



Annual Report 2019

BankMed (Suisse) SA

TABLE OF CONTENTS

CEO MESSAGE	2
BOARD OF DIRECTORS	3
EXECUTIVE COMMITTEE	6
CAPITAL ADEQUACY DISCLOSURES	8
FINANCIAL STATEMENTS 2019	9
REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS	9
BALANCE SHEET	11
OFF-BALANCE SHEET	12
INCOME STATEMENT	13
STATEMENT OF CHANGES IN EQUITY	14
NOTES TO FINANCIAL STATEMENTS	15
1. COMMENTS ON BUSINESS ACTIVITIES AND NUMBER OF EMPLOYEES	15
2. ACCOUNTING POLICIES AND VALUATION PRINCIPLES	15
3. RISK MANAGEMENT	16
4. NOTES	17
PROPOSED APPROPRIATION OF AVAILABLE EARNINGS	29

CEO MESSAGE

In 2020, BankMed (Suisse) S.A. will be celebrating its 35th year of presence in Switzerland.

Our performance throughout 2019 proved our resilience by showing a strong capital adequacy ratio, at 39.7%, well above the required regulatory minimum (10.5%). BankMed (Suisse) is very well capitalised.

Our liquidity ratio end of 2019 (325%) is another indicator of the Bank's solidity. Assets under management grew by 7%, reaching CHF 1,340 million end of 2019. Total balance sheet attained CHF 484 million (+14% compared to 2018).

Our aspiration to pursue our development and improve our services was marked during 2019 by the Board and Management decision to invest in a new core banking system, while strengthening our front and back office teams.

Markets and economic headwinds which occurred during 2019 confirmed our willingness to embed further a strong risk management culture in addition to reinforcing our governance and risks controls measures.

BankMed (Suisse) S.A legal and operational autonomy, as guaranteed by its status as a Swiss subsidiary, will continue to warrant stability and quality of service.

Our business development projects will be pursued, thanks to a highly and skilful dedicated team, while maintaining our well known personalised style to assist our customers with their investments and wealth management plans.

Fadi Halout

BOARD OF DIRECTORS

DURING THE YEAR 2019, THE BOARD OF DIRECTORS WAS COMPOSED (ON AVERAGE) BY 9 NON-EXECUTIVE MEMBERS, AS FOLLOWS:

Mohammed Hariri

Chairman of the Board of Directors

Mr. Hariri is the Chairman of BankMed SAL and its subsidiaries: Saudi Lebanese Bank, MedInvestment Bank, Al Mal Investment (Holding) in Lebanon as well as BankMed (Suisse) in Switzerland and the Chairman of GroupMed International Holding Limited in Dubai. He is also the Chairman of Oger Telecom in Dubai, Ojer Telekomünikasyon, Türk Telekom, TTNET, and Avea İletişim Hizmetleri in Turkey.

Mr. Hariri is a member of the Board of Directors of the Association of Banks in Lebanon. He has over 35 years of experience in the management of Hariri Group companies in the fields of Banking and Finance, Telecommunication, and Investment. He was previously the Chairman of GroupMed (Holding) from 2005 until 2017. He also served as the Chairman of Cell C, South Africa between 2013 through 2017.

Mr. Hariri had served as a Board member at various insurance and telecommunication companies as well as other companies in the field of finance and international investment. He was a member of the Board of Directors of Arab Bank PLC, Jordan and a member of Deutsche Bank PWM Middle East and Africa Advisory Board.

Mr. Hariri holds a Bachelor's degree in Business Administration from the University of Ottawa, Canada.

Antoine Nehman*

Vice-Chairman of the Board of Directors Member of the Audit Committee

Mr. Nehman graduated from HEC Paris.

Since 1992, Mr. Nehman is the General Manager of Cofimed SA.

He was Deputy General Manager of BankMed SAL from 1978 till 1987 and General Manager of BankMed (Suisse) from 1987 to 1992.

Basile Yared

Member of the Board of Directors

Mr. Yared is an attorney at law, with law offices in Beirut. He was the Vice-Chairman to the Chairman-General Manager of BankMed SAL. He was also the Chairman of the BankMed SAL's Audit Committee and a member of the Remuneration Committee.

Mr. Yared, inter alia, was a Board member of MedInvestment Bank, BankMed (Suisse), GroupMed International Holding Limited in Dubai. He also serves as a Board member at The Lebanese Company for the Development and Reconstruction of the Beirut Central District (Solidere) and Solidere International, Fradim (France), as well as Interaudi Bank (US), and Holcat sal (Lebanon).

Mr. Yared is also a Board member of the Ecole Supérieure des Affaires (ESA).

In October 2019, Me Yared retired from all his responsibilities within Bankmed Group including his position as a member of the Board of Directors of BankMed (Suisse).



David Bueche*

Member of the Board of Directors

Chairman of the Audit Committee

Mr. Bueche holds a Master in Business Administration from HEC Lausanne and is a Swiss Chartered Professional Accountant. He is an independent member of several Board of Directors and Audit Committees of companies subject to the supervision of FINMA.

He joined Arthur Andersen Geneva in 1986 as part of the « audit financial market » division and was promoted in 1997 to the partnership in the audit division. In 2002, he joined Baker Tilly Spiess (member of Baker Tilly International, the 10th worldwide largest auditing network) as partner and head of the financial market department and works essentially with a wide variety of Swiss and international clients (internal audit, financial expertise, consulting, tax advice, directorship).

Faten Matar

Member of the Board of Directors

Mr. Matar holds an MBA from the American University of Beirut. He worked for more than 15 years at the MENA and European Divisions of Citibank in both the Institutional and Consumer business segments. He occupied the position of Deputy General Manager of Byblos Bank, prior to joining BankMed Group, where he served as a General Manager at Banque de la Mediterranee SAL and Allied Bank SAL.

He is currently Advisor to the Executive General Manager of BankMed SAL and the CEO of Turkland Bank (Turkey), as well as a member of the Board of Directors of BankMed (Suisse), Emkan Finance SAL, and GroupMed Insurance Brokers SAL.

Mr. Matar Board mandate at BankMed (Suisse) ended on April 14, 2020.

Nicolas Killen*

Member of the Board of Directors

Member of the Audit Committee

A graduate of the faculty of Law of the University of Geneva in 1986 and holding a LL.M degree from the Duke University School of Law, Mr. Killen is admitted to the Geneva Bar and the New York Bar in 1990, first joining Skadden Arps Slate Meagher & Flom in New York as an associate and Borel & Barbey in Geneva in 1992. He becomes a partner of the firm in 1999 and is managing partner since 2011.

Raoul Nehme

Member of the Board of Directors

Member of the Audit Committee

Mr. Nehme was the Executive General Manager of Bankmed SAL from June 2018 to January 2020. He also served as a member of the Board of Directors at Bankmed S.A.L., MedInvestment Bank S.A.L. and Saudi Lebanese Bank S.A.L. (SLB). Mr. Nehme was the chairman of Turkland Bank A.Ş. (T-Bank), Bankmed's subsidiary in Turkey, in addition he was chairing Emkan Finance S.A.L. (Emkan), the Bank's microfinance subsidiary. He additionally held the General Manager position at each of, MedInvestment Bank S.A.L. and SLB.

He has a long-standing experience in the banking and financial domains and had occupied a number of positions including the chairing of the Executive Committee of AstroBank Ltd (Cyprus), and the role of General Manager of BLC Bank (Lebanon). He also participated as a member of the Board of Directors of the above mentioned banks in addition to USB Bank (Cyprus).

Mr. Nehme's commitment to sustainable development led him to be one of the Founders and the President of Jouzour Loubnan, a non-profit organization, whose mission is to participate in the restoration of Lebanese woodland and to promote sustainable forestation in the arid regions of Lebanon.

Mr. Nehme holds a degree in Engineering from Ecole Polytechnique de Paris (France) with a major in Economics in addition to an Engineering degree with a major in Scientific Management from Ecole des Mines de Paris (France).

Following his appointment, as Minister of Economy and Trade of Lebanon, in January 2020, Mr. Nehme resigned from all his responsibilities within Bankmed Group including his position as a member of the Board of Directors and the Audit Committee of BankMed (Suisse).

Saad El Zein**Member of the Board of Directors**

Mr. El Zein joined Bankmed in 2011 and his current position is Group Head of Corporate & Commercial Banking managing a loan portfolio close to \$2.5 Billion. He is a member of the following Committees: Group Executive Committee, Group Senior Credit Committee, ALCO, IT and Digital Transformation & Compliance Committee. Mr. El Zein is also a Board Member and Chairman of the Board Credit Committee of Tbank (A Turkish with 16 branches operating across Turkey).

Before joining Bankmed, Mr. El Zein assumed several positions at Bank Audi between 1998 and 2011, last of which is Head of Regional Corporate Banking. During 2007-2010, he was appointed as Deputy General Manager for Bank Audi LLC in Doha-Qatar.

Between 1995 – 1997, he worked as a Telecom Engineer Consultant at Dar Al Handasah (Shair & partners).

Mr. El Zein holds a Bachelor Degree in Computer & Communications Engineering from the American University of Beirut, an MBA from the Lebanese American University and is a CFA Charterholder.

He attended several Executive Education Programs at INSEAD and London Business School - UK

Mr. El Zein Board mandate at BankMed (Suisse) ended on April 14, 2020.

Tania Moussallem**Member of the Board of Directors****Member of the Audit Committee**

Mrs. Moussallem has a career in banking and is currently Advisor to EGM and COO, Assistant Executive General Manager at BankMed. She sits in several Boards of Directors and committees.

She has chaired The Financial Alliance for Women from May 2015 to June 2019. In 2015, she has been selected among the most influential women in the Arab Banking Sectors by the Union of Arab Banks and is the recipient of several awards.

Her career started at Société Générale de Banque au Liban where she held several managerial positions. in the Corporate and Investment Banking Division.

She then joined BLC bank in 2008 as Head of Strategic Development and Financial Management Group and later took the responsibility of the Support and Marketing Group in 2014. Mrs. Moussallem was a member of the Board of Directors of USB Bank (Cypriot subsidiary of BLC Bank) and a member of several committees in BLC Bank.

She holds a Master's degree in Finance & Communication from Ecole Supérieure des Sciences Economiques et Commerciales ESSEC, France and a BA from the American University of Beirut.

Zuhayr Mikdashi***Member of the Board of Directors**

Professor Mikdashi, holder of a Doctorate in International Economic Relations from Oxford University (UK), has assumed several responsibilities that enriched his reflections. These included founding and directing the Institute of Banking and Financial Management (later shortened to Institute of Banking and Finance) at the University of Lausanne, Switzerland; tenured Professorship of Business Administration, the American University of Beirut, Lebanon; Visiting Faculty at the Graduate School of Business, University of Indiana, Bloomington, USA; Distinguished Visiting Professor at the Business School of the American University in Cairo; Research Fellow at the Center for International Affairs, Harvard University, USA; Research Fellow at the Japanese Institute for Developing Economies, Tokyo, Japan; Advisor or consultant (for the World Bank, U.N. agencies, OPEC, OECD Development Center, Arab Monetary Fund, and various national or trans-national institutions); Resident Advisor to the Minister of Finance and Oil, State of Kuwait; Advisor to the United Arab Emirates' Minister of State for Foreign Affairs on international economic affairs; Economist responsible for negotiations with foreign oil companies (transport and refining) within the Prime Minister's Office in Lebanon; Advisor, World Economic Forum, Geneva.

He is the author or co-author of over ten books and monographs and wrote several articles on economic development, political economy, and international economic relations, and development..

Mr. Mikdashi Board mandate at BankMed (Suisse) ended on April 14, 2020.

**Reference of independent Board member according to FINMA Circular 2017/1*

EXECUTIVE COMMITTEE

THE EXECUTIVE COMMITTEE IS COMPOSED OF 6 MEMBERS, CHAIRED BY MR. FADI HALOUT.

Fadi Halout

Chief Executive Officer (CEO)

Mr. Halout, BankMed (Suisse) CEO since November 2019, has over 20 years of experience in the Banking and finance industry.

He was previously Head of Private Banking Europe at Europe Arab Bank, based in London, in addition to his role as acting Country Head for France. From 2004 to 2016, he was the Country CEO for National Bank of Abu Dhabi in France, where he led many major transactions with large European corporates, Middle Eastern Sovereign Wealth Funds, and High Net Worth Individuals.

Mr. Halout started his career with Philippe Investment Management in Paris, before joining BFO –Credit Agricole Indosuez as Product Development Manager and later BLC Bank France as Head of Marketing & Financial Products.

Guest speaker in several conferences, he was elected President of the foreign banks association in France (CBEF), from 2013 to 2017, where he serves now as Honorary President & Board Member. He is currently lecturer in Corporate Strategy at Dauphine University, Paris. From 2001 to 2005, he was lecturer in asset management at Dauphine University. He co-founded an economic think tank in Paris in 2009.

He holds an Executive MBA joint degree from HEC Paris, London School of Economics and New York University; and a Master's degree in Industrial Organization from Paris Dauphine University.

Stanislas de Hauss Boncza

Chief Executive Officer ad interim (CEO-ad interim)

Mr. de Hauss assumed the functions of CEO ad interim of BankMed (Suisse) until November 2019.

He was the Chief Executive Officer of BankMed (Suisse) From March 2009 to the end of 2016. He was also member of the Board of Directors of BankMed SAL till 2017.

Prior to that, he has spent the last 25 years with Indosuez, Credit Agricole and Calyon assuming various senior management positions, most of which were directly related to the Middle East region.

Mr. de Hauss holds a degree in engineering from Ecole Nationale Supérieure des Industries Agricoles et Alimentaires (ENSIA).

Adel Chekir

Head of Advisory

Mr. Chekir has 25 years of experience in financial markets including 14 years in Asset Management & Trading, and 11 years in Private Banking.

From 2000 to 2008, he was involved in risk management, market analysis, stock picking, portfolio management and trading within three different Alternative Asset Management companies: Colbert Europe in London, Cambos and Zenam in Geneva.

Prior to that, he worked for Axa Investment Managers in London, as a quantitative analyst and equity portfolio manager from 1995 to 2000. Mr. Chekir joined BankMed (Suisse) in 2008 as Head of Investment & Research.

He holds a degree in Actuarial Sciences from ISUP University Pierre & Marie Curie in Paris. He has been a CFA charter holder since 2001.



Fernand Cendan

Chief Operation and Risk Officer (COO/CRO)

Mr. Cendan is the Chief Operating Officer of BankMed (Suisse) since November 2018.

Prior to joining BankMed (Suisse), he spent 10 years at Merrill Lynch (Bank) Suisse SA in Geneva, holding different positions, 5 years at KBL (Switzerland) Ltd, as Head of Operations, 5 years at SEB Private Bank SA in Geneva, as Chief Operating Officer and 2 years at Lombard Odier in Geneva.

Mr. Cendan has more than 25 years of experience in the Banking industry and assumed responsibility for several strategic projects related to operations, ICT implementation and restructuring.

He holds a Federal Certificate of Proficiency in Commercial Business.

Kareem Youssef

Head of Treasury & Execution

Mr. Youssef is the Head of Treasury & Execution of BankMed (Suisse) since July 2015. He has over 10 years of experience in financial markets, having started his career at BankMed SAL in 2007 in the Capital Markets division of the Treasury department.

Mr. Youssef holds a Bachelor's degree in Banking & Finance (degree awarded with Distinction) from the Lebanese American University in Beirut.

Michel Trolliet

Head of Compliance and Central File

Mr. Trolliet is the Head of Compliance and Central File of BankMed (Switzerland) since April 2017.

Prior to joining BankMed (Switzerland), he was responsible of various operational sectors, with Credit Suisse and CA Indosuez Wealth Management as well as in other private banks in Geneva.

Mr. Trolliet has more than 30 years of experience in the Banking industry, mainly in operational areas and control.

Patrice Richard

Head of Financial Control

Mr. Richard has been the Head of Financial Control of BankMed (Suisse) for the last 21 years. He is a member of Risk and Product Committees. He is also assuming the role of Credit Risk Manager for the Credit Committee.

Prior to joining BankMed (Suisse), Mr. Richard worked at Barclays (Suisse) for a period of 8 years.

CAPITAL ADEQUACY DISCLOSURES

	31.12.2019 (in K CHF)			
Composition of eligible capital				
Common Equity Tier 1 (CET +1) Capital	88'927			
Additional Tier 1 (AT1) Capital	-			
Tier 2 Capital	-			
Total Eligible capital	88'927			
Composition of required capital				
Credit risk	14'071			
Non counterparty- related risks	55			
Credit valuation adjustment	20			
Market risk	433			
Operational risks	2'212			
Items not deducted in application of threshold 3 , but risk weighted with 250 %	1'003			
Total required capital	17'794			
Capital ratios				
CET 1 Capital ratio	39.98%			
Ratio T1	39.98%			
Ratio regarding the regulatory capital	39.98%			
Regulatory capital target ratios according to FINMA 11/2 (including the countercyclical buffer)	10.50%			
Leverage ratio				
Tier 1 Capital	88'927			
Exposure measure	498'028			
Leverage ratio	18%			
LIQUIDITY RATIO				
	Q1 2019 (average)	Q2 2019 (average)	Q3 2019 (average)	Q4 2019 (average)
Liquidity coverage				
Total high quality liquid assets	67'078	76'181	64'836	101'038
Total net cash flows	19'715	19'975	21'519	31'098
Liquidity coverage ratio	340.24%	381.38%	301.30%	324.90%



FINANCIAL STATEMENTS 2019

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS



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Report of the Statutory Auditor

To the General Meeting of
BankMed (Suisse) SA, Geneva

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of BankMed (Suisse) SA, which comprise the balance sheet as at December 31, 2019, income statement, statement of changes in equity and notes for the year ended

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 December 31, 2019 comply with Swiss law and the Company's articles of incorporation.



Deloitte.

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 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Deloitte SA

Myriam Meissner
Licensed Audit Expert

Sébastien Macaire
Licensed Audit Expert
Auditor in charge

Geneva, April 14, 2020

MME/SMA/nvi

Enclosures:

- Financial statements (balance sheet, income statement, statement of changes in equity and notes)
- Proposed appropriation of available earnings

BALANCE SHEET AT DECEMBER 31, 2019

(with 2018 comparative figures)

(expressed in CHF)

	NOTES	2019	2018
ASSETS			
Liquid assets		105,423,520	37,755,204
Amounts due from banks		134,905,779	140,255,398
Amounts due from customers	4.2	151,211,119	132,681,803
Mortgage loans	4.2	48,113,599	53,864,947
Positive replacement values of derivative financial instruments	4.4	688,972	654,973
Financial investments	4.5	35,281,468	55,275,163
Accrued income and prepaid expenses		3,570,797	1,241,193
Participations	4.6 & 4.7	5,015,000	5,015,000
Tangible fixed assets	4.8	303,727	426,942
Other assets	4.10	20,796	21,164
Total assets		484,534,777	427,191,787
Total subordinated loans		-	-
LIABILITIES			
Amounts due to banks		81,558,541	63,898,253
Amounts due in respect of customers deposits		307,725,672	267,563,879
Negative replacement values of derivative financial instruments	4.4	488,993	104,070
Accrued expenses and deferred income		1,172,193	1,147,657
Other liabilities	4.10	216,704	104,688
Provisions	4.16	1,000,000	-
Reserves for general banking risks	4.16	12,227,469	14,739,469
Bank's capital	4.17	30,000,000	30,000,000
Statutory retained earnings reserve		3,575,000	3,460,000
Profit carried forward		46,058,771	43,924,992
Profit (result of the period)		511,433	2,248,779
Total liabilities		484,534,777	427,191,787
Total subordinated liabilities		-	-

OFF-BALANCE SHEET AT DECEMBER 31, 2019

(with 2018 comparative figures)

(expressed in CHF)

	NOTES	2019	2018
Contingent liabilities	4.28	6,039,827	6,436,600
Irrevocable commitments		755,564	780,786

INCOME STATEMENT

(with 2018 comparative figures)

(expressed in CHF)

		2019	2018
Interest & discount income		10,064,784	9,072,687
Interest & dividend income from financial investments		1,810,850	2,038,044
Interest expenses		(1,660,189)	(1,472,646)
Gross result from interest operations		10,215,445	9,638,085
Changes in value adjustments for default risks and losses from interest operations		(2,812,000)	(29,866)
Subtotal net result from interests operations		7,403,445	9,608,219
Commission income from securities trading and investment activities		2,656,596	4,236,153
Commission income from lending activities		551,222	799,438
Commission income from other services		671,620	606,630
Commission expenses		(511,949)	(625,498)
Subtotal result of commissions from business and services		3,367,488	5,016,723
Result from trading activities	4.32	(152,124)	117,425
Other ordinary income		20,826	798,320
Other ordinary expenses		(1,103,244)	(1,128,474)
Subtotal result from ordinary activities		(1,082,418)	(330,154)
Personnel expenses	4.34	(6,527,462)	(5,671,138)
General and administrative expenses	4.35	(3,404,510)	(3,434,321)
Subtotal operating expenses		(9,931,971)	(9,105,459)
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		(132,545)	(155,975)
Changes to provisions and other value adjustments, and losses		(1,004,442)	20,000
Operating result		(1,532,567)	5,170,779
Extraordinary income		-	-
Extraordinary expenses		-	-
Changes in reserves for general banking risk	4.36	2,512,000	(1,900,000)
Taxes	4.39	(468,000)	(1,022,000)
Profit (result of the period)		511,433	2,248,779

STATEMENT OF CHANGES IN EQUITY

(with 2018 comparative figures)

(expressed in CHF)

	Bank's capital	Statutory retained earnings reserve	Profit carried forward	Reserves for general banking risks	Profit (Result of the period)	Total
Shareholder's equity at January 1, 2019	30,000,000	3,460,000	43,924,992	14,739,469	2,248,779	94,373,240
Allocation (usage) of the reserves for general banking risks*	-	-	-	(2,512,000)	-	(2,512,000)
Allocation to the the statutory retained earnings reserve	-	115,000	-	-	(115,000)	-
Allocation to the profit carried forward	-	-	2,133,779	-	(2,133,779)	-
Profit (result of the period)	-	-	-	-	511,433	511,433
Shareholder's equity at December 31, 2019	30,000,000	3,575,000	46,058,771	12,227,469	637,764	92,372,673

*Please refer to note 36.

NOTES TO FINANCIAL STATEMENTS

1. COMMENTS ON BUSINESS ACTIVITIES AND NUMBER OF EMPLOYEES

Established in Switzerland since 1985, BankMed (Suisse) SA (hereafter “the Bank”) is a public limited company registered in the Swiss Commercial Register. Its registered office is located in Geneva, Rue du Mont Blanc 3.

The Bank’s primary business is advisory services for investments and trading of securities for private clients. The Bank is also providing loans to its private clients. The Bank does business at its main office in Geneva and with the support of its representative office in Lebanon (Beirut).

The total number of employees at the end of the year, on a full-time equivalent basis, is 29 employees (2018: 29 employees).

In accordance with the legal requirements of Circ.-FINMA 2018/3 Outsourcing - Banks, the Bank has outsourced the securities and cash back-offices and the data processing to Azqore. This outsourcing is covered by contracts executed on September 3, 2001 and February 20, 2007.

2. ACCOUNTING POLICIES AND VALUATION PRINCIPLES

The Bank’s financial statements are prepared in accordance with the directives of the FINMA, in particular Circ.-FINMA 2015/1 Accounting - Banks. Notes are numbered according to this circular.

Amounts due from customers and mortgage loans

Amounts due from customers and mortgage loans are stated at their nominal value after deduction of individual bad debt provisions, if any are required. Collaterals are valued as follows:

- Cash and securities used as collateral for lombard loans have a pledge value ranging from 50% to 100% of their market value depending on the type of assets;
- Real estate: Market value of the property assessed through a full appraisal made by a local valuator or validation of the purchase price by a local professional.

Replacement values of derivative financial instruments

The positive replacement values are accounted for in the balance sheet on the asset side, and the negative replacement values on the liability side, for all the derivative financial instruments, irrespective of the accounting treatment in the income statement.

Financial investments

Financial investments are accounted for at the lower of cost or market value. Financial investments include real estate by virtue of a credit transaction and intended for resale are valued at the lower of cost or liquidation value. Financial investments include also bonds intended to hold until maturity. These securities are valued at acquisition cost, adjusted by the premium or discount on a pro-rata basis to maturity date (accrual method), less necessary value adjustments.

Participation

Participation is stated at acquisition cost, after deduction of impairment if required.

Tangible Fixed assets

Fixed assets are stated at historical cost, deducted from impairment if required, less straight-line depreciation over their estimated lives, as follows (unchanged):

Nature of the goods	Estimated life
Fittings	8 years
Vehicles	5 years
Furniture and equipment	8 years
Hardware	3 years
Software	3 years

Taxes

The reserves for general banking risks are not taxed. The Bank provides for all taxes due and estimated to be payable on income earned to date and taxable capital.

Translation of foreign currencies

Assets, liabilities and off-balance sheet expressed in foreign currencies are translated at year-end exchange rates, except for the investment in company which is translated at the exchange rate ruling at the acquisition date. Income and expenses arising during the year are converted into Swiss francs at the exchange rate ruling at the transaction date. Exchange differences are recorded in the income statement of the year.

Forward contracts are estimated at the forward exchange rates of the currencies at year-end. Gains and losses on forward foreign exchange positions are included in the exchange results of the year.

The main exchange rates ruling at the balance sheet date are as follows:

Currency	2019	2018
USD	0,9676	0,9850
EUR	1,0852	1,1262
GBP	1,2704	1,2504

Treatment of doubtful interest income

Interest due and unpaid for more than 90 days is considered as doubtful and a provision is recorded. Interest is no longer recorded when the credit facility is considered unrecoverable.

Subsequent events

On March 2020, the Lebanese government decided to suspend the repayment of Eurobonds maturing March 9, 2020 and to initiate a plan for the recovery and restructuring of the state debt. Management has reviewed the situation relating to this event and concluded that it did not require any post-closing adjustment in the financial statements as at December 31, 2019.

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, the Company does not consider it practicable to provide a quantitative estimate of the potential future impact of this outbreak on the Company.

For the two above events, Management is closely monitoring developments and despite the negative outlooks still of the view that the company is able to continue.

Other than the above, there were no other subsequent events after the reporting date that require adjustment to or disclosure in the financial statements.

3. RISK MANAGEMENT

Market risks

Interest rate risk – The Bank’s policy is to hedge its interest-rate risk by refinancing fixed-term advances and loans to customers at similar amounts, terms and currencies. The exposure is measured and limited in terms of capital sensitivity. The limits are monitored regularly.

Currency, money market and securities risks – Limits are set and monitored daily by management. The Board of Directors has sole authority to approve investments for own account.

Credit risks

Counterparty risk – The Bank’s credit limits are authorized annually. The customer credit limits are approved by either the Board of directors or the Credit Committee. The Risk Department regularly monitors compliance with delegated authority and authorized limits as well as quality of the credits.

Identification of risk of default and value adjustment requirements : Non performing loans are identified through lists of exceptions (limits breaches, collateral value, unpaid interest). Knowledge of the customers’ activity also allows to assess the risk on an individual basis. Provisions are recorded for the impaired portion.

4. NOTES

Note 4.2: Presentation of the collateral for loans and off-balance sheet transactions, as well as impaired loans / receivables

	TYPE OF COLLATERAL			Total
	Secured by mortgage	Other collateral	Unsecured	
Loans (before netting with value adjustments)				
Amounts due from customers	-	78,806,880	72,858,214	151,665,094
Mortgage loans (residential property)	48,113,599	-	-	48,113,599
Total loans (before netting with value adjustments)				
Current year	48,113,599	78,806,880	72,858,214	199,778,693
Previous year	55,502,010	101,228,841	30,294,436	187,025,287
Total loans (after netting with value adjustments)				
Current year	48,113,599	78,806,880	72,404,239	199,324,718
Previous year	55,502,010	101,228,841	29,815,899	186,546,750
Off-balance-sheet				
Contingent liabilities	-	6,039,827	-	6,039,827
Irrevocable commitments	-	755,564	-	755,564
Total off-balance-sheet				
Current year	-	6,795,391	-	6,795,391
Previous year	-	7,217,387	-	7,217,387
Impaired Loans / receivables				
	Gross amount	Estimated liquidation value of collateral	Net amount	Individual value adjustments
Current year	478,538	24,563	453,975	453,975
Previous year	478,538	-	478,538	478,538

Note 4.4: Presentation of derivative financial instruments (assets and liabilities)

	Positive replacement values	Negative replacement values	Contract volumes
Trading instruments			
Interest rate instruments			
Forward agreements	688,972	488,993	166,387,033
Options (OTC)	-	-	-
Total trading instruments before netting agreements at 31.12.2019	688,972	488,993	166,387,033
of which, determined using a valuation model			
Total trading instruments after netting agreements at 31.12.2019	688,972	488,993	166,387,033
Previous year	654,973	104,070	92,083,353
Breakdown by counterparty	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after nettings agreements) on 31.12.2019	-	675,329	13,643

Note 4.5: Breakdown of financial investments

	Book value		Fair value	
	2019	2018	2019	2018
Financial investments				
Debt instruments intended to be held to maturity	32,248,630	51,088,103	32,248,630	53,756,909
Funds	2,655,215	3,802,647	2,655,215	3,930,982
Real estate	377,623	384,413	377,623	384,413
Total	35,281,468	55,275,163	35,281,468	58,072,304
of which, securities eligible for repo transactions in accordance with liquidity requirements	-	-	-	-

According to accounting principals stated in section 2, debt instruments are intended to be held to maturity.

Fair value of debt instruments intended to be held to maturity has been restated for 2018.

Breakdown of counterparties by rating*

Book values	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt instruments	17,576,335	10,219,278	1,487,195	-	2,965,822	-
Funds	-	-	-	-	-	2,655,215

*The above rating is based on the credit rating from Standard & Poor's.

Note 4.6: Presentation of participations

Investment in company	Acquisition cost	Book value previous year end	Value adjustment	Book value as at end of current year
Other participation without market value	5,015,000	5,015,000	-	5,015,000

As of December 31, 2019, the Bank holds a unique participation in SaudiMed Investment Co. Please refer to the Note 4.7.

Note 4.7: Presentation of companies in which the Bank holds a permanent direct or indirect significant participation

The Bank has a direct investment in SaudiMed Investment Co (the "Company"), based in Riyadh, in the Kingdom of Saudi Arabia, with a share capital of Saudi riyals 100 million. The Bank holds 17 % (held directly) of the Company's share capital and voting rights. This Company carries out advisory activities under the Saudi Capital Market regulations.

There are no permanent indirect participations.

Note 4.8: Presentation of tangible fixed assets

	Acquisition cost	Accumulated depreciation	Book value 2018	Additions	Disposals	Accumulated depreciation	Book value 2019
Other tangible fixed assets	763,143	(336,201)	426,942	9,330	-	(132,545)	303,727
Total	763,143	(336,201)	426,942	9,330	-	(132,545)	303,727

Note 4.10: Breakdown of other assets and other liabilities

	Other assets		Other liabilities	
	2019	2018	2019	2018
Indirect taxes	20,796	21,164	216,704	104,688
Total	20,796	21,164	216,704	104,688

Note 4.11: Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership

The Bank does not have any assets pledged or assigned to secure own commitments and of assets under reservation of ownership.

Note 4.13: Disclosures on the economic situation of pension schemes

All employees of the Bank adhere to a collective pension scheme with Swiss Life. The plan is classified as defined contribution under Swiss law.

The pension plan of the Bank is reinsured with Swiss Life to guarantee cover of its assets. The pension plan therefore is 100 % covered (2018 : 100%).

Economic benefit (obligation) and pension benefit expenses		
Pension schemes without own assets	2019	2018
Economic benefits (obligations)	201,280	83,701
Change in economic interest (economic benefit/obligation) versus previous year	117,579	83,701
Contributions paid for the period (including result from employer contribution reserves)	511,409	430,615
<i>Of which extraordinary contributions in the case of temporary measures to remove deficits</i>	None	None
Pension benefit expenses with their most important parameters – as part of the personnel expenses	511,409	430,615

The Bank's decision to change from Axa to Swiss Life occurred in March 2019, leading to the transfer of the KCHF 83.7 of economic benefits from previous year to the Swisslife balance. As at December 31, 2019, the economic benefit amounts to KCHF 201.3.

Note 4.16: Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

	Previous year end	Use in conformity with designated purpose	Reclassifications	Recoveries, doubtful interest, exchange differences	New creations charged to income*	Use in conformity with designated purpose	Releases to income statement	Balance, end of year
Other provisions	-	-	-	-	1,000,000	-	-	1,000,000
Total provisions	-	-	-	-	1,000,000	-	-	1,000,000
Reserves for general banking risks	14,739,469	-	-	-	-	-	(2,512,000)	12,227,469
Value adjustments for default and country risks	478,538	-	-	(24,563)	-	-	-	453,975
of which, value adjustments for default risks in respect of impaired loans / receivables	478,538	-	-	(24,563)	-	-	-	453,975
of which value adjustments for latent risks	-	-	-	-	-	-	-	-

*New creations and releases detailed in the note 36

Note 4.17: Presentation of the bank's capital

	Total nominal value	Number of shares	Dividend-bearing capital
Share capital	30,000,000	30,000	30,000,000

The Bank's capital is unchanged compared to previous year.

Note 4.19: Disclosure of amounts due from / to related parties

	Amounts due from		Amount due to	
	2019	2018	2019	2018
Holders of qualified participations	6,095,880	34,274,066	84,469,043	54,955,451
Group companies	-	-	-	-
Linked companies	-	-	25,560,580	8,338,102
Transactions with members of governing bodies	2,163,908	7,170	266,026	302,044
Other related parties	-	-	-	-

Other material off-balance-sheet transactions

	Fiduciary transactions	
	2019	2018
Holders of qualified participations	278,302,470	338,177,240
Linked companies	913,414	889,258
Transactions with members of governing bodies	2,394,350	332,690

Services provided to affiliated companies (deposits and fiduciary) are provided on terms generally prevalent in the sector. The transactions with member of government bodies, consist of deposit accounts and mortgage loans, are all granted according to the principles generally prevalent in the sector. Fiduciary deposit with holders of qualified participations have been restated for year 2018.

Note 4.20: Disclosure of holders of significant participations

Holders of significant participations and groups of holder of participation with pooled voting rights		2019		2018	
		Nominal	%	Nominal	%
With voting rights					
BANKMED SAL, Beirut	Direct	30,000	100%	30,000	100%
Without voting rights					
GroupMed (Holding) SAL, Beirut	Indirect	30,000	100%	30,000	100%
<i>Via GroupMed (Holding) SAL, Beirut:</i>					
Saadeddine Rafic Hariri, Beirut, Lebanon	Indirect	5,172	17.24%	5,172	17.24%
Teaminvest Holding SAL, Beirut, Lebanon	Indirect	7,500	25%	7,500	25%
Nazek Audi Hariri, Lebanon, Beirut	Indirect	4,656	15.52%	4,656	15.52%
OLT Holding SAL, Beirut, Lebanon	Indirect	12,672	42.24%	12,672	42.24%
<i>Via OLT Holding SAL, Beirut, Lebanon:</i>					
Ala Alkhawaja, Lebanon, Beirut (99.99%)	Indirect	12,672	42.24%	12,672	42.24%
<i>Via Teaminvest Holding SAL, Beirut, Lebanon:</i>					
Saadeddine Rafic Hariri, Beirut, Lebanon (99.99%)	Indirect	7,500	25%	7,500	25%

Note 4.23: Presentation of the maturity structure of financial instruments

	At sight	Redeemable	Within 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Current assets								
Liquid assets	105,423,520	-	-	-	-	-	-	105,423,520
Amounts due from banks	105,877,779	-	29,028,000	-	-	-	-	134,905,779
Amounts due from customers	-	63,761,575	48,081,762	37,867,782	1,500,000	-	-	151,211,119
Mortgage loans	-	-	27,740,656	838,464	17,255,359	2,279,120	-	48,113,599
Positive replacement values of derivative financial instruments	688,972	-	-	-	-	-	-	688,972
Financial investments	2,655,215	-	4,837,435	4,843,053	21,253,771	1,314,461	377,622	35,281,467
Total Current year	214,645,486	63,761,575	109,687,763	43,549,299	40,009,131	3'593'581	377,622	475,624,456
Previous year*	104,954,605	82,060,385	137,584,303	37,927,023	54,465,333	3,111,426	384,413	420,487,488
Debt Capital / financial instruments								
Amounts due to banks	4,163,941	-	67,234,800	10,159,800	-	-	-	81,558,541
Amounts due in respect of customer deposits	218,130,400	-	89,595,272	-	-	-	-	307,725,672
Negative replacement values of derivative financial instruments	488,993	-	-	-	-	-	-	488,993
Total Current year	222,783,334	-	156,830,072	10,159,800	-	-	-	389,773,206
Previous year	185,405,235	-	146,160,966	-	-	-	-	331,566,201

* The previous year balances have been restated in order to repositionne the financial investment of CHF 2.6 millions in MedFund from the financial instruments with a maturity exceeding 5 year to the at sight category, in accordance with Circ.-FINMA 2015/01.

Note 4.24: Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

	2019		2018	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	105,423,520	-	37,755,204	-
Amounts due from banks	83,425,061	51,480,719	33,438,800	106,816,598
Amounts due from customers	2,556,109	148,655,010	2,620,541	130,061,262
Mortgage loans	333,000	47,780,599	531,000	53,333,947
Positive replacement values of derivative financial instruments	688,972	-	654,973	-
Financial investments	-	35,281,468	-	55,275,163
Accrued income and prepaid expenses	3,570,796	-	825,470	415,723
Participations	-	5,015,000	-	5,015,000
Tangible fixed assets	303,727	-	426,943	-
Other assets	20,796	-	21,163	-
Total Assets	196,321,981	288,212,796	76,274,094	350,917,693

	2019		2018	
	Domestic	Foreign	Domestic	Foreign
Liabilities				
Amounts due to banks	3,295	81,555,246	98,281	63,799,971
Amounts due in respect of customer deposits	27,453,253	280,272,418	13,530,464	254,033,415
Negative replacement values of derivative financial instruments	488,993	-	104,070	-
Accrued expenses and deferred income	1,172,193	-	1,147,657	-
Other liabilities	216,704	-	104,688	-
Provisions	1,000,000	-	-	-
Reserves for general banking risks	12,227,469	-	14,739,469	-
Bank's capital	30,000,000	-	30,000,000	-
Statutory retained earnings reserve	3,575,000	-	3,460,000	-
Profit carried forward	46,058,771	-	43,924,992	-
Profit (result of the period)	511,433	-	2,248,779	-
Total Liabilities	122,707,113	361,827,664	109,358,401	317,833,386

Note 4.25: Breakdown of total assets by country or group of countries (domicile principle)

Assets	2019		2018	
	In CHF	Percentage	In CHF	Percentage
Europe	281,049,699	58%	179,986,202	42.13%
<i>of which Switzerland</i>	<i>196,321,980</i>	<i>40%</i>	<i>136,979,980</i>	<i>32%</i>
North America	6,118,825	1.26%	2,284,315	0.53%
Middle East	141,268,165	29.15%	170,652,324	39.95%
<i>of which Lebanon</i>	<i>98,951,787</i>	<i>20%</i>	<i>149,149,126</i>	<i>35%</i>
Africa	1,980,361	0.42%	7,863,091	1.84%
Other countries	54,117,727	11.17%	66,405,855	15.55%
Total assets	484,534,777	100 %	427,191,787	100 %

Note 4.26: Breakdown of total assets by credit rating of country groups (risk domicile view)

S&P	2019	Share in %
AAA AA-	306,766,381	63.31%
A+ A-	15,658,525	3.23%
BBB+ BBB-	3,764,170	0.78%
BB+ BB	1,212	0.00%
B+ B-	4,209,881	0.87%
CCC+ D-	87,561,353	18.07%
Unrated	66,573,655	13.74%
Total	484,534,777	100 %

Note 4.27: Presentation of assets and liabilities broken down by the most significant currencies for the Bank

	CHF	USD	EUR	GBP	JPY	Others	TOTAL
Assets							
Liquid assets	105,283,850	26,587	92,014	21,070	-	-	105,423,520
Amounts due from banks	9,772,909	66,950,178	46,168,813	1,145,641	7,586	10,860,651	134,905,779
Amounts due from customers	5,254,881	130,344,114	10,342,618	770,054	4,460,135	39,317	151,211,119
Mortgage loans	2,283,000	1,973,904	17,652,948	26,203,747	-	-	48,113,599
Positive replacement values of derivative financial instruments	688,972	-	-	-	-	-	688,972
Financial investments	3,976,832	31,304,636	-	-	-	-	35,281,468
Accrued income and prepaid expenses	2,141,023	1,301,179	23,222	102,751	2810	189	3,570,796
Participations	5,015,000	-	-	-	-	-	5,015,000
Tangible fixed assets	303,727	-	-	-	-	-	303,727
Other assets	19,589	-	-	-	-	-	20,796
Total assets	134,739,783	231,900,598	74,279,608	28,244,477	4,470,531	10,899,779	484,534,777

	CHF	USD	EUR	GBP	JPY	Others	TOTAL
Liabilities							
Amounts due to banks	681,663	75,827,109	4,770,218	159,565	7,080	112,907	81,558,542
Amounts due to customers	29,508,971	167,394,627	92,273,174	9,238,579		9,310,321	307,725,672
Negative replacement values of derivative financial instruments	488,993	-	-	-	-	-	488,993
Accrued expenses and deferred income	1,074,020	85,997	12,175		-	-	1,172,192
Other liabilities	216,684	-	-	20	-	-	216,704
Provisions	1,000,000						1,000,000
Reserves for general banking risks	12,227,469	-	-	-	-	-	12,227,469
Bank's capital	30,000,000	-	-	-	-	-	30,000,000
Statutory retained earnings reserve	3,575,000	-	-	-	-	-	3,575,000
Profit carried forward	46,058,771	-	-	-	-	-	46,058,771
Profit (result of the period)	511,433	-	-	-	-	-	511,433
Total liabilities shown in the balance sheet	125,343,005	243,307,733	97,055,567	9,398,164	7,080	9,423,227	484,534,777
Delivery obligations from spot exchange, forward forex and forex options transactions	-	-	-	-	-	-	-
Total Liabilities	125,343,005	243,307,733	97,055,567	9,398,164	7,080	9,423,227	484,534,777
Net position per currency	9,396,779	-11,407,135	-22,775,960	18,846,312	4,463,452	1,476,552	-

Note 4.28: Breakdown and explanation of contingent assets and liabilities

	2019	2018
Contingent assets	13,637,200	13,090,800
Contingent liabilities	6,039,827	6,436,600

The Bank received guarantees issued by the Head office as collateral. They are recorded under contingent assets.

Note 4.30: Breakdown of fiduciary transactions

	2019	2018
Fiduciary investments with third-party companies	348,024,126	201,741,850
Fiduciary investments with group companies and linked companies	278,302,470	328,177,240
Fiduciary loans	290,280	295,500
Fiduciary transactions arising from securities lending and borrowing, which the bank conducts in its own name for the account of customers	-	-
Other fiduciary transactions	-	-
Total fiduciary transactions	626,616,876	530,214,590

Note 4.31: Breakdown of managed assets and presentation of their development

	2019	2018
a) Type of managed assets		
Assets under discretionary asset management agreements	-	4,958,323
Other managed assets	1,340,041,409	1,248,782,467
Total managed assets (including double counting)	1,340,041,409	1,253,740,790
of which, double counting	-	-

b) Presentation of the development of assets under management

Total managed assets at beginning of the year	1,253,740,790	1,287,804,174
+/- net new money inflow or net new money outflow	50,980,643	(17,781,202)
+/- price gains / losses, interest, dividends and currency gains / losses	35,319,976	(16,282,182)
Total managed assets (including double counting) at end of the year	1,340,041,409	1,253,740,790

Other managed assets include client relationships for which the Bank performs safekeeping activities, revenue collection and carries out transactions based on client instructions.

Net new money inflow or net new money outflow, do not include interests, commissions and fees charged to clients and represent the difference between inflows and outflows of clients, assets (cash and securities).

Note 4.32: Breakdown of the result from trading activities and the fair value option

	2019	2018
Foreign currencies and bank notes	(152,124)	117,425
Total	(152,124)	117,425

Note 4.33: Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest

During 2015, the Swiss National Bank decided to introduce negative interest to sight accounts. The negative impact on the interest margin for BankMed (Suisse) SA was CHF 353,482 for 2019 (CHF 152,783 for 2018).

Note 4.34: Breakdown of personnel expenses

	2019	2018
Salaries	5,158,722	4,709,599
Social insurance benefits	1,066,385	928,733
Other personnel expenses	302,354	32,806
Total	6,527,461	5,671,138

Note 4.35: Breakdown of general and administrative expenses

	2019	2018
Office space expenses	761,766	697,261
Expenses for information and communications technology	1,487,197	1,674,917
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	102,059	106,312
Fees of audit firm*	216,323	188,082
Other operating expenses	837,165	767,749
Total	3,404,510	3,434,321

* Of which, for financial and regulatory audits CHF 210,000 (2018 - CHF 183,090) and, for other services CHF 6,323 (2018 - CHF 4,992).

Note 4.36: Explanations regarding material losses, extraordinary income and expenses, as well as material releases of hidden reserves, reserves for general banking risks, and value adjustments and provisions no longer required

The reserve for General Banking risks has been used to cover incremental exposures associated with CHF 2.8 millions impairment on Lebanese government bonds and CHF 1.0 million related to provision for other risks.

Note 4.39: Presentation of current taxes and disclosure of tax rate

	2019	2018
Expenses for current taxes	468,000	1,022,000
Total	468,000	1,022,000
<i>Average effective tax rate on income</i>	<i>24%</i>	<i>24%</i>
<i>Average effective tax rate on capital</i>	<i>0,4%</i>	<i>0,4%</i>

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

	2019	2018
Profit for the year	511,443	2,248,779
Profit carried forward	46,058,772	43,924,993
Total	46,570,205	46,173,772
Less: Allocation to statutory retained earnings reserves	(26,000)	(115,000)
Net amount carried forward	46,544,205	46,058,772