Zarattini & Co | Bank

Annual Report 2017

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Presented to the Annual General Meeting of Shareholders on 17 April 2018

Management Bodies

Board of Directors

Chairman	Claudio Sulser (*)	Lugano
Vice chairman	Andrea Zanni (**)	Lugano
Members	Camilla Fasolo Zarattini	Collina d'Oro
	Peter Heckendorn (*) (**)	Bottmingen
	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 2017

Dear Shareholders,

2017 was a very positive year for the global economy. It saw an acceleration in the growth phase that had been under way for almost a decade, and all the major economies finally picked up. The heightened global growth in 2017 was driven mainly by the recovery in commodities, especially in the oil sector. Indeed, some key emerging countries typically linked to the commodities cycle, such as Brazil and Russia, exited the recession.

The normalisation of monetary policy in the United States has continued: the Federal Reserve has long since reduced its purchases of securities on the market and is now progressively hiking its federal funds rate. For the moment, this change in direction has resulted in the flattening of the dollar yield curve, but has not curtailed the amount of liquidity in the global financial market due to injections from the other main central banks – the European Central Bank, the Bank of Japan and the Swiss National Bank. Their purchases in the market continue to prop up security prices and keep the yields on offer to savers close to historical lows.

The financial markets put in a very positive performance in 2017, with double-digit gains on market indices as a result of reduced volatility and a further tightening of risk premiums. Downticks were only to be seen in sovereign bonds, which are linked directly to interest rates, but the overall trend was not negative, even for this asset class.

The current situation may seem ideal, but there are various hidden pitfalls, which have been brilliantly overcome so far or simply ignored by investors willing to bear increasingly higher risks.

For example, debt and financial leverage, which caused the last crisis, are now above their previous peaks; negative yields on a substantial number of bonds make the system intrinsically unstable and dangerous, even though inflation is low; globalisation continues to face growing opposition in the West and a new trend towards protectionism could take hold, with the United States leading the way; the latest elections reveal voters' frustration with the dominant elite and their desire to change the status quo so favoured by the financial markets.

Switzerland's real growth was positive, but lower than the European average. The franc weakened against the euro and, following two years of almost constant deflation, inflation began to stabilise above zero again. Nonetheless, a normalisation of the Swiss National Bank's monetary policy is not imminent, and reference interest rates on sight deposits will probably remain negative for all of the next year, or at least until the end of European quantitative easing is certain.

Yields in francs, which reached negative figures at the end of 2016 across almost the entire yield curve, have increased for longer maturities, but are still the absolute lowest worldwide. Nominal yields are still negative up to seven-year maturities for investments in bonds issued by the Swiss Confederation, the lowest-risk issuer.

The negative yield on deposits and on most low-risk investments weighed on your Bank's returns and will continue to be an obstacle in the near future.

On the other hand, the euro's appreciation against the franc, which occurred above all in the second half, positively impacted results.

Higher commission income and lower tax costs allowed Zarattini & Co to improve the net result from CHF 1.093 million in the previous financial year to CHF 1.784

million. Its core capital is still robust, with a high Tier I ratio of 21.55%, albeit lower than in previous years.
Assets under management grew in 2017, and asset management strategies produced positive results on average, although they did not beat their indices in most cases, as the approach taken proved too cautious in the second half-year. Thanks to the significant rise in the stock markets, the best performances were achieved in the equity management lines.
In the year under review, Banca Zarattini & Co was still a leading player in the consolidation process in the Ticino banking sector. Indeed, in the month of October, it received authorisation from FINMA for a 100% acquisition of the capital of BIM Suisse SA, which it had announced in July. This transaction is part of your Bank's growth plan, aimed at increasing its size and developing strategic partnerships both inside and outside Switzerland. The integration of BIM Suisse will make it possible to boost both internal expertise and strategic collaboration with Banca Intermobiliare di Investimenti e Gestioni S.p.A., via a platform of services that will give BIM's clients and its network of private bankers access to the banking services offered by Banca Zarattini in accordance with the provisions on the freedom to provide services.
The banking sector is undergoing a period of major change on all fronts: regulatory, financial and technological. Increasing efforts are being made to evolve and offer ever better services to clients while always meeting their demands without any impact on financial solidity and reliability. We would like to thank all the Bank's employees for their hard work, and we are sure that they will continue to demonstrate their commitment and dedication in the face of the challenges that arise over the coming financial years.
Finally, we wish to thank our Clients for their trust in our Bank. We hope to reward that trust by constantly enhancing service quality, professionalism and expertise.

Lugano, 27 March 2018
The Board of Directors

Balance Sheet

Assets	31.12.2017 CHF	31.12.2016 CHF
Liquid assets	42,264,778	28,674,900
Amounts due from banks	177,318,364	116,508,847
Amounts due from customers	249,345,048	197,542,062
Mortgage loans	12,509,100	11,256,300
Trading portfolio assets	7,256,867	7,741,291
Positive replacement values of derivative financial instruments	552,587	334,589
Financial investments	29,800,473	41,278,641
Accrued income and prepaid expenses	2,229,361	1,911,765
Tangible fixed assets	12,268,905	12,374,534
Intangible assets	1,625,677	-
Other assets	1,359,052	192,320
Total assets	**536,530,212**	**417,815,249**

Liabilities		
Amounts due to banks	3,718,311	1,070,933
Amounts due in respect of customer deposits	452,195,976	338,895,810
Negative replacement values of derivative financial instruments	465,460	1,010,250
Accrued expenses and deferred income	6,268,975	5,535,069
Other liabilities	2,950,443	1,072,067
Provisions	1,753,711	1,753,711
Reserve for general banking risks	11,570,000	11,570,000
Bank's capital	20,000,000	20,000,000
Statutory retained earnings reserve	5,615,050	5,606,600
Voluntary retained earnings reserve	30,207,403	30,207,403
Profit carried forward	456	267
Profit / loss (result of the period)	1,784,427	1,093,139
Total liabilities	**536,530,212**	**417,815,249**

Off-balance sheet transactions		
Contingent liabilities	2,536,591	1,037,257
Irrevocable commitments	1,090,000	984,000

Income Statement

	2017 CHF	2016 CHF
Interest and discount income	2,496,317	1,764,497
Interest and dividend income from trading activities	8,516	14,869
Interest and dividend income from financial investments	361,520	493,401
Interest expense	-18,292	-6,082
Gross result from interest operations	**2,848,061**	**2,266,685**
Changes in value adjustments for default risks and losses from interest operations	-103,580	-32,224
Net result from interest operations	**2,744,481**	**2,234,461**
Commission income from securities trading and investment activities	13,940,208	12,706,730
Commission income from lending activities	33,741	62,156
Commission income on other services	340,556	248,057
Commission expense	-4,511,069	-3,795,393
Result from commission business and services	**9,803,436**	**9,221,550**
Result from trading activities and the *fair value* option	**9,413,755**	**7,667,960**
Result from the disposal of financial investments	-40,125	3,209
Result from real estate	343,996	343,996
Other ordinary income	-	145,655
Other ordinary expenses	-409,862	-
Other result from ordinary activities	**-105,991**	**492,860**
Personnel expenses	-13,809,846	-12,505,978
General and administrative expenses	-5,137,999	-4,461,039
Total operating expenses	**-18,947,845**	**-16,967,017**
Value adjustments on shareholdings, and depreciation and amortisation of tangible fixed assets and intangible assets	-945,211	-1,076,490
Changes to provisions and other value adjustments, and losses	-	-
Operating result	**1,962,625**	**1,573,324**
Extraordinary income	2,220	-
Extraordinary expenses	-	-40,000
Changes in reserves for general banking risks	-	-
Taxes	-180,418	-440,185
Profit / loss (result of the period)	**1,784,427**	**1,093,139**

Appropriation of Profit

(proposal of Board of Directors)

	31.12.2017 CHF	31.12.2016 CHF
Profit / loss	1,784,427	1,093,139
+ profit carried forward	456	267
= distributable profit	**1,784,883**	**1,093,406**
Appropriation of profit		
Allocation to statutory retained earnings reserve	-71,350	-8,450
Distributions from distributable profit	-1,713,500	-1,084,500
New amount carried forward	**33**	**456**

Presentation of the statement of changes in equity

(amounts in CHF 1,000)

	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**	**-**	**5,606**	**11,570**	**-**	**30,208**	**-**	**-**	**1,093**	**68,477**
Dividends and other distributions	-	-	-	-	-	-	-	-	-1,084	-1,084
Other allocations to (transfers from) the reserves for general banking risks	-	-	-	-	-	-	-	-	-	-
Other allocations to (transfers from) the other reserves	-	-	9	-	-	-	-	-	-9	-
Profit / loss (result of the period)	-	-	-	-	-	-	-	-	1,784	1,784
Equity at end of current period	**20,000**	**-**	**5,615**	**11,570**	**-**	**30,208**	**-**	**-**	**1,784**	**69,177**

Notes to the annual report

1. Information about activity

The information refers to the position as at 31 December 2017.

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).
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: 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 2017, the Bank had 83 employees (end 2016: 72 employees), representing 80.05 full-time equivalents.

2. Risk control and management

Banca Zarattini & Co. SA promotes a healthy corporate culture, assuming risks that are appropriate to the size, complexity and nature of its activities in line with its risk propensity and tolerance.
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.
In carrying out its business, Banca Zarattini & Co. combines the objectives of a private bank, such as growth and returns, with fundamental global values, such as client protection, the transparency of its activities, the integrity of the financial system and its focus on innovation. Pure risk management, which naturally focuses on the main risk categories (market, credit, liquidity, operational risk), extends to other types of risk, such as conduct and reputational risk.
The Board of Directors and the Executive Board define the company's fundamental values and aim to promote and disseminate the culture of mitigating risk throughout the company (tone from the top).
The control structure operates on three lines of defence:

- First line: first-level controls integrated into the operational processes;
- Second line: independent, interdisciplinary controls carried out by Risk Management and Compliance;
- Third line: activities carried out by Internal Audit with the aim of ensuring that the internal governance system is satisfactory overall.

All employees are thus required to carry out their tasks conscientiously and responsibly in line with the company's fundamental values and risk propensity (accountability).
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 generally responsible for controlling the risks incurred by the Bank. The Board of Directors has therefore delegated the Risk Management service to the Executive Board. The Risk Management service 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 are properly organised. 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 duties and is responsible for communicating with the Board of Directors, which receives regular information about the situation and changes in all risks.

CREDIT RISK

Credit risk refers to the possibility of a financial loss being made as a result of a deterioration of creditworthiness or the inability of a debtor or counterparty to meet their obligations. Such financial obligations include interest expense, commission expense and the repayment of capital borrowed.
The credit risk assumed by Banca Zarattini 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 collateral. 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.

ALM, MARKET RISK AND LIQUIDITY RISK

Asset & Liability Management (ALM) is responsible for the coordinated management of different relevant risks, such as liquidity, financing and market risks, in order to achieve the bank’s objectives, operating in line with prudent, predetermined risk limits and concentrations.

Liquidity and financing risks

Liquidity risk is defined as the risk that the Bank might not have enough funds or might only be able to obtain sufficient funds at an excessive cost in order to promptly satisfy the contractual obligations it assumes in the performance of its activities. Liquidity risks are not by nature isolated risks, but are a direct consequence of the occurrence of other risks of different types, such as strategic, reputational, credit, regulatory and macroeconomic risks.

The Bank manages liquidity risk in such a way as to guarantee the availability of sufficient liquidity to satisfy its obligations to clients who require loans or the reimbursement of deposits, as well as to satisfy the demands for cash flow in all areas of its business.

Liquidity risk propensity is defined by the Board of Directors, and is the basis for the liquidity risk management strategy, the internal directives on liquidity and the controls process. The liquidity risk management strategy, processes and controls have been determined with reference to the document of the Basel Committee on Banking Supervision on the Principles for Sound Liquidity Risk Management and they comply with the Liquidity Ordinance (LiqO) and the FINMA circulars on the subject.

Market risk

This market risk takes the form of possible financial losses due to adverse trends in market variables, such as interest rates, exchange rates, the prices of shares, precious metals and commodities, and the relative volatility expected. The Bank's business model entails limited exposure to market risk factors. The main source of risk is the interest rate risk. This risk takes the form of a potential reduction in income and/or capital arising from the sensitivity of assets, liabilities and capital to changes in the main market interest rates.

Strict limits have been set out in specific regulations and internal directives on market risk arising from positions in securities and currencies. Such positions are monitored on a daily basis. Interest rate risk is managed by the ALM Committee in accordance with the balance sheet structure.

OPERATIONAL RISKS

Operational risk is defined as the risk of loss arising from the inadequacy or improper functioning of procedures, human resources or systems, or from external events. This definition includes legal risk but not strategic or reputational risks.

Operational risk affects all areas of the Bank. Such risk is not assumed directly, but is the result of the performance of the Bank's activities.

Operational risk is managed by way of regulations and internal directives. Control activities form part of day-to-day work. The Compliance Office checks constantly to

ensure compliance with internal regulations and due diligence requirements.
Internal Audit, on the instructions of the Board of Directors, verifies the validity of the procedures.
The Bank's governing bodies have decided that the Security Officer is the internal independent party responsible for defining, maintaining and monitoring the conditions that guarantee the confidentiality and security of clients' electronic data. The Board of Directors has assigned and approved the responsibilities and the frequency of audit reports, and there is a precise framework of activities and processes dedicated to the confidentiality and security of sensitive client data.
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 it 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.
The compliance risk corresponds to the risk of a breach of the provisions, regulations and code of conduct, as well as the related penalties, financial losses and reputational damage caused by such a breach. This may include a variety of risks, such as reputational risk, legal risk, the risk of litigation, the risk of penalties and operational risks. The compliance risk also includes the risk of financial losses due to fines incurred or restrictions imposed on ordinary activities or the suspension of banking activities by the supervisory authorities due to situations that are non-compliant and hence in breach of laws, ordinances, regulations and accounting principles. Changes in the regulatory environment are constantly monitored by the Compliance Office, and directives and procedures are amended accordingly.
Banca Zarattini is exposed to cross-border risk in view of the type of international clients it serves. The provision of financial products and services abroad is subject to the authorisation and regulation of most countries.
Hence, Banca Zarattini provides its banking and investment services solely in Switzerland. Additionally, Banca Zarattini is authorised by the Bank of Italy to provide its banking services on Italian territory, without a fixed structure there, in accordance with the provisions on the freedom to provide services.
The internal control system and the Bank's specific protective systems are considered appropriate for mitigating cross-border risk. Many directives have been issued and many controls have been set up to this effect.

REPUTATIONAL RISK
Reputational risks take the form of losses arising from events that have a negative impact on the Bank's image or on the way in which the Bank is perceived by the general public, clients, investors, shareholders and supervisory authorities.
Given that reputational risk is difficult to quantify and depends on other events occurring, the Bank manages this risk in conjunction with other risks by assessing the intrinsic reputational impact.

There were no significant events after the balance sheet date.

3. Outsourcing

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

4. 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:

Currency	31.12.2017	31.12.2016
EUR	1.171180	1.072085
USD	0.974200	1.019050
GBP	1.317650	1.258250

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 commissions more than 90 days overdue based on the unhedged portion of the credit.

Negative interest on the lending business is recognised in interest income (reduction in interest income). In the financial year 2017, the Bank incurred costs due to negative interest amounting to CHF 336,257 (2016: CHF 280,646).

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:

– real estate	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 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.

Information about corporate governance
Information about corporate governance in line with Annex 7 of FINMA Circular 2016/1 is available on the Bank's website www.zarattinibank.ch.

Acquisition of Banca Intermobiliare di Investimenti e Gestioni (Suisse) SA
(hereinafter BIM (Suisse))
On 18 October 2017, the acquisition of BIM (Suisse) SA by Banca Zarattini & Co. SA was concluded. The transaction by which Banca Zarattini acquired the assets and liabilities of BIM (Suisse) resulted in a consolidation of the relative volume of client assets, which were incorporated into our Bank's client assets, as shown in table 31 of the notes to the annual financial statements.
The balance sheet as at 31 December 2017 therefore includes all the assets and liabilities relating to BIM (Suisse), and the income statement for the financial year 2017 includes income and expenses relating to BIM (Suisse) from the time of the merger.
The acquisition of BIM (Suisse) SA entailed the creation of goodwill amounting to CHF 1.7 million, which will be amortised over five years in accordance with the above-mentioned accounting principles from the month of November 2017. Thanks to this acquisition, our Bank can also benefit from loss carry forwards and, consequently, the calculated benefit amounts to CHF 337,000 for the year under review, as shown in table 39 of the notes to the annual financial statements.
Measures to integrate BIM (Suisse) SA were implemented in line with the planned schedule and procedures.

Details on the individual items in the notes to annual financial statements[1]

(amounts in CHF 1,000)

Presentation of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables (Table 2)

	TYPE OF COLLATERAL			
Loans (before netting with value adjustments)	Secured by mortgage	Other collateral	Unsecured	Total
Amounts due from customers	786	248,416	394	**249,596**
Mortgage loans	12,509	-	-	**12,509**
Residential property	11,954	-	-	**11,954**
Office and business premises	555	-	-	**555**
Commercial and industrial premises	-	-	-	**-**
Other	-	-	-	**-**
Total loans (before netting with value adjustments)	**13,295**	**248,416**	**394**	**262,105**
Current year	13,295	248,416	394	**262,105**
Previous year	11,655	196,969	309	**208,933**
Total loans (after netting with value adjustments)	13,295	248,416	143	**261,854**
Current year	13,295	248,416	143	**261,854**
Previous year	11,655	196,969	174	**208,798**
Off-balance sheet				
Contingent liabilities	-	2,529	8	**2,537**
Irrevocable commitments	-	-	1,090	**1,090**
Obligations to pay up shares and make further contributions	-	-	-	**-**
Credit commitments	-	-	-	**-**
Total off-balance-sheet	-	**2,529**	**1,098**	**3,627**
Current year	-	2,529	1,098	**3,627**
Previous year	-	1,024	997	**2,021**

Table: Impaired loans/receivables	Gross debt amount	Estimated liquidation value of collateral*	Net debt amount	Individual value adjustments
Current year	251	-	251	251
Previous year	135	-	135	135

* 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.

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

Assets	Current year	Previous year
Trading portfolio assets	**7,257**	**7,741**
Debt securities, money market securities/transactions	779	211
of which, listed	*779*	*211*
Equity securities	6,478	7,530
Precious metals and commodities	-	-
Other trading portfolio assets	-	-
Total assets	**7,257**	**7,741**
of which, determined using a valuation model	-	-
of which, securities eligible for repo transactions in accordance with liquidity requirements	-	-

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

Foreign exchange / precious metals	TRADING INSTRUMENTS Positive replacement values	Negative replacement values	Contract volume	HEDGING INSTRUMENTS* Positive replacement values	Negative replacement values	Contract volume
Forward contracts	196	136	28,645	-	-	-
Combined interest rate / currency swaps	350	330	45,229	-	-	-
Total	**546**	**466**	**73,874**	**-**	**-**	**-**
Equity securities / indices						
Futures	-	-	18,177	-	-	-
Total	-	-	18,177	-	-	-
Total	**546**	**466**	**92,051**	**-**	**-**	**-**

Total before netting agreements:						
Current year	546	466	92,051	-	-	-
of which, determined using a valuation model	-	-	-	-	-	-
Previous year	329	1,010	81,539	-	-	-
of which, determined using a valuation model	-	-	-	-	-	-

Total after netting agreements	Positive replacement values (cumulative)	Negative replacement values (cumulative)
Current year	546	466
Previous year	329	1,010

Breakdown by counterparty:	Central clearing houses	Banks and securities dealersr	Other customers
Positive replacement values (after netting agreements)	-	291	255

* The hedging instruments specified in the previous balance sheet published have been reclassified in the corresponding trading instruments item.

Breakdown of financial investments (Table 5)

	BOOK VALUE Current year	Previous year	FAIR VALUE Current year	Previous year
Debt securities	16,428	27,506	16,632	27,747
of which, intended to be held to maturity	*16,428*	*27,506*	*16,632*	*27,747*
Equity securities	13,373	13,773	14,479	14,712
*of which, qualified participations**	*493*	*645*	*493*	*645*
Total	**29,801**	**41,279**	**31,111**	**42,459**
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	3,200	5,614	7,370	-	-	-
Moody,s	Aaa to Aa3-	A1 to A3	Baa1+ to Baa3	Ba1+ to Ba3	Below B3	Unrated
Debt securities: Book value	244	-	-	-	-	-
Fitch	AAA to AA-	A+to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: Book value	-	-	-	-	-	-
Total debt securities: book value	**3,444**	**5,614**	**7,370**	**-**	**-**	**-**

Presentation of tangible fixed assets (Table 8)

	Aquisition cost	Accumu-lated depre-ciation	Book value Previous period end	Current year Reclassi-fications	Addi-tions	Disposals	Depre-ciation	Reversals	Book value as at end of current year
Bank buildings	13,453	-2,305	11,148	-	-	-	-202	-	10,946
Proprietary or separately acquired software	2,429	-1,598	831	-	374	-	-505	-	700
Other tangible fixed assets	5,462	-5,067	395	-	410	-	-182	-	623
Total tangible fixed assets	**21,344**	**-8,970**	**12,374**	**-**	**784**	**-**	**-889**	**-**	**12,269**

Presentation of intangible assets (Table 9)

	Cost value	Accumu-lated amorti-sation	Book value Previous year ende	Current year Addi-tions	Disposals	Amortisa-tion	Book value as at end of current year
Goodwill	2,750	-2,750	-	1,682	-	-56	1,626
Total intangible assets	**2,750**	**-2,750**	-	**1,682**	**-**	**-56**	**1,626**

Breakdown of other assets and other liabilities (Table 10)

	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	67	6		
Other assets	1,213	143		
Indirect tax	79	43		
Other liabilities			2,546	686
Indirect tax			405	386
Total	**1,359**	**192**	**2,951**	**1,072**

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

	CURRENT YEAR		PREVIOUS YEAR	
	Book Values	Effective commitments	Book Values	Effective commitments
Pledged / assigned assets (amounts due from banks)	10,916	8,433	16,681	14,385
Assets under reservation of ownership	-	-	-	-

* excluding securities financing transactions

Disclosures on the economic situation of own pension schemes (Table 13)

b) Presentation of the economic benefit / obligation and the pension expenses	Overfunding / underfunding at end of current year	Economic interest of the bank Current year	Economic interest of the bank Previous year	Change in economic interest (economic benefit / obligation) versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses Current year	Pension expenses in personnel expenses Previous year
Pension schemes	-	-	-	-	1,612	1,045	958

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 expenses for the financial year. In the event of overpayment of contributions, these would be recorded as assets in the revised accounts.

Employer contribution reserves

At 31.12.2017, as in the previous year, no reserve was created for 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.

Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year (Table 16)

	Previous year end	Use in conformity with designated purpose	Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at current year end	Delta
Provisions for other business risks	1,754	-	-	-	-	-	-	1,754	-
Total provisions	**1,754**	**-**	**-**	**-**	**-**	**-**	**-**	**1,754**	**-**
Reserves for general banking risks	**11,570**		**-**	**-**		**-**	**-**	**11,570**	**-**
Value adjustments for default and country risks	**135**	**-**	**-**	**13**	**-**	**134**	**-31**	**251**	**116**
of which, value adjustments for default risks in respect of impaired loans / receivables	*135*	-	-	*13*	-	*134*	*-31*	*251*	*116*

Presentation of the bank's capital (Table 17)

Bank's capital	CURRENT YEAR Total par value	Quantity	Capital with dividend rights	PREVIOUS YEAR Total par value	Quantity	Capital with dividend rights
Share capital	20,000	20,000	20,000	20,000	20,000	20,000
of which, paid up	*20,000*	*20,000*	*20,000*	*20,000*	*20,000*	*20,000*
Total bank's capital	**20,000**	**20,000**	**20,000**	**20,000**	**20,000**	**20,000**

Disclosure of amounts due from / to related parties (Table 19)

	AMOUNTS DUE FROM Current Year	Previous year	AMOUNTS DUE TO Current Year	Previous year
Holders of qualified participations	-	-	8,046	7,052
Group companies	-	-	5,681	4,972
Linked companies	2,281	645	26,679	11,226
Transactions with members of governing bodies	1,164	1,268	81	196
Other related parties	-	-	198	221

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.

Disclosure of holders of significant participations (Table 20)

Holders of significant participations and groups of holders of participations with pooled voting rights	CURRENT YEAR Nominal	% of equity	PREVIOUS YEAR Nominal	% of equity
with voting rights				
(via Neutral Holding, Luxembourg 100% and Lukos SA, Luxembourg 100%)				
Hereditary co-owner was Mario Zarattini	12,668	63.34%	12,668	63.34%
of which via Schulman Familienstiftung, Vaduz	*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%

Disclosure of own shares and composition of equity capital (Table 21)

Details on the individual categories of the bank's capital (margin no. A5-88)	CURRENT YEAR Number of securities (units)	Nominal value	PREVIOUS YEAR 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	5,615	5,607
Non-distributable amount from voluntary retained earnings reserves	30,207	30,207
Total	**35,822**	**35,814**

Presentation of the maturity structure of investments (Table 23)

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	42,265							42,265
Amounts due from banks	166,937	8,433	1,948	-	-			177,318
Amounts due from customers	-	248,629	-	716	-			249,345
Mortgage loans	-	-	1,107	11,402	-	-	-	12,509
Trading portfolio assets	7,257							7,257
Positive replacement values of derivative financial instruments	553							553
Financial investments		10,420	846	9,417	8,624	-	493	29,800
Current year	**217,012**	**267,482**	**3,901**	**21,535**	**8,624**	**-**	**493**	**519,047**
Previous year	138,875	222,022	4,686	19,791	15,355	1,963	645	403,337
Debt capital / financial instruments			-	-		-		
Amounts due to banks	3,718	-	-	-	-	-		3,718
Amounts due in respect of customer deposits	452,196	-			-			452,196
Negative replacement values of derivative financial instruments	465		-	-		-		465
Current year	**456,379**	**-**	-	-	**-**	-	**-**	**456,379**
Previous year	340,977	-			-		-	340,977

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

	CURRENT YEAR		PREVIOUS YEAR	
Assets	Domestic	Foreign	Domestic	Foreign
Liquid assets	42,265	-	28,675	-
Amounts due from banks	81,966	95,352	54,591	61,918
Amounts due from customers	10,537	238,808	9,522	188,020
Mortgage loans	12,509	-	11,256	-
Trading portfolio assets	-	7,257	-	7,741
Positive replacement values of derivative financial instruments	284	269	194	141
Financial investments	600	29,200	799	40,480
Accrued income and prepaid expenses	2,229	-	1,912	-
Participations	-	-	-	-
Tangible fixed assets	12,269	-	12,374	-
Intangible assets	1,626	-	-	-
Other assets	1,359	-	192	-
Total assets	**165,644**	**370,886**	**119,515**	**298,300**

Liabilities				
Amounts due to banks	536	3,182	-	1,071
Amounts due in respect of customer deposits	91,619	360,577	40,694	298,202
Negative replacement values of derivative financial instruments	228	238	834	176
Accrued expenses and deferred income	6,269	-	5,535	-
Other liabilities	2,951	-	1,072	-
Provisions	1,754	-	1,754	-
Reserves for general banking risks	11,570	-	11,570	-
Bank's capital	20,000	-	20,000	-
Statutory retained earnings reserve	5,615	-	5,607	-
Voluntary retained earnings reserve	30,207	-	30,207	-
Profit carried forward / loss carried forward	-	-	-	-
Profit/loss (result of the period)	1,784	-	1,093	-
Total liabilities	**172,533**	**363,997**	**118,366**	**299,449**

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

	CURRENT YEAR		PREVIOUS YEAR	
	Absolute	Share as %	Absolute	Share as %
Assets				
Africa	**794**	**0.15%**	**780**	**0.19%**
Algeria	78	0.01%	-	0.00%
Ethiopia	716	0.13%	780	0.19%
Asia	**7**	**0.00%**	**-**	**0.00%**
United Arab Emirates	7	0.00%	-	0.00%
Caribbean	**118,694**	**22.12%**	**99,530**	**23.82%**
Bahamas	7,516	1.40%	-	0.79%
Barbados	1	0.00%	3,286	0.79%
Bermuda	156	0.03%	143	0.03%
Cuba	-	0.00%	-	0.00%
Panama	85,913	16.01%	82,976	19.86%
St. Kitts-Nevis	24,461	4.56%	12,940	3.10%
British Virgin Islands	640	0.12%	185	0.04%
Cayman Islands	7	0.00%	-	0.04%
Europe	**235,798**	**43.95%**	**176,196**	**42.17%**
Austria	232	0.04%	213	0.05%
Belgium	2,711	0.51%	3,517	0.84%
Bulgaria	-	0.00%	1	0.00%
Czech Republic	-	0.00%	540	0.13%
Cyprus	486	0.09%	-	0.00%
France	-	0.00%	1,450	0.35%
Germany	15,880	2.96%	13,300	3.18%
Ireland	8,441	1.57%	386	0.09%
Italy	139,320	25.97%	107,486	25.73%
Latvia	-	0.00%	390	0.09%
Luxembourg	44,950	8.38%	27,263	6.53%
Malta	4,741	0.88%	3,411	0.82%
Netherlands	1,354	0.25%	2,955	0.71%
Portugal	2,817	0.53%	2,571	0.62%
Russian Federation	-	0.00%	502	0.12%
San Marino	4,383	0.82%	2,947	0.71%
Slovenia	124	0.02%	-	0.00%
Sweden	390	0.07%	357	0.09%
UK	9,969	1.86%	8,907	2.13%
Latin America	**5,541**	**1.03%**	**4,813**	**1.15%**
Argentina	3	0.00%	1	0.00%
Belize	1,229	0.23%	679	0.16%
Costa Rica	-	0.00%	1	0.00%
Mexico	-	0.00%	25	0.01%
Venezuela	4,309	0.80%	4,107	0.98%
Liechtenstein	**1**	**0.00%**	**56**	**0.01%**
Liechtenstein	1	0.00%	56	0.01%
North America	**9,415**	**1.75%**	**16,254**	**3.89%**
United States	9,415	1.75%	16,254	3.89%
Oceania	**636**	**0.12%**	**671**	**0.16%**
Australia	481	0.09%	469	0.11%
New Zealand	155	0.03%	202	0.05%
Switzerland	**165,644**	**30.87%**	**119,515**	**28.60%**
Switzerland	165,644	30.87%	119,515	28.60%
Total assets	**536,530**	**100.00%**	**417,815**	**100.00%**

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

				NET FOREIGN EXPOSURE / CURRENT YEAR END		NET FOREIGN EXPOSURE / PREVIOUS YEAR END	
Rating	Moody's	Standard & Poor's	Fitch IBCA	In CHF	Share as %	In CHF	Share as %
1	Aaa	AAA	AAA	142,146	50.07%	116,624	48.94%
2	Aa1/Aa2/Aa3	AA+/AA/AA-	AA+/AA/AA-	47,456	16.72%	54,188	22.74%
3	A1/A2/A3	A+/A/A-	A+/A/A-	20,411	7.19%	10,390	4.36%
4	Baa1 /Baa2/ Baa3/Ba1/Ba2/ Ba3	BBB+/BBB/ BBB-/BB+/ BB/BB-/B+	BBB+/BBB/ BBB-/BB+/ BB/BB-/B+	73,885	26.02%	57,080	23.95%
5/6	B1/B2/B3/ Caa1/Caa2/ Caa3/Ca/C	B/B-/CCC/ CC/C/D	B/B-/CCC/ CC/C/D	3	0.00%	1	0.00%
No rating				0	0.00%	2	0.00%
Total				**283,901**	**100.00%**	**238,285**	**100.00%**

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

Assets	CHF	EUR	USD	GBP	JPY	Other	Total
Liquid assets	41,741	495	20	9	-	-	42,265
Amounts due from banks	13,156	144,536	11,664	3,441	34	4,487	177,318
Amounts due from customers	2,499	176,922	69,817	1	106	-	249,345
Mortgage loans	12,509	-	-	-	-	-	12,509
Trading portfolio assets	1,949	5,307	1	-	-	-	7,257
Positive replacement values of derivative financial instruments	553	-	-	-	-	-	553
Financial investments	7,746	14,485	7,569	-	-	-	29,800
Accrued income and prepaid expenses	2,089	87	53	-	-	-	2,229
Tangible fixed assets	12,269	-	-	-	-	-	12,269
Intangible assets	1,626	-	-	-	-	-	1,626
Other assets	1,359	-	-	-	-	-	1,359
Total assets shown in balance sheet	**97,496**	**341,832**	**89,124**	**3,451**	**140**	**4,487**	**536,530**
Delivery entitlements from spot exchange, forward forex and forex options transactions*	**5,366**	**38,819**	**22,344**	**3,917**	**1,519**	**1,909**	**73,874**
Total assets	**102,862**	**380,651**	**111,468**	**7,368**	**1,659**	**6,396**	**610,404**
Liabilities							
Amounts due to banks	1,710	1,482	491	10	-	25	3,718
Amounts due in respect of customer deposits	29,071	334,955	80,451	3,428	36	4,255	452,196
Negative replacement values of derivative financial instruments	466	-	-	-	-	-	466
Accrued expenses and deferred income	6,165	97	7	-	-	-	6,269
Other liabilities	2,509	442	-	-	-	-	2,951
Provisions	1,754	-	-	-	-	-	1,754
Reserves for general banking risks	11,570	-	-	-	-	-	11,570
Bank's capital	20,000	-	-	-	-	-	20,000
Statutory retained earnings reserve	5,615	-	-	-	-	-	5,615
Voluntary retained earnings reserve	30,207	-	-	-	-	-	30,207
Profit carried forward / loss carried forward	-	-	-	-	-	-	-
Profit / loss (result of the period)	1,784	-	-	-	-	-	1,784
Total liabilities shown in the balance sheet	**110,851**	**336,976**	**80,949**	**3,438**	**36**	**4,280**	**536,530**
Delivery obligations from spot exchange, forward forex and forex options transactions*	**5,461**	**30,286**	**30,680**	**3,916**	**1,623**	**1,908**	**73,874**
Total liabilities	**116,312**	**367,262**	**111,629**	**7,354**	**1,659**	**6,188**	**610,404**
Net position per currency	**-13,450**	**13,389**	**-161**	**14**	**-**	**208**	**-**

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

Breakdown of contingent liabilities and contingent assets (Table 28)

	Current year	Previous year
Performance guarantees and similar	2,537	1,037
Total contingent liabilities	**2,537**	**1,037**

Breakdown of fiduciary transactions (Table 30)

	Current year	Previous year
Fiduciary investments with third-party companies	15,756	1,949
Total	**15,756**	**1,949**

Breakdown of managed assets and presentation of their development (Table 31)

	Current year	Previous year
a) Breakdown of managed assets		
Type of managed assets		
Assets in collective investment schemes managed by the bank	168,939	181,841
Assets under discretionary asset management agreements	335,215	228,744
Other managment asset	1,900,404	1,440,799
Total managed assets (including double counting)	**2,404,558**	**1,851,384**
of which, double counting	*114,127*	*135,763*

b) Presentation of the development of managed assets	Current year	Previous year
Total managed assets (including double counting) at beginning	**1,851,384**	**1,729,645**
+/- net new money inflow or net new money outflow	410,592	104,034
+/- price gains / losses, interest, dividends and currency gains / losses	142,582	17,705
Total managed assets (including double counting) at end	**2,404,558**	**1,851,384**

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 client 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.

* The net new money inflow includes CHF 320.83 million arising from the acquisition of Banca Intermobiliare (Suisse) SA (certified value of the bank as at 18.10.2017).

Breakdown of the result from trading activities and the *fair value* option (Table 32)

	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	7,895	6,763
Other trading activities	-194	170
Currencies	1713	735
Total	**9,414**	**7,668**
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)	7,887	6,779
Investment funds	-186	154
Currencies	1,713	735
Total	**9,414**	**7,668**

Breakdown of personnel expenses (Table 34)

	Current year	Previous year
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	11,630	10,573
of which, expenses relating to share-based compensation and alternative forms of variable compensation	-	-
Social insurance benefits	2,090	1,888
Other personnel expenses	90	45
Total	**13,810**	**12,506**

Breakdown of general and administrative expenses (Table 35)

	Current year	Previous year
Office space expenses	980	879
Expenses for information and communications technology	1,833	1,584
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	18	16
Fees of audit firm(s) (Art. 961a no. 2 CO)	260	268
of which, for financial and regulatory audits	260	*268*
of which, for other services	-	-
Other operating expenses	2,047	1,714
of which, compensation for any cantonal guaranteele	-	-
Total	**5,138**	**4,461**

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

	Domestic	Foreign
Result from interest operations		
Interest and discount income	2,496	-
Interest and dividend income from trading activities	8	-
Interest and dividend income from financial investments	362	-
Interest expense	-18	-
Gross result from interest operations	**2,848**	-
Changes in value adjustments for default risks and losses from interest operations	-103	-
Net result from interest operations	**2,745**	-
Result from commission business and services		
Commission income on securities and investment transactions	13,940	-
Commission income from lending activities	34	-
Commission income from other services	340	-
Commission expense	-4,511	-
Result from commission business and services	**9,803**	-
Result from trading activities and the fair value option	**9,414**	-
Other result from ordinary activities	**-106**	-
Total income for the period	**21,856**	-
Operating expenses		
Personnel expenses	-13,810	-
Other operating expenses	-5,138	-
Total operating expenses	**-18,948**	-
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-945	-
Changes to provisions and other value adjustments, and losses	-	-
Operating result	**1,963**	-

Taxes (Table 39)

	Current year	Previous year
Current tax	180	440
Total tax	**180**	440
Average rate on operating result	9.17%	27.97%

*Current tax as at 31.12.2017 refers solely to wealth tax as the profit of Banca Zarattini & Co. SA is offset against the loss carry forwards of Banca Intermobiliare (Suisse) SA. The impact arising from the use of the loss carry forwards of Banca Intermobiliare on income taxes amounted to CHF 337,000 with a 17.17% reduction in the average rate on the operating result.
It should be noted that after the use of the above loss carry forwards there is still a BIM loss of CHF 3,170,000 to be offset.

Quantitative disclosure Circ. 2008/22 FINMA

(amounts in CHF 1,000)

Breakdown of regulatory capital considered

a) Preliminary reconciliation		
Balance sheet	31.12.2017	31.12.2016
Assets		
Liquid assets	42,265	28,675
Amounts due from banks	177,318	116,509
Amounts due from customers	249,345	197,542
Mortgage loans	12,509	11,256
Trading portfolio assets	7,257	7,741
of which, own equity securities	-	-
Positive replacement values of financial derivative financial instrument	553	335
Financial investments	29,800	41,279
of which, own equity securities	-	-
Accrued income and prepaid expenses	2,229	1,912
Tangible fixed assets	12,269	12,374
Intangible assets	1,626	-
of which goodwill	*1,626*	-
Other assets	1,359	192
of which latent tax receivables, dependent on future income	-	-
of which latent tax receivables, arising from temporary differences	-	-
Total assets	**536,530**	**417,815**
Third-party capital		
Amounts due to banks	3,718	1,071
Amounts due in respect of customer deposits	452,196	338,896
Negative replacement values of derivative financial instruments	465	1,010
Accrued expenses and deferred income	6,269	5,535
Other liabilities	2,951	1,072
Provisions	1,754	1,754
Total third-party capital	**467,353**	**349,338**
Shareholders' equity		
Reserves for general banking risks	11,570	11,570
Bank's capital	20,000	20,000
Statutory retained earnings reserve	5,615	5,607
Voluntary retained earnings reserve	30,207	30,207
Profit for the period net of expected dividend	72	8
Breakdown of shareholders' equity	**67,464**	**67,392**

Breakdown of regulatory capital considered

	NET FIGURES (NET OF IMPACT OF TRANSITIONAL REGULATIONS)	
b) Breakdown of regulatory capital considered	31.12.2017	31.12.2016
Top-quality (CET 1) capital		
Issued and called-up bank's capital, fully payable	20,000	20,000
Statutory retained earnings reserve	5,615	5,607
Reserves for general banking risks	11,570	11,570
Voluntary retained earnings reserve	30,207	30,207
Profit / loss (result of the period) net of expected dividend	72	8
= Top-quality (CET 1) capital before adjustments	**67,464**	**67,392**
Goodwill (net of latent tax)	**-1,626**	-
= Sum of adjustments relating to CET 1	**-1,626**	-
Net top-quality (CET 1) capital	**65,838**	**67,392**
TIER 1 Net capital	**65,838**	**67,392**
Net T1 and T2 Total calculable regulatory capital	**65,838**	**67,392**
Sum of risk-weighted positions	**305,525**	**268,675**
CET 1 ratio	**21.55%**	**25.08%**
T1 ratio	**21.55%**	**25.08%**
Ratio relating to total regulatory capital	**21.55%**	**25.08%**

Presentation of required capital

Minimum capital requirements	31.12.2017	31.12.2016
Credit risk (standardized international approach)	18,329	15,887
of which risk evaluation re securities in the bank's portfolio	*1,713*	*1,826*
Non-counterparty risk (standardized Swiss approach)	982	990
Market risk (standardized Swiss approach)	1,093	1,090
of which on interest rate instruments (de minimis approach)	-	-
of which securities (de minimis approach)	-	-
of which currencies and precious metals (standardised approach)	*1,089*	*1,083*
of which commodities (standardised approach)	*4*	*7*
Operational risks (basic indicator approach)	4,038	3,527
Total	**24,442**	**21,494**

Requirement according to the transitional regulations of the Ordinance of Own Funds (minimum requirements + capital buffer + countercylical capital buffer)	31.12.2017	31.12.2017
Minimum requirements	24,442	21,494
Capital buffer for cat. 5: 2.5%	7,638	6,717
Countercylical capital buffer on credit risks: 2%	94	64
Total capital requirement	**32,174**	**28,275**

Leverage ratio	31.12.2017	31.12.2017
Net TIER 1 capital	65,838	67,392
Total commitment for the leverage ratio	543,225	419,395
Leverage ratio in % (ratio of non-weighted capital as per Basel III)	**12.12%**	**16.07%**

Information on the liquidity coverage ratio (LCR)	weighted values (monthlyaverages) 1st quarter 2016	weighted values (monthly averages) 2nd quarter 2016	weighted values (monthly averages) 3rd quarter 2016	weighted values (monthly averages) 4th quarter 2016
Total high-quality liquid assets (HQLA)	29,201	33,579	33,633	40,455
Total net cash outflow	23,425	29,559	29,754	32,949
Liquidity coverage ratio LCR (in %)	**124.66%**	**113.60%**	**113.04%**	**122.78%**

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

Lugano, 27 March 2018

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 the equity and notes (pages 5 to 34), for the year ended 31 December 2017.

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 2017 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.

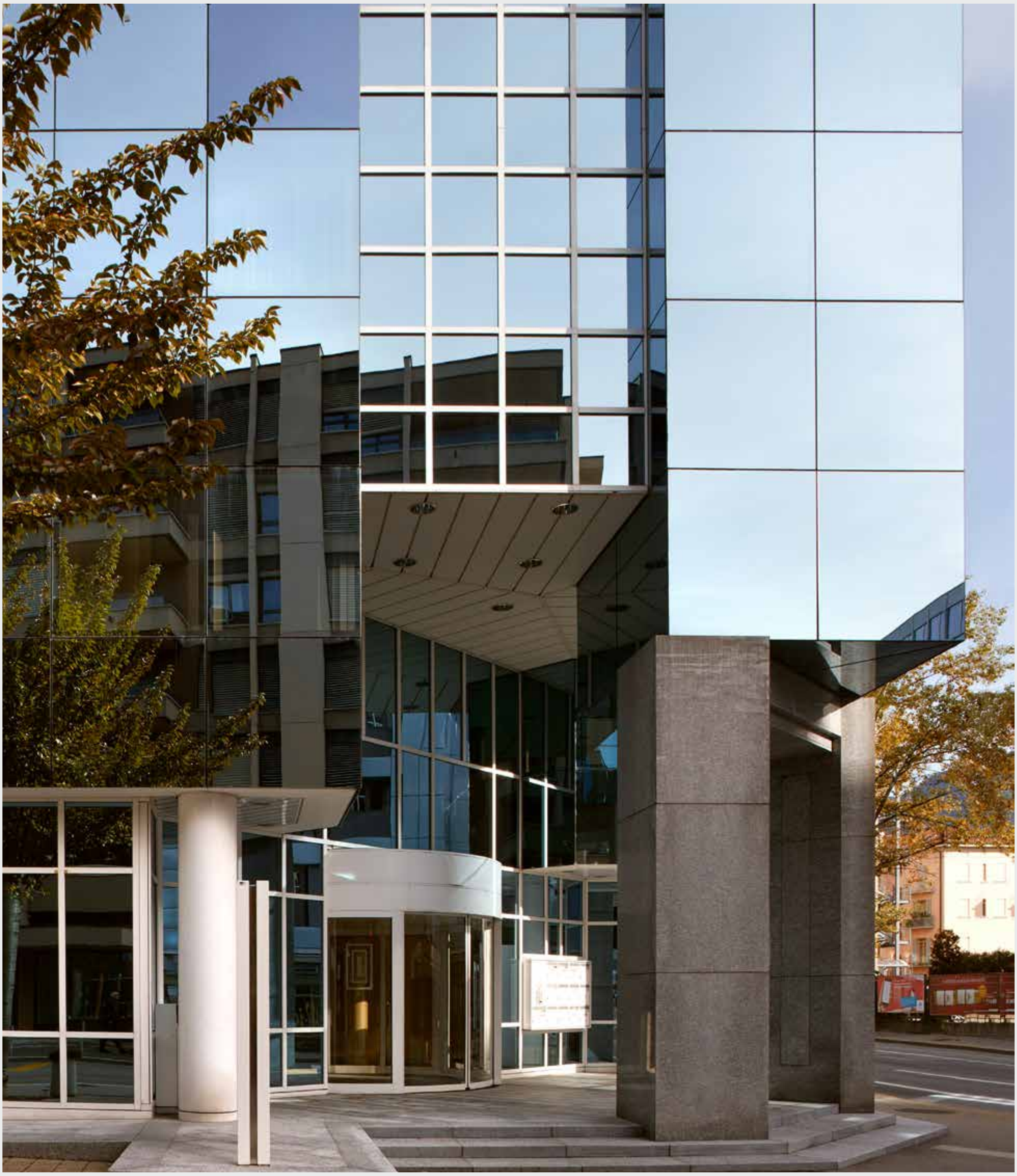
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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	Beatrice Groppelli
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Building
a secure future



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