



ANNUAL REPORT

2012

Detail: E. Vedova

ANNUAL REPORT 2012

Presented to the Annual General Meeting of Shareholders on 29 April 2013

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MANAGEMENT BODIES

Board of Directors

| | | |
|---------------|---------------------------|---------------|
| Chairman | Claudio Sulser (*) | Lugano |
| Vice chairman | Andrea Zanni (**) | Lugano |
| Members | Camilla Fasolo Zarattini | Collina d'Oro |
| | Peter Heckendorn (*) (**) | Ascona |
| | Gerhard Niggli (*) (**) | Zollikon (ZH) |
| | Francesco Renne (*) | Varese (I) |

Management

| | |
|------------|------------------|
| CEO | Flavio Quaggio |
| Deputy CEO | Roberto Fior |
| | Ivan Mattei |
| | Andrea Terzariol |

Statutory Auditor

Ernst & Young SA, Lugano

Internal Auditor

PricewaterhouseCoopers, Lugano

* Independent directors, in accordance with FINMA Circular 2008/24

** Members of the Audit Committee, Chairman Peter Heckendorn

BOARD OF DIRECTORS' REPORT 2012

Dear Shareholders,

The main markets performed very well in 2012, but probably only because of the immense injections of liquidity and the guarantee of support provided to the financial system by central banks. In the current period of low global growth, some countries, including a number of European peripheral states, are undergoing a profound crisis. Others, however, such as the United States, Switzerland and Germany, are enjoying stability. And various emerging nations, for example, are growing at a notable pace, though at a slower rate than in recent years.

The real economy in the developed nations and the world of finance seem to be two different realities: industry and commerce are contracting due to a widespread fall in consumption, whereas the world of investments is in good health, and some sectors within it are booming.

The banking system is still hampered by excessive leverage and a general contraction in margins, but financial asset values, benchmarked to interest rates which are virtually at zero across the board, have risen, even though the economic outlook is gloomy.

As always, these two separate views of reality must converge. Stock market prices are close to historic highs, and risk premiums, which always lead the cycle, have fallen. We hope these two factors are correct, unlike what happened in 2000 and 2007.

At the moment, the effect of large monetary interventions seems only to be at a financial level; the hoped-for stimulus to the economic and productive system is taking its time. On the other hand, and particularly in Europe, restrictive fiscal policies are having a calming effect that is counteracting monetary stimulus; this austerity runs the risk of weakening the productive structure and even the social cohesion of those countries mired in crisis.

Although inflation is still under control, the spectre of recession represents a real danger. Long-term interest rates, which remain at historic lows, show that the market still has great faith in the power and credibility of the central banks.

At Banca Zarattini, management of clients' assets achieved good results in 2012, with our management strategies finishing the year in positive territory. The most rewarding strategies were those correlated to general performance of both the equity and bond markets; our absolute return and market-neutral strategies were also profitable, although less so.

The exchange rate of the Swiss franc to the euro, which directly influences the balance sheet and financial results of your Bank, fluctuated only minimally. It was broadly flat at 1.20, the value that the Swiss National Bank has said it will defend "at all costs". The SNB made its first exchange rate intervention in September 2011; since then, the Swiss franc has traded in a narrow range of 1.2475 to 1.20, a fluctuation range of only 4%.

This stability is supportive to Banca Zarattini's hedging activities, which it pursues systematically and with strict discipline. The very low volatility reduces exchange rate risk and makes hedging easier and less expensive.

The SNB has always shown great determination. In order to keep the Swiss franc weak, it could also use unconventional instruments in the future, such as negative interest rates, or even lower



the minimum exchange rate floor. However, its credibility has never been in doubt, so 1.20 seems to be the bottom limit for the time being.

After a difficult 2011, Banca Zarattini & Co returned to the black in 2012, with a net profit of CHF 3.154 million. This figure was partly influenced by extraordinary income from the merger (release of reserves) and reduced by extraordinary write-downs. But the operating profit from ordinary operations (based on a gross profit of CHF 2.65 million) was also highly positive.

The merger with Banca Euromobiliare Suisse S.A. was completed in the first half of 2012. The increased size of the merged entity makes for a more solid organisation, one that is ready to respond to the continual challenges posed by both clients and the regulators.

Thanks to the expertise and professionalism of the employees of both banks, who came together in the various departments of the new bank after a settling-in period of several months, Banca Zarattini & Co. can look to the future with enthusiasm and confidence.

We would like to thank our employees for the commitment and dedication they have shown, especially in the highly challenging situation in the first half of the year and during the internal reorganisation.

We would also like to extend our thanks to our clients, whose trust in our Bank we will always strive to repay with the maximum in commitment, integrity and professionalism – values necessary for a successful, enduring and beneficial relationship.

The Board of Directors
Banca Zarattini & Co SA

Lugano, 27 March 2013

BALANCE SHEET AS AT 31 DECEMBER 2012

| | 31.12.2012 CHF | 31.12.2011 CHF |
|--|--------------------|--------------------|
| Assets | | |
| Cash | 27,520,192 | 4,526,519 |
| Due from monetary assets | 30,074 | - |
| Due from banks | 208,398,899 | 74,755,456 |
| Due from clients | 70,554,092 | 2,176,295 |
| Mortgage loans | 2,956,000 | - |
| Securities and precious metals trading portfolio | 15,302,859 | - |
| Financial investments | 42,932,155 | 850,713 |
| Fixed assets | 14,441,061 | 14,531,067 |
| Accrued income and prepaid expenses | 3,816,565 | 1,786,088 |
| Other assets | 815,515 | 9,151,274 |
| Total assets | 386,767,412 | 107,777,412 |
| <i>Total due from group companies and significant shareholders</i> | <i>6,135</i> | <i>51,387</i> |
| Liabilities | | |
| Due to banks | 962,188 | - |
| Other amounts due to clients | 304,753,677 | 78,023,556 |
| Accrued income and prepaid expenses | 3,784,656 | 814,203 |
| Other liabilities | 2,911,548 | 531,931 |
| Value adjustments and provisions | 2,270,000 | - |
| Reserve for general banking risks | 8,270,000 | - |
| Share capital | 20,000,000 | 20,000,000 |
| General legal reserve | 4,308,000 | 4,308,000 |
| Other reserves | 30,207,403 | - |
| Retained earnings | 6,145,377 | 6,511,314 |
| Profit/-loss for the period | 3,154,563 | -2,411,592 |
| Total liabilities | 386,767,412 | 107,777,412 |
| <i>Total due to group companies and significant shareholders</i> | <i>6,100,878</i> | <i>1,311,841</i> |
| Off-balance sheet operations | | |
| Irrevocable commitments | 1,278,000 | 380,000 |
| Contingent liabilities | 18,516,997 | 2,148,580 |
| Fiduciary transactions | 38,207,753 | 2,915,232 |
| Derivative instruments | | |
| Positive replacement values | 508,032 | 141,024 |
| Negative replacement values | 450,524 | 56,766 |
| Contract volume | 48,148,245 | 15,342,332 |

INCOME STATEMENT 2012

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| | 31.12.2012 CHF | 31.12.2011 CHF |
|---|--------------------|-------------------|
| Interest and discount income | 1,477,735 | 316,441 |
| Interest and dividend income on trading portfolio | 109,879 | 28 |
| Interest and dividend income on financial investments | 755,553 | - |
| Interest expense | -5,637 | -1,782 |
| Total net interest income | 2,337,530 | 314,687 |
| Commission income on credit transactions | 240,654 | - |
| Commission income on securities and investment transactions | 20,329,679 | 5,922,695 |
| Commission income on other services | 176,695 | - |
| Commission expenses | -6,257,244 | -1,304,479 |
| Total net income from commissions and service fee activities | 14,489,784 | 4,618,216 |
| Net income on trading operations | 4,082,834 | 740,059 |
| Net income on disposal of financial investments | 22,690 | 180,517 |
| Net income from fixed assets | 192,124 | 192,124 |
| Other ordinary expenses | -20,260 | -178,899 |
| Other ordinary results | 194,554 | 193,742 |
| Personnel expenses | -12,742,706 | -6,097,486 |
| Operating expenses | -5,705,628 | -1,949,659 |
| Total operating expenses | -18,448,334 | -8,047,145 |
| Gross profit | 2,656,368 | -2,180,441 |
| Depreciation and write-offs of fixed assets | -1,072,503 | -406,997 |
| Value adjustments, provisions and losses | -770,000 | - |
| Intermediate income | 813,865 | -2,587,438 |
| Extraordinary income | 2,519,185 | 275,846 |
| Extraordinary expenses | -1,850 | - |
| Taxes | -176,637 | -100,000 |
| Profit/-loss for the period | 3,154,563 | -2,411,592 |

ALLOCATION OF PROFITS AS AT 31 DECEMBER 2012

(proposal of Board of Directors)

| | 31.12.2012 CHF | 31.12.2011 CHF |
|--|-------------------|-------------------|
| Retained earnings (*) (**) | 6,145,377 | 6,511,314 |
| Profit/-loss for the period | 3,154,563 | -2,411,592 |
| Retained earnings available for distribution by the General Shareholders' Meeting | 9,299,940 | 4,099,722 |
| Distribution of extraordinary dividend | - | - |
| Distribution of dividends | -8,545,000 | - |
| Allocation to general legal reserve | -754,500 | - |
| Retained earnings to be carried forward | 440 | 4,099,722 |

* The figure for retained earnings as at 31 December 2011 shows an increase of CHF 2,045,655 represented by the 2011 retained earnings of Banca Euro-mobiliare (Suisse) SA brought forward due to the merger by incorporation.

** In December 2011, an extraordinary dividend of CHF 12,500,000 was paid and CHF 1,150,000 was allocated to the general legal reserve; therefore retained earnings as at 31 December 2011 were lower by an amount of CHF 13,650,000.



NOTES AS AT 31 DECEMBER 2012

1. Information about activity

The information refers to the status as at 31 December 2012.

General information

Banca Zarattini & Co. SA is authorised to carry out banking activities by a decision dated 28 June 2005 of the Swiss Federal Banking Commission, now known as FINMA (Swiss Financial Market Supervisory Authority).

The company was founded in Lugano in 1991 under the name "Zarattini & Co. SA". On 28 November 2001, it received a licence to trade securities and, since 2001, has therefore been subject to supervision by FINMA, the Swiss Financial Market Supervisory Authority.

These financial statements have been prepared in accordance with the Swiss Federal Law on Banks and Savings Bank (Banking Act, BA), the Swiss Ordinance on Banks and Savings banks (Banking Ordinance, BO), FINMA Circular 2008/2 "Accounting - banks", the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) and the Swiss Code of Obligations (CO).

The Bank's registered office is at Via Pretorio 1 in Lugano; reception for Private Banking and the administrative offices are located at Via Serafino Balestra 17, Lugano.

Bank's activities

The Bank's main activity is private banking, whereby it offers clients a comprehensive range of services relating to administration and asset management, investment advice and securities brokerage, and asset management on behalf of investment funds. It carries out all related transactions in both Switzerland and abroad.

Since 2011, the Bank has been active in the brokerage of fixed income securities in the secondary market with institutional counterparties from around the globe via a new operational area specialising in proprietary trading (buying and selling at the same time) of bonds.

Lending to clients is a secondary activity, limited in principle to lombard loan facilities or loans secured against easily realisable assets. Mortgage lending is minimal and solely relates to properties in Switzerland.

Merger by incorporation with Banca Euromobiliare (Suisse) SA

On 19 December 2011, the Group to which Banca Zarattini & Co. SA belongs acquired Banca Euromobiliare (Suisse) SA from the Credito Emiliano Group. 1 June 2012, Banca Euromobiliare (Suisse) SA merged by incorporation with Banca Zarattini & Co, retroactive from 1 January 2012. The comparison data contained in the financial statements (data for 2011) are the audited data of Banca Zarattini & Co. SA before the merger by incorporation. Differences due to the above-mentioned merger by incorporation are stated where significant.

Headcount

At the end of 2012, the Bank had 70 employees (end 2011: 46 employees), representing 68.75 full-time equivalents. The large increase in the number of employees is mainly due to the merger by incorporation of Banca Euromobiliare (Suisse) SA.

Risk control and management

The risk management policy is set by the Board of Directors and forms the basis for the Bank's risk management process. Risk management is an integral part of the Bank's corporate strategy, which is aimed at preserving equity, promoting profitability and increasing the Bank's value.

The Executive Board is committed to fostering a culture of risk containment on all levels of the organisation.

The Risk Committee and the Risk Management department are tasked with implementing the risk policy drafted by the Executive Board and approved by the Board of Directors. The Risk Committee, in particular, is the organisational unit principally tasked with controlling the risks incurred by the Bank. The Executive Board has therefore delegated some of its responsibilities to the Risk Committee, which is in charge of the oversight, measurement and analysis of the risks assumed by the Bank, as well as controlling compliance with the risk policy stipulated by the Board of Directors.

In executing its oversight responsibilities, the Board of Directors draws on the support of Internal Audit, which is the main unit used for monitoring and controlling the Bank as a whole. Internal Audit is an integral part of its Internal Control System. Internal Audit examines whether the business is performing in accordance with the intentions and decisions of the managing bodies, whether the Bank's activities are being conducted systematically, safely, efficiently, in accordance with legislation and within an appropriate organisation. As such, it provides important information for assessing whether the Bank has an effective internal control system that is appropriate for its risk profile.

Risk assessment

Every year, the Board of Directors conducts a detailed analysis of the risks to which the Bank is exposed and performs a continuous assessment, aided by the Internal Audit Committee.

The Board of Directors carried out regular risk assessments as required and took the necessary measures to ensure that there was a low risk of a significant error in the annual accounts.

The Board of Directors also carried out a forward-looking assessment of the risks to which the Bank might subsequently be exposed, and implemented in advance appropriate measures to contain future risks.

**Risk types**

Every year, the Board of Directors conducts a detailed analysis of the risks to which the Bank is exposed and performs a continuous assessment, aided by the Internal Audit Committee.

The Board of Directors carried out regular risk assessments as required and took the necessary measures to ensure that there was a low risk of a significant error in the annual accounts.

The Board of Directors also carried out a forward-looking assessment of the risks to which the Bank might subsequently be exposed, and implemented in advance appropriate measures to contain future risks.

Credit risk is limited to lombard loan facilities and loans secured against easily realisable assets, with prudent loan-to-value margins according to the type and market value of the assets given in pledge. As regards loans to banking counterparties, management of credit risk forms part of the broader counterparty risk management performed on a continual basis by the Board of Directors, which takes prudent decisions based on carefully prepared internal studies and on ratings provided by the main rating agencies. The Bank also has regulations and procedures that stipulate the responsibilities for granting loans.

Market risk, principally relating to currency and securities positions, is subject to limits in specific regulations and internal directives that set restrictions on the duties allocated. The positions are monitored on a daily basis.

Interest rate risk is managed by the ALM Committee in accordance with the balance sheet structure.

Operational risk is managed by way of regulations and internal directives. Control activities form part of day-to-day work. The Compliance Officer checks constantly to ensure compliance with internal regulations and due diligence duties.

Internal Audit, on the instructions of the Board of Directors, verifies the validity of the procedures. The Bank has a Business Continuity Plan designed to ensure that it can continue operating should an exceptional event occur that reduces the availability of personnel, offices or infrastructure, including the IT systems.

To manage *settlement risk*, the Bank uses appropriate investment and bank instruments designed to ensure that the risk is kept to a minimum.

Specific risks relating to proprietary trading (buying and selling at the same time) are mitigated by Risk Management on a daily basis using specific regulations.

2. Outsourcing

Banca Zarattini & Co. SA has outsourced some of its operations relating to the management of S.W.I.F.T. communications to BBP AG, Baden.

3. Accounting principles and policies

General principles

The criteria used for preparing accounts, balance sheet reporting and valuations comply with prevailing legislation. The information is presented by transaction date.

Proprietary trades (buying and selling at the same time) are entered in the balance sheet on the settlement date.

Assets and liabilities booked to the same subaccount are valued separately.

Account balances in foreign currency are translated into Swiss francs at the year-end exchange rate. The main exchange rates used to translate foreign exchange accounts were as follows:

| Foreign exchange | 31.12.2012 | 31.12.2011 |
|------------------|------------|------------|
| EUR | 1.207555 | 1.21468 |
| USD | 0.91345 | 0.93450 |
| GBP | 1.47555 | 1.45410 |

Cash, receivables due from and to banks and clients

Loans and commitments are entered in the balance sheet at nominal values.

Accrued interest is calculated pro rata as at the closing date and is included in accrued income and deferred charges.

Specific loan loss provisions are a function of the relative risk and are calculated on a prudent basis.

Provisions are made for debit interest and commission more than 90 days overdue based on the unhedged portion of the credit.

Portfolio of securities held for trading

Securities and precious metals held for trading are marked to market on the closing date. Interest and dividends on traded securities are credited to the item "Interest and dividend income on the trading portfolio".

Financial investments

In principle, except in the case of decisions dictated by particular market opportunities, fixed income securities are acquired to be held until maturity. They are valued according to the accrual method: the difference between purchase price and redemption value is spread over the years between the purchase and maturity dates.

Other financial investments are valued at the lesser of their realisable market value or purchase price (lowest value principle).

Tangible and intangible assets

These are valued at purchase cost minus depreciation. Depreciation is calculated on a straight-line basis on the purchase cost, taking into account the estimated useful life of the individual assets and using the indirect method.

The value of property whose renovation work was completed in 2005 is booked at purchase cost plus restructuring costs, minus depreciation and amortisation.

Suitability of the criteria adopted is checked annually and, if necessary, additional depreciation and amortisation is booked.

The following depreciation and amortisation criteria are applied:

| | |
|------------------------------------|----------|
| - property | 66 years |
| - software and hardware | 3 years |
| - furniture, plant and furnishings | 5 years |
| - intangible assets | 5 years |

Investments of modest value are fully expensed.

Value adjustments and depreciation and amortisation

Individual value adjustments are made for all recognisable risks at the end of the financial year, adopting prudential criteria.

Taxes

Income and capital taxes are determined based on the profit for the year and related taxable capital.

Pension fund

Staff occupational pensions, which are governed according to precise rules, provide protection for members and their surviving relatives against the financial consequences of loss of earnings due to old age, death or disability, and supplement mandatory social benefits.

Banca Zarattini & Co. SA is affiliated with a collective pension fund of a legally independent insurance company, with which it has a contract for a defined-contribution pension scheme. Consequently, the Bank's contributions are booked as personnel costs.

Precious metals accounts

The valuation of precious metals is based on the market price on the reporting date.

Contingent liabilities and irrevocable commitments

Transactions relating to contingent liabilities are recorded off-balance sheet at their relative nominal value. Value adjustments and provisions are made for recognisable risks of losses.

Irrevocable commitments take the form of deposit guarantees.

Use of derivatives

Derivatives are usually only entered into for the account of clients. These instruments are marked to market.

Changes in accounting and valuation principles

The period of depreciation and amortisation for hardware and software, which was 5 years in the previous financial statements, has been reduced to 3 years. This change had no financial impact in 2012.

3. Balance sheet information (in CHF thousands)

3.1 Summary of loan collateral and off-balance sheet transactions

| | | Collateral type | | | |
|---------------------------------------|------------------------------------|-----------------------|---------------------|--------------|---------------|
| | | Mortgage guarantee | Other collateral | Unsecured | Total |
| Loans | | | | | |
| Due from clients | | - | 70,330 | 224 | 70,554 |
| Mortgage loans | | 2,956 | - | - | 2,956 |
| of which: | residential property | 2,251 | - | - | 2,251 |
| | commercial and industrial property | 705 | - | - | 705 |
| Total | 31.12.2012 | 2,956 | 70,330 | 224 | 73,510 |
| | 31.12.2011 | - | 2,174 | 2 | 2,176 |
| Off-balance sheet transactions | | | | | |
| Contingent liabilities | | - | 18,480 | 37 | 18,517 |
| Irrevocable commitments | | - | - | 1,278 | 1,278 |
| Total | 31.12.2012 | - | 18,480 | 1,315 | 19,795 |
| | 31.12.2011 | - | 2,149 | 380 | 2,529 |

At-risk loans:

| | Gross amount | Estimated recovery value | Net amount | Individual provisions |
|-----------------|-----------------|--------------------------------|---------------|--------------------------|
| Current period | 520 | - | 520 | 520 |
| Previous period | - | - | - | - |

3.2 Securities and precious metals trading portfolio

| | 31.12.12 | 31.12.11 | Change |
|--|---------------|----------|---------------|
| Debt securities | | | |
| - listed | 7,604 | - | 7,604 |
| Equity securities | 7,699 | - | 7,699 |
| of which own securities | - | - | - |
| Precious metals | - | - | - |
| Total | 15,303 | - | 15,303 |
| of which securities available for repo transactions in accordance with liquidity regulations | - | - | - |

Financial investments

| | Book value | | Fair value | |
|--|---------------|------------|---------------|------------|
| | 31.12.12 | 31.12.11 | 31.12.12 | 31.12.11 |
| Interest-bearing securities | 34,237 | - | 34,535 | - |
| of which held until maturity | 34,237 | - | 34,535 | - |
| of which valued on lowest value principle | - | - | - | - |
| Equity | 8,695 | 851 | 8,926 | 851 |
| of which significant participations | - | - | - | - |
| Precious metals | - | - | - | - |
| Fixed assets | - | - | - | - |
| Total | 42,932 | 851 | 43,461 | 851 |
| of which securities available for repo transactions in accordance with liquidity regulations | - | - | - | - |

3.4 Investment breakdown

| | Cost | Depreciation to date | Book value 31.12.11 | Invest- ments (*) | Disposals | Deprec- iation | Book value 31.12.12 |
|---|---------------|-------------------------|---------------------------|----------------------|------------|-------------------|---------------------------|
| Fixed assets available for Bank's use | 13,453 | -1,296 | 12,157 | - | - | -202 | 11,955 |
| Other fixed assets | 6,954 | -4,580 | 2,374 | 1,018 | -36 | -870 | 2,486 |
| Total fixed assets | 20,407 | -5,876 | 14,531 | 1,018 | -36 | -1,072 | 14,441 |
| <i>Value of buildings fire insurance</i> | | | | | | | 9,580 |
| <i>Value of fire insurance for other fixed assets</i> | | | | | | | 2,500 |

* Other investments include CHF 0.464 million for net positions acquired due to the merger (total investment CHF 7.49 million minus cumulative depreciation of CHF 7.03 million).

3.6 Assets pledged or ceded to secure own liabilities

| | Balance as at 31.12.12 | Balance as at 31.12.11 | Change |
|---------------------------------------|---------------------------|---------------------------|--------|
| Book value of assets pledged or ceded | 10,007 | 12,350 | -2,343 |
| Actual commitments | 6,481 | 2,015 | 4,466 |

Other assets and liabilities

| | Balance at 31.12.2012 | | Balance at 31.12.2011 | |
|---|-----------------------|----------------------|-----------------------|----------------------|
| | Other assets | Other liabilities | Other assets | Other liabilities |
| Replacement value | 510 | 451 | 141 | 57 |
| Indirect tax | 80 | 1,854 | 70 | 289 |
| Credits and debits for commissions and other services | - | - | - | 2 |
| Receivables - fund subscriptions/redemptions | - | - | 8,895 | 21 |
| Other | 226 | 607 | 45 | 163 |
| Total | 816 | 2,912 | 9,151 | 532 |

3.7 Commitments to welfare institutions of the Bank

The Bank is affiliated with a collective pension foundation of a legally independent insurance company, which applies the legal provisions in force for occupational pensions in Switzerland. The pension scheme is based on the defined contributions made by the employer and employee. Treatment of pension commitments is based on Swiss GAAP RPC 16 revised as at 1 January 2009. Contributions made by the employer are recorded as expenses for the financial year. In the event of overpayment of contributions, these would be recorded as assets in the revised accounts.

Employer contribution reserves

At 31 December 2012, there was no reserve of employer contributions.

Revenues/liabilities and pension costs

For all pension plans, it must be determined whether the coverage and the pension institution's particular situation may generate revenues or liabilities for the company.

The pension institution has fully reinsured all old-age, disability, death and investment risks with another reputable insurance company.

Consequently, it is impossible for the pension fund to be in deficit, and the Bank will not in any instance be obliged to make supplementary contributions.

Contributions owed by the employer for 2012, as reported by the pension fund, amount to CHF 813,000, carried entirely on the income statement (compared with CHF 411,000 in 2011).

3.9 Value adjustments and provisions

| | Balance at 31.12.11 | Specific usage | Change of purpose (reclassification) (*) | Recovery, doubtful interest, exchange rate differences | New creation charged to income statement | Reversals credited to income statement | Balance at 31.12.12 |
|--|------------------------|-------------------|---|--|--|---|------------------------|
| Value adjustments and provisions for default (credit risk) | - | - | - | - | - | - | - |
| Provisions for tax and latent tax | - | - | - | - | - | - | - |
| Value adjustments and provisions for other risks in the period (commercial) | - | - | 1,500 | - | 770 | - | 2,270 |
| Other provisions | - | - | - | - | - | - | - |
| Total | - | - | 1,500 | - | 770 | - | 2,270 |
| Amounts written directly against assets | - | - | - | - | - | - | - |
| Reserve for general banking risks | - | - | 10,770 | - | - | 2,500 | 8,270 |

* The amounts in the column "Change of purpose (reclassification)" refer to balance sheet items acquired due to the merger by incorporation of Banca Euromobiliare (Suisse) SA.

3.10 Registered capital

| | 2012 | | | 2011 | | |
|---------------------------------|---------------------|--------------------------|--------------------------|---------------------|--------------------------|--------------------------|
| | Total nominal value | Number of shares (units) | Dividend-bearing capital | Total nominal value | Number of shares (units) | Dividend-bearing capital |
| Total registered capital | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |

Significant shareholders and groups

of shareholders linked by voting agreements

| | Nominal | Shareholding in % | Nominal | Shareholding in % |
|--|---------------|-------------------|---------------|-------------------|
| With voting rights (via Neutral Holding, Luxembourg 100% and Lukos SA, Luxembourg 100%) | | | | |
| Hereditary co-owner was Mario Zarattini | 14,548 | 72.74% | 14,548 | 72.74% |
| <i>of which 50.50% held by Schulman Familienstiftung, Vaduz</i> | <i>10,100</i> | <i>50.50%</i> | <i>10,100</i> | <i>50.50%</i> |
| Quaggio Flavio, Viganello | 2,270 | 11.35% | 2,270 | 11.35% |
| Zanni Andrea, Bré sopra Lugano | 1,580 | 7.90% | 1,580 | 7.90% |
| Santi Tullio, Lugano | 1,088 | 5.44% | 1,088 | 5.44% |

3.11 Statement of shareholders' equity

Share capital at 1.1.2012

| | |
|------------------------------------|--------|
| Share capital | 20,000 |
| General legal reserve | 4,308 |
| Reserves for general banking risks | 0 |
| Other reserves | 0 |
| Retained earnings | 4,099 |

Total shareholders' equity at 1.1.2012 (before allocation of profits) **28,407**

| | |
|--|--------|
| Allocation to other reserves (*) | 30,207 |
| Appropriation of profit 2011 (*) | 2,046 |
| Allocation to reserves for general banking risks (*) | 10,770 |
| Profit of the period | 3,155 |
| Release from reserve for general banking risks | -2,500 |

Total shareholders' equity at 31.12.2012 (before allocation of profits) **72,085**

| | |
|------------------------------------|--------|
| <i>of which:</i> | |
| Share capital | 20,000 |
| General legal reserve | 4,308 |
| Reserves for general banking risks | 8,270 |
| Other reserves | 30,207 |
| Retained earnings | 9,300 |

* The allocations reported relate to the shareholders' equity of Banca Euromobiliare (Suisse) SA.

3.12 Maturity structure of current assets and third-party capital

| | at sight | redeemable by notice | due within 3 months | due within 3-12 months | due within 1-5 years | due after 5 years | fixed assets | Total |
|---|-------------------|-------------------------|------------------------|------------------------------|----------------------------|----------------------|-----------------|----------------|
| Current assets | | | | | | | | |
| Cash | 27,520 | - | - | - | - | - | - | 27,520 |
| Due from monetary assets | - | - | 30 | - | - | - | - | 30 |
| Due from banks | 157,238 | 5,131 | 29,992 | 16,038 | - | - | - | 208,399 |
| Due from clients | - | 69,285 | 1,027 | 242 | - | - | - | 70,554 |
| Mortgage loans | - | - | 637 | 2,319 | - | - | - | 2,956 |
| Portfolio of securities and precious metals | | | | | | | | |
| held for trading | 483 | 6,491 | 5,321 | 2,056 | 951 | - | - | 15,302 |
| Financial investments | - | 4,373 | 9,946 | 14,008 | 14,415 | 190 | - | 42,932 |
| Total | 31.12.2012 | 185,241 | 85,280 | 46,953 | 34,663 | 15,366 | 190 | 367,693 |
| | 31.12.2011 | 78,429 | 231 | 3,040 | 609 | - | - | 82,309 |
| Third-party capital | | | | | | | | |
| Due to banks | 962 | - | - | - | - | - | - | 962 |
| Other amounts due to clients | 304,754 | - | - | - | - | - | - | 304,754 |
| Total | 31.12.2012 | 305,716 | - | - | - | - | - | 305,716 |
| | 31.12.2011 | 77,866 | - | 158 | - | - | - | 78,024 |

3.13 Loans and commitments to affiliated companies and management bodies of the Bank

| | | 31.12.12 | 31.12.11 | Change |
|--------------------------|-------------------------------|----------|-----------|------------|
| Loans | Affiliated companies | - | - | - |
| | Management bodies of the Bank | 6 | 55 | -49 |
| Total receivables | | 6 | 55 | -49 |
| Commitments | Affiliated companies | - | - | - |
| Total commitments | | - | - | - |

3.14 Breakdown by Swiss or foreign domicile

| | Year under review | | Previous period | |
|--|-------------------|----------------|-----------------|---------------|
| | Switzerland | Abroad | Switzerland | Abroad |
| Assets | | | | |
| Cash | 27,520 | - | 4,527 | - |
| Due from monetary assets | 30 | - | - | - |
| Due from banks | 132,286 | 76,113 | 68,500 | 6,255 |
| Due from clients | 6,846 | 63,708 | 1,537 | 639 |
| Mortgage loans | 2,956 | - | - | - |
| Securities and precious metals trading portfolio | - | 15,303 | - | - |
| Financial investments | - | 42,932 | - | 851 |
| Fixed assets | 14,441 | - | 14,531 | - |
| Accrued income and prepaid expenses | 3,817 | - | 772 | 1,014 |
| Other assets | 816 | - | 3,963 | 5,188 |
| Total assets | 188,712 | 198,056 | 93,830 | 13,947 |
| Liabilities | | | | |
| Due to banks | 949 | 13 | - | - |
| Other amounts due to clients | 26,363 | 278,391 | 15,990 | 62,034 |
| Accrued income and prepaid expenses | 3,785 | - | 564 | 250 |
| Other liabilities | 2,912 | - | 473 | 59 |
| Value adjustments and provisions | 2,270 | - | - | - |
| Reserve for general banking risks | 8,270 | - | - | - |
| Share capital | 20,000 | - | 20,000 | - |
| General legal reserve | 4,308 | - | 4,308 | - |
| Other reserves | 30,207 | - | - | - |
| Retained earnings | 6,145 | - | 6,511 | - |
| Profit/-loss for the period | 3,155 | - | -2,412 | - |
| Total liabilities | 108,364 | 278,404 | 45,434 | 62,343 |

3.15 Breakdown of assets by country and country groups

| | Year under review | | Previous period | |
|----------------------|-------------------|-------------|-----------------|-------------|
| | Amount | % | Amount | % |
| Switzerland | 188,741 | 49% | 93,830 | 87% |
| Other OECD countries | 166,068 | 43% | 8,623 | 8% |
| Other countries | 31,958 | 8% | 5,324 | 5% |
| Total foreign | 198,026 | 51% | 13,947 | 13% |
| Total assets | 386,767 | 100% | 107,777 | 100% |

3.16 Breakdown of currencies

| | Currencies | | | | |
|--|----------------|---------------|----------------|---------------|----------------|
| | CHF | USD | EUR | Other | Total |
| Assets | | | | | |
| Cash | 26,697 | 11 | 812 | - | 27,520 |
| Due from monetary assets | - | - | 30 | - | 30 |
| Due from banks | 40,708 | 46,969 | 111,687 | 9,035 | 208,399 |
| Due from clients | 4,109 | 1,610 | 64,655 | 180 | 70,554 |
| Mortgage loans | 2,956 | - | - | - | 2,956 |
| Securities and precious metals trading portfolio | 1,000 | - | 14,303 | - | 15,303 |
| Financial investments | 13,689 | 4,074 | 25,169 | - | 42,932 |
| Fixed assets | 14,441 | - | - | - | 14,441 |
| Accrued income and prepaid expenses | 1,229 | 112 | 2,476 | - | 3,817 |
| Other assets | 793 | 22 | - | - | 815 |
| Total assets | 105,622 | 52,798 | 219,132 | 9,215 | 386,767 |
| Forward rate contracts, swaps | 9,379 | 15,123 | 19,811 | 3,835 | 48,148 |
| Total assets | 115,001 | 67,921 | 238,943 | 13,050 | 434,915 |
| Liabilities | | | | | |
| Due to banks | 3 | 5 | 260 | 694 | 962 |
| Other amounts due to clients | 31,236 | 51,818 | 213,346 | 8,354 | 304,754 |
| Accrued income and prepaid expenses | 3,627 | 57 | 100 | - | 3,784 |
| Other liabilities | 2,573 | 1 | 338 | - | 2,912 |
| Value adjustments and provisions | 2,270 | - | - | - | 2,270 |
| Reserve for general banking risks | 8,270 | - | - | - | 8,270 |
| Share capital | 20,000 | - | - | - | 20,000 |
| General legal reserve | 4,308 | - | - | - | 4,308 |
| Other reserves | 30,207 | - | - | - | 30,207 |
| Retained earnings | 6,145 | - | - | - | 6,145 |
| Net profit for the year | 3,155 | - | - | - | 3,155 |
| Total liabilities | 111,794 | 51,881 | 214,044 | 9,048 | 386,767 |
| Forward rate contracts, swaps | 7,139 | 16,076 | 21,098 | 3,835 | 48,148 |
| Total liabilities | 118,933 | 67,957 | 235,142 | 12,883 | 434,915 |
| Net position per currency | -3,932 | -36 | 3,801 | 167 | - |

Quantitative information pursuant to FINMA Circ. 2008/22

Eligible capital

| | 31.12.12 | 31.12.11 |
|--------------------------------------|---------------|---------------|
| Gross Tier 1 capital | 68,931 | 30,819 |
| of which minority interests | - | - |
| of which "innovative" instruments | - | - |
| (-) regulatory deductions | - | 2,412 |
| (-) other deductions from capital | - | - |
| = eligible Tier 1 capital | 68,931 | 28,407 |
| + eligible Tier 2 and Tier 3 capital | - | - |
| (-) other deductions | 1,742 | 2,217 |
| = total eligible capital | 67,189 | 26,190 |

Minimum capital requirements

| | 31.12.12 | 31.12.11 |
|---|---------------|---------------|
| Credit risk (standardised Swiss approach) | 12,707 | 2,905 |
| - of which for equities held in the banking book | 2,416 | 147 |
| Non-counterparty risk (standardised Swiss approach) | 2,763 | 2,510 |
| Market risk (standardised Swiss approach) | 415 | 26 |
| - of which interest rate instruments (general and specific market risk) | - | - |
| - of which securities | - | - |
| - of which currencies and precious metals | 415 | 26 |
| - of which commodities | - | - |
| Operational risks (basic indicator approach) | 1,260 | 1,007 |
| Total | 17,155 | 6,448 |
| Ratio between eligible capital and required capital under Swiss law | 392% | 406% |
| TIER 1 RATIO | 31.33% | 32.49% |

4. Information on off-balance sheet transactions

4.1 Breakdown of contingent liabilities

| | 31.12.12 | 31.12.11 | Change |
|----------------------|---------------|--------------|---------------|
| Warranty obligations | 18,517 | 2,149 | 16,368 |
| Total | 18,517 | 2,149 | 16,368 |

4.3 Derivative instruments

| | Trading instruments | | | Hedging instruments | | |
|----------------------------------|-----------------------------|-----------------------------|-----------------|-----------------------------|-----------------------------|-----------------|
| | Positive replacement values | Negative replacement values | Contract volume | Positive replacement values | Negative replacement values | Contract volume |
| Currencies | | | | | | |
| Forward rate contracts | 271 | 282 | 29,404 | 110 | 26 | 2,232 |
| Swaps | 127 | 142 | 16,512 | - | - | - |
| Equity securities/indices | - | - | - | - | - | - |
| Futures | - | - | - | - | - | - |
| Total | 31.12.2012 | 398 | 424 | 45,916 | 110 | 26 |
| | 31.12.2011 | 63 | 57 | 9,342 | 78 | - |
| | | | | | | 6,000 |

4.4 Fiduciary transactions

| | 31.12.12 | 31.12.11 | Change |
|--|---------------|--------------|---------------|
| Fiduciary investments with other banks | 38,208 | 2,915 | 35,293 |
| Total | 38,208 | 2,915 | 35,293 |

4.5 Breakdown of managed assets

| | 31.12.12 | 31.12.11 | Change |
|---|------------------|----------------|------------------|
| Assets held by own-managed investment funds | 260,750 | 135,548 | 125,202 |
| Assets with administration mandate | | | |
| Direct clients | 358,326 | 140,950 | 217,376 |
| Indirect clients | 4,760 | 5,021 | -261 |
| Other assets | 1,141,532 | 212,820 | 928,712 |
| Total client assets (*) | 1,765,368 | 494,339 | 1,271,029 |
| <i>of which counted twice</i> | 182,930 | 96,043 | 86,887 |
| Net inflow/-outflow | 362,658 | 35,427 | 327,231 |

Assets held in custody only are not included in the above table. These comprise assets for which the Bank performs a custody and collection service only, without performing any supplementary service.

Net inflow was determined by calculating the balance between deposits and withdrawals of investment funds and securities valued on the day of deposit/withdrawal. Interest and dividends are not included.

* Total client assets comprise CHF 825 million coming from the merger by incorporation of Banca Euromobiliare (Suisse) SA (audited value of the Bank on 31.12.2011).

5. Income statement information

5.2 Breakdown of income on trading operations

| | 31.12.12 | 31.12.11 | Change |
|---|--------------|------------|--------------|
| Trading in foreign currencies and banknotes | 1,093 | 205 | 888 |
| Trading in precious metals | - | - | - |
| Securities trading | 2,990 | 535 | 2,455 |
| Total | 4,083 | 740 | 3,343 |

5.3 Breakdown of personnel expenses

| | 31.12.12 | 31.12.11 | Change |
|--------------------------|---------------|--------------|--------------|
| Salaries and wages | 10,806 | 5,131 | 5,675 |
| Social charges | 1,813 | 890 | 923 |
| Other personnel expenses | 124 | 76 | 48 |
| Total | 12,743 | 6,097 | 6,646 |

5.4 Breakdown of operating expenses

| | 31.12.12 | 31.12.11 | Change |
|---|--------------|--------------|--------------|
| Premises | 857 | 270 | 587 |
| Office equipment, machinery, furniture, vehicles and other fixtures | 2,450 | 562 | 1,888 |
| Other expenses | 2,399 | 1,118 | 1,281 |
| Total | 5,706 | 1,950 | 3,755 |

Comment on extraordinary income

Extraordinary income of CHF 2,519,185 comprises the release of general banking risk reserves of CHF 2,500,000 and residual extraordinary income from the sale of two vehicles already fully depreciated. The release of CHF 2,500,000 was used to cover the costs of integrating Banca Euromobiliare, which were reported under personnel and operating expenses.

To the General Meeting of
Banca Zarattini & Co. SA, Lugano

Lugano, 27 March 2013

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Banca Zarattini & Co. SA, which comprise the balance sheet, income statement and notes (pages 5 to 25), for the year ended 31 December 2012.

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 2012 comply with Swiss law and the company's articles of incorporation.

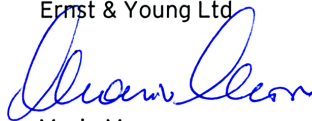
Report on other legal requirements

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

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

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

Ernst & Young Ltd



Mario Mosca
Licensed audit expert
(Auditor in charge)



Burhan Kavakcioglu
Licensed audit expert

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