

Annual Report 2020

Presented to the Annual General Meeting of Shareholders on 27 aprile 2021

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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 2017/1

** Members of the Audit Committee, Chairman Peter Heckendorn

Board of Directors' report 2020

Dear Shareholders,

In 2020, the Swiss economy experienced its biggest contraction in real terms since the oil crisis in the mid-1970s, with its gross domestic product falling by 2.9%, according to the latest estimates. This figure would undoubtedly be terrible in a normal year. However, given that it was obtained during the first, horrific stages of the battle against the COVID-19 pandemic, it actually seems encouraging and better than expectations.

Although employment and production will probably not return to their 2019 levels until 2022 at the earliest, the losses suffered by the Swiss economy were much lower than those of most European countries. This once again demonstrates the strength of the federal industrial and economic model. Large-scale public funding measures were necessary to mitigate the damage caused by forced closures. These measures were more sustainable in Switzerland than in all other Western countries due to the low level of federal debt. They fortunately helped to keep unemployment under control, even in the worst-hit sectors.

Switzerland's competitive economy and political stability continue to be reflected in trends in the Swiss franc. When panic swept through the financial markets in the first few months of the year, the franc appreciated against the euro, due to its traditional role as a safe-haven currency. As the markets stabilised, the trend gradually waned, and the exchange rate returned to its level at the start of the year. The performance of the Swiss franc tends to have an inverse correlation to Banca Zarattini's net results, since most of the client assets managed and administered by the Bank are denominated in euros.

Prior to 2020, monetary policy in the major economies seemed set to normalise, albeit in an uneven and rather slow manner. This normalisation has been delayed for at least a few years, given the chaotic events of the first quarter and the collapse of the major economies in the second quarter, with double-digit declines in gross domestic product and serious problems across the entire global goods production and distribution chain.

Once the health emergency is resolved, thanks to the rapid introduction of numerous effective vaccines on the back of astounding advances in medical research, the huge increase in global debt will have to be tackled. Unfortunately, the starting point will be even worse than before. Short-term interest rates will probably remain at or below zero for a long time to come. If they were to rise sharply in the long term or if inflation were to become excessive, it might even become acceptable for central banks to take action to tame the longer end of the curve, as well as risk premiums and spreads. This would squeeze savers further to the benefit of debtors.

The pandemic dealt a particularly heavy blow to the services sector and all activities involving mobility. By contrast, it spared some industrial sectors and even greatly favoured others. The virus's rapid spread around the world, which was difficult to foresee and almost unprecedented, accelerated some economic and social trends already in place. There are few winners and many losers.

Given forecasts of momentous changes, investors inevitably rushed to anticipate them. This triggered violent price movements, exacerbating existing imbalances. The intensity of investors' enthusiasm for new, popular themes is reminiscent of the

eagerness with which they embraced the new economy at the turn of the millennium. It is likely that the basic market forecast will ultimately prove to be correct, as was the case then. However, many of the speculative investments may prove to be fragile, excessive bets, riding a wave of unsustainable economic models, enthusiasm for new trends or simply the traditional desire for easy profits.

In an undoubtedly complex market context, Banca Zarattini & Co's asset management has produced positive results in most cases, although not always higher than the benchmarks. The results of asset management strategies focusing on bonds and alternative strategies were very close to zero on average. On the other hand, strategies based on equity investments ended the year on a positive note, after suffering significant losses in the first quarter.

During most of the year under review, Private Banking activity was hit by restrictions on movement. This made it difficult for staff to maintain their customary direct contact with clients, which is crucial to the business. In the field of distributed ledger technology, Banca Zarattini & Co's role as a pioneer in Ticino and a leading player in Switzerland was confirmed. Thanks to investments in the IT infrastructure and the commitment of the Information Technology office, the Bank was able to keep remote communication channels open at all times, while maintaining the necessary high level of data security.

The TDSM department achieved excellent results in 2020, exceeding expectations, partly due to market dynamics favourable to the brokerage and issue of bonds, but above all due to the considerable professionalism of its working group.

The Trade Finance sector achieved positive results in 2020, its second year of operations. Its income is linked to the level of short-term dollar yields, which dropped sharply. This negative external factor was more than offset by the increase in business and revenue. Additional investment was made to develop the Trade Finance team. New members were taken on, which we believe will facilitate further improvements.

Banca Zarattini & Co closed 2020 with a net result of CHF 288,000. This is positive but down on the previous year.

We would like to thank our employees, who demonstrated an excellent sense of responsibility and considerable flexibility during this complex period. Indeed, everyone helped to rapidly implement emergency measures that no one would ever have imagined necessary, such as compulsory teleworking, the opening of two separate locations with a rapid return to the premises in via Pretorio, and the adoption of a strict behavioural code. These measures have certainly proven to be effective at our Bank. However, we hope to be able to wind them up during the current financial year and return to normal, constructive contact between employees and clients. To conclude, we would like to thank all our clients for the trust they place in us. We promise that we will continue to serve them with the utmost dedication.

Lugano, 16 March 2021

The Board of Directors

Balance Sheet

	31.12.2020	31.12.2019
	CHF	CHF
Assets		
Liquid assets	59,363,048	42,301,769
Amounts due from banks	244,412,963	245,761,665
Amounts due from customers	158,660,575	149,117,412
Mortgage loans	8,613,180	11,753,500
Trading portfolio assets	10,745,369	10,353,419
Positive replacement values of derivative financial instruments	786,037	246,397
Financial investments	45,543,571	42,266,173
Accrued income and prepaid expenses	1,884,086	2,819,089
Tangible fixed assets	11,705,858	12,109,597
Intangible assets	616,636	952,983
Other assets	194,009	226,370
Total assets	542,525,332	517,908,374
Liabilities		
Amounts due to banks	1,716,308	3,930,236
Amounts due in respect of customer deposits	463,550,586	436,327,737
Negative replacement values of derivative financial instruments	788,934	206,398
Accrued expenses and deferred income	4,421,241	5,654,746
Other liabilities	1,096,587	1,266,009
Provisions	140,000	-
Reserve for general banking risks	11,570,000	11,570,000
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	559,445	138,146
Profit / loss (result of the period)	288,428	421,299
Total liabilities	542,525,332	517,908,374
Off-balance sheet transactions		
Contingent liabilities	28,853,376	7,836,273
Irrevocable commitments	1,181,876	1,262,000
Credit commitments	327,665	61,286

Income Statement

	2020 CHF	2019 CHF
Interest and discount income	1,784,384	3,002,001
Interest and dividend income		
from trading activities	79,905	2,913
Interest and dividend income		
from financial investments	514,820	420,366
Interest expense	198,522	174,240
Gross result from interest operations	2,577,631	3,599,520
Changes in value adjustments for default risks		
and losses from interest operations	-401,916	-167,903
Net result from interest operations	2,175,715	3,431,617
Commission income		
from securities trading and investment activities	12,050,682	15,403,157
Commission income from lending activities	649,568	364,924
Commission income on other services	348,776	356,298
Commission expense	-3,614,569	-4,683,653
Result from commission business and services	9,434,457	11,440,726
Result from trading activities and the fair value option	9,064,498	6,058,786
Result from the disposal of financial investments	217,093	2,800,704
Result from real estate	245,948	309,996
Other ordinary income	21,819	992,940
Other ordinary expenses	-	-
Other result from ordinary activities	484,860	4,103,640
Personnel expenses	-13,621,011	-13,303,671
General and administrative expenses	-5,222,938	-5,978,613
Total operating expenses	-18,843,949	-19,282,284
Value adjustments on shareholdings, and depreciation and amortisation		
of tangible fixed assets and intangible assets	-1,703,406	-1,680,263
Changes to provisions and other value		
adjustments, and losses	-140,000	-3,467,878
Operating result	472,175	604,344
Extraordinary income	-	-
Extraordinary expenses	-	-
Changes in reserves for general banking risks	-	-
Taxes	-183,747	-183,045
Profit / loss (result of the period)	288,428	421,299

Appropriation of Profit

(proposal of Board of Directors)

	31.12.2020	31.12.2019
	CHF	CHF
Profit / loss	288,428	421,299
+ profit carried forward	559,445	138,146
= distributable profit	847,873	559,445
Appropriation of profit		
Allocation to statutory retained earnings reserve	-	-
Distributions from distributable profit	-	-
New amount carried forward	847,873	559,445

Presentation of the statement of changes in equity

(amounts in CHF 1,000)

	Bank,s Capital	Capital Reserve	Retained earnings reserve	Reserves for general banking risks	Currency translation reserves	Voluntary retained earnings reserves and profit / loss carried forward	Own shares (negative item)	"Minority" interests	Result of the period	Total
Equity at start										
of current period	22,500	-	5,686	11,570	-	30,345	-	-	421	70,522
Capital increase / decrease	-	-	-	-	-	-	-	-	-	-
Dividends and other distributions	-	-	-	-	-	421	-	-	-421	-
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)	-	-	-	-	-	-	-	-	289	289
Equity at end										
of current period	22,500	-	5,686	11,570	-	30,766	-	-	289	70,811

Notes to the annual report 2020

1. Information about activity

The information refers to the position as at 31 December 2020.

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 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 2020, the Bank had 81 employees (end 2019: 78 employees), representing 77.7 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 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 2020.

The subfund SPES ONE as at 31 December 2020 is booked under financial investments at a value of EUR 531,723. This fund was granted a credit line of EUR 4.2 million for appropriately secured transactions, of which EUR 3,932,246 had been drawn down as at 31 December 2020. Valuation of the latter led to the creation of provisions for credit risk of CHF 351,464 following the depreciation of the aforementioned guarantee during 2020.

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 (previously Finastra, Baden, until 5.12.2019).

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 Circu-

lar 2020/1 "Accounting – Banks. Accounting Rules for Banks, Investment Firms, Financial Groups and Conglomerates" based on the requirements for reliable 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:

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

Foreign currencies

Currency	31.12.2020	31.12.2019
EUR	1.081335	1.085475
USD	0.881250	0.966750
GBP	1.203800	1.275700

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 2020, the Bank incurred costs due to negative interest amounting to CHF 556,270 (2019: CHF 634,807) and collected income from negative creditor interest amounting to CHF 209,986 (2019: CHF 308,594).

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.

**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.

Effects of the COVID-19 pandemic

The Bank dealt with the pandemic by implementing all necessary measures to comply with the instructions issued by the federal and cantonal authorities, in particular by the Federal Office of Public Health. The Crisis Committee monitored developments.

To keep our employees and clients safe, it was decided to set up smart working for most of our employees in compliance with official requirements, in addition to implementing stricter hygiene measures and social distancing. Moreover, the other employees were 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 aimed to keep our employees healthy and ensure the provision of services to our customers.

The Bank did not suffer any operational bottlenecks. Working procedures were ensured in accordance with current internal and external regulations, and in line with the dual-control principle, as for risk management.

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

(amounts in CHF 1,000)

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

	TYPE OF COLLATERAL			
	Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	1,077	131,088	27,257	159,422
Mortgage loans	8,613	-	-	8,613
Residential property	8,613	-	-	8,613
Office and business premises	-	-	-	-
Commercial and industrial premises	-	-	-	-
Other	-	-	-	-
Total loans (before netting with value adjustments)	9,690	131,088	27,257	168,035
Current year	9,690	131,088	27,257	168,035
Previous year	11,754	129,383	20,109	161,246
Total loans (after netting with value adjustments)	9,690	131,088	26,496	167,274
Current year	9,690	131,088	26,496	167,274
Previous year	11,754	129,383	19,734	160,871
Off-balance sheet				
Contingent liabilities	-	2,702	26,151	28,853
Irrevocable commitments	-	94	1,088	1,182
Obligations to pay up shares and make further contributions	-	-	-	-
Credit commitments	-	-	328	328
Total off-balance-sheet	-	2,796	27,567	30,363
Current year	-	2,796	27,567	30,363
Previous year	-	1,036	8,123	9,159
Table: Impaired loans/receivables				
	Gross debt amount	Estimated liquidation value of collateral*	Net debt amount	Individual value adjustments
Current year	761	-	761	761
Previous year	375	-	375	375

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

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

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

Assets	Current year	Previous year
Trading portfolio assets	10,745	10,353
Debt securities, money market securities/transactions	2,500	2,068
<i>of which, listed</i>	2,500	2,068
Equity securities	8,245	8,285
Precious metals and commodities	-	-
Other trading portfolio assets	-	-
Total assets	10,745	10,353
<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
Foreign exchange / precious metals						
Forward contracts	473	452	35,739	-	-	-
Combined interest rate / currency swaps	245	245	20,838	49	90	22,000
Futures	-	-	29,761	-	-	-
Total	718	697	86,338	49	90	22,000
Equity securities / indices						
Futures	-	-	2,298	-	-	-
Options (OTC)	1	1	22	-	-	-
Options (exchange traded)	-	-	11,955	-	-	-
Total	1	1	14,275	-	-	-
Total	719	698	100,613	49	90	22,000

Total before netting agreements:

Current year	719	698	100,613	49	90	22,000
<i>of which, determined using a valuation model</i>	-	-	-	-	-	-
Previous year	217	206	44,893	-	-	-
<i>of which, determined using a valuation model</i>	-	-	-	-	-	-

Total after netting agreements

	Positive replacement values (cumulative)	Negative replacement values (cumulative)
Current year	768	788
Previous year	217	206

Breakdown by counterparty:

	Central clearing houses	Banks and securities dealersr	Other customers
Positive replacement values (after netting agreements)	-	332	436

Breakdown of financial investments (Table 5)

	BOOK VALUE		FAIR VALUE	
	Current year	Previous year	Current year	Previous year
Debt securities	40,851	37,055	42,150	37,690
<i>of which, intended to be held to maturity</i>	40,851	37,055	42,150	37,690
Equity securities	4,692	5,211	4,696	5,455
<i>of which, qualified participations*</i>	2	2	2	2
Total	45,543	42,266	46,846	43,145
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	-	-	-	-

* at least 10% of capital or votes

Breakdown of counterparties by rating

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
S&P						
Debt securities: Book value	12,193	10,808	15,987	-	-	-
Moody's	Aaa to Aa3-	A1 to A3	Baa1+ to Baa3	Ba1+ to Ba3	Below B3	Unrated
Debt securities: Book value	-	1,432	-	-	-	-
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: Book value	-	-	431	-	-	-
Total debt securities: book value	12,193	12,240	16,418	-	-	-

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	-2,910	10,543	-	-	-	-202	-	10,341
Proprietary or separately acquired software	4,888	-3,683	1,205	-	894	-	-954	-	1,145
Other tangible fixed assets	6,097	-5,735	362	-	69	-	-211	-	220
Total tangible fixed assets	24,438	-12,328	12,110	-	963	-	-1,367	-	11,706

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	-3,479	953	-	-	-336	617
Total intangible assets	4,432	-3,479	953	-	-	-336	617

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	13	45		
Other assets	167	129		
Indirect tax	14	52		
Other liabilities			853	907
Indirect tax			244	359
Total	194	226	1,097	1,266

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)	9,883	9,883	11,001	8,713
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	-	-	-	-	1,528	994	991

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 31.12.2020, 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	-	-	-	-	-	140	-	140	140
Total provisions	-	-	-	-	-	140	-	140	140
Reserves for general banking risks	11,570		-	-		-	-	11,570	-
Value adjustments for default and country risks	375	-11	-	-5	-	402	-	761	386
<i>of which, value adjustments for default risks in respect of impaired loans / receivables</i>	<i>375</i>	<i>-11</i>	-	<i>-5</i>	-	<i>402</i>	-	<i>761</i>	<i>386</i>

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

Presentation of the bank's capital (Table 17)

	CURRENT YEAR			PREVIOUS YEAR		
	Total par value	Quantity	Capital with dividend rights	Total par value	Quantity	Capital with dividend rights
Bank's capital						
Share capital	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
Capitale di partecipazione	-	-	-	-	-	-
<i>di cui liberato</i>	-	-	-	-	-	-
Total bank's capital	22,500	22,500	22,500	22,500	22,500	22,500
Authorised capital	2,500	2,500	2,500	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	1	-	8,284	3,216
Group companies	-	-	2,348	2,727
Linked companies	-	-	1,912	1,558
Transactions with members of governing bodies	1,617	1,031	155	201
Other related parties	3,901	4,452	-	-

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%	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%
without voting rights				
(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
Details on the individual categories of the bank's capital (margin no. A5-88)				
Share capital	22,500	22,500	22,500	22,500
<i>of which, paid up</i>	22,500	22,500	22,500	22,500
Total	22,500	22,500	22,500	22,500
		Total at end current year		Total at end of previous year
Non-distributable reserves (margin no. A5-88 - Part 2)				
Non-distributable amount from statutory retained earnings reserve		5,686		5,686
Non-distributable amount from voluntary retained earnings reserves		30,207		30,207
Total		35,893		35,893

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	59,363							59,363
Amounts due from banks	134,753	14,730	39,575	55,355		-		244,413
Amounts due from customers	-	155,107	-	2,498	1,056	-		158,661
Mortgage loans	-	-	1,095	7,518	-	-	-	8,613
Trading portfolio assets	10,745							10,745
Positive replacement values of derivative financial instruments	786							786
Financial investments	-	4,690	750	998	39,103	-	2	45,543
Current year	205,647	174,527	41,420	66,369	40,159	-	2	528,124
<i>Previous year*</i>	<i>243,063</i>	<i>165,458</i>	<i>33,290</i>	<i>28,033</i>	<i>31,956</i>	-	-	<i>501,800</i>
Debt capital / financial instruments								
Amounts due to banks	1,716	-	-	-	-	-		1,716
Amounts due in respect of customer deposits	463,551	-	-	-	-	-		463,551
Negative replacement values of derivative financial instruments	789							789
Current year	466,056	-	-	-	-	-	-	466,056
<i>Previous year</i>	<i>440,464</i>	-	-	-	-	-	-	<i>440,464</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
Assets				
Liquid assets	59,363		42,302	-
Amounts due from banks	105,938	138,475	86,436	159,326
Amounts due from customers	29,553	129,108	25,490	123,627
Mortgage loans	8,613		11,754	-
Trading portfolio assets	-	10,745	-	10,353
Positive replacement values of derivative financial instruments	612	174	201	45
Financial investments	-	45,543	1,165	41,101
Accrued income and prepaid expenses	1,679	205	2,367	452
Participations	-	-	-	-
Tangible fixed assets	11,706	-	12,110	-
Intangible assets	617	-	953	-
Other assets	194	-	226	-
Total assets	218,275	324,250	183,004	334,904
Liabilities				
Amounts due to banks	-	1,716	-	3,930
Amounts due in respect of customer deposits	105,982	357,569	82,837	353,491
Negative replacement values of derivative financial instruments	534	255	64	142
Accrued expenses and deferred income	4,421	-	5,656	-
Other liabilities	1,097	-	1,266	-
Provisions	140	-	-	-
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	559	-	138	-
Profit / loss (result of the period)	289	-	421	-
Total liabilities	182,985	359,540	160,345	357,563

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

	CURRENT YEAR		PREVIOUS YEAR	
	Absolute	Share as %	Absolute	Share as %
Assets				
Africa	14	0.00%	838	0.16%
Algeria	14	0.00%	-	0.00%
South Africa	-	0.00%	838	0.16%
Asia	1,847	0.34%	1,303	0.25%
China	126	0.02%	-	0.00%
Hong Kong	206	0.04%	207	0.04%
United Arab Emirates	1,515	0.28%	1,096	0.21%
Caribbean	18,392	3.39%	3,812	0.74%
Bahamas	7,727	1.42%	707	0.14%
Barbados	1	0.00%	-	0.00%
Bermuda	144	0.03%	145	0.03%
Panama	809	0.15%	626	0.12%
Virgin Islands (British)	9,711	1.79%	2,334	0.45%
Europe	288,839	53.24%	311,032	60.06%
Austria	318	0.06%	328	0.06%
Belgium	9,071	1.67%	13,223	2.55%
Cyprus	-	0.00%	594	0.11%
Denmark	-	0.00%	578	0.11%
France	4,335	0.80%	4,228	0.82%
Germany	13,345	2.46%	25,159	4.86%
Gibraltar	982	0.18%	1,063	0.21%
Ireland	4,425	0.82%	11,708	2.26%
Italy	145,307	26.78%	168,829	32.60%
Luxembourg	70,111	12.92%	54,356	10.50%
Malta	14,833	2.73%	10,908	2.11%
Monaco	-	0.00%	1	0.00%
Netherlands	3,992	0.74%	4,132	0.80%
Portugal	2,616	0.48%	2,784	0.54%
Russia	192	0.04%	-	0.00%
San Marino	4,065	0.75%	4,079	0.79%
Slovenia	7	0.00%	-	0.00%
Spain	15	0.00%	84	0.02%
Sweden	-	0.00%	289	0.06%
UK	15,225	2.81%	8,689	1.68%
Latin America	6	0.00%	1,123	0.22%
Belize	5	0.00%	1,123	0.22%
Venezuela	1	0.00%	-	0.00%
Liechtenstein	-	0.00%	31	0.01%
Liechtenstein	-	0.00%	31	0.01%
North America	14,527	2.68%	16,082	3.11%
United States	14,527	2.68%	16,082	3.11%
Oceania	625	0.12%	683	0.13%
Australia	619	0.11%	683	0.13%
New Zealand	6	0.00%	-	0.00%
Switzerland	218,275	40.23%	183,004	35.34%
Switzerland	218,275	40.23%	183,004	35.34%
Total assets	542,525	100.00%	517,908	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	113,049	40.49%	107,450	37.93%
2	Aa1/Aa2/Aa3	AA+/AA/AA-	AA+/AA/AA-	76,956	27.56%	52,044	18.37%
3	A1/A2/A3	A+/A/A-	A+/A/A-	11,300	4.05%	22,352	7.89%
4	Baa1 /Baa2/ Baa3/Ba1/Ba2/ Ba3	BBB+/BBB/ BBB-/BB+/ BB/BB-/B+	BBB+/BBB/ BBB-/BB+/ BB/BB-/B+	77,878	27.89%	101,424	35.80%
5/6	B1/B2/B3/ Caa1/Caa2/ Caa3/Ca/C	B/B-/CCC/ CC/C/D	B/B-/CCC/ CC/C/D	1	0.00%	-	0.00%
Unrated				-	0.00%	-	0.00%
Total				279,184	100.00%	283,270	100.00%

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

Assets	CHF	EUR	USD	GBP	JPY	Other	Total
Liquid assets	58,819	489	40	15	-	-	59,363
Amounts due from banks	2,070	110,654	121,825	5,978	76	3,810	244,413
Amounts due from customers	2,876	126,133	29,523	128	-	1	158,661
Mortgage loans	8,613	-	-	-	-	-	8,613
Investments	271	7,988	2,486	-	-	-	10,745
Trading portfolio assets	786	-	-	-	-	-	786
Positive replacement values of derivative financial instruments	7,416	24,036	14,091	-	-	-	45,543
Financial investments	1,292	147	445	-	-	-	1,884
Accrued income and prepaid expenses	-	-	-	-	-	-	-
Tangible fixed assets	11,706	-	-	-	-	-	11,706
Intangible assets	617	-	-	-	-	-	617
Other assets	152	39	3	-	-	-	194
Total assets shown in balance sheet	94,618	269,486	168,413	6,121	76	3,811	542,525
Delivery entitlements from spot exchange, forward forex and forex options transactions*	4,133	27,533	42,489	1,351	-	2,691	78,197
Total assets	98,751	297,019	210,902	7,472	76	6,502	620,722
Liabilities	CHF	EUR	USD	GBP	JPY	Altre	Totale
Amounts due to banks	30	202	1,475	9	-	-	1,716
Amounts due in respect of customer deposits	23,619	251,816	178,317	6,102	65	3,632	463,551
Negative replacement values of derivative financial instruments	789	-	-	-	-	-	789
Accrued expenses and deferred income	3,866	508	47	-	-	-	4,421
Other liabilities	927	162	8	-	-	-	1,097
Provisions	140	-	-	-	-	-	140
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	559	-	-	-	-	-	559
Profit / loss (result of the period)	289	-	-	-	-	-	289
Total liabilities shown in the balance sheet	100,182	252,688	179,847	6,111	65	3,632	542,525
Delivery obligations from spot exchange, forward forex and forex options transactions*	26,133	24,477	23,568	1,351	-	2,689	78,218
Total liabilities	126,315	277,165	203,415	7,462	65	6,321	620,743
Net position per currency	-27,564	19,854	7,487	10	11	181	-21

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

Breakdown of contingent liabilities and contingent assets (Table 28)

	Current year	Previous year
Performance guarantees and similar	2,282	1,547
Irrevocable commitments arising from documentary letters of credit	26,571	6,289
Total contingent liabilities	28,853	7,836

Breakdown of credit commitments (Table 29)

	Current year	Previous year
Commitments arising from deferred payments	328	61
Commitments arising from acceptances (for liabilities arising from acceptances in circulation)	-	-
Other credit commitments	-	-
Total credit commitments	328	61

Breakdown of fiduciary transactions (Table 30)

	Current year	Previous year
Fiduciary investments with third-party companies	14,147	36,944
Total	14,147	36,944

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

	Current year	Previous year
a) Breakdown of managed assets		
Type of managed assets		
Assets in collective investment schemes managed by the bank	106,113	109,570
Assets under discretionary asset management agreements	228,917	241,166
Other managed assets	1,557,707	1,655,487
Total managed assets (including double counting)	1,892,737	2,006,223
<i>of which, double counting</i>	38,561	48,054
b) Presentation of the development of managed assets		
Total managed assets (including double counting) at beginning	2,006,223	2,108,750
+/- net new money inflow or net new money outflow	-6,171	-173,141
+/- price gains / losses, interest, dividends and currency gains / losses	-107,315	70,614
Total managed assets (including double counting) at end	1,892,737	2,006,223

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
a) Breakdown by business area		
(in accordance with the organisation of the bank / financial group)		
Result from trading activities from:		
Fixed-income trading	9,167	5,535
Other trading activities	-463	142
Currencies	360	381
Total	9,064	6,058
b) Breakdown by underlying risk and based on the use of the fair value option		
Result from trading activities from:		
Interest rate instruments	9,245	5,546
Equity securities (including funds)	-541	131
Foreign currencies	360	381
Total	9,064	6,058

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)	11,404	11,263
<i>of which, expenses relating to share-based compensation and alternative forms of variable compensation</i>	-	-
Social insurance benefits	2,117	1,974
Other personnel expenses	100	67
Total	13,621	13,304

Breakdown of general and administrative expenses (Table 35)

	Current year	Previous year
Office space expenses		
Expenses for information and communications technology	872	887
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	2,128	2,337
Fees of audit firm(s) (Art. 961 a no. 2 CO)	13	12
<i>of which, for financial and regulatory audits</i>	225	329
<i>of which, for other services</i>	225	329
Other operating expenses	-	-
<i>of which, compensation for any cantonal guarantees</i>	1,985	2,414
Total	5,223	5,979

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

	Domestic	Foreign
Result from interest operations		
Interest and discount income	1,784	-
Interest and dividend income from trading activities	80	-
Interest and dividend income from financial investments	515	-
Interest expense	199	-
Gross result from interest operations	2,578	-
Changes in value adjustments for default risks and losses from interest operations	-402	-
Net result from interest operations	2,176	-
Result from commission business and services		
Commission income on securities and investment transactions	12,051	-
Commission income from lending activities	649	-
Commission income from other services	349	-
Commission expense	-3,615	-
Result from commission business and services	9,434	-
Result from trading activities and the fair value option	9,064	-
Other result from ordinary activities	485	-
Total income for the period	21,159	-
Operating expenses		
Personnel expenses	-13,621	-
General and administrative expenses	-5,223	-
Total operating expenses	-18,844	-
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-1,703	-
Changes to provisions and other value adjustments, and losses	-140	-
Operating result	472	-

Table 39: Taxes

	Current year	Previous year
Current tax*	184	183
Total tax	184	183
Average rate on operating result	39%	30%

* Current tax as at 31.12.2020 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 52,000 with a 11% 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 2,489,000 to be offset.

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

Lugano, 23 April 2021

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 and notes (pages 5 to 34), for the year ended 31 December 2020.



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 2020 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



Didier Müller
(Qualified
Signature)

Perito revisore abilitato
(Revisore responsabile)



Beatrice Gropelli
(Qualified
Signature)

Perito revisore abilitato

Il rapporto di revisione è stato firmato con firme elettroniche qualificate il 23 aprile 2021.

Le firme manoscritte sono state apposte ai fini dell'inserimento del rapporto di revisione nel presente Rapporto annuale.

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