Zarattini & Co | Bank

# Annual report 2023

# Annual Report 2023

**Presented to the Annual General Meeting of Shareholders on April 16th 2024**

# 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**

Pluriaudit SA, Lugano

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

** Members of the Audit Committee, Chairman Peter Heckendorn

# Board of Directors' report 2023

Dear Shareholders,

According to the latest estimates from the SNB, real growth in Switzerland was around 1% in 2023. The Central Bank estimates growth for next year which is similarly moderate or perhaps even lower owing to the possibility of a greater weakening of the economic situation than forecast abroad.
The United States, the fragile but powerful driver of global demand, having overcome a banking crisis at the start of the year and avoided a recession which many assumed to be a certainty, for now is maintaining its relatively optimistic economic outlook.
Instead the Eurozone has to face greater challenges. Despite having surprisingly swerved the recession during the 2022 energy crisis and having managed double-digit inflation in 2023, Europe must face slow growth, uncomfortably close to stagnation. In addition, the never-ending debate on fiscal austerity and public debt sustainability could worsen its prospects, making the area excessively dependent on global trends and exports.
Inflation, which is driving monetary and fiscal policy, was probably the most important single factor for investors throughout 2023 and it is still is. Inflation is still above the stated targets of central banks. Although the macroeconomic data show a slowdown in the increase in prices, an unexpected return of inflation could compromise what is currently the most likely scenario, i.e. a cut in rates as from the summer of 2024. As already seen last year, such a change in the scenario could damage all asset classes, both fixed-income and shares, which are overly dependent on monetary conditions. The inflation situation in Switzerland is different and better: the SNB forecasts that inflation in our country, which in any case in recent years has never gone over 3.5% and has constantly been around half the European average, will remain under 2% for all of 2024.
The stage of normalisation in the economic cycle and monetary policies is continuing globally, with possible key interest rate cuts which seem driven more by the need to justify the valuations of financial assets than by supporting the economy. The long series of interest rate rises, which started in 2022 and lasted until the third quarter of 2023, and the sharp drop in inflation have brought real interest rates back to positive territory, something which had not happened for some years, without triggering the feared recession.
For this reason the bond market, above all for medium and long-term securities from lower risk public issuers, was volatile and could not make up for the terrible performance in the previous year. The lending sector, both investment grade and high yield, instead benefited from a fall in spreads, which returned to their lowest levels since March 2022 thanks to a general climate of greater propensity for market risk.
Share performance varied since most of the rises were driven by a tiny number of securities and sectors. Among the best, besides the astonishing champions from the US technology sector, insurance companies shone, for example, as well as shares in the defence sector, while among the worst performers were energy, chemicals, utilities, real estate, and, generally, shares in defensive sectors and in small businesses. Nonetheless, on average stock markets were strong and the marked rise in the last quarter, which is continuing also at the start of 2024, took the best markets and sectors beyond their historic highs.
Private Banking at Banca Zarattini & Co confirmed the results of the previous years: the increase in reference rates for the Swiss franc, the euro and the US dollar more than offset the fall in net commissions and made a marked contribution to the good result in the sector.
Asset management achieved positive results in 2023, albeit in some cases below the reference indices. On average the best results were in absolute terms those of share-based strategies and compared to the reference indices those of the portfolios invested in corporate bonds, above all with short or medium term expiries. The advisory service for private clients continued with good results.
The TDSM department of Banca Zarattini & Co, a team of dynamic and expert operators, ended the year with a positive result that was better than the previous year. The drop in operations linked to the closure of Russian counterparties which were subject to the embargo that was also agreed by Switzerland following the invasion

of Ukraine had already been effectively mitigated last year with the opening of new relations but in the year in question the recovery was completed.
The Trade Finance sector, which has now been operating for over five years, showed excellent adaptability as it went through the events, such as the pandemic, the war in Ukraine and the conflict in Israel, which affected the global economy generally and above all the key market of steel and metal alloys. The confidence of clients and counterparties in our team of professionals consolidated further and the result achieved in 2023 was once again above forecast.
On the issue of sustainability, Banca Zarattini & Co, in association with Swiss Sustainable Finance, added to its strategy the Corporate Social Responsibility model, by adhering to the new directives on consultancy and management of investments and mortgage loans from the Swiss Bankers' Association.
The trend in the exchange rate of the Swiss franc, which strengthened again against the euro and the US dollar, was in the year in question too an important negative factor for revenues and net margins in all of the bank's operational sectors. Among the external factors which instead facilitated the bank's operations and had a positive influence on the results in the period in question, we must mention – finally, it may be added – the increase in interest rates. Indeed we recall that the negative rates on the Swiss franc and the euro were in previous years a real cost for the bank and had a substantial impact on the results. The general level of returns, above all in the short term, was positive throughout the year and enabled both the bank and clients to invest at positive rates.
The balance sheet total fell significantly (-22%) following a trend which started in the second half of 2022, as a consequence of the increase in key interest rates which enabled customers to find sources of income on their available liquidity, for example fiduciary placements, while the inversion in the curves led them to reduce Lombard loans since they had become too costly. 2023 ended with net profit of CHF 3,035,112, a great improvement on the end of 2022 (+ 193%).
We end by offering our thanks to all the private clients and institutional counterparties for their trust in Banca Zarattini & Co and we congratulate our collaborators on their willingness and professional approach. Without them we could not have achieved the positive results presented here.

Lugano, 21 March 2024

The Board of Directors

# Balance Sheet

| Assets | 31.12.2023 CHF | 31.12.2022 CHF |
|---|---|---|
| Liquid assets | 40,125,012 | 58,739,056 |
| Amounts due from banks | 62,275,448 | 115,680,239 |
| Amounts due from customers | 125,503,300 | 175,913,087 |
| Mortgage loans | 13,390,540 | 11,239,440 |
| Trading portfolio assets | 6,877,048 | 14,116,199 |
| Positive replacement values of derivative financial instruments | 780,151 | 1,093,512 |
| Financial investments | 36,571,425 | 70,416,177 |
| Accrued income and prepaid expenses | 2,438,886 | 2,401,145 |
| Participations | 232,166 | - |
| Tangible fixed assets | 448,960 | 617,408 |
| Intangible assets | - | - |
| Other assets | 329,522 | 340,607 |
| **Total assets** | **288,972,458** | **450,556,870** |

| Liabilities | | |
|---|---|---|
| Amounts due to banks | 713,243 | 1,733,418 |
| Amounts due in respect of customer deposits | 207,048,813 | 372,095,699 |
| Negative replacement values of derivative financial instruments | 1,248,102 | 728,861 |
| Accrued expenses and deferred income | 5,566,050 | 4,307,536 |
| Other liabilities | 728,064 | 1,009,487 |
| Provisions | 76,500 | 125,295 |
| Reserve for general banking risks | 10,000,000 | 10,000,000 |
| Bank's capital | 22,500,000 | 22,500,000 |
| Statutory retained earnings reserve | 5,686,400 | 5,686,400 |
| Voluntary retained earnings reserve | 30,207,403 | 30,207,403 |
| Profit carried forward | 2,162,771 | 1,128,185 |
| Profit / loss (result of the period) | 3,035,112 | 1,034,586 |
| **Total liabilities** | **288,972,458** | **450,556,870** |

| Off-balance sheet transactions | | |
|---|---|---|
| Contingent liabilities | 14,633,020 | 14,377,626 |
| Irrevocable commitments | 1,068,414 | 1,105,787 |
| Credit commitments | - | 858,141 |

# Income Statement

| | 2023<br>CHF | 2022<br>CHF |
|---|---|---|
| Interest and discount income | 10,740,494 | 5,092,987 |
| Interest and dividend income<br>from trading activities | 53,878 | 277,432 |
| Interest and dividend income<br>from financial investments | 979,919 | 676,634 |
| Interest expense | -68,347 | 190,831 |
| **Gross result from interest operations** | **11,705,944** | **6,237,884** |
| Changes in value adjustments for default risks<br>and losses from interest operations | -280,084 | -324,927 |
| **Net result from interest operations** | **11,425,860** | **5,912,957** |
| Commission income<br>from securities trading and investment activities | 8,986,116 | 10,725,137 |
| Commission income from lending activities | 1,032,593 | 1,070,906 |
| Commission income on other services | 203,272 | 227,797 |
| Commission expense | -2,182,516 | -2,529,185 |
| **Result from commission business and services** | **8,039,465** | **9,494,655** |
| **Result from trading activities and the *fair value* option** | 5,536,556 | 5,655,233 |
| Result from the disposal of financial investments | - | -19,816 |
| Result from real estate | - | - |
| Other ordinary income | 24,938 | - |
| Other ordinary expenses | - | -384,738 |
| **Other result from ordinary activities** | **24,938** | **-404,554** |
| Personnel expenses | -15,054,941 | -12,888,277 |
| General and administrative expenses | -5,816,085 | -5,599,762 |
| **Total operating expenses** | **-20,871,026** | **-18,488,039** |
| Value adjustments on shareholdings, and depreciation and amortisation<br>of tangible fixed assets and intangible assets | -436,257 | -927,907 |
| Changes to provisions and other value<br>adjustments, and losses | 47,909 | -68,822 |
| **Operating result** | **3,767,445** | **1,173,523** |
| Extraordinary income | - | 20,463 |
| Extraordinary expenses | - | - |
| Changes in reserves for general banking risks | - | - |
| Taxes | -732,333 | -159,400 |
| **Profit / loss (result of the period)** | **3,035,112** | **1,034,586** |

# Appropriation of Profit

(proposal of Board of Directors)

| | 31.12.2023<br>CHF | 31.12.2022<br>CHF |
|---|---|---|
| Profit / loss | 3,035,112 | 1,034,586 |
| + profit carried forward | 2,162,771 | 1,128,185 |
| **= distributable profit** | **5,197,883** | **2,162,771** |
| Appropriation of profit | | |
| Allocation to statutory retained earnings reserve | -151,756 | - |
| Distributions from distributable profit | -4,000,000 | - |
| **New amount carried forward** | **1,046,127** | **2,162,771** |

# 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** | **10,000** | **-** | **31,335** | **-** | **-** | **1,035** | **70,556** |
| Capital increase / decrease | - | - | - | - | - | - | - | - | - | - |
| Dividends and other distributions | - | - | - | - | - | 1,035 | - | - | -1,035 | - |
| 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) | - | - | - | - | - | - | - | - | 3,035 | 3,035 |
| **Equity at end of current period** | **22,500** | **-** | **5,686** | **10,000** | **-** | **32,370** | **-** | **-** | **3,035** | **73,591** |

# Notes to the annual report 2023

## 1. Information about activity

The information refers to the situation as at 31 December 2023.

**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 in 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 minimal and solely relates to properties in Switzerland.
Since September 2018 the Bank has been active in the trade finance sector, 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 2023, the Bank had 84 employees (end 2022: 85 employees), representing 79.9 full-time equivalents.
The number of employees indicated includes incoming and outgoing staff around the end of the year.

## 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 at the top).
The control structure operates on three separate 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: activity 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. In managing risks 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 taken on 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 taken on by Banca Zarattini for Private Banking 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.
In this context too of operations that fall within the Trade Finance field, our Bank has a policy of prudent lending. Transactional loans are granted on raw materials and their non-perishable derivatives and especially steel, iron minerals and iron alloys. The financed operations are guaranteed by sell-back operations and/or loan insurance and/or pledging of the good, in these cases too given prudent margins of possible advance payments.
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 proceeded with an analysis of the losses recorded over the last 10 years (so following the acquisition and merger of Banca Euromobiliare (Suisse) SA), in order to assess any need to proceed with value adjustments for latent risks of loss pursuant to article 25 OAPC-FINMA. From this analysis it emerges that the only lending exposure subject to value adjustments are the loans granted to clients, excluding mortgages.
By applying the average percentages of the last ten years for the value adjustments made on the client credit portfolio, a value adjustment was prudently recorded for 2023 of CHF 50,000 while for 2022 no provision was made since the impact had been assessed as immaterial.

## 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. The 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 to the independent appraisal value) of EUR 438,834 and a cash portion of EUR 100,000, effective on 13 December 2019 and during 2023 with a further cash portion by way of a loan for EUR 100,000.
This investment company (and its subfund) is 100% owned by Banca Zarattini & CO. SA and therefore is considered a related party.
The Bank's exposure towards this vehicle is subject to regular assessment and opportune provisions should the guarantees not be sufficient to cover the exposure. In addition, the provision follows the principles of financial investment assessment, thus based on the lower value between the purchase price and the market price, but never higher than 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 reputa-

tional damage caused by such a breach. This may include a variety of risks, such as reputational risk, legal risk, the risk of litigation, the risk of penalties and operational risks. The compliance risk also includes the risk of financial losses due to fines incurred or restrictions imposed on ordinary activities or the suspension of banking activities by the supervisory authorities due to situations that are non-compliant and hence in breach of laws, ordinances, regulations and accounting principles. Changes in the regulatory environment are constantly monitored by the Compliance Office, and directives and procedures are amended accordingly.
Banca Zarattini is exposed to cross-border risk in view of the type of international clients it serves. The provision of financial products and services abroad is subject to the authorisation and regulation of most countries.
Hence, Banca Zarattini provides its banking and investment services solely in Switzerland. Additionally, Banca Zarattini is authorised by the Bank of Italy to provide its banking services on Italian territory, without a fixed structure there, in accordance with the provisions on the freedom to provide services.
The internal control system and the Bank's specific protective systems are considered appropriate for mitigating cross-border risk. Many directives have been issued and many controls have been set up to this effect.

**REPUTATIONAL RISK**
Reputational risks take the form of losses arising from events that have a negative impact on the Bank's image or on the way in which the Bank is perceived by the general public, clients, investors, shareholders and supervisory authorities.
Given that reputational risk is difficult to quantify and depends on other events occurring, the Bank manages this risk in conjunction with other risks by assessing the intrinsic reputational impact.
There were no significant events after the balance sheet date.

## 3. Outsourcing

Banca Zarattini & Co. SA has outsourced some of its operations relating to the management of S.W.I.F.T. communications to Bottomline Technologies of Geneva.

## 4. Accounting principles and policies

**General principles**
These financial statements have been prepared in accordance with the Code on obligations (CO) and the Federal Law on Banks (LBCR), its Execution order (OBCR), the FINMA order on accounts (OAPCFINMA) and FINMA Circular 2020/1 "Accounting directives – banks "Rules on the presentation of accounts for banks, brokerage firms, financial groups and conglomerates" in accordance with the statutory single-entity financial statements providing a reliable presentation. 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.
The Bank's accounts are included in the accounts of the Neutral Holding Spf Group, Luxembourg.

**Foreign currencies**
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:

| Currency | 31.12.2023 | 31.12.2022 |
|---|---|---|
| EUR | 0.928665 | 0.987950 |
| USD | 0.839100 | 0.922750 |
| GBP | 1.070950 | 1.115350 |

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

**Cash, receivables due from and to banks and clients**
The financial statement presentation of the receivables and commitments is done at their nominal value. 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 commission 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 2023, the Bank incurred costs due to negative interest of CHF 2,160 (2022: CHF 414,764) and did not collect from negative creditor interest (2022: CHF 215,887),

**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. Suitability of the criteria adopted is checked annually and, if necessary, additional depreciation and amortisation is booked.

The following depreciation and amortisation criteria are applied:

| | |
|---|---|
| - 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.

**Participations**
On 26 April 2023 Banca Zarattini & Co. SA bought an 8.64% stake in Compagnia Fiduciaria Lombarda, Società per Azioni which is based in Milan.
The operation which started in 2022 completes the sale of the company branch of Costanza Fiduciaria S.R.L, which was previously part of the Neutral Holding Spf group, and was concluded following the authorisation by the Bank of Italy and FINMA (the Federal Financial Market Supervisory Authority).
Compagnia Fiduciaria Lombarda is subject to the supervision and joint control of the Ministry of Economic Development and the Bank of Italy.
The investment is recorded in the financial statements at the purchase value of EUR 250,000, of which EUR 47,500 was to subscribe the share capital increase and EUR 202,500 as a share premium.

**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 a contract 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 derivatives

Derivative financial instruments are usually only entered into for the account of clients. Nonetheless, also derivative transactions are shown which seek to cover the Bank's exchange rate risk.
These instruments are marked to market.

### Changes in accounting and valuation principles

No changes in 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.

### Main events after the closure of the financial statements at 31.12.2023

Up to the date of drawing up these statements there were no significant events which require an obligatory registration in the financial statements and/or in the attachment at 31 December 2023.

# 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 | 27 | 92,519 | 33,653 | **126,199** |
| Mortgage loans | 13,391 | - | - | **13,391** |
| Residential property | 13,391 | - | - | **13,391** |
| Office and business premises | - | - | - | **-** |
| Commercial and industrial premises | - | - | - | **-** |
| Other | - | - | - | **-** |
| **Total loans (before netting with value adjustments)** | | | | |
| Current year | 13,418 | 92,519 | 33,653 | **139,590** |
| Previous year | 11,305 | 127,298 | 50,627 | **189,230** |
| **Total loans (after netting with value adjustments)** | | | | |
| Current year | 13,418 | 92,508 | 32,968 | **138,894** |
| Previous year | 11,305 | 127,298 | 48,550 | **187,153** |
| | | | | |
| **Off-balance sheet** | | | | |
| Contingent liabilities | - | 3,502 | 11,131 | **14,633** |
| Irrevocable commitments | - | 24 | 1,044 | **1,068** |
| Obligations to pay up shares and make further contributions | - | - | - | **-** |
| Credit commitments | - | - | - | **-** |
| **Total off-balance-sheet** | | | | |
| Current year | - | 3,526 | 12,175 | **15,701** |
| Previous year | - | 4,612 | 11,730 | **16,342** |

| **Table: Impaired loans/receivables** | Gross debt amount | Estimated liquidation value of collateral* | Net debt amount | Individual value adjustments |
|---|---|---|---|---|
| Current year | 696 | - | 696 | 696 |
| Previous year | 2,077 | - | 2,077 | 2,077 |

* 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** | **6,877** | **14,116** |
| Debt securities, money market securities/transactions | 5 | 7,962 |
| *of which, listed* | *5* | *7,962* |
| Equity securities | 6,872 | 6,154 |
| Precious metals and commodities | - | - |
| Other trading portfolio assets | - | - |
| **Total assets** | **6,877** | **14,116** |
| *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)

| Interest rate instruments | TRADING INSTRUMENTS Positive replacement values | Negative replacement values | Contract volume | HEDGING INSTRUMENTS (*) Positive replacement values | Negative replacement values | Contract volume |
|---|---|---|---|---|---|---|
| Forward contracts including FRAs | - | - | - | - | - | - |
| Futures | - | - | 111 | | | |
| **Total** | **-** | **-** | **111** | **-** | **-** | **-** |
| **Foreign exchange / precious metals** | | | | | | |
| Forward contracts | 526 | 442 | 93,296 | - | - | - |
| Combined interest rate / currency swaps | 217 | 785 | 48,022 | | | |
| Futures | - | - | 2,788 | **-** | **-** | **-** |
| **Total** | 21 | 21 | 929 | **-** | **-** | **-** |
| **Equity securities / indices** | **764** | **1,248** | **145,035** | | | |
| Futures | - | - | 90 | - | - | - |
| Options (exchange traded) | - | - | 7,243 | - | - | - |
| **Total** | **-** | **-** | **7,333** | - | - | - |
| | | | | | | |
| **Total** | **764** | **1,248** | **152,479** | **-** | **-** | **-** |

| Total before netting agreements: | | | | | | |
|---|---|---|---|---|---|---|
| Current year | 764 | 1,248 | 152,479 | - | - | - |
| *of which, determined using a valuation model* | - | - | - | - | - | - |
| Previous year | 1,081 | 729 | 109,113 | - | - | - |
| *of which, determined using a valuation model* | - | - | - | - | - | - |

| **Total after netting agreements** | Positive replacement values (cumulative) | Negative replacement values (cumulative) |
|---|---|---|
| Current year | 764 | 1,248 |
| Previous year | 1,081 | 729 |

| **Breakdown by counterparty:** | Central clearing houses | Banks and securities dealersr | Other customers |
|---|---|---|---|
| Positive replacement values | | | |
| (after netting agreements) | - | 429 | 335 |

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

## Breakdown of financial investments (Table 5)

| | BOOK VALUE | | FAIR VALUE | |
|---|---|---|---|---|
| | Current year | Previous year | Current year | Previous year |
| Debt securities | 33,082 | 66,928 | 32,573 | 65,134 |
| *of which, intended to be held to maturity* | *33,082* | *66,928* | *32,573* | *65,134* |
| Equity securities | 3,489 | 3,488 | 3,489 | 3,488 |
| *of which, qualified participations** | *48* | *2* | *48* | *2* |
| **Total** | **36,571** | **70,416** | **36,062** | **68,622** |
| *of which, securities eligible for repo transactions in accordance with liquidity requirements* | 9,489 | 16,415 | 9,389 | 15,913 |

* 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 | 8,464 | 1,972 | 13,719 | - | - | - |
| **Moody,s** | Aaa to Aa3- | A1 to A3 | Baa1+ to Baa3 | Ba1+ to Ba3 | Below B3 | Unrated |
| Debt securities: Book value | 509 | 1,750 | 6,152 | - | - | - |
| **Fitch** | AAA to AA- | A+to A- | BBB+ to BBB- | BB+ to B- | Below B- | Unrated |
| Debt securities: Book value | 516 | - | - | - | - | - |
| **Total debt securities: book value** | **9,489** | **3,722** | **19,871** | **-** | **-** | **-** |

## Presentation of equity interests (Table 6)

| | Acquisition cost | Accumulated value adjustments and changes in book value (valuation using the equity method) | Book value previous year end | Reclas-sific-ations | Addi-tions | Disinvesti-menti | Disposals | Value adjustments | Book value as at end of current year |
|---|---|---|---|---|---|---|---|---|---|
| Other participations | | | | | | | | | |
| with market value | - | - | - | - | - | - | - | - | - |
| without market value | - | - | - | - | 243 | -11 | - | - | 232 |
| **Total participations** | **-** | **-** | **-** | **-** | **243** | **-11** | **-** | **-** | **232** |

## 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 | - | - | - | - | - | - | - | - | - |
| Proprietary or separately acquired software | 6,343 | -5,901 | 442 | - | 59 | - | -284 | - | 217 |
| Other tangible fixed assets | 6,337 | -6,162 | 175 | - | 209 | - | -152 | - | 232 |
| **Total tangible fixed assets** | **12,680** | **-12,063** | **617** | **-** | **268** | **-** | **-436** | **-** | **449** |

## Presentation of intangible assets (Table 9)

| | Cost value | Accumulated amortisation | Book value Previous year ende | Current year Additions | Disposals | Amortisation | Book value as at end of current year |
|---|---|---|---|---|---|---|---|
| Goodwill | 4,432 | -4,432 | - | - | - | - | - |
| **Total intangible assets** | **4,432** | **-4,432** | - | **-** | **-** | **-** | **-** |

## 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 | 5 | 18 | | |
| Other assets | 217 | 190 | | |
| Indirect tax | 108 | 133 | | |
| Other liabilities | | | 433 | 712 |
| Indirect tax | | | 295 | 298 |
| **Total** | **330** | **341** | **728** | **1,010** |

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

| | CURRENT YEAR | | PREVIOUS YEAR | |
|---|---|---|---|---|
| | Book Values | Effective commitments | Book Values | Effective commitments |
| Pledged / assigned assets (amounts due from banks) | 12,105 | 6,564 | 7,739 | 7,739 |
| 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: Current year | Economic interest of the bank: Previous year | Change in economic interest (economic benefit / obligation) versus previous year | Contributions paid for the current period | Pension expenses in personnel expenses: Current year | Pension expenses in personnel expenses: Previous year |
|---|---|---|---|---|---|---|---|
| Pension schemes | - | - | - | - | 1,813 | 1,179 | 1,111 |

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 31.12.2023, as in the previous year, no reserve was created for employer contributions.

**Revenues/liabilities and pension costs**
For all pension plans, it must be determined whether the coverage and the pension institution's particular situation may generate revenues or liabilities for the company. The pension institution has fully reinsured all old-age, disability, death and investment risks with another reputable insurance company.
Consequently, it is not possible for the pension fund to be in deficit, and the Bank will not in any instance be obliged to make supplementary contributions.

### Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year (Table 16)

| | Previous year end | Use in conformity with designated purpose | Reclassifications | Currency differences | Past due interest, recoveries | New creations charged to income | Releases to income | Balance at current year end |
|---|---|---|---|---|---|---|---|---|
| Provisions for latent risks | - | - | - | - | - | 50 | - | 50 |
| Provisions for other business risks | 125 | - | - | - | - | 1 | -99 | 27 |
| **Total provisions** | 125 | **-** | **-** | **-** | **-** | **51** | **-99** | **77** |
| **Reserves for general banking risks** | 10,000 | | **-** | **-** | | **-** | **-** | **10,000** |
| **Value adjustments for default and country risks** | 2,077 | **-1,615** | **-** | **-45** | **-** | **350** | **-71** | **696** |
| *of which, value adjustments for default risks in respect of impaired loans / receivables* | *2,077* | *-1,615* | - | *-45* | - | *350* | *-71* | *696* |
| *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)

| | CURRENT YEAR | | | PREVIOUS YEAR | | |
|---|---|---|---|---|---|---|
| **Bank's capital** | Total par value | Quantity | Capital with dividend rights | 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 | - | - | - | - | - | - |
| *of which, capital increases completed* | - | - | - | - | - | - |

## 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 | - | - | 3,670 | 5,386 |
| Group companies | - | - | 1,886 | 2,513 |
| Linked companies | 101 | 104 | 1,790 | 2,046 |
| Transactions with members of governing bodies | 3,043 | 3,125 | 142 | 200 |
| Other related parties | | 1,718 | 4,445 | - |

Loans to management are granted under the same terms and conditions as for Bank staff, but granted to other related parties 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 | CURRENT YEAR % of equity | PREVIOUS YEAR Nominal | PREVIOUS YEAR % 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 | 39,603 | 522 | | | | | | 40,125 |
| Amounts due from banks | 30,276 | 31,999 | - | - | - | - | | 62,275 |
| Amounts due from customers | - | 122,910 | - | 2,145 | 448 | - | | 125,503 |
| Mortgage loans | - | - | 3,332 | 10,059 | - | - | - | 13,391 |
| Trading portfolio assets | 6,877 | | | | | | | 6,877 |
| Positive replacement values of derivative financial instruments | 780 | | | | | | | 780 |
| Financial investments | - | 3,441 | 3,746 | 10,753 | 18,583 | - | 48 | 36,571 |
| **Current year** | **77,536** | **158,872** | **7,078** | **22,957** | **19,031** | **-** | **48** | **285,522** |
| Previous year* | 123,022 | 200,143 | 33,723 | 35,982 | 48,722 | 5,604 | 2 | 447,198 |
| **Debt capital / financial instruments** | | | | | | | | |
| Amounts due to banks | 713 | - | - | - | - | - | | 713 |
| Amounts due in respect of customer deposits | 207,049 | - | - | - | - | - | | 207,049 |
| Negative replacement values of derivative financial instruments | 1,248 | | | | | | | 1,248 |
| **Current year** | **209,010** | **-** | **-** | **-** | **-** | **-** | **-** | **209,010** |
| Previous year | 374,558 | - | - | - | - | - | - | 374,558 |

## 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 | 40,125 | - | 58,739 | - |
| Amounts due from banks | 16,278 | 45,997 | 47,277 | 68,403 |
| Amounts due from customers | 53,347 | 72,156 | 66,479 | 109,434 |
| Mortgage loans | 13,391 | - | 11,240 | - |
| Trading portfolio assets | - | 6,877 | 3,608 | 10,508 |
| Positive replacement values of derivative financial instruments | 621 | 159 | 905 | 189 |
| Financial investments | 3,151 | 33,420 | 5,920 | 64,496 |
| Accrued income and prepaid expenses | 2,378 | 61 | 2,248 | 153 |
| Participations | - | 232 | - | - |
| Tangible fixed assets | 449 | - | 617 | - |
| Intangible assets | - | - | - | - |
| Other assets | 330 | - | 341 | - |
| **Total assets** | **130,070** | **158,902** | **197,374** | **253,183** |

| | | | | |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Amounts due to banks | - | 713 | - | 1,733 |
| Amounts due in respect of customer deposits | 72,339 | 134,710 | 125,478 | 246,618 |
| Negative replacement values of derivative financial instruments | 942 | 306 | 378 | 351 |
| Accrued expenses and deferred income | 5,566 | - | 4,308 | - |
| Other liabilities | 728 | - | 1,010 | - |
| Provisions | 77 | - | 125 | - |
| Reserves for general banking risks | 10,000 | - | 10,000 | - |
| Bank's capital | 22,500 | - | 22,500 | - |
| Statutory retained earnings reserve | 5,686 | - | 5,686 | - |
| Voluntary retained earnings reserve | 30,207 | - | 30,207 | - |
| Profit carried forward / loss carried forward | 2,163 | - | 1,128 | - |
| Profit / loss (result of the period) | 3,035 | - | 1,035 | - |
| **Total liabilities** | **153,243** | **135,729** | **201,855** | **248,702** |

## 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%** | **-** | **0.00%** |
| **Asia** | **2,978** | **1.03%** | **4,175** | **0.92%** |
| China | 310 | 0.11% | 120 | 0.03% |
| Corea del Sud | 791 | 0.27% | 890 | 0.20% |
| United Arab Emirates | 1,491 | 0.52% | 1,445 | 0.32% |
| Georgia | - | 0.00% | 1,239 | 0.27% |
| Japan | - | 0.00% | 292 | 0.06% |
| Hong Kong | 386 | 0.13% | 189 | 0.04% |
| **Caribbean** | **14,255** | **4.94%** | **25,757** | **5.72%** |
| Bahamas | 3,505 | 1.21% | 1,385 | 0.31% |
| Bermuda | 47 | 0.02% | 50 | 0.01% |
| Cuba | - | 0.00% | 44 | 0.01% |
| Virgin Islands (British) | 10,419 | 3.61% | 21,277 | 4.72% |
| Panama | 284 | 0.10% | 3,001 | 0.67% |
| **Europe** | **136,361** | **47.18%** | **212,421** | **47.14%** |
| Belgium | 6,747 | 2.33% | 8,055 | 1.79% |
| Cyprus | 1,672 | 0.58% | 1,558 | 0.35% |
| Denmark | - | 0.00% | 93 | 0.02% |
| France | 1,583 | 0.55% | 5,732 | 1.27% |
| Germany | 7,575 | 2.62% | 14,967 | 3.32% |
| Gibraltar | 888 | 0.31% | 1,464 | 0.32% |
| UK | 8,124 | 2.81% | 11,624 | 2.58% |
| Ireland | 3,400 | 1.18% | 5,030 | 1.12% |
| Isle of Man | - | 0.00% | 1 | 0.00% |
| Italy | 45,633 | 15.79% | 85,460 | 18.97% |
| Jersey | 1,138 | 0.39% | 1,142 | 0.25% |
| Latvia | 86 | 0.03% | - | 0.00% |
| Luxembourg | 36,635 | 12.68% | 54,561 | 12.11% |
| Malta | 14,798 | 5.12% | 13,286 | 2.95% |
| Norway | - | 0.00% | 369 | 0.08% |
| Netherlands | 4,926 | 1.70% | 4,460 | 0.99% |
| Portugal | 2,210 | 0.76% | 2,405 | 0.53% |
| Romania | - | 0.00% | 2 | 0.00% |
| San Marino | 289 | 0.10% | 2,212 | 0.49% |
| Turkey | 657 | 0.23% | - | 0.00% |
| **Latin America** | **9** | **0.00%** | **387** | **0.09%** |
| Brazil | 7 | 0.00% | - | 0.00% |
| Mexico | - | 0.00% | 386 | 0.09% |
| Venezuela | 2 | 0.00% | 1 | 0.00% |
| **Liechtenstein** | **4** | **0.00%** | **34** | **0.01%** |
| Liechtenstein | 4 | 0.00% | 34 | 0.01% |
| **North America** | **5,045** | **1.75%** | **10,157** | **2.25%** |
| Canada | - | 0.00% | 212 | 0.05% |
| United States | 5,045 | 1.75% | 9,945 | 2.20% |
| **Oceania** | **250** | **0.09%** | **252** | **0.06%** |
| Australia | 250 | 0.09% | 252 | 0.06% |
| **Switzerland** | **130,070** | **45.01%** | **197,374** | **43.81%** |
| Switzerland | 130,070 | 45.01% | 197,374 | 43.81% |
| **Total assets** | **288,972** | **100.00%** | **450,557** | **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 | 51,368 | 32.82% | 70,475 | 30.21% |
| 2 | Aa1/Aa2/Aa3 | AA+/AA/AA- | AA+/AA/AA- | 42,977 | 27.46% | 66,073 | 28.33% |
| 3 | A1/A2/A3 | A+/A/A- | A+/A/A- | 6,215 | 3.97% | 7,752 | 3.32% |
| 4 | Baa1 /Baa2/ Baa3/Ba1/Ba2/ Ba3 | BBB+/BBB/ BBB-/BB+/BB/ BB-/B+ | BBB+/BBB/ BBB-/BB+/BB/ BB-/B+ | 55,306 | 35.33% | 88,877 | 38.10% |
| 5/6 | B1/B2/B3/ Caa1/Caa2/ Caa3/Ca/C | B/B-/CCC/ CC/C/D | B/B-/CCC/ CC/C/D | 657 | 0.42% | 0 | 0.00% |
| Unrated | | | | - | 0.00% | 85 | 0.04% |
| **Total** | | | | **156,523** | **100.00%** | **233,262** | **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 | Altre | Totale |
|---|---|---|---|---|---|---|---|
| Liquid assets | 39,695 | 412 | 14 | 4 | - | - | 40,125 |
| Amounts due from banks | 830 | 21,497 | 28,498 | 8,709 | 136 | 2,605 | 62,275 |
| Amounts due from customers | 7,916 | 89,581 | 26,503 | 1,502 | - | 1 | 125,503 |
| Mortgage loans | 13,391 | - | - | - | - | - | 13,391 |
| Trading portfolio assets | 272 | 6,605 | - | - | - | - | 6,877 |
| Positive replacement values of derivative financial instruments | 780 | - | - | - | - | - | 780 |
| Financial investments | 23,184 | 3,505 | 9,882 | - | - | - | 36,571 |
| Accrued income and prepaid expenses | 1,619 | 131 | 552 | 137 | - | - | 2,439 |
| Tangible fixed assets | - | 232 | - | - | - | - | 232 |
| Participations assets | 449 | - | - | - | - | - | 449 |
| Other assets | 215 | 115 | - | - | - | - | 330 |
| **Total assets shown in balance sheet** | **88,351** | **122,078** | **65,449** | **10,352** | **136** | **2,606** | **288,972** |
| **Delivery entitlements from spot exchange, forward forex and forex options transactions*** | **5,859** | **33,025** | **74,304** | **13,433** | **-** | **11,175** | **137,796** |
| **Total assets** | **94,210** | **155,103** | **139,753** | **23,785** | **136** | **13,781** | **426,768** |

| Liabilities | CHF | EUR | USD | GBP | JPY | Altre | Totale |
|---|---|---|---|---|---|---|---|
| Amounts due to banks | 38 | 220 | 447 | 8 | - | - | 713 |
| Amounts due in respect of customer deposits | 18,917 | 105,020 | 70,485 | 10,167 | 119 | 2,341 | 207,049 |
| Negative replacement values of derivative financial instruments | 1,248 | - | - | - | - | - | 1,248 |
| Accrued expenses and deferred income | 5,096 | 419 | 51 | - | - | - | 5,566 |
| Other liabilities | 666 | 32 | 30 | - | - | - | 728 |
| Provisions | 77 | - | - | - | - | - | 77 |
| 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 | 2,163 | - | - | - | - | - | 2,163 |
| Profit / loss (result of the period) | 3,035 | - | - | - | - | - | 3,035 |
| **Total liabilities shown in the balance sheet** | **99,633** | **105,691** | **71,013** | **10,175** | **119** | **2,341** | **288,972** |
| **Delivery obligations from spot exchange, forward forex and forex options transactions*** | **18,354** | **40,689** | **54,629** | **13,433** | **-** | **11,175** | **138,280** |
| **Total liabilities** | **117,987** | **146,380** | **125,642** | **23,608** | **119** | **13,516** | **427,252** |
| | | | | | | | |
| **Net position per currency** | **-23,777** | **8,723** | **14,111** | **177** | **17** | **265** | **-484** |

* 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 | 1,139 | 1,090 |
| Irrevocable commitments arising from documentary letters of credit | 13,494 | 13,288 |
| **Total contingent liabilities** | **14,633** | **14,378** |

### Breakdown of credit commitments (Table 29)

| | Current year | Previous year |
|---|---|---|
| Commitments arising from deferred payments | - | 858 |
| Commitments arising from acceptances (for liabilities arising from acceptances in circulation) | - | - |
| Other credit commitments | - | - |
| **Total credit commitments** | **-** | **858** |

### Breakdown of fiduciary transactions (Table 30)

| | Current year | Previous year |
|---|---|---|
| Fiduciary investments with third-party companies | 79,622 | 30,282 |
| **Total** | **79,622** | **30,282** |

### 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 | 42,377 | 55,732 |
| Assets under discretionary asset management agreements | 211,634 | 235,292 |
| Other managed assets | 1,295,194 | 1,409,539 |
| **Total managed assets (including double counting)** | **1,549,205** | **1,700,563** |
| *of which, double counting* | *28,077* | *33,359* |

| **b) Presentation of the development of managed assets** | Current year | Previous year |
|---|---|---|
| **Total managed assets (including double counting) at beginning** | **1,700,563** | **2,146,096** |
| +/- net new money inflow or net new money outflow | -94,376 | -90,482 |
| +/- price gains / losses, interest, dividends and currency gains / losses | -56,982 | -355,051 |
| **Total managed assets (including double counting) at end** | **1,549,205** | **1,700,563** |

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 | 5,334 | 4,584 |
| Other trading activities | -153 | -387 |
| Currencies | 356 | 1,458 |
| **Total** | **5,537** | **5,655** |
| **b) Breakdown by underlying risk and based on the use of the fair value option** | | |
| **Result from trading activities from:** | | |
| Interest rate instruments | 5,496 | 4,543 |
| Equity securities (including funds) | -315 | -346 |
| Foreign currencies | 356 | 1,458 |
| **Total** | **5,537** | **5,655** |

### 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 * | 2 | 415 |

* 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) | 12,499 | 10,652 |
| *of which, expenses relating to share-based compensation and alternative forms of variable compensation* | - | – |
| Social insurance benefits | 2,416 | 2,140 |
| Other personnel expenses | 140 | 97 |
| **Total** | **15,055** | **12,889** |

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

| | Esercizio in rassegna | Esercizio precedente |
|---|---|---|
| Office space expenses | 779 | 894 |
| Expenses for information and communications technology | 2,690 | 2,486 |
| Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses | 16 | 14 |
| Fees of audit firm(s) (Art. 961a no. 2 CO) | 370 | 599 |
| *of which, for financial and regulatory audits* | *274* | *317* |
| *of which, for other services* | *96* | *282* |
| Other operating expenses | 1,961 | 1,607 |
| *of which, compensation for any cantonal guarantees* | - | - |
| **Total** | **5,816** | **5,600** |

## 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 | 10,740 | - |
| Interest and dividend income from trading activities | 54 | - |
| Interest and dividend income from financial investments | 980 | - |
| Interest expense | -68 | - |
| **Gross result from interest operations** | **11,706** | **-** |
| Changes in value adjustments for default risks and losses from interest operations | -280 | - |
| **Net result from interest operations** | **11,426** | **-** |
| **Result from commission business and services** | | |
| Commission income on securities and investment transactions | 8,986 | - |
| Commission income from lending activities | 1,033 | - |
| Commission income from other services | 203 | - |
| Commission expense | -2,183 | - |
| **Result from commission business and services** | **8,039** | **-** |
| **Result from trading activities and the fair value option** | **5,537** | **-** |
| **Other result from ordinary activities** | **25** | **-** |
| **Total income for the period** | **25,027** | **-** |
| **Operating expenses** | | |
| Personnel expenses | -15,055 | - |
| General and administrative expenses | -5,816 | - |
| **Total operating expenses** | **-20,871** | **-** |
| Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets | -436 | - |
| Changes to provisions and other value adjustments, and losses | 48 | - |
| **Operating result** | **3,768** | **-** |

## Table 39: Taxes

| | Current year | Previous year |
|---|---|---|
| Current tax* | 732 | 159 |
| **Total tax** | **732** | **159** |
| Average rate on operating result | 19% | 13% |

* Current taxes as of 31.12.2023 are made up as follows:
- chf 458 thousand for taxes on profit net of chf 182 thousand for use of BIM's residual carried forward losses
- chf 128 thousand for wealth taxes
- chf 146 thousand for Italian taxes (withholdings paid on debt interest of Italian customers in previous years and not recovered)

The impact arising from the use of Banca Intermobiliarere's reported losses referred to above led to a reduction in the average rate on the result for the year of 5%.

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

Lugano, 21 March 2024

# Report of the statutory auditor

## Report on the audit of the financial statements

**Opinion**
We have audited the financial statements of BANCA ZARATTINI & CO. SA (the Company), which comprise the statement of financial position as at 31 December 2023, the statement of income and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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

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

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

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

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

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

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

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

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

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

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

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

## Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

Erico Bertoli
(Qualified Signature)
Licensed audit expert
(Auditor in charge)

Beatrice Groppelli
(Qualified Signature)
Licensed audit expert

# Building a secure future

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