ANNUAL REPORT
2013

dettaglio: E. Vedova

Banca | Zarattini & Co

ANNUAL REPORT 2013

Presented to the Annual General Meeting of Shareholders on 15 April 2014

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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
	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 2013

Dear Shareholders,

The global economic situation improved in 2013 but fell short of "escape velocity", the point at which the economy starts to grow sustainably in a virtuous cycle without the need for external intervention via monetary or fiscal policy. In addition, some countries are still struggling or moving dangerously close to a new recession.

Global quantitative easing is boosting the price of risk assets and financial stability, but there are increasing doubts about its effect on the real economy.

After rescuing the financial system with unconventional measures during the crisis in 2008, the monetary authorities have not been able to return to their normal work. Now it seems they have to resort to increasingly extreme measures just to maintain the effects of the previous initiatives. This huge experiment is unparalleled in economic history, and its outcome is highly uncertain.

Growth has improved in the US, where macroeconomic data were fairly strong in 2013, while Europe remains rather weak, with the peripheral countries still on the verge of recession. The Swiss economy is still proving to be one of the strongest in Europe. In Japan, the effects of the more aggressive form of quantitative easing, which had never been tried before, are at last becoming visible, although more so on assets than on the real economy. Emerging countries are, on average, growing faster than developed countries, but their financial situation is becoming increasingly less clear, with some countries in the throes of political and social unrest.

The stronger economic growth in the US than in Europe can probably be explained by structural reasons, such as greater flexibility, more advanced technology and economic hegemony. However, some economic observers maintain that it is only due to the Federal Reserve's more aggressive policy.

Investors would like to see a changing of the guard: while in the US, the Fed is tapering its stimulus programmes and purchasing fewer quantities of securities, in Japan and Europe, there are demands for an end to austerity and for central banks to take stronger action on the economy.

Inflation remained under control in most countries, but began to fall alarmingly in the second half of the year. Two main opposing forces continued to clash and balance each other out: on the one hand, the inflationary force came from the expansive monetary policy, while on the other, the deflationary force was provided by the real economic situation, particularly the need for deleveraging, which is as yet uncompleted. The major central banks still enjoy solid credibility, a pre-requisite for maintaining this fragile equilibrium.

Last year was very positive for the equities markets, which were driven by a combination of hopes for stable improvements in the US economy, the strong political desire to keep the euro and, most of all, the ongoing large-scale interventions of the main central banks. The biggest factor driving share prices higher was the increase in valuations, meaning lower risk premiums, as corporate earnings growth, especially in Europe, was not particularly impressive.

Some of the most popular investment themes in recent years, such as emerging markets and government bonds from top-notch issuers, lost ground, as investors in constant pursuit of returns changed their targets, pushing other assets, such as US and Japanese stocks, to values typical of periods of great euphoria or strong economic growth.

At Banca Zarattini, management of clients' assets achieved satisfactory results in 2013.

The most profitable strategies were those associated with the performance of stocks and corporate bonds, since the best-quality government bonds put in a negative performance, and returns generated by high-quality, low-risk securities were constantly close to zero. Alternative strategies, such

as absolute-return and market-neutral strategies, for the most part achieved positive results that beat expectations.
The exchange rate of the Swiss franc to the euro, which has a big effect on the balance sheet and financial results of Banca Zarattini & Co., constitutes an element of risk that is closely monitored.
In 2013, the exchange rate of the Swiss franc to the euro remained close to 1.20, the value that the SNB set in September 2011 and which the SNB has protected with an "unlimited quantity" of foreign currency purchases.
This limit seemed impregnable right from the start, and the SNB's operations have worked extremely well. Now, however, it seems likely that this exchange rate, which was set at the time when fears over the euro's fate were at their height, could be updated to values more favourable to the Swiss economy. The euro's problems that occasioned the move have not really been resolved, but all the other prices (first among which are the spreads of peripheral countries' government bonds, but also including the strength of the euro against practically all other currencies except the franc) give grounds for optimism about the future of the European Union, at least at monetary level.
The franc experienced a couple of wobbles during the year when it seemed to weaken, even reaching 1.26. The average value was close to 1.23, higher than the previous year's figure, with only a few fluctuations.
This stability is undoubtedly supportive to Banca Zarattini's hedging activities, which it pursues systematically and with strict discipline.
Given the high credibility enjoyed by the Swiss National Bank, it will also be possible to maintain positive exposure to the euro: this will naturally be within the permitted risk parameters.
Banca Zarattini & Co.'s gross profit for 2013 came in at CHF 5.87 million, an increase of 121% on the previous year. On the back of this excellent result, the Bank decided to allocate CHF 1.1 million to the Reserves for general banking risks, with the aim of bolstering the Bank's solidity through this increase in shareholders' equity. This allocation brings published net profit to CHF 2.87 million, compared with CHF 3.15 million in 2012. Note, however, that the 2012 result contained a substantial extraordinary component due to the release of reserves following the merger, while last year's result has no positive extraordinary components.
Banca Zarattini & Co.'s capital solidity - a key factor for ensuring that its customers have peace of mind - is highly satisfactory despite the growth in assets, as can be seen from the Tier 1 coefficient, which is over 23%.
As always, we would like to thank the Bank's employees for their hard work and commitment shown during the past year.
We are also grateful to our customers, whose loyalty to our bank has remained solid, and indeed grown, during 2013. In return, we will always serve them with the utmost commitment, propriety and professionalism.
In light of the excellent results achieved, together with the cohesion and experience of our employees, and buoyed by the strength of a solid balance sheet, we can look to the future with confidence and enthusiasm, where we are not only hopeful, but certain of being able to offer our clients high-quality and continually improving bank services.

The Board of Directors
Banca Zarattini & Co. SA

Lugano, 25 March 2013

BALANCE SHEET AS AT 31 DECEMBER 2013

	31.12.2013 CHF	31.12.2012 CHF
Assets		
Cash	8,096,617	27,520,192
Money market instruments	298	30,074
Due from banks	223,560,364	208,398,899
Due from clients	89,407,090	70,554,092
Mortgage loans	13,197,600	2,956,000
Securities and precious metals trading portfolio	21,831,200	15,302,859
Financial investments	89,375,976	42,932,155
Fixed assets	14,003,764	14,441,061
Accrued income and prepaid expenses	3,278,115	3,816,565
Other assets	2,000,542	815,515
Total assets	**464,751,566**	**386,767,412**
Total due from group companies and significant shareholders	*100*	*6,135*
Liabilities		
Liabilities pertaining to money market instruments	300	-
Due to banks	495,423	962,188
Other amounts due to clients	383,437,790	304,753,677
Accrued liabilities and prepaid expenses	7,901,128	3,784,656
Other liabilities	3,096,935	2,911,548
Value adjustments and provisions	2,307,000	2,270,000
Reserve for general banking risks	9,370,000	8,270,000
Share capital	20,000,000	20,000,000
General legal reserve	5,062,500	4,308,000
Other reserves	30,207,403	30,207,403
Retained earnings	440	6,145,377
Profit/-loss for the period	2,872,647	3,154,563
Total liabilities	**464,751,566**	**386,767,412**
Total due to group companies and significant shareholders	*3,541,409*	*6,100,878*
Off-balance sheet operations		
Contingent liabilities	13,601,529	1,278,000
Irrevocable commitments	1,506,000	18,516,997
Fiduciary transactions	11,040,828	38,207,753
Derivative instruments		
Positive replacement values	616,185	508,032
Negative replacement values	507,552	450,524
Contract volume	92,437,807	48,148,245

INCOME STATEMENT 2013

	31.12.2013 CHF	31.12.2012 CHF
Interest and discount income	1,634,571	1,477,735
Interest and dividend income on trading portfolio	89,279	109,879
Interest and dividend income on financial investments	502,495	755,553
Interest expense	-9,885	-5,637
Total net interest income	**2,216,460**	**2,337,530**
Commission income on credit transactions	191,437	240,654
Commission income on securities and investment transactions	24,362,184	20,329,679
Commission income on other services	324,512	176,695
Commission expenses	-9,107,916	-6,257,244
Total net income from commissions and service fee activities	**15,770,217**	**14,489,784**
Breakdown of income on trading operations	**4,880,014**	**4,082,834**
Net income on disposal of financial investments	-3,333	22,690
Net income from fixed assets	336,368	192,124
Other ordinary expenses	-190,527	-20,260
Other ordinary results	**142,508**	**194,554**
Personnel expenses	-12,386,717	-12,742,706
Operating expenses	-4,752,018	-5,705,628
Total operating expenses	**-17,138,735**	**-18,448,334**
Gross profit	**5,870,464**	**2,656,368**
Depreciation and write-offs of fixed assets	-1,128,109	-1,072,503
Value adjustments, provisions and losses	-37,000	-770,000
Intermediate income	**4,705,355**	**813,865**
Extraordinary income	17,839	2,519,185
Extraordinary expenses	-1,108,472	-1,850
Taxes	-742,075	-176,637
Profit/-loss for the period	**2,872,647**	**3,154,563**

ALLOCATION OF PROFITS AS AT 31 DECEMBER 2013

(proposal of Board of Directors)

	31.12.2013 CHF	31.12.2012 CHF
Retained earnings	440	6,145,377
Profit/-loss for the period	2,872,647	3,154,563
Retained earnings available for distribution by the General Shareholders' Meeting	**2,873,087**	**9,299,940**
Distribution of dividends	-2,702,500	-
Allocation to general legal reserve	-170,250	-8,545,000
Retained earnings to be carried forward	**337**	-754,500
		440

NOTES AS AT 31 DECEMBER 2013

1. Information about activity

The information refers to the status as at 31 December 2013.

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 acquired 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 also carries out all related transactions in both Switzerland and abroad.
The Bank is active in the brokerage of fixed income securities, with institutional counterparties from Switzerland and around the world, via an operational area specialising in proprietary trading (concurrent buying and selling) 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 marginal and solely relates to properties in Switzerland.

Headcount

At the end of 2013, the Bank had 70 employees (end 2012: 70 employees), representing 68.75 full-time equivalents.

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 at all levels of the organisation.

The Risk Committee and the Risk Management department are responsible for implementing the risk policy prepared by the Executive Board and approved by the Board of Directors. Specifically, the Risk Committee is the organisational unit responsible, in principle, for 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 tool for monitoring and controlling the Bank as a whole. Internal Audit is an integral part of the Bank's 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 carries out a detailed analysis of the risks to which the Bank is exposed and performs a continuous assessment, assisted 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.

This assessment also included an analysis of potential risks in the US Program set out in the Joint Statement of 29 August 2013, concluded between the Swiss and US authorities to resolve Switzerland's tax dispute with the United States. The Bank has never actively sought to acquire US Persons as clients and has never operated on American soil. For these reasons, and following further analysis and internal assessments, the Bank decided not to take part in the Program.

Risk types

Risks are defined and divided into categories, each of which is assigned a limits structure, which is constantly checked.
The Executive Board has oversight and is responsible for communicating with the Board of Directors, which receives regular information about the situation and changes in all 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 establish 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 departments involved. 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 (concurrent buying and selling) 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 (concurrent buying and selling) 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 currencies	31.12.2013	31.12.2012
EUR	1.226745	1.207555
USD	0.891050	0.913450
GBP	1.472450	1.475550

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 lower of their realisable market value or purchase price (lowest value principle).

Tangible and intangible assets
These are valued at purchase cost minus depreciation/amortisation. 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, for which the related restructuring 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
– vehicles	3 years
– furniture, plant and furnishings	5 years
– intangible assets	5 years

Investments of modest value are fully expensed.

Value adjustments and provisions
Individual value adjustments are made for all recognisable risks at the end of the financial year, based on the prudence principle.

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 to a collective pension fund of a legally independent insurance company, with which it has an agreement 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 related 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 for vehicles, which was 5 years in the previous financial statements, has been reduced to 3 years. No corrections were required to be made to the income statement.

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		-	88,930	477	89,407
Mortgage loans		13,198	-	-	13,198
of which:	*residential property*	*12,523*	-	-	*12,523*
	commercial and industrial property	*675*	-	-	*675*
Total	**31.12.2013**	**13,198**	**88,930**	**477**	**102,605**
	31.12.2012	**2,956**	**70,330**	**224**	**73,510**
Off-balance sheet transactions					
Contingent liabilities		-	13,590	12	13,602
Irrevocable commitments		-	-	1,506	1,506
Total	**31.12.2013**	**-**	**13,590**	**1,518**	**15,108**
	31.12.2012	**-**	**18,480**	**1,315**	**19,795**

At-risk loans:

	Gross amount	Estimated recovery value	Net amount	Individual provisions
Current period	557	-	557	557
Previous period	*520*	-	*520*	*520*

3.2 Securities and precious metals trading portfolio

	31.12.13	31.12.12	Change
Debt securities			
- listed	3,210	7,604	-4,394
Securities investments	18,621	7,699	10,922
of which own securities	-	-	-
Precious metals	-	-	-
Total	**21,831**	**15,303**	**6,528**
of which securities available for repo transactions in accordance with liquidity regulations	-	-	-

Financial investments

	Book value		Fair value	
	31.12.13	31.12.12	31.12.13	31.12.12
Interest-bearing securities	78,387	34,237	78,835	34,535
of which held until maturity	*78,387*	*34,237*	*78,835*	*34,535*
of which valued on lowest value principle	-	-	-	-
Securities investments	10,989	8,695	11,282	8,926
of which significant participations	-	-	-	-
Precious metals	-	-	-	-
Fixed assets	-	-	-	-
Total	**89,376**	**42,932**	**90,117**	**43,461**
of which securities available for repo transactions in accordance with liquidity regulations	-	-	-	-

3.4 Investment breakdown

	Cost	Depreciation to date	Book value 31.12.12	Invest-ments (*)	Disposals	Deprec-iation	**Book value 31.12.13**
Fixed assets available for bank's use	13,453	-1,498	11,955	-	-	-202	11,753
Other fixed assets	7,936	-5,450	2,486	815	-124	-926	2,251
Total fixed assets	**21,389**	**-6,948**	**14,441**	**815**	**-124**	**-1,128**	**14,004**
Value of buildings fire insurance							*9,580*
Value of fire insurance for other fixed assets							*2,500*

3.6 Assets pledged to secure own liabilities

	Balance as at 31.12.13	Balance as at 31.12.12	Change
Book value of assets pledged	8,752	10,007	-1,255
Actual commitments	6,151	6,481	-330

Other assets and liabilities

	Balance at 31.12.2013		Balance at 31.12.2012	
	Other assets	**Other liabilities**	Other assets	Other liabilities
Replacement value	624	507	510	451
Indirect tax	63	1,739	80	1,854
Credits and debits for commissions and other services	-	-	-	-
Receivables - fund subscriptions/redemptions	-	-	-	-
Other assets and liabilities	1,314	851	226	607
Total	**2,001**	**3,097**	**816**	**2,912**

3.7 Commitments to welfare institutions of the Bank

The Bank is affiliated to 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. Contributions made by the employer are recorded as financial year expenses. In the event of overpayment of contributions, these would be recorded as assets in the revised accounts.

Employer contribution reserves
At 31 December 2013, as in the previous year, 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 not possible 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 2013, as reported by the pension fund, amount to CHF 757,000, carried entirely on the income statement (compared with CHF 813,000 in 2012).

3.9 Value adjustments and provisions

	Position 31.12.12	Specific release accordance with purpose	Change of purpose	Recovery, doubtful interests, exchange rate diff.	New creation charged to income statement	Reversals credited to income statement	**Position 31.12.13**
Value adjustments and provisions for default (credit risk)	-	-	-	-	-	-	-
Value adjustments and provisions for other risks in the period (commercial)	2,270	-	-	-	37	-	2,307
Other provisions	-	-	-	-	-	-	-
Total	**2,270**	**-**	**-**	**-**	**37**	-	**2,307**
Amounts written directly against assets	-	-	-	-	-	-	-
Reserve for general banking risks	**8,270**	**-**	**-**	**-**	**1,100**	**-**	**9,370**

3.10 Registered capital

	2013				2012		
	Total nominal value	Number of shares (units)	Capital with dividend rights	Capital with voting rightso	Total nominal value	Number of shares (units)	Capital with dividend rights
Total registered capital	**20,000**	**20,000**	**20,000**	**18,120**	**20,000**	**20,000**	**20,000**

Significant shareholders and groups of shareholders linked by voting agreements

with voting rights							
(via Neutral Holding, Luxembourg 100% and Lukos SA, Luxembourg 100%)							
Hereditary co-owner was Mario Zarattini	12,668		63.34%	69.91%	14,548		72.74%
of which via Schulman Familienstiftung, Vaduz	*10,100*		*50.50%*	*55.74%*	*10,100*		*50.50%*
Quaggio Flavio, Viganello	2,270		11.35%	12.53%	2,270		11.35%
Zanni Andrea, Bré sopra Lugano	1,580		7.90%	8.72%	1,580		7.90%
Santi Tullio, Lugano	1,088		5.44%	6.00%	1,088		5.44%
without voting rights							
(via Lukos SA, Luxembourg, 100%)							
Own shares held by Neutral Holding, Luxembourg	1,880		9.40%		-		-

3.11 Statement of shareholders' equity

Share capital at 1.1.2013		
	Share capital	20,000
	General legal reserve	4,308
	Reserves for general banking risks	8,270
	Other reserves	30,207
	Retained earnings	9,300
Total shareholders' equity at 1.1.2013 (before allocation of profits)		**72,085**
	Dividend and other distributions of previous year's profit	-8,545
	Reserves for general banking risks	1,100
	Profit for the period	2,873
Total shareholders' equity at 31.12.2013 (before allocation of profits)		**67,513**
of which:	*Share capital*	*20,000*
	General legal reserve	*5,063*
	Reserves for general banking risks	*9,370*
	Other reserves	*30,207*
	Retained earnings	*2,873*

3.12 Maturity structure of current assets and third-party capital

		at sight	redeemable by notice	up to 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	fixed assets	**Total**
Current assets									
Cash		8,097	-	-	-	-	-	-	**8,097**
Due from monetary assets		-	-	-	-	-	-	-	**-**
Due from banks		185,517	5,277	7,543	25,223	-	-	-	**223,560**
Due from clients		-	88,516	891	-	-	-	-	**89,407**
Mortgage loans		-	-	-	13,198	-	-	-	**13,198**
Portfolio of securities and precious metals held for trading		-	15,087	4,950	182	1,612	-	-	**21,831**
Financial investments		-	5,645	12,172	25,645	45,141	773	**-**	**89,376**
Total	**31.12.2013**	**193,614**	**114,525**	**25,556**	**64,248**	**46,753**	**773**	**-**	**445,469**
	31.12.2012	**185,241**	**85,280**	**46,953**	**34,663**	**15,366**	**190**	-	**367,693**
Third-party capital									
Due to banks		495	-	-	-	-	-	-	**495**
Amounts due to clients		383,438	-	-	-	-	-	-	**383,438**
Total	**31.12.2013**	**383,933**	**-**	**-**	**-**	**-**	**-**	**-**	**383,933**
	31.12.2012	**305,716**	-	-	-	-	-	-	**305,716**

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

		31.12.13	31.12.12	Change
Loans	Affiliated companies	-	-	-
	Management bodies of the Bank (*)	1,409	6	1,403
Total receivables		**1,409**	**6**	**1,403**
Commitments	Affiliated companies	-	-	-
Total commitments		**-**	-	**-**

* Loans granted to the management are awarded under the same conditions as are applied to Bank staff. There are no further transactions with related parties.

3.14 Breakdown by Swiss or foreign domicile

	Year under review		Previous period	
	Switzerland	Abroad	Switzerland	Abroad
Assets				
Cash	8,097	-	27,520	-
Due from monetary assets	-	-	30	-
Due from banks	113,505	110,055	132,286	76,113
Due from clients	10,048	79,359	6,846	63,708
Mortgage loans	13,198	-	2,956	-
Securities and precious metals trading portfolio	-	21,831	-	15,303
Financial investments	226	89,150	-	42,932
Fixed assets	14,004	-	14,441	-
Accrued income and prepaid expenses	3,278	-	3,817	-
Other assets	1,745	256	816	-
Total assets	**164,101**	**300,651**	**188,712**	**198,056**
Liabilities				
Due to banks	461	35	949	13
Other amounts due to clients	37,614	345,824	26,363	278,391
Accrued income and prepaid expenses	7,901	-	3,785	-
Other liabilities	2,743	354	2,912	-
Value adjustments and provisions	2,307	-	2,270	-
Reserve for general banking risks	9,370	-	8,270	-
Share capital	20,000	-	20,000	-
General legal reserve	5,063	-	4,308	-
Other reserves	30,207	-	30,207	-
Retained earnings	-	-	6,145	-
Profit/-loss for the period	2,873	-	3,155	-
Total liabilities	**118,539**	**346,213**	**108,364**	**278,404**

3.15 Breakdown of assets by country and country groups

	Year under review		Previous period	
	Amount	%	Amount	%
Switzerland	**164,101**	**35%**	**188,741**	**49%**
Other OECD countries	286,773	62%	166,068	43%
Other countries	13,878	3%	31,958	8%
Total foreign	**300,651**	**65%**	**198,026**	**51%**
Total assets	**464,752**	**100%**	**386,767**	**100%**

3.16 Breakdown of currencies

	Currencies				
	CHF	USD	EUR	Other	**Total**
Assets					
Cash	7,647	7	442	1	8,097
Due from monetary assets	-	-	-	-	-
Due from banks	15,461	78,799	121,805	7,495	223,560
Due from clients	4,856	6,372	77,748	431	89,407
Mortgage loans	13,198	-	-	-	13,198
Securities and precious metals trading portfolio	1,499	795	19,537	-	21,831
Financial investments	16,766	12,894	59,716	-	89,376
Fixed assets	14,004	-	-	-	14,004
Accrued income and prepaid expenses	1,332	288	1,658	-	3,278
Other assets	1,997	4	-	-	2,001
Total assets	**76,760**	**99,159**	**280,906**	**7,927**	**464,752**
Forward rate contracts, swaps	4,498	41,905	39,961	6,074	92,438
Total assets	**81,258**	**141,064**	**320,867**	**14,001**	**557,190**
Liabilities					
Due to banks	67	4	413	11	495
Other amounts due to clients	25,670	93,145	256,859	7,765	383,439
Accrued income and prepaid expenses	6,585	982	334	-	7,901
Other liabilities	2,304	457	336	-	3,097
Value adjustments and provisions	2,307	-	-	-	2,307
Reserve for general banking risks	9,370	-	-	-	9,370
Share capital	20,000	-	-	-	20,000
General legal reserve	5,063	-	-	-	5,063
Other reserves	30,207	-	-	-	30,207
Retained earnings	-	-	-	-	-
Net profit for the year	2,873	-	-	-	2,873
Total liabilities	**104,446**	**94,588**	**257,942**	**7,776**	**464,752**
Forward rate contracts, swaps	3,549	42,871	39,945	6,073	92,438
Total liabilities	**107,995**	**137,459**	**297,887**	**13,849**	**557,190**
Net position per currency	**-26,737**	**3,605**	**22,980**	**152**	**-**

Quantitative information pursuant to FINMA Circ. 2008/22

Table 1: Breakdown of regulatory capital considered
a) Preliminary reconciliation

Balance sheet	**31.12.13**	31.12.12
Assets		
Cash	8,097	27,520
Due from monetary assets	-	30
Due from banks	223,560	208,399
Due from clients	89,407	70,554
Mortgage loans	13,198	2,956
Securities and precious metals trading portfolio	21,831	15,303
- of which own securities		
Financial investments	89,376	42,932
- of which own securities		
Tangible fixed assets	12,095	12,255
Intangible assets	1,909	2,186
- of which goodwill	1,266	1,742
- of which other intangible assets	643	444
Accrued income and prepaid expenses	3,278	3,817
Other assets	2,001	815
- of which latent tax receivables, dependent on future income		
- of which latent tax receivables, arising from temporary differences		
Total assets	**464,752**	**386,767**
Third-party capital		
Commitments to banks	495	962
Other commitments to clients	383,438	304,754
Accrued liabilities and prepaid expenses	7,901	3,785
Other liabilities	3,097	2,912
Value adjustments and provisions	2,307	2,270
Total third-party capital	**397,238**	**314,683**
Shareholders' equity		
Reserves for general banking risks	9,370	8,270
Share capital	20,000	20,000
Legal reserve	5,063	4,308
Reserve for profits (losses) carried forward	30,207	30,507
Profit for the period net of expected dividend (1)	170	755
Breakdown of shareholders' equity	**64,810**	**63,840**

1 Data relating to 31 December 2012 take into account the distribution of the dividend approved by the shareholders' meeting held on 29 April 2013.

b) Breakdown of eligible regulatory capital (*)

	Net figures (net of impact of transitional regulations) 31.12.13	31.12.12
Top-quality (CET 1) capital		
Issued and paid-up share capital, fully payable	20,000	20,000
General legal reserve	5,063	4,308
Reserves for general banking risks	9,370	8,270
Profit reserve	30,207	30,207
Profit for the period net of expected dividend (**)	170	755
= Top-quality (CET 1) capital before adjustments	**64,810**	**63,540**
Goodwill (net of latent tax)	-1,266	-1,742
= Sum of adjustments relating to CET 1	**-1,266**	**-1,742**
Net top-quality (CET 1) capital	**63,544**	**61,798**
TIER 1 Net capital	**63,544**	**61,798**
Net T1 and T2 Total calculable regulatory capital	**63,544**	**61,798**
Sum of risk-weighted positions	**265,779**	**214,438**
CET 1 ratio	**23.79%**	**28.82%**
T1 ratio	**23.79%**	**28.82%**
Regulatory capital ratio	**23.79%**	**28.82%**

Table 2: Presentation of required capital (*)

Minimum capital requirements	**31.12.13**	31.12.12
Credit risk (standardized international approach)	16,019	12,717
- of which for securities held in the banking book	*2,523*	*2,416*
Non-counterparty risk (standardized Swiss approach)	1,019	2,763
Market risk (standardized Swiss approach)	2,162	415
- of which on interest rate instruments (de minimis approach)		
- of which securities (de minimis approach)		
- of which currencies and precious metals (standardized approach)	*2,147*	*415*
- of which commodities (standardized approach)	*15*	*-*
Operational risks (basic indicator approach)	2,062	1,260
Total	**21,262**	17,155

Requirement according to the transitional provisions of the Ordinance of Own Funds (minimum requirements + own funds capital buffer + countercylical capital buffer)	**31.12.13**	31.12.12
Minimum requirements	21,262	17,155
Own funds buffer per cat. 5: 2.5%	6,644	5,361
Anticyclical credit risk buffer: 1%	56	n/a
Total capital requirement	**27,962**	**22,516**

* The figures at 31 December 2013 were calculated in accordance with Basel III, while those at 31 December 2012 were calculated in accordance with Basel II.

** Data relating to 31 December 2012 take into account the distribution of the dividend approved by the shareholders' meeting held on 29 April 2013.

4. Information on off-balance sheet transactions (in CHF thousands)

4.1 Breakdown of contingent liabilities

	31.12.13	31.12.12	Change
Warranty obligations	13,602	18,517	-4,915
Total	**13,602**	**18,517**	**-4,915**

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		299	185	27,870	58	11	1,799
Swaps		259	312	62,768	-	-	-
Securities/indices		**-**	**-**	**-**	**-**	**-**	**-**
Futures		-	-	-	-	-	-
Total	**31.12.2013**	**558**	**497**	**90,638**	**58**	**11**	**1,799**
	31.12.2012	**398**	**424**	**45,916**	**110**	**26**	**2,232**

4.4 Fiduciary transactions

	31.12.13	31.12.12	Change
Fiduciary investments with other banks	11,041	38,208	-27,167
Total	**11,041**	**38,208**	**-27,167**

4.5 Breakdown of managed assets

	31.12.13	31.12.12	Change
Assets held by own-managed investment funds	266,255	260,750	5,505
Assets with administration mandate			
Direct clients	502,327	358,326	144,001
Indirect clients	6,007	4,760	1,247
Other assets	1,455,513	1,141,532	313,981
Total client assets	**2,230,102**	**1,765,368**	**464,734**
of which counted twice	*199,828*	*182,930*	*16,898*
Net cash inflow/-outflo	444,445	362,658	81,787

Assets purely held in custody 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 new money was determined by calculating the balance of deposits and withdrawals of funds and securities valued on the day of deposit/withdrawal. Interest and dividends are not included.

5. Income statement information (in CHF thousands)

5.2 Breakdown of income on trading operations

	31.12.13	31.12.12	Change
Trading in foreign currencies and banknotes	1,272	1,093	179
Trading in precious metals	-	-	-
Securities trading	3,608	2,990	618
Total	**4,880**	**4,083**	**797**

5.3 Breakdown of personnel cost

	31.12.13	31.12.12	Change
Salaries and wages	10,604	10,806	-202
Social charges	1,714	1,813	-99
Other personnel expenses	69	124	-55
Total	**12,387**	**12,743**	**-356**

5.4 Breakdown of operating costs

	31.12.13	31.12.12	Change
Premises	948	857	91
Office equipment, machinery, furniture, vehicles and other	1,360	2,450	-1,090
Other expenses	2,444	2,399	45
Total	**4,752**	**5,706**	**-954**

Comment on extraordinary income

Extraordinary expenses of CHF 1,108,472 are created from the provision for general banking risks of CHF 1,100,000 made to increase own funds and the capital loss generated on the sale of a vehicle.

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Building a better working world

To the General Meeting of

Banca Zarattini & Co. SA, Lugano

Lugano, 25 March 2014

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 2013.

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 2013 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

Erico Bertoli Licensed audit expert (Auditor in charge)	Bruno Patusi Licensed audit expert

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