Zarattini & Co | Bank

Annual Report 2021

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Presented to the Annual General Meeting of Shareholders on April 26th 2022

Management Bodies

Board of Directors

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

Management

CEO	Flavio Quaggio
Deputy CEO	Roberto Fior
	Ivan Mattei
	Andrea Terzariol

Statutory Auditor

Ernst & Young SA, Lugano

Internal Auditor

PricewaterhouseCoopers, Lugano

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

** Members of the Audit Committee, Chairman Peter Heckendorn

Board of Directors' report 2021

Dear Shareholders,

The customary description of the events and trends for the year under review risks seeming anachronistic and almost futile given the occurrence of an event that was as unexpected as it was exceptional: for some days now, a new armed conflict has been under way in Europe, the invasion of Ukraine.
Without attempting to predict the duration of the conflict or its outcome – which we are hoping may have already finished well before this report is printed – we now have the impression that, quite apart from the trail of death and desperation, this war may have long-term consequences for relationships among states, and not just in Europe. The reaction of all western countries to the invasion has been swift and united, and has even involved moderate Switzerland, which immediately fell into line with the very tough commercial and financial sanctions decided by the European Union.
As for the economy, the war would seem to be accelerating some major trends that were already present in 2021.
The first of these is the crisis of globalisation. This crisis started with the trade war between the United States and China, worsened with the closures of borders and disruptions to supply chains due to the pandemic, and could now be further exacerbated by the current drive towards sanctions, the potential shift in the political balance of power and the creation of new groupings.
The second trend is the return of inflation. Triggered by recent events, such as supply bottlenecks and production hold-ups or the unwanted outcome of too many years of expansive monetary policies, inflation has returned to levels that have not been seen for decades. The scarcity and increase in prices of raw materials, energy, agricultural and mining goods, of which Russia and Ukraine are among the main suppliers at global level, could worsen the situation. There is no knowing whether the inflationary scenario affecting the worldwide economy will merely be a short-lived phenomenon or instead become a permanent problem. Unfortunately, not even the central banks can predict it either way and, in any case, there is little they can do to bring it under control other than resigning themselves to significant turmoil among as yet resilient financial assets, a crisis among weak debtors and a sharp slowdown in growth.
The third trend is the customary strength of the Swiss franc, which has a direct and negative impact on our results since most of our clients' assets are denominated in euros. The Swiss franc had already been appreciating against the euro for months, but with the outbreak of the conflict, true to its form as a safe-haven currency, it was on track to dip below parity. The Swiss National Bank promptly intervened to defend this level, which had only been breached in 2015 during the panic that followed the scrapping of the 1.20 peg.
As for Banca Zarattini & Co, the war could slow down business in 2022.
The damage is not direct, that is to say not linked to investments in Russia of its own funds or those of its clients, the bank effectively having no such holdings. It comes instead from activities that may be hampered by the embargo and sanctions against the invading country, such as securities brokerage with foreign counterparts and trade finance. Some of our active Trade Secondary Market (TDSM) counterparts could in fact see their activities restricted by the embargo or become less reliable. Switzerland's participation in the sanctions could be detrimental to the Trade Finance office's principal clients, i.e. traders in the raw materials needed to produce steel and other alloys and who have always had a strong presence in Switzerland, in particular in Ticino. If the blockade of eastern Europe, which is a key market for this sector, were to continue for long, some operators might even decide to leave Switzerland and move to other countries that are not aligned with the sanctions, complicating the work of our Trade Finance department.
The continuing negative Swiss franc interest rates in 2021 were also a disaster for Banca Zarattini & Co. The situation even deteriorated as compared with the already dramatic 2020. The reference rate normalisation process has now started for some of the main currencies, and the ECB is also expected to raise interest rates in

the eurozone in the coming year. This could finally lead a subsequent increase in the Swiss franc deposit rate, which has been stuck at -0.75%, the lowest rate in the world, for seven long years. However, even in the best-case scenario, that is to say a return to normal nominal rates or at least rates that are not negative, the positive impact on the results might only be seen from 2023.
The performance of the various departments of Banca Zarattini & Co was positive in a year which presented a number of challenges and difficulties: we warmly thank all our staff for the efforts they made, and the great willingness and flexibility they showed throughout this difficult period.
In November, the Swiss Financial Market Supervisory Authority (FINMA) concluded proceedings against Venezuelan clients. FINMA highlighted, in particular, the fact that the Bank had collaborated in the proceedings and had, from the outset, adopted operational, organisational and staff measures to remove the gaps found, enhancing the Compliance service and improving control systems.
In 2021 too, the work of our Private Banking sector was hampered by the restrictions imposed under health legislation and the priority to be given to protecting the health of clients and staff. Despite this, Private Banking saw an increase in assets thanks to positive net inflows and good management and market performances. Services for clients and companies linked to Distributed Ledger Technology saw further growth over the year under review and Banca Zarattini & Co continues to be a pioneer for the sector in Ticino.
The bank's Asset Management achieved positive results in all the management lines, almost always higher than the benchmark indices. 2021 was a year of continuous improvement for equity investments, with very few corrections and double-digit growth on all the markets in the west, although it was a rather difficult year for bonds, with negative nominal yields for all the most secure issuers, falling prices and marked shifts along the rate curve. In absolute terms, the best performances were seen in equity investments, but, relative to the benchmark indices, the best results came from bond transactions, the key determinants, on a flat or negative market, being the selection of individual investments, the favouring of near maturities and the search for shelter from inflation.
The TDSM achieved positive results, albeit lower than the previous year when business had been facilitated by an extraordinarily favourable market situation for bond trading and new issues, which was not repeated in the lacklustre market in 2021.
The results for the Trade Finance sector again saw growth and were broadly above those forecast thanks to our team of professionals who, in their third year of operations, are now working at full pace and offer a tailored and efficient service that made it possible to further increase the number of clients and transactions.
Despite the economic trend of the past year not being particularly positive, Banca Zarattini & Co. posted a net profit of CHF 280 thousand, lower than the previous year and derived in part from freeing up reserves, enabling it to continue to invest in developing projects to grow and improve its service, being bolstered additionally by its solid capitalisation and by capital buffers that were materially higher than those set by law.
In particular, it continued to develop its IT systems, both to increase the controls and guarantees necessitated by changes in the law and to improve the service to clients. For example, a new platform was created to support client-facing advisers. Private Banking clients can also enjoy the benefits provided by full deployment of the new Advisory service, designed and offered in accordance with the Financial Services Act, and can also choose, from among the various management lines offered, investment strategies tied to the key issue of sustainability.
We should like to thank our clients sincerely for the trust they place in us, which we seek to repay through a great sense of responsibility and with ever better services. To conclude, we hope that you can all now freely to return to the Bank's offices to re-establish that warm and essential human contact with colleagues and clients which has been curtailed by so many restrictions over the last two years.

Lugano, 5 April 2022

The Board of Directors

Balance Sheet

Assets	31.12.2021 CHF	31.12.2020 CHF
Liquid assets	57,356,092	59,363,048
Amounts due from banks	274,213,337	244,412,963
Amounts due from customers	175,552,229	158,660,575
Mortgage loans	8,945,460	8,613,180
Trading portfolio assets	13,472,806	10,745,369
Positive replacement values of derivative financial instruments	778,971	786,037
Financial investments	45,374,125	45,543,571
Accrued income and prepaid expenses	1,917,175	1,884,086
Tangible fixed assets	1,006,244	11,705,858
Intangible assets	280,289	616,636
Other assets	13,341,087	194,009
Total assets	**592,237,815**	**542,525,332**

Liabilities		
Amounts due to banks	2,611,685	1,716,308
Amounts due in respect of customer deposits	512,106,643	463,550,586
Negative replacement values of derivative financial instruments	634,162	788,934
Accrued expenses and deferred income	5,331,531	4,421,241
Other liabilities	1,855,306	1,096,587
Provisions	176,500	140,000
Reserve for general banking risks	10,000,000	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	847,873	559,445
Profit / loss (result of the period)	280,312	288,428
Total liabilities	**592,237,815**	**542,525,332**

Off-balance sheet transactions		
Contingent liabilities	25,190,472	28,853,376
Irrevocable commitments	1,090,311	1,181,876
Credit commitments	126,658	327,665

Income Statement

	2021 CHF	2020 CHF
Interest and discount income	1,635,078	1,784,384
Interest and dividend income from trading activities	102,716	79,905
Interest and dividend income from financial investments	485,071	514,820
Interest expense	351,005	198,522
Gross result from interest operations	**2,573,870**	**2,577,631**
Changes in value adjustments for default risks and losses from interest operations	-1,106,204	-401,916
Net result from interest operations	**1,467,666**	**2,175,715**
Commission income from securities trading and investment activities	12,132,841	12,050,682
Commission income from lending activities	988,716	649,568
Commission income on other services	308,541	348,776
Commission expense	-3,171,256	-3,614,569
Result from commission business and services	**10,258,842**	**9,434,457**
Result from trading activities and the *fair value* option	5,185,313	9,064,498
Result from the disposal of financial investments	1	217,093
Result from real estate	258,000	245,948
Other ordinary income	-	21,819
Other ordinary expenses	-336,920	-
Other result from ordinary activities	**-78,919**	**484,860**
Personnel expenses	-13,319,720	-13,621,011
General and administrative expenses	-5,405,331	-5,222,938
Total operating expenses	**-18,725,051**	**-18,843,949**
Value adjustments on shareholdings, and depreciation and amortisation of tangible fixed assets and intangible assets	**-1,352,500**	-1,703,406
Changes to provisions and other value adjustments, and losses	-733,990	-140,000
Operating result	**-3,978,639**	**472,175**
Extraordinary income	2,874,101	-
Extraordinary expenses	-	-
Changes in reserves for general banking risks	1,570,000	-
Taxes	-185,150	-183,747
Profit / loss (result of the period)	**280,312**	**288,428**

Appropriation of Profit

(proposal of Board of Directors)

	31.12.2021 CHF	31.12.2020 CHF
Profit / loss	280,312	288,428
+ profit carried forward	847,873	559,445
= distributable profit	**1,128,185**	**847,873**
Appropriation of profit		
Allocation to statutory retained earnings reserve	-	-
Distributions from distributable profit	-	-
New amount carried forward	**1,128,185**	**847,873**

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**	**-**	**30,766**	**-**	**-**	**289**	**70,811**
Capital increase / decrease	-	-	-	-	-	-	-	-	-	-
Dividends and other distributions	-	-	-	-	-	289	-	-	-289	-
Other allocations to (transfers from) the reserves for general banking risks	-	-	-	-1,570	-	-	-	-	-	-1,570
Other allocations to (transfers from) the other reserves	-	-	-	-	-	-	-	-	-	-
Profit / loss (result of the period)	-	-	-	-	-	-	-	-	280	280
Equity at end of current period	**22,500**	**-**	**5,686**	**10,000**	**-**	**31,055**	**-**	**-**	**280**	**69,521**

Notes to the annual report 2021

1. Information about activity

The information refers to the position as at 31 December 2021.

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. In 2022, the registered office moved to Via Serafino Balestra 17 in 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 2021, the Bank had 83 employees (end 2020: 81 employees), representing 79.45 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 9 years (i.e. following the acquistion 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 nine 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 Sicav 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 2021.

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-

sessment 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	31.12.2021	31.12.2020
EUR	1.033400	1.081335
USD	0.912750	0.881250
GBP	1.230400	1.203800

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 2021, the Bank incurred costs due to negative interest amounting to CHF 752,489 (2020: CHF 556,270) and collected income from negative creditor interest amounting to CHF 361,768 (2019: CHF 209,986).

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.

Events following the end of the financial year at 31.12.2021
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 2021.

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	
Loans (before netting with value adjustments)	Secured by mortgage	Othe collateral	Unsecured	Total
Amounts due from customers	51	123,439	53,891	**177,381**
Mortgage loans	8,096	850	-	**8,946**
Residential property	8,096	850	-	**8,946**
Office and business premises	-	-	-	**-**
Commercial and industrial premises	-	-	-	**-**
Other	-	-	-	**-**
Total loans (before netting with value adjustments)	8,147	124,289	53,891	**186,327**
Current year	8,147	124,289	53,891	**186,327**
Previous year	9,690	131,088	27,257	**168,035**
Total loans (after netting with value adjustments)	8,147	124,289	52,062	**184,498**
Current year	8,147	124,289	52,062	**184,498**
Previous year	9,690	131,088	26,496	**167,274**
Off-balance sheet				
Contingent liabilities	-	2,379	22,811	**25,190**
Irrevocable commitments	-	130	960	**1,090**
Obligations to pay up shares and make further contributions	-	-	-	**-**
Credit commitments	-	-	127	**127**
Total off-balance-sheet	-	2,509	23,898	**26,407**
Current year	-	2,509	23,898	**26,407**
Previous year	-	2,796	27,567	**30,363**

Table: Impaired loans/receivables	Gross debt amount	Estimated liquidation value of collateral*	Net debt amount	Individual value adjustments
Current year	1,829	-	1,829	1,829
Previous year	761	-	761	761

* 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)

Assets	Current year	Previous year
Trading portfolio assets	**13,473**	**10,745**
Debt securities, money market securities/transactions	6,481	2,500
of which, listed	*6,481*	*2,500*
Equity securities	6,992	8,245
Precious metals and commodities	-	-
Other trading portfolio assets	-	-
Total assets	**13,473**	**10,745**
of which, determined using a valuation model	-	-
of which, securities eligible for repo transactions in accordance with liquidity requirements	-	-

(*) 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)

Foreign exchange / precious metals	TRADING INSTRUMENTS Positive replacement values	Negative replacement values	Contract volume	HEDGING INSTRUMENTS Positive replacement values	Negative replacement values	Contract volume
Forward contracts	233	214	36,085	-	-	-
Combined interest rate / currency swaps	210	208	18,486	-	177	18,500
Futures	-	-	25,111			
Total	443	**422**	**79,682**	**-**	**177**	**18,500**
Equity securities / indices						
Futures	-	-	3,154	-	-	-
Options (OTC)	35	35	28	-	-	-
Options (exchange traded)	-	-	12,634			
Total	35	35	15,816	-	-	-
Total	**478**	**457**	**95,498**	**-**	**177**	**18,500**

Total before netting agreements:						
Current year	478	457	95,498	-	177	18,500
of which, determined using a valuation model	-	-	-	-	-	-
Previous year	719	698	100,613	49	90	22,000
of which, determined using a valuation model	-	-	-	-	-	-

Total after netting agreements	Positive replacement values (cumulative)	Negative replacement values (cumulative)
Current year	478	634
Previous year	768	788

Breakdown by counterparty:	Central clearing houses	Banks and securities dealersr	Other customers
Positive replacement values (after netting agreements)	-	221	257

Breakdown of financial investments (Table 5)

	BOOK VALUE Current year	Previous year	FAIR VALUE Current year	Previous year
Debt securities	41,136	40,851	41,942	42,150
of which, intended to be held to maturity	*41,136*	*40,851*	*41,942*	*42,150*
Equity securities	4,238	4,692	4,275	4,696
*of which, qualified participations**	*2*	*2*	*2*	*2*
Total	**45,374**	**45,543**	**46,217**	**46,846**
of which, securities eligible for repo transactions in accordance with liquidity requirements	-	-	-	-

* at least 10% of capital or votes

Breakdown of counterparties by rating

S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: Book value	11,921	10,208	16,579	-	-	-
Moody,s	Aaa to Aa3-	A1 to A3	Baa1+ to Baa3	Ba1+ to Ba3	Below B3	Unrated
Debt securities: Book value	-	1,468	-	-	-	-
Fitch	AAA to AA-	A+to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: Book value	-	336	624	-	-	-
Total debt securities: book value	**11,921**	**12,012**	**17,203**	**-**	**-**	**-**

Presentation of tangible fixed assets (Table 8)

	Aquisition cost	Accumu-lated depre-ciation	Book value as at the end of previ-ous year	Current year Reclassi-fications	Addi-tions	Disposals	Depre-ciation	Reversals	Book value as at end of current year
Bank buildings	13,453	-3,112	10,341	-	-	-10,156	-185	-	-
Proprietary or separately acquired software	5,782	-4,637	1,145	-	383	-	-712	-	816
Other tangible fixed assets	6,166	-5,946	220	-	90	-	-120	-	190
Total tangible fixed assets	**25,401**	**-13,695**	**11,706**	**-**	**473**	**-10,156**	**-1,017**	**-**	**1,006**

Presentation of intangible assets (Table 9)

	Cost value	Accumu-lated amorti-sation	Book value Previous year ende	Current year Addi-tions	Disposals	Amortisa-tion	Book value as at end of current year
Goodwill	4,432	-3,815	617	-	-	-337	280
Total intangible assets	**4,432**	**-3,815**	**617**	**-**	**-**	**-337**	**280**

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	17	13		
Other assets	13,239	167		
Indirect tax	85	14		
Other liabilities			1,484	853
Indirect tax			371	244
Total	**13,341**	**194**	**1,855**	**1,097**

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

	CURRENT YEAR		PREVIOUS YEAR	
	Book Values	Effective commitments	Book Values	Effective commitments
Pledged / assigned assets (amounts due from banks)	10,367	10,367	9,883	9,883
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	Contribu-tions paid for the current period	Pension expenses in personnel expenses	
		Current year	Previous year			Current year	Previous year
Pension schemes	-	-	-	-	1,597	1,037	994

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 31.12.2021, 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 confor-mity with designated purpose	Reclassi-fications	Currency differences	Past due interest, recove-ries	New creations charged to income	Releases to income	Balance at current year end
Provisions for latent risks	-	-	-	-	-	-	-	-
Provisions for other business risks	140	-	-	-	-	150	-113	177
Total provisions	**140**	**-**	**-**	**-**	**-**	**150**	**-113**	**177**
Reserves for general banking risks	**11,570**		**-**	**-**		**-**	**-1,570**	**10,000**
Value adjustments for default and country risks	**761**	**-**	**-**	**-38**	**-**	**1,182**	**-76**	**1,829**
of which, value adjustments for default risks in respect of impaired loans / receivables	*761*	-	-	*-38*	-	*1,182*	*-76*	*1,829*
of which value adjustments for latent risks	-	-	-	-	-	-	-	-

* 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)

Bank's capital	CURRENT YEAR Total par value	Quantity	Capital with dividend rights	PREVIOUS YEAR Total par value	Quantity	Capital with dividend rights
Share capital	22,500	22,500	22,500	22,500	22,500	22,500
of which, paid up	*22,500*	*22,500*	*22,500*	*22,500*	*22,500*	*22,500*
Participation capital	-	-	-	-	-	-
of which, paid up	-	-	-	-	-	-
Total bank's capital	**22,500**	**22,500**	**22,500**	**22,500**	**22,500**	**22,500**
Authorised capital	-	-	-	2,500	2,500	2,500
of which, capital increases completed	-	-	-	-	-	-

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

	AMOUNTS DUE FROM Current Year	Previous year	AMOUNTS DUE TO Current Year	Previous year
Holders of qualified participations	13,087	1	9,953	8,284
Group companies	-	-	2,206	2,348
Linked companies	-	-	2,130	1,912
Transactions with members of governing bodies	1,562	1,617	186	155
Other related parties	2,682	3,901	-	-

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	CURRENT YEAR Nominal	% of equity	PREVIOUS YEAR Nominal	% of equity
with voting rights				
(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%
of which via Schulman Familienstiftung, Vaduz	*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)

Details on the individual categories of the bank's capital (margin no. A5-88)	CURRENT YEAR Number of securities (units)	CURRENT YEAR Nominal value	PREVIOUS YEAR Number of securities (units)	PREVIOUS YEAR Nominal value
Share capital	22,500	22,500	22,500	22,500
of which, paid up	*22,500*	*22,500*	*22,500*	*22,500*
Total	**22,500**	**22,500**	**22,500**	**22,500**

Non-distributable reserves (margin no. A5-88 - Part 2)	Total at end current year	Total at end of previous year
Non-distributable amount from statutory retained earnings reserve	5,686	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	57,356							57,356
Amounts due from banks	142,907	23,602	73,020	34,685		-		274,214
Amounts due from customers	-	172,146	-	2,387	1,019	-		175,552
Mortgage loans	-	-	1,670	7,276	-	-	-	8,946
Trading portfolio assets	13,473							13,473
Positive replacement values of derivative financial instruments	779							779
Financial investments	-	4,236	1,550	6,825	32,761	-	2	45,374
Current year	**214,515**	**199,984**	**76,240**	**51,173**	**33,780**	**-**	**2**	**575,694**
Previous year*	205,647	174,527	41,420	66,369	40,159	-	2	528,124
Debt capital / financial instruments								
Amounts due to banks	2,612	-	-	-	-	-		2,612
Amounts due in respect of customer deposits	512,107	-	-	-	-	-		512,107
Negative replacement values of derivative financial instruments	634							634
Current year	**515,353**	**-**	**-**	**-**	**-**	**-**	**-**	**515,353**
Previous year	466,056	-	-	-	-	-	-	466,056

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

	CURRENT YEAR		PREVIOUS YEAR	
Assets	Domestic	Foreign	Domestic	Foreign
Liquid assets	57,356	-	59,363	
Amounts due from banks	141,664	132,550	105,938	138,475
Amounts due from customers	55,154	120,398	29,553	129,108
Mortgage loans	8,946	-	8,613	
Trading portfolio assets	-	13,473	-	10,745
Positive replacement values of derivative financial instruments	533	246	612	174
Financial investments	-	45,374	-	45,543
Accrued income and prepaid expenses	1,628	289	1,679	205
Participations	-	-	-	-
Tangible fixed assets	1,006	-	11,706	-
Intangible assets	280	-	617	-
Other assets	13,341	-	194	-
Total assets	**279,908**	**312,330**	**218,275**	**324,250**
Liabilities				
Amounts due to banks	-	2,612	-	1,716
Amounts due in respect of customer deposits	131,056	381,051	105,982	357,569
Negative replacement values of derivative financial instruments	562	72	534	255
Accrued expenses and deferred income	5,332	-	4,421	-
Other liabilities	1,855	-	1,097	-
Provisions	177	-	140	-
Reserves for general banking risks	10,000	-	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	848	-	559	-
Profit / loss (result of the period)	280	-	289	-
Total liabilities	**208,503**	**383,735**	**182,985**	**359,540**

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	**-**	**0.00%**	**14**	**0.00%**
Algeria	-	0.00%	14	0.00%
Asia	**2,107**	**0.36%**	**1,847**	**0.34%**
China	119	0.02%	126	0.02%
Hong Kong	197	0.03%	206	0.04%
Lebanon	424	0.07%	-	0.00%
United Arab Emirates	1,367	0.23%	1,515	0.28%
Caribbean	**25,136**	**4.24%**	**18,392**	**3.39%**
Bahamas	1,955	0.33%	7,727	1.42%
Barbados	-	0.00%	1	0.00%
Bermuda	53	0.01%	144	0.03%
Panama	2,186	0.37%	809	0.15%
Virgin Islands (British)	20,942	3.54%	9,711	1.79%
Europe	**278,591**	**47.04%**	**288,839**	**53.24%**
Austria	1,883	0.32%	318	0.06%
Belgium	8,402	1.42%	9,071	1.67%
Cyprus	1,704	0.29%	-	0.00%
France	4,164	0.70%	4,335	0.80%
Germany	19,880	3.36%	13,345	2.46%
Gibraltar	1,502	0.25%	982	0.18%
Ireland	4,468	0.75%	4,425	0.82%
Italy	159,333	26.90%	145,307	26.78%
Latvia	193	0.03%	-	0.00%
Luxembourg	29,560	4.99%	70,111	12.92%
Malta	24,522	4.14%	14,833	2.73%
Netherlands	3,643	0.62%	3,992	0.74%
Portugal	2,479	0.42%	2,616	0.48%
Russia	-	0.00%	192	0.04%
San Marino	2,557	0.43%	4,065	0.75%
Slovenia	1	0.00%	7	0.00%
Spain	-	0.00%	15	0.00%
UK	14,300	2.41%	15,225	2.81%
Latin America	**2**	**0.00%**	**6**	**0.00%**
Belize	1	0.00%	5	0.00%
Ecuador	1	0.00%	-	0.00%
Venezuela	-	0.00%	1	0.00%
Liechtenstein	**-**	**0.00%**	**-**	**0.00%**
Liechtenstein	-	0.00%	-	0.00%
North America	**6,487**	**1.10%**	**14,527**	**2.68%**
United States	6,487	1.10%	14,527	2.68%
Oceania	**7**	**0.00%**	**625**	**0.12%**
Australia	-	0.00%	619	0.11%
New Zealand	7	0.00%	6	0.00%
Switzerland	**279,908**	**47.26%**	**218,275**	**40.23%**
Switzerland	279,908	47.26%	218,275	40.23%
Total assets	**592,238**	**100.00%**	**542,525**	**100.00%**

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

				NET FOREIGN EXPOSURE / CURRENT YEAR END		NET FOREIGN EXPOSURE / PREVIOUS YEAR END	
Rating	Moody's	Standard & Poor's	Fitch IBCA	In CHF	Share as %	In CHF	Share as %
1	Aaa	AAA	AAA	89,921	32.68%	113,049	40.49%
2	Aa1/Aa2/Aa3	AA+/AA/AA-	AA+/AA/AA-	57,710	20.98%	76,956	27.56%
3	A1/A2/A3	A+/A/A-	A+/A/A-	9,258	3.37%	11,300	4.05%
4	Baa1 /Baa2/ Baa3/Ba1/Ba2/ Ba3	BBB+/BBB/ BBB-/BB+/ BB/BB-/B+	BBB+/BBB/ BBB-/BB+/ BB/BB-/B+	117,805	42.82%	77,878	27.89%
5/6	B1/B2/B3/ Caa1/Caa2/ Caa3/Ca/C	B/B-/CCC/ CC/C/D	B/B-/CCC/ CC/C/D	425	0.15%	1	0.00%
Unrated				-	0.00%	-	0.00%
Total				**275,119**	**100.00%**	**279,184**	**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	56,928	382	27	19	-	-	57,356
Amounts due from banks	845	128,999	138,173	1,885	182	4,130	274,214
Amounts due from customers	2,263	109,086	61,267	2,936	-	-	175,552
Mortgage loans	8,946	-	-	-	-	-	8,946
Investments	1,179	6,704	5,590	-	-	-	13,473
Trading portfolio assets	779	-	-	-	-	-	779
Positive replacement values of derivative financial instruments	8,198	22,678	14,498	-	-	-	45,374
Financial investments	1,550	86	281	-	-	-	1,917
Accrued income and prepaid expenses	-	-	-	-	-	-	-
Tangible fixed assets	1,006	-	-	-	-	-	1,006
Intangible assets	280	-	-	-	-	-	280
Other assets	13,244	77	20	-	-	-	13,341
Total assets shown in balance sheet	**95,218**	**268,012**	**219,856**	**4,840**	**182**	**4,130**	**592,238**
Delivery entitlements from spot exchange, forward forex and forex options transactions*	**3,513**	**43,094**	**23,201**	**286**	**-**	**1,859**	**71,953**
Total assets	**98,731**	**311,106**	**243,057**	**5,126**	**182**	**5,989**	**664,191**

Liabilities	CHF	EUR	USD	GBP	JPY	Other	Total
Amounts due to banks	38	246	2,318	10	-	-	2,612
Amounts due in respect of customer deposits	23,956	268,833	210,374	4,813	173	3,958	512,107
Negative replacement values of derivative financial instruments	634	-	-	-	-	-	634
Accrued expenses and deferred income	4,499	490	343	-	-	-	5,332
Other liabilities	1,642	187	26	-	-	-	1,855
Provisions	177	-	-	-	-	-	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	848	-	-	-	-	-	848
Profit / loss (result of the period)	280	-	-	-	-	-	280
Total liabilities shown in the balance sheet	**100,467**	**269,756**	**213,061**	**4,823**	**173**	**3,958**	**592,238**
Delivery obligations from spot exchange, forward forex and forex options transactions*	**22,013**	**24,765**	**23,186**	**286**	**-**	**1,859**	**72,109**
Total liabilities	**122,480**	**294,521**	**236,247**	**5,109**	**173**	**5,817**	**664,347**
Net position per currency	**-23,749**	**16,585**	**6,810**	**17**	**9**	**172**	**-156**

* 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	1,741	2,282
Irrevocable commitments arising from documentary letters of credit	23,449	26,571
Total contingent liabilities	**25,190**	**28,853**

Breakdown of credit commitments (Table 29)

	Current year	Previous year
Commitments arising from deferred payments	127	328
Commitments arising from acceptances (for liabilities arising from acceptances in circulation)	-	-
Other credit commitments	-	-
Total credit commitments	**127**	**328**

Breakdown of fiduciary transactions (Table 30)

	Current year	Previous year
Fiduciary investments with third-party companies	9,435	14,147
Total	**9,435**	**14,147**

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	100,485	106,113
Assets under discretionary asset management agreements	265,045	228,917
Other managed assets	1,780,566	1,557,707
Total managed assets (including double counting)	**2,146,096**	**1,892,737**
of which, double counting	*36,326*	*38,561*

b) Presentation of the development of managed assets	Current year	Previous year
Total managed assets (including double counting) at beginning	**1,892,737**	**2,006,223**
+/- net new money inflow or net new money outflow	244,219	-6,171
+/- price gains / losses, interest, dividends and currency gains / losses	9,140	-107,315
Total managed assets (including double counting) at end	**2,146,096**	**1,892,737**

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	5,258	9,167
Other trading activities	-880	-463
Currencies	807	360
Total	**5,185**	**9,064**
b) Breakdown by underlying risk and based on the use of the fair value option		
Result from trading activities from:		
Interest rate instruments	5,189	9,245
Equity securities (including funds)	-811	-541
Foreign currencies	807	360
Total	**5,185**	**9,064**

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 *	752	556

* 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)	11,102	11,404
of which, expenses relating to share-based compensation and alternative forms of variable compensation	-	-
Social insurance benefits	2,121	2,117
Other personnel expenses	97	100
Total	**13,320**	**13,621**

Breakdown of general and administrative expenses (Table 35)

	Esercizio in rassegna	Esercizio precedente
Office space expenses	851	872
Expenses for information and communications technology	2,313	2,128
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	11	13
Fees of audit firm(s) (Art. 961a no. 2 CO)	265	225
of which, for financial and regulatory audits	*265*	*225*
of which, for other services	-	-
Other operating expenses	1,965	1,985
of which, compensation for any cantonal guarantees	-	-
Total	**5,405**	**5,223**

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

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
Change in reserves for general banking risks		
- 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
Result from interest operations		
Interest and discount income	1,635	-
Interest and dividend income from trading activities	103	-
Interest and dividend income from financial investments	485	-
Interest expense	351	-
Gross result from interest operations	**2,574**	**-**
Changes in value adjustments for default risks and losses from interest operations	-1,106	-
Net result from interest operations	**1,468**	**-**
Result from commission business and services		
Commission income on securities and investment transactions	12,133	-
Commission income from lending activities	989	-
Commission income from other services	308	-
Commission expense	**-3,171**	**-**
Result from commission business and services	**10,259**	**-**
Result from trading activities and the fair value option	**5,185**	**-**
Other result from ordinary activities	**-79**	**-**
Total income for the period	**16,833**	**-**
Operating expenses		
Personnel expenses	-13,320	-
General and administrative expenses	-5,405	-
Total operating expenses	**-18,725**	**-**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-1,353	-
Changes to provisions and other value adjustments, and losses	-734	-
Operating result	**-3,979**	**-**

Table 39: Taxes

	Current year	Previous year
Current tax*	185	184
Total tax	**185**	**184**
Average rate on operating result	40%	39%

* Current tax as at 31.12.2021 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 50,000 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 2,209,000 to be offset.

Building a better working world

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

Lugano, 1st April 2022

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 35), for the year ended 31 December 2021.

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 2021 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)	Beatrice Groppelli (Qualified Signature)
Audit expert (Auditor in charge)	Audit expert

Our audit report has been signed with qualified electronic signatures on 1st April 2022. The handwritten signatures have been affixed for the purpose of inserting the audit report in the present annual report.

Building a secure future

Zarattini & Co | Bank

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