



ANNUAL REPORT

2015

dettaglio: E. Vedova

ANNUAL REPORT 2015

Presented to the Annual General Meeting of Shareholders on 14 April 2016

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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 2015

Dear Shareholders,

Last year showed modest average growth and inflation below expectations, with the economic cycles of different countries increasingly out of sync.

The Swiss economy cushioned the blow of the franc's revaluation better than originally feared. End-of-year results indicated that real growth was still positive and higher than that of most of its neighbouring countries. The trend is deteriorating, however, and given the pronounced deflation, doubts are emerging about the outlook for the year under way.

After a fairly favourable start, the share markets started to falter in the second half of the year. In particular, they corrected rather violently in August. This was followed by signs of a slowdown in economic growth originating in China.

The strength of the US dollar compared with all the main currencies and the sharp drop in the price of crude and other commodities weighed on the emerging countries. As a result, their financial markets remained the weakest globally.

Risk premiums were in an upward phase in the first few months of 2016 too. Investors are calling for increasingly expansionary and aggressive measures by central banks.

The monetary experiment is not in sync across the main economic policies. It is tapering off in the United States and the Federal Reserve has tentatively initiated the rate hiking process. On the other hand, it is in full swing in Japan, where it is producing surprisingly modest results. The European Central Bank is also undertaking unprecedented expansionary action, and its credibility has not yet been called into question.

The main structural problem weighing on the global economy could simply be the excess of aggregate debt. The monetary manoeuvring has undoubtedly provided welcome relief, but this is not a permanent solution.

The level of nominal and real interest rates remained close to historical lows throughout the year in most of the developed world's currencies. A certain amount of volatility could be observed, however, especially in longer euro maturities. The yield on such instruments is so low – still negative up to four years – that bonds are vulnerable to even a slight pick-up in inflation or a modest change in monetary policy.

Reference interest rates in francs are the most negative of all the currencies. Combined with the complete absence of inflation, they have even dragged very long maturities down to yields below zero.

To obtain a positive nominal yield by investing in franc-denominated securities, without any issuer risk, it is now necessary to opt for maturities of more than 20 years.

In view of the negative interest rates and overall flat performance of share prices, the management activities of Banca Zarattini & Co achieved fairly limited result in absolute terms but generally similar or better than their respective benchmarks.

After the removal of the 1.20 floor, the euro recovered in part from its initial nosedive against the Swiss franc and spent most of 2015 between 1.05 and 1.10.

In the euro area, monetary policy is still extremely loose and the ECB seems to want to lower the value of the euro at all costs. The SNB in turn wishes to keep the franc as weak as possible.



This is probably a classic case of competitive devaluation, with the ECB taking the lead and the SNB trying to counter its action.

During 2016, your Bank will continue its policy of systematically hedging the exchange risk against the euro, without any speculative intentions, in order to mitigate the effect of its fluctuations.

The euro's fall against the franc had the expected negative effect for Banca Zarattini & Co., as, combined with clients' increasing tendency to opt for administered mandates, it led to a decrease in revenues. Prudential management of the Bank's equity also contributed to the downtrend, given the complete absence of yields on medium-term securities from the best issuers.

Net profit achieved in 2015 was CHF 2,714 million. This was lower than the previous year's level of CHF 3,398 million, which had been the best result for ten years. Nonetheless, it can be considered satisfactory given the less favourable financial climate in terms of trends in both the financial markets and new inflows.

Banca Zarattini & Co continues to guarantee optimum financial solidity, expressed for example by its Tier I ratio of close to 26%. Together with the expertise and cohesion of its working group, this allows it to look to the future with enthusiasm.

We would like to reiterate our thanks to our clients for their trust in us. We will reward that trust, ensuring the utmost professionalism, dedication and integrity in order to offer them an increasingly high quality of banking services.

The banking sector is constantly changing and new challenges are emerging, at an increasing pace, that constantly test our reliability, adaptability and commitment to asset management. Finally, the Board of Directors would like to extend its heartfelt thanks to its employees.

The Board of Directors
Banca Zarattini & Co. SA

Lugano, 5 April 2016

BALANCE SHEET AS AT 31.12.2015

	31.12.2015 CHF	31.12.2014 CHF
Assets		
Liquid assets	20,985,324	26,098,578
Amounts due from banks	191,141,127	170,733,552
Amounts due from customers	114,113,444	94,293,724
Mortgage loans	10,998,000	11,311,100
Trading portfolio assets	20,079,494	23,620,603
Positive replacement values of derivative financial instruments	260,533	1,705,113
Financial investments	55,574,691	68,255,010
Accrued income and prepaid expenses	2,594,102	2,577,256
Tangible fixed assets	12,420,069	12,346,476
Intangible assets	316,667	791,667
Other assets	256,609	1,446,124
Total assets	428,740,060	413,179,203
Liabilities		
Amounts due to banks	218,217	162,663
Amounts due in respect of customer deposits	347,575,303	326,314,955
Negative replacement values of derivative financial instruments	182,862	1,642,864
Accrued expenses and deferred income	7,558,922	10,310,158
Other liabilities	1,496,786	3,689,841
Provisions	1,765,200	1,750,000
Reserve for general banking risks	11,570,000	10,470,000
Bank's capital	20,000,000	20,000,000
Statutory retained earnings reserve	5,450,750	5,232,750
Voluntary retained earnings reserve	30,207,403	30,207,403
Profit carried forward	569	337
Profit / loss (result of the period)	2,714,048	3,398,232
Total liabilities	428,740,060	413,179,203
Off-balance sheet transactions		
Contingent liabilities	2,549,440	5,159,343
Irrevocable commitments	1,184,000	1,598,000

INCOME STATEMENT 2015

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	31.12.2015 CHF	31.12.2014 CHF
Interest and discount income	1,278,866	1,617,646
Interest and dividend income		
from trading portfolios	27,044	128,163
Interest and dividend income		
from financial investments	690,047	1,055,680
Interest expense	-127,465	-13,777
Gross result from interest operations	1,868,492	2,787,712
Changes in value adjustments for default risks and losses from interest operations	379,771	-131,000
Net result from interest operations	2,248,263	2,656,712
Commission income		
from securities trading and investment activities	16,741,422	22,425,345
Commission income from lending activities	56,105	82,048
Commission income on other services	453,432	422,019
Commission expense	-3,181,117	-7,636,305
Result from commission business and services	14,069,842	15,293,107
Result from trading activities and the fair value option	6,644,912	6,909,786
Result from the disposal of financial investments	-52,518	4,750
Result from real estate	343,996	427,255
Other ordinary expenses	-243,727	-11,850
Other result from ordinary activities	47,751	420,155
Personnel expenses	-12,615,669	-12,576,938
General and administrative expenses	-4,396,427	-5,630,076
Total operating expenses	-17,012,096	-18,207,014
Value adjustments on participations and depreciation and amortisation		
of tangible fixed assets and intangible assets	-1,270,284	-1,542,685
Changes to provisions and other value adjustments, and losses	-15,200	0
Operating result	4,713,188	5,530,061
Extraordinary income	117	7,229
Extraordinary expenses	-44,170	0
Changes in reserves for general banking risks	-1,100,000	-1,100,000
Taxes	-855,087	-1,039,058
Profit / loss (result of the period)	2,714,048	3,398,232

APPROPRIATION OF PROFIT AS AT 31 DECEMBER 2015

(proposal of Board of Directors)

	31.12.2015 CHF	31.12.2014 CHF
Profit	2,714,048	3,398,232
+ profit carried forward	569	337
= distributable profit	2,714,617	3,398,569
Appropriation of profit		
Allocation to statutory retained earnings reserve	-155,850	-218,000
Distributions from distributable profit	-2,558,500	-3,180,000
New amount carried forward	267	569

Annex 4 to FINMA Circular 2015/1 (amounts in CHF 1,000)

Presentation of the statement of changes in equity

	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Currency translation reserves	Voluntary retained earnings reserves and profit / loss carried forward	Own shares (negative item)	"Minority" interests	Result of the period	Total
Equity at start of current period	20,000	-	5,233	10,470	-	30,208	-	-	3,398	69,309
Dividends and other distributions	-	-	218	-	-	-	-	-	-3,398	-3,180
Other allocations to (transfers from) the reserves for general banking risks	-	-	-	1,100	-	-	-	-	-	1,100
Profit / loss (result of the period)	-	-	-	-	-	-	-	-	2,714	2,714
Equity at end of current period	20,000	-	5,451	11,570	-	30,208	-	-	2,714	69,943

NOTES AS AT 31.12.2015

1. Information about activity

The information refers to the position as at 31 December 2015.

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 Banks (Banking Act, BA), the Swiss Ordinance on Banks and Savings banks (Banking Ordinance, BO), FINMA Circular 2015/1 "Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB)", the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) and the Swiss Code of Obligations (CO). Following the introduction of the above-mentioned FINMA Circular 2015/1, it was necessary to make some reclassifications compared with the balance sheet data as at 31.12.2014.

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 2015, the Bank had 73 employees (end 2014: 71 employees), representing 71.75 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 Management Service is responsible for implementing the risk policy prepared by the Executive Board and approved by the Board of Directors. Specifically, the Risk Management Service 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 Management Service, 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.

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.

There were no significant events after the balance sheet date.

2. Outsourcing

Banca Zarattini & Co. SA has outsourced some of its operations relating to the management of S.W.I.F.T. communications to D+H Switzerland GmbH, Baden (previously BBP AG).

3. Accounting principles and policies

General principles

The Bank prepares the financial statements as reliable assessment statutory single-entity financial statements. The criteria used for preparing accounts, balance sheet reporting and valuations comply with prevailing legislation and with FINMA Circular 2015/1 “Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB)”, as well as the provisions of the Swiss Federal Law on Banks and Savings Banks and the Swiss Federal Act on Stock Exchanges and Securities Trading. 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	31.12.2015	31.12.2014
EUR	1.082710	1.202475
USD	0.992400	0.989450
GBP	1.470150	1.542000

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.

Trading portfolio assets

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 are 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 with 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 expenses.

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 derivative financial instruments

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

Changes in accounting and valuation principles

There were no changes to the accounting and valuation principles during the year.

Annex 5 to FINMA Circular 2015/1 (amounts in CHF 1,000)

Details on the individual items in the notes to annual financial statements¹⁾

Table 2: Presentation of collateral for loans/receivables 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	-	113,586	631	114,217
Mortgage loans	10,998	-	-	10,998
Residential property	10,383	-	-	10,383
Office and business premises	615	-	-	615
Commercial and industrial premises	-	-	-	-
Other	-	-	-	-
Total loans (before netting with value adjustments)	10,998	113,586	631	125,215
Current year	10,998	113,586	631	125,215
Previous year	12,898	93,074	321	106,293
Total loans (after netting with value adjustments)				
Current year	10,998	113,586	527	125,111
Previous year	12,898	92,494	213	105,605
Off-balance sheet				
Contingent liabilities	-	2,471	78	2,549
Irrevocable commitments	-	-	1,184	1,184
Obligations to pay up shares and make further contributions	-	-	-	-
Credit commitments	-	-	-	-
Total off-balance sheet	-	2,471	1,262	3,733
Current year	-	2,471	1,262	3,733
Previous year	-	5,149	1,608	6,757

	Gross debt amount	Estimated liquidation value of collateral*	Net debt amount	Individual value adjustments
Table: Impaired loans/receivables				
Current year	104	-	104	104
Previous year	688	-	688	688

* Credit or liquidation value per customer: the lower value is to be applied.

1) Tables are numbered according to FINMA regulation. Any tables not shown do not apply to the Bank.

Table 3: Breakdown of trading portfolios and other financial instruments at fair value (assets and liabilities)

	Current year	Previous year
Assets		
Trading portfolio assets	20,079	23,621
Debt securities, money market securities/transactions	647	4,121
of which, listed	647	4,121
Equity securities	19,432	19,500
Precious metals and commodities	-	-
Other trading portfolio assets	-	-
Total assets	20,079	23,621
of which, determined using a valuation model	-	-
of which, securities eligible for repo transactions in accordance with liquidity requirements	-	-

Table 4: Presentation of derivative financial instruments (assets and liabilities)

	TRADING INSTRUMENTS			HEDGING INSTRUMENTS*		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Foreign exchange / precious metals						
Forward contracts	161	164	15,703	-	-	-
Combined interest rate / currency swaps	22	12	5,193	74	7	16,563
Total	183	176	20,896	74	7	16,563
Equity securities / indices						
Futures	-	-	9,172	-	-	-
Total	-	-	9,172	-	-	-
Total	183	176	30,068	74	7	16,563
Total before netting agreements:						
Current year	183	176	30,068	74	7	16,563
of which, determined using a valuation model	-	-	-	-	-	-
Previous year	1,674	1,641	90,926	1	2	2,703
of which, determined using a valuation model	-	-	-	-	-	-
Total after netting agreements						
	Positive replacement values (cumulative)			Negative replacement values (cumulative)		
Current year			257			
Previous year			1,675			
Breakdown by counterparty:	Central clearing houses	Banks and securities dealers		Other customers		
Positive replacement values (after netting agreements)		-	89		168	

* hedging instruments as defined in margin no. 431 et seqq.

Table 5: Breakdown of financial investments

	BOOK VALUE		FAIR VALUE	
	Current year	Previous year	Current year	Previous year
Debt securities	41,356	56,668	41,687	57,358
of which, intended to be held to maturity	41,356	56,668	41,687	57,358
Equity securities	14,219	11,587	14,457	11,759
of which, qualified participations*	330	330	330	330
Total	55,575	68,255	56,144	69,117
of which, securities eligible for repo transactions in accordance with liquidity requirements	-	-	-	-

* at least 10% of capital or votes

Breakdown of counterparties by rating

S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
	"Debt securities: Book value"	8,949	9,786	20,011	112	-
"Equity securities: Book value"	-	-	-	-	-	14,219
Moody's	Aaa to Aa3-	A1 to A3	Baa1+ to Baa3	Ba1+ to Ba3	Below B3	Unrated
"Debt securities: Book value"	1,359	218	-	-	-	-
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
"Debt securities: Book value"	921	-	-	-	-	-
Total debt securities: book value	11,229	10,004	20,011	112	-	14,219

Table 8a: Presentation of tangible fixed assets

	Acquisition cost	Accumulated depreciation	Book value Previous period end	Current year				Book value as at end of current year
				Reclassifications	Additions	Disposals	Depreciation	
Bank buildings	13,453	-1,902	11,551	-	-	-	-201	- 11,350
Proprietary or separately acquired software	1,308	-765	543	-	655	-8	-417	- 773
Other tangible fixed assets	5,001	-4,749	252	-	221	-	-176	- 297
Total tangible fixed assets	19,762	-7,416	12,346	-	876	-8	-794	- 12,420

Table 9: Presentation of intangible assets

	Cost value	Accumulated amortisation	Book value Previous year end	Current year		Amortisation	Book value as at end of current year
				Additions	Disposals		
Goodwill	2,750	-1,958	792	-	-	-475	317
Total intangible assets	2,750	-1,958	792	-	-	-475	317

Table 10: Breakdown of other assets and other liabilities

	OTHER ASSETS		OTHER LIABILITIES	
	Current year	Previous year	Current year	Previous year
Amount recognised as assets in respect of employer contribution reserves	-	-		
Amount recognised as assets relating to other assets from pension schemes	71	1,271		
Other assets	167	168		
Indirect tax	19	7		
Other liabilities			495	2,048
Indirect tax			1,002	1,642
Total	257	1,446	1,497	3,690

Table 11: Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership*

	CURRENT YEAR		PREVIOUS YEAR	
	Book values	Effective commitments	Book values	Effective commitments
Pledged / assigned assets (amounts due from banks)	14,290	11,966	11,611	9,055
Assets under reservation of ownership	-	-	-	-

* excluding securities financing transactions

Table 19: Disclosure of amounts due from / to related parties

	AMOUNTS DUE FROM		AMOUNTS DUE TO	
	Current year	Previous year	Current year	Previous year
Holders of qualified participations	633	28	2,801	2,454
Group companies	-	-	4,615	3,000
Linked companies	-	-	1,677	-
Transactions with members of governing bodies	1,266	1,371	105	58
Other related parties	-	-	70	770

Explanations regarding conditions

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.

Table 20: Disclosure of holders of significant participations

Holders of significant participations and groups of holders of participations with pooled voting rights with voting rights	CURRENT YEAR		PREVIOUS YEAR	
	Nominal	% of equity	Nominal	% of equity
(via Neutral Holding, Luxembourg 100% and Lukos SA, Luxembourg 100%)				
Hereditary co-owner was Mario Zarattini	12,668	63.34%	12,668	63.34%
<i>of which via Schulman Familienstiftung, Vaduz</i>	10,100	50.50%	10,100	50.50%
Flavio Quaggio, Viganello	2,270	11.35%	2,270	11.35%
Andrea Zanni, Bré sopra Lugano	1,580	7.90%	1,580	7.90%
Tullio Santi, Lugano	1,088	5.44%	1,088	5.44%
without voting rights				
(via Lukos SA, Luxembourg, 100%)				
Own shares held by Neutral Holding SA SPF, Luxembourg	1,880	9.40%	1,880	9.40%

Table 21 Disclosure of own shares and composition of equity capital

Details on the individual categories of the bank's capital (margin no. A5-88)	CURRENT YEAR		PREVIOUS YEAR	
	Number of securities (units)	Nominal value	Number of securities (units)	Nominal value
Share capital	20,000	20,000	20,000	20,000
- of which, paid up	20,000	20,000	20,000	20,000
Total	20,000	20,000	20,000	20,000
Non-distributable reserves (margin no. A5-88 - Part 2)		Total at end current year		Total at end of previous year
Non-distributable amount from statutory retained earnings reserve		5,451		5,233
Non-distributable amount from voluntary retained earnings reserves		30,207		30,207
Total		35,658		35,440

Table 23: Presentation of the maturity structure of investments

Assets / financial instruments	At sight	Cancellable	Due within 3 months	Due within 3 to 12 months	Due within 12 months to 5 years	Due after 5 years	No maturity	Total
Liquid assets	20,985							20,985
Amounts due from banks	143,178	11,966	12,180	23,817	-			191,141
Amounts due from customers	-	113,304	-	809	-			114,113
Mortgage loans	-	-	416	10,582	-	-	-	10,998
Trading portfolio assets	20,079							20,079
Positive replacement values of derivative financial instruments	261							261
Financial investments	-	9,720	7,697	8,651	25,199	3,978	330	55,575
Current year	184,503	134,990	20,293	43,859	25,199	3,978	330	413,152
Previous year	195,280	106,570	24,507	35,335	33,996	-	330	396,018
Debt capital / financial instruments								
Amounts due to banks	218	-	-	-	-	-		218
Amounts due in respect of customer deposits	347,575	-	-	-	-	-		347,575
Negative replacement values of derivative financial instruments	183							183
Current year	347,976	-	-	-	-	-	-	347,976
Previous year	328,121	-	-	-	-	-	-	328,121

Table 24: Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

	CURRENT YEAR		PREVIOUS YEAR	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	20,985	-	26,099	-
Amounts due from banks	68,656	122,485	96,718	74,015
Amounts due from customers	6,433	107,680	9,734	84,560
Mortgage loans	10,998	-	11,311	-
Trading portfolio assets	-	20,079	-	23,621
Positive replacement values of derivative financial instruments	139	122	348	1,357
Financial investments	486	55,089	555	67,700
Accrued income and prepaid expenses	2,594	-	2,577	-
Tangible fixed assets	12,420	-	12,346	-
Intangible assets	317	-	792	-
Other assets	257	-	1,446	-
Total assets	123,285	305,455	161,926	251,253
Liabilities				
Amounts due to banks	4	214	137	26
Amounts due in respect of customer deposits	30,644	316,931	30,042	296,273
Negative replacement values of derivative financial instruments	169	14	1,399	244
Accrued expenses and deferred income	7,559	-	10,310	-
Other liabilities	1,497	-	3,690	-
Provisions	1,765	-	1,750	-
Reserves for general banking risks	11,570	-	10,470	-
Bank's capital	20,000	-	20,000	-
Statutory retained earnings reserve	5,451	-	5,233	-
Voluntary retained earnings reserve	30,207	-	30,207	-
Profit carried forward / loss carried forward	1	-	-	-
Profit/loss (result of the period)	2,714	-	3,398	-
Total liabilities	111,581	317,159	116,636	296,543

Table 25: Breakdown of total assets by country or group of countries (domicile principle)

	CURRENT YEAR		PREVIOUS YEAR	
	Absolute	Share as %	Absolute	Share as %
Assets				
Africa	812	0.19%	1,462	0.35%
Côte d'Ivoire	-	0.00%	1	0.00%
Ethiopia	811	0.19%	905	0.22%
Lebanon	-	0.00%	554	0.13%
South Africa	1	0.00%	2	0.00%
Asia	2,452	0.57%	2,323	0.56%
Israel	-	0.00%	2	0.00%
Japan	502	0.12%	500	0.12%
South Korea	152	0.04%	155	0.04%
Philippines	1,798	0.42%	1,666	0.40%
Caribbean	43,203	10.08%	21,548	5.22%
Barbados	3,196	0.75%	-	0.00%
Bermuda	157	0.04%	205	0.05%
Panama	35,506	8.28%	1,990	0.48%
St. Kitts-Nevis	1	0.00%	14,902	3.61%
Virgin Islands (BR)	4,343	1.01%	4,451	1.08%
Europe	241,867	56.41%	203,360	49.22%
Austria	215	0.05%	238	0.06%
Belgium	3,049	0.71%	4,210	1.02%
Croatia	2	0.00%	-	0.00%
Cyprus	8,560	2.00%	8,730	2.11%
France	3,066	0.72%	4,746	1.15%
Germany	22,662	5.29%	13,973	3.38%
Ireland	510	0.12%	1,866	0.45%
Italy	110,176	25.70%	97,757	23.66%
Latvia	190	0.04%	-	0.00%
Luxembourg	76,452	17.83%	56,903	13.77%
Malta	4,444	1.04%	19	0.00%
Monaco	-	0.00%	1	0.00%
Netherlands	4,087	0.95%	3,449	0.83%
Portugal	2,595	0.61%	2,907	0.70%
Russian Federation	499	0.12%	548	0.13%
Slovakia	17	0.00%	-	0.00%
Slovenia	1	0.00%	1	0.00%
Spain	19	0.00%	2	0.00%
Sweden	360	0.08%	400	0.10%
Finland	-	0.00%	363	0.09%
UK	4,963	1.16%	7,247	1.75%
Latin America	99	0.02%	314	0.08%
Argentina	1	0.00%	-	0.00%
Belize	98	0.02%	3	0.00%
Costa Rica	-	0.00%	310	0.08%
Venezuela	-	0.00%	1	0.00%
Liechtenstein	42	0.01%	38	0.01%
Liechtenstein	42	0.01%	38	0.01%
North America	16,161	3.77%	21,169	5.12%
United States	16,161	3.77%	21,169	5.12%
Oceania	819	0.19%	1,039	0.25%
Australia	819	0.19%	1,039	0.25%
Switzerland	123,285	28.76%	161,926	39.19%
Switzerland	123,285	28.76%	161,926	39.19%
Total assets	428,740	100.00%	413,179	100.00%

Table 26: Breakdown of total assets by credit rating of country groups (risk domicile view)

Rating	Moody's	Standard & Poor's	Fitch IBCA	NET FOREIGN EXPOSURE / CURRENT YEAR END		NET FOREIGN EXPOSURE / PREVIOUS YEAR END	
				In CHF	Share as %	In CHF	Share as %
1	Aaa	AAA	AAA	151,502	55.65%	147,996	62.19%
2	Aa1/Aa2/Aa3	AA+/AA/AA-	AA+/AA/AA-	40,846	15.00%	28,649	12.04%
3	A1/A2/A3	A+/A/A-	A+/A/A-	1,156	0.42%	251	0.11%
4	Baa1/Baa2/Baa3/ Ba1/Ba2/Ba3	BBB+/BBB/BBB-/ BB+/BB/BB-/B+	BBB+/BBB/BBB-/ BB+/BB/BB-/B+	74,667	27.43%	59,761	25.11%
5/6	B1/B2/B3/Caa1/ Caa2/Caa3/Ca/C	B/B-/CCC/ CC/C/D	B/B-/CCC/ CC/C/D	414	0.15%	1,320	0.55%
No rating		CC/C/D	CC/C/D	3,663	1.35%	2	0.00%
Total				272,248	100.00%	237,979	100.00%

Table 27: Presentation of assets and liabilities broken down by the most significant currencies for the bank

Assets	CHF	EUR	USD	GBP	JPY	Other	Total
Liquid assets	20,741	198	31	15	-	-	20,985
Amounts due from banks	25,095	120,495	42,238	1,753	19	1,541	191,141
Amounts due from customers	2,035	70,883	41,193	1	-	1	114,113
Mortgage loans	10,998	-	-	-	-	-	10,998
Trading portfolio assets	2,196	16,610	1,273	-	-	-	20,079
Positive replacement values of derivative financial instruments	261	-	-	-	-	-	261
Financial investments	11,148	25,987	18,440	-	-	-	55,575
Accrued income and prepaid expenses	980	906	708	-	-	-	2,594
Tangible fixed assets	12,420	-	-	-	-	-	12,420
Intangible assets	317	-	-	-	-	-	317
Other assets	257	-	-	-	-	-	257
Total assets shown in balance sheet	86,448	235,079	103,883	1,769	19	1,542	428,740
Delivery entitlements from spot exchange, forward forex and forex options transactions*	5,158	21,854	9,362	-	1,085	-	37,459
Total assets	91,606	256,933	113,245	1,769	1,104	1,542	466,199
Liabilities							
Amounts due to banks	1	7	199	11	-	-	218
Amounts due in respect of customer deposits	21,178	238,247	84,951	1,755	14	1,430	347,575
Negative replacement values of derivative financial instruments	183	-	-	-	-	-	183
Accrued expenses and deferred income	7,146	392	21	-	-	-	7,559
Other liabilities	1,416	81	-	-	-	-	1,497
Provisions	1,765	-	-	-	-	-	1,765
Reserves for general banking risks	11,570	-	-	-	-	-	11,570
Bank's capital	20,000	-	-	-	-	-	20,000
Statutory retained earnings reserve	5,451	-	-	-	-	-	5,451
Voluntary retained earnings reserve	30,207	-	-	-	-	-	30,207
Profit carried forward / loss carried forward	1	-	-	-	-	-	1
Profit / loss (result of the period)	2,714	-	-	-	-	-	2,714
Total liabilities shown in the balance sheet	101,632	238,727	85,171	1,766	14	1,430	428,740
Delivery obligations from spot exchange, forward forex and forex options transactions*	-	10,447	25,927	-	1,085	-	37,459
Total liabilities	101,632	249,174	111,098	1,766	1,099	1,430	466,199
Net position per currency	-10,026	7,759	2,147	3	5	112	-

*Options are taken into account after being delta-weighted.

Table 28: Breakdown of contingent liabilities and contingent assets

	Current year	Previous year
Performance guarantees and similar	2,549	5,159
Total contingent liabilities	2,549	5,159

Table 30: Breakdown of fiduciary transactions

	Current year	Previous year
Fiduciary investments with other banks	4,491	8,423
Total	4,491	8,423

Breakdown of client assets

	Current year	Previous year
Client assets		
Assets in collective investment schemes managed by the bank	234,865	301,226
Assets under discretionary asset management agreements	192,190	421,760
Total managed assets	427,055	722,986
Assets in custody	1,302,590	1,368,004
Total client assets	1,729,645	2,090,090

Table 31: Breakdown of managed assets and presentation of their development

	Current year	Previous year
a) Breakdown of managed assets		
Type of managed assets		
Assets in collective investment schemes managed by the bank	234,865	301,226
Assets under discretionary asset management agreements	192,190	421,760
Total managed assets (including double counting)	427,055	722,986
of which, double counting	50,195	116,471
b) Presentation of the development of managed assets		
Total managed assets (including double counting) at beginning	722,986	774,589
+/- net new money inflow or net new money outflow	-252,234	-35,935
+/- price gains / losses, interest, dividends and currency gains / losses	-43,697	-15,668
Total managed assets (including double counting) at end	427,055	722,986

Managed assets are calculated and recognised in accordance with the accounting guidelines issued by the Swiss Financial Market Supervisory Authority FINMA - Circular 2015/01. Managed assets comprise all assets managed or held for investment purposes by private, corporate and institutional clients, as well as assets in proprietary collective investment schemes. Liabilities are excluded, while amounts due to clients in current accounts, fiduciary deposits and all other assets are included with their valuations. Managed assets deposited with third parties are included to the extent that they are managed by Banca Zarattini & Co. SA. Assets that count more than once, for example, assets recognised in various asset categories are booked to the item "of which, double counting". They mainly comprise shares in proprietary collective investment schemes held in client portfolios.

Table 32: Breakdown of the result from trading activities and the fair value option

	Current year	Previous year
a) Breakdown by business area		
(in accordance with the organisation of the bank / financial group)		
Result from trading activities from:		
Fixed-income trading	5,889	4,894
Other trading activities	-118	-72
Currencies	874	2,088
Total	6,645	6,910
b) Breakdown by underlying risk and based on the use		
of the fair value option		
Result from trading activities from:		
Interest rate instruments (excluding funds)	5,889	4,894
Investment funds	-118	-72
Currencies	874	2,088
Total	6,645	6,910

Table 34: Breakdown of personnel expenses

	Current year	Previous year
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	10,759	10,752
of which, expenses relating to share-based compensation and alternative forms of variable compensation	-	-
Social insurance benefits	1,796	1,777
Other personnel expenses	61	48
Total	12,616	12,577

Table 35: Breakdown of general and administrative expenses

	Current year	Previous year
Office space expenses	893	918
Expenses for information and communications technology	1,480	1,506
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	14	9
Fees of audit firm(s) (Art. 961a no. 2 CO)	263	240
of which, for financial and regulatory audits	263	240
of which, for other services	-	-
Other operating expenses	1,746	2,957
of which, compensation for any cantonal guaranteee	-	-
Total	4,396	5,630

Table 38: Presentation of the operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment

	Domestic	Foreign
Result from interest operations		
Interest and discount income	1,279	-
Interest and dividend income from trading activities	27	-
Interest and dividend income from financial investments	690	-
Interest expense	-128	-
Gross result from interest operations	1,868	-
Changes in value adjustments for default risks and losses from interest operations	380	-
Net result from interest operations	2,248	-
Result from commission business and services		
Commission income on securities and investment transactions	16,742	-
Commission income from lending activities	56	-
Commission income from other services	453	-
Commission expense	-3,181	-
Result from commission business and services	14,070	-
Result from trading activities and the fair value option	6,645	-
Other result from ordinary activities	47	-
Total income for the period	23,010	-
Operating expenses		
Personnel expenses	-12,616	-
Other operating expenses	-4,396	-
Total operating expenses	-17,012	-
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-1,270	-
Changes to provisions and other value adjustments, and losses	-15	-
Operating result	4,713	-

Table 39: Taxes

	Current year	Previous year
Current tax	855	1,039
Total tax	855	1,039
Average rate on operating result	18.14%	18.79%

Quantitative disclosure Circ. 2008/22 FINMA (amounts in CHF thousands)

Table 1: Breakdown of regulatory capital considered

a) Preliminary reconciliation

Balance sheet	31.12.2015	31.12.2014
Assets		
Liquid assets	20,985	26,099
Amounts due from banks	191,141	170,733
Amounts due from customers	114,113	94,294
Mortgage loans	10,998	11,311
Trading portfolio assets	20,079	23,621
- of which, own equity securities	-	-
Positive replacement values of financial derivative financial instrument	261	1,705
Financial investments	55,575	68,255
- of which, own equity securities	-	-
Accrued income and prepaid expenses	2,594	2,577
Tangible fixed assets	12,420	12,346
Intangible assets	317	792
- of which goodwill	317	792
Other assets	257	1,446
- of which latent tax receivables, dependent on future income	-	-
- of which latent tax receivables, arising from temporary differences	-	-
Total assets	428,740	413,179
Third-party capital		
Amounts due to banks	218	163
Amounts due in respect of customer deposits	347,575	326,315
Negative replacement values of derivative financial instruments	183	1,643
Accrued expenses and deferred income	7,559	10,310
Other liabilities	1,497	3,690
Provisions	1,765	1,750
Total third-party capital	358,797	343,871
Shareholders' equity		
Reserves for general banking risks	11,570	10,470
Bank's capital	20,000	20,000
Statutory retained earnings reserve	5,451	5,233
Voluntary retained earnings reserve	30,207	30,207
Profit for the period net of expected dividend	156	218
Breakdown of shareholders' equity	67,384	66,128

b) Breakdown of regulatory capital considered

Net figures (net of impact
of transitional regulations)

31.12.2015 31.12.2014

	31.12.2015	31.12.2014
Top-quality (CET 1) capital		
Issued and called-up bank's capital, fully payable	20,000	20,000
Statutory retained earnings reserve	5,451	5,233
Reserves for general banking risks	11,570	10,470
Voluntary retained earnings reserve	30,207	30,207
Profit / loss (result of the period) net of expected dividend	156	218
= Top-quality (CET 1) capital before adjustments	67,384	66,128
Goodwill (net of latent tax)	-317	-792
= Sum of adjustments relating to CET 1	-317	-792
Net top-quality (CET 1) capital	67,067	65,336
TIER 1 Net capital	67,067	65,336
Net T1 and T2 Total calculable regulatory capital	67,067	65,336
Sum of risk-weighted positions	256,393	247,495
CET 1 ratio	25.98%	26.40%
T1 ratio	25.98%	26.40%
Ratio relating to total regulatory capital	25.98%	26.40%

Table 2: Presentation of required capital

Minimum capital requirements	31.12.2015	31.12.2014
Credit risk (standardized international approach)	15,130	14,674
- of which risk evaluation re securities in the bank's portfolio	2,927	2,904
Non-counterparty risk (standardized Swiss approach)	932	988
Market risk (standardized Swiss approach)	813	1,122
- of which on interest rate instruments (de minimis approach)	-	-
- of which securities (de minimis approach)	-	-
- of which currencies and precious metals (standardised approach)	802	1,110
- of which commodities (standardised approach)	11	12
Operational risks (basic indicator approach)	3,637	3,016
Total	20,512	19,800

Requirement according to the transitional regulations of the Ordinance

of Own Funds (minimum requirements)	31.12.2015	31.12.2014
Minimum requirements	20,512	19,800
Capital buffer for cat. 5: 2.5%	6,410	6,187
Countercyclical capital buffer on credit risks: 2%	67	88
Total capital requirement	26,989	26,075

Leverage ratio	31.12.2015	31.12.2014
Net TIER 1 capital	67,067	65,336
Total commitment for the leverage ratio	431,251	417,796
Leverage ratio in % (ratio of non-weighted capital as per Basel III)	15.55%	15.64%

Information on the liquidity coverage ratio (LCR)	weighted values (monthly averages) 1st quarter 2015	weighted values (monthly averages) 2nd quarter 2015	weighted values (monthly averages) 3rd quarter 2015	weighted values (monthly averages) 4th quarter 2015
Total high-quality liquid assets	23,094	26,139	26,487	25,899
Total net cash outflow	33,253	34,958	32,308	28,151
Liquidity coverage ratio LCR (in %)	69.45%	74.77%	81.98%	92.00%



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

Lugano, 5 April 2016

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, statement of changes in equity and notes (pages 5 to 31), for the year ended 31 December 2015.

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 2015 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)



Beatrice Groppelli
Licensed audit expert



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