

Zarattini & Co | Bank

Annual Report 2019



# Annual Report 2019

## Presented to the Annual General Meeting of Shareholders on 21 April 2020

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# 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 2019

Dear Shareholders,

The global economy grew in 2019, albeit at a slower pace than in the previous two years.

Switzerland's real growth was below average compared with the main countries, but it still held up extremely well in the face of external pressures, such as the strength of the currency and fears of a contraction in international trade, which weakened some of its main trading partners. In the year under review, the Confederation again managed to maintain a decidedly positive trade balance and a minimum level of unemployment, together with inflation close to zero and the lowest interest rates in the world and in history: no Confederation bond offers positive nominal yields, not even those with maturities of over thirty years. For example, the issue of over EUR 2 billion with a maturity of 2064 had a guaranteed yield of -0.11% per annum at the end of the year. Switzerland has finally managed to outdo Japan, which was the most extreme example of permanent deflation in modern times for over 20 years.

The franc-euro exchange rate fluctuated within a range of around 1.13 for the first six months of 2019, and then left that range, closing the year at 1.085, a level not seen since 2017.

The main central banks all became more accommodating: while the US Federal Reserve halted its expected key rate hikes, the other banks kept their rates negative and continued to buy securities on the market. The monetary policies of the last decade, which were once considered unconventional and temporary, are now viewed as ordinary and permanent.

Investors reacted to the moderate but widespread growth and accommodative monetary policy with great enthusiasm. Well rested after a negative 2018, they pushed the equity markets up into double-digit gains and triggered an impressive fall in risk premiums on corporate bonds. In the meantime, the reference rates for government issues also moved towards historical lows and, in general, increasingly towards the widespread zero-yield level. The asset management of Banca Zarattini & Co. benefited from this favourable environment, achieving positive results and, in some cases, outperforming the reference markets.

Banca Zarattini & Co. continued to cultivate its original activities as a private bank and asset manager and to further develop the initiatives it launched in recent years. The TDSM department's operating team was strengthened to include leading professionals, who sparked growth in transactions performed on behalf of clients and an improvement in year-on-year results.

Banking service activities related to blockchain and companies active in distributed ledger technology continued, with a better result than in the previous year. The Bank is at the forefront of the Swiss banking scene today, and it is the only Ticino-based institution directly involved in the development of guidelines for this rapidly evolving sector.

Finally, we are particularly pleased to mention the Trade Finance department, which ended its first year of activity with positive results, ahead of expectations. It also opened relationships with important institutional counterparties, thanks to the considerable experience and professionalism of its team.

The annual accounts of Banca Zarattini & Co. closed with a net result of CHF 421,000, up from the previous year. This result is not entirely satisfactory, although it is partly due to factors independent of operational management. Firstly, the strength of the Swiss franc against the euro led to a reduction in assets under management and administration, which are mainly denominated in euros. Consequently, net commissions also fell in relation to the costs incurred by the Bank. Other negative factors that inevitably influenced the results are the increasingly negative level of credit interest and the inexorable loss arising from the Bank's abundant supply of liquidity. The commentary on the performance of the financial markets and the economic situation of last year, which has just ended, might now seem to be a very rough draft: events over just a dozen days leading up to mid-March 2020 cancelled out everything that happened in the entire previous year, and everything now appears greatly out-of-date.

The forecasts of economists and analysts, which were unanimously positive until a few weeks ago, are now being revised sharply downwards. The interventions of the various monetary authorities were anxiously awaited at first, but subsequently criticised or even ridiculed. New and unpredictable scenarios are emerging, which depend not only on the spread of the coronavirus epidemic and its practical consequences, but also on the reaction of economic players and governments, who are currently gripped by panic.

Even in these times of great uncertainty, we can assure you that your Bank is facing up to this unusual situation with determination and unity. While still hoping that the virus would be limited and quickly resolved, the Bank reorganised its office work and quickly adapted certain aspects of its IT systems, well in advance of the public authorities' decisions. It also introduced smart working in various sectors, both to safeguard its employees' health and to ensure the continuity of client services.

We would therefore like to thank the Bank's employees all the more for their usual professionalism and dedication to their work, which sets them apart.

We would like to conclude with a heartfelt thanks to both our private and institutional clients, who push us to improve the quality of the services we offer and to reciprocate their trust by constantly guaranteeing solidity and reliability.

Lugano, 24 March 2020

The Board of Directors

## Balance Sheet

	31.12.2019	31.12.2018
	CHF	CHF
<b>Assets</b>		
Liquid assets	42'301'769	38'044'898
Amounts due from banks	245'761'665	214'038'186
Amounts due from customers	149'117'412	192'293'552
Mortgage loans	11'753'500	12'435'300
Trading portfolio assets	10'353'419	6'107'715
Positive replacement values of derivative financial instruments	246'397	391'594
Financial investments	42'266'173	39'070'527
Accrued income and prepaid expenses	2'819'089	2'106'484
Tangible fixed assets	12'109'597	12'722'056
Intangible assets	952'983	1'289'330
Other assets	226'370	442'571
<b>Total assets</b>	<b>517'908'374</b>	<b>518'942'213</b>
<b>Liabilities</b>		
Amounts due to banks	3'930'236	921'696
Amounts due in respect of customer deposits	436'327'737	443'320'925
Negative replacement values of derivative financial instruments	206'398	363'953
Accrued expenses and deferred income	5'654'746	4'039'291
Other liabilities	1'266'009	1'190'688
Provisions	-	1'503'711
Reserve for general banking risks	11'570'000	11'570'000
Bank's capital	22'500'000	20'000'000
Statutory retained earnings reserve	5'686'400	5'686'400
Voluntary retained earnings reserve	30'207'403	30'207'403
Profit carried forward	138'146	33
Profit / loss (result of the period)	421'299	138'113
<b>Total liabilities</b>	<b>517'908'374</b>	<b>518'942'213</b>
<b>Off-balance sheet transactions</b>		
Contingent liabilities	7'836'273	7'467'234
Irrevocable commitments	1'262'000	1'174'000
Credit commitments	61'286	-

## Income Statement

	2019 CHF	2018 CHF
Interest and discount income	3'002'001	3'044'963
Interest and dividend income		
from trading activities	2'913	2'436
Interest and dividend income		
from financial investments	420'366	386'889
Interest expense	174'240	447'097
<b>Gross result from interest operations</b>	<b>3'599'520</b>	<b>3'881'385</b>
Changes in value adjustments for default risks		
and losses from interest operations	-167'903	-17'871
<b>Net result from interest operations</b>	<b>3'431'617</b>	<b>3'863'514</b>
Commission income		
from securities trading and investment activities	15'403'157	14'360'688
Commission income from lending activities	364'924	112'953
Commission income on other services	356'298	324'892
Commission expense	-4'683'653	-4'851'417
<b>Result from commission business and services</b>	<b>11'440'726</b>	<b>9'947'116</b>
<b>Result from trading activities and the fair value option</b>	<b>6'058'786</b>	<b>5'171'483</b>
Result from the disposal of financial investments	2'800'704	-272'738
Result from real estate	309'996	343'996
Other ordinary income	992'940	-
Other ordinary expenses	-	-475'170
<b>Other result from ordinary activities</b>	<b>4'103'640</b>	<b>-403'912</b>
Personnel expenses	-13'303'671	-11'350'125
General and administrative expenses	-5'978'613	-5'586'422
<b>Total operating expenses</b>	<b>-19'282'284</b>	<b>-16'936'547</b>
Value adjustments on shareholdings, and depreciation and amortisation		
of tangible fixed assets and intangible assets	-1'680'263	-1'575'450
Changes to provisions and other value		
adjustments, and losses	-3'467'878	250'000
<b>Operating result</b>	<b>604'344</b>	<b>316'204</b>
Extraordinary income	-	3'714
Extraordinary expenses	-	-4'731
Changes in reserves for general banking risks	-	-
Taxes	-183'045	-177'074
<b>Profit / loss (result of the period)</b>	<b>421'299</b>	<b>138'113</b>



## Appropriation of Profit

(proposal of Board of Directors)

	31.12.2019	31.12.2018
	CHF	CHF
Profit / loss	421'299	138'113
+ profit carried forward	138'146	33
<b>= distributable profit</b>	<b>559'445</b>	<b>138'146</b>
Appropriation of profit		
Allocation to statutory retained earnings reserve	-	-
Distributions from distributable profit	-	-
<b>New amount carried forward</b>	<b>559'445</b>	<b>138'146</b>

## 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
<b>Equity at start</b>										
<b>of current period</b>	<b>20'000</b>	-	<b>5'686</b>	<b>11'570</b>	-	<b>30'207</b>	-	-	<b>138</b>	<b>67'601</b>
Capital increase / decrease	2'500	-	-	-	-	-	-	-	-	2'500
Dividends and other distributions	-	-	-	-	-	138	-	-	-138	-
Other allocations to (transfers from) the reserves for general banking risks	-	-	-	-	-	-	-	-	-	-
Other allocations to (transfers from) the other reserves	-	-	-	-	-	-	-	-	-	-
Profit / loss (result of the period)	-	-	-	-	-	-	-	-	421	421
<b>Equity at end</b>										
<b>of current period</b>	<b>22'500</b>	-	<b>5'686</b>	<b>11'570</b>	-	<b>30'345</b>	-	-	<b>421</b>	<b>70'522</b>

# Notes to the annual report

## 1. Information about activity

The information refers to the position as at 31 December 2019.

### 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 2018, 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 2019, the Bank had 78 employees (end 2018: 81 employees), representing 75.25 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.

### **SPECIAL PURPOSE VEHICLE/CONSOLIDATED STRUCTURED ENTITIES**

On 27 August 2019, the investment company Special Private Equity Solutions Siccav Plc was incorporated under Maltese law, with the subsequent launch of the subfund Spes ONE, which was fully subscribed by the Bank with a contribution in kind from the Bank's investment portfolio (contribution to the independent appraisal value) and a cash portion of EUR 100,000, effective on 13 December 2019.

This investment company (and its subfund) is 100% owned by Banca Zarattini & CO. SA. It is therefore considered a related party and is consolidated in the accounts of the group Neutral Holding Spf as at 31 December 2019.

The value of the subfund SPES ONE as at 31 December 2019 is booked under financial investments at a value of EUR 540,227 (of which EUR 440,227 as CHF 477,855, pending official exchange of the subscription in kind). This fund was granted a credit line of EUR 4.2 million for appropriately secured transactions.

## **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 risks 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 in 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 Bottomline Technologies in Geneva (until 5.12.2019 Finastra, Baden).

## **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:



The Bank's accounts are included in the accounts of the group Neutral Holding Spf, Luxembourg.

#### Foreign currencies

Currency	31.12.2019	31.12.2018
EUR	1.085475	1.126725
USD	0.966750	0.984950
GBP	1.275700	1.250750

#### 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 2019, the Bank incurred costs due to negative interest amounting to CHF 634,807 (2018: CHF 836,971) and collected income from negative creditor interest amounting to CHF 308,594 (2018: CHF 479,740).

#### Trading portfolio assets

Securities and precious metals held for trading are marked to market on the closing date. In the case of investment funds for which there is no market price, the last available NAV is used. 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 on behalf 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](http://www.zarattinibank.ch).

**Acquisition of Banca Intermobiliare di Investimenti e Gestioni (Suisse) SA**

(hereinafter "BIM" (Suisse))

Banca Zarattini & Co. SA acquired BIM (Suisse) in 2017.

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

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

**Explanations regarding material events after the balance sheet date**

The appearance of the virus in China and its spread to Europe and other countries, as well as the quarantine measures and other efforts to contain the epidemic will have a negative effect on the economy. At present, the potential future impact is uncertain, and the implications cannot be quantified.

The coronavirus situation is currently exploding, and the number of infected people is constantly increasing in many countries, as is the number of closed businesses. This will undoubtedly have a substantial impact on the GDP of the whole world, including Switzerland. The initial measures taken by the central banks do not seem to be calming the markets, and many believe that a global recession is on the way. Banca Zarattini & Co SA is constantly testing strategies to ensure business continuity and respond to crisis situations. In the current critical situation, it was decided to set up smart working for most of our employees, in addition to implementing stricter hygiene measures and social distancing. Moreover, the other employees have been divided out across two different and distant locations, so as to reduce exposure to the virus and prevent infection spreading within the same unit. We thus aim to keep our employees healthy and ensure the provision of services to our customers.

## 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	Othe collateral	Unsecured	Total
<b>Loans (before netting with value adjustments)</b>				
Amounts due from customers	-	129'383	20'109	149'492
Mortgage loans	11'754	-	-	11'754
Residential property	11'259	-	-	11'259
Office and business premises	495	-	-	495
Commercial and industrial premises	-	-	-	-
Other	-	-	-	-
<b>Total loans (before netting with value adjustments)</b>	11'754	129'383	20'109	161'246
Current year	11'754	129'383	20'109	161'246
Previous year	12'435	182'815	9'703	204'953
<b>Total loans (after netting with value adjustments)</b>	11'754	129'383	19'734	160'871
Current year	11'754	129'383	19'734	160'871
Previous year	12'435	182'815	9'478	204'728
<b>Off-balance sheet</b>				
Contingent liabilities	-	1'036	6'800	7'836
Irrevocable commitments	-	-	1'262	1'262
Obligations to pay up shares and make further contributions	-	-	-	-
Credit commitments	-	-	61	61
<b>Total off-balance-sheet</b>	-	1'036	8'123	9'159
Current year	-	1'036	8'123	9'159
Previous year	-	1'785	6'856	8'641

	Gross debt amount	Estimated liquidation value of collateral*	Net debt amount	Individual value adjustments
<b>Table: Impaired loans/receivables</b>				
Current year	375	-	375	375
Previous year	225	-	225	225

\* 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)**

<b>Assets</b>	Current year	Previous year
<b>Trading portfolio assets</b>	<b>10'353</b>	<b>6'108</b>
Debt securities, money market securities/transactions	2'068	22
<i>of which, listed</i>	2'068	22
Equity securities	8'285	6'086
Precious metals and commodities	-	-
Other trading portfolio assets	-	-
<b>Total assets</b>	<b>10'353</b>	<b>6'108</b>
<i>of which, determined using a valuation model</i>	-	-
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	-	-

(\*) In the case of investment funds for which there is no market price, the last available NAV is used

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
<b>Foreign exchange / precious metals</b>						
Forward contracts	136	114	15'246	-	-	-
Combined interest rate / currency swaps	81	92	21'626	-	-	-
Futures	-	-	1'641	-	-	-
<b>Total</b>	<b>217</b>	<b>206</b>	<b>38'513</b>	-	-	-
<b>Equity securities / indices</b>						
Futures	-	-	5'060	-	-	-
Options (OTC)	-	-	1'320	-	-	-
<b>Total</b>	-	-	<b>6'380</b>	-	-	-
<b>Total</b>	<b>217</b>	<b>206</b>	<b>44'893</b>	-	-	-

**Total before netting agreements:**

Current year	217	206	44'893	-	-	-
<i>of which, determined using a valuation model</i>	-	-	-	-	-	-
Previous year	380	364	65'998	-	-	-
<i>of which, determined using a valuation model</i>	-	-	-	-	-	-

**Total after netting agreements**

	Positive replacement values (cumulative)	Negative replacement values (cumulative)
Current year	217	206
Previous year	380	364

**Breakdown by counterparty:**

	Central clearing houses	Banks and securities dealersr	Other customers
Positive replacement values (after netting agreements)	-	149	68

### Breakdown of financial investments (Table 5)

	BOOK VALUE		FAIR VALUE	
	Current year	Previous year	Current year	Previous year
Debt securities	37'055	30'679	37'690	30'742
<i>of which, intended to be held to maturity</i>	37'055	30'679	37'690	30'742
Equity securities	5'211	8'392	5'455	11'890
<i>of which, qualified participations*</i>	2	457	2	457
<b>Total</b>	<b>42'266</b>	<b>39'071</b>	<b>43'145</b>	<b>42'632</b>
<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
<b>S&amp;P</b>						
Debt securities: Book value	14'577	9'215	11'058	-	-	-
<b>Moody's</b>	Aaa to Aa3-	A1 to A3	Baa1+ to Baa3	Ba1+ to Ba3	Below B3	Unrated
Debt securities: Book value	242	1'532	-	-	-	-
<b>Fitch</b>	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: Book value	-	-	431	-	-	-
<b>Total debt securities: book value</b>	<b>14'819</b>	<b>10'747</b>	<b>11'489</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 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	-2'709	10'744	-	-	-	-201	-	10'543
Proprietary or separately acquired software	4'266	-2'822	1'444	-	622	-	-861	-	1'205
Other tangible fixed assets	5'988	-5'454	534	-	109	-	-281	-	362
<b>Total tangible fixed assets</b>	<b>23'707</b>	<b>-10'985</b>	<b>12'722</b>	<b>-</b>	<b>731</b>	<b>-</b>	<b>-1'343</b>	<b>-</b>	<b>12'110</b>



### 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	-3'143	1'289	-	-	-336	953
<b>Total intangible assets</b>	<b>4'432</b>	<b>-3'143</b>	<b>1'289</b>	<b>-</b>	<b>-</b>	<b>-336</b>	<b>953</b>

### 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	45	220		
Other assets	129	107		
Indirect tax	52	116		
Other liabilities			907	930
Indirect tax			359	261
<b>Total</b>	<b>226</b>	<b>443</b>	<b>1'266</b>	<b>1'191</b>

### 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)	11'001	8'713	12'024	9'641
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	-	-	-	-	1'525	991	986

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 31.12.2019, 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	1'504	-1'500	-	-	-	-	-4	-	-1'504
<b>Total provisions</b>	<b>1'504</b>	<b>-1'500</b>	-	-	-	-	<b>-4</b>	<b>-</b>	<b>-1'504</b>
<b>Reserves for general banking risks</b>	<b>11'570</b>		-	-		-	-	<b>11'570</b>	<b>-</b>
<b>Value adjustments for default and country risks</b>	<b>225</b>	-	-	<b>-8</b>	-	<b>168</b>	<b>-10</b>	<b>375</b>	<b>150</b>
<i>of which, value adjustments for default risks in respect of impaired loans / receivables</i>	<i>225</i>	<i>-</i>	<i>-</i>	<i>-8</i>	<i>-</i>	<i>168</i>	<i>-10</i>	<i>375</i>	<i>150</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
<b>Bank's capital</b>						
Share capital	22'500	22'500	22'500	20'000	20'000	20'000
<i>of which, paid up</i>	22'500	22'500	22'500	20'000	20'000	20'000
<b>Total bank's capital</b>	<b>22'500</b>	<b>22'500</b>	<b>22'500</b>	<b>20'000</b>	<b>20'000</b>	<b>20'000</b>
Authorised capital	5'000	5'000	5'000	-	-	-
<i>of which, capital increases completed</i>	2'500	2'500	2'500	-	-	-

### 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	3'216	3'589
Group companies	-	-	2'727	4'118
Linked companies	-	2'415	1'558	57'391
Transactions with members of governing bodies	1'031	1'110	201	137
Other related parties	4'452	11	-	330

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	14'252	63.34%	12'668	63.34%
<i>of which via Schulman Familienstiftung, Vaduz</i>	11'363	50.50%	10'100	50.50%
Flavio Quaggio, Viganello	2'554	11.35%	2'270	11.35%
Andrea Zanni, Bré sopra Lugano	1'778	7.90%	1'580	7.90%
Tullio Santi, Lugano	1'224	5.44%	1'088	5.44%
<b>without voting rights</b>				
(via Lukos SA, Luxembourg, 100%)				
Own shares held by Neutral Holding SA SPF, Luxembourg	2'115	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	22'500	22'500	20'000	20'000
<i>of which, paid up</i>	22'500	22'500	20'000	20'000
<b>Total</b>	<b>22'500</b>	<b>22'500</b>	<b>20'000</b>	<b>20'000</b>
		Total at end current year		Total at end of previous year
<b>Non-distributable reserves (margin no. A5-88 - Part 2)</b>				
Non-distributable amount from statutory retained earnings reserve		5'686		5'686
Non-distributable amount from voluntary retained earnings reserves		30'207		30'207
<b>Total</b>		<b>35'893</b>		<b>35'893</b>

### 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	42'302							42'302
Amounts due from banks	190'162	11'130	29'727	13'776	967	-		245'762
Amounts due from customers	-	149'117	-	-	-	-		149'117
Mortgage loans	-	-	1'099	10'655	-	-		11'754
Trading portfolio assets	10'353							10'353
Positive replacement values of derivative financial instruments	246							246
Financial investments	-	5'211	2'464	3'602	30'989	-	-	42'266
<b>Current year</b>	<b>243'063</b>	<b>165'458</b>	<b>33'290</b>	<b>28'033</b>	<b>31'956</b>	-	-	<b>501'800</b>
<i>Previous year*</i>	<i>206'366</i>	<i>209'644</i>	<i>12'319</i>	<i>46'635</i>	<i>27'418</i>	-	-	<i>502'382</i>
<b>Debt capital / financial instruments</b>								
Amounts due to banks	3'930	-	-	-	-	-		3'930
Amounts due in respect of customer deposits	436'328	-	-	-	-	-		436'328
Negative replacement values of derivative financial instruments	206							206
<b>Current year</b>	<b>440'464</b>	-	-	-	-	-	-	<b>440'464</b>
<i>Previous year</i>	<i>444'607</i>	-	-	-	-	-	-	<i>444'607</i>

**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
<b>Assets</b>				
Liquid assets	42'302	-	38'045	-
Amounts due from banks	86'436	159'326	86'818	127'220
Amounts due from customers	25'490	123'627	13'887	178'406
Mortgage loans	11'754	-	12'435	-
Trading portfolio assets	-	10'353	-	6'108
Positive replacement values of derivative financial instruments	201	45	215	177
Financial investments	1'165	41'101	1'045	38'026
Accrued income and prepaid expenses	2'367	452	1'718	388
Participations	-	-	-	-
Tangible fixed assets	12'110	-	12'722	-
Intangible assets	953	-	1'289	-
Other assets	226	-	443	-
<b>Total assets</b>	<b>183'004</b>	<b>334'904</b>	<b>168'617</b>	<b>350'325</b>
<b>Liabilities</b>				
Amounts due to banks	-	3'930	-	922
Amounts due in respect of customer deposits	82'837	353'491	76'982	366'339
Negative replacement values of derivative financial instruments	64	142	219	145
Accrued expenses and deferred income	5'656	-	4'039	-
Other liabilities	1'266	-	1'191	-
Provisions	-	-	1'504	-
Reserves for general banking risks	11'570	-	11'570	-
Bank's capital	22'500	-	20'000	-
Statutory retained earnings reserve	5'686	-	5'686	-
Voluntary retained earnings reserve	30'207	-	30'207	-
Profit carried forward / loss carried forward	138	-	-	-
Profit / loss (result of the period)	421	-	138	-
<b>Total liabilities</b>	<b>160'345</b>	<b>357'563</b>	<b>151'536</b>	<b>367'406</b>

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

	CURRENT YEAR		PREVIOUS YEAR	
	Absolute	Share as %	Absolute	Share as %
<b>Assets</b>				
<b>Africa</b>	<b>838</b>	<b>0.16%</b>	<b>675</b>	<b>0.13%</b>
Ethiopia	-	0.00%	675	0.13%
South Africa	838	0.16%	-	0.00%
<b>Asia</b>	<b>1'303</b>	<b>0.25%</b>	<b>1'635</b>	<b>0.32%</b>
Hong Kong	207	0.04%	214	0.04%
United Arab Emirates	1'096	0.21%	1'421	0.27%
<b>Caribbean</b>	<b>3'812</b>	<b>0.74%</b>	<b>60'319</b>	<b>11.62%</b>
Bahamas	707	0.14%	3'542	0.68%
Bermuda	145	0.03%	150	0.03%
Panama	626	0.12%	11'123	2.14%
St. Kitts-Nevis	-	0.00%	32'379	6.24%
British Virgin Islands	2'334	0.45%	13'118	2.53%
Cayman Islands	-	0.00%	7	0.00%
<b>Europe</b>	<b>311'032</b>	<b>60.06%</b>	<b>278'413</b>	<b>53.65%</b>
Austria	328	0.06%	345	0.07%
Belgium	13'223	2.55%	2'129	0.41%
Bulgaria	-	0.00%	1	0.00%
Cyprus	594	0.11%	-	0.00%
Denmark	578	0.11%	585	0.11%
France	4'228	0.82%	4'376	0.84%
Germany	25'159	4.86%	22'595	4.35%
Gibraltar	1'063	0.21%	445	0.09%
Ireland	11'708	2.26%	5'695	1.10%
Isle of Man	-	0.00%	11	0.00%
Italy	168'829	32.60%	155'943	30.05%
Latvia	-	0.00%	388	0.07%
Lithuania	-	0.00%	504	0.10%
Luxembourg	54'356	10.50%	62'345	12.01%
Malta	10'908	2.11%	3'726	0.72%
Monaco	1	0.00%	-	0.00%
Netherlands	4'132	0.80%	3'402	0.66%
Portugal	2'784	0.54%	2'719	0.52%
San Marino	4'079	0.79%	4'235	0.82%
Spain	84	0.02%	132	0.03%
Sweden	289	0.06%	667	0.13%
UK	8'689	1.68%	8'170	1.57%
<b>Latin America</b>	<b>1'123</b>	<b>0.22%</b>	<b>1'410</b>	<b>0.27%</b>
Argentina	-	0.00%	-	0.00%
Belize	1'123	0.22%	1'145	0.22%
Costa Rica	-	0.00%	1	0.00%
Venezuela	-	0.00%	264	0.05%
<b>Liechtenstein</b>	<b>31</b>	<b>0.01%</b>	<b>1</b>	<b>0.00%</b>
Liechtenstein	31	0.01%	1	0.00%
<b>North America</b>	<b>16'082</b>	<b>3.11%</b>	<b>7'651</b>	<b>1.47%</b>
United States	16'082	3.11%	7'651	1.47%
<b>Oceania</b>	<b>683</b>	<b>0.13%</b>	<b>221</b>	<b>0.04%</b>
Australia	683	0.13%	221	0.04%
New Zealand	-	0.00%	-	0.00%
<b>Switzerland</b>	<b>183'004</b>	<b>35.34%</b>	<b>168'617</b>	<b>32.49%</b>
Switzerland	183'004	35.34%	168'617	32.49%
<b>Total assets</b>	<b>517'908</b>	<b>100.00%</b>	<b>518'942</b>	<b>100.00%</b>

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	107'450	37.93%	125'778	43.18%
2	Aa1/Aa2/Aa3	AA+/AA/AA-	AA+/AA/AA-	52'044	18.37%	46'485	15.96%
3	A1/A2/A3	A+/A/A-	A+/A/A-	22'352	7.89%	14'680	5.04%
4	Baa1 /Baa2/ Baa3/Ba1/Ba2/ Ba3	BBB+/BBB/ BBB-/BB+/ BB/BB-/B+	BBB+/BBB/ BBB-/BB+/ BB/BB-/B+	101'424	35.80%	104'316	35.82%
5/6	B1/B2/B3/ Caa1/Caa2/ Caa3/Ca/C	B/B-/CCC/ CC/C/D	B/B-/CCC/ CC/C/D	-	0.00%	2	0.00%
Unrated				-	0.00%	-	0.00%
<b>Total</b>				<b>283'270</b>	<b>100.00%</b>	<b>291'261</b>	<b>100.00%</b>



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

<b>Assets</b>	CHF	EUR	USD	GBP	JPY	Other	Total
Liquid assets	41'796	426	63	17	-	-	42'302
Amounts due from banks	5'311	167'857	64'415	3'212	199	4'768	245'762
Amounts due from customers	1'568	115'635	31'811	103	-	-	149'117
Mortgage loans	11'754	-	-	-	-	-	11'754
Trading portfolio assets	277	8'030	2'046	-	-	-	10'353
Positive replacement values of derivative financial instruments	246	-	-	-	-	-	246
Financial investments	5'816	23'888	12'562	-	-	-	42'266
Accrued income and prepaid expenses	2'243	155	421	-	-	-	2'819
Tangible fixed assets	12'110	-	-	-	-	-	12'110
Intangible assets	953	-	-	-	-	-	953
Other assets	226	-	-	-	-	-	226
<b>Total assets shown in balance sheet</b>	<b>82'300</b>	<b>315'991</b>	<b>111'318</b>	<b>3'332</b>	<b>199</b>	<b>4'768</b>	<b>517'908</b>
<b>Delivery entitlements from spot exchange, forward forex and forex options transactions*</b>	<b>748</b>	<b>16'376</b>	<b>15'603</b>	<b>2'209</b>	<b>-</b>	<b>1'347</b>	<b>36'283</b>
<b>Total assets</b>	<b>83'048</b>	<b>332'367</b>	<b>126'921</b>	<b>5'541</b>	<b>199</b>	<b>6'115</b>	<b>554'191</b>
<b>Liabilities</b>	CHF	EUR	USD	GBP	JPY	Altre	Totale
Amounts due to banks	5	4	3'911	10	-	-	3'930
Amounts due in respect of customer deposits	27'462	296'862	103'918	3'304	176	4'606	436'328
Negative replacement values of derivative financial instruments	206	-	-	-	-	-	206
Accrued expenses and deferred income	5'248	362	46	-	-	-	5'656
Other liabilities	808	433	25	-	-	-	1'266
Provisions	-	-	-	-	-	-	-
Reserves for general banking risks	11'570	-	-	-	-	-	11'570
Bank's capital	22'500	-	-	-	-	-	22'500
Statutory retained earnings reserve	5'686	-	-	-	-	-	5'686
Voluntary retained earnings reserve	30'207	-	-	-	-	-	30'207
Profit carried forward / loss carried forward	138	-	-	-	-	-	138
Profit / loss (result of the period)	421	-	-	-	-	-	421
<b>Total liabilities shown in the balance sheet</b>	<b>104'251</b>	<b>297'661</b>	<b>107'900</b>	<b>3'314</b>	<b>176</b>	<b>4'606</b>	<b>517'908</b>
<b>Delivery obligations from spot exchange, forward forex and forex options transactions*</b>	<b>746</b>	<b>16'375</b>	<b>15'598</b>	<b>2'206</b>	<b>-</b>	<b>1'347</b>	<b>36'272</b>
<b>Total liabilities</b>	<b>104'997</b>	<b>314'036</b>	<b>123'498</b>	<b>5'520</b>	<b>176</b>	<b>5'953</b>	<b>554'180</b>
<b>Net position per currency</b>	<b>-21'949</b>	<b>18'331</b>	<b>3'423</b>	<b>21</b>	<b>23</b>	<b>162</b>	<b>11</b>

\* 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	1'547	1'796
Irrevocable commitments arising from documentary letters of credit	6'289	5'671
<b>Total contingent liabilities</b>	<b>7'836</b>	<b>7'467</b>

### Breakdown of credit commitments (Table 29)

	Current year	Previous year
Commitments arising from deferred payments	61	-
Commitments arising from acceptances (for liabilities arising from acceptances in circulation)	-	-
Other credit commitments	-	-
<b>Total credit commitments</b>	<b>61</b>	<b>-</b>

### Breakdown of fiduciary transactions (Table 30)

	Current year	Previous year
Fiduciary investments with third-party companies	36'944	28'734
<b>Total</b>	<b>36'944</b>	<b>28'734</b>

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

	Current year	Previous year
<b>a) Breakdown of managed assets</b>		
<b>Type of managed assets</b>		
Assets in collective investment schemes managed by the bank	109'570	94'647
Assets under discretionary asset management agreements	241'166	255'596
Other managed assets	1'655'487	1'758'507
<b>Total managed assets (including double counting)</b>	<b>2'006'223</b>	<b>2'108'750</b>
<i>of which, double counting</i>	48'054	51'503
<b>b) Presentation of the development of managed assets</b>		
	Esercizio in rassegna	Esercizio in rassegna
<b>Total managed assets (including double counting) at beginning</b>	<b>2'108'750</b>	<b>2'404'558</b>
+/- net new money inflow or net new money outflow	-173'141	-94'671
+/- price gains / losses, interest, dividends and currency gains / losses	70'614	-201'137
<b>Total managed assets (including double counting) at end</b>	<b>2'006'223</b>	<b>2'108'750</b>

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
<b>a) Breakdown by business area</b>		
<b>(in accordance with the organisation of the bank / financial group)</b>		
<b>Result from trading activities from:</b>		
Fixed-income trading	5'535	4'305
Other trading activities	142	156
Currencies	381	710
<b>Total</b>	<b>6'058</b>	<b>5'171</b>
<b>b) Breakdown by underlying risk and based on the use of the fair value option</b>		
<b>Result from trading activities from:</b>		
Interest rate instruments	5'546	4'311
Equity securities (including funds)	131	150
Foreign currencies	381	710
<b>Total</b>	<b>6'058</b>	<b>5'171</b>

### 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)	11'263	9'459
<i>of which, expenses relating to share-based compensation and alternative forms of variable compensation</i>	-	-
Social insurance benefits	1'974	1'772
Other personnel expenses	67	119
<b>Total</b>	<b>13'304</b>	<b>11'350</b>

### Breakdown of general and administrative expenses (Table 35)

	Current year	Previous year
Office space expenses	887	893
Expenses for information and communications technology	2'337	2'084
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	12	12
Fees of audit firm(s) (Art. 961a no. 2 CO)	329	288
<i>of which, for financial and regulatory audits</i>	329	288
<i>of which, for other services</i>	-	-
Other operating expenses	2'414	2'309
<i>of which, compensation for any cantonal guarantees</i>	-	-
<b>Total</b>	<b>5'979</b>	<b>5'586</b>

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

	Domestic	Foreign
<b>Result from interest operations</b>		
Interest and discount income	3'002	-
Interest and dividend income from trading activities	3	-
Interest and dividend income from financial investments	421	-
Interest expense	174	-
<b>Gross result from interest operations</b>	<b>3'600</b>	-
Changes in value adjustments for default risks and losses from interest operations	-168	-
<b>Net result from interest operations</b>	<b>3'432</b>	-
<b>Result from commission business and services</b>		
Commission income on securities and investment transactions	15'403	-
Commission income from lending activities	365	-
Commission income from other services	356	-
Commission expense	-4'683	-
<b>Result from commission business and services</b>	<b>11'441</b>	-
<b>Result from trading activities and the fair value option</b>	<b>6'058</b>	-
<b>Other result from ordinary activities</b>	<b>4'104</b>	-
<b>Total income for the period</b>	<b>25'035</b>	-
<b>Operating expenses</b>		
Personnel expenses	-13'304	-
General and administrative expenses	-5'979	-
<b>Total operating expenses</b>	<b>-19'283</b>	-
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-1'680	-
Changes to provisions and other value adjustments, and losses	-3'468	-
<b>Operating result</b>	<b>604</b>	-

Table 39: Taxes

	Current year	Previous year
Current tax*	183	177
<b>Total tax</b>	<b>183</b>	<b>177</b>
Average rate on operating result	30%	56%

\* Current tax as at 31.12.2019 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 78,000 with a 13% 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 2,778,000 to be offset.





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

Lugano, 24 March 2020

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying 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 2019.



### 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 2019 comply with Swiss law and the company's articles of incorporation.



#### **Report on other legal requirements**

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

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

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

Ernst & Young Ltd



**Erico Bertoli**  
Licensed audit expert  
(Auditor in charge)



**Beatrice Groppelli**  
Licensed audit expert

# Building a secure future





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