book value is subjected to scheduled depreciation over the useful life newly determined by the Bank.

Gains realized from the disposal of tangible fixed assets are recorded in the item "Extraordinary income," and losses realized are recorded in "Extraordinary expenses."

Intangible assets
Intangible assets acquired are recognized as assets if they will yield a measurable benefit for the Bank over more than one year. Intangible assets generated by the Bank are not recognized as assets. They are carried on the balance sheet and valued at their acquisition cost.

Gains realized from the disposal of intangible assets are recorded in the item "Extraordinary income," and losses realized are recorded in "Extraordinary expenses."

Provisions
Legal or factual obligations are valued on a regular basis. Where a cash outflow is probable and can be reliably estimated, a provision in the corresponding amount is created. Existing provisions are reassessed on each balance sheet date. Based on this assessment, they are increased, remain unchanged or are released.

Provisions that are no longer economically necessary and are not simultaneously used for other requirements of the same type are released to income.

Releases to income of provisions that are no longer economically necessary are reported as follows:

- Tax provisions via the item "Taxes"
- Provisions for pension benefit obligations via the item "Personnel expenses"
- Other provisions via the item "Changes to provisions and other value adjustments, and losses," with the exception of restructuring provisions that were created via the item "Personnel expenses."

Reserves for general banking risks
Reserves for general banking risks are reserves that are established as a precaution to cover the Bank's business risks.

Reserves for general banking risks are created and released under the income statement item "Changes in reserves for general banking risks." Reserves for general banking risks are not taxed considering the deductible tax loss carry-forwards available to the Bank.

Taxes
Current taxes are recurring taxes affecting income and capital, generally annually. Transaction taxes are not included.

Liabilities from current income taxes and capital taxes are disclosed in the item "Accrued expenses and deferred income."

Current income taxes and capital tax expenses are reported in the income statement in the item "Taxes."

Pension benefit obligations
The accounting treatment of pension benefit obligations is based on the Swiss GAAP standard FER 16. Pension benefit obligations include all obligations from pension schemes that provide benefits for retirement, death or disability.

The Bank is liable for all regulatory pension contributions. Reserves are established to finance the cost inherent in the increase in life expectancy.

Off-balance-sheet transactions
Off-balance-sheet transactions are presented at nominal value. Provisions are established on the liabilities side of the balance sheet for foreseeable risks.

2.1.2 Changes to accounting and valuation principles
No changes were made to accounting and valuation principles compared to the prior year.

2.1.3 Recording of business transactions
Transactions are recorded on the balance sheet on the day they are entered into. Results from all transactions entered into are included in the income statement on the date they are transacted.

2.1.4 Treatment of past-due interest
Past-due interest is not retroactively canceled. Receivables arising from interest accrued up to the expiry of the 180 day period (due and unpaid interest and accrued interest) are written off via the item "Changes in value adjustments for default risks and losses from interest operations."

Interest and related commissions that are considered impaired are not recorded as interest income. Interest and fees due and unpaid for more than 180 days are considered impaired.

In the case of current account credit facilities used, interest and commissions are considered impaired where the credit facility limit has been exceeded for more than 180 days. From then on, future interest and commissions accruing may no longer be credited to the income statement item "Interest and discount income" until no overdue interest has been outstanding for longer than 180 days.

2.1.5 Foreign currency translation
Positions in foreign currencies at the balance sheet date are converted into Swiss francs at the exchange rate prevailing on the balance sheet date insofar as they are not valued at historical exchange rates. Foreign exchange income from the conversion of foreign currency positions is recorded in the line time "Result from trading activities and the fair value option." The conversion rates for key currencies were as follows:

31.12.2016		31.12.2015	
Closing rate		**Closing rate**	
USD	1.0182	USD	1.0018
EUR	1.0711	EUR	1.0877
GBP	1.2567	GBP	1.4766

Transactions in foreign currencies are converted into the local currency at the rate of exchange prevailing on the transaction date. Foreign exchange income in foreign currencies is converted into the local currency when recorded. Unrealized foreign exchange gains and losses are recorded on the income statement on the balance sheet date.

2.1.6 Treatment of the refinancing of trading positions

The costs of refinancing trading positions are not charged to the result from trading activities.

2.2 Risk management

The Board of Directors conducted an analysis of the Bank's principal risk exposure. This analysis is based on the information and tools adopted by the Bank for its risk management. In its risk analysis, the Board of Directors took into account the control system implemented to manage and reduce risks.

The internal directive, "Risk policy – Risk management," approved by the Bank's Board of Directors, sets forth the guidelines defining the risk policy and sets the limits for transactions for own account. The Bank has created different committees so as to manage risks internally.

Credit risk

The Bank's strategy consists mainly in limiting the loans it grants to those secured by pledged assets deposited with the Bank. Client assets serving as collateral for Lombard loans are calculated daily at market value, weighted by the collateral margins defined by investment type and approved by the Bank's Board of Directors. The Bank also grants mortgage loans on real property located in Switzerland. A review is conducted every five or ten years for residential property and every three or five years for all other real estate on the basis of the loan-to-value ratio.

Following the acquisition and merger of Valartis Bank AG (hereinafter former VBAG), the Bank acquired a team of staff specializing in Structured Finance. This activity consists of developing and implementing complex, tailor-made investments for institutional clients and wealthy private clients. These transactions generally include predominantly secured loans.

The Credit Department regularly monitors compliance with credit margins. A detailed credit risk report is delivered to the Executive Committee at each of its meetings. Overdrafts and advances made without a signed pledge agreement are considered unsecured for accounting purposes, even if the borrower has securities on deposit with the Bank.

Past-due receivables are divided into two categories, depending on the degree of risk of loss: non-performing receivables and impaired receivables. A receivable is considered non-performing when any payment relating to interest, commissions, or full or partial repayment of principal has not been received more than 90 days after the due date. A non-performing receivable requires no specific accounting entry. A receivable is considered impaired when evidence suggests that future contractual payments due of principal and/or interest are unlikely to be made or, no later than when such payments are more than 180 days late. These receivables are assessed individually at liquidation value and the impairment relating thereto is posted as a reduction to the item in question on the asset side of the balance sheet.

The Bank updates the list of non-performing and impaired receivables on a monthly basis. A receivable is no longer considered impaired if the arrears (principal and interest) have been paid and debt service has resumed as normal. In 2012, the Bank's Board of Directors decided to suspend international trading activities for client accounts. As of 31 December 2016, one transaction subject to an impairment was still open but will be settled in the short term. Unsecured loans are generally commercial loans or client account overdrafts.

Counterparty risk in interbank business

The Bank uses a limit system to manage counterparty risk in interbank transactions and trading activities. It works only with first-rate counterparties and enters into business relationships only after conducting a detailed assessment of the default risk. The limit amount is essentially based on the counterparty's credit rating.

The counterparty's credit rating and, therefore, its maximum credit limit are reassessed on a regular basis. The risk control function monitors the counterparty rating on a monthly basis. In the case of extreme market events, the Bank analyzes the situation so that it can react quickly to any increase in risk.

Interest rate risk

Because of the structure of its balance sheet activities, the Bank is exposed to the risk of an unfavorable change caused by a fluctuation of interest rates in the market. Interest rate risk is limited by regularly monitoring the matching of maturities of assets and liabilities and the occasional use of hedging instruments. Interest rate risk analysis is governed by a specific Directive approved by the Board of Directors that establishes limits, risk taking authority, and controls to be carried out.

The Risk Management Department determines the exposure to interest rate risk and reports such exposure to the Executive Committee on a regular basis. The Execution Desk manages interest rate risk and long-term refinancing in collaboration with Risk Management. The objectives are:

- To assess, measure and manage the interest rate risk related to client transactions
- To optimize the net financial income from hedging transactions
- To monitor liquidity and prevent potential liquidity shortages.

Compliance risk

The Bank has set forth a methodology and implemented the directives and procedures required to identify, measure, control and monitor compliance risk and to transmit information relating thereto through detailed reports to the governing bodies. The compliance risk directives and procedures are adapted as and when there are changes to the regulatory framework, which the Bank carefully tracks through constant regulatory monitoring. The Compliance unit annually reviews activities and events relating to compliance risk and reports to the governing bodies. Likewise, planning for tasks to control compliance risk is done annually.

Other market risks

Foreign currency risk

The Bank manages foreign currency risk so as to minimize the impact that currency fluctuations could have on its income. Its strategy is basically to balance its assets in foreign currencies with its liabilities in foreign currencies.

Trading portfolio assets

Financial instruments are traded on behalf of clients and for the Bank's own account. Activities for own account are limited to hedging transactions in connection with nostro positions and transactions concerning management of the balance sheet structure.

As part of the Bank's liquidity management, it acquires various positions in its securities portfolios. The limits for these positions were authorized in advance by the Board of Directors.

Liquidity

The liquidity strategy is developed by the ALM Committee. Risk Management is responsible for monitoring liquidity risk and compliance with liquidity limits. Risk Management conducts a review at least one time annually intended for the Board of Directors.

The strategy, determined by the ALM Committee, is approved by the Executive Committee. Liquidity limits are approved on a regular basis by the Executive Committee and the Board of Directors, which take into account the Bank's strategy and risk appetite. Liquidity management is designed to provide the Bank with sufficient liquidity to meet its payment obligations at all times.

Operational risk

Operational risk refers to the risk of loss arising from the inadequacy or failure of internal procedures, people, and systems or resulting from external events.

The assessment of operational risk relates to direct financial losses and the consequences that would result from a loss of client trust. The primary objective of operational risk management is to strengthen the Bank's reputation with regard to clients, shareholders and regulators. Operational errors are monitored and reported to the CFO each month.

Other risks

The Swiss government and the US Department of Justice signed an agreement in August 2013 aimed at settling a tax dispute between the two countries. Against this backdrop, the Bank, like all other Swiss banks, is dealing with uncertainties weighing on the legal and regulatory environment in which it operates.

The Bank reported CHF 630,760 (year-end 2015: CHF 630,760) in investments deposited with the Bank, related to real property for which there is no orderly market. These investments were created by the former Cramer & Cie on the basis of expanded management mandates that are not limited to ordinary banking transactions, as defined in the Portfolio Management Guidelines published by the Swiss Bankers Association.

2.3 Methods used to identify default risks and to determine the need for value adjustments

Mortgage-based loans

For financing real property for its own use, on a regular basis depending on the circumstances, but at least every ten years, the Bank updates the value of the pledges provided by hedonic models prepared by third-party service providers. After approving new valuations, the loan-to-value ratio is updated.

It also analyzes interest in arrears and compliance with the amortization schedule. On this basis, the Bank identifies mortgage loans with increased risk exposure. After a detailed analysis by internal specialists, these loans may be subject to a request for additional collateral or a value adjustment for collateral shortfall.

The value of investment properties is determined using a capitalization model for estimated sustainable income. This model takes into account market data and vacancy rates. The rent roll for investment properties is checked during regulatory reviews. If there are indications of changes in the rent roll or vacancy rate, the Bank conducts a reappraisal without waiting for the reassessment period to expire.

Loans secured by other collateral

The obligations and the value of the pledged securities are checked daily. If the value of the pledged collateral falls below the amount of the loan, the Bank requires either partial repayment or additional collateral. If the collateral shortfall increases or if there are exceptional market conditions, the Bank realizes the collateral.

Unsecured loans

For commercial loans, the Bank requests information on the company's course of business annually or on a more frequent basis. It requires the transmission of audited annual financial statements and, where applicable, interim financial statements.

The Credit Department analyzes this information and will identify any potential increase in risk. In such a case, the Bank will conduct a detailed analysis and will work with the client advisor to determine the measures required. If the loan proves to be impaired at this stage, the Bank establishes a value adjustment.

Process for determining value adjustments and provisions

Needs for new value adjustments and provisions are identified using the procedure described in previous sections. Risk positions are reassessed at each monthly closing, and value adjustments are made as a result, if necessary. Value adjustments on risk positions are analyzed and determined by the Credit Committee.

The decisions of the Credit Committee are submitted either to the Executive Committee or to the Board of Directors for approval.

Valuation of loan collateral

Mortgage-based loans

Loans secured by pledged real estate are never granted without an assessment of the collateral centered on the use of the property. Internal appraisers use hedonic valuation models for residential properties. These valuations are compared with actual transaction prices in the same vicinity. For rental properties, commercial buildings and special-use properties, the appraisal is completed by third-party real estate appraisers who determine the capitalized income value. For impaired receivables, the liquidation value of the property is established.

The Bank bases its decision to grant loans on the lowest value among the internal appraisal, the purchase price, and any outside appraisal.

Securities-based loans

For Lombard loans and other loans collateralized by securities, only collaterals (bonds, equities) that can be easily traded are accepted. The Bank accepts structured products if the investments are regularly listed or if they are issued by the Bank itself. To cover market risk, the Bank applies discounts to the market price of the securities accepted as collateral.

Single securities or concentrations loans

For loans secured by single securities or poorly diversified securities, collateral that can be easily traded on a recognized exchange or a representative market are accepted.

To cover market risk, the Bank applies discounts to the market price of the securities accepted as collateral, consistent with the values determined in advance in the Bank's internal regulations or corresponding discounts that are normally more conservative in practice than standard regulatory discounts or at least equivalent.

2.4 Business policy for the use of derivative financial instruments and hedge accounting

Business policy for the use of derivative financial instruments

The Bank enters into derivative financial instrument contracts for trading and hedging purposes. The Bank has no significant market-maker activity.

It uses standardized trading instruments and over the counter instruments both for its own account and at the request of clients. It does not trade in credit derivatives.

Derivative financial instruments are used both in the Structured Finance activity and in risk management. In risk management, they are essentially used to hedge interest rate risk.

Use of hedge accounting

Hedge accounting is used in connection with interest rate swaps.

Establishing groups of financial instruments

Positions that are sensitive to interest rate fluctuations (essentially mortgage loans) are grouped by maturity and by currency and are hedged using macro hedges.

The Bank documents the relationship between the hedging instrument and the hedged item. It documents the objective of the hedging transaction and the method for measuring the effectiveness of the hedging relationship.

2.5 Material events occurring after the balance sheet date

No events likely to have a material impact on the Bank's assets, financial condition, or results occurred after 31 December 2016, the Bank's balance sheet date.

3 Information on the Balance Sheet

3.1 Presentation of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables
(in CHF thousands)

Collateral for loans/receivables and off-balance-sheet transactions	Type of collateral: Secured by mortgage	Type of collateral: Other collateral	Type of collateral: Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	1,316	578,762	11,801	591,879
Mortgage loans				
- Residential property	151,211	-	-	151,211
- Office and business premises	10,552	-	-	10,552
- Commercial and industrial premises	8,805	-	-	8,805
- Other	10,636	-	-	10,636
Total loans (before netting with value adjustments) 31.12.2016	**182,520**	**578,762**	**11,801**	**773,083**
Total loans (before netting with value adjustments) 31.12.2015	*185,404*	*889,025*	*16,214*	*1,090,643*
Total loans (after netting with value adjustments) 31.12.2016	**182,240**	**578,762**	**8,346**	**769,348**
Total loans (after netting with value adjustments) 31.12.2015	*185,375*	*885,269*	*14,353*	*1,084,997*
Off-balance-sheet				
Contingent liabilities	-	12,896	992	13,888
Irrevocable commitments	8,660	12,261	2,582	23,503
Total off-balance-sheet 31.12.2016	**8,660**	**25,157**	**3,574**	**37,391**
Total off-balance-sheet 31.12.2015	*390*	*27,612*	*4,084*	*32,086*

Impaired loans/receivables	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
31.12.2016	**7,475**	**3,750**	**3,725**	**3,725**
31.12.2015	*5,477*	*3,002*	*2,475*	*2,475*

The net amount of impaired loans and receivables rose by CHF 1,249K compared to the prior year. This deterioration was essentially due to a decline in the realizable value of the collateral.

3.2 Breakdown of trading portfolios and other financial instruments at fair value
(in CHF thousands)

Assets	31.12.2016	31.12.2015
Trading portfolio assets		
Debt securities, money market securities/transactions	55,842	61,002
- of which, listed	*53,953*	*61,002*
Equity securities	1,882	4,001
Other trading assets	9,271	-
Total assets	**66,995**	**65,003**

Liabilities	31.12.2016	31.12.2015
Other financial instruments at fair value		
Structured products issued by the Bank (note 3.8)	482	-
Total liabilities	**482**	**-**

3.3 Presentation of derivative financial instruments (assets and liabilities)
(in CHF thousands)

	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments						
Interest rate swaps	1	10	1,350	78	4,047	89,520
Foreign exchange/precious metals						
Forward contracts	3,740	3,760	235,088	-	-	-
Currency swaps	5,155	5,574	616,972	-	-	-
Options (OTC)	13,328	15,130	411,956	-	-	-
31.12.2016	**22,224**	**24,474**	**1,265,366**	**78**	**4,047**	**89,520**
31.12.2015	*26,278*	*39,781*	*1,656,437*	*89*	*5,428*	*99,125*

The Bank makes no netting agreements for positive and negative replacement values.

Breakdown by counterparty	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	9,131	13,171

3.4 Breakdown of financial investments
(in CHF thousands)

	Book value		Fair value	
Breakdown of financial investments	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Debt securities	69,356	79,543	69,231	79,223
- of which, intended to be held to maturity	*69,356*	*79,543*	*69,231*	*79,223*
Equity securities	5,949	4,536	6,085	4,694
Precious metals	24,677	21,040	24,677	21,040
Total financial investments	**99,982**	**105,119**	**99,993**	**104,957**
- of which, securities eligible for repo transactions in accordance with liquidity requirements	*61,226*	*66,530*	*61,115*	*66,253*

Breakdown of counterparties by rating	AAA	AA+	AA	AA-
Book value of debt securities	48,973	3,056	12,244	5,083

The Bank bases its ratings on Fitch rating categories.

3.5 Breakdown of other assets and other liabilities
(in CHF thousands)

Other assets	31.12.2016	31.12.2015
Indirect taxes receivable	190	248
Compensation account	3,295	4,526
Balance receivable of former-BDG building sale	2,531	2,531
Total other assets	**6,016**	**7,305**

Other liabilities	31.12.2016	31.12.2015
Settlement accounts	146	912
Indirect taxes due	1,079	1,547
Compensation account	79	89
Balance of interest rate component of former VBAG interest rate transactions	2,242	3,812
Total other liabilities	**3,546**	**6,360**

3.6 Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership
(in CHF thousands)

Pledged/assigned assets	31.12.2016 Book values	31.12.2016 Effective commitments	31.12.2015 Book values	31.12.2015 Effective commitments
Amounts due from banks	16,003	6,908	12,343	6,344
Trading portfolio assets	5,091	1,597	4,500	295
Financial investments	2,037	1,459	7,030	-
Total pledged/assigned assets	**23,131**	**9,964**	**23,873**	**6,639**

3.7 Disclosures on the economic situation of own pension schemes
(in CHF thousands)

Employer contribution reserve (ECR)
There are no employer contribution reserves with respect to pension schemes as of 31 December 2016 (2015: none).

Presentation of the economic benefit/obligation and the pension expenses	Contributions paid 2016	Pension expenses in personnel expenses 2016	Pension expenses in personnel expenses 2015
Pension plans without overfunding/underfunding:			
- all employees	1,712	1,712	1,885
- voluntary other employees	591	591	337
Total	**2,303**	**2,303**	**2,222**

All employees of the Bank over 18 years of age are participants in AXA Occupational Benefits Foundation, a company legally independent of the Bank, which offers a defined-contribution plan. Its goal is to insure employees against the economic impacts resulting from retirement, disability and death and guaranteeing benefits set by regulation. It participates in implementing the mandatory insurance plan introduced by the Swiss Federal Occupational Pensions Act and meets its minimum requirements. Employees with contracts of less than three months are not participants in the plan.

Executives and members of management are eligible for a supplemental defined-contribution plan. The foundation for executives covers the portion of salary that exceeds the amount provided in the basic plan. It is financed jointly by the Bank and the insured parties. All employees with over ten years of service may, at their option and on request, switch plans in order to participate in the plan for executives. The retirement age is 64 years old for women and 65 for men. The insured salary of each employee corresponds to the Old Age and Survivors Insurance salary without coordination deduction and 60% of the premiums are paid by the Bank.

The pension scheme and the foundation for executives prepare their financial statements in accordance with the recommendations of Swiss GAAP FER 26. There are no other commitments concerning the employer.

The Bank's pension scheme offered a coverage rate of greater than or equal to 100% at 31 December 2016. There is no economic benefit for the Bank as of 31 December 2016 (2015: none). The Bank is not required to pay any contributions beyond the contributions stipulated by regulations.

Liabilities relating to own pension schemes
The Bank has no liabilities relating to its own pension schemes as of 31 December 2016 (2015: none).

3.8 Issued structured products
(in CHF thousands)

Underlying risk of the embedded derivative	Book value: Valued as a whole – Booked in trading portfolio	Book value: Valued as a whole – Booked in other financial instruments at fair value	Book value: Valued separately – Value of the host instrument	Book value: Valued separately – Value of the derivative	Total
Equity securities	-	161	-	-	161
Commodities /precious metals	-	321	-	-	321
Total at 31.12.2016	**-**	**482**	**-**	**-**	**482**
Total at 31.12.2015	-	-	-	-	-

All issued structured products are issued with their own debenture component.

Valuation as a whole:
At 31 December 2016, structured products issued by the Bank were valued as a whole and recorded in "Liabilities from other financial instruments at fair value." Fair value stems from a market price and subsequent revaluations are recorded under "Result from trading activities and the fair value option."

3.9 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year
(in CHF thousands)

	Balance at 31.12.2015	Use in conformity with designated purpose	Currency translation differences	New creations charged to income	Releases to income	Balance at 31.12.2016
Provisions for other business risks	164	-	-	614	-639	139
Provisions for restructuring	1,268	-785	-	1,412	-1,058	837
Other provisions	1,710	-1,190	-	1,145	-670	995
Total provisions	**3,142**	**-1,975**	**-**	**3,171**	**-2,367**	**1,971**
Reserves for general banking risks	**1,500**	**-**	**-**	**760**	**-1,260**	**1,000**
Value adjustments for default and country risks	**5,681**	**0**	**10**	**1,340**	**-3,296**	**3,735**
- of which, value adjustments for default risks in respect of impaired loans/receivables	*2,475*	*0*	*11*	*1,270*	*-31*	*3,725*
- of which, value adjustments for latent risks	*3,206*	*-*	*-1*	*70*	*-3,265*	*10*

As a result of the improvement in the financial condition of Valartis Group in 2016, the provision for other business risks established to cover the amounts of rents receivable from Valartis Group AG (CHF 590K) was released as of 31 December 2016.

The release of provisions for restructuring relates to provisions not economically necessary at the end of the financial year and relating to the acquisition of a client portfolio from another banking institution (CHF 455K) as well as the acquisition and merger of Valartis Bank AG in 2014 (CHF 603K). The Bank also established a provision of CHF 1,412K relating to a restructuring plan initiated in September, which was partially utilized at 31 December 2016.

Other provisions include a new provision covering the guarantee extended to the buyer for the sale of buildings in Lausanne in 2015 (CHF 645K) and a provision for complaints and legal proceedings (CHF 350K).The Bank released CHF 670K in provisions not economically necessary during the reference financial year.

Value adjustments for default risks were restated to identified economic risks. The CHF 3,166K value adjustment established last year as a result of the deterioration in the economic situation of Valartis Group was fully released during the reference financial year. In addition, the Bank established CHF 1,270K in value adjustments for default risks associated with non-performing and impaired receivables at 31 December 2016.

3.10 Presentation of the Bank's Capital
(in CHF thousands)

	31.12.2016			31.12.2015		
	Total par value	No. of shares	Capital eligible for dividend	Total par value	No. of shares	Capital eligible for dividend
Share capital	50,000	62,500	50,000	50,000	62,500	50,000
- of which, paid up	*50,000*	*62,500*	*50,000*	*50,000*	*62,500*	*50,000*
Total Bank's capital	**50,000**	**62,500**	**50,000**	**50,000**	**62,500**	**50,000**

All components of capital are fully paid up. In order to exercise their voting right and other rights related to such voting right, holders of registered shares must be recognized by the Board of Directors and entered in the shareholder register. This consent may be refused if the shareholder does not state that the shares were acquired in the shareholder's own name and for the shareholder's own account, or if the voting rights of a holder of registered shares are more than 5% of the total number of registered shares issued. These are the only restrictions on shareholder voting rights.

3.11 Disclosure of holders of significant participations
(in CHF thousands)

The holders of participations below directly hold participations exceeding 5% of all voting rights:

	31.12.2016		31.12.2015	
	Nominal	Share as %	Nominal	Share as %
Norinvest Holding SA, Geneva	50,000	100.00	50,000	100.00

The holders of participations below directly hold participations exceeding 5% of the voting rights of Norinvest Holding SA (i.e. indirectly 5% of the Bank):

	31.12.2016	31.12.2015
Valartis AG, Baar [1]	24.998%	24.998%
Massimo Esposito, Pully	14.754%	11.548%
MB Primoris Limited, Stans [3]	6.338%	6.338%
IMA Investments Holdings AG, Zoug [4]	5.934%	5.934%
Davide Savoino, Lugano	5.714%	5.529%
Immopart financement SA, Geneva [2]	4.610%	8.973%

There is an organized group bound by a shareholders' agreement and comprising 17 individuals and legal entities (as of 31 December 2015: 15 persons). At 31 December 2016, the organized shareholder group held a total of 85.22% (as of 31 December 2015: 85.44 %) of the share capital and voting rights of Norinvest Holding SA.

1) Gustav Stenbolt indirectly holds 31.83 % of Valartis AG through Tidesea AG, Baar/Switzerland and MCG Holding SA, Baar/Switzerland.

2) Immopart financement SA, Geneva/Switzerland is 89.02% held by Timea Holding SA, Pully/Switzerland and 10.98% held by Christiane Grandjean-Sporrer. Timea Holding SA, Pully/Switzerland is 77.33% held by Massimo Esposito-Sporrer and 22.67% held by Jacqueline Esposito-Sporrer.

3) MB Primoris Limited, Stans/Switzerland is 46.67 % held by Allan J. Myers, member of the Board of Directors of Norinvest Holding SA.

4) IMA Investments Holdings AG, Zoug/Switzerland is wholly owned (100 %) by Maria Carmen Frias.

3.12 Disclosure of amounts due from/to related parties
(in CHF thousands)

	Amounts due from		Amounts due to	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Holders of qualified participations	22,187	25,293	12,132	12,552
Group companies	1,721	5,721	300,547	355,499
Transactions with members of governing bodies	128	2,729	313	338
Other related parties	7,713	9,323	11,987	22,015

In the normal course of business, the Bank conducts transactions with holders of qualified participations. These include advances, deposits and transactions in financial instruments (currency transactions, securities transactions, etc.).

As of 31 December 2016, one related party was both a holder of a qualified participation and a member of a governing body for a receivable of CHF 2,600K (2015: CHF 2,601K) and an obligation of CHF 4K (2015: CHF 3K). These amounts were recorded on the line “Holders of qualified participations.”

The Bank has receivables and obligations to companies that are predominantly held by holders of qualified participations. These are considered to be other related parties. Receivables and obligations in relation with the companies of the Group stem essentially from interbank transactions with the Nassau subsidiary.

There are no material off-balance-sheet transactions with related parties, with the exception of the Nassau subsidiary.

Transactions with related parties are entered into under market conditions, with the exception of the following:
- On 22 September 2016, 206,116 shares of Norinvest Holding SA were purchased by the Bank at the price of CHF 3.31 (versus a market price of CHF 2.6 at the time of the transaction).
- Shareholders benefit from discounted custodian fees and costs.
- Members of the governing bodies benefit from a lower interest rate on mortgage loans (market rate -0.5%).

3.13 Breakdown of total assets by credit rating of country groups
(in CHF thousands)

	31.12.2016		31.12.2015	
Net foreign exposure	Absolute value	Share as %	Absolute value	Share as %
SERV risk categories				
1 & 2	576,912	83.53	801,052	79.39
3	50	0.01	10	0.00
4	46,502	6.73	60,611	6.01
5	2,372	0.34	86,103	8.53
6	5,440	0.79	3,071	0.30
7	6,950	1.01	5,430	0.54
Unrated	52,431	7.59	52,764	5.23
Total assets	**690,657**	**100.00**	**1,009,041**	**100.00**

The Bank uses the ratings provided by FINMA, which are derived from SERV Swiss Export Risk Insurance (an institution of the Swiss Confederation under public law).

4 Information on Off-Balance-Sheet Transactions

4.1 Breakdown of fiduciary transactions
(in CHF thousands)

	31.12.2016	31.12.2015
Fiduciary investments with third-party companies	223,072	210,081
Total fiduciary transactions	**223,072**	**210,081**

4.2 Breakdown of managed assets and presentation of their development
(in CHF thousands)

Breakdown of managed assets	31.12.2016	31.12.2015
Assets in collective investment schemes managed by the Bank	19,993	26,989
Assets under discretionary asset management agreements	539,964	536,877
Other managed assets	2,763,653	3,076,238
Total managed assets (including double counting)	**3,323,610**	**3,640,104**
- of which, double counting	*16,144*	*17,875*

Managed assets include all client assets that are investments under custody with the bank and client assets under custody with third-party banks but managed by the Bank.

Assets under discretionary asset management agreements include client assets for which the investment decisions are made by the Bank. Other managed assets are those for which the investment decisions are made by the client. Assets in collective investment schemes managed by the Bank and sold in another sector are recognized twice given that each unit provides services to clients and generates income.

Presentation of the development of managed assets	2016	2015
Total managed assets (including double counting) at beginning	3,640,104	3,624,916
+/- Net new money inflow or net new money outflow	-73,394	-199,333
+/- Price gains/losses, interest, dividends and currency gains/losses	-43,024	-131,104
+/- Changes in managed assets financed by Lombard loans	-200,076	314,037
+/- Other effects	-	31,588
Total managed assets (including double counting) at end	**3,323,610**	**3,640,104**

During the 2016 financial year, loans extended in connection with the Structured Finance activity secured by gold deposits decreased by CHF 169,965K.

The Bank determines the amount of net new money based on inflows and outflows of client funds. Interest income and dividends generated by managed assets are not considered an inflow of new money. The amount of net new money excludes changes related to the market and exchange rates and excludes fees, commissions and debited interest.

5 Information on the Income Statement

5.1 Breakdown of the result from trading activities and the fair value option
(in CHF thousands)

Breakdown by business area	2016	2015
Trading activities for the account of the client	4,708	5,366
Trading activities for own account	672	5,982
Trading activities for Structured Finance	2,542	4,201
Total result from trading activities	**7,922**	**15,549**

Result from the use of the fair value option	2016	2015
Result from trading activities from:		
Equity securities (including funds)	1,786	876
Foreign currencies	47,162	-185
Commodities/precious metals	-41,026	14,858
Total result from trading activities	**7,922**	**15,549**
- of which, from fair value option	*312*	*2,287*
• of which, from fair value option on assets	*-*	*-*
• of which, from fair value option on liabilities	*312*	*2,287*

5.2 Disclosure of material refinancing income in the item “Interest and discount income” as well as material negative interest
(in CHF thousands)

Material refinancing income in the item “Interest and discount income”

Interest and discount income is not credited for refinancing costs for trading positions.

Material negative interest	2016	2015
Negative interest on the lending business (reduction in interest and discount income)	-3,046	-2,067
Negative interest on the borrowing business (reduction in interest expense)	611	554

5.3 Breakdown of personnel expenses
(in CHF thousands)

	2016	2015
Salaries (meeting attendance fees and fixed compensation to members of the Bank’s governing bodies, salaries and benefits)	24,711	23,240
Social insurance benefits	1,467	1,227
Contributions to pension funds for personnel	2,303	2,222
Insurance for personnel	365	264
Professional training expenses	221	104
Other personnel expenses	1,452	1,069
Total personnel expenses	**30,519**	**28,126**

5.4 Breakdown of general and administrative expenses
(in CHF thousands)

	2016	2015
Office space expenses	2,912	2,471
Expenses for information and communications technology	6,406	6,748
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	388	239
Professional fees	1,672	2,011
Fees of audit firms	694	720
- of which, for financial and regulatory audits	*616*	*630*
- of which, for other services	*78*	*90*
Travel and representation expenses	1,043	799
Costs related to various projects	1,195	1,065
Indirect taxes	51	206
Other operating expenses	1,244	1,404
Total general and administrative expenses	**15,605**	**15,663**

5.5 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

Material losses
The parent company billed back an operational loss of CHF 522K to the Bank. The Bank recorded another material loss of CHF 138K during the financial year as a result of poor execution of a stock market transaction.

Extraordinary income
Extraordinary income is essentially comprised of a tax refund of CHF 582K related to the sale of the building held by the former BDG in the Canton of Neuchâtel in 2011 and a repayment from Valartis Group following the formal collateral call provided in the share purchase agreement for CHF 400K. We also refer to the comments below relating to material releases of hidden reserves.

Extraordinary expenses
Extraordinary expenses relate mainly to a charge of CHF 331K associated with the VAT audit of the prior five financial years.

Material releases of hidden reserves
During the financial year, the Bank released two provisions considered not economically necessary in the prior financial year for CHF 350K, reflected in extraordinary income.

Reserves for general banking risks
During the financial year, the Bank released CHF 1,260K in reserves for general banking risks created in the prior year and reestablished the reserve amount at year-end for CHF 760K to cover potential value fluctuations arising from its Structured Finance activity.

Value adjustments and provisions no longer required
Significant changes to provisions and other value adjustments are detailed in the table showing value adjustments and provisions (note 3.9).

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

The Bank carried out no revaluations of its participations or tangible fixed assets during the 2016 financial year (2015: none).

5.7 Unrealized and unrecorded losses on tangible fixed assets stemming from the application of the transitional provision relating to the individual valuation principle

Unrealized and unrecorded losses stemming from the application of the transitional provision deferring implementation of individual valuation to 1 January 2020 at latest amounted to CHF 2.7 million on buildings used by the Bank.

5.8 Presentation of current and deferred taxes and disclosure of tax rate
(in CHF thousands)

	2016	2015
Expenses for current income and capital taxes	362	356
Total taxes	**362**	**356**
The weighted average tax rate (as a %) on the basis of the operating result	n/a	n/a

The Bank did not calculate an average tax rate for 2016 and 2015 because it has deductible tax loss carry-forwards totaling CHF 61 million at year-end 2016 (2015: CHF 83 million).

Tax expense relates only to tax on capital (approximate rate of 0.45%).

KPMG SA
Audit Financial Services Western Switzerland
111 Rue de Lyon P.O. Box 347
CH-1203 Geneva CH-1211 Geneva 13
Telephone +41 58 249 25 15
Fax +41 58 249 25 13
www.kpmg.ch

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

Banque Cramer & Cie SA, Geneva

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Banque Cramer & Cie SA, which comprise the balance sheet, income statement, statement of changes in inquity and notes (pages 46 to 67 of the 2016 Annual Report) for the year ended 31 December 2016.

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 2016 comply with Swiss law and the company's articles of incorporation.

KPMG

Banque Cramer & Cie SA, Geneva
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders

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 recommend that the financial statements submitted to you be approved.

KPMG SA

Nicolas Moser
Licensed Audit Expert
Auditor in Charge

Raphaël Prébandier
Licensed Audit Expert

Geneva, 21 April 2017

Enclosure:
- Financial statements (balance sheet, income statement, statement of changes in equity and notes)

Capital Adequacy and Liquidity Disclosure Requirements

Eligible Capital
(in CHF thousands)

	31.12.2016	31.12.2015
Common Equity Tier 1 Capital (CET1)	54,958	53,079
Tier 2 Capital (T2)	2,426	2,291
Total eligible capital	**57,384**	**55,370**
- of which, Tier 1 Capital (T1)	*54,958*	*53,079*

Minimum Required Capital
(in CHF thousands)

	31.12.2016	31.12.2015
Total minimum required capital	**27,574**	**31,355**
Risk weighted assets	**344,675**	**391,938**

Capital Ratios
(as a % of risk weighted assets)

	31.12.2016	31.12.2015
CET1 ratio	15.94	13.54
T1 ratio	15.94	13.54
Regulatory capital ratio	16.65	14.13
Countercyclical capital buffer	0.39	0.27
CET1 target in accordance with CAO Annex 8 plus the countercyclical buffer	7.79	7.67
T1 target in accordance with CAO Annex 8 plus the countercyclical buffer	9.39	9.27
Target for regulatory capital ratio in accordance with CAO Annex 8 plus the countercyclical buffer	11.59	11.47

Leverage Ratio
(in CHF thousands)

	31.12.2016	31.12.2015
Exposure measure subject to the leverage ratio	1,568,833	2,161,749
Basel III leverage ratio (Tier 1 capital as a % of total exposure)	3.50	2.46

Liquidity Coverage
(in CHF thousands)

	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Numerator of the LCR: total high quality liquid assets	482,752	461,817	531,095	623,529
Denominator of the LCR: total net cash outflows	338,359	353,828	425,748	503,250
Liquidity coverage ratio, LCR (as a %)	142.67	130.52	124.74	123.90

Genève (headquarters and registered office)
Avenue de Miremont 22
CH-1206 Genève
T +41 58 218 60 00

Lausanne
Avenue du Théâtre 14
CH-1002 Lausanne
T +41 21 341 85 11

Lugano
Riva Caccia 1
CH-6900 Lugano
T +41 58 218 68 68

Zurich
Sihlstrasse 24
CH-8001 Zurich
T +41 43 336 81 11

www.banquecramer.ch
info@banquecramer.ch

Banque Cramer & Cie SA
Genève | Lausanne | Lugano | Zurich
www.banquecramer.ch