

Banque Pictet & Cie SA

Annual report 2019



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BALANCE SHEET

Assets (CHF thousand)	Notes	31.12.2019	31.12.2018
Liquid assets		7 377 830	13 621 216
Amounts due from banks	7;13	1 827 281	1 670 431
Amounts due from securities financing transactions	1	3 913 000	1 906 000
Amounts due from customers	2;13	6 236 867	4 837 859
Trading portfolio assets	3	37 503	59 179
Positive replacement values of derivative financial instruments	4	1 256 868	1 066 143
Other financial instruments at fair value	3	684 001	772 198
Financial investments	5;7	6 876 644	5 437 009
Accrued income and prepaid expenses		148 866	117 988
Participations		2 049	2 049
Tangible fixed assets		355 606	341 827
Other assets	6	117 683	70 399
Total assets		28 834 198	29 902 298
Total subordinated claims		3 000	4 856
Liabilities (CHF thousand)	Notes	31.12.2019	31.12.2018
Amounts due to banks	13	3 537 124	4 672 374
Liabilities from securities financing transactions	1	2 862 442	1 226 617
Amounts due in respect of customer deposits	8;13	18 117 878	19 979 053
Trading portfolio liabilities	3	4 841	11 632
Negative replacement values of derivative financial instruments	4	1 332 635	1 049 422
Liabilities from other financial instruments at fair value	3;10	747 255	828 279
Accrued expenses and deferred income		224 947	240 154
Other liabilities	6	195 540	123 474
Provisions	11	594 878	552 928
Total equity		1 216 658	1 218 365
Bank's capital	12	90 000	90 000
Statutory capital reserve		865 000	865 000
Statutory retained earnings reserve	12	45 000	45 000
Profit carried forward		150 415	127 813
Profit of the period		66 243	90 552
Total liabilities		28 834 198	29 902 298
Total subordinated liabilities		300 000	300 000
<i>of which, subject to mandatory conversion and/or debt waiver</i>		300 000	300 000

OFF-BALANCE-SHEET TRANSACTIONS

Off-balance-sheet (CHF thousand)	Notes	31.12.2019	31.12.2018
Contingent liabilities	2;16	6 943 706	5 508 971
Irrevocable commitments	2	18 760	19 262

INCOME STATEMENT

CHF thousand	Notes	2019	2018	Change
Interest and discount income	20	110 802	168 910	
Interest and dividend income from financial investments		81 857	46 844	
Interest expense	20	(31 827)	(38 576)	
Gross result from interest operations		160 832	177 178	(9%)
Changes in value adjustments for default risks and losses from interest operations	11	(73)	49	
Subtotal net result from interest operations		160 759	177 227	(9%)
Commission income from securities trading and investment activities		1 013 362	1 018 955	
Commission income from lending activities		2 417	3 351	
Commission income from other services		106 030	98 665	
Commission expenses		(222 826)	(244 899)	
Subtotal result from commission business and services		898 983	876 072	3%
Result from trading activities and the fair value option	19;20	101 388	124 672	(19%)
Income from participations		9 811	3 889	
Result from real estate		7 023	6 596	
Other ordinary income		39	62	
Other ordinary expense		(534)	-	
Subtotal other result from ordinary activities		16 339	10 547	55%
Personnel expenses	21	(640 314)	(643 686)	
General and administrative expenses	22	(366 085)	(330 823)	
Subtotal operating expenses		(1 006 399)	(974 509)	3%
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		(35 531)	(32 608)	
Changes to provisions and other value adjustments and losses	11;23	(48 940)	(59 635)	
Operating result		86 599	121 766	(29%)
Extraordinary income	23	738	699	
Extraordinary expenses		-	-	
Taxes	24	(21 094)	(31 913)	
Profit of the period		66 243	90 552	(27%)

STATEMENT OF CHANGES IN EQUITY

CHF thousand	BANK'S CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS RESERVE	VOLUNTARY RETAINED EARNINGS RESERVES AND PROFIT/LOSS CARRIED FORWARD	RESULT OF THE PERIOD	TOTAL
Equity at 1.1.2019	90 000	865 000	45 000	127 813	90 552	1 218 365
Dividends and other distributions	-	-	-	-	(67 950)	(67 950)
Other allocations to (trans- fers from) the other reserves	-	-	-	22 602	(22 602)	-
Profit/Loss (result of the period)	-	-	-	-	66 243	66 243
Equity at 31.12.2019	90 000	865 000	45 000	150 415	66 243	1 216 658

**BANQUE PICTET & CIE SA GOVERNANCE
AT 31 DECEMBER 2019**

Board of Directors

Nicolas Pictet, Chairman
Jacques de Saussure*, Deputy Chairman
Jürg Brun*
Hans Isler*
Barbara Lambert
Romain Marti*

Audit Committee and Risk Committee

Jacques de Saussure*, Chairman
Hans Isler*
Romain Marti*
Jürg Brun* (Risk Committee only)

Credit Committee

Nicolas Pictet, Chairman
Jürg Brun*
Hans Isler*

*Independent Directors

Executive Committee

- Rémy Best,
Chairman
- Xavier Barde,
Deputy Chairman and Chief Risk Officer
(including Compliance and Information security)
- Marc Briol,
Head Asset Services
- Paul-Marie Dacorogna,
Head Trading Services
- Jean-Philippe Nerfin,
General Counsel
- Grégory Petit,
Chief Financial Officer
- Bernd Uhe,
Head of Human Resources
- Peter Wintsch,
Chief Technology & Operations Officer

Internal audit

–Laurent Gaye
Head of Internal Audit

Auditors

PricewaterhouseCoopers SA

The Pictet Group governance is described in the 2019 Pictet Group annual report, which is available at www.group.pictet.

NOTES**ACCOUNTING PRINCIPLES****Financial statements at 31 December 2019
Banque Pictet & Cie SA, Geneva***Accounting principles and valuation method*

The financial statements of Banque Pictet & Cie SA have been drawn up in accordance with the provisions of the Swiss Federal Law on Banks and Savings Banks, its relevant implementing ordinance and accounting rules for banks (Circular 2015/1) as stipulated by the Swiss Financial Market Supervisory Authority FINMA.

The statutory financial statements have been drawn up in such a manner that third parties are able to form a reliable opinion. The annual accounts may contain hidden reserves.

The main accounting methods applied are described below.

General valuation principles

Assets and liabilities, together with off-balance-sheet business recognised under the same accounting heading, are valued on an individual basis.

Recording of transactions

All transactions are recorded and valued in accordance with generally accepted principles. As a rule, they will be recognised in the balance sheet as of the settlement date, or the trade date in the case of trading and cash-management transactions.

Foreign-currency translation

Costs and income denominated in foreign currencies are converted at the exchange rate prevailing on the transaction date. Assets and liabilities in foreign currencies are converted at the exchange rate applicable on the period-closing date.

The main exchange rates used to convert the value of foreign currencies into Swiss francs are as follows:

	31.12.2019	31.12.2018	AVERAGE EXCHANGE RATE
EUR	1.0870	1.1269	1.1123
USD	0.9684	0.9858	0.9924
JPY	0.0089	0.0090	0.0091
GBP	1.2828	1.2555	1.2707

Liquid assets

Cash and sight deposits with central banks are booked in the balance sheet at nominal value.

Amounts due from banks and from customers

Amounts due from banks and from clients are booked in the balance sheet at nominal value, with due account being taken of any requisite value adjustments.

Value adjustments for default risk

Impaired loans/receivables, i.e. those receivables for which the debtor appears unlikely to be in a position to honour future liabilities, are valued on an item-by-item basis. Off-balance-sheet transactions, such as firm commitments, guarantees and derivatives, are also included in this valuation. Any value impairment charge is covered by individual value adjustments to reflect the disparity between the book value of the receivable and the amount expected to be received as reimbursement.

A loan/receivable is deemed to be impaired when telltale signs make future contractual payments due in the form of capital and/or interest unlikely or, at the latest, when any such payments are in arrears for over 90 days.

Disclosures concerning the treatment of past due interest

Interest due and in arrears by over 90 days is regarded as being past due. Banque Pictet & Cie SA decides not to recognise in the income statement any past due interest or interest from impaired loans/receivables; instead, these

items are booked under ‘Value adjustments for default risks’.

Methods applied for identifying default risks and assessing whether value adjustments need to be made

When a liability commitment of a client or a group exceeds the limit accorded, when a current account is overdrawn without an authorised overdraft limit or when the value of collateral pledged falls below the drawdown limit applicable, the Credit Risk Control team immediately notifies the Client Relationship Manager who must take remedial steps subject to oversight by the Bank’s Credit Committee.

If it becomes unlikely the debtor will be able to honour their obligations, an individual value adjustment will be made on a case-by-case basis as decided by the relevant bodies and on the grounds of a proper valuation of any collateral security.

Valuation of collateral security for credit, in particular significant criteria applied to assess current economic values and the values of pledged assets

Granting credit to clients comes second to the management or custody of clients’ assets, which constitute the Bank’s core business. The credit facilities granted are primarily Lombard loans, i.e. credit that is secured by the collateral pledged by the borrower.

Collateral accepted as security for Lombard loans are, as a priority, accounts in credit with Group companies, fiduciary deposits with accredited correspondent banks, precious metals and selected negotiable securities.

Current economic values of such assets are based on their ongoing market value. Loan-to-value ratios are conservative, varying depending on the diversification, quality, volatility and liquidity of the assets to be accepted as collateral security.

Securities financing transactions

Banque Pictet & Cie SA undertakes repurchase and reverse repurchase (repo/reverse repo) transactions for the purposes of its cash management, as well as securities lending/borrowing transactions on its clients’ behalf.

Cash amounts exchanged and accrued interest are recognised in the balance sheet at nominal value. An item is only recognised in the balance sheet for securities where the transferring party also transfers economic control.

In cases where securities are lent or borrowed, those transactions in which Banque Pictet & Cie SA acts as principal and for which economic control was transferred are recognised in the balance sheet. Such transactions undertaken for clients, with the Group acting as agent, are treated in compliance with rules for fiduciary transactions.

*Trading portfolio assets
and trading portfolio liabilities*

Equities, bonds, precious metals, investment funds and derivatives not acquired as long-term investments or for the purpose of covering client purchases of certificates issued by Banque Pictet & Cie SA are included under ‘Trading portfolio assets/liabilities’. Trading positions are valued at fair value on the balance-sheet date. Securities not traded on regular markets are valued at their acquisition cost subject to any requisite write-down of value (principle of the lower of cost or market value).

Interest and dividend income from trading portfolios are booked under ‘Income from trading activities and the fair value option’. The refinancing costs of the trading portfolios are offset directly under ‘Result from trading activities and the fair value option’. Unrealised income stemming from the valuation, as well as realised income, are booked under ‘Income from trading activities and the fair value option’.

*Derivative financial instruments
and their replacement values*

– *Trading operations*

Derivative financial instruments (‘derivatives’) recorded on the balance-sheet date are marked to market (‘fair value’). Positive and negative replacement values are recognised in the balance sheet under ‘positive replacement values of derivative financial instruments’ or ‘negative replacement values of derivative financial instruments’.

For derivative contracts traded on clients’ behalf on stock exchanges, only that portion of replacement values exceeding the margin calls is recognised in the balance sheet.

– *Hedging transactions*

Banque Pictet & Cie SA may use derivatives to hedge interest-rate and currency risks for the purposes of its asset/liability management. Hedging transactions are valued according to the same principles as those for the underlying transactions being hedged. Income/losses on hedging transactions are booked under the same item under which the result from the underlying asset being hedged is booked.

*Other financial instruments
at fair value and liabilities from financial
instruments at fair value*

Banque Pictet & Cie SA enables its clients to purchase certificates corresponding, in the main, to shares in equity baskets.

The amount of investments by clients in such certificates is recognised as a liability in the balance sheet under ‘Liabilities from other financial instruments at fair value’. Amounts corresponding to the underlying financial assets are recorded on the assets side of the balance sheet under ‘Other financial instruments at fair value’.

The difference between the amounts invested by clients, shown under liabilities, and positions held to cover the certificates, shown on the assets side, is essentially due to a cash component recorded under ‘Liquid assets’ on the assets side of the balance sheet.

Financial investments

Debt securities intended to be held to maturity are valued on the basis of amortised cost. Gains/losses resulting from fixed-income transactions sold prior to maturity or reimbursed early are accrued over the remaining term to the scheduled maturity date of the sold or reimbursed security. Negative value adjustments are, in principle, booked under ‘Other ordinary expenses’, positive revaluations being recorded under ‘Other ordinary income’. In cases where value adjustments are broken down into components related to default risk and market conditions, that portion related to default risk is recognised under ‘Changes in value adjustments for default risks and losses from interest operations’.

Precious metals are valued at market value on the balance sheet date. They serve, primarily, as hedges for clients' 'Metal' accounts recorded under 'Amounts due in respect of client deposits' on the liabilities side of the balance sheet. Value adjustments are booked under 'Other ordinary expenses' or 'Other ordinary income', as appropriate.

Equities and shares of funds intended to be held as long-term investments are valued at the lower of their acquisition cost or market value on the balance-sheet date.

Tangible fixed assets

Tangible fixed assets include buildings, IT and telecommunications equipment as well as furniture, fixtures and fittings. Tangible fixed assets are valued at their acquisition cost, less accumulated depreciation computed according to the straight-line method over the estimated useful life-times of the assets.

Depreciation charges are booked under 'Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets' in the income statement.

Scheduled useful lifetimes

– Buildings for own use:	50 years
– Other buildings:	50 years
– Software:	3 years
– IT equipment:	3 years
– Other equipment and furniture:	3-5 years

Provisions

A provision is set aside for any probable obligation, based on a past event, whose amount and/or due date is uncertain, but can be reliably estimated.

Liabilities relating to pension schemes

Banque Pictet & Cie SA has set up several occupational pension schemes for its staff and employees. These schemes are based on the defined-contribution system.

Contributions paid into schemes are presented as 'Personnel expenses' in the income statement for the financial year to which they apply.

Every year, Banque Pictet & Cie SA examines whether, from its standpoint, there are economic benefits (overfunding) or obligations (underfunding) with regard to the pension schemes. Any difference with the corresponding value for the previous reporting period is booked under ‘Personnel expenses’ in the income statement.

The annual examination is undertaken on the basis of contracts, annual accounts (for which the period-closing date is not longer than 12 months earlier) drawn up in accordance with Swiss GAAP FER 26 for Swiss pension schemes, and any other calculations.

An economic benefit may be booked, if it is permissible and intended to use the surplus to lower future employer contributions, to reimburse it to the employer or to utilise it outside of the benefits as provided for in the scheme’s rules. This benefit (surplus) will appear under ‘Other assets’ in the balance sheet and will be booked in the income statement under ‘Personnel expenses’. The obligation (shortfall) will be registered in the same way in the income statement. It will, however, be booked under ‘Provisions’ in the balance sheet.

Taxes

Current taxes on income and capital are booked as an expense for the reporting period during which the income was generated.

Change in accounting principles

There were no changes in accounting principles in 2019.

Restatement of previous year’s figures

Some figures relating to the previous year have been restated to make allowance for an overvaluation of contingent liabilities. These restatements pertain to the presentation of off-balance-sheet transactions and Note 2 to the financial statements (under “total off-balance-sheet” of the table presenting collateral for loans/receivables and off-balance-sheet transactions).

RISK MANAGEMENT

Risk policy

General provisions

Risk management forms a cornerstone of Banque Pictet & Cie SA's corporate strategy and governance. The Pictet Group's Management defines the Group's general risk policy, which is applied to all companies in the Group and is intended to cover all types of major risk to which the Group is exposed.

Specific factors related to the various categories of risk are covered in specific risk policies or in-house directives or guidelines.

The risk policy is implemented at several different levels:

- The Board of Directors of Banque Pictet & Cie SA ratifies and oversees implementation of general risk policy;
- The Executive Committee supervises the proper implementation of the policy and puts operational measures into practice to apply it;
- Specific committees are responsible for managing risks in their respective fields;
- The individual business units of Banque Pictet & Cie SA are responsible for managing risks specific to them.

In addition, Banque Pictet & Cie SA strives to foster a corporate culture in which risk management is given a high priority and made an integral part of all management activities. As such, risk management (for all risk categories) must be perceived by every member of staff as being one of their responsibilities as well.

Monitoring of overall risk profile

A risk management framework is in place (in accordance with FINMA circular 2017/1). The Group Risk Department compiles a consolidated report on overall risk exposure for the management bodies of Banque Pictet & Cie SA on a quarterly basis. This report presents an impartial overview of the overall situation and level of risk for the Bank.

Attitude to and appetite for risk

Considering the nature of Banque Pictet & Cie SA's business, risks cannot be entirely eliminated. Risks associated with the Bank's business activities are accepted, in compliance with legal or internal regulations, provided they do not exceed the Bank's risk appetite (including in so-called 'stress' situations) and can be monitored and controlled thanks to documented processes in keeping with the Group's general risk policy.

Any new business activity, product or major change within an area of business is subject beforehand to a risk analysis. The Bank's Management is required to give its formal approval.

The appetite for market, credit, interest-rate and liquidity risks at the Bank level is translated into quantified limits, and the appetite for other categories of risk, such as operational and business risks, is translated into qualitative as well as quantified limits. These limits on risk are sub-divided into sub-limits where deemed necessary. These limits are regularly reviewed by the Bank's governing bodies.

Risks that do not come under the heading of risks related to Banque Pictet & Cie SA's business activities or which exceed the limits laid down are avoided, lessened or transferred. Similarly, business activities on which the risks are not adequately rewarded are avoided.

Credit risk

Credit risk results from the possibility that a counterparty may default on its financial obligations towards the Group. It includes settlement risk and risk factors linked to a country. All forms of credit obligations involving non-banking clients, banks or organised markets constitute a credit risk. Credit risk management is monitored by the Chief Credit Officer.

– Clients

Granting credit to clients comes second to the management or custody of clients' assets, which constitute the Bank's core business. Credit facilities granted are primarily Lombard loans, i.e. credit that is secured by the collateral pledged by the borrower.

Risks are limited by stringent criteria in terms of the quality, liquidity, valuation and diversification of assets

pledged as collateral, as well as by the application of conservative loan-to-value ratios, differentiated by asset class.

All liabilities stemming from credit granted are reviewed in a quarterly report submitted to the management bodies of the Bank. Such reports may be compiled more frequently in the event of high market volatility or in the case of credit obligations calling for special monitoring.

– *Banking counterparties*

Banque Pictet & Cie SA selects top-tier correspondent banks and banking counterparties. In addition to diversification criteria, risks are reduced by resorting to legal or contractual compensation, guarantees, credit derivatives or hedging taking the form of different financial assets. Settlement risk is limited through recourse to centralised settlement systems of the Continuous Linked Settlement (CLS) type.

Banking counterparties selected by the Treasury Committee are approved on a quarterly basis. All limits are set according to a formal process under the Chief Credit Officer's responsibility. Limits on trading and settlement, bank deposits, fiduciary deposits and clearing limits are set on an individual basis for each counterparty.

Management and monitoring of banking counterparty risk are the responsibility of the Treasury Committee, which draws on the support of the following bodies and persons:

- The Banking Risk Committee (BRC), comprising Pictet Group financial analysts specialised in banks, gives an impartial assessment to the Treasury Committee;
- The Counterparty Risk Committee (CRC) examines requests for changes to existing limits or for new limits for banking counterparties;
- The Chief Credit Officer permanently monitors and controls the quality of banking counterparties;
- The Credit Risk Control team checks compliance with limits for each banking counterparty.

A quarterly report on the status of contracted obligations is compiled and presented to the governing bodies.

– *Financial investments*

Banque Pictet & Cie SA invests in top-quality financial assets, mainly including bonds or similar debt securities meeting very stringent criteria. These investments are intended to diversify Banque Pictet & Cie SA's liquidity in medium-term investments and to deliver regular returns.

The choice of investment vehicle is devolved to the Treasury Department in conformity with the investment grid authorised by the Treasury Committee. This grid, reviewed and revised depending on developments, stipulates those instruments, types of issuers and countries that are authorised, the minimum credit ratings to be met, as well as limits and sub-limits by segment, issuer and maturity date.

Market risk

Market risk lies in Banque Pictet & Cie SA's exposure to any adverse movements in market conditions. The main risk factors relate to interest rates, prices of equity-type securities, exchange rates and prices of precious metals.

– Trading operations for its own account (trading portfolio)

The Board of Directors lays down the overall appetite for market risks. This is then broken down into sub-limits under the supervision of the Chief Risk Executive Committee. The senior management of Pictet Trading & Sales (PTS) is responsible for organising first-level market risk controls. Second-level controls are carried out by PTS' unit in charge of monitoring market risk (internal limits) and the Group Risk Department (independent controls including those on capital) which have an unlimited right to inspect the first-level risk monitoring.

The Pictet Group Policy for Managing, Controlling and Monitoring Market Risk sets out the organisational framework and underlying principles with regard to managing market risks.

Trading activities for the Group's own account are aimed essentially at mitigating risk resulting from client orders. It is not the Pictet Group's prime vocation to take directional positions for its own account. Proprietary trading is undertaken subject to a strict framework of limits and is geared towards accumulating a more thorough understanding of markets in which Banque Pictet & Cie SA is active. As a result, proprietary trading accounts for a fraction

of all trading operations undertaken by Banque Pictet & Cie SA.

Proprietary trading is used primarily on currency, equity and bond markets.

Limits attached to such trading activities are formulated in three ways: as a delta or direct exposure (in-house limits), as stress tests (internal limits) and in terms of equity in accordance with FINMA rules relating to calculating capital adequacy requirements for market risks (formulated in Circular 2008/20).

– *Structural balance-sheet management (Bank portfolio)*

The Pictet Group Liquidity Management Policy sets out the organisational framework and the fundamental principles of structural balance sheet management.

The purpose of managing the balance sheet, generally referred to as Asset & Liability Management (ALM), is to estimate and achieve a balance between liabilities (inflows) and assets (outflows) in light of the Group's appetite for risk transposed at the Bank level, subject to the constraints of achieving a desired level of profitability and adherence to a clearly-delineated regulatory framework. The Treasury Committee analyses liquidity risk and interest-rate risk; it ensures that ratios imposed by FINMA are complied with. The Finance Department is responsible for organising the 1st level market risk controls stemming from treasury management activities and including the stress tests. The 2nd level controls (independent) are performed by the Group Risk Department.

The purpose of the Bank's policy is to keep interest-rate risk at a modest level. This policy is reflected in corresponding risk limits.

The Treasury Department is responsible for implementing the defined strategy at the operational level. Use of interest rate derivatives for the purposes of hedging or managing durations is allowed as being in line with efficient cash management.

Operational risk

Operational or business risk can be defined as the risk of losses or damage resulting from inadequacies or shortcomings in in-house processes, staff, systems, or

stemming from external events. Operational risk also covers legal and compliance risks.

The Pictet Group Operational Risk Policy sets out the organisational framework and the fundamental principles of operational risk management. The policy requires that the responsibilities are clearly defined for each significant risk. These responsibilities are broken down into three categories: owning the risk, controlling the risk and monitoring the risk.

Management teams for each business line are responsible for identifying, assessing, managing, monitoring and controlling those operational risks specific to their area of business. They are assisted in this by risk managers working directly with the various business lines. These risk managers also act as liaisons between Management and the Group Risk Department.

A process of identifying and assessing operational risks throughout the Bank is performed on a regular basis. If deemed necessary, action plans are instigated to lessen risks that are assessed to exceed limits set according to the appetite for risk.

Key risk indicators (KRIs) are defined and regularly analysed. These KRIs measure the level of risk resulting from business activities, systems, processes, etc.

All operating incidents and potentially resultant financial losses are logged so as to have an overall quantifiable view of incidents that have occurred and to ensure that plans to mitigate risk levels or extra checks and controls can be put in place in the event of a major incident.

Banque Pictet & Cie SA has instituted robust corporate governance geared towards anticipating risk. This involves active exchanges of information with business lines and regular efforts to emphasise to staff their responsibilities and heighten their awareness about the direct and indirect impact that the Bank's activities (for example, changes in the political or regulatory climate) might have on its reputation as well as on that of its clients and its staff. Effective management of communications, both in-house and to the outside world, is crucial in safeguarding Banque Pictet & Cie SA's good name and reputation. Corporate Communications is responsible for effective image management of the Bank. It monitors articles published about the Bank and will contact the media as soon as the

Bank's reputation might be at stake. Measures aimed at limiting risk to the Bank's image and reputation include notably analysing and pinpointing any areas of vulnerability, internal analysis and escalation procedures as well as rules of conduct applicable to staff. Corporate Communications works closely together with the Risks, Compliance and Legal Departments. Reputational risk, coupled with the monitoring and appropriateness of measures, are covered in a specific section of the report on overall risk assessment and are closely monitored by Banque Pictet & Cie SA's Management.

The Group has formulated a crisis-management process, transposed at the level of Banque Pictet & Cie SA, to enable it to take effective and swift action to cope with a variety of crisis events. A crisis-management plan has been drawn up. Members of staff appointed as 'Crisis Coordinators' have been trained. Operating procedures and communications plans have been compiled.

Business Continuity Management is geared towards safeguarding the sustainability of the Bank and protecting its clients' assets. Contingency solutions have been devised, deployed and kept operational in keeping with the risks incurred, statutory and regulatory requirements, and need in terms of safeguarding the continuity of operations. To this end, emergency off-site workplaces and IT/technical infrastructures are available and regularly tested.

Change in risk policy

There were no changes in the risk policy in 2019.

HEDGE ACCOUNTING

Treasury management

Banque Pictet & Cie SA invests its surplus liquidity from clients' deposits in a portfolio geared to a long-term strategy. This portfolio comprises holdings in bonds intended to be held to maturity although, in particular circumstances (such as a downgrading of an issuer's creditworthiness), the debt securities may be sold before term. Depending on market rates, excess treasury amounts may also be invested in short-term investments.

In order to protect against interest-rate risk that might have an adverse impact on the portfolio's value, the Bank makes use of derivatives (in the form of interest-rate swaps). The risk measures used are Basis Point Values (BPV), which indicate how sensitive the portfolio's market value is to a parallel change of one basis point in the yield curves of different currencies. In addition, multiple stress tests (parallel and non-parallel) are applied to the yield curve. This risk is monitored daily.

EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 31 December 2019, the COVID-19 virus has spread across the world and been declared a "pandemic" by the World Health Organisation. Measures taken by various governments to contain the virus have affected economic activity in Switzerland and abroad.

Banque Pictet & Cie SA has taken a number of measures to monitor and prevent the effects of COVID-19, such as health and safety measures for its staff (for instance physical distancing and working from home) and secure the continuity of the Bank's activity. COVID-19's known effects do not put the Bank's ability to continue as a going concern into question.

NOTES TO BALANCE SHEET**1. BREAKDOWN OF SECURITIES FINANCING
TRANSACTIONS (ASSETS AND LIABILITIES)**

CHF thousand	31.12.2019	31.12.2018
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	3 913 000	1 906 000
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	2 862 442	1 226 617
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	2 862 856	1 228 161
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	3 917 001	1 907 483

*Before netting agreements

2. PRESENTATION OF COLLATERAL FOR LOANS/RECEIVABLES AND OFF-BALANCE-SHEET TRANSACTIONS, AS WELL AS IMPAIRED LOANS/RECEIVABLES

CHF thousand	TYPE OF COLLATERAL			
	SECURED BY MORTGAGE	OTHER COLLATERAL	UNSECURED	TOTAL
Loans (before netting with value adjustments)				
Amounts due from clients	49 940	5 726 862	460 453	6 237 255
Total loans (before netting with value adjustments)				
31.12.2019	49 940	5 726 862	460 453	6 237 255
31.12.2018	97 642	4 680 290	60 242	4 838 174
Total loans (after netting with value adjustments)				
31.12.2019	49 940	5 726 862	460 065	6 236 867
31.12.2018	97 642	4 680 290	59 927	4 837 859
Off-balance-sheet				
Contingent liabilities	-	6 738 128	205 578	6 943 706
Irrevocable commitments	-	-	18 760	18 760
Total off-balance-sheet				
31.12.2019	-	6 738 128	224 338	6 962 466
31.12.2018	49	5 477 892	50 292	5 528 233

Impaired loans/receivables

CHF thousand	GROSS DEBT AMOUNT	ESTIMATED LIQUIDATION VALUE OF COLLATERAL	NET DEBT AMOUNT	INDIVIDUAL VALUE ADJUSTMENTS
31.12.2019	388	-	388	388
31.12.2018	315	-	315	315

The total amount of impaired loans corresponds to 0.01% of the total amounts due from clients at 31 December 2019 (at 31 December 2018 their share was 0.01%).

**3. BREAKDOWN OF TRADING PORTFOLIOS
AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE
(ASSETS AND LIABILITIES)**

ASSETS (CHF thousand)	31.12.2019	31.12.2018
Trading portfolio assets	37 503	59 179
Debt securities, money market securities/transactions	3	25 369
<i>of which</i> , listed	-	25 148
Equity securities	37 500	33 810
Other financial instruments at fair value	684 001	772 198
Equity securities	668 216	759 543
Precious metals	15 785	12 655
Total assets	721 504	831 377
<i>of which</i> , determined using a valuation model	2 156	7 768
LIABILITIES (CHF thousand)	31.12.2019	31.12.2018
Trading portfolio liabilities	4 841	11 632
Debt securities, money market securities/transactions	-	2 961
<i>of which</i> , listed	-	2 961
Equity securities	4 841	8 671
Other financial instruments at fair value	747 255	828 279
Structured products (certificates)	747 255	828 279
Total liabilities	752 096	839 911
<i>of which</i> , determined using a valuation model	238	253

Banque Pictet & Cie SA enables its clients to purchase certificates corresponding, in the main, to shares in equity baskets. The section detailing the accounting principles of this report describes how these certificates are treated.

4. PRESENTATION OF DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS AND LIABILITIES)

CHF thousand	TRADING INSTRUMENTS			HEDGING INSTRUMENTS		
	POSITIVE REPLACEMENT VALUES	NEGATIVE REPLACEMENT VALUES	CONTRACT VOLUME	POSITIVE REPLACEMENT VALUES	NEGATIVE REPLACEMENT VALUES	CONTRACT VOLUME
Interest rate instruments						
Swaps	13 188	11 562	1 394 361	63 590	143 575	21 045 342
Futures	1	24	1 430 769	-	-	-
Options (OTC)	18	-	-	-	-	-
Options (exchange-traded)	7	-	275 465	-	-	-
Foreign exchange/precious metals						
Forward contracts	101 753	122 963	12 770 484	-	-	-
Combined interest rate/currency swaps	778 337	769 245	114 757 854	48 019	30 783	9 234 226
Futures	135	202	54 848	-	-	-
Options (OTC)	148 641	154 826	23 407 563	-	-	-
Equity securities/indices						
Forward contracts	1 554	1 554	409 282	-	-	-
Swaps	1 445	1 348	41 434	-	-	-
Futures	318	10	2 012 062	-	-	-
Options (OTC)	97 205	92 984	5 603 970	-	-	-
Options (exchange-traded)	651	1 553	69 421	-	-	-
Credit derivatives						
Credit default swaps	2 006	2 006	454 504	-	-	-
Other						
Futures	-	-	3 121	-	-	-
Total before netting agreements						
Total 31.12.2019	1 145 259	1 158 277	162 685 138	111 609	174 358	30 279 568
of which, determined using a valuation model	1 144 147	1 156 488	158 839 452	111 609	174 358	30 279 568
Total 31.12.2018	962 391	934 172	167 114 199	103 752	115 250	28 628 669
of which, determined using a valuation model	932 384	930 841	160 170 260	103 752	115 250	28 628 669

Derivative financial instruments result mainly from transactions concluded on behalf of clients, in which Banque Pictet & Cie SA contracts with counterparties on the market.

Furthermore, hedging transactions are mentioned in the section on hedge accounting.

– Total after netting agreements

CHF thousand	POSITIVE REPLACEMENT VALUES (CUMULATIVE)	NEGATIVE REPLACEMENT VALUES (CUMULATIVE)
31.12.2019	1 256 868	1 332 635
31.12.2018	1 066 143	1 049 422

– Breakdown by counterparty

POSITIVE REPLACEMENT VALUES (AFTER NET- TING AGREEMENTS) (CHF thousand)	CENTRAL CLEARING HOUSES	BANKS AND SECURITIES DEALERS	OTHER CUSTOMERS
31.12.2019	-	1 063 726	193 142
31.12.2018	-	841 904	224 239

5. BREAKDOWN OF FINANCIAL INVESTMENTS

CHF thousand	BOOK VALUE		FAIR VALUE	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Debt securities	6 161 346	4 968 380	6 306 958	5 014 951
<i>of which, intended to be held to maturity</i>	6 161 346	4 968 380	6 306 958	5 014 951
Equity securities	174 478	172 921	202 169	198 722
Precious metals	540 820	295 708	540 820	295 708
Total	6 876 644	5 437 009	7 049 947	5 509 381
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	3 889 300	3 356 957	3 981 830	3 394 475

– Breakdown of counterparties by rating

CHF thousand	FAIR VALUE	
	31.12.2019	31.12.2018
AAA	4 530 939	3 871 428
AA+	678 084	534 789
AA	268 932	161 810
AA-	746 122	446 924
A+	82 881	-
Total	6 306 958	5 014 951

Banque Pictet & Cie SA uses the specific ratings of three agencies (Standard & Poor's, Moody's and Fitch), assigned to the instruments that have been invested in. Ratings are based on Standard & Poor's rating scale. When three ratings are available, the median value is taken. When two ratings are available, the more prudent one is taken. In the absence of a specific rating, Standard & Poor's long-term rating of the issuer is used.

6. BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES

CHF thousand	OTHER ASSETS		OTHER LIABILITIES	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Compensation account	62 765	10 930	-	-
Indirect taxes	31 671	41 951	24 921	29 584
Clearing accounts	23 240	17 511	168 272	88 028
Other	7	7	2 347	5 862
Total	117 683	70 399	195 540	123 474

7. DISCLOSURE OF ASSETS PLEDGED OR ASSIGNED TO SECURE OWN COMMITMENTS AND OF ASSETS UNDER RESERVATION OF OWNERSHIP

PLEGDED/ASSIGNED ASSETS (CHF thousand)	BOOK VALUES		EFFECTIVE COMMITMENTS	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Due from banks	117 899	196 919	117 899	196 919
Financial investments	1 585 416	1 593 229	1 585 416	1 593 229

Assets pledged with banking counterparties correspond to deposits for margin calls associated with transactions in derivatives.

8. DISCLOSURES ON PENSION SCHEMES

Pension schemes have been set up to make provision for employees and former employees against the economic consequences of retirement, incapacity and death.

In the case of employees of Banque Pictet & Cie SA, the pension fund is an independent occupational pension scheme registered with the Supervisory Authority for the Canton of Geneva. This pension plan is a defined-contributions scheme. The audited annual accounts show the funding ratio for the scheme stood at 122.6% as at end-December 2019. The value fluctuation reserve is funded up to 20.1% of pension liabilities.

The audited annual accounts for the Pictet Group's Fondation de Prévoyance Complémentaire pension plan show its funding ratio stood at 100% as at end-2019.

Reassurance cover for death and invalidity risks has been taken out by the pension schemes with an insurance group.

– *Liabilities relating to pension schemes at 31.12.*

LIABILITIES RELATING TO OWN PENSION SCHEMES (CHF thousand)	31.12.2019	31.12.2018
Amounts due in respect of client deposits	84 975	160 750

**9. DISCLOSURE ON THE ECONOMIC SITUATION
OF OWN PENSION SCHEMES**

– *Employer contribution reserves (ECR)*

There are no employer contribution reserves with the pension schemes relating to the current year or the previous year.

– *Economic benefit/obligation and the pension expenses at 31 December*

CHF thousand	OVERFUNDING/ UNDERFUNDING AT 31.12.2019	CONTRIBUTIONS PAID FOR 2019	PENSION EXPENSES IN PER- SONNEL EXPENSES	
			2019	2018
Employer sponsored funds/employer sponsored pension schemes	-	2 000	2 000	2 000
Pension plans without overfunding/underfunding	-	14 519	16 307	21 387
Pension plans with overfunding	22.6%	57 309	57 309	54 305

The governing bodies consider that any overfunding, as defined by the FINMA circular 2015/1 (margin no. 502), would be deployed for the benefit of the members of the pension scheme, so there would be no economic benefit accruing to the Bank.

As at 31 December 2019, there was no economic benefit or obligation to be booked in the Bank's balance sheet or income statement.

**10. PRESENTATION OF ISSUED STRUCTURED PRODUCTS
(BOOK VALUE)**

UNDERLYING RISK OF THE EMBEDDED DERIVATIVE (CHF thousand)	VALUED AS A WHOLE		VALUED SEPARATELY		TOTAL 2019
	BOOKED IN TRADING PORTFOLIO	BOOKED IN OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE	VALUE OF THE HOST INSTRUMENTS	VALUE OF THE DE- RIVATIVE	
Equity securities					
With own debenture component (oDC)		731 470	-	-	731 470
Without oDC		-	-	-	-
Commodities/precious metals					
With own debenture component (oDC)		15 785	-	-	15 785
Without oDC		-	-	-	-
Total 31.12.2019		747 255	-	-	747 255

Banque Pictet & Cie SA enables its clients to purchase certificates corresponding, in the main, to shares in equity baskets. The section detailing the accounting principles of this report describes how these certificates are treated.

**11. PRESENTATION OF VALUE ADJUSTMENTS,
PROVISIONS, RESERVES FOR GENERAL BANKING RISKS,
AND CHANGES THEREIN DURING THE CURRENT YEAR**

CHF thousand	BALANCE AT 31.12.2018	USE IN CONFORMITY WITH DESIGNATED PURPOSE	RECLASSIFICA- TIONS	CURRENCY DIFFERENCES	NEW CREATIONS CHARGED TO INCOME	RELEASES TO INCOME	BALANCE AT 31.12.2019
Provisions for other business risks	82 928	(3 946)	(950)	(56)	11 819	(4 917)	84 878
Other provisions	470 000	-	-	-	40 000	-	510 000
Total provisions	552 928	(3 946)	(950)	(56)	51 819	(4 917)	594 878
Value adjustments for de- fault and country risks	315	-	950	-	73	-	1 338
<i>of</i> value adjustments for <i>which</i> , default risks in re- spect of impaired loans/receivables	315	-	-	-	73	-	388
<i>of</i> value adjustments for <i>which</i> , latent risks	-	-	950	-	-	-	950

‘Other provisions’ include an unallocated provision to cover operational risks. This provision was further increased by CHF 40 million in 2019.

In October 2012, the Swiss Financial Market Supervisory Authority (FINMA) notified Banque Pictet & Cie SA (formerly known as Pictet & Cie) that the US Department of Justice had lodged a general request for information pertaining to its wealth-management business with US clients. Banque Pictet & Cie SA is in ongoing discussions with the US Department of Justice and is cooperating fully with it in compliance with applicable legislation.

At this juncture, it is not feasible to judge what the extent of any financial implications for Banque Pictet & Cie SA might be, which explains why no provision had been set aside as at 31 December 2019.

12. PRESENTATION OF THE BANK'S CAPITAL

CHF thousand	31.12.2019			31.12.2018		
	TOTAL PAR VALUE	NUMBER OF SHARES	CAPITAL ELIGIBLE FOR DIVIDEND	TOTAL PAR VALUE	NUMBER OF SHARES	CAPITAL ELIGIBLE FOR DIVIDEND
Bank's capital						
Share capital/cooperative capital	90 000	90 000	90 000	90 000	90 000	90 000
of which, paid up	90 000	90 000	90 000	90 000	90 000	90 000
Total bank's capital	90 000	90 000	90 000	90 000	90 000	90 000

Pictet & Cie Group SCA holds the capital in its entirety.

Banque Pictet & Cie SA does not issue participatory ownership rights or options on such rights to employees or governing bodies, and there is no share ownership scheme of Banque Pictet & Cie SA.

The share capital is divided into 90 000 registered shares with a par value of CHF 1 000 each. The share capital has been entirely paid up. The shares all enjoy the same rights and privileges and there are no restricted shares. At 31 December 2019, there were no distribution restrictions beyond the rules stemming from the code of obligations. Banque Pictet & Cie SA does not hold any share of its own capital.

CHF thousand	31.12.2019	31.12.2018
Non-distributable statutory reserves	45 000	45 000
Non-distributable voluntary reserves	-	-
Total non distributable reserves	45 000	45 000

13. DISCLOSURE OF AMOUNTS DUE FROM/TO RELATED PARTIES

CHF thousand	AMOUNTS DUE FROM		AMOUNTS DUE TO	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Holders of qualified participations	11 034	1 983	433 369	515 288
Pictet Group companies	982 702	483 740	6 099 908	5 677 065
Transactions with members of governing bodies	884	150	389 238	89 073

Transactions with related parties are concluded at going market rates.

14. DISCLOSURE OF HOLDERS OF SIGNIFICANT PARTICIPATIONS

HOLDERS OF SIGNIFICANT PARTICIPATIONS AND GROUPS OF HOLDERS OF PARTICIPATIONS WITH POOLED VOTING RIGHTS		31.12.2019		31.12.2018	
		NOMINAL	% OF EQUITY	NOMINAL	% OF EQUITY
With voting rights	Pictet & Cie Group SCA	100%	100%	100%	100%
Without voting rights	-	-	-	-	-

The indirect holders of this participation are the partners of Pictet & Partners: Messrs Renaud de Planta, Rémy Best, Marc Pictet, Bertrand Demole, Laurent Ramsey, Boris Col-lardi and Sébastien Eisinger.

Decisions are taken by the partners on a consensus basis.

**15. BREAKDOWN OF TOTAL ASSETS BY CREDIT RATING
OF COUNTRY GROUPS (RISK DOMICILE VIEW)**

RATING ACCORDING TO FINMA MAP- PING TABLES	NET FOREIGN EXPOSURE 31.12.2019		NET FOREIGN EXPOSURE 31.12.2018	
	CHF THOUSAND	SHARE AS %	CHF THOUSAND	SHARE AS %
1 & 2	8 403 815	79%	7 356 895	83%
3	651 094	6%	441 811	5%
4	473 710	4%	318 279	4%
5	77 234	1%	15 278	0%
6	4 651	0%	11 626	0%
7	12 739	0%	4 414	0%
Unrated	1 121 683	10%	662 977	8%
Total	10 744 926	100%	8 811 280	100%

– Comments on the rating system used:

Banque Pictet & Cie SA applies the ratings provided by FINMA in its rating concordance ('mapping') tables used to calculate capital adequacy requirements. The lowest rating assigned by Moody's, Standard & Poor's or the OECD is the one taken for each country.

NOTES TO OFF-BALANCE-SHEET TRANSACTIONS

16. CONTINGENT LIABILITIES

“Contingent liabilities” encompass guarantees issues on clients’ behalf and liabilities arising out of commitments contracted by clients in private-equity and real estate transactions. These liabilities are secured by client assets pledged as collateral, in compliance with internal regulation.

17. BREAKDOWN OF FIDUCIARY TRANSACTIONS

CHF thousand	31.12.2019	31.12.2018
Fiduciary investments with third-party companies	16 832 476	15 371 493
Fiduciary investments with group companies and linked companies	128 799	598 363
Fiduciary transactions arising from securities lending and borrowing, which the bank conducts in its own name for the account of customers	997 936	1 197 929
Total fiduciary transactions	17 959 211	17 167 785

18. BREAKDOWN OF ASSETS UNDER MANAGEMENT OR CUSTODY

– Breakdown of assets under management or custody

CHF billion	31.12.2019	31.12.2018
Assets in collective investment schemes managed by the bank	6.0	5.3
Assets under discretionary asset management agreements	54.1	46.2
Other assets under custody	345.0	294.2
Total assets under management or custody (incl. double counting)	405.1	345.7
<i>of which, double counting</i>	80.8	62.4
Total assets under management or custody (excl. double counting)	324.3	283.3

– *Change in assets under management or custody (including double counting)*

CHF billion	2019	2018
Total assets under management or custody - beginning of year	345.7	362.7
+/- Net new money inflow or net new money outflow	1.2	(3.0)
+/- Price gains/losses, interest, dividends and currency gains/losses	58.2	(14.0)
Total assets under management or custody - end of year	405.1	345.7

The nature of the services provided to clients and the reason for clients holding assets at the Bank determine how the assets are classified. As such, assets under management or custody include the assets of clients for which value-added services are provided. Said services are mainly investment advice and discretionary asset management. Pictet funds and third-party funds not managed by the Group are also included in this category.

Assets are classified at the individual account level. As such, only the assets for which value-added services are provided are included in this category.

In contrast, the assets of clients for which the Pictet Group provides only basic safekeeping services are not counted when calculating assets under management or held in custody.

If the nature of a client's relationship with the Pictet Group changes, the classification of the client's assets is systematically reviewed. This change may, if necessary, result in net new money inflows or net new money out-flows being acknowledged.

If different types of services are provided for the same assets, the assets will be counted twice. Practically speaking, these are assets under custody or discretionary management agreements that are invested in collective investment schemes managed by the Bank.

Net new money inflows are made up of a combination of several factors:

- Inflows of funds resulting from the acquisition of new clients, new funds from existing clients as well as cashflows and investments relating to client loans.
- Outflows, subtracted from total inflows, comprising partial or total withdrawals of existing clients' assets.

The calculations are based on the direct method and include deposits and withdrawals in cash and financial assets (mainly securities or precious metals). Changes in the value of assets caused by market effects (particularly fluctuations in prices or exchange rates or interest or dividend payments) or interest charges, fees or expenses debited from clients are not included in the calculation of net inflows/outflows.

NOTES TO INCOME STATEMENT

19. BREAKDOWN OF THE RESULT FROM TRADING ACTIVITIES AND THE FAIR VALUE OPTION

– Breakdown by business area

CHF thousand	2019	2018
Trading for the account of the customers	67 977	72 694
Trading for own account	33 411	51 978
Total result from trading activities	101 388	124 672

Trading activities for the Group's own account are aimed essentially at mitigating risk resulting from client orders.

*– Breakdown by underlying risk and based on the use of
the fair value option*

CHF thousand	2019	2018
Result from trading activities from:		
Interest-rate instruments (incl. funds)	472	2 436
Equity securities (incl. funds)	4 671	8 826
Foreign currencies/precious metals/commodities	96 245	113 410
Total result from trading activities	101 388	124 672
<i>of which, from fair value option</i>	5 002	5 743
<i>of which, from fair value option on assets</i>	5 002	5 743

**20. MATERIAL REFINANCING INCOME UNDER
“INTEREST AND DISCOUNT INCOME” AS WELL AS
MATERIAL NEGATIVE INTEREST**

– Refinancing income

The refinancing costs of the trading portfolios are offset directly under ‘Income from trading activities and the fair value option’.

– Negative interest

CHF thousand	2019	2018
Negative interest on lending business (decrease in interest and discount income)	61 286	72 067
Negative interest on borrowing business (decrease in interest expense)	26 861	23 726

21. BREAKDOWN OF PERSONNEL EXPENSES

CHF thousand	2019	2018
Salaries	501 021	505 675
<i>of which</i> , expenses relating to alternative forms of variable compensation	88 855	112 782
Social insurance benefits	122 630	122 122
Other personnel expenses	16 663	15 889
Total	640 314	643 686

22. BREAKDOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

CHF thousand	2019	2018
Office space expenses	36 811	33 635
Expenses for information and communications technology	193 803	169 327
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	13 040	12 073
Fees of audit firms	1 844	1 645
<i>of which</i> , for financial and regulatory audits	978	921
<i>of which</i> , for other services	866	724
Public relations	21 112	19 382
Travel	19 109	17 751
Taxes	8 713	9 875
Other operating expenses	71 653	67 135
Total	366 085	330 823

**23. EXPLANATIONS REGARDING MATERIAL LOSSES,
EXTRAORDINARY INCOME AND EXPENSES, AS WELL AS
MATERIAL RELEASES OF HIDDEN RESERVES, RESERVES
FOR GENERAL BANKING RISKS, AND VALUE
ADJUSTMENTS AND PROVISIONS NO LONGER REQUIRED**

CHF thousand	2019	2018
Changes to provisions and other value adjustments, losses	(48 940)	(59 635)
Extraordinary income	738	699
Extraordinary expenses	-	-

The details of value adjustments and provisions are presented in the table relating to the balance sheet in annex 11.

**24. PRESENTATION OF CURRENT TAXES,
DEFERRED TAXES AND DISCLOSURE OF TAX RATE**

CHF thousand	2019	2018
Current tax expenses	21 094	31 913
Total taxes	21 094	31 913
Average tax rate	24.4%	26.2%

**PROPOSAL OF THE BOARD OF DIRECTORS
CONCERNING THE APPROPRIATION OF EARNINGS**

The following proposal is made to the General Meeting of shareholders on 27 April 2020:

– Net profit for 2019	CHF 66 242 516
– Profit carried forward	CHF 150 415 121
– Distributable profit	CHF 216 657 637

Appropriation of profit:

- CHF 552 per share
- to the 90 000 registered shares

– Dividend payment	CHF 49 680 000
– Allocation to statutory retained earnings reserve	—
– New amount carried forward	CHF 166 977 637

KEY METRICS (KM1)
(FINMA CIRCULAR 2016/1)

(UNAUDITED FIGURES)

AVAILABLE CAPITAL (CHF thousand)	31.12.2019	31.12.2018
1 Common Equity Tier 1 (CET1)	1'147'415	1'124'813
2 Tier 1 (T1)	1'447'415	1'424'813
3 Total capital	1'447'415	1'424'813
RISK-WEIGHTED ASSETS (RWA) (CHF thousand)	31.12.2019	31.12.2018
4 Total Risk-weighted amounts (RWA)	7'576'651	6'612'702
4a Minimum capital requirements	606'132	529'016
RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA	31.12.2019	31.12.2018
5 Common Equity Tier 1 ratio	15.1%	17.0%
6 Tier 1 ratio	19.1%	21.5%
7 Total capital ratio	19.1%	21.5%
ADDITIONAL CET1 BUFFER REQUIREMENTS (AS % OF RWA)	31.12.2019	31.12.2018
8 Capital conservation buffer requirements (2.5% from 2019)	2.5%	1.9%
11 Total of Bank CET1 specific buffer requirements	2.5%	1.9%
12 CET1 available after meeting the Bank's minimum capital requirements (%)	10.6%	12.5%
CAPITAL RATIO REQUIREMENTS IN ACCORDANCE WITH ANNEX 8 OF THE CAO	31.12.2019	31.12.2018
12a Capital buffer as per Annex 8 of the CAO (%)	4.0%	4.0%
12c CET1-target ratio (in %) as per Annex 8 of the CAO plus the countercyclical buffer as per art. 44 and 44a CAO	7.8%	7.8%
12d T1-target ratio (in %) as per Annex 8 of the CAO plus the countercyclical buffer as per art. 44 and 44a CAO	9.6%	9.6%
12e Total capital target ratio (in %) as per Annex 8 of the CAO plus the countercyclical buffer as per art. 44 and 44a CAO	12.0%	12.0%
BASEL III LEVERAGE RATIO	31.12.2019	31.12.2018
13 Total Basel III leverage exposure measure (CHF thousand)	36'617'208	34'916'845
14 Basel III leverage ratio	4.0%	4.1%

LIQUIDITY COVERAGE RATIO (LCR) (CHF thousand)	Q4 2019 average*	Q3 2019 average*	Q2 2019 average*	Q1 2019 average*
15 Total HQLA	13'434'235	15'111'145	16'176'037	17'306'690
16 Total net cash outflow	9'567'875	9'923'300	10'318'789	10'674'094
17 LCR ratio (%)	140%	152%	157%	162%

*The quarterly Liquidity Coverage Ratios (LCR) are based on month-end averages.

The 2019 Pictet Group Capital adequacy and liquidity disclosure is available on the Pictet Group website (www.group.pictet).



Report of the statutory auditor

to the General Meeting of Banque Pictet & Cie SA

Carouge

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Banque Pictet & Cie SA, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 3 to 5 and 8 to 44), for the year ended 31 December 2019.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2019 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 (art. 728 CO and art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with art. 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 available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Two handwritten signatures in blue ink. The signature on the left is cursive and appears to be 'C. Kratzer'. The signature on the right is more stylized and appears to be 'E. Genequand'.

Christophe Kratzer

Emmanuel Genequand

Audit expert
Auditor in charge

Geneva, 27 april 2020

This report is available in English and French. The French version is the authoritative version.

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