

Banque Pictet & Cie SA

Annual report 2022



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CONTENTS

Balance sheet	3
Income statement	4
Statement of changes in equity	5
Banque Pictet & Cie SA governance at 31 December 2022	6
Notes	8
Corporate name, legal status and bank headquarters	8
Accounting principles	8
Risk management	15
Hedge accounting	21
Events after the balance-sheet date	21
Notes to the balance sheet	22
Notes to off-balance-sheet transactions	36
Notes to income statement	39
Proposal of the Board of Directors concerning the appropriation of available earnings	42
Key metrics (KM1)	43
Report of the statutory auditor	45

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BALANCE SHEET

Assets (CHF thousand)	Notes	31.12.2022	31.12.2021
Liquid assets		4 924 016	7 648 153
Amounts due from banks	7;13	770 778	2 388 998
Amounts due from securities financing transactions	1	5 582 520	5 913 000
Amounts due from customers	2;13	5 887 649	6 859 424
Trading portfolio assets	3	8 610	31 289
Positive replacement values of derivative financial instruments	4	2 607 084	1 263 008
Other financial instruments at fair value	3	1 238 817	1 603 843
Financial investments	5;7	13 627 162	10 985 751
Accrued income and prepaid expenses		164 615	160 632
Participations		100	2 049
Tangible fixed assets		123 713	115 650
Other assets	6	56 302	50 631
Total assets		34 991 366	37 022 428
Total subordinated claims		3 000	3 000
Liabilities (CHF thousand)	Notes	31.12.2022	31.12.2021
Amounts due to banks	13	3 783 565	4 568 574
Liabilities from securities financing transactions	1	3 412 205	1 875 321
Amounts due in respect of customer deposits	8;13	21 035 870	24 838 624
Trading portfolio liabilities	3	629	7 080
Negative replacement values of derivative financial instruments	4	2 225 672	1 311 343
Liabilities from other financial instruments at fair value	3;10	1 422 029	1 729 390
Accrued expenses and deferred income		333 650	274 391
Other liabilities	6	423 125	129 550
Provisions	11	1 062 575	1 094 059
Total equity		1 292 046	1 194 096
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		167 047	167 066
Profit of the period		124 999	27 030
Total liabilities		34 991 366	37 022 428
Total subordinated liabilities		330 000	330 000
<i>of which, subject to mandatory conversion and/or debt waiver</i>		330 000	330 000

Off-balance-sheet transactions

Off-balance-sheet (CHF thousand)	Notes	31.12.2022	31.12.2021
Contingent liabilities	2;16	8 597 086	8 470 541
Irrevocable commitments	2	17 894	18 554

INCOME STATEMENT

CHF thousand	Notes	2022	2021	Change
Interest and discount income	20	213 256	124 002	
Interest and dividend income from financial investments		116 530	11 703	
Interest expense	20	(67 865)	(17 246)	
Gross result from interest operations		261 921	118 459	121%
Changes in value adjustments for default risks and losses from interest operations	2;11	293	2 079	
Subtotal net result from interest operations		262 214	120 538	118%
Commission income from securities trading and investment activities		1 097 502	1 184 030	
Commission income from lending activities		3 679	3 434	
Commission income from other services		107 820	98 467	
Commission expenses		(240 928)	(262 552)	
Subtotal result from commission business and services		968 073	1 023 379	(5%)
Result from trading activities and the fair value option	19;20	147 921	130 731	13%
Result from the disposal of financial investments		3	-	
Income from participations		10 777	13 661	
Result from real estate		6 535	6 080	
Other ordinary income		1 543	64	
Other ordinary expenses		-	(1 496)	
Subtotal other result from ordinary activities		18 858	18 309	3%
Subtotal operating income		1 397 066	1 292 957	8%
Personnel expenses	21	(782 062)	(748 214)	
General and administrative expenses	22	(421 231)	(364 789)	
Subtotal operating expenses		(1 203 293)	(1 113 003)	8%
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		(32 520)	(38 825)	
Changes to provisions and other value adjustments and losses	11;23	(58 544)	(108 437)	
Operating result		102 709	32 692	214%
Extraordinary income	23	138 467	421 799	
Extraordinary expenses	23	(93 981)	(419 234)	
Taxes	24	(22 196)	(8 227)	
Profit of the period		124 999	27 030	362%

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 1.1.2022	90 000	865 000	45 000	167 066	27 030	1 194 096
Currency translation differences	-	-	-	(49)	-	(49)
Dividends and other distributions	-	-	-	-	(27 000)	(27 000)
Other allocations to (transfers from) the other reserves	-	-	-	30	(30)	-
Profit/Loss (result of the period)	-	-	-	-	124 999	124 999
Equity at 31.12.2022	90 000	865 000	45 000	167 047	124 999	1 292 046

BANQUE PICTET & CIE SA GOVERNANCE
AT 31 DECEMBER 2022

Board of Directors

Nicolas Pictet*
Chairman
Hans Isler*
Deputy Chairman
Jürg Brun*
Isabelle Romy*
Susanne Haury von Siebenthal*

Audit Committee and Risk Committee

Hans Isler*
Chairman
Jürg Brun*
Isabelle Romy*

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 2022 Pictet Group annual report, which is available at www.pictet.com

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, Lausanne, and Hong Kong.

Accounting principles

Financial statements at 31 December 2022

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:

	31.12.2022	31.12.2021	Average exchange rate
EUR	0.9874	1.0362	1.0046
USD	0.9252	0.9112	0.9506
JPY	0.0070	0.0079	0.0073
GBP	1.1129	1.2341	1.1776

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 tell-tale 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.

<i>Scheduled useful lifetimes</i>	
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, 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.

Off-balance sheet fiduciary transactions

Such transactions cover customer deposits, loans, participations, and securities lending and borrowing transactions entered into or granted by the Bank in its own name, but exclusively for the customer's account and risk. Amounts reported under other fiduciary transactions in the breakdown of fiduciary transactions relate to customers' deposits held by the Bank in its own name as a nominee, on clients' behalf and sole risk.

Comparatives

Where necessary, comparative information in the notes to the financial statements has been adjusted to conform to changes in presentation in the current year.

Change in accounting principles

There were no changes in the accounting principles in 2022.

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 Board of Directors of Banque Pictet & Cie SA 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 tolerance 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 tolerance (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 tolerance for market, credit, interest-rate and liquidity risks at the Bank level is translated into quantified limits, and the tolerance 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 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 periodically by 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 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.

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 tolerance for market risks. This is then broken down into sub-limits

under the supervision of the Group Market Risk Committee.

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 tolerance 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 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 risk can be defined as the risk of a loss resulting from the inadequacy or failure of internal processes, people or systems, or from external events.

The Pictet Group Operational Risk Policy defines the objectives, priorities and principles for the management of operational risk in the Bank.

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 tolerance 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 within the organisation 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 2022 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 2022 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	31.12.2022	31.12.2021
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	5 582 520	5 913 000
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	3 412 205	1 875 321
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	3 568 635	1 880 480
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	5 579 236	5 916 593

*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			Total
	Secured by mortgage	Other collateral	Unsecured	
Loans (before netting with value adjustments)				
Amounts due from clients	11 845	5 790 391	114 535	5 916 771
Total loans (before netting with value adjustments)				
31.12.2022	11 845	5 790 391	114 535	5 916 771
31.12.2021	5 252	6 748 016	134 411	6 887 679
Total loans (after netting with value adjustments)				
31.12.2022	11 845	5 790 391	85 413	5 887 649
31.12.2021	5 252	6 748 016	106 156	6 859 424
Off-balance-sheet				
Contingent liabilities	-	7 540 906	1 056 180	8 597 086
Irrevocable commitments	-	-	17 894	17 894
Total off-balance-sheet				
31.12.2022	-	7 540 906	1 074 074	8 614 980
31.12.2021	-	7 194 927	1 294 168	8 489 095

Impaired loans/receivables

CHF thousand	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
31.12.2022	29 122	-	29 122	29 122
31.12.2021	28 255	-	28 255	28 255

Impaired loans represent 0.49% of the total amounts due from clients at 31 December 2022 (compared to 0.41% at 31 December 2021). Variation is mainly due to foreign exchange and interests effects.

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

Assets (CHF thousand)	31.12.2022	31.12.2021
Trading portfolio assets	8 610	31 289
Equity securities	8 610	31 289
Other financial instruments at fair value	1 238 817	1 603 843
Debt securities	21 855	-
Equity securities	1 215 269	1 587 152
Precious metals	1 693	16 691
Total assets	1 247 427	1 635 132
<i>of which, determined using a valuation model</i>	359	3 293
Liabilities (CHF thousand)	31.12.2022	31.12.2021
Trading portfolio liabilities	629	7 080
Equity securities	629	7 080
Other financial instruments at fair value	1 422 029	1 729 390
Structured products (certificates)	1 422 029	1 729 390
Total liabilities	1 422 658	1 736 470
<i>of which, determined using a valuation model</i>	294	3 204

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	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments						
Swaps	30 111	28 580	1 037 670	803 266	370 647	27 364 552
Futures	41	25	611 910	-	-	-
Foreign exchange						
Forward contracts	532 469	726 725	59 945 439	-	-	-
Combined interest rate/ currency swaps	1 068 364	860 848	90 395 912	43 532	119 636	9 560 632
Options (OTC)	13 574	12 694	1 538 666	-	-	-
Precious metals						
Forward contracts	1 169	980	29 581	-	-	-
Combined interest rate/ currency swaps	9 765	5 594	690 946	-	-	-
Options (OTC)	16 111	14 193	842 623	-	-	-
Equity securities/indices						
Forward contracts	180	180	48 586	-	-	-
Swaps	753	754	90 111	-	-	-
Futures	5	11	432	-	-	-
Options (OTC)	78 403	79 932	3 554 879	-	-	-
Options (exchange-traded)	8 009	3 541	330 042	-	-	-
Credit derivatives						
Credit default swaps	1 332	1 332	151 978	-	-	-
Total before netting agreements						
Total 31.12.2022	1 760 286	1 735 389	159 268 775	846 798	490 283	36 925 184
of which, determined using a valuation model	1 752 231	1 731 812	158 326 391	846 798	490 283	36 925 184
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

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)
31.12.2022	2 607 084	2 225 672
31.12.2021	1 263 008	1 311 343

Breakdown by counterparties

Positive replacement values (after netting agreements) (CHF thousand)	Central clearing houses	Banks and securities dealers	Other customers
31.12.2022	782 880	1 450 539	373 665
31.12.2021	116 815	954 610	191 583

5. Breakdown of financial investments

CHF thousand	Book value		Fair value	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Debt securities	12 896 664	10 177 057	12 346 394	10 227 919
of which, intended to be held to maturity	12 896 664	10 177 057	12 346 394	10 227 919
Equity securities	184 054	180 912	221 624	222 234
Precious metals	546 444	627 782	546 444	627 782
Total	13 627 162	10 985 751	13 114 462	11 077 935
of which, securities eligible for repo transactions in accordance with liquidity requirements	10 393 079	6 918 897	10 015 644	6 964 969

Breakdown by counterparties by rating

CHF thousand	Book value	
	31.12.2022	31.12.2021
AAA	10 819 144	7 828 310
AA+	1 256 414	1 271 641
AA	198 651	232 207
AA-	622 455	843 455
A+	-	1 444
Total	12 896 664	10 177 057

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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Compensation account	-	-	355 085	31 856
Indirect taxes	37 037	35 709	33 449	30 486
Clearing accounts	17 899	13 560	31 243	62 808
Other	1 366	1 362	3 348	4 400
Total	56 302	50 631	423 125	129 550

The increase for the financial year 2022 of the compensation account in the liabilities is related to the adjustments of positive replacement values of derivatives financial instruments used for the hedge accounting.

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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Due from banks	168 402	77 395	168 402	77 395
Financial investments	1 719 364	1 638 605	1 719 364	1 638 605

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 111.6% as at end-December 2022 (125.9% at end 2021). The value fluctuation reserve represents 25% of pension liabilities (22% at end 2021).

The Pictet Group's Fondation de Prévoyance Complémentaire pension plan having no commitments toward the saving capital of affiliated employees, its funding ratio stands at 100%.

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)	31.12.2022	31.12.2021
Amounts due in respect of client deposits	66 380	130 552

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 31.12.2022	Contributions paid for 2022	Pension expenses in personnel expenses	
			2022	2021
Employer sponsored funds/employer sponsored pension schemes	-	2 700	2 700	2 300
Pension plans without overfunding/underfunding	-	16 053	18 347	19 265
Pension plans with overfunding	11.6%	63 010	63 010	61 718

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 2022, 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
	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)		1 352 302	-	-	1 352 302
Without oDC		-	-	-	-
Foreign currencies					
With own debenture component (oDC)		52 583	-	-	52 583
Without oDC		-	-	-	-
Commodities/precious metals					
With own debenture component (oDC)		17 144	-	-	17 144
Without oDC		-	-	-	-
Total 31.12.2022		1 422 029	-	-	1 422 029

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 31.12.2021	Use in conformity with designated purpose	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at 31.12.2022
Provisions for other business risks	158 138	(15 376)	-	14 000	(2 027)	154 735
Other provisions	935 921	-	-	40 000	(68 081)	907 840
Total provisions	1 094 059	(15 376)	-	54 000	(70 108)	1 062 575
Value adjustments for default and country risks	28 255	(116)	1 434	250	(701)	29 122
<i>of which, value adjustments for default risks in respect of impaired loans/receivables</i>	28 255	(116)	1 434	250	(701)	29 122

'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 2022. The release of CHF 68 million is related to the construction costs of the campus and further details are provided in annex 23 covering extraordinary results.

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 2022.

12. Presentation of the Bank's capital

CHF thousand	31.12.2022			31.12.2021		
	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 paid up whic h,	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 2022, 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	31.12.2022	31.12.2021
Non-distributable statutory reserves	45 000	45 000
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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Holders of qualified participations	-	4 729	803 901	679 244
Pictet Group companies	419 098	1 178 645	4 206 644	5 744 800
Transactions with members of governing bodies	1 000	26	334 266	286 730

Transactions with related parties are concluded at going market conditions.

14. Disclosure of holders of significant participations

Holders of significant participations and groups of holders of participations with pooled voting rights		31.12.2022		31.12.2021	
		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: 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 31.12.2022		Net foreign exposure 31.12.2021	
	CHF thousand	Share as %	CHF thousand	Share as %
1 & 2	13 220 705	89%	14 745 381	87%
3	933 357	6%	1 101 700	6%
4	246 748	2%	378 113	2%
5	22 990	0%	35 406	0%
6	67 238	0%	53 859	0%
7	31 082	0%	28 973	0%
Unrated	426 380	3%	877 330	5%
Total	14 948 500	100%	17 220 762	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. 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	31.12.2022	31.12.2021
Fiduciary investments with third-party companies	16 184 810	10 759 220
Fiduciary investments with Group companies and linked companies	486 237	42 775
Fiduciary transactions arising from securities lending and borrowing, which the Bank conducts in its own name for the account of customers	604 355	509 490
Other fiduciary transactions	23 548	8 471
Total fiduciary transactions	17 298 950	11 319 956

18. Breakdown of assets under management or custody

Breakdown of assets under management or custody

CHF billion	31.12.2022	31.12.2021
Assets in collective investment schemes managed by the bank	5.1	5.8
Assets under discretionary asset management agreements	55.6	59.6
Other assets under custody	371.4	402.4
Total assets under management or custody (incl. double counting)	432.1	467.8
<i>of which, double counting</i>	<i>89.7</i>	<i>97.1</i>
Total assets under management or custody (excl. double counting)	342.4	370.7

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

CHF billion	2022	2021
Total assets under management or custody - beginning of year	467.8	425.2
+/- Net new money inflow or net new money outflow	1.8	(1.1)
+/- Price gains/losses, interest, dividends and currency gains/losses	(37.5)	34.6
+/- Other effects	-	9.1
Total assets under management or custody - end of year	432.1	467.8

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 outflows 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.

“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	2022	2021
Trading for the account of the customers	71 297	82 332
Trading for own account	76 624	48 399
Total result from trading activities	147 921	130 731

Trading activities for the Bank'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	2022	2021
Result from trading activities from:		
Interest-rate instruments (incl. funds)	-	-
Equity securities (incl. funds)	22 586	13 319
Foreign currencies/precious metals/ commodities	125 335	117 412
Total result from trading activities	147 921	130 731
<i>of which, from fair value option</i>	<i>7 523</i>	<i>8 639</i>
<i>of which, from fair value option on assets</i>	<i>7 523</i>	<i>8 639</i>

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	2022	2021
Negative interest on lending business (decrease in interest and discount income)	2 974	13 653
Negative interest on borrowing business (decrease in interest expense)	20 331	34 573

21. Breakdown of personnel expenses

CHF thousand	2022	2021
Salaries	623 254	598 385
<i>of which, expenses relating to alternative forms of variable compensation</i>	133 307	138 377
Social insurance benefits	139 796	138 083
Other personnel expenses	19 012	11 746
Total	782 062	748 214

22. Breakdown of general and administrative expenses

CHF thousand	2022	2021
Office space expenses	69 410	61 888
Expenses for information and communications technology	223 500	184 515
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	9 898	9 772
Professional services	29 042	39 301
Fees of audit firms	2 193	1 646
<i>of which, for financial and regulatory audits</i>	1 202	974
<i>of which, for other services</i>	992	672
Public relations	19 026	17 398
Travel	16 599	11 634
Taxes	9 784	9 583
Other operating expenses	41 779	29 052
Total	421 231	364 789

**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	2022	2021
Changes to provisions and other value adjustments, losses	(58 544)	(108 437)
Extraordinary income	138 467	421 799
Extraordinary expenses	(93 981)	(419 234)

In 2022, the participation in the company Euroclear has been sold, generating an extraordinary income of CHF 69 million. CHF 25.9 million of this income has been allocated to the Pictet Group Foundation through extraordinary expenses.

In 2021, 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 68 million for 2022 vs. CHF 37 million for 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	2022	2021
Current tax expenses	22 196	8 227
Total taxes	22 196	8 227
Average tax rate	21.6%	25.2%

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

The following proposal is made to the General Meeting of shareholders on 25 April 2023:

• Net profit for 2022	CHF 124 999 445
• Profit carried forward	CHF 167 047 440
• Distributable profit	CHF 292 046 885

Appropriation of profit:

- CHF 1'120 per share
- to the 90 000 registered shares

• Dividend payment	CHF 100 800 000
• Allocation to statutory retained earnings reserve	—
• New amount carried forward	CHF 191 246 885

KEY METRICS (KM1)

FINMA circular 2016/1
(unaudited figures)

Available capital (CHF thousand)	31.12.2022	31.12.2021
1 Common Equity Tier 1 (CET1)	1 164 047	1 164 066
2 Tier 1 (T1)	1 494 047	1 494 066
3 Total capital	1 494 047	1 494 066
Risk-weighted assets (RWA) (CHF thousand)	31.12.2022	31.12.2021
4 Total Risk-weighted amounts (RWA)	6 747 303	6 597 282
4a Minimum capital requirements	539 784	527 783
Risk-based capital ratios as a percentage of RWA	31.12.2022	31.12.2021
5 Common Equity Tier 1 ratio	17.3%	17.6%
6 Tier 1 ratio	22.1%	22.6%
7 Total capital ratio	22.1%	22.6%
Additional CET1 buffer requirements (as % of RWA)	31.12.2022	31.12.2021
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 (%)	12.8%	13.1%
Capital ratio requirements in accordance with annex 8 of the CAO	31.12.2022	31.12.2021
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	31.12.2022	31.12.2021
13 Total Basel III leverage exposure measure (CHF thousand)	39 260 761	41 724 506
14 Basel III leverage ratio	3.8%	3.6%

Liquidity coverage ratio (LCR) (CHF thousand)	Q4 2022 average*	Q3 2022 average*	Q2 2022 average*	Q1 2022 average*
15 Total HQLA	18 276 409	19 451 967	21 187 940	20 711 247
16 Total net cash outflow	10 313 593	11 101 494	13 149 989	13 275 323
17 LCR ratio (%)	177%	175%	161%	156%

Net stable funding ratio (NSFR)	Q4 2022 average*	Q2 2022 average*
15 Total available stable funding (CHF thousand)	13 932 971	n/a
16 Total required stable funding (CHF thousand)	7 501 765	n/a
17 NSFR ratio (in %)	186%	n/a

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

The 2022 Pictet Group Capital adequacy and liquidity disclosure is available on the Pictet Group website (www.pictet.com).



Report of the statutory auditor

to the General Meeting of Banque Pictet & Cie SA, Carouge

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Banque Pictet & Cie SA (the Company), which comprise the balance sheet as at 31 December 2022, income statement and statement of changes in equity for the year then ended and notes to the financial statements (pages 3 to 5 and 8 to 41), including a summary of significant accounting policies.

In our opinion, the accompanying financial statements comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

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

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

Other information

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

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

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

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

Board of Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate to the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers SA



Christophe Kratzer
Audit expert
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Geneva, 25 April 2023

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