Banque Pictet & Cie SA
Annual report 2021

PICTET 1805

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CONTENTS

BALANCE SHEET

Assets (CHF thousand)	Notes	31.12.2021	31.12.2020
Liquid assets		7 648 153	11 955 395
Amounts due from banks	7;13	2 388 998	2 075 989
Amounts due from securities financing transactions	1	5 913 000	2 758 383
Amounts due from customers	2;13	6 859 424	5 673 398
Trading portfolio assets	3	31 289	39 983
Positive replacement values of derivative financial instruments	4	1 263 008	1 637 500
Other financial instruments at fair value	3	1 603 843	1 348 019
Financial investments	5;7	10 985 751	9 163 942
Accrued income and prepaid expenses		160 632	134 507
Participations		2 049	2 049
Tangible fixed assets		115 650	368 599
Other assets	6	50 631	162 923
Total assets		**37 022 428**	**35 320 687**
Total subordinated claims		3 000	3 000

Liabilities (CHF thousand)	Notes	31.12.2021	31.12.2020
Amounts due to banks	13	4 568 574	4 601 618
Liabilities from securities financing transactions	1	1 875 321	2 153 521
Amounts due in respect of customer deposits	8;13	24 838 624	23 002 434
Trading portfolio liabilities	3	7 080	6 676
Negative replacement values of derivative financial instruments	4	1 311 343	1 868 463
Liabilities from other financial instruments at fair value	3;10	1 729 390	1 426 490
Accrued expenses and deferred income		274 391	252 846
Other liabilities	6	129 550	131 363
Provisions	11	1 094 059	645 679
Total equity		1 194 096	1 231 597
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		167 066	166 978
Profit of the period		27 030	64 619
Total liabilities		**37 022 428**	**35 320 687**
Total subordinated liabilities		330 000	300 000
of which, subject to mandatory conversion and/or debt waiver		330 000	300 000

Off-balance-sheet transactions

Off-balance-sheet (CHF thousand)	Notes	31.12.2021	31.12.2020
Contingent liabilities	2;16	8 470 541	8 289 443
Irrevocable commitments	2	18 554	18 030

INCOME STATEMENT

CHF thousand	Notes	2021	2020	Change
Interest and discount income	20	124 002	106 472	
Interest and dividend income from financial investments		11 703	47 511	
Interest expense	20	(17 246)	(38 846)	
Gross result from interest operations		**118 459**	**115 137**	**3%**
Changes in value adjustments for default risks and losses from interest operations	2;11	2 079	(33 292)	
Subtotal net result from interest operations		**120 538**	**81 845**	**47%**
Commission income from securities trading and investment activities		1 184 030	1 084 323	
Commission income from lending activities		3 434	4 289	
Commission income from other services		98 467	102 406	
Commission expenses		(262 552)	(256 741)	
Subtotal result from commission business and services		**1 023 379**	**934 277**	**10%**
Result from trading activities and the fair value option	**19;20**	**130 731**	**160 272**	**(18%)**
Income from participations		13 661	3 162	
Result from real estate		6 080	6 410	
Other ordinary income		64	572	
Other ordinary expenses		(1 496)	(2)	
Subtotal other result from ordinary activities		**18 309**	**10 142**	**81%**
Personnel expenses	21	(748 214)	(688 880)	
General and administrative expenses	22	(364 789)	(327 431)	
Subtotal operating expenses		**(1 113 003)**	**(1 016 311)**	**10%**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		(38 825)	(40 346)	
Changes to provisions and other value adjustments and losses	11;23	(108 437)	(54 838)	
Operating result		**32 692**	**75 041**	**(56%)**
Extraordinary income	23	421 799	263	
Extraordinary expenses	23	(419 234)	-	
Taxes	24	(8 227)	(10 685)	
Profit of the period		**27 030**	**64 619**	**(58%)**

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 1.1.2021	90 000	865 000	45 000	166 978	64 619	1 231 597
Dividends and other distributions	-	-	-	-	(64 530)	(64 530)
Other allocations to (transfers from) the other reserves	-	-	-	88	(89)	(1)
Profit/Loss (result of the period)	-	-	-	-	27 030	27 030
Equity at 31.12.2021	90 000	865 000	45 000	167 066	27 030	1 194 096

BANQUE PICTET & CIE SA GOVERNANCE
AT 31 DECEMBER 2021

Board of Directors

Nicolas Pictet*
Chairman
Hans Isler*
Deputy Chairman
Jürg Brun*
Barbara Lambert*
Renaud de Planta

Audit Committee and Risk Committee

Hans Isler*
Chairman
Jürg Brun*
Barbara Lambert*

Credit Committee

Nicolas Pictet*
Chairman
Jürg Brun*
Hans Isler*

*Independent Directors

Executive Committee

Rémy Best
Chairman
Marc Pictet
Deputy Chairman
Xavier Barde
Chief Risk Officer (including Compliance & Information Security)
Christèle Hiss Holliger
Head of Human Resources
Jean-Philippe Nerfin
General Counsel
Grégory Petit
Chief Financial Officer
Peter Wintsch
Chief Technology & Operations Officer

Internal audit

Ann Mirjam Levy Duvernay
Head of Internal Audit

Auditors

PricewaterhouseCoopers SA

The Pictet Group governance is described in the 2021 Pictet Group annual report, which is available at www.group.pictet.

NOTES

Corporate name, legal status and bank headquarters

Banque Pictet & Cie SA is a limited company under Swiss law. In addition to its head office in Carouge (GE), it operates through its branches in Zurich and Lausanne, and since 2021, in Hong Kong.

Accounting principles

Financial statements at 31 December 2021
Banque Pictet & Cie SA, Geneva

Accounting principles and valuation method

The financial statements of Banque Pictet & Cie SA (hereinafter also referred to as "the Bank") have been drawn up in accordance with the provisions of the Swiss Federal Law on Banks and Savings Banks, its relevant implementing ordinance as well as the Swiss Financial Market Supervisory Authority's (FINMA) Accounting ordinance (FINMA-AO) and the accounting rules for banks (FINMA Circular 2020/1).

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:

	31.12.2021	31.12.2020	Average exchange rate
EUR	1.0362	1.0816	1.0795
USD	0.9112	0.8840	0.9124
JPY	0.0079	0.0086	0.0083
GBP	1.2341	1.2083	1.2540

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 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.

Amounts due from customers are composed by Lombard credits backed by securities and therefore no value adjustments for non-impaired loans are considered.

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 does not recognise any past due interest or interest from impaired loans/receivables in the income statement; instead, these items are booked under 'Changes in value adjustments for default risks and losses from interest operations'.

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

When a loan of a client or a group exceeds the limit granted, when a current account is overdrawn without an authorised overdraft limit or when the value of pledged collateral falls below the applicable drawdown limit, 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 based on 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 and custody of clients' assets, which constitute the Bank's core business. The credit facilities are granted primarily in the form of Lombard loans, i.e. credit that is secured by collateral pledged by the borrower.

Collateral accepted as security for Lombard loans are accounts with Group companies, fiduciary deposits with authorised 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 pledged 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 the Bank 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 the Bank 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 recorded 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 and the replacement values of derivative financial instruments purchased in accordance with the investment strategy of the certificates.

Changes in value of the certificates and underlying positions are recorded under 'Result from trading activities and the fair value option' in the income statement.

Financial investments

Debt securities intended to be held to maturity are valued on the basis of amortised cost. Gains/losses resulting from a sales transaction prior to maturity or reimbursed early are accrued over the remaining term to the scheduled maturity date of the sold or reimbursed security. As a rule, negative value adjustments are booked under 'Other ordinary expenses' and positive value adjustments are 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 customer 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, software, 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 lifetimes 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, the Bank 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 permissible and the intended use of the surplus is to lower future employer contributions, to reimburse contributions to the employer or to utilise them outside regulatory benefits. This benefit (surplus) appears under 'Other assets' in the balance sheet and is booked in the income statement under 'Personnel expenses'. The obligation (shortfall) is registered in the same way in the income statement. It is, 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 the accounting principles in 2021.

Risk management

Risk policy

General provisions

Risk management forms a cornerstone of the Bank'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 the Bank 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 to a prior risk analysis. The Management of Banque Pictet & Cie SA 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 subdivided 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 involving risks that are not adequately rewarded are avoided.

Credit risk

Credit risk results from the possibility of a counterparty defaulting on its financial obligations towards the Bank. 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.

Clients

Providing credit to clients comes second to the management and custody of clients' assets on behalf of third parties, which constitute the Bank's core business. Credit facilities are granted primarily in the form of Lombard loans, i.e. credit that is secured by 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.

Credit risk management for non-bank clients is under the supervision of Group's Chief Credit Officer.

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 and Central Clearing Houses.

Selected banking counterparties are approved by the Executive Committee on a quarterly basis. All limits are set according to a formal process. 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 Counterparty Risk 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 Counterparty Risk Committee and the Weekly Counterparty Committee;
- The Weekly Counterparty Committee (WCC) examines requests for changes to existing limits or for new limits for banking counterparties;

The Financial Institution Management team checks compliance with limits for each banking counterparty.

A weekly 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 the Bank'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 refers to Banque Pictet & Cie SA's exposure to any adverse movements in market conditions. The main risk factors relate to interest rates, exchange rates and prices of equity securities and 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 Risk & Compliance 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 the PTS' unit responsible for 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 interest rate markets.

Limits attached to such trading activities are formulated in three ways: as sensitivity 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 first level market risk controls stemming from treasury management activities and including the stress tests. The second 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 be 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 actively exchanging information with business lines and regular efforts to remind staff of their responsibilities and heighten their awareness about the direct and indirect impact that the Bank's activities might have on its reputation as well as on that of its clients and its staff (such as changes in the political or regulatory climate). 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 managing risk related to the Bank's image. It monitors articles published about the Bank and contacts the media if the Bank's reputation could be damaged. Measures aimed at limiting risk to the Bank's image and reputation include analysing and pinpointing any areas of vulnerability, carrying out internal analyses and ensuring escalation procedures as well as rules of conduct applicable to staff. Corporate Communications works closely with the Risks, Compliance and Legal Departments. Reputational risk, as well as the monitoring and adequacy of taken measures, are subject to particular attention by Pictet Group's Management.

The Group has implemented a crisis management process at 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 and 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

The risk policy has been modified in 2021 to reflect some changes in the risk framework, in particular in relation to the internal control system.

Hedge accounting

Treasury management

Banque Pictet & Cie SA invests its surplus liquidity from clients' deposits in a portfolio following a long-term strategy. This portfolio holds bonds intended to be held to maturity although, in particular circumstances (such as a downgrading of an issuer's credit rating), 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

No significant events that might affect Banque Pictet & Cie SA's 2021 accounts have occurred since the year-end closing date.

Notes to the balance sheet

1. Breakdown of securities financing transactions (assets and liabilities)

CHF thousand	31.12.2021	31.12.2020
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	5 913 000	2 758 383
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	1 875 321	2 153 521
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	1 880 480	2 157 812
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	5 916 593	2 761 280

*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	5 252	6 748 016	134 411	6 887 679
Total loans (before netting with value adjustments)				
31.12.2021	**5 252**	**6 748 016**	**134 411**	**6 887 679**
31.12.2020	**44 656**	**5 590 087**	**72 335**	**5 707 078**
Total loans (after netting with value adjustments)				
31.12.2021	**5 252**	**6 748 016**	**106 156**	**6 859 424**
31.12.2020	**44 656**	**5 590 087**	**38 655**	**5 673 398**
Off-balance-sheet				
Contingent liabilities	-	7 194 927	1 275 614	8 470 541
Irrevocable commitments	-	-	18 554	18 554
Total off-balance-sheet				
31.12.2021	**-**	**7 194 927**	**1 294 168**	**8 489 095**
31.12.2020	**-**	**7 708 883**	**598 590**	**8 307 473**

Impaired loans/receivables

CHF thousand	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
31.12.2021	28 255	-	28 255	28 255
31.12.2020	33 680	-	33 680	33 680

Impaired loans represent 0.41% of the total amounts due from clients at 31 December 2021 (compared to 0.59% at 31 December 2020).

3. Breakdown of trading portfolios and other financial instruments at fair value (assets and liabilities)

Assets (CHF thousand)	**31.12.2021**	**31.12.2020**
Trading portfolio assets	31 289	39 983
Debt securities, money market securities/transactions	-	539
of which, listed	-	539
Equity securities	31 289	39 444
Other financial instruments at fair value	1 603 843	1 348 019
Equity securities	1 587 152	1 327 682
Precious metals	16 691	20 337
Total assets	**1 635 132**	**1 388 002**
of which, determined using a valuation model	3 293	1 505

Liabilities (CHF thousand)	**31.12.2021**	**31.12.2020**
Trading portfolio liabilities	7 080	6 676
Equity securities	7 080	6 676
Other financial instruments at fair value	1 729 390	1 426 490
Structured products (certificates)	1 729 390	1 426 490
Total liabilities	**1 736 470**	**1 433 166**
of which, determined using a valuation model	3 204	1 461

Banque Pictet & Cie SA enables its clients to purchase certificates corresponding, in general, to shares in equity baskets. The section detailing the accounting principles used in 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	Contact volume	Positive replacement values	Negative replacement values	Contact volume
Interest rate instruments						
Swaps	15 549	14 038	1 848 331	104 616	117 139	18 750 230
Futures	7	37	1 397 859	-	-	-
Options (exchange-traded)	-	-	2 266	-	-	-
Foreign exchange						
Forward contracts	334 095	472 233	63 403 683	-	-	-
Combined interest rate/ currency swaps	676 588	578 352	108 906 791	7 184	6 175	614 358
Options (OTC)	5 697	6 312	1 565 932	-	-	-
Precious metals						
Forward contracts	1 072	879	67 033	-	-	-
Combined interest rate/ currency swaps	2 514	4 064	421 962	-	-	-
Options (OTC)	15 918	12 346	1 201 787	-	-	-
Equity securities/indices						
Forward contracts	825	988	121 148	-	-	-
Futures	5	2	1 404 893	-	-	-
Options (OTC)	72 597	83 453	3 835 679	-	-	-
Options (exchange-traded)	20 136	9 120	336 067	-	-	-
Credit derivatives						
Credit default swaps	6 205	6 205	501 318	-	-	-
Total before netting agreements						
Total 31.12.2021	**1 151 208**	**1 188 029**	**185 014 749**	**111 800**	**123 314**	**19 364 588**
of which, determined using a valuation model	1 131 060	1 178 870	181 873 664	111 800	123 314	19 364 588
Total 31.12.2020	**1 549 022**	**1 545 630**	**184 422 025**	**88 478**	**322 833**	**18 874 968**
of which, determined using a valuation model	1 512 700	1 537 689	181 329 761	88 478	322 833	18 874 968

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)
31.12.2021	1 263 008	1 311 343
31.12.2020	1 637 500	1 868 463

Breakdown by counterparties

Positive replacement values (after netting agreements) (CHF thousand)	Central clearing houses	Banks and securities dealers	Other customers
31.12.2021	116 815	954 610	191 583
31.12.2020	69 248	1 285 967	282 285

5. Breakdown of financial investments

CHF thousand	Book value		Fair value	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Debt securities	10 177 057	8 391 856	10 227 919	8 619 265
of which, intended to be held to maturity	10 177 057	8 391 856	10 227 919	8 619 265
Equity securities	180 912	179 042	222 234	227 174
Precious metals	627 782	593 044	627 782	593 044
Total	**10 985 751**	**9 163 942**	**11 077 935**	**9 439 483**
of which, securities eligible for repo transactions in accordance with liquidity requirements	6 918 897	6 438 879	6 964 969	6 599 209

Breakdown by counterparties by rating

CHF thousand	Book value	
	31.12.2021	31.12.2020
AAA	7 828 310	6 419 814
AA+	1 271 641	1 005 728
AA	232 207	158 823
AA-	843 455	807 491
A+	1 444	-
Total	**10 177 057**	**8 391 856**

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	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Compensation account	-	118 145	31 856	-
Indirect taxes	35 709	32 354	30 486	31 534
Clearing accounts	13 560	12 417	62 808	94 074
Other	1 362	7	4 400	5 755
Total	**50 631**	**162 923**	**129 550**	**131 363**

7. Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership

Pledged/assigned assets (CHF thousand)	Book values		Effective commitments	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Due from banks	77 395	151 530	77 395	151 530
Financial investments	1 635 992	1 625 689	1 635 992	1 625 689

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 unaudited annual accounts show the funding ratio for the scheme stood at 125.9% as at end-December 2021 (122.9% at end 2020). The value fluctuation reserve is funded up to 22% of pension liabilities (20.1% at end 2020).

The unaudited annual accounts for the Pictet Group's Fondation de Prévoyance Complémentaire pension plan show its funding ratio stood at 100% as at end-2021.

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)	31.12.2021	31.12.2020
Amounts due in respect of client deposits	130 552	36 052

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 31.12.2021	Contributions paid for 2021	Pension expenses in personnel expenses	
			2021	2020
Employer sponsored funds/employer sponsored pension schemes	-	2 300	2 300	2 300
Pension plans without overfunding/underfunding	-	16 997	19 265	18 485
Pension plans with overfunding	25.9%	61 718	61 718	60 317

The governing bodies consider that any overfunding, as defined by FINMA's AO (article 29), 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 2021, there was no economic benefit or obligation to be booked in the Bank's balance sheet or in-come statement.

10. Presentation of issued structured products (book value)

Underlying risk of the embedded derivative (CHF thousand)	Valued as a whole		Valued separately		TOTAL
	Booked in trading portfolio	Booked in other financial instruments at fair value	Value of the host instruments	Value of the derivative	
Equity securities					
With own debenture component (oDC)		1 712 699	-	-	1 712 699
Without oDC		-	-	-	-
Commodities/precious metals					
With own debenture component (oDC)		16 691	-	-	16 691
Without oDC		-	-	-	-
Total 31.12.2021		**1 729 390**	**-**	**-**	**1 729 390**

Banque Pictet & Cie SA enables its clients to purchase certificates corresponding, in general, to shares in equity baskets. The section detailing the accounting principles used in 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 31.12.2020	Use in conformity with designated purpose	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at 31.12.2021
Provisions for other business risks	95 679	(2 582)	(16)	69 231	(4 174)	158 138
Other provisions	550 000	-	-	422 578	(36 657)	935 921
Total provisions	**645 679**	**(2 582)**	**(16)**	**491 809**	**(40 831)**	**1 094 059**
Value adjustments for default and country risks	**33 680**	**(3 331)**	**1 178**	**3 801**	**(7 073)**	**28 255**
of which, value adjustments for default risks in respect of impaired loans/receivables	33 680	(3 331)	1 178	3 801	(7 073)	28 255

'Provisions for other business risks' are mainly intended to cover a variety of risks relating to litigation, including any associated legal expenses, inherent to the Bank's activity.

'Other provisions' include an unallocated provision to cover operational risks. This provision was further increased by CHF 40 million in 2021.

The increase in 'Other provisions' mainly stems from the constitution of the capital gain reinvestment provision following the sale-leaseback agreement, outlined in note 23.

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 2021.

12. Presentation of the Bank's capital

CHF thousand	31.12.2021			31.12.2020		
	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 2021, 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	31.12.2021	31.12.2020
Non-distributable statutory reserves	45 000	45 000
Non-distributable voluntary reserves	-	-
Total non distribuable reserves	**45 000**	**45 000**

13. Disclosure of amounts due from/to related parties

CHF thousand	Amounts due from		Amounts due to	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Holders of qualified participations	4 729	630	679 244	556 268
Pictet Group companies	1 438 569	1 142 828	6 115 550	5 487 065
Transactions with members of governing bodies	26	1	286 730	279 936

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		31.12.2021		31.12.2020	
		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, Sébastien Eisinger, Elif Aktuğ and François Pictet.

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 mapping tables	Net foreign exposure 31.12.2021		Net foreign exposure 31.12.2020	
	CHF thousand	Share as %	CHF thousand	Share as %
1 & 2	14 745 381	87%	10 274 494	84%
3	1 101 700	6%	602 857	5%
4	378 113	2%	419 034	3%
5	35 406	0%	48 938	0%
6	53 859	0%	21 492	0%
7	28 973	0%	101 089	1%
Unrated	877 330	5%	854 673	7%
Total	**17 220 762**	**100%**	**12 322 577**	**100%**

Comments on the rating system used:

Banque Pictet & Cie SA applies the ratings provided by FIN-MA in its rating concordance ('mapping') tables used to calculate capital adequacy requirements. 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.

Notes to off-balance-sheet transactions

16. Contingent liabilities

'Contingent liabilities' encompass guarantees issued 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 regulations.

17. Breakdown of fiduciary transactions

CHF thousand	31.12.2021	31.12.2020
Fiduciary investments with third-party companies	10 759 220	10 684 153
Fiduciary investments with Group companies and linked companies	42 775	-
Fiduciary transactions arising from securities lending and borrowing, which the Bank conducts in its own name for the account of customers	509 490	376 162
Total fiduciary transactions	**11 311 485**	**11 060 315**

18. Breakdown of assets under management or custody

Breakdown of assets under management or custody

CHF billion	31.12.2021	31.12.2020
Assets in collective investment schemes managed by the bank	5.8	5.7
Assets under discretionary asset management agreements	59.6	50.2
Other assets under custody	402.4	369.3
Total assets under management or custody (incl. double counting)	**467.8**	**425.2**
of which, double counting	97.1	88.6
Total assets under management or custody (excl. double counting)	**370.7**	**336.6**

Change in assets under management or custody
(including double counting

CHF billion	**2021**	**2020**
Total assets under management or custody - beginning of year	425.2	405.1
+/- Net new money inflow or net new money outflow	(1.1)	11.9
+/- Price gains/losses, interest, dividends and currency gains/losses	34.6	8.2
+/- Other effects	9.1	-
Total assets under management or custody - end of year	**467.8**	**425.2**

The nature of the services provided to clients and the rea-son 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 man-aged by the Bank.

Net new money inflows are made up of a combination of sever-al factors:

- Inflows of funds resulting from the acquisition of new clients, new funds from existing clients as well as cash-flows 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.

"Other effects" include the integration of the assets coming from the Hong-Kong branch.

Notes to income statement

19. Breakdown of the result from trading

Breakdown by business area

CHF thousand	2021	2020
Trading for the account of the customers	82 332	82 583
Trading for own account	48 399	77 689
Total result from trading activities	**130 731**	**160 272**

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	2021	2020
Result from trading activities from:		
Interest-rate instruments (incl. funds)	-	(3)
Equity securities (incl. funds)	13 319	15 684
Foreign currencies/precious metals/ commodities	117 412	144 591
Total result from trading activities	**130 731**	**160 272**
of which, from fair value option	8 639	5 695
of which, from fair value option on assets	8 639	5 695

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	2021	2020
Negative interest on lending business (decrease in interest and discount income)	13 653	29 626
Negative interest on borrowing business (decrease in interest expense)	34 573	32 040

21. Breakdown of personnel expenses

CHF thousand	2021	2020
Salaries	598 385	543 996
of which, expenses relating to alternative forms of variable compensation	138 377	107 361
Social insurance benefits	138 083	132 377
Other personnel expenses	11 746	12 507
Total	**748 214**	**688 880**

22. Breakdown of general and administrative expenses

CHF thousand	2021	2020
Office space expenses	61 888	41 732
Expenses for information and communications technology	189 686	189 504
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	9 772	10 251
Fees of audit firms	1 646	1 583
of which, for financial and regulatory audits	974	898
of which, for other services	672	685
Public relations	17 398	13 247
Travel	11 634	9 099
Taxes	9 583	8 642
Other operating expenses	63 182	53 373
Total	**364 789**	**327 431**

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	2021	2020
Changes to provisions and other value adjustments, losses	(108 437)	(54 838)
Extraordinary income	421 799	263
Extraordinary expenses	(419 234)	-

A sale-leaseback agreement was concluded for the head office building located at route des Acacias 60, in Geneva. Taking into account the residual value of the building, this transaction generated an extraordinary income of CHF 383 million.

Due to the reinvestment of the gain in the construction of another building (the Pictet Campus in Rochemont), a capital gain reinvestment provision has been constituted for an equivalent amount.

The details of value adjustments and provisions are presented in the table relating to the balance sheet in annex 11. Given the capital gain reinvestment provision, construction costs of the Campus (CHF 37 million at the end of 2021) are immediately amortised through extraordinary expenses and offset by a corresponding utilisation of the provision through extraordinary income.

24. Presentation of current taxes, deferred taxes and disclosure of tax rate

CHF thousand	2021	2020
Current tax expenses	8 227	10 685
Total taxes	**8 227**	**10 685**
Average tax rate	**25.2%**	**14.2%**

PROPOSAL OF THE BOARD OF DIRECTORS CONCERNING THE APPROPRIATION OF EARNINGS

The following proposal is made to the General Meeting of shareholders on 26 April 2022:

• Net profit for 2021	CHF 27 030 240
• Profit carried forward	CHF 167 066 295
• Distributable profit	CHF 194 096 535

Appropriation of profit:

- CHF 300 per share
- to the 90 000 registered shares

• Dividend payment	CHF 27 000 000
• Allocation to statutory retained earnings reserve	–
• New amount carried forward	CHF 167 096 535

KEY METRICS (KM1)

FINMA circular 2016/1
(unaudited figures)

	Available capital (CHF thousand)	31.12.2021	31.12.2020
1	Common Equity Tier 1 (CET1)	1 167 066	1 163 978
2	Tier 1 (T1)	1 494 066	1 463 978
3	**Total capital**	**1 494 066**	**1 463 978**

	Risk-weighted assets (RWA) (CHF thousand)	31.12.2021	31.12.2020
4	Total Risk-weighted amounts (RWA)	6 597 280	7 504 546
4a	Minimum capital requirements	527 782	600 364

	Risk-based capital ratios as a percentage of RWA	31.12.2021	31.12.2020
5	Common Equity Tier 1 ratio	17.7%	15.5%
6	Tier 1 ratio	22.6%	19.5%
7	**Total capital ratio**	**22.6%**	**19.5%**

	Additional CET1 buffer requirements (as % of RWA)	31.12.2021	31.12.2020
8	Capital conservation buffer requirements (2.5% from 2019)	2.5%	2.5%
11	**Total of Bank CET1 specific buffer requirements**	**2.5%**	**2.5%**
12	CET1 available after meeting the Bank's minimum capital requirements (%)	13.2%	11.0%

	Capital ratio requirements in accordance with annex 8 of the CAO	31.12.2021	31.12.2020
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	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	31.12.2021	31.12.2020
13	Total Basel III leverage exposure measure (CHF thousand)	41 724 506	30 527 799
14	**Basel III leverage ratio**	**3.6%**	**4.8%**

Deposits held at central banks were excluded from the leverage ratio at 31 December 2020, in line with FINMA's 02/2020 guidance (dated 31 March 2020). Excluding this exemption, the leverage ratio would have stood at 3.6% at 31 December 2020. This exemption was removed for the calculation of the ratio at 31.12.2021.

Liquidity coverage ratio (LCR) (CHF thousand)	Q4 2021 average*	Q3 2021 average*	Q2 2021 average*	Q1 2021 average*
15 Total HQLA	20 027 559	19 285 297	19 171 021	19 435 656
16 Total net cash outflow	13 566 692	12 900 150	12 917 206	12 691 473
17 LCR ratio (%)	**148%**	**149%**	**148%**	**153%**

Net stable funding ratio (NSFR)	Q4 2021 average*		Q2 2021 average*	
15 Total available stable funding (CHF thousand)	16 254 086		n/a	
16 Total required stable funding (CHF thousand)	9 435 133		n/a	
17 NSFR ratio (in %)	**172%**		**n/a**	

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

The 2021 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 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 42), for the year ended 31 December 2021.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the 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 appro-priate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the articles of incorporation.

PricewaterhouseCoopers SA, avenue Giuseppe-Motta 50, case postale, 1211 Genève 2, Switzerland
Téléphone: +41 58 792 91 00, Téléfax: +41 58 792 91 10, www.pwc.ch

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 articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Christophe Kratzer	Grégory Cachin
Audit expert Auditor in charge	Audit expert

Geneva, 26 April 2022

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