

Zarattini & Co | Bank

Annual Report 2022



# Annual Report 2022

**Presented to the Annual General Meeting of Shareholders on April 19<sup>th</sup> 2023**

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
36	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

Pluriaudit SA, Lugano

\* Independent directors, in accordance with FINMA Circular 2017/1

\*\* Members of the Audit Committee, Chairman Peter Heckendorn

## Board of Directors' report 2022

Dear Shareholders,

According to the Swiss National Bank, the economic outlook deteriorated from the end of the year on, with signs of weakening in the industrial sector from abroad and a loss of momentum in the services sector. In any case, in 2022 too Switzerland saw progress in its gross domestic product, which was significant at the start and modest at the end of the year, with the further benefit of having inflation that was much lower than that in the other main countries. The Swiss franc continued to appreciate, reached a new high against the weak euro, and only in the third quarter did it fall slightly, returning to around parity.

Central banks were forced to raise interest rates quickly due to the overwhelming rise in inflation. This proved barely effective for the whole year under review, but there were also few serious side effects. The reaction to the repeated rate rises seemed to be, apart from the widespread fall in bond markets and a modest correction to stock markets, only the economic slowdown, with an increased likelihood of recession, to then, perhaps, achieve the hoped for fall in inflation.

The marked monetary tightening, after years of zero or negative rates, is instead starting to produce much worse and unwanted consequences since it is creating problems for some of the most fragile parts of the global financial system. Financial instability is more difficult to control and more dangerous than inflation and entails much greater risks than a simple recession.

The choice to keep raising interest rates and take liquidity out of the system, which is now over-accustomed to quantitative easing, seems to be less clear-cut than it appeared at the end of 2022. The recent bank rescues show that, in order to avoid a financial crisis, it might be necessary to once again use state guarantees and support.

Moving on to describe the activities of Banca Zarattini & Co and the main events during the year, we can start with a small but important extraordinary transaction: after a thorough investigation, the Bank of Italy authorised the purchase of an 8.64% stake in the share capital of Compagnia Fiduciaria Lombarda S.p.A., a company with which the Bank has enjoyed positive cooperation for some time.

The hoped for return to normal working conditions happened at last and the employees of Banca Zarattini & Co. can once again enter their offices without any restrictions. If something positive can be taken from the difficult period of remote working and social distancing, it is the improvement in and verification of various corporate processes which were put to the test by an unprecedented situation.

In 2022 Private Banking saw broad stability in its clients but, owing to the tremendous strength of the Swiss franc and above all the turbulence on finance markets, in particular in fixed-income investments, total collections fell. The Advisory service, which started to operate in the previous year, is enjoying some success with a growing number of clients.

Asset Management suffered from the terrible performance of almost all the finance markets which was a feature of nearly the whole year. Above all, it was affected by the extreme weakness in the bond sector since not even short-term, low-risk investments – issues by solid companies or states with short or medium maturities - produced positive returns. In 2022 the portfolios under management saw a negative result but in most cases better than the benchmarks. The increase in interest rates damaged the most exposed portfolios but should soon give bond investors better returns on an equal risk basis compared to the minimal returns in recent years.

Banca Zarattini & Co is continuing its commitment to sustainability by both reviewing its internal processes and by offering clients advisory services and portfolios managed in accordance with ESG (environmental, social, governance) criteria. During the year in question the Bank published its sustainability report for the first time and took active part in initiatives in this field in the financial community, also promoting the establishment of a sustainable finance committee within the *Associazione Bancaria Ticinese* (Ticino Banking Association).

The institutional custody service for cryptocurrencies is at the authorisation stage and could finally start operat-

ing during 2023. Holding their portfolios at Banca Zarattini will allow clients who invest in this type of asset to avoid the serious risk of exchanges which in a number of cases have proven far from trustworthy, with billions in deposits disappearing into thin air. That is why we believe that custody at our Bank can be a useful and reassuring service since, thanks to our reliability but also thanks to Swiss regulation which treats cryptocurrencies as off-balance sheet assets, it will allow the holder of cryptocurrencies to minimise the counterparty risk.

Even more than for the price trends on finance markets, the invasion of Ukraine risked having a serious impact for the TDSM department and for Trade Finance at Banca Zarattini & Co. Thanks above all to the commitment and professional approach of the people who work in our offices, the damage from the conflict was instead minimised and 2022 too may go down as a positive year.

As for the TDSM department, the worst consequence of the war was not the exposure to Russian securities which were embargoed but the enforced closure of some counterparties. The exposure to securities which became untouchable was in fact practically nil and was, with some patience, completely resolved through the sale of a single bond position which was not withdrawn by the purchasing counterparty at the outbreak of the war. Instead the interruption to our work with various Russian counterparties, which was required by the sanctions, caused a fall in turnover which, however, was almost completely offset by the development of new dealings. The broad stability of the results achieved by this department should certainly be welcomed.

For the Trade Finance department, the typical business of which is on the market for steel and metal alloys, which was severely affected by the conflict, it was feared that, after Switzerland's complete and unconditional adherence to the sanctions against Russia, some of our counterparties would be encouraged to move to less regulated countries. If that had happened, some valuable accounts risked being lost. Fortunately, the market in general and our counterparties in particular managed to adapt quickly to the new rules and no client of ours sought to avoid the embargoes by changing their domicile. Although continuing to closely comply with the sanction guidelines introduced by Switzerland, the Trade Finance office exceeded initial expectations, achieving a better result, thanks in part to the increase in interest rates but above all to the increase in turnover.

The goodwill from the acquisition of Banca Intermobiliare Suisse, which was completed at the end of 2017, was wholly amortised over the five years envisaged and so fell to zero in October 2022.

The abandonment of the policy of negative rates by the Swiss National Bank was also positive event for your Bank. The cost of negative credit interest significantly weighed on the accounts in recent years and in 2022 too impacted for fully CHF 414 thousand, a cost incurred almost entirely in the first half.

In the difficult context which characterised 2022, the Bank achieved net profit of CHF 1,034,586. The Bank's financial solidity was confirmed in 2022 too: the Common Tier 1 (CET1) ratio at the end of the year went from the already satisfactory 24% in 2021 to 31% in 2022, parameters well above the legal requirements. With this high level of liquidity and solvency and thanks also to its usual prudent investment policy, Banca Zarattini & Co stands as a solid and reliable partner also from the viewpoint of capital. The net profit for the year was retained in order to further strengthen the Bank's balance sheet.

To conclude this short report, we wish to thank all our employees for their constant commitment and dedication. People are Banca Zarattini & Co.'s driving force: the passion and integrity which characterise our team are a source of pride to us and enable us to face future challenges with enthusiasm. Our sincerest thanks also go to all our esteemed clients for their trust and ongoing support.

Lugano, 4 April 2023

The Board of Directors

## Balance Sheet

	31.12.2022	31.12.2021
	CHF	CHF
<b>Assets</b>		
Liquid assets	58,739,056	57,356,092
Amounts due from banks	115,680,239	274,213,337
Amounts due from customers	175,913,087	175,552,229
Mortgage loans	11,239,440	8,945,460
Trading portfolio assets	14,116,199	13,472,806
Positive replacement values of derivative financial instruments	1,093,512	778,971
Financial investments	70,416,177	45,374,125
Accrued income and prepaid expenses	2,401,145	1,917,175
Tangible fixed assets	617,408	1,006,244
Intangible assets	-	280,289
Other assets	340,607	13,341,087
<b>Total assets</b>	<b>450,556,870</b>	<b>592,237,815</b>
<b>Liabilities</b>		
Amounts due to banks	1,733,418	2,611,685
Amounts due in respect of customer deposits	372,095,699	512,106,643
Negative replacement values of derivative financial instruments	728,861	634,162
Accrued expenses and deferred income	4,307,536	5,331,531
Other liabilities	1,009,487	1,855,306
Provisions	125,295	176,500
Reserve for general banking risks	10,000,000	10,000,000
Bank's capital	22,500,000	22,500,000
Statutory retained earnings reserve	5,686,400	5,686,400
Voluntary retained earnings reserve	30,207,403	30,207,403
Profit carried forward	1,128,185	847,873
Profit / loss (result of the period)	1,034,586	280,312
<b>Total liabilities</b>	<b>450,556,870</b>	<b>592,237,815</b>
<b>Off-balance sheet transactions</b>		
Contingent liabilities	14,377,626	25,190,472
Irrevocable commitments	1,105,787	1,090,311
Credit commitments	858,141	126,658

## Income Statement

	2022 CHF	2021 CHF
Interest and discount income	5,092,987	1,635,078
Interest and dividend income		
from trading activities	277,432	102,716
Interest and dividend income		
from financial investments	676,634	485,071
Interest expense	190,831	351,005
<b>Gross result from interest operations</b>	<b>6,237,884</b>	<b>2,573,870</b>
Changes in value adjustments for default risks		
and losses from interest operations	-324,927	-1,106,204
<b>Net result from interest operations</b>	<b>5,912,957</b>	<b>1,467,666</b>
Commission income		
from securities trading and investment activities	10,725,137	12,132,841
Commission income from lending activities	1,070,906	988,716
Commission income on other services	227,797	308,541
Commission expense	-2,529,185	-3,171,256
<b>Result from commission business and services</b>	<b>9,494,655</b>	<b>10,258,842</b>
<b>Result from trading activities and the fair value option</b>	<b>5,655,233</b>	<b>5,185,313</b>
Result from the disposal of financial investments	-19,816	1
Result from real estate	-	258,000
Other ordinary income	-	-
Other ordinary expenses	-384,738	-336,920
<b>Other result from ordinary activities</b>	<b>-404,554</b>	<b>-78,919</b>
Personnel expenses	-12,888,277	-13,319,720
General and administrative expenses	-5,599,762	-5,405,331
<b>Total operating expenses</b>	<b>-18,488,039</b>	<b>-18,725,051</b>
Value adjustments on shareholdings, and depreciation and amortisation		
of tangible fixed assets and intangible assets	-927,907	-1,352,500
Changes to provisions and other value		
adjustments, and losses	-68,822	-733,990
<b>Operating result</b>	<b>1,173,523</b>	<b>-3,978,639</b>
Extraordinary income	20,463	2,874,101
Extraordinary expenses	-	-
Changes in reserves for general banking risks	-	1,570,000
Taxes	-159,400	-185,150
<b>Profit / loss (result of the period)</b>	<b>1,034,586</b>	<b>280,312</b>



## Appropriation of Profit

(proposal of Board of Directors)

	31.12.2022	31.12.2021
	CHF	CHF
Profit / loss	1,034,586	280,312
+ profit carried forward	1,128,185	847,873
<b>= distributable profit</b>	<b>2,162,771</b>	<b>1,128,185</b>
Appropriation of profit		
Allocation to statutory retained earnings reserve	-	-
Distributions from distributable profit	-	-
<b>New amount carried forward</b>	<b>2,162,771</b>	<b>1,128,185</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>22,500</b>	-	<b>5,686</b>	<b>10,000</b>	-	<b>31,055</b>	-	-	<b>280</b>	<b>69,521</b>
Capital increase / decrease	-	-	-	-	-	-	-	-	-	-
Dividends and other distributions	-	-	-	-	-	280	-	-	- 280	-
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)	-	-	-	-	-	-	-	-	1,035	1,035
<b>Equity at end</b>										
<b>of current period</b>	<b>22,500</b>	-	<b>5,686</b>	<b>10,000</b>	-	<b>31,335</b>	-	-	<b>1,035</b>	<b>70,556</b>

# Notes to the annual report 2022

## 1. Information about activity

The information refers to the position as at 31 December 2022.

### 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.

The Bank’s registered office is at Via Serafino Balestra 17 a 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 2022, the Bank had 85 employees (end 2021: 83 employees), representing 81.45 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.

Our Bank likewise has a policy of prudent lending with regard to Trade Finance operations. Transactional loans are granted on raw materials and non-perishable derivatives thereof, and in particular steel, iron ores and iron alloys. Operations financed are secured by buy and sell-back operations, and/or loan insurance, and/or liens on the goods concerned, in these cases too, based on prudent prefinancing margins. 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.

The Bank conducted an analysis of the losses recorded over the last 10 years (i.e. following the acquisition and merger of Banca Euromobiliare (Suisse) SA) in order to assess whether there was any need to make value adjustments for latent loan loss risks pursuant to article 25 of the FINMA Ordinance on the preparation and presentation of accounts (OAPC-FINMA). This analysis showed that the only loan exposure requiring value adjustments was lending to clients, excluding mortgages. Applying the average percentages for the last ten years for the value adjustments made on the client loan portfolio showed that the value adjustments were not material, and hence no such entries were necessary in this regard.

## **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 at the independent appraisal value) of EUR 438,834 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 2022.

The Bank's exposure to this vehicle is subject to regular assessment and appropriate provisions are set aside should the guarantees not be sufficient to cover the exposure. In addition, the valuation principles for financial investments apply to the fund, the value thus being based on the purchase price or the market price, whichever is the lower, but never exceeds the purchase price.

### **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 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.

### **4. Accounting principles and policies**

#### **General principles**

These financial statements have been prepared in accordance with the Swiss Code of Obligations (CO), the Swiss Federal Law on Banks and Savings Banks (Banking Act, BA), the Swiss Ordinance on Banks and Savings banks (Banking Ordinance, BankO), the FINMA Ordinance on accounts (OAPC-FINMA) and FINMA Circular 2020/1 "Accounting – Banks. Accounting Rules for Banks, Investment Firms, Financial Groups and Conglomerates" based on the requirements for reliable as-



assessment statutory single-entity financial statements. 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	31.12.2022	31.12.2021
EUR	0.987950	1.033400
USD	0.922750	0.912750
GBP	1.115350	1.230400

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

#### 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 2022, the Bank incurred costs due to negative interest amounting to CHF 414'764 (2021: CHF 752'489) and collected income from negative creditor interest amounting to CHF 215'887 (2021: CHF 361'768).

#### 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.

The 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. Nonetheless, derivatives transactions are also carried out to hedge the Bank's currency risk.

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 until October 2022.

**Events following the end of the financial year at 31.12.2022**

Up to the date of drafting this report, there were no material events requiring obligatory inclusion in the financial statements and/or in the Notes at 31 December 2022.



## 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	65	127,298	50,627	<b>177,990</b>
Mortgage loans	11,240	-	-	<b>11,240</b>
Residential property	11,240	-	-	<b>11,240</b>
Office and business premises	-	-	-	-
Commercial and industrial premises	-	-	-	-
Other	-	-	-	-
<b>Total loans (before netting with value adjustments)</b>				
Current year	11,305	127,298	50,627	<b>189,230</b>
Previous year	8,147	124,289	53,891	<b>186,327</b>
<b>Total loans (after netting with value adjustments)</b>				
Current year	11,305	127,298	48,550	<b>187,153</b>
Previous year	8,147	124,289	52,062	<b>184,498</b>
<b>Off-balance sheet</b>				
Contingent liabilities	-	4,368	10,010	<b>14,378</b>
Irrevocable commitments	-	244	862	<b>1,106</b>
Obligations to pay up shares and make further contributions	-	-	-	-
Credit commitments	-	-	858	<b>858</b>
<b>Total off-balance-sheet</b>				
Current year	-	4,612	11,730	<b>16,342</b>
Previous year	-	2,509	23,898	<b>26,407</b>
<b>Table: Impaired loans/receivables</b>				
Current year	2,077	-	2,077	2,077
Previous year	1,829	-	1,829	1,829

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

1) Tables are numbered according to FINMA regulation. Any table which is not shown does 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>14,116</b>	<b>13,473</b>
Debt securities, money market securities/transactions	7,962	6,481
<i>of which, listed</i>	7,962	6,481
Equity securities	6,154	6,992
Precious metals and commodities	-	-
Other trading portfolio assets	-	-
<b>Total assets</b>	<b>14,116</b>	<b>13,473</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	496	481	55,060	-	-	-
Combined interest rate / currency swaps	585	248	44,744	-	-	-
Futures	-	-	6,574			
<b>Total</b>	<b>1,081</b>	<b>729</b>	<b>106,378</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity securities / indices</b>						
Futures	-	-	937	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	1,798			
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,735</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,081</b>	<b>729</b>	<b>109,113</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Total before netting agreements:**

Current year	1,081	729	109,113	-	-	-
<i>of which, determined using a valuation model</i>	-	-	-	-	-	-
Previous year	478	457	95,498	-	177	18,500
<i>of which, determined using a valuation model</i>	-	-	-	-	-	-

**Total after netting**

<b>agreements</b>	Positive replacement values (cumulative)	Negative replacement values (cumulative)
Current year	1,081	729
Previous year	478	634

**Breakdown by counterparty:**

	Central clearing houses	Banks and securities dealersr	Other customers
Positive replacement values (after netting agreements)	-	691	390

\* hedging instruments as per margin no. 431 et seq.

### Breakdown of financial investments (Table 5)

	BOOK VALUE		FAIR VALUE	
	Current year	Previous year	Current year	Previous year
Debt securities	66,928	41,136	65,134	41,942
<i>of which, intended to be held to maturity</i>	66,928	41,136	65,134	41,942
Equity securities	3,488	4,238	3,488	4,275
<i>of which, qualified participations*</i>	2	2	2	2
<b>Total</b>	<b>70,416</b>	<b>45,374</b>	<b>68,622</b>	<b>46,217</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	15,300	9,387	29,560	-	-	-
<b>Moody's</b>	Aaa to Aa3-	A1 to A3	Baa1+ to Baa3	Ba1+ to Ba3	Below B3	Unrated
Debt securities: Book value	-	2,873	6,461	-	-	-
<b>Fitch</b>	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: Book value	1,117	344	899	-	-	-
<b>Total debt securities: book value</b>	<b>17,404</b>	<b>12,604</b>	<b>36,920</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Presentation of tangible fixed assets (Table 8)

	Acquisition cost	Accumulated depreciation	Book value as at the end of previous year	Current year					Book value as at end of current year
				Reclassifications	Additions	Disposals	Depreciation	Reversals	
Bank buildings	-	-	-	-	-	-	-	-	-
Proprietary or separately acquired software	6,165	-5,349	816	-	179	-	-553	-	442
Other tangible fixed assets	6,256	-6,066	190	-	80	-	-95	-	175
<b>Total tangible fixed assets</b>	<b>12,421</b>	<b>-11,415</b>	<b>1,006</b>	<b>-</b>	<b>259</b>	<b>-</b>	<b>-648</b>	<b>-</b>	<b>617</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	-4,152	280	-	-	-280	-
<b>Total intangible assets</b>	<b>4,432</b>	<b>-4,152</b>	<b>280</b>	<b>-</b>	<b>-</b>	<b>-280</b>	<b>-</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	18	17		
Other assets	190	13,239		
Indirect tax	133	85		
Other liabilities			712	1,484
Indirect tax			298	371
<b>Total</b>	<b>341</b>	<b>13,341</b>	<b>1,010</b>	<b>1,855</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)	7,739	7,739	10,367	10,367
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	-	-	-	-	1,709	1,111	1,037

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 31.12.2022, 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
Provisions for latent risks	-	-	-	-	-	-	-	-
Provisions for other business risks	177	-	-	-	-	98	-150	125
<b>Total provisions</b>	<b>177</b>	-	-	-	-	<b>98</b>	<b>-150</b>	<b>125</b>
<b>Reserves for general banking risks</b>	<b>10,000</b>	-	-	-	-	-	-	<b>10,000</b>
<b>Value adjustments for default and country risks</b>	<b>1,829</b>	-	-	<b>-77</b>	-	<b>346</b>	<b>-21</b>	<b>2,077</b>
<i>of which, value adjustments for default risks in respect of impaired loans / receivables</i>	<i>1,829</i>	-	-	<i>-77</i>	-	<i>346</i>	<i>-21</i>	<i>2,077</i>
<i>of which value adjustments for latent risks</i>	-	-	-	-	-	-	-	-

\* Reserves for general banking risks comprise taxed reserves amounting to CHF 527 and non-taxed reserves amounting to CHF 9,473.

### 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	22,500	22,500	22,500
<i>of which, paid up</i>	22,500	22,500	22,500	22,500	22,500	22,500
Participation capital	-	-	-	-	-	-
<i>of which, paid up</i>	-	-	-	-	-	-
<b>Total bank's capital</b>	<b>22,500</b>	<b>22,500</b>	<b>22,500</b>	<b>22,500</b>	<b>22,500</b>	<b>22,500</b>
Authorised capital	-	-	-	-	-	-
<i>of which, capital increases completed</i>	-	-	-	-	-	-

### 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	-	13,087	5,386	9,953
Group companies	-	-	2,513	2,206
Linked companies	104	-	2,046	2,130
Transactions with members of governing bodies	3,125	1,562	200	186
Other related parties	1,718	2,682	-	-

Loans to management are granted under the same terms and conditions as for Bank staff, but granted to other related parties under market conditions. Loans to qualifying shareholders relate to the sale of the property at the end of December under market conditions.

### 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%	14,252	63.34%
<i>of which via Schulman Familienstiftung, Vaduz</i>	11,363	50.50%	11,363	50.50%
Flavio Quaggio, Viganello	2,554	11.35%	2,554	11.35%
Andrea Zanni, Bré sopra Lugano	1,778	7.90%	1,778	7.90%
Tullio Santi, Lugano	1,224	5.44%	1,224	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%	2,115	9.40%

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

	CURRENT YEAR		PREVIOUS YEAR	
	Number of securities (units)	Nominal value	Number of securities (units)	Nominal value
<b>Details on the individual categories of the bank's capital (margin no. A5-88)</b>				
Share capital	22,500	22,500	22,500	22,500
<i>of which, paid up</i>	22,500	22,500	22,500	22,500
<b>Total</b>	<b>22,500</b>	<b>22,500</b>	<b>22,500</b>	<b>22,500</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	58,739							58,739
Amounts due from banks	49,073	23,832	30,192	12,583	-	-		115,680
Amounts due from customers	-	172,825	-	2,282	806	-		175,913
Mortgage loans	-	-	970	10,270	-	-		11,240
Trading portfolio assets	14,116							14,116
Positive replacement values of derivative financial instruments	1,094							1,094
Financial investments	-	3,486	2,561	10,847	47,916	5,604	2	70,416
<b>Current year</b>	<b>123,022</b>	<b>200,143</b>	<b>33,723</b>	<b>35,982</b>	<b>48,722</b>	<b>5,604</b>	<b>2</b>	<b>447,198</b>
Previous year*	214,515	199,984	76,240	51,173	33,780	-	2	575,694
<b>Debt capital / financial instruments</b>								
Amounts due to banks	1,733	-	-	-	-	-		1,733
Amounts due in respect of customer deposits	372,096	-	-	-	-	-		372,096
Negative replacement values of derivative financial instruments	729							729
<b>Current year</b>	<b>374,558</b>	-	-	-	-	-	-	<b>374,558</b>
Previous year	515,353	-	-	-	-	-	-	515,353

**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	58,739	-	57,356	-
Amounts due from banks	47,277	68,403	141,664	132,550
Amounts due from customers	66,479	109,434	55,154	120,398
Mortgage loans	11,240	-	8,946	-
Trading portfolio assets	3,608	10,508	-	13,473
Positive replacement values of derivative financial instruments	905	189	533	246
Financial investments	5,920	64,496	-	45,374
Accrued income and prepaid expenses	2,248	153	1,628	289
Participations	-	-	-	-
Tangible fixed assets	617	-	1,006	-
Intangible assets	-	-	280	-
Other assets	341	-	13,341	-
<b>Total assets</b>	<b>197,374</b>	<b>253,183</b>	<b>279,908</b>	<b>312,330</b>
<b>Liabilities</b>				
Amounts due to banks	-	1,733	-	2,612
Amounts due in respect of customer deposits	125,478	246,618	131,056	381,051
Negative replacement values of derivative financial instruments	378	351	562	72
Accrued expenses and deferred income	4,308	-	5,332	-
Other liabilities	1,010	-	1,855	-
Provisions	125	-	177	-
Reserves for general banking risks	10,000	-	10,000	-
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	1,128	-	848	-
Profit / loss (result of the period)	1,035	-	280	-
<b>Total liabilities</b>	<b>201,855</b>	<b>248,702</b>	<b>208,503</b>	<b>383,735</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>	-	0.00%	-	0.00%
<b>Asia</b>	4,175	0.92%	2,107	0.36%
China	120	0.03%	119	0.02%
Corea del Sud	890	0.20%	-	0.00%
United Arab Emirates	1,445	0.32%	1,367	0.23%
Georgia	1,239	0.27%	-	0.00%
Japan	292	0.06%	-	0.00%
Hong Kong	189	0.04%	197	0.03%
Lebanon	-	0.00%	424	0.07%
<b>Caribbean</b>	25,757	5.72%	25,136	4.24%
Bahamas	1,385	0.31%	1,955	0.33%
Bermuda	50	0.01%	53	0.01%
Cuba	44	0.01%	-	0.00%
Panama	3,001	0.67%	2,186	0.37%
Virgin Islands (British)	21,277	4.72%	20,942	3.54%
<b>Europe</b>	212,421	47.14%	278,591	47.04%
Austria	-	0.00%	1,883	0.32%
Belgium	8,055	1.79%	8,402	1.42%
Cyprus	1,558	0.35%	1,704	0.29%
Denmark	93	0.02%	-	0.00%
France	5,732	1.27%	4,164	0.70%
Germany	14,967	3.32%	19,880	3.36%
Gibraltar	1,464	0.32%	1,502	0.25%
Ireland	5,030	1.12%	4,468	0.75%
UK	11,624	2.58%	14,300	2.41%
Isle of Man	1	0.00%	-	0.00%
Italy	85,460	18.97%	159,333	26.90%
Jersey	1,142	0.25%	-	0.00%
Latvia	-	0.00%	193	0.03%
Luxembourg	54,561	12.11%	29,560	4.99%
Malta	13,286	2.95%	24,522	4.14%
Norway	369	0.08%	-	0.00%
Netherlands	4,460	0.99%	3,643	0.62%
Portugal	2,405	0.53%	2,479	0.42%
Romania	2	0.00%	-	0.00%
San Marino	2,212	0.49%	2,557	0.43%
Slovenia	-	0.00%	1	0.00%
<b>Latin America</b>	387	0.09%	2	0.00%
Belize	-	0.00%	1	0.00%
Ecuador	-	0.00%	1	0.00%
Mexico	386	0.09%	-	0.00%
Venezuela	1	0.00%	-	0.00%
<b>Liechtenstein</b>	34	0.01%	-	0.00%
Liechtenstein	34	0.01%	-	0.00%
<b>North America</b>	10,157	2.25%	6,487	1.10%
Canada	212	0.05%	-	0.00%
United States	9,945	2.20%	6,487	1.10%
<b>Oceania</b>	252	0.06%	7	0.00%
Australia	252	0.06%	-	0.00%
New Zealand	-	0.00%	7	0.00%
<b>Switzerland</b>	197,374	43.81%	279,908	47.26%
Switzerland	197,374	43.81%	279,908	47.26%
<b>Total assets</b>	450,557	100.00%	592,238	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	70,475	30.21%	89,921	32.68%
2	Aa1/Aa2/Aa3	AA+/AA/AA-	AA+/AA/AA-	66,073	28.33%	57,710	20.98%
3	A1/A2/A3	A+/A/A-	A+/A/A-	7,752	3.32%	9,258	3.37%
4	Baa1 /Baa2/ Baa3/Ba1/Ba2/ Ba3	BBB+/BBB/ BBB-/BB+/ BB/BB-/B+	BBB+/BBB/ BBB-/BB+/ BB/BB-/B+	88,877	38.10%	117,805	42.82%
5/6	B1/B2/B3/ Caa1/Caa2/ Caa3/Ca/C	B/B-/CCC/ CC/C/D	B/B-/CCC/ CC/C/D	-	0.00%	425	0.15%
Unrated				85	0.04%	-	0.00%
<b>Total</b>				<b>233,262</b>	<b>100.00%</b>	<b>275,119</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	58,396	287	42	14	-	-	58,739
Amounts due from banks	1,122	61,834	26,903	21,640	30	4,151	115,680
Amounts due from customers	2,456	110,674	61,169	1,613	-	1	175,913
Mortgage loans	11,240	-	-	-	-	-	11,240
Trading portfolio assets	4,764	8,173	1,179	-	-	-	14,116
Positive replacement values of derivative financial instruments	1,094	-	-	-	-	-	1,094
Financial investments	25,605	26,133	18,678	-	-	-	70,416
Accrued income and prepaid expenses	1,527	319	467	88	-	-	2,401
Tangible fixed assets	617	-	-	-	-	-	617
Intangible assets	-	-	-	-	-	-	-
Other assets	228	113	-	-	-	-	341
<b>Total assets shown in balance sheet</b>	<b>107,049</b>	<b>207,533</b>	<b>108,438</b>	<b>23,355</b>	<b>30</b>	<b>4,152</b>	<b>450,557</b>
<b>Delivery entitlements from spot exchange, forward forex and forex options transactions*</b>	<b>2,940</b>	<b>19,742</b>	<b>57,768</b>	<b>2,007</b>	<b>-</b>	<b>17,206</b>	<b>99,663</b>
<b>Total assets</b>	<b>109,989</b>	<b>227,275</b>	<b>166,206</b>	<b>25,362</b>	<b>30</b>	<b>21,358</b>	<b>550,220</b>
<b>Liabilities</b>	CHF	EUR	USD	GBP	JPY	Other	Total
Amounts due to banks	38	233	1,453	9	-	-	1,733
Amounts due in respect of customer deposits	16,999	200,979	126,851	23,315	13	3,939	372,096
Negative replacement values of derivative financial instruments	729	-	-	-	-	-	729
Accrued expenses and deferred income	3,835	420	53	-	-	-	4,308
Other liabilities	970	38	2	-	-	-	1,010
Provisions	125	-	-	-	-	-	125
Reserves for general banking risks	10,000	-	-	-	-	-	10,000
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	1,128	-	-	-	-	-	1,128
Profit / loss (result of the period)	1,035	-	-	-	-	-	1,035
<b>Total liabilities shown in the balance sheet</b>	<b>93,252</b>	<b>201,670</b>	<b>128,359</b>	<b>23,324</b>	<b>13</b>	<b>3,939</b>	<b>450,557</b>
<b>Delivery obligations from spot exchange, forward forex and forex options transactions*</b>	<b>24,940</b>	<b>19,737</b>	<b>35,423</b>	<b>2,007</b>	<b>-</b>	<b>17,204</b>	<b>99,311</b>
<b>Total liabilities</b>	<b>118,192</b>	<b>221,407</b>	<b>163,782</b>	<b>25,331</b>	<b>13</b>	<b>21,143</b>	<b>549,868</b>
<b>Net position per currency</b>	<b>-8,203</b>	<b>5,868</b>	<b>2,424</b>	<b>31</b>	<b>17</b>	<b>215</b>	<b>352</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	1,090	1,741
Irrevocable commitments arising from documentary letters of credit	13,288	23,449
<b>Total contingent liabilities</b>	<b>14,378</b>	<b>25,190</b>

### Breakdown of credit commitments (Table 29)

	Current year	Previous year
Commitments arising from deferred payments	858	127
Commitments arising from acceptances (for liabilities arising from acceptances in circulation)	-	-
Other credit commitments	-	-
<b>Total credit commitments</b>	<b>858</b>	<b>127</b>

### Breakdown of fiduciary transactions (Table 30)

	Current year	Previous year
Fiduciary investments with third-party companies	30,282	9,435
<b>Total</b>	<b>30,282</b>	<b>9,435</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	55,732	100,485
Assets under discretionary asset management agreements	235,292	265,045
Other managed assets	1,409,539	1,780,566
<b>Total managed assets (including double counting)</b>	<b>1,700,563</b>	<b>2,146,096</b>
<i>of which, double counting</i>	33,359	36,326
<b>b) Presentation of the development of managed assets</b>		
<b>Total managed assets (including double counting) at beginning</b>	<b>2,146,096</b>	<b>1,892,737</b>
+/- net new money inflow or net new money outflow	-90,482	244,219
+/- price gains / losses, interest, dividends and currency gains / losses	-355,051	9,140
<b>Total managed assets (including double counting) at end</b>	<b>1,700,563</b>	<b>2,146,096</b>

Managed assets are calculated and recognised in accordance with the accounting guidelines issued by the Swiss Financial Market Supervisory Authority FINMA – Circular 2020/1. 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	4,584	5,258
Other trading activities	-387	-880
Currencies	1,458	807
<b>Total</b>	<b>5,655</b>	<b>5,185</b>
<b>b) Breakdown by underlying risk and based on the use</b>		
<b>of the fair value option</b>		
<b>Result from trading activities from:</b>		
Interest rate instruments	4,543	5,189
Equity securities (including funds)	-346	-811
Foreign currencies	1,458	807
<b>Total</b>	<b>5,655</b>	<b>5,185</b>

### Significant income from refinancing operations recognised under the item "income from interest and discounts", together with significant negative interest (Table 33)

	Current year	Previous year
Negative interest *	415	752

\* This is negative interest paid to correspondent banks on cash deposits in euros and Swiss francs.

### 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)	10,652	11,102
<i>of which, expenses relating to share-based compensation and alternative forms of variable compensation</i>	-	-
Social insurance benefits	2,140	2,121
Other personnel expenses	97	97
<b>Total</b>	<b>12,889</b>	<b>13,320</b>

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

	Esercizio in rassegna	Esercizio precedente
Office space expenses	894	851
Expenses for information and communications technology	2,486	2,313
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	14	11
Fees of audit firm(s) (Art. 961a no. 2 CO)	599	265
<i>of which, for financial and regulatory audits</i>	317	265
<i>of which, for other services</i>	282	-
Other operating expenses	1,607	1,965
<i>of which, compensation for any cantonal guarantees</i>	-	-
<b>Total</b>	<b>5,600</b>	<b>5,405</b>

### Clarifications of significant losses, extraordinary income and expenses, as well as significant reversals of latent reserves, reserves for general banking risks and value adjustments, and provisions freed up. (Table 36)

#### Extraordinary income

In the previous year the Bank generated income of a total of CHF 2.8 million from the sale of property it owned.

The deed of sale was signed on 23.12.2021 and recorded in the Land Register on 27.12.2021. Transfer of the property was completed after 31.12.2021, following authorisation by the competent authorities on 24.02.2022 and receipt of the sum agreed on 23.03.2022, but had retroactive effect from date on which the change to the Land Register was filed, making it possible for the revenue to be recognised in the accounts at 31.12.2021.

	Current year	Previous year
<b>Reserves for general banking risks</b>		
Change in reserves for general banking risk		
- Reversal of reserves for general banking risks in the income statement	-	1,570,000

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	5,093	-
Interest and dividend income from trading activities	277	-
Interest and dividend income from financial investments	677	-
Interest expense	191	-
<b>Gross result from interest operations</b>	<b>6,238</b>	-
Changes in value adjustments for default risks and losses from interest operations	-325	-
<b>Net result from interest operations</b>	<b>5,913</b>	-
<b>Result from commission business and services</b>		
Commission income on securities and investment transactions	10,725	-
Commission income from lending activities	1,071	-
Commission income from other services	228	-
Commission expense	-2,529	-
<b>Result from commission business and services</b>	<b>9,495</b>	-
<b>Result from trading activities and the fair value option</b>	<b>5,655</b>	-
<b>Other result from ordinary activities</b>	<b>-405</b>	-
<b>Total income for the period</b>	<b>20,658</b>	-
<b>Operating expenses</b>		
Personnel expenses	-12,888	-
General and administrative expenses	-5,600	-
<b>Total operating expenses</b>	<b>-18,488</b>	-
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-928	-
Changes to provisions and other value adjustments, and losses	-69	-
<b>Operating result</b>	<b>1,173</b>	-

Table 39: Taxes

	Current year	Previous year
Current tax*	159	185
<b>Total tax</b>	<b>159</b>	<b>185</b>
Average rate on operating result	13%	40%

\* Current tax as at 31.12.2022 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 191K with a 16% 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 1175K to be offset.



Ernst & Young Ltd  
Corso Elvezia 9  
P.O. Box  
CH-6901 Lugano

Phone: +41 58 286 24 24  
Fax: +41 58 286 30 04  
[www.ey.com/ch](http://www.ey.com/ch)

To the General Meeting of  
BANCA ZARATTINI & CO. SA, Lugano

Lugano, 24 March 2023

## Report of the statutory auditor

### Report on the audit of the financial statements



#### Opinion

We have audited the financial statements of BANCA ZARATTINI & CO. SA (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of income and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 5 to 35) comply with Swiss law and the Company's articles of incorporation.



#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



#### Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the stand-alone financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



#### **Board of Directors' responsibilities for the financial statements**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework for banks, the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTSuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.


## Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we 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



Didier Müller  
(Qualified  
Signature)

Licensed audit expert  
(Auditor in charge)



Beatrice Gropelli  
(Qualified  
Signature)

Licensed audit expert

Il rapporto di revisione è stato firmato con firme elettroniche qualificate il 24 marzo 2023.  
Le firme manoscritte sono state apposte ai fini dell'inserimento del rapporto di revisione nel presente Rapporto annuale.





# Building a secure future



Zarattini & Co | Bank

Via Serafino Balestra 17  
CH-6900 Lugano

Tel. +41 (0) 91 260 85 85  
Fax +41 (0) 91 260 85 90  
[info@zarattinibank.ch](mailto:info@zarattinibank.ch)  
[www.zarattinibank.ch](http://www.zarattinibank.ch)

