

Annual Report 2018

Presented to the Annual General Meeting of Shareholders on 18 April 2019

2	Management bodies
3	Board of Directors, report
5	Balance sheet
6	Income statement
7	Appropriation of profits (proposal Board of Directors)
8	Presentation of the statement of changes in equity
9	Notes to the annual report
34	Report of the statutory auditor

Management Bodies

Board of Directors

Chairman	Claudio Sulser (*)	Lugano
Vice chairman	Andrea Zanni (**)	Lugano
Members	Camilla Fasolo Zarattini Peter Heckendorn (*) (**) Francesco Renne (*) (**)	Collina d'Oro Bottmingen 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 2018

Dear Shareholders,

Global economic growth in 2018 was uneven but fairly strong. The outlook is still reasonably positive, although there are various signs that economic growth is cooling, primarily in Europe for now, due to slowing international trade and the consequent loss of momentum in the manufacturing sector. Data shows that the Swiss economy is also in good health. Nonetheless, the Swiss National Bank (SNB) expects real growth to decline overall in 2019, while remaining positive.

The SNB's monetary policy remains very expansionary, perhaps because of weaker growth than in the past or low inflation, but more probably because it is constrained by international factors and the trend in the Swiss franc. In fact, until the European Central Bank begins to reverse its policy on interest rates, it will be difficult for the SNB to start raising rates to avoid an unwanted appreciation of the Swiss franc.

Benchmark interest rates in francs remained unchanged in 2018, at the lowest level of all currencies, while bond yields even decreased compared to the already low levels of previous years. It is impossible to obtain a positive nominal yield on Confederation bonds, even for 15-year maturities, while 30- and 40-year maturities both offer a nominal yield of around 0.25%.

Exchange rate volatility was low during 2018, even in the last quarter, which featured strong turbulence in the financial markets. After a period of initial weakness, the Swiss franc remained almost unchanged with respect to the dollar compared with the end of the previous year, while it appreciated against the euro. The high valuation of the Swiss franc and the interest rate spread supported the euro, while increasing uncertainty about the European Union's resilience, combined with the franc's recognised role as a safe haven, favoured the franc's appreciation.

These contrasting trends have caused the franc to fluctuate within a fairly narrow band between 1.05 and 1.20 over the last three years. In the second half of 2018, the franc regained its strength against the euro and recouped some of its losses of the previous year and the first quarter, when it was close to the fateful floor of 1.20 that was abandoned four years ago.

The financial markets were rather difficult to navigate and hostile in 2018, mainly because it was impossible to diversify risk. Indeed, all the major asset classes produced negative results, often in double digits, in particular due to low bond yields and the sharp decline in equities in the fourth quarter. The asset management of Banca Zarattini & Co. also failed to achieve positive results at the end of the year.

The results in the income statement of Banca Zarattini & Co. were unsatisfactory for the year under review. In contrast to previous years, a number of adverse factors occurred at the same time, which led to a sharp deterioration in the economic result: net income in 2018 fell to CHF 138,000, compared to CHF 1.784 million in the previous year.

The main negative factors affecting the bank's results were: the drop in liquidity in the bond market and the consequent decrease in transactions carried out for institutional clients; the weakness of the financial markets in the second half of the year, which triggered a fall in commission income; and negative interest rates, which constitute an additional cost for the bank. A further negative factor was the appreciation of the Swiss franc against the euro in the second half of the year, which led

to a drop in income, mostly expressed in euro, compared with expenses, which are in francs.

From the point of view of capital, Banca Zarattini & Co. remains a solid, reliable company with abundant equity, as borne out, for example, by its Tier I ratio, which was 22.4% at the end of the year, slightly higher than the previous year.

In this period of rapid, constant change, your Bank is devoting even more effort than before to seeking growth opportunities and undertaking new initiatives both in traditional sectors and in the digital economy.

In the year under review, Banca Zarattini & Co. started operating in the trade finance sector in order to support its clients in financing commercial transactions related to international commodity trading, in particular metal trading. The new Trade Finance department comprises professional staff with extensive experience in the area. After a few months of IT piloting and planning, the department began operating in September.

The attitude of the government and FINMA towards the development of blockchain services and the launch of initial coin offering (ICO) services is proving to be open and constructive. Banca Zarattini & Co. is one of the first Swiss banks to develop specific expertise in this field and to offer services to ICO clients, while paying particular attention to compliance processes (Know Your Client and Anti Money Laundering).

The rapid development of the banking and financial sector from both the technological/IT point of view and the regulatory point of view is not surprising. The Bank is more committed than ever to updating and developing its services so that it can meet the present and future needs of its clients and guarantee ever greater reliability, security and efficiency.

We would like to conclude by thanking our clients, whom we are honoured to serve, and the employees of Banca Zarattini & Co., whose professionalism, expertise and enthusiasm enable us to look to the future with confidence.

Lugano, 2 April 2019
The Board of Directors

Balance Sheet

	31.12.2018	31.12.2017
	CHF	CHF
Assets		
Liquid assets	38,044,898	42,264,778
Amounts due from banks	214,038,186	177,318,364
Amounts due from customers	192,293,552	249,345,048
Mortgage loans	12,435,300	12,509,100
Trading portfolio assets	6,107,715	7,256,867
Positive replacement values of derivative financial instruments	391,594	552,587
Financial investments	39,070,527	29,800,473
Accrued income and prepaid expenses	2,106,484	2,229,361
Tangible fixed assets	12,722,056	12,268,905
Intangible assets	1,289,330	1,625,677
Other assets	442,571	1,359,052
Total assets	518,942,213	536,530,212
Liabilities		
Amounts due to banks	921,696	3,718,311
Amounts due in respect of customer deposits	443,320,925	452,195,976
Negative replacement values of derivative financial instruments	363,953	465,460
Accrued expenses and deferred income	4,039,291	6,268,975
Other liabilities	1,190,688	2,950,443
Provisions	1,503,711	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	5,686,400	5,615,050
Voluntary retained earnings reserve	30,207,403	30,207,403
Profit carried forward	33	456
Profit / loss (result of the period)	138,113	1,784,427
Total liabilities	518,942,213	536,530,212
Off-balance sheet transactions		
Contingent liabilities	7,467,234	2,536,591
Irrevocable commitments	1,174,000	1,090,000

Income Statement

	2018 CHF	2017 CHF
Interest and discount income	3,044,963	2,496,317
Interest and dividend income		
from trading activities	2,436	8,516
Interest and dividend income		
from financial investments	386,889	361,520
Interest expense	447,097	-18,292
Gross result from interest operations	3,881,385	2,848,061
Changes in value adjustments for default risks		
and losses from interest operations	-17,871	-103,580
Net result from interest operations	3,863,514	2,744,481
Commission income		
from securities trading and investment activities	14,360,688	13,940,208
Commission income from lending activities	112,953	33,741
Commission income on other services	324,892	340,556
Commission expense	-4,851,417	-4,511,069
Result from commission business and services	9,947,116	9,803,436
Result from trading activities and the fair value option	5,171,483	9,413,755
Result from the disposal of financial investments	-272,738	-40,125
Result from real estate	343,996	343,996
Other ordinary income	-	-
Other ordinary expenses	-475,170	-409,862
Other result from ordinary activities	-403,912	-105,991
Personnel expenses	-11,350,125	-13,809,846
General and administrative expenses	-5,586,422	-5,137,999
Total operating expenses	-16,936,547	-18,947,845
Value adjustments on shareholdings, and depreciation and amortisation		
of tangible fixed assets and intangible assets	-1,575,450	-945,211
Changes to provisions and other value		
adjustments, and losses	250,000	-
Operating result	316,204	1,962,625
Extraordinary income	3,714	2,220
Extraordinary expenses	-4,731	-
Changes in reserves for general banking risks	-	-
Taxes	-177,074	-180,418
Profit / loss (result of the period)	138,113	1,784,427

Appropriation of Profit

(proposal of Board of Directors)

	31.12.2018	31.12.2017
	CHF	CHF
Profit / loss	138,113	1,784,427
+ profit carried forward	33	456
= distributable profit	138,146	1,784,883
Appropriation of profit		
Allocation to statutory retained earnings reserve	-	-71,350
Distributions from distributable profit	-	-1,713,500
New amount carried forward	138,146	33

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	-	5,615	11,570	-	30,208	-	-	1,784	69,177
Dividends and other distributions	-	-	-	-	-	-1	-	-	-1,713	-1,714
Other allocations to (transfers from) the reserves for general banking risks	-	-	-	-	-	-	-	-	-	-
Other allocations to (transfers from) the other reserves	-	-	71	-	-	-	-	-	-71	0
Profit / loss (result of the period)	-	-	-	-	-	-	-	-	138	138
Equity at end										
of current period	20,000	-	5,686	11,570	-	30,207	-	-	138	67,601

Notes to the annual report

1. Information about activity

The information refers to the position as at 31 December 2018.

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 Private Banking 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.

In addition, the Bank has been active in the Trade Finance sector since September, offering commodity trading companies assistance in financing commercial transactions related to international commodity trading, with a particular focus on trading in metals (ferrous and non-ferrous).

Headcount

At the end of 2018, the Bank had 81 employees (end 2017: 83 employees), representing 78.25 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

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.

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:

Foreign currencies

Currency	31.12.2018	31.12.2017
EUR	1.126725	1.171180
USD	0.984950	0.974200
GBP	1.250750	1.317650

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) while negative credit interest to clients is recognised as interest expense.

In the financial year 2018, the Bank incurred costs due to negative interest amounting to CHF 836,971 (2017: CHF 336,257) and collected income from negative creditor interest amounting to CHF 479,740 (2017: CHF 0).

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))

As indicated in its Annual Report 2017, Banca Zarattini & Co. SA acquired BIM (Suisse).

The capitalised goodwill will be amortised over five years in accordance with the above-mentioned accounting principles from November 2017.

The impairment tests carried out showed that the capitalised value was appropriate.

Details on the individual items in the notes to annual financial statements

(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			
	Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	-	182,815	9,703	192,518
Mortgage loans	12,435	-	-	12,435
Residential property	11,910	-	-	11,910
Office and business premises	525	-	-	525
Commercial and industrial premises	-	-	-	-
Other	-	-	-	-
Total loans (before netting with value adjustments)	12,435	182,815	9,703	204,953
Current year	12,435	182,815	9,703	204,953
Previous year	13,295	248,416	394	262,105
Total loans (after netting with value adjustments)	12,435	182,815	9,478	204,728
Current year	12,435	182,815	9,478	204,728
Previous year	13,295	248,416	143	261,854
Off-balance sheet				
Contingent liabilities	-	1,785	5,682	7,467
Irrevocable commitments	-	-	1,174	1,174
Obligations to pay up shares and make further contributions	-	-	-	-
Credit commitments	-	-	-	-
Total off-balance-sheet	-	1,785	6,856	8,641
Current year	-	1,785	6,856	8,641
Previous year	-	2,529	1,098	3,627

	Gross debt amount	Estimated liquidation value of collateral*	Net debt amount	Individual value adjustments
Table: Impaired loans/receivables				
Current year	225	-	225	225
Previous year	251	-	251	251

* 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) (Table 3)**

Assets	Current year	Previous year
Trading portfolio assets	6,108	7,257
Debt securities, money market securities/transactions	22	779
<i>of which, listed</i>	22	779
Equity securities	6,086	6,478
Precious metals and commodities	-	-
Other trading portfolio assets	-	-
Total assets	6,108	7,257
<i>of which, determined using a valuation model</i>	-	-
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	-	-

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

	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	150	292	16,548	-	-	-
Combined interest rate / currency swaps	229	71	42,235	-	-	-
Total	379	363	58,783	-	-	-
Equity securities / indices	-	-	3,485			
Futures	1	1	3,730	-	-	-
Options (OTC)	1	1	7,215	-	-	-
Total	380	364	65,998	-	-	-
Total						

Total before netting agreements:

Current year	380	364	65,998	-	-	-
<i>of which, determined using a valuation model</i>	-	-	-	-	-	-
Previous year	546	466	92,051	-	-	-
<i>of which, determined using a valuation model</i>	-	-	-	-	-	-

Total after netting agreements

	Positive replacement values (cumulative)	Negative replacement values (cumulative)
Current year	380	364
Previous year	546	466

Breakdown by counterparty:	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	-	208	172

Breakdown of financial investments (Table 5)

	BOOK VALUE		FAIR VALUE	
	Current year	Previous year	Current year	Previous year
Debt securities	30,679	16,428	30,742	16,632
<i>of which, intended to be held to maturity</i>	30,679	16,428	30,742	16,632
Equity securities	8,392	13,373	11,890	14,479
<i>of which, qualified participations*</i>	457	493	457	493
Total	39,071	29,801	42,632	31,111
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	-	-	-	-

* at least 10% of capital or votes

Breakdown of counterparties by rating

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
S&P						
Debt securities: Book value	13,072	9,874	7,036	-	-	226
Moody's	Aaa to Aa3-	A1 to A3	Baa1+ to Baa3	Ba1+ to Ba3	Below B3	Unrated
Debt securities: Book value	246	-	225	-	-	-
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	13,318	9,874	7,261	-	-	226

Presentation of tangible fixed assets (Table 8)

	Acquisition cost	Accumulated depreciation	Book value Previous period end	Current year					Book value as at end of current year
				Reclassifications	Additions	Disposals	Depreciation	Reversals	
Bank buildings	13,453	-2,507	10,946	-	-	-	-202	-	10,744
Proprietary or separately acquired software	2,803	-2,103	700	-	1,478	-	-734	-	1,444
Other tangible fixed assets	5,872	-5,249	623	-	279	-65	-303	-	534
Total tangible fixed assets	22,128	-9,859	12,269	-	1,757	-65	-1,239	-	12,722

Presentation of intangible assets (Table 9)

	Cost value	Accumulated amortisation	Book value Previous year end	Current year		Amortisation	Book value as at end of current year
				Additions	Disposals		
Goodwill	4,432	-2,806	1,626	-	-	-337	1,289
Total intangible assets	4,432	-2,806	1,626	-	-	-337	1,289

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	220	67		
Other assets	107	1,213		
Indirect tax	116	79		
Other liabilities			930	2,546
Indirect tax			261	405
Total	443	1,359	1,191	2,951

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)	12,024	9,641	10,916	8,433
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		Change in economic interest (economic benefit / obligation) versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses	
		Current year	Previous year			Current year	Previous year
Pension schemes	-	-	-	-	1,596	986	1,045

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 31.12.2018, 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	-	-	-	-	-	-250	1,504	-250
Total provisions	1,754	-	-	-	-	-	-250	1,504	-250
Reserves for general banking risks	11,570		-	-		-	-	11,570	-
Value adjustments for default and country risks	251	-	-	-6	-	18	-38	225	-26
<i>of which, value adjustments for default risks in respect of impaired loans / receivables</i>	<i>251</i>	-	-	<i>-6</i>	-	<i>18</i>	<i>-38</i>	<i>225</i>	<i>-26</i>

* Reserves for general banking risks comprise taxed reserves amounting to CHF 527 and non-taxed reserves amounting to CHF 11,043.

Presentation of the bank's capital (Table 17)

	CURRENT YEAR			PREVIOUS YEAR		
	Total par value	Quantity	Capital with dividend rights	Total par value	Quantity	Capital with dividend rights
Bank's capital						
Share capital	20,000	20,000	20,000	20,000	20,000	20,000
<i>of which, paid up</i>	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		AMOUNTS DUE TO	
	Current Year	Previous year	Current Year	Previous year
Holders of qualified participations	31	-	3,589	8,046
Group companies	-	-	4,118	5,681
Linked companies	2,415	2,281	57,391	26,679
Transactions with members of governing bodies	1,110	1,164	137	81
Other related parties	11	-	330	198

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 with voting rights	CURRENT YEAR		PREVIOUS YEAR	
	Nominal	% of equity	Nominal	% of equity
(via Neutral Holding SA SPF, 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%

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		PREVIOUS YEAR	
	Number of securities (units)	Nominal value	Number of securities (units)	Nominal value
Share capital	20,000	20,000	20,000	20,000
<i>of which, paid up</i>	20,000	20,000	20,000	20,000
Total	20,000	20,000	20,000	20,000
		Total at end current year		Total at end of previous year
Non-distributable reserves (margin no. A5-88 - Part 2)				
Non-distributable amount from statutory retained earnings reserve		5,686		5,615
Non-distributable amount from voluntary retained earnings reserves		30,207		30,207
Total		35,893		35,822

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	38,045							38,045
Amounts due from banks	161,821	9,634	10,359	32,224	-	-		214,038
Amounts due from customers	-	191,618	-	675	-	-		192,293
Mortgage loans	-	-	1,103	11,332	-	-		12,435
Trading portfolio assets	6,108							6,108
Positive replacement values of derivative financial instruments	392							392
Financial investments	-	8,392	857	2,404	27,418	-	-	39,071
Current year	206,366	209,644	12,319	46,635	27,418	-	-	502,382
Previous year*	217,012	270,434	3,901	19,076	8,624	-	-	519,047
Debt capital / financial instruments								
Amounts due to banks	922	-	-	-	-	-		922
Amounts due in respect of customer deposits	443,321	-	-	-	-	-		443,321
Negative replacement values of derivative financial instruments	364							364
Current year	444,607	-	-	-	-	-	-	444,607
Previous year	456,379	-	-	-	-	-	-	456,379

* CHF 2,952 relating to financial investments of the previous year have been moved to the item "Cancellable" from the item "Due within 3 to 12 months" (CHF 2,459) and from the item "No maturity" (CHF 493).

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

	CURRENT YEAR		PREVIOUS YEAR	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	38,045	-	42,265	-
Amounts due from banks	86,818	127,220	81,966	95,352
Amounts due from customers	13,887	178,406	10,537	238,808
Mortgage loans	12,435	-	12,509	-
Trading portfolio assets	-	6,108	-	7,257
Positive replacement values of derivative financial instruments	215	177	284	269
Financial investments	1,045	38,026	600	29,200
Accrued income and prepaid expenses	1,718	388	2,229	-
Participations	-	-	-	-
Tangible fixed assets	12,722	-	12,269	-
Intangible assets	1,289	-	1,626	-
Other assets	443	-	1,359	-
Total assets	168,617	350,325	165,644	370,886
Liabilities				
Amounts due to banks	-	922	536	3,182
Amounts due in respect of customer deposits	76,982	366,339	91,619	360,577
Negative replacement values of derivative financial instruments	219	145	228	238
Accrued expenses and deferred income	4,039	-	6,269	-
Other liabilities	1,191	-	2,951	-
Provisions	1,504	-	1,754	-
Reserves for general banking risks	11,570	-	11,570	-
Bank's capital	20,000	-	20,000	-
Statutory retained earnings reserve	5,686	-	5,615	-
Voluntary retained earnings reserve	30,207	-	30,207	-
Profit carried forward / loss carried forward	-	-	-	-
Profit / loss (result of the period)	138	-	1,784	-
Total liabilities	151,536	367,406	172,533	363,997

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	675	0.13%	794	0.15%
Algeria	-	0.00%	78	0.01%
Ethiopia	675	0.13%	716	0.13%
Asia	1,635	0.32%	7	0.00%
Hong Kong	214	0.04%	-	0.00%
United Arab Emirates	1,421	0.27%	7	0.00%
Caribbean	60,319	11.62%	118,694	22.12%
Bahamas	3,542	0.68%	7,516	1.40%
Barbados	-	0.00%	1	0.00%
Bermuda	150	0.03%	156	0.03%
Panama	11,123	2.14%	85,913	16.01%
St. Kitts-Nevis	32,379	6.24%	24,461	4.56%
British Virgin Islands	13,118	2.53%	640	0.12%
Cayman Islands	7	0.00%	7	0.00%
Europe	278,413	53.65%	235,798	43.95%
Austria	345	0.07%	232	0.04%
Belgium	2,129	0.41%	2,711	0.51%
Bulgaria	1	0.00%	-	0.00%
Cyprus	-	0.00%	486	0.09%
Denmark	585	0.11%	-	0.00%
France	4,376	0.84%	-	0.00%
Germany	22,595	4.35%	15,880	2.96%
Gibraltar	445	0.09%	-	0.00%
Ireland	5,695	1.10%	8,441	1.57%
Isle of Man	11	0.00%	-	0.00%
Italy	155,943	30.05%	139,320	25.97%
Latvia	388	0.07%	-	0.00%
Lithuania	504	0.10%	-	0.00%
Luxembourg	62,345	12.01%	44,950	8.38%
Malta	3,726	0.72%	4,741	0.88%
Netherlands	3,402	0.66%	1,354	0.25%
Portugal	2,719	0.52%	2,817	0.53%
San Marino	4,235	0.82%	4,383	0.82%
Slovenia	-	0.00%	124	0.02%
Spain	132	0.03%	-	0.00%
Sweden	667	0.13%	390	0.07%
UK	8,170	1.57%	9,969	1.86%
Latin America	1,410	0.27%	5,541	1.03%
Argentina	-	0.00%	3	0.00%
Belize	1,145	0.22%	1,229	0.23%
Costa Rica	1	0.00%	-	0.00%
Venezuela	264	0.05%	4,309	0.80%
Liechtenstein	1	0.00%	1	0.00%
Liechtenstein	1	0.00%	1	0.00%
North America	7,651	1.47%	9,415	1.75%
United States	7,651	1.47%	9,415	1.75%
Oceania	221	0.04%	636	0.12%
Australia	221	0.04%	481	0.09%
New Zealand	-	0.00%	155	0.03%
Switzerland	168,617	32.49%	165,644	30.87%
Switzerland	168,617	32.49%	165,644	30.87%
Total assets	518,942	100.00%	536,530	100.00%

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

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	125,778	43.18%	142,146	50.07%
2	Aa1/Aa2/Aa3	AA+/AA/AA-	AA+/AA/AA-	46,485	15.96%	47,456	16.72%
3	A1/A2/A3	A+/A/A-	A+/A/A-	14,680	5.04%	20,411	7.19%
4	Baa1 /Baa2/ Baa3/Ba1/Ba2/ Ba3	BBB+/BBB/ BBB-/BB+/ BB/BB-/B+	BBB+/BBB/ BBB-/BB+/ BB/BB-/B+	104,316	35.82%	73,885	26.02%
5/6	B1/B2/B3/ Caa1/Caa2/ Caa3/Ca/C	B/B-/CCC/ CC/C/D	B/B-/CCC/ CC/C/D	2	0.00%	3	0.00%
Unrated				-	0.00%	-	0.00%
Total				291,261	100.00%	283,901	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	37,589	395	50	11	-	-	38,045
Amounts due from banks	8,939	173,835	23,383	3,503	345	4,033	214,038
Amounts due from customers	1,449	149,016	40,038	2	46	1,742	192,293
Mortgage loans	12,435	-	-	-	-	-	12,435
Trading portfolio assets	825	5,283	-	-	-	-	6,108
Positive replacement values of derivative financial instruments	392	-	-	-	-	-	392
Financial investments	5,104	24,930	9,037	-	-	-	39,071
Accrued income and prepaid expenses	1,690	104	312	-	-	-	2,106
Tangible fixed assets	12,722	-	-	-	-	-	12,722
Intangible assets	1,289	-	-	-	-	-	1,289
Other assets	402	41	-	-	-	-	443
Total assets shown in balance sheet	82,836	353,604	72,820	3,516	391	5,775	518,942
Delivery entitlements from spot exchange, forward forex and forex options transactions*	442	34,336	21,399	102	1,751	753	58,783
Total assets	83,278	387,940	94,219	3,618	2,142	6,528	577,725
Liabilities							
Amounts due to banks	5	512	395	10	-	-	922
Amounts due in respect of customer deposits	26,934	345,819	61,111	3,505	388	5,564	443,321
Negative replacement values of derivative financial instruments	364	-	-	-	-	-	364
Accrued expenses and deferred income	3,983	48	8	-	-	-	4,039
Other liabilities	723	467	1	-	-	-	1,191
Provisions	1,504	-	-	-	-	-	1,504
Reserves for general banking risks	11,570	-	-	-	-	-	11,570
Bank's capital	20,000	-	-	-	-	-	20,000
Statutory retained earnings reserve	5,686	-	-	-	-	-	5,686
Voluntary retained earnings reserve	30,207	-	-	-	-	-	30,207
Profit carried forward / loss carried forward	-	-	-	-	-	-	-
Profit / loss (result of the period)	138	-	-	-	-	-	138
Total liabilities shown in the balance sheet	101,114	346,846	61,515	3,515	388	5,564	518,942
Delivery obligations from spot exchange, forward forex and forex options transactions*	442	24,447	31,290	100	1,751	753	58,783
Total liabilities	101,556	371,293	92,805	3,615	2,139	6,317	577,725
Net position per currency	-18,278	16,647	1,414	3	3	211	-

* 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	1,796	2,537
Irrevocable commitments arising from documentary letters of credit	5,671	-
Total contingent liabilities	7,467	2,537

Breakdown of fiduciary transactions (Table 30)

	Current year	Previous year
Fiduciary investments with third-party companies	28,734	15,756
Total	28,734	15,756

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	94,647	168,939
Assets under discretionary asset management agreements	255,596	335,215
Other managed assets	1,758,507	1,900,404
Total managed assets (including double counting)	2,108,750	2,404,558
<i>of which, double counting</i>	<i>51,503</i>	<i>114,127</i>
b) Presentation of the development of managed assets		
Total managed assets (including double counting) at beginning	2,404,558	1,851,384
+/- net new money inflow or net new money outflow	-94,671	410,592
+/- price gains / losses, interest, dividends and currency gains / losses	-201,137	142,582
Total managed assets (including double counting) at end	2,108,750	2,404,558

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.

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	4,305	7,895
Other trading activities	156	-194
Currencies	710	1,713
Total	5,171	9,414
b) Breakdown by underlying risk and based on the use of the fair value option		
Result from trading activities from:		
Interest rate instruments	4,311	7,887
Equity securities (including funds)	150	-186
Foreign currencies	710	1,713
Total	5,171	9,414

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)	9,459	11,630
<i>of which, expenses relating to share-based compensation and alternative forms of variable compensation</i>	-	-
Social insurance benefits	1,772	2,090
Other personnel expenses	119	90
Total	11,350	13,810

Breakdown of general and administrative expenses (Table 35)

	Current year	Previous year
Office space expenses	893	980
Expenses for information and communications technology	2,084	1,833
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	12	18
Fees of audit firm(s) (Art. 961 a no. 2 CO)	288	260
<i>of which, for financial and regulatory audits</i>	288	260
<i>of which, for other services</i>	-	-
Other operating expenses	2,309	2,047
<i>of which, compensation for any cantonal guarantees</i>	-	-
Total	5,586	5,138

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	3,045	-
Interest and dividend income from trading activities	2	-
Interest and dividend income from financial investments	387	-
Interest expense	447	-
Gross result from interest operations	3,881	-
Changes in value adjustments for default risks and losses from interest operations	-18	-
Net result from interest operations	3,863	-
Result from commission business and services		
Commission income on securities and investment transactions	14,361	-
Commission income from lending activities	113	-
Commission income from other services	325	-
Commission expense	-4,852	-
Result from commission business and services	9,947	-
Result from trading activities and the fair value option	5,171	-
Other result from ordinary activities	-404	-
Total income for the period	18,577	-
Operating expenses		
Personnel expenses	-11,350	-
General and administrative expenses	-5,586	-
Total operating expenses	-16,936	-
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-1,575	-
Changes to provisions and other value adjustments, and losses	250	-
Operating result	316	-

Table 39: Taxes

	Current year	Previous year
Current tax*	177	180
Total tax	177	180
Average rate on operating result	56%	9.17%

* Current tax as at 31.12.2018 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 22,000 with a 7% 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 3,199,000 to be offset.



Ernst & Young SA
Corso Elvezia 9
Casella postale
CH-6901 Lugano

Telefono: +41 58 286 24 24
Telefax: +41 58 286 24 00
www.ey.com/ch

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

Lugano, 22 March 2019

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 33), for the year ended 31 December 2018.

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 2018 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 Gropelli
Licensed audit expert

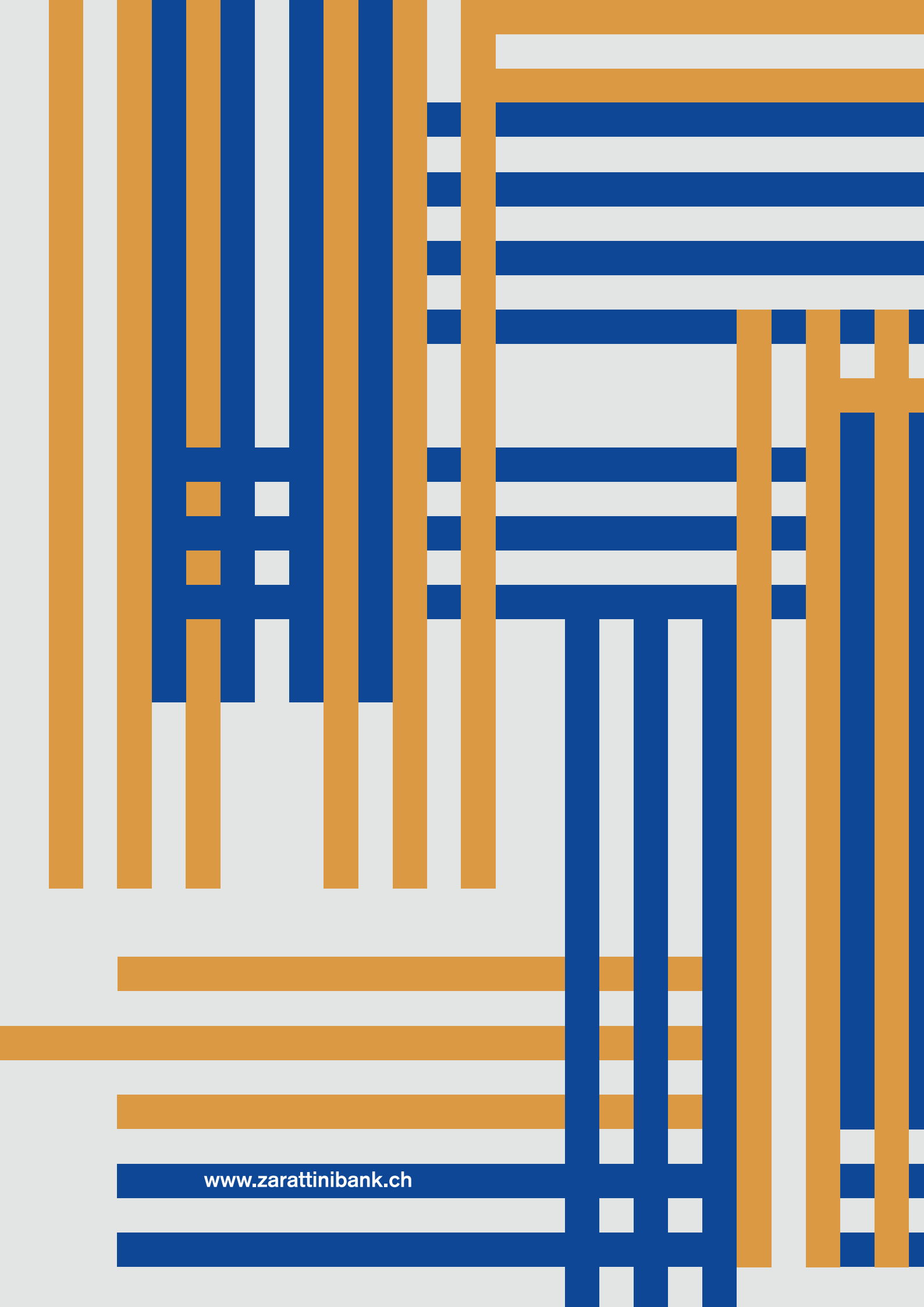
Building a secure future



Sede Legale
Via Pretorio 1
CH-6900 Lugano

Direzione Generale e
Sede Operativa
Via Serafino Balestra 17
CH-6900 Lugano

Tel. +41 (0) 91 260 85 85
Fax +41 (0) 91 260 85 90
info@zarattinibank.ch
www.zarattinibank.ch



www.zarattinibank.ch