



Annual financial statement 2021

Our results

bank zweiplus 

Table of contents

4	Balance sheet
5	Income statement
6	Appropriation of profit
7	Statement of change in equity
9	Notes
	- Name, legal form and domicile
	- Accounting and valuation principles
	- Risk management
	- Methods used for the identification of credit risk and determining the need for a value adjustment
	- Valuation of the coverage
	- Company policy concerning the use of derivative financial instruments and hedge accounting
	- Significant events after the balance sheet date
	- Information on the balance sheet
	- Information on off-balance sheet
	- Information on the income statement
32	Report of the Statutory Auditor

Balance sheet as of December 31

in CHF 1 000

	Notes	2021	2020
Assets			
Liquid assets		346 444	327 111
Amounts due from banks		123 123	112 246
Amounts due from customers	1/7	31 286	24 512
Mortgage loans	1	16 305	32 276
Trading portfolio assets	2	46	313
Positive replacement values of derivative financial instruments	3	8	3
Financial investments	4	0	5 021
Accrued income and prepaid expenses		5 368	3 940
Tangible fixed assets		417	625
Other assets	5	10	305
Total assets		523 007	506 352
Total subordinated claims		0	0
Liabilities			
Amounts due to banks		204	46
Liabilities due in respect of customer deposits		442 286	436 619
Negative replacement values of derivative financial instruments	3	17	102
Accrued expenses and deferred income		7 425	7 210
Other liabilities	5	4 591	3 471
Provisions	7	10 551	4 072
Reserves for general banking risks	7	2 400	2 400
Share capital	8	35 000	35 000
Statutory retained earnings reserve		2 539	2 534
Voluntary retained earnings reserves		5 300	5 300
Profit carried forward		9 593	9 506
Profit current year		3 101	92
Total liabilities		523 007	506 352
Total subordinated liabilities		0	0

Off-balance sheet transactions as of December 31

in CHF 1 000

	Notes	2021	2020
Off-balance sheet transactions			
Contingent liabilities	1	906	936
Irrevocable commitments	1	4 252	4 178

Income statement 1.1.-31.12.

in CHF 1 000

	Notes	2021	2020
Result from interest operations			
Interest and discount income		-376	372
Interest and dividend income from financial investments		-21	5
Interest expense		439	249
Gross result from interest operations		42	626
Changes in value adjustments for default risks and losses from interest operations		-128	0
Subtotal net result from interest operations	14	-86	626
Result from commission business and services			
Commission income from securities trading and investment activities		28 616	25 731
Commission income from lending activities		1	1
Commission income from other services		8 608	8 294
Commission expense		-1 350	-1 412
Subtotal result from commission business and services		35 875	32 614
Result from trading activities	13	8 808	7 210
Other result from ordinary activities			
Result from real estate		13	15
Other ordinary income		124	57
Subtotal other result from ordinary activities		137	72
Operating expenses			
Personnel expenses	15	-15 716	-15 561
General and administrative expenses	16	-18 969	-20 760
Subtotal operating expenses		-34 685	-36 321
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		-208	-212
Changes to provisions and other value adjustments and losses		-6 509	-587
Operating result		3 332	3 402
Changes in reserves for general banking risks	17	0	-2 400
Taxes	18	-231	-910
Profit		3 101	92

Appropriation of profit

in CHF 1 000

	2021	2020
Profit	3 101	92
+ Profit carried forward	9 593	9 506
Balance sheet profit	12 694	9 598
Appropriation of profit	12 694	9 598
- Allocation to statutory retained earnings reserve	-161	-5
- Dividend	0	0
Profit carried forward to new account	12 533	9 593

Statement of changes in equity

in CHF 1 000

	Share capital	Statutory retained earnings reserve	Reserves for general banking risks	Voluntary retained earnings reserves and profit carried forward	Result of the period	Total
Equity as of 01.01.2021	35 000	2 534	2 400	14 806	92	54 832
Allocation to statutory retained earnings reserve	–	5		–	-5	–
Net change in profit carried forward	–	–		87	-87	–
Dividends and other distributions	–	–		–	–	–
Allocation to reserves for general banking risks						–
Profit	–	–			3 101	3 101
Equity as of 31.12.2021	35 000	2 539	2 400	14 893	3 101	57 933

Notes

Name, legal form and domicile

bank zweiplus is a company limited by shares under Swiss law with headquarters in Zurich. It positions itself as an independent product and settlement platform with tailored financial solutions for qualified financial service providers, asset managers and insurance companies. The bank zweiplus was established on July 1, 2008 and is a subsidiary of Bank J. Safra Sarasin Ltd., Basel (share 57.5%).

Total number of full-time equivalents employees at the end of 2021 was 93.9 (previous year: 95.0 employees). Many settlement services of the bank zweiplus are outsourced to the majority shareholder Bank J. Safra Sarasin Ltd. in Basel.

The core area of business and also the main source of income, with a share of about 80% of the ordinary income, is the commission business and services. The trading portfolio assets contribute approximately 20% to the ordinary income. The main activities of the individual business areas can be characterized as follows.

Lending business

The bank zweiplus currently operates the lending business as a supplement to the commission business and services. The loans are provided to customers either against readily realizable securities collateral or on the basis of a mortgage. In exceptional cases, unsecured loans can be approved after a special investigation of the background and the feasibility. Loans to public bodies and purely commercial business loans are not included in the core business.

Trading

The bank zweiplus focuses its securities and foreign exchange trading almost exclusively on the customer business.

Commission business and services

The commission business and services is bank zweiplus main activity. It is positioned as a bank for investors with small and medium funds, and offers tailored financial solutions both to its own customers and those of qualified financial service providers.

Outsourcing of business activities

bank zweiplus outsources a significant share of its settlement processes in middle- and back-office operations to Bank J. Safra Sarasin Ltd in Basel, particularly regarding IT infrastructure with the core banking application Avaloq, securities management, payment transactions, finance and accounting as well as risk management. The Bank has also outsourced its mortgage processing to avobis Credit Services AG in Zurich, while the internal post and transport services and scanning of physical documents have been outsourced to Swiss Post Solutions Ltd. in Zurich. bank zweiplus entered into a cooperation agreement with Ringier Axel Springer Schweiz Ltd, Zurich regarding marketing activities, whereby the agreed services also include the operation of a web-based account opening tool. The possibility of video identification with Swisscom (Switzerland) Ltd. is offered. These outsourcing activities are specifically regulated through service level agreements in accordance with the provisions of the Swiss Financial Market Supervisory Authority (FINMA). Since all employees of the service providers are also subject to Swiss banking secrecy law, confidentiality of the data is of course ensured.

Accounting and valuation principles

General principles

The bookkeeping, accounting and valuation policies are governed by the Code of Obligations, the Banking Act and its provision as well as its ordinance of accounting of the Swiss Financial Market Supervisory Authority (FINMA-AccO) and the accounting rules for banks, investment firms, financial groups and conglomerates pursuant to circular 20/1 from FINMA (FINMA-Circ.). In compliance with Art. 86 para. 1 FINMA-AccO and Art. 36 Banking Ordinance as well as Art. 6b paras. 2 and 3 Banking Act, bank zweiplus has decided not to include and publish the management report, cash flow statement and certain sections of the notes as it is part of a financial group supervised by FINMA, J. Safra Sarasin Group, which prepares consolidated financial statements and publishes these together with the Group's management report. The present statutory individual financial statements with reliable representation, presents the economic situation of the bank zweiplus so that third parties can form a reliable judgement. The statements may contain hidden reserves.

General valuation principles

The annual financial statement is prepared under the assumption of continued business operations. The balance sheet is prepared using recognized continuing values.

The items reported in the balance sheet are valued individually.

The offsetting of assets and liabilities and of income and expenses will, as a principle, not be performed. The offsetting of financial assets and liabilities are carried out only in the following cases:

- Assets and liabilities are offset if they are from the same transactions with the same counterparty in the same currency, with the same or earlier maturity of the debts and cannot lead to any counterparty risk.
- Withdrawal of value adjustments from the asset concerned.
- Offsetting of positive and negative value adjustments not affecting net income in the reporting period in the compensation account.

Financial instruments

Liquid assets

Liquid assets are recorded at nominal value.

Amounts due from banks and customers and mortgagees

Amounts due from banks and customers, as well as mortgage loans are recorded at nominal value less necessary value adjustments.

Receivables that are at risk and overdue are valued individually and the loss in value is covered by individual value adjustments. Loans are classified as overdue, at the latest, when the contractual payments for principal, commissions and/or interest are totally or partially overdue for more than 90 days. Overdue interest and interest whose payment is at risk are no longer recorded. Loans are recorded as interest-free if the collection of interest is doubtful and a deferral is no longer considered useful. The impairment is measured by the difference between the book value of the receivable which is at risk and the probable recoverable amount, taking into account the counterparty risk and the expected net proceeds from the liquidation of collateral. If it is expected that the recovery process will take longer than one year, a discounting of the estimated realization proceeds will be made to the balance sheet date.

In addition to the individual value adjustments, general value adjustments are formed, where necessary, to cover the existing or anticipated latent risks as of valuation date, according to experience, which are not individually allocable.

Adjustments for receivables which are at risk are dissolved, provided that the outstanding principal, commissions and interest amounts are paid on time in accordance the contractual agreements and the creditworthiness criteria are again fulfilled.

Liabilities to banks and liabilities due to customers

These items are recorded at nominal value.

Trading portfolio assets

Trading positions are generally assessed and recognized at «Fair value». «Fair value» is generally recorded as the traded or set rates on a recognized exchange or a representative market as of the balance sheet date. If, as an exception, no «Fair value» is available, the valuation and balancing is done according to the lowest value principle.

The resultant realized gains and losses are recorded in the «Result from trading activities».

Accounting and valuation principles

Positive and negative replacement values of derivative financial instruments

Derivative financial instruments are recorded at trading and hedging purposes.

- Trading transactions

All derivative financial instruments from trading transactions are recorded at «Fair value» and their positive or negative replacement values are accounted for under the appropriate positions. The «Fair value» is based on market rates, quoted dealer prices, discounted cash flow and option pricing models.

The realized trading profit and unrealized valuation gains from trading transactions are recorded under the item «Result from trading activities».

- Hedging transactions

bank zweiplus also employs derivative financial instruments as part of the asset and liability management to hedge against interest rate, currency and default risks. Hedging transactions are valued similarly to hedged underlying transactions. Any profit or loss from hedging transactions is booked to the same account as the profits or losses of the transaction being hedged. Any profit or loss from hedging instruments is booked in the compensation account, provided no value adjustment is recognized for the hedged transaction. The net balance of the compensation account is recorded under «Other assets» or «Other liabilities». The effectiveness of the hedging relationship is checked periodically. Hedging transactions, in which the hedging relationship ceases to be wholly or partially effective, are treated as trading transactions within the scope of the non-effective part.

- Netting

bank zweiplus offsets positive and negative replacement values against the same counterparty under recognized and legally enforceable netting agreements.

Financial investments

Financial investments comprise debt securities, equity securities as well as real estate and goods acquired from the lending business and which are intended for sale.

Financial investments, which are valued according to the lowest value principle, an appreciation in value to no more than the historical cost is recorded, provided that they again appreciate above the «Fair value» acquisition value below which they had fallen. The balance of the value adjustments is recorded in the item «Other ordinary expenses» or «Other ordinary income».

- Debt securities intended to be held until maturity

The valuation is done according to the historical cost principle, with deferral to the agio or disagio on the remaining maturity (accrual method). Here, the agio or disagio is deferred over the duration to maturity under the «assets or respectively the liability accruals or deferrals». Credit risk-related changes in value are recognized immediately under the item «Changes in value adjustments for default risks and losses from interest operations».

If financial investments with the intention of holding until maturity are sold or repaid prematurely, the unrealized gains and losses, which correspond to the interest component, are deferred over the remaining duration until the maturity of the transaction under «Other assets» or «Other liabilities».

- Debt securities with no intention of holding to maturity

The valuation is done according to the principle of the lower of cost and market value.

Value adjustments from the subsequent valuation are done under the item «Other ordinary expenses» or «Other ordinary income». Credit risk related value changes are recorded under the item «Changes in value adjustments for default risks and losses from interest operations».

- Participation securities and real estate and goods taken over from the lending business and which are intended for sale

The valuation is done using the principle of the lower of cost and market value. For equity securities from real estate and goods taken over from the lending business and which are intended for sale, the lowest value is determined from the historical cost or liquidation value. Value adjustments are recorded in the balance under the item «Other ordinary expenses» or «Other ordinary income».

Participations

Participations are individually valued at cost, less any economic necessary value adjustments.

On each balance sheet date, it is assessed whether or not the value of the individual participations is reduced. This assessment is done on the basis of evidence that suggest that some assets might be affected by such material impairments. In the case of such indications, the recoverable amount is determined. The recoverable amount is determined for each asset individually. The recoverable amount is the higher of net selling price and value-in-use. An asset is reduced in its value if its book value exceeds the recoverable value. If there is a material impairment, the book value is reduced to its recoverable value and the material impairment recorded under the item «Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets». Realised gains from the disposal of participations are booked under «Extraordinary income», unrealized losses under the item «Extraordinary expenses».

Tangible fixed assets

Investments in new tangible fixed assets are capitalized and according to historical principle rated when they are used for more than one accounting period and exceed the defined limits activation. Investments in existing tangible fixed assets are capitalized if this increases the market or the value-in-use or if the sustainable life is significantly extended. Minor acquisitions and renovation and maintenance costs which are not value-enhancing are, in contrast, recorded directly in General and administrative expenses.

For subsequent valuation, tangible fixed assets are recorded at cost, less accumulated depreciation. Depreciation is linear over the conservatively estimated useful life of the tangible fixed asset. At balance sheet date, the recoverability of the tangible fixed asset is reviewed. If this assessment reveals a modified useful life or impairment of tangible fixed assets, the net book value is depreciated over the remaining useful life or an unscheduled depreciation is performed. Scheduled depreciation and any additional unscheduled depreciation are recorded under the income statement. If the reason for the unscheduled depreciation no longer exists, there is a corresponding appreciation in value. The estimated useful lives of individual tangible fixed asset categories are as follows:

	Duration of the lease agreement or a maximum
Fixed installation in leasehold real estate	5 years
Furnishings	10 years
Other tangible fixed assets	5 years
Informatics and communications equipment (hardware)	3 years
Software	3 years

Realised gains on disposal of tangible fixed assets are booked under «Extraordinary income», realized losses under the item «Extraordinary expenses».

Intangible assets

Acquired intangible assets are recognized if they bring measurable benefits to the bank zweiplus over several years. Internally generated intangible assets are not accounted for. Intangible assets are recognized and measured in accordance with the historical cost principle. Intangible assets are amortized using the straight line method over a conservatively estimated useful life under the item «Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets». The estimated useful lives of individual intangible asset categories are as follows:

Licenses and brands	5 years
Acquired customer lists	5 years

It is assessed on each balance sheet date whether or not intangible assets are impaired in value. This assessment is done on the basis of evidence that suggest that some assets might be affected by such a material impairment. If there are such indications, the recoverable value of each asset is determined individually. An asset is impaired in its value if its book value exceeds the recoverable amount. If there is a material impairment, the book value is reduced to its recoverable amount and the value impairment recorded under the item «Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets».

If the result of the review of the value of an intangible asset shows a modified useful life, the residual book value is depreciated over the adjusted useful life.

Realised gains on disposal of intangible assets are booked under «Extraordinary income», unrealized losses under the item «Extraordinary expenses».

Accounting and valuation principles

Provisions

Legal and factual obligations are rated regularly. If a cash outflow can be probably and reasonably estimated, a provision is made.

Existing provisions are reassessed on each balance sheet date. Based on the reassessment they could be increased, maintained or dissolved. Provisions are recorded as follows under the individual items of the income statement:

- Provisions for deferred taxes: Item «Taxes»
- Pension provisions Item «Personnel expenses»
- Other provisions: Item «Changes to provisions and other value adjustments and losses» with the exception of any restructuring provisions

Provisions are dissolved in the income statement, if they are no longer economically necessary and cannot be used simultaneously for other similar needs.

Reserves for general banking risks

Reserves for general banking risks are precautionary reserves formed to hedge against latent risks in the bank's operating activities.

The recognition and release of such reserves are recognized in item «Changes in reserves for general risks» in the income statement.

Reserves for general banking risks are taxed.

Taxes (income and capital taxes)

The annual profit and capital taxes are determined on the profit or loss for the period, in accordance with the local provisions for the estimation of taxes on profits and recorded as an expense in the accounting period in which the related profits are realized. Direct taxes accrued from the current profits and capital are recorded as accruals or deferrals as of the balance sheet date. If the sum of the advance payments made exceed the amount of taxes owed, this excess is shown under accruals or deferrals.

Off-balance sheet transactions

The recording in the off-balance sheet is done at the nominal value. Provisions are made under liabilities in the balance sheet for foreseeable risks.

Pension obligations

Employees of the bank zweiplus are connected to the pension fund «Pensionable J. Safra Sarasin Ltd.». bank zweiplus bears the proportionate costs of benefits according to the pension regulations. Organization, financing and management of the pension plan is governed by the legal regulations, the Deed of Foundation and the applicable pension regulations. bank zweiplus records the employer contributions under personnel expenses.

In accordance with FINMA-Circ. 20/1 «accounting banks», the bank zweiplus has waived the activation of any possible economic benefits from pension funds. An economic obligation is however considered if the conditions for the formation of a provision are met.

Adjustments in accounting and valuation principles

bank zweiplus adopted the Accounting Ordinance of the Swiss Financial Market Supervisory Authority (FINMA-AccO) which introduced a revised approach towards value adjustments for default risks. Changes were fully recognised and implemented in these financial statements with effect from 1 January 2021. Comparative information, as far as affected, was not adjusted.

Adoption specifically included the formation of value adjustments for inherent risks of default on nonimpaired receivables and provisions for inherent risks of default of off-balance sheet positions. Such value adjustments and provisions are designed to provide for not yet incurred losses that implicitly exist in the credit business.

For positions with a published rating (e.g. due from bank, financial investments and money market investments), the value adjustment for inherent default risk is calculated by multiplying the Exposures at Default * Probability of Default * Loss Given Default.

The three parameters are defined as follows:

- Probability of Default (PD): the default rates by rating and by tenor published in the «Moody's annual default study»
- Exposure at Default (EAD): the balance positions reported on the balance sheet date
- Loss Given Default (LGD): average bond and loan recoveries from 1983 to 2018 published in the «Moody's annual default study»

For positions with no published rating (e.g. due from clients, mortgages, guarantees), the value adjustment for inherent default risk is based on the risk classification of the underlying credit exposure.

Each of the 7 Credit Risk Classes («CRC») - CRC 1 being standard - has an inherent default risk factor based on the probability of default and loss given default of the net exposure. The higher the risk class, the riskier the underlying credit exposure and the respective inherent default risk factor. The highest CRC is not considered in the inherent risk calculation as it is the CRC nonperforming loans, which already are provisioned. The inherent default risk factors are based on market benchmark comparison and historic default analysis of the lombard and mortgage portfolios. For the Lombard loan portfolio, the PD and LGD factors cannot be monitored from market data as for e.g. issuers, so to derive the risk factor a combination of knowledge of our book and market sources (available peer

comparison) is used. For the mortgage book published LGD and PD figures since 1990 could also be taken into consideration to derive the final risk figures.

Inherent default risk factors are determined separately for the Lombard and Mortgage categories. Accounts, which are already provisioned specifically are excluded from the inherent default risk calculation.

Value adjustments for inherent default risks are calculated on the book value of the positions and are deducted from the corresponding asset in the balance sheet. The adoption led to a one-time recognition of value adjustments and provisioning for inherent default risks of TCHF 129 against income statement. Value adjustments and provisions for inherent default risks are reassessed quarterly and changes recognised in the income statement as changes in value adjustments for default risks and losses from interest operations.

Value adjustments for inherent default risks can be used for the establishment of individual value adjustments on impaired receivables. Amounts used must be restored within 5 years at the latest.

The determined level of value adjustments and provisioning for inherent default risks is fully provided as at balance sheet date (no shortfall).

All other accounting and valuation principles are unchanged.

Accounting and valuation principles

Reporting of transactions

All transactions are recorded according with the settlement date principle. Cash transactions in foreign currencies and securities transactions are reported between the trade and settlement dates as derivative instruments under the balance sheet items «Positive» or «Negative replacement values of derivative financial instruments». Fixed underwriting commitments from securities emissions and money market instruments are accounted for at settlement date.

Treatment of overdue interest

Overdue interests and related commissions are recognized as non-interest income. These include interests and commissions that are overdue for over 90 days, but have not been paid. In the case of current account limits, interest and commissions are considered overdue if the specified credit limit is exceeded for more than 90 days. From that moment the future accrual of interests and commissions are longer recorded under the item «Interest and discount income», until no interest is overdue for more than 90 days. Overdue interest is not cancelled retroactively.

Receivables from interest accrued until the end of the 90-day period (due and unpaid interest and accrued interest) are written off under the item «Changes in value adjustments for default risks and losses from interest operations».

Foreign currency conversions

Transactions in foreign currencies are recorded at the current exchange rates. All balance sheet items in foreign currencies are converted to Swiss francs as of balance sheet date. The resulting exchange gains or losses are recorded under the item «Result from trading activities».

The following exchange rates were used for the foreign currency translation:

	31.12.2021	31.12.2020
Euro (EUR)	1,0362	1,0816
US-Dollar (USD)	0,9115	0,8840

Treatment of refinancing of the items under the trading business

Refinancing costs for the trading portfolio assets are not charged to the trading income.

Risk management

bank zweiplus' written risk policy is reviewed annually and approved by the Board of Directors. The risk policy forms the basis for bank zweiplus' risk management. Clear limits are set for all relevant types of risks, compliance with which is constantly monitored. The Board of Directors has made adequate risk assessments periodically and has initiated any resulting measures to ensure that the risk of any significant false statement in financial reporting is classified as small.

Credit risk

Customer loans

Loans to customers are preferably issued under the securities business and asset management. Coverage is either against readily realizable securities collateral or on a mortgage-related basis. In exceptional cases, unsecured loans can be approved after a special investigation of the background and the feasibility. Loans to public bodies and purely commercial business loans are not included in the core business.

Counterparty risk in the interbank business

bank zweiplus' interbank, trading and derivatives business is transacted with first-class addresses, in particular with the shareholding banks.

Risk of changes in interest

The interest rate risks from the balance sheet and off-balance-sheet assets are centrally monitored and controlled. bank zweiplus is aiming for a congruent maturity structure of assets and liabilities of the business. The interest rate risk is monitored based on the maturity of interest-sensitive items per currency (gap analysis).

Other market risks

There are other market risks based on losses for the bank zweiplus due to changes in share prices and exchange rates. bank zweiplus does not engage in proprietary trading. Furthermore, bank zweiplus holds only modest foreign exchange positions, to meet the needs of customers.

Liquidity

The liquidity risk is based on the fact that the fulfilment of commitments made is not guaranteed at any time. Liquidity risks are monitored and controlled in accordance with banking regulatory requirements.

Operational risks

Operational risks are defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition covers all legal risks, including fines by supervisory authorities and the like. The basic processes for monitoring the operational risks are based on internal directives, on the training of employees and the adequate level of reporting.

Corporate governance disclosures

Board of Directors

Daniel Belfer, Chairman
Dr. Matteo Maccio, Vice-Chairman
Salomon Sebban, Member
Dr. Cédric Chapuis, Member
Dr. Roberto Grassi, Member

The composition of the Board of Directors reflects the shareholder structure as set out in Note 10. FINMA approved an exception to the rule under FINMA Circular 2017/01 according to which independent members have to make up at least one-third of the Board of Directors.

Executive Committee

Markus Aisslinger, Chief Executive Officer
Fabian Zeier, Chief Operation Officer
Georges Bingert, Head of Intermediaries
Marcel Gamper, Head of Direct Clients

Information on the professional background and qualifications of the members of the Board of Directors and the Executive Board is available on the website of bank zweiplus.

Methods used for the identification of credit risk and determining the need for a value adjustment

Mortgage secured loans

The appraisals of owner-occupied residential properties are updated annually using the hedonic models. In so doing, the bank zweiplus uses region-specific house price indices derived from an external provider and validated by the bank zweiplus. bank zweiplus updates the loan to value ratio annually, using these assessments. Additionally, arrears on interest and amortization are analysed. This allows bank zweiplus to identify mortgagees that are associated with high risks. Where necessary, further coverages is required or an appropriate value adjustment is formed on the basis of the lack of coverage.

Loans against securities

The exposure and the value of collateral for loans with securities are monitored daily. If the collateral value of the securities falls below the amount of the loan, a reduction in the credit exposure, or additional securities is required. If the coverage gap increases or if there are exceptional market conditions, the collateral is realised and the loan is closed out.

Loans without coverage

Loans without coverage are usually unsecured account overdrafts of retail customers. If there are higher risks, the credit department carries out a detailed assessment and determines the need for action, together with the customer advisor. If it can be assumed at this stage that there is a risk to the credit exposure, a corresponding value adjustment is recorded.

Procedure for determining value adjustments and provisions

A need for a new value adjustment and provision is identified according to the methods described above. In addition, known risk items, where a risk has been identified earlier, is reassessed on each balance sheet date and a value correction is performed, if necessary. The Risk Committee assesses and approves all the value corrections formed for the risk items. In addition, approval is required from the management and the Board of Directors.

Valuation of the coverage

Mortgage secured loans

For mortgage lending business, a current assessment of the securities is done for each loan. The assessment is done depending on the use of the object. For the assessment of residential properties, bank zweiplus' internal estimate of hedonic pricing models is available. These compare real estate transaction data for each real estate, using detailed characteristics.

bank zweiplus uses at the lowest value resulting from the internal assessment, the purchase price and a possible external estimate, as a basis for the granting of credit.

Loans against securities

For Lombard loans and other loans with securities, mainly transferable financial instruments (such as bonds and shares), which are liquid and are actively traded are accepted.

bank zweiplus applies discounts to the market value to cover the existing case of marketable and liquid securities market risk and to determine the collateral value. For life insurance policies or guarantees, the discounts are determined on a product basis or custom-specific.

Company policy concerning the use of derivative financial instruments and hedge accounting

Company policy concerning the use of derivative financial instruments

Derivative financial instruments are used by the bank zweiplus as part of risk management, primarily to hedge interest and currency risks. Hedge transactions are concluded exclusively with external counterparties.

Application of hedge accounting

Types of basic and hedging transactions

bank zweiplus uses hedge accounting primarily related to the following business:

Underlying transaction	Means of hedging
Risks of changes in interest rates from interest rate sensitive assets and liabilities in the banking book	Interest rate swaps

Significant events after the balance sheet date

In February Bank J. Safra Sarasin acquired the remaining shares in bank zweiplus (42.5%).

No further events affecting the balance sheet or income statement are to be reported for the financial year 2021.

Information on the balance sheet

in CHF 1 000

Note 1 - Collateral for loans /receivables and off-balance sheet transactions as well as impaired loans /receivables

	Mortgage collateral	Other collateral	Without collateral	Total
Coverage of debts and off-balance sheet transactions				
Loans (before netting with value adjustments)				
Amounts due from customers ¹	–	31 219	112	31 331
Mortgage loans	16 381	–	–	16 381
- Residential real estate	15 616	–	–	15 616
- Office and commercial buildings	765	–	–	765
Total loans as of 31.12.2021 (before netting with value adjustments)	16 381	31 219	112	47 712
Total loans as of 31.12.2020 (before netting with value adjustments)	32 276	24 408	104	56 788
Total loans as of 31.12.2021 (after netting with value adjustments)	16 305	31 174	112	47 591
Total loans as of 31.12.2020 (after netting with value adjustments)	32 276	24 408	104	56 788
Off-balance sheet				
Contingent liabilities	–	906	–	906
Irrevocable commitments	–	4 252	–	4 252
Total off-balance sheet as of 31.12.2021	–	5 158	–	5 158
Total off-balance sheet as of 31.12.2020	–	5 114	–	5 114

	Gross debt amount	Estimated proceeds from liquidation or collaterals	Net debt amount	Individual value adjustments
At risk receivables				
Total at risk receivables as of 31.12.2021	–	–	–	–
Total at risk receivables as of 31.12.2020	–	–	–	–

¹ Based on the general pledge and offset right stipulated in the General Terms and Conditions of bank zweiplus ltd, available credit balance is credited as coverage for corresponding exposure from customers.

Note 2 - Trading portfolio assets (assets and liabilities)

	31.12.2021	31.12.2020
Assets		
Trading portfolio assets		
Equity securities	45	39
Precious metals and commodities	1	274
Total assets	46	313
- Of which is determined using a valuation model	–	–
- Of which securities eligible for repo transactions in accordance with liquidity requirements	–	–

Note 3 - Derivative financial instruments (assets and liabilities)

	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments						
Forward agreements	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Futures	–	–	–	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Foreign exchange / precious metals						
Forward agreements	8	17	2 838	–	–	–
Swaps	–	–	–	–	–	–
Futures	–	–	–	–	–	–
Options (OTC)	–	–	–	–	–	–
Options (exchange traded)	–	–	–	–	–	–
Total before netting agreements						
31.12.2021	8	17	2 838	–	–	–
- Of which determined using a valuation model	8	17	2 838	–	–	–
31.12.2020	3	6	506	–	96	12 629
- Of which determined using a valuation model	3	6	506	–	96	12 629
				Positive replacement values (accumulated)	Negative replacement values (accumulated)	
Total after netting agreements						
31.12.2021				8	17	
31.12.2020				3	102	
				Central clearing houses	Banks and securities dealers	Other customers
Breakdown by counterparties						
Positive replacement values (after netting agreements)				–	–	8

Information on the balance sheet

in CHF 1 000

Note 4 - Financial investments

	Book value		Fair value	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Breakdown of financial investments				
Debt securities	–	5 021	–	5 031
- Of which intended to be held to maturity	–	5 021	–	5 031
Total	–	5 021	–	5 031
- Of which securities eligible for repo transactions in accordance with liquidity requirements	–	5 021	–	5 031

Breakdown of counterparties by rating	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Lower than B-	Without rating
Debt securities						
Book value	–	–	–	–	–	–

bank zweiplus uses the Standard & Poor's agency rating categories.

Note 5 - Other assets and other liabilities

	31.12.2021		31.12.2020	
	Other assets	Other liabilities	Other assets	Other liabilities
Compensation account			96	
Indirect taxes		793	52	820
Retained commission for financial service providers				
Commission refunds financial services providers	3		5	
Billing Account financial services providers		3 797		2 643
Miscellaneous other assets and other liabilities	7	1	152	8
Total other assets and liabilities	10	4 591	305	3 471

Note 6 - Economic situation of own pension funds

	Nominal value at current year end	Waiver of use at current year end	Net amount at current year end	Net amount at previous year end	Influence of ECR on personnel expenses	
					Current year	Previous year
Employer contribution reserves (ECR)						
J. Safra Sarasin Ltd. Pension Fund, partial plan bank zweiplus ltd	–	–	–	–	–	–

	Over-funding/ under-funding at end of current year	Economic interest of the bank zweiplus		Change in economic interest (economic benefit/ obligation) versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses	
		Current year	Previous year			Current year	Previous year
Representation of the economic benefit / economic obligation and pension expenses							
J. Safra Sarasin Ltd. Pension Fund, partial plan bank zweiplus ltd	8 697	–	–	–	1 487	1 505	1 458

For all employees of the bank zweiplus, who have completed their 17th year of life, there is a pension plan according to a defined contribution plan, which is incorporated in the Pension Fund of J. Safra Sarasin Ltd., Basel. The Pension Fund of J. Safra Sarasin Ltd., Basel prepares its annual financial statement in accordance with Swiss GAAP FER 26. The determination of the economic

impact is made on the basis of the financial situation of the pension fund. The coverage of the pension scheme was not yet available at the time of publication of the bank's annual financial statement. According to current estimate, the pension plan's funding ratio amount approximately 116,1% as of December 31, 2021.

Information on the balance sheet

in CHF 1 000

Note 7 - Value adjustments, provisions and reserves for general banking risks

	01.01.2021	Use in conformity with designated purpose	Changes of the purpose (Reclassifications)	Past due interest, recoveries	New creations charged	Releases to income	Balance at 31.12.2021
Provisions for deferred taxes	–						–
Provisions for pension obligations	–						–
Provisions for inherent default risks	–				1		1
Provisions for other business risks	–						–
Provisions for restructuring	–						–
Other provisions	4 072	-12	–	–	6 490	–	10 550
Total provisions	4 072	-12	–	–	6 491	–	10 551
Reserves for general banking risks	2 400		–	–	–	–	2 400
Value adjustments for default and country risks	–	–	–	–	128	–	128
- Of this a value adjustment for default risks from impaired loans / receivables	–				–		–
- Of this value adjustments for inherent default risks	–				128		128

Other provisions mainly consist of provisions for litigation in connection with the ordinary course of business and were increased in the reporting year by TCHF 6 490. Reserves for general banking risks are taxed.

Note 8 - Share capital

	31.12.2021			31.12.2020		
	Nominal value	Quantity	Dividend-bearing capital	Nominal value	Quantity	Dividend-bearing capital
Share capital						
Equity	35 000	3 500 000	35 000	35 000	3 500 000	35 000
- Of this paid up	35 000	3 500 000	35 000	35 000	3 500 000	35 000
Total share capital	35 000	3 500 000	35 000	35 000	3 500 000	35 000

Basic regulatory metrics in accordance with FINMA-Circ. 16/1 (table KM1):

	31.12.2021	31.12.2020
Available capital		
1 Common Equity Tier 1 (CET1)	57 933	54 832
2 Tier 1	57 933	54 832
3 Total capital	58 062	54 832
Total risk-weighted assets (RWA)		
4 RWA	115 963	113 704
Minimum capital requirements	9 277	9 096
Risk-based capital ratios as a percentage of RWA		
5 Common Equity Tier 1 ratio	49.96%	48.22%
6 Tier 1 ratio	49.96%	48.22%
7 Total capital ratio	50.07%	48.22%
Additional CET1 buffer requirements as a percentage of RWA		
8 Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%
9 Countercyclical buffer requirement (%)	0.00%	0.00%
10 Bank G-SIB and/or D-SIB additional requirements (%)	0.00%	0.00%
11 Total of bank CET1 specific buffer requirements (%)	2.50%	2.50%
12 CET1 available after meeting the bank's minimum capital requirements	42.07%	40.22%
Additional CET1 buffer requirements as a percentage of RWA		
12a Capital conservation buffer	2.50%	2.50%
12b Countercyclical buffer	0.00%	0.00%
12c Capital target ratios for CET1 plus the countercyclical buffer (in % of the risk-weighted positions)	7.00%	7.00%
12d Capital target ratios for T1 plus the countercyclical buffer (in % of the risk-weighted positions)	8.50%	8.50%
12e Regulatory capital target ratios for T1 plus the countercyclical buffer (in % of the risk-weighted positions)	10.50%	10.50%
Basel III leverage ratio		
13 Total Basel III leverage ratio exposure measure	529 467	187 458
14 Basel III leverage ratio	10.94%	29.25%
Liquidity Coverage Ratio		
15 Total HQLA	342 031	323 376
16 Total net cash outflow	32 266	30 174
17 LCR ratio	1060.04%	1071.69%
Net Stable Funding Ratio		
18 Total available stable funding	464 414	456 667
19 Total required stable funding	41 736	91 790
20 NSFR ratio	1112.74%	497.51%

For the detailed disclosure pursuant to FINMA Circular 16/1, please refer to the annual report and Basel III pillar 3 disclosures of J. Safra Sarasin Holding Ltd.

Information on the balance sheet

in CHF 1 000

Note 9 - Related parties

	Amounts due from		Amounts due to	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Qualified participants	119 813	108 666	204	46
Group companies	–	–	–	–
Related companies	–	–	–	–
Transactions with members of governing bodies	–	–	–	–
Other related parties	–	–	–	–
Total	119 813	108 666	204	46

There are no significant off-balance sheet transactions with related parties.

The balance sheet and off-balance sheet transactions with related persons are done at market conditions.

Note 10 - Holders of significant participations and voting emitting groups of stakeholders

	31.12.2021		31.12.2020	
	Nominal	Share in %	Nominal	Share in %
With voting rights				
Bank J. Safra Sarasin Ltd., Basel	20 125	57.5	20 125	57.5
Aabar Trading S.à.r.l, Luxembourg	14 875	42.5	14 875	42.5

Note 11 - Breakdown of total assets by credit rating of country groups

Rating Standard & Poor's	Bank's own country rating	31.12.2021		31.12.2020	
		Amount	Share in %	Amount	Share in %
AAA to AA-	1 – first class	8 945	99.1	7 053	97.6
A+ to A-	2 – good	45	0.5	32	0.4
BBB+ to BBB-	3 – medium	14	0.2	18	0.2
BB+ to B-	4 – speculative	5	0.1	11	0.2
Lower than B-	5 – risk	13	0.1	7	0.1
Without rating		5	0.1	108	1.5
Total assets		9 027	100.0	7 229	100.0

The disclosure of assets by credit rating of the country groups according to the risk of the underlying item or the domicile of the debtor. For secured exposures, the risk domicile is determined taking the collateral into consideration.

Information on off-balance sheet

in millions of CHF

Note 12 - Assets under management

	31.12.2021	31.12.2020
Type of assets under management		
Assets in self-managed collective investment instruments	–	–
Assets with management mandate	1 836	1 453
Other assets under management	5 312	4 601
Total assets under management (incl. double counting)	7 148	6 054
- Of which double counting	–	–
	31.12.2021	31.12.2020
Statement of the development in assets under management		
Total assets under management (incl. double counting) at the beginning	6 054	5 331
+/- Net inflows / outflows	664	519
+/- Price development, interest, dividends and currency development	430	204
+/- Other effects	–	–
Total assets under management (incl. double counting) at the end	7 148	6 054

The calculation and reporting of customer assets are done according to the Swiss Financial Market Supervisory Authority concerning accounting principles. Customer assets include all customer assets managed or held for investment purposes. Included in customer assets are all amounts due to customers in savings and investment accounts, fixed-term and fiduciary deposits, and all valued assets.

The net new money inflow/outflow consists of new customer acquisitions, asset inflow or outflow from existing customers. Not included in the net inflow/outflow are securities and currency-related market changes, interest and dividend payments and paid fees.

Information on the income statement

in CHF 1 000

Note 13 - Result from trading activities

	2021	2020
Breakdown by business line		
Direct customer business	5 919	5 203
Sales business	2 851	2 010
Banking services	38	-3
Total result from trading activities	8 808	7 210

	2021	2020
Breakdown by underlying risks and based on the application of the Fair value option		
Trading revenues from:		
Equity securities (incl. funds)	10	-4
Currency	8 787	7 219
Commodities/precious metals	11	-5
Total result from trading activities	8 808	7 210

Note 14 - Income from refinancing of trading items and from negative interest

Refinancing income in the interest and discount income

No refinancing costs for the trading portfolio assets are credited to the interest and discount income.

	2021	2020
Negative interest		
Negative interest rates on the lending transactions (reduction of interest and discount income)	1 232	1 122
Negative interest rates on borrowing transactions (reduction of interest expense)	518	574

Note 15 - Personnel expenses

	2021	2020
Salaries	12 208	12 221
- Of which in connection with share-based compensation and alternative forms of variable compensation	-	-
Social benefits	2 394	2 333
Other personnel expenses	1 114	1 007
Total personnel expenses	15 716	15 561

Note 16 - General and administrative expenses

	2021	2020
Premises expenses	606	586
Expenses for information and communication technology	2 618	2 797
Expenses for vehicles, machinery, furniture and other equipment and operational leasing	15	42
Audit firm fees	221	195
- Of which for accounting and regulatory audit	212	195
- Of which for other services	9	-
Other business expenses	15 509	17 140
Total general and administrative expenses	18 969	20 760

Included in the item «Other operating expenses» are the costs for outsourced services (outsourcing) of TCHF 13 952 (previous year: TCHF 13 979).

Note 17 - Changes in reserves for general banking risks

No changes in reserves for general banking risks in the reporting year.

Note 18 - Taxes

	2021	2020
Expenses for current income taxes	135	811
Expenses for current capital taxes	96	99
Total tax expenses	231	910
Weighted average tax rate on the basis of the operating results	29.41%	23.12%

Report of the Statutory Auditor

To the General Meeting of **bank zweiplus Ltd, Zurich**

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of bank zweiplus Ltd, which comprise the balance sheet as at December 31, 2021, and the income statement, statement of changes in equity and notes for the year then ended.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these 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 December 31, 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 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 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 profit complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte AG



Sandro Schönenberger
Licensed Audit Expert
Auditor in Charge



Christian Siebold
Licensed Audit Expert

Zurich, March 15, 2022

Imprint

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In the present annual financial statement of bank zweiplus the masculine form has been used for the benefit of readability of gender-specific terms. This always refers, of course, to both sexes.

Unofficial Translation

