

Pictet Group

Annual report 2019



CONTENTS

Key figures	3
2019 and perspectives	4
Consolidated balance sheet	7
Consolidated income statement	8
Consolidated cash flow statement	9
Statement of changes in equity	11
Pictet Group governance at 31 december 2019	12
Notes	24
Accounting principles	24
Risk management	33
Hedge accounting	40
Events after the balance sheet date	41
Notes to the balance sheet	42
Notes to off-balance sheet transactions	66
Notes to the income statement	69
Report of the auditor	75

KEY FIGURES

CHF thousand	2019	2018
Consolidated income statement		
Operating income	2 628 748	2 693 761
Total expenses before tax	2 022 662	1 931 142
Operating result	606 086	762 619
Consolidated profit for the year	539 060	595 936
Cost/income ratio	77%	72%

CHF thousand	31.12.2019	31.12.2018
Consolidated balance sheet		
Total assets	36 836 493	38 474 184
Total equity	3 131 102	2 945 769
Basel III CET1 solvency ratio	20.5%	21.1%
Basel III Total solvency ratio	20.5%	21.1%
Liquidity coverage ratio (LCR)	156%	164%
Return on equity	17.7%	20.6%
Leverage ratio	5.9%	5.4%

Other indicators		
Assets under management or custody (CHF bn)	576	496
Staff (in FTE)	4 694	4 358
in Switzerland	2 878	2 702
abroad	1 816	1 656
Banque Pictet & Cie SA's rating FitchRatings/Moody's	AA-/Aa2	AA-/Aa2

2019 AND PERSPECTIVES

I am pleased to present the annual report of the Pictet Group for the year ended 31 December 2019. Having served as a Managing Partner since joining Pictet 22 years ago, I have the honour to present this statement for the first time as the twenty-second Senior Partner of the Group since 1805. I take the opportunity to thank my direct predecessor, Nicolas Pictet, for his remarkable contribution over the past 35 years, the last three of which he presided as Senior Partner. He had a central role in reinforcing our Group.

The publication of this year's financial report comes in unprecedented circumstances. The outbreak of the Covid-19 pandemic that has spread throughout Europe and the rest of the world, and the lockdown responses of governments, present major challenges to all businesses, Pictet included. This crisis has overshadowed even such issues as the post-Brexit negotiations, the US-China trade friction and the looming November US presidential election.

We can be sure that the extraordinary pressures currently being endured by business and society will continue in the coming months and beyond. No-one knows what the ultimate consequences may be. In these circumstances, above all, our responsibility is to protect the interests of our clients and ensure the health and welfare of our employees. As I write, the great majority of our staff – who number 4,694 full-time equivalent employees at the end of 2019 – is operating from home. In parallel, teams from our larger offices have been deployed in dedicated business continuity centres, focusing on critical IT systems and trading services.

Fortunately, Pictet is in a position of financial strength and is well prepared to weather a crisis, as we have done throughout our 215-year history. The quality of our assets is impeccable and our balance sheet is exceptionally strong. The Group's liquidity coverage ratio was 156% at 31 December 2019, well above the 100% regulatory minimum. Moreover, our total capital ratio at 31 December 2019 was 20.5%, some way above the 12% requirement stipulated by the Swiss Financial Market Supervisory Authority (FINMA).

While it may not be easy to think long-term in the current circumstances, it is precisely at such times that Pictet

benefits from looking beyond the short-term. Our Ambition 2025 strategic plan already anticipated themes such as financial instability and deglobalisation; we believe our strategic initiatives that focus on investment leadership, security and resilience as a group will enable us to tackle them effectively. To preserve profitability this year, we intend to reduce our variable costs, consistent with maintaining strategic investments. We shall therefore move ahead with important projects such as the opening of our Pictet Asset Management office in New York, and continue building our Asian presence.

We are also keen to accelerate our initiatives as a responsible firm. In particular, I should mention that we aim to eliminate balance sheet exposure to fossil fuel producers and extractors (oil and gas, and thermal coal). These assets, which amounted to CHF 250 million at 31 December 2019, will be reduced to nil by 31 December this year. Further, we intend to extend the integration of environmental, social and governance (ESG) principles into at least 80% of discretionary mandates by end 2020, rising to 100% by 2025. For assets advised or held in custody, we will increase awareness of ESG and other impact characteristics in our reports to clients. We also have a programme of active ownership and engagement with selected issuers.

I should mention that this year the new Pictet Group Foundation begins operation with an endowment capital of CHF 45 million. It will focus on environmental protection and disadvantaged children and youth. Without compromising its strategic objectives, the Foundation has made immediate contributions since the outbreak of the Covid-19 pandemic to an international research programme, to the Geneva University Hospitals and has matched employee donations worldwide.

The great human strength of Pictet is that we are a community, united in wanting the best for our clients, our business and the wider world. More than ever, the current crisis has brought us together and reinforced our sense of belonging. We intend to keep this unique spirit and to remember this time as a moment of special unity.

We are fortunate that our independence is protected by the absence of external shareholders. This gives us the freedom to concentrate on what is important to us: looking after and bring value to our clients, colleagues and communities and companies in which we invest.

In conclusion, I would like to thank our clients for their loyalty and trust and our employees for their composure, commitment and remarkable work in these demanding times. It is by no means the first time in our history that we have faced an external crisis and Pictet has always come out stronger. We are confident that we are taking the right steps to navigate this most challenging environment and we remain confident for the future.

Renaud de Planta
Senior Partner

CONSOLIDATED BALANCE SHEET

Assets (CHF thousand)	Notes	31.12.2019	31.12.2018
Liquid assets		8 591 441	14 528 429
Amounts due from banks	10	1 254 807	1 604 059
Amounts due from securities financing transactions	1	4 613 000	1 906 000
Amounts due from customers	2;16	9 104 114	8 586 560
Trading portfolio assets	3	43 040	63 923
Positive replacement values of derivative financial instruments	4	1 283 232	1 075 119
Other financial instruments at fair value	3	746 502	817 432
Financial investments	5;10	9 960 306	8 787 957
Accrued income and prepaid expenses		442 435	410 864
Non-consolidated participations	6;7	8 373	5 956
Tangible fixed assets	8	463 976	446 109
Other assets	9	325 267	241 776
Total assets		36 836 493	38 474 184
Total subordinated claims		-	1 856
Liabilities (CHF thousand)	Notes	31.12.2019	31.12.2018
Amounts due to banks		1 172 011	1 334 286
Liabilities from securities financing transactions	1	410 042	240 565
Amounts due in respect of customer deposits	11;16	28 564 562	30 648 822
Trading portfolio liabilities	3	5 083	11 732
Negative replacement values of derivative financial instruments	4	1 376 649	1 045 221
Liabilities from other financial instruments at fair value	3;13	859 693	893 575
Accrued expenses and deferred income		855 561	869 032
Other liabilities	9	248 112	245 765
Provisions	14	213 678	239 417
Total equity		3 131 102	2 945 769
Equity owners' contribution	15;17	820 319	638 386
Capital reserve		11 664	11 664
Retained earnings reserve		1 789 101	1 713 853
Currency translation reserve		(29 042)	(14 070)
Consolidated profit for the year		539 060	595 936
Total liabilities		36 836 493	38 474 184
Total subordinated liabilities		-	-

Consolidated off-balance-sheet transactions

CHF thousand	Notes	31.12.2019	31.12.2018
Contingent liabilities	2;23	7 237 945	5 742 264
Irrevocable commitments	2	18 760	19 262

CONSOLIDATED INCOME STATEMENT

CHF thousand	Notes	2019	2018	Change
Interest and discount income	27	146 669	203 482	
Interest and dividend income from financial investments		106 340	80 672	
Interest expense	27	7 584	7 586	
Gross result from interest operations		260 593	291 740	-11%
Changes in value adjustments for default risks and losses from interest operations	14	(73)	49	
Subtotal net result from interest operations		260 520	291 789	-11%
Commission income from securities trading and investment activities		2 937 687	2 972 104	
Commission income from lending activities		3 245	4 440	
Commission income from other services		20 141	23 210	
Commission expenses		(744 678)	(777 429)	
Subtotal result from commission business and services		2 216 395	2 222 325	0%
Result from trading activities and the fair value option	26;27	141 324	173 519	-19%
Income from other non-consolidated participations		8 811	3 889	
Result from real estate		1 972	2 008	
Other ordinary income		260	231	
Other ordinary expense		(534)	-	
Subtotal other result from ordinary activities		10 509	6 128	71%
Personnel expenses	28	(1 339 362)	(1 319 799)	
General and administrative expenses	29	(589 442)	(540 382)	
Subtotal operating expenses		(1 928 804)	(1 860 181)	4%
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	6;8	(47 787)	(44 399)	
Changes to provisions and other value adjustments and losses	30	(46 071)	(26 562)	
Operating result		606 086	762 619	-21%
Extraordinary income	30	864	682	
Extraordinary expenses	30	-	(424)	
Taxes	32	(67 890)	(166 941)	
Consolidated profit of the period		539 060	595 936	-10%

CONSOLIDATED CASH FLOW STATEMENT

CHF thousand	2019		2018	
	CASH INFLOWS	CASH OUTFLOWS	CASH INFLOWS	CASH OUTFLOWS
Cash flow from operating activities (internal financing)				
Consolidated result of the year	539 060	-	595 936	-
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	47 787	-	44 399	-
Provisions and other value adjustments	46 688	72 427	36 446	19 924
Change in value adjustments for default risks and losses	73	-	-	49
Accrued income and prepaid expenses	-	31 571	23 217	-
Accrued expenses and deferred income	-	13 471	71 850	-
Other items	-	81 144	-	28 201
Previous year's dividends	-	511 135	-	455 609
Subtotal	633 608	709 748	771 848	503 783
Cash flow from shareholders' equity transactions				
Share capital/participation capital/endowment capital, of which, equity owners' contribution	181 933	-	-	46 536
Recognised in reserves	-	24 525	4 139	-
Subtotal	181 933	24 525	4 139	46 536
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	-	2 417	994	-
Other tangible fixed assets	-	65 654	-	31 457
Subtotal	-	68 071	994	31 457

CHF thousand	2019		2018	
	CASH INFLOWS	CASH OUTFLOWS	CASH INFLOWS	CASH OUTFLOWS
Cash flow from banking operations				
Medium- and long-term business (>1 year)				
Amount due from customers	-	9 151	-	9 480
Financial investments	-	1 225 130	-	1 294 693
Short-term business (<1 year)				
Amount due to banks	-	162 275	451 898	-
Liabilities from securities financing transactions	169 477	-	-	1 091 927
Amounts due in respect of customer deposits	-	2 084 260	1 280 044	-
Trading portfolio liabilities	-	6 649	10 789	-
Negative replacement values of derivative financial instruments	331 428	-	-	4 510
Liabilities from other financial instruments at fair value	-	33 882	327 373	-
Amount due from banks	349 252	-	-	281 267
Amount due from securities financing transactions	-	2 707 000	-	1 286 892
Amount due from customers	-	508 476	-	216 945
Trading portfolio assets	20 883	-	15 530	-
Positive replacement values of derivative financial instruments	-	208 113	-	15 979
Other financial instruments at fair value	70 930	-	-	288 152
Financial investments	52 781	-	479 321	-
Liquidity				
Liquid assets	5 936 988	-	1 729 685	-
Subtotal	6 931 739	6 944 936	4 294 640	4 489 845
Total	7 747 280	7 747 280	5 071 621	5 071 621

STATEMENT OF CHANGES IN EQUITY

CHF thousand	EQUITY OWNERS' CONTRIBUTION	CAPITAL RESERVE	RETAINED EARNINGS RESERVE	CURRENCY TRANSLATION RESERVES	RESULT OF THE PERIOD	TOTAL
Equity at 1.1.2019	638 386	11 664	1 713 853	(14 070)	595 936	2 945 769
Other contributions/other capital paid in	181 933	-	(9 553)	-	-	172 380
Currency translation differences	-	-	-	(14 972)	-	(14 972)
Dividends and other distributions	-	-	-	-	(511 135)	(511 135)
Other allocations to (transfers from) the other reserves	-	-	84 801	-	(84 801)	-
Consolidated profit	-	-	-	-	539 060	539 060
Equity at 31.12.2019	820 319	11 664	1 789 101	(29 042)	539 060	3 131 102

**PICTET GROUP GOVERNANCE
AT 31 DECEMBER 2019**

Structure and ownership of the Pictet Group

The Pictet Group is a privately owned leader in wealth and asset management. As an investment-led service company, the Pictet Group offers wealth management, asset management and related asset services. The Group does not engage in investment banking, nor does it extend commercial loans.

The Pictet Group comprises all the entities over which the partners of the Pictet & Cie Group SCA have joint control. These entities are listed in note 7 “Main legal entities of the Group”. The holding entities are listed in the accounting principles section.

The Group's equity comprises contributions from the equity owners, that is the partners and other holders of equity capital in the companies that, in combination, control the Pictet Group.

The significant equity owners are the partners: Renaud de Planta, Rémy Best, Marc Pictet, Bertrand Demole, Laurent Ramsey, Boris Collardi and Sébastien Eisinger.

Pictet Group governing bodies

The two main governing bodies are the Board of Partners and the Supervisory Board of Pictet & Cie Group SCA.

The Board of Partners is made up of the Partners of Pictet & Cie Group SCA. It is responsible for the highest level of management of the Group. It defines the Group's strategy, supervises its implementation, sets the Group's risk appetite and exercises consolidated supervision of the Group's activities.

The Supervisory Board acts as an independent body that oversees the management of the Pictet Group by the Board of Partners. The Supervisory Board acts as the audit committee and risk committee.

Risk management

The ‘risk management’ note to the Annual Report of the Pictet Group describes the Group's risk policy and the risk profile, as well as the oversight, controlling and management of the risks incurred by the Pictet Group.

Supervisory Board

Members

Shelby du Pasquier, Chairman*

Hans Isler*

Jacques de Saussure*

Daniel Wanner (from 1 July 2019)

Nicolas Pictet (from 1 September 2019)

*Independent members

Organisation

The Supervisory Board is made up of at least three people elected by the annual general meeting of Pictet & Cie Group SCA. The composition of the Supervisory Board meets the independence criteria imposed by FINMA.

The members of the Supervisory Board are elected for a term of one year and may be re-elected. The members of the Supervisory Board may not be partners or employees of the Pictet Group.

The Supervisory Board meetings are called at least four times per year by its chairman.

Responsibilities

As the body with oversight over the Board of Partners, the Supervisory Board verifies that the measures taken by the Board of Partners comply with law, regulations and the articles of association. In this context the Supervisory Board oversees the risk controls and the following tasks, among others:

- monitoring the existence of a risk management framework and policy that reflect the strategy and risk profile of the Pictet Group,
- critically assessing the main risks and ensuring that the Board of Partners responds to them,
- verifying that the level of equity is in line with the strategy and risk profile of the Pictet Group,
- monitoring the adequacy of the organisation of the Pictet Group's control functions.

The Supervisory Board also exercises a control function over the internal and external audit. In this capacity, it examines and approves the annual audit plan and reviews the work carried out by internal and external audit and the measures that have to be taken. It evaluates the integrity of the financial statements of the Group.

At least once a year, the Supervisory Board informs the Board of Partners of its findings relating to supervision and the controls performed.

Backgrounds of the members of the Supervisory Board

Shelby du Pasquier

Education

- Columbia University School of Law, New York City (LL.M.)
- University of Geneva, School of Law (Bachelor's)
- University of Geneva School of Economics and Social Sciences (Bachelor's)

Professional experience

- Since 1988: Lenz & Staehelin, Geneva (partner since 1994)

*Appointments**

- Member of the International Bar Association, Swiss Bar Association, Geneva Bar Association
- Member of the Bank Council of the Swiss National Bank
- Member of the Board of Directors of SGS SA
- Member of the Board of Directors of Stonehage Fleming Family and Partners Limited, Stonehage Fleming S.A., Neuchâtel

Hans Isler

Education

- Swiss Certified Public Accountant
- Master's in Economics, University of St. Gallen

Professional experience

- Since 2012: independent Board Member
- 2002 – 2011: Ernst & Young SA, Switzerland, Partner and member of the Board of Directors
- 1980 – 2002: Arthur Andersen SA, Switzerland, partner (from 1994 to 2002) and member of the Board of Directors
- 1978 – 1980: Delegate to the International Committee of the Red Cross

*Appointments**

- Vice-chairman of the Board of Directors of Leonteq AG, Zurich (until 31 March 2020)
- Chairman of the Board of Directors of Banque Thaler SA, Geneva
- Member of the Board of Directors of Banque du Léman SA, Geneva
- Chairman of the Board of Directors of Valcourt SA, Geneva
- Member of the finance committee of Doctors Without Borders Switzerland, Geneva
- Board member of MKS (Switzerland) SA and its affiliates, Pamp SA, MPIPL India Pvt. Ltd and Goldavenue SA
- Member of the Foundation Council of Appel de Genève

Jacques de Saussure

Education

- MIT Sloan School of Management, Boston;
- Degree in applied Mathematics and Computing, Ecole Polytechnique de Lausanne;

Professional experience

- 1980 – 2016: Pictet Group (partner from 1986 to 2016)
- 1978 – 1979: Intersec Research

*Appointments**

- Chairman of the Board of Directors of Eurosite Power Inc., Waltham (USA)
- Member of the Board of Salt Mobile SA, Renens
- Member of the Board of the Mary's Mercy Foundation, Rapperswil
- Treasurer of the FIFDH Foundation (International Film Festival and Forum on Human Rights), Geneva
- Member of the Council of Europa Nostra, The Hague
- Member of the Board of Symbiotics SA, Geneva

Daniel Wanner

Education

- Swiss Certified Public Accountant
- Master's in economics and management, HEC, Lausanne

Professional experience

- 1995 – 2019: Pictet Group (Group Chief Financial Officer from 2000)
- 1994 – 1995: STG-Coopers & Lybrand SA, Geneva
- 1983 – 1994: Ofor Révision Bancaire SA, Geneva

*Appointments**

- No other appointments

Nicolas Pictet

Education

- Law degree and bar exam, Geneva

Professional experience

- 1984 – 2019: Pictet Group (partner from 1991 to 2019)
- 1982 – 1984: Oppenheimer & Richard Butler, London
- 1978 – 1982: Schellenberg Wittmer Avocats, Geneva

*Appointments**

- Treasurer Pro Natura, Geneva
- Member of various Boards of charitable foundations

* *Appointments outside the Pictet Group*

Board of Partners

Composition

Renaud de Planta

Rémy Best

Marc Pictet

Bertrand Demole

Laurent Ramsey

Boris Collardi

Sébastien Eisinger

Organisation

The Board of Partners meets as often as business requires, at least twice per month, and is chaired by the senior partner. It works by consensus.

Responsibilities

The Board of Partners is the most senior level of management of the Pictet Group and its business activities. It defines and implements the Group's strategy and objectives, sets the acceptable level of risks and takes all decisions laying down the general framework of the Group's business activities. The Board of Partners also carries out the consolidated supervision of the activities of the Pictet Group.

The responsibilities of the Board of Partners include:

- determining and following up on the strategy, objectives and budget of the Pictet Group,
- setting the risk and compliance policy of the Pictet Group,
- monitoring the internal control system,
- setting the human resources policy,
- appointing and dismissing the Head of Internal Audit and the auditor of the Pictet Group on advice of the Supervisory Board,
- determining the principles to be used for accounting and financial controlling,
- reviewing and approving the interim and annual consolidated financial statements of the Pictet Group,

- allocating equity and determining the cash management principles for the Pictet Group as a whole.

The Board of Partners is responsible for implementing the internal audit, risk management and compliance functions related to the consolidated supervision of the Pictet Group. These functions are carried out by resources provided by certain entities of the Group.

Apart from their collegiate responsibility, the members of the Board of Partners assume individual and reporting responsibilities for corporate functions or business lines of the Pictet Group. These responsibilities are decided by the Board of Partners.

Backgrounds of the members of the Board of Partners

Renaud de Planta

Education

- PhD in Financial Economics, University of St. Gallen
- MBA in Finance, University of Chicago
- Master's in Economics, University of St. Gallen

Professional experience

- Since 2019: senior partner of the Pictet Group
- Since 1998: partner of the Pictet Group
- 1988 - 1998: Global Head of Equity Derivatives, UBS Warburg, London
- Head of Hong Kong and Northern Asia region
- Head of Interest Rate Derivatives

*Appointments**

- Member of the Global Advisory Board of the University of Chicago – Booth School of Business, USA
- Member of various Boards of charitable foundations

Rémy Best

Education

- Law degree and bar exam, Geneva
- MBA, INSEAD, Paris

Professional experience

- Since 1997: Pictet Group (partner since 2003)
- 1991 – 1997: McKinsey & Company, New-York, Geneva and Zurich
- 1988 – 1990: Lalive, Budin & Partners, Geneva

*Appointments**

- Member of the Board of Directors of INSEAD
- Chairman, INSEAD Campaign Board
- Président, Domus Antiqua Helvetica, Geneva

Marc Pictet

Education

- MBA, Boston University
- International Management Program, Kobe
- Bachelor of Science, Bryant College, Smithfield, Rhode Island

Professional experience

- Since 2002: Pictet Group (partner since 2011)
- 2001 – 2002: Sal. Oppenheim, Cologne
- 1997 – 2000: Prudential Investments, Newark

*Appointments**

- Vice-president, Board of the Geneva Financial Center
- Member of the Advisory Committee of Fondation Luxembourg
- Member of the Board of the Fondation pour Genève

Bertrand Demole

Education

- MBA, INSEAD, Paris
- Bachelor's in Finance and Economics, Babson College, Boston

Professional experience

- Since 2001: Pictet Group (partner since 2011)
- 1999 – 2001: Soditic Asset Management, London
- 1996 – 1998: Moore Capital Management, New-York

*Appointments**

- Member of the Committee of the Association of Swiss Private Banks
- Member of the Young Presidents' Organization

Laurent Ramsey

Education

- Certified Portfolio Manager and Financial Analyst (CFPI), Lausanne
- Master's in International Management, HEC Lausanne
- Bachelor's in Business Administration, HEC Lausanne

Professional experience

- Since 1995: Pictet Group (partner since 2016)

*Appointments**

- No other appointments

Boris Collardi

Education

- Executive Program, IMD Lausanne
- Centre d'enseignement supérieur secondaire de l'Ouest, Nyon

Professional experience

- Since 2018: Pictet Group (partner since 2018)
- 2006-2017: Julius Bär, Zurich
- 1993-2006: Crédit Suisse, Zurich and Singapore

*Appointments**

- Member of the foundation board of IMD Lausanne
- Member of the Strategic Advisory Board of the EPFL Lausanne
- Member of the Private Banking International Advisory committee of the Wealth Management Institute Nanyang Technological University, Singapore
- Member of the Board of the Swiss Bankers Association, Basel

Sébastien Eisinger

Education

- Master’s degree in Mathematics, Jussieu, Paris

Professional experience

- Since 1999: Pictet Group (partner since 2019)
- 1994 – 1999: Lazard Frères Gestion, Paris

*Appointments**

- No other appointments

** Appointments outside the Pictet Group*

Remuneration

Board of Partners

The members of the Board of Partners receive a fixed remuneration and receive the fee conditions and other benefits offered to staff.

No part of the remuneration of the members of the Board of Partners changed in 2019.

Supervisory Board

All members of the Supervisory Board receive a fixed remuneration.

The members of the Supervisory Board who used to be partners or employees of the Pictet Group receive the preferential fee conditions for transactions carried out within the Pictet Group. They do not receive other special conditions offered to staff.

The members of the Supervisory Board are not under any contract with the Pictet Group entitling them to compensation at the end of their appointment.

No part of the remuneration of the members of the Supervisory Board changed in 2019.

Auditors

The external audit is an integral part of the governance. The auditor of the consolidated financial statements of the Pictet Group is PricewaterhouseCoopers SA (PwC), Suisse. The existing appointment was renewed for 2019. Christophe Kratzer has been the auditor in charge since 2016.

PwC presents the planning of the audit work and their reports to the Supervisory Board.

Note 29 ‘Other operating expenses’ of the Annual Report of the Pictet Group details the fees paid to the auditor in 2019, including a breakdown between auditing fees and consulting fees. The latter related to assignments that do not impair the independence of the auditors.

Internal audit

The internal audit unit of the Group provides Pictet & Cie Group SCA's Supervisory Board and Board of Partners with independent assurances on the operations and the control and governance process of the Pictet Group. In addition, it provides independent and objective advice and points of view, in order to create added value and improve the management of the Group.

To ensure the independence of this department, it only reports to the Chairman of the Supervisory Board and the Senior Partner of the Board of Partners.

NOTES

ACCOUNTING PRINCIPLES

Consolidated accounts at 31 december 2019

Name and legal status of the Group

The Pictet Group's accounts comprise the financial statements of all companies in which the partners of the Pictet Group owned, either directly or indirectly, over 50% of the capital or voting rights at 31 December 2019.

The Group's scope of consolidation therefore covers a number of corporate entities that are either linked in business combinations between themselves or consolidated into one or more of the business combinations. The combination link stems from the fact these entities come under the common control of the partners of Pictet & Cie Group SCA.

Those entities that are directly controlled by the partners are: Pictet & Partners, Cologny; Pictet Holding LLP, Singapore; Pictet Capital SA, Cologny; Sopafin (Luxembourg) SA, Luxembourg; Pictet Canada LP, Montreal; and Sopafin SA, Cologny.

Accounting principles and valuation method

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

The financial statements have been compiled to present a true and fair view of the Group's assets, financial position and results.

This report should be read in conjunction with the 'Pictet Group capital adequacy and liquidity disclosure at 31 December 2019' (in accordance with the Circular 2008/22).

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

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.

Consolidation

Entities either directly or indirectly controlled by the Group or over which the Group exercises a dominant influence are consolidated according to the full consolidation method. This means that the assets, liabilities, off-balance-sheet transactions, income and costs of fully consolidated companies are included in the Group's financial statements. All material business relations between consolidated companies are eliminated from assets, liabilities, costs, income and off-balance-sheet transactions. Net assets of Group companies are consolidated according to the purchase method. In the case of combined entities, the combination is an amalgamation of the accounts, performed in keeping with the same rules as described above.

If a significant influence is exercised over an entity, the equity method is used for consolidation purposes. If the consolidated companies' accounts are closed on a date other than 31 December, interim financial statements will be drawn up.

Entities are consolidated as from the date effective control over them passed to the Group; they are removed from the scope of consolidation as from the date such control ceases.

Foreign-currency translation

Costs and income denominated in foreign currencies for each Group company are converted in the individual company accounts 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. Currency gains and losses resulting from

translation are included in the respective income statements of the individual companies.

Upon consolidation, the assets and liabilities of Group companies are converted into Swiss francs at the exchange rate on the period-closing date. Group companies' equity is converted at the historical exchange rate. Income and costs are converted at the exchange rate averaged over the reporting period.

Exchange differences resulting from conversion into Swiss francs of individual financial statements are recognised in equity ('Currency translation reserve'). The main exchange rates used to convert foreign currencies into Swiss francs are as follows:

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

Liquid assets

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

Amounts due from banks and from customers

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

Value adjustments for default risk

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

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

*Disclosures concerning the treatment
of past due interest*

Interest due and in arrears by over 90 days is regarded as being past due. The Group decides not to recognise in the income statement any past due interest or interest from impaired loans/receivables; instead, these items are booked under ‘Value adjustments for default risks’.

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

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

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

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

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

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

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

Securities financing transactions

The Group 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 Group acts as principal and for which economic control have been 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 Group 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 'Income 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 portfolios*

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*

The Group 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*

The Group enables its clients to purchase certificates corresponding, in the main, to shares in equity baskets.

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

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

Financial investments

Debt securities intended to be held to maturity are valued on the basis of amortised cost. Gains/losses resulting from

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

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

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

Non-consolidated participations

Non-consolidated participations are valued at their acquisition cost, less any required write-down of their value.

Tangible fixed assets

Tangible fixed assets include buildings, IT and telecommunications equipment as well as furniture, fixtures and fittings. Tangible fixed assets are valued at their acquisition cost, less accumulated depreciation computed according to the straight-line method over the estimated useful lifetimes of the assets. Depreciation charges are booked under ‘Value adjustments on participations, 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

The Pictet Group has set up several occupational pension schemes for its staff and employees in Switzerland and abroad.

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

Every year, the Group 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 financial statements (for which the period closing date is not longer than 12 months earlier) drawn up in accordance with Swiss GAAP FER 26 for Swiss pension schemes, and any other calculations.

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

Taxes

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

Deferred taxes, stemming from temporary timing differences between the taxable and accounting values of assets and liabilities, are booked as deferred taxes under 'Provisions' on the liabilities side of the balance sheet.

Change in accounting principles

There were no changes in accounting principles in 2019.

RISK MANAGEMENT

Risk policy

General provisions

Risk management forms a cornerstone of the Pictet Group'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 Pictet 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 Pictet Group's Management ratifies and oversees implementation of general risk policy;
- The Executive Committees of Pictet Group companies supervise the proper implementation of the policy and put operational measures into practice to apply it;
- Specific committees are responsible for managing risks in their respective fields;
- The individual business units are responsible for managing risks specific to them.

In addition, the Pictet Group 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 Pictet Group's management bodies on a quarterly basis. This report presents an impartial overview of the overall situation and level of risk for the Pictet Group.

Attitude to and appetite for risk

Considering the nature of the Pictet Group's business, risks cannot be entirely eliminated. Risks associated with the Group's business activities are accepted, in compliance with legal or internal regulations, provided they do not

exceed the Group's risk appetite (including in so-called 'stress' situations) and can be monitored and controlled thanks to documented processes in keeping with the Group's general risk policy.

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

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

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

Credit risk

Credit risk arises out of the possibility of a counterparty defaulting on their financial obligations to the Pictet Group. It covers settlement risks and risk factors associated with a particular country. All forms of credit obligations involving non-banking clients, banks or organised markets constitute a credit risk. Credit risk management is monitored by the Chief Credit Officer.

– *Clients*

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

Risks are limited by stringent criteria in terms of the quality, liquidity, valuation and diversification of assets pledged as collateral, as well as by the application of conservative loan-to-value ratios, differentiated by asset class.

All liabilities stemming from credit granted are reviewed in a quarterly report submitted to the Pictet Group's management bodies. 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*

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

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

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

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

A quarterly report on the status of contracted obligations is compiled and presented to the Pictet Group's Management.

– *Financial investments*

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

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

Market risk

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

– *Trading operations for its own account (trading portfolio)*

The Board of Partners lays down the overall appetite for market risks. This is then broken down into sub-limits under the supervision of the Chief Risk Executive Committee. The senior management of Pictet Trading & Sales (PTS) is responsible for organising first-level market risk controls. Second-level controls are carried out by PTS' unit in charge of monitoring market risk (internal limits) and the Group Risk Department (independent controls including those on capital) which has 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 large directional positions for its own account with respect to its own funds. Such proprietary trading is undertaken subject to a strict framework of limits and is geared towards

accumulating a more thorough understanding of markets in which the Pictet Group is active.

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

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

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

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

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

The purpose of the Pictet Group'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. The 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 or systems, or

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

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

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

A process of identifying and assessing operational risks throughout the Pictet Group 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.

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

Group's reputation might be at stake. Measures aimed at limiting risk to the Group's image and reputation include notably analysing and pinpointing any areas of vulnerability, internal analysis and escalation procedures as well as rules of conduct applicable to staff. Group Corporate Communications works closely together with the Risks, Compliance and Legal Departments. Reputational risk, coupled with the monitoring and appropriateness of measures, are included in the consolidated report on overall risk submitted to Pictet Group's Management.

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

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

Change in risk policy

There were no changes in the risk policy in 2019.

HEDGE ACCOUNTING

Equity of consolidated companies

Fixed forward contracts are used to hedge exchange-rate risk related to the equity of consolidated companies. The results of hedging contracts are booked in the same way as results for the underlying hedged item, i.e. under ‘Currency translation reserves’.

How effective hedging contracts are, is gauged whenever the hedging is renewed or rolled over by comparing the results achieved by the hedging instrument and the hedged item. Hedging transactions that no longer or only partially fulfil their hedging purpose are equated, for their ineffective portion, to trading transactions and are treated as such.

Treasury management

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

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

EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

CHF thousand	31.12.2019	31.12.2018
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	4 613 000	1 906 000
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	410 042	240 565
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	419 733	240 676
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	4 614 316	1 907 483

*Before netting agreements

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

CHF thousand	TYPE OF COLLATERAL			
	SECURED BY MORTGAGE	OTHER COLLATERAL	UNSECURED	TOTAL
Loans (before netting with value adjustments)				
Amounts due from clients	49 940	8 581 969	472 593	9 104 502
Total loans (before netting with value adjustments)				
31.12.2019	49 940	8 581 969	472 593	9 104 502
31.12.2018	97 642	8 415 762	73 471	8 586 875
Total loans (after netting with value adjustments)				
31.12.2019	49 940	8 581 969	472 205	9 104 114
31.12.2018	97 642	8 415 762	73 156	8 586 560
Off-balance sheet				
Contingent liabilities	-	7 203 728	34 217	7 237 945
Irrevocable commitments	-	-	18 760	18 760
Total off-balance sheet				
31.12.2019	-	7 203 728	52 977	7 256 705
31.12.2018	49	5 707 999	53 478	5 761 526

Impaired loans/receivables

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

The total amount of impaired loans corresponds to 0.004% of the total amounts due from clients at 31 December 2019 (at 31 December 2018 their share was 0.004%).

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

ASSETS (CHF thousand)	31.12.2019	31.12.2018
Trading portfolio assets	43 040	63 923
Debt securities, money market securities/transactions	3	25 369
<i>of which</i> , listed	-	25 148
Equity securities	43 037	38 554
Other financial instruments at fair value	746 502	817 432
Equity securities	730 717	804 777
Precious metals	15 785	12 655
Total assets	789 542	881 355
<i>of which</i> , determined using a valuation model	2 210	7 932
LIABILITIES (CHF thousand)	31.12.2019	31.12.2018
Trading portfolio liabilities	5 083	11 732
Debt securities, money market securities/transactions	-	2 961
<i>of which</i> , listed	-	2 961
Equity securities	5 083	8 771
Other financial instruments at fair value	859 693	893 575
Structured products (certificates)	859 693	893 575
Total liabilities	864 776	905 307
<i>of which</i> , determined using a valuation model	238	253

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

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

CHF thousand	TRADING INSTRUMENTS			HEDGING INSTRUMENTS		
	POSITIVE REPLACEMENT VALUES	NEGATIVE REPLACEMENT VALUES	CONTRACT VOLUME	POSITIVE REPLACEMENT VALUES	NEGATIVE REPLACEMENT VALUES	CONTRACT VOLUME
Interest-rate instruments						
Swaps	13 188	11 562	1 394 361	67 977	192 934	22 882 892
Futures	1	24	1 430 769	-	-	-
Options (OTC)	18	-	-	-	-	-
Options (exchange-traded)	7	-	275 465	-	-	-
Foreign exchange/precious metals						
Forward contracts	160 304	327 549	37 206 785	922	629	340 238
Combined interest rate/currency swaps	722 221	564 353	89 953 785	67 878	25 658	6 500 282
Futures	135	202	54 848	-	-	-
Options (OTC)	147 848	154 826	23 356 260	-	-	-
Equity securities/indices						
Forward contracts	1 555	1 555	409 523	-	-	-
Swaps	1 472	1 376	74 145	-	-	-
Futures	318	10	2 012 062	-	-	-
Options (OTC)	96 731	92 412	5 483 959	-	-	-
Options (exchange-traded)	651	1 553	69 421	-	-	-
Credit derivatives						
Credit default swaps	2 006	2 006	454 504	-	-	-
Other						
Futures	-	-	3 121	-	-	-
Total before netting agreements:						
31.12.2019	1 146 455	1 157 428	162 179 008	136 777	219 221	29 723 412
of which, determined using a valuation model	1 145 343	1 155 639	158 333 322	136 777	219 221	29 723 412
31.12.2018	961 497	918 767	164 937 818	113 622	126 454	29 067 509
of which, determined using a valuation model	931 450	915 397	157 979 348	113 622	126 454	29 067 509

Derivative financial instruments result mainly from transactions on behalf of clients in which Pictet Group entities contract with counterparties on the market.

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

– Total after netting agreements

CHF thousand	POSITIVE REPLACEMENT VALUES (CUMULATIVE)	NEGATIVE REPLACEMENT VALUES (CUMULATIVE)
31.12.2019	1 283 232	1 376 649
31.12.2018	1 075 119	1 045 221

– Breakdown by counterparty

POSITIVE REPLACEMENT VALUES (AFTER NET- TING AGREEMENTS) (CHF thousand)	CENTRAL CLEARING HOUSES	BANKS AND SECURITIES DEALERS	OTHER CUSTOMERS
31.12.2019	-	997 650	285 582
31.12.2018	-	757 999	317 120

5. BREAKDOWN OF FINANCIAL INVESTMENTS

CHF thousand	BOOK VALUE		FAIR VALUE	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Debt securities	9 224 002	8 301 357	9 513 583	8 376 191
<i>of which, intended to be held to maturity</i>	9 224 002	8 301 357	9 513 583	8 376 191
Equity securities	174 504	172 921	202 169	198 722
Precious metals	561 800	313 679	561 800	313 679
Total	9 960 306	8 787 957	10 277 552	8 888 592
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	6 199 456	5 998 799	6 344 942	6 062 666

– Breakdown of counterparties by rating

CHF thousand	FAIR VALUE	
	31.12.2019	31.12.2018
AAA	6 737 308	6 109 207
AA+	1 406 041	1 296 668
AA	361 775	299 067
AA-	923 753	653 509
A+	84 706	12 778
A	-	4 962
Total	9 513 583	8 376 191

The Pictet Group uses the specific ratings of three agencies (Standard & Poor's, Moody's and Fitch), assigned to the instruments it holds. 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. NON-CONSOLIDATED PARTICIPATIONS

CHF thousand	ACQUISITION COST	ACCUMULATED VALUE ADJUSTMENTS AND CHANGES IN BOOK VALUE (VALUATION USING THE EQUITY METHOD)	BOOK VALUE AT 31.12.2018	ADDITIONS	DISPOSALS	BOOK VALUE AT 31.12.2019	MARKET VALUE
Other participations							
with market value	2 900	(2 900)	-	-	-	-	3 890
without market value	8 954	(2 998)	5 956	2 419	(2)	8 373	129 974
Total participations	11 854	(5 898)	5 956	2 419	(2)	8 373	133 864

7. MAIN LEGAL ENTITIES OF THE GROUP

COMPANY NAME AND DOMICILE	BUSINESS ACTIVITY	CURRENCY	COMPANY CAPITAL (in thousand)	SHARE OF CAPITAL (in %)	SHARE OF VOTES (in %)	HELD DIRECTLY (in %)	HELD INDIRECTLY (in %)
Bank Pictet & Cie (Asia) Ltd, Singapour	Bank	CHF	85 000	100	100	-	100
Banque Pictet & Cie SA, Carouge	Bank	CHF	90 000	100	100	-	100
Bayside Pictet Ltd, Nassau	Real estate company	CHF	7	100	100	-	100
Finance 1805 SA, Carouge	Financial company	CHF	100	100	100	-	100
FundPartner Solutions (Europe) SA, Luxembourg	Fund management	CHF	6 250	100	100	-	100
FundPartner Solutions (Suisse) SA, Carouge	Fund management	CHF	10 000	100	100	-	100
Pictet & Cie (Europe) S.A., Luxembourg	Bank	CHF	70 000	100	100	-	100
Pictet & Cie Group SCA, Carouge	Financial company	CHF	148 500	100	100	-	100
Pictet & Cie (Monaco) SAM, Monaco	Wealth management	EUR	300	100	100	-	100
PICTET & PARTNERS, Cologne	Financial company	CHF	300 000	100	100	100	-
Pictet Advisory Services (Overseas) Ltd, Nassau	Investment advisory	CHF	150	100	100	-	100
Pictet Alternative Advisors SA, Carouge	Wealth management	CHF	3 000	100	100	-	100
Pictet Alternative Advisors (Europe) SA, Luxembourg	Wealth management	EUR	525	100	100	-	100
Pictet Alternative Advisors Holding SA, Carouge	Financial company	CHF	5 700	100	100	-	100
Pictet Alternative Advisors (UK) Limited, Londres	Wealth management	GBP	50	100	100	-	100
Pictet Alternative Advisors (Germany) GMBH, Francfort	Wealth management	EUR	85	100	100	-	100
Pictet Alternative Advisors (Spain) SL, Madrid	Wealth management	EUR	60	100	100	-	100
Pictet Alternative Advisors (Sweden) AB, Stockholm	Wealth management	SEK	600	100	100	-	100
Pictet Asia Pte Ltd, Singapour	Financial company	SGD	1 216	100	100	-	100
Pictet Asset Management (Europe) SA, Luxembourg	Asset Management	CHF	11 332	100	100	-	100
Pictet Asset Management (Hong-Kong) Ltd, Hong-Kong	Asset Management	HKD	30 000	100	100	-	100
Pictet Asset Management (Japan) Ltd, Tokyo	Asset Management	JPY	200 000	100	100	-	100
Pictet Asset Management (Singapore) Pte Ltd, Singapour	Asset Management	SGD	2 500	100	100	-	100
Pictet Asset Management Ltd, Londres	Asset Management	GBP	45 000	100	100	-	100

COMPANY NAME AND DOMICILE	BUSINESS ACTIVITY	CURRENCY	COMPANY CAPITAL (in thousand)	SHARE OF CAPITAL (in %)	SHARE OF VOTES (in %)	HELD DIRECTLY (in %)	HELD INDIRECTLY (in %)
Pictet Asset Management Holding SA, Carouge	Financial company	CHF	40 000	100	100	-	100
Pictet Asset Management Inc., Montréal	Asset Management	CAD	250	100	100	-	100
Pictet Asset Management SA, Carouge	Asset Management	CHF	21 000	100	100	-	100
Pictet Bank & Trust Ltd, Nassau	Bank	CHF	102 000	100	100	-	100
Pictet Canada S.E.C., Montréal	Brokerage	CAD	108 500	100	100	100	-
Pictet Capital S.A., Cologne	Financial company	CHF	90 000	100	100	66	34
Pictet Europe SA, Luxembourg	Financial company	CHF	11 250	100	100	-	100
Pictet Global Markets (UK) Ltd, Londres	Wealth management	GBP	500	100	100	-	100
Pictet Holding LLP, Singapour	Financial company	CHF	100 000	100	100	92	8
Pictet Life Insurance Advisors (France) SAS, Paris	Financial company	EUR	500	100	100	-	100
Pictet Life Insurance Advisors SA, Luxembourg	Financial company	EUR	500	100	100	-	100
Pictet (London) Ltd, Londres	Financial company	GBP	7 000	100	100	-	100
Pictet North America Advisors SA, Carouge	Wealth management	CHF	500	100	100	-	100
Pictet Overseas Inc., Montréal	Brokerage	USD	10 000	100	100	-	100
Pictet Sice Ltd, Taiwan	Asset Management	TWD	70 000	100	100	-	100
Pictet Technologies SA, Luxembourg	IT services	EUR	500	100	100	-	100
Pictet Wealth Management (Israel) Ltd, Tel Aviv	Wealth management	ILS	1 000	100	100	-	100
Sopafin Luxembourg SA, Luxembourg	Financial company	CHF	11 200	100	100	100	-
Sopafin Suisse SA, Cologne	Financial company	CHF	57 140	100	100	26	74

The entities listed above are consolidated according to the full consolidation method. Investments in companies that are not significant for the financial reporting are excluded from the consolidation perimeter.

– *Significant non-consolidated participations at 31.12.2019*

COMPANY NAME AND DOMICILE	BUSINESS ACTIVITY	CURRENCY	COMPANY CAPITAL (in thousand)	BOOK VALUE (in thousand)	SHARE OF CAPITAL (in %)	SHARE OF VOTES (in %)
Euroclear Plc, Londres	Financial Company	EUR	3 147	1 893	1	1
Pictet Asset Management (USA) Corp.	Asset Management	USD	-	2 156	100	100
Pictet International Ltd	Financial Company	CHF	655	1 585	100	100

The Pictet Group does not have any significant position in equity securities of companies recorded in the assets of the balance sheet under ‘Financial investments’ (2018: none).

There are no commitments to purchase or dispose of shares (2018: none).

Non-consolidated participations are deemed significant if their value recorded on the balance sheet exceeds CHF 1 million or equivalent. All non-consolidated participations are subject to an equity requirement (risk weighted assets).

8. TANGIBLE FIXED ASSETS

CHF thousand	ACQUISITION COST	ACCUMULATED DEPRECIATION	BOOK VALUE AT 31.12.2018	ADDITIONS	TRANSLATION DIFFERENCES	DEPRECIATION	BOOK VALUE AT 31.12.2019
Buildings for own use	503 160	(173 348)	329 812	-	-	(7 575)	322 237
Other real estate	52 715	(24 188)	28 527	-	-	(725)	27 802
Separately acquired software	73 823	(63 634)	10 189	11 311	(6)	(7 418)	14 076
Other tangible fixed assets	214 056	(136 475)	77 581	54 424	(75)	(32 069)	99 861
Total tangible fixed assets	843 754	(397 645)	446 109	65 735	(81)	(47 787)	463 976

**9. BREAKDOWN
OF OTHER ASSETS AND OTHER LIABILITIES**

CHF thousand	OTHER ASSETS		OTHER LIABILITIES	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Compensation account	105 250	22 494	-	-
Deferred income taxes recognised as assets	12 202	12 105	-	-
Indirect taxes	124 639	128 703	37 517	41 307
Clearing accounts	58 486	55 369	200 718	186 530
Other	24 690	23 105	9 877	17 928
Total	325 267	241 776	248 112	245 765

Provisions for deferred taxes (liabilities) are shown in note 14.

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

CHF thousand	BOOK VALUES		EFFECTIVE COMMITMENTS	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Due from banks	121 538	201 065	121 538	201 065
Financial investments	1 751 702	1 725 341	1 751 702	1 725 341

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

11. DISCLOSURES ON PENSION SCHEMES

The Pictet Group has set up, for the various companies in the Group, pension schemes designed to make provision for their employees and former employees against the economic consequences of retirement, incapacity and death.

These pension schemes may differ depending on national legislation on occupational pensions applicable to the various Group companies and customary market practices.

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

The audited annual accounts for the Pictet Group's Fondation de Prévoyance Complémentaire pension plan show its funding ratio stood at 100% as at end-2019. Reassurance cover for death and invalidity risks has been taken out by the pension schemes with an insurance group.

Staff employed abroad are insured via occupational pension funds in the form of collective foundations or collective insurance contracts with life assurance companies or via State-run pension plans in the country of domicile. No economic benefits or liabilities arise out of this array of pension plans other than those that would be recognised in the balance sheet.

– *Liabilities relating to pension schemes at 31.12.*

LIABILITIES RELATING TO OWN PENSION SCHEMES (CHF thousand)	31.12.2019	31.12.2018
Amounts due in respect of client deposits	85 020	160 784

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

– *Employer contribution reserves (ECR)*

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

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

CHF thousand	OVERFUNDING/ UNDERFUNDING AT 31.12.2019	CONTRIBUTIONS PAID FOR 2019	PENSION EXPENSES IN PER- SONNEL EXPENSES	
			2019	2018
Employer sponsored funds/employer sponsored pension schemes	-	2 000	2 000	2 000
Pension plans without overfunding/underfunding	-	20 534	22 938	32 063
Pension plans with overfunding	22.6%	91 585	91 585	86 729

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

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

**13. 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 DE- RIVATIVE	
Equity securities					
With own debenture component (oDC)		843 908	-	-	843 908
Without oDC		-	-	-	-
Commodities/precious metals					
With own debenture component (oDC)		15 785	-	-	15 785
Without oDC		-	-	-	-
Total 31.12.2019		859 693	-	-	859 693

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

**14. PRESENTATION OF VALUE ADJUSTMENTS,
PROVISIONS AND CHANGES THEREIN
DURING THE CURRENT YEAR**

CHF thousand	BALANCE AT 31.12.2018	USE IN CONFORMITY WITH DESIGNATED PURPOSE	RECLASSIFICA- TIONS	CURRENCY DIFFERENCES	NEW CREATIONS CHARGED TO INCOME	RELEASES TO INCOME	BALANCE AT 31.12.2019
Provisions for deferred taxes	144 384	-	-	-	5 600	(62 044)	87 940
Provisions for other business risks	94 111	(4 669)	(950)	(84)	41 279	(4 917)	124 770
Other provisions	922	(1 300)	-	(34)	1 380	-	968
Total provisions	239 417	(5 969)	(950)	(118)	48 259	(66 961)	213 678
Value adjustments for default and country risks	315	-	950	-	73	-	1 338
<i>of which, value adjustments for default risks in respect of impaired loans/receivables</i>	315	-	-	-	73	-	388
<i>of which, value adjustments for latent risks</i>	-	-	950	-	-	-	950

‘Provisions for other business risks’ are mainly intended to cover a variety of risks relating to litigation, including any associated legal expenses. Provisions for deferred taxes result mainly from provisions set aside in the individual accounts of Banque Pictet & Cie SA that are not recognised in the consolidated accounts of the Pictet Group.

Following the adoption of the reform of corporate taxation in Switzerland (RFFA), the amount of provisions for deferred taxes has been adjusted to the new tax rate for the Swiss entities of the Pictet Group. This results in a partial release to income of the provisions made in the past.

In October 2012, the Swiss Financial Market Supervisory Authority (FINMA) notified Banque Pictet & Cie SA (formerly known as Pictet & Cie) that the US Department of Justice had lodged a general request for information pertaining to its wealth-management business with US clients. Banque Pictet & Cie SA is in ongoing discussions with the US Department of Justice and is cooperating fully with it in compliance with applicable legislation. At this juncture, it is not feasible to judge what the extent of any financial implications for Banque Pictet & Cie SA might be, which explains why no provision had been set aside as at 31 December 2019.

15. OWN SHARES AND COMPOSITION OF EQUITY CAPITAL

The Group's equity comprises contributions from the equity owners, namely the partners and other holders of equity capital in the companies who, in combination, control the Pictet Group.

Other holders of equity capital do not have voting rights.

The Pictet Group does not issue participatory ownership rights or options on such rights, and there is no share ownership scheme.

16. DISCLOSURE OF AMOUNTS DUE FROM/TO RELATED PARTIES

CHF thousand	AMOUNTS DUE FROM		AMOUNTS DUE TO	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Holders of qualified participations	11 034	1 983	819 047	1 050 288
Linked companies	-	-	2 268	2 353

Transactions with related parties are concluded at going market rates.

17. DISCLOSURE OF HOLDERS OF SIGNIFICANT PARTICIPATIONS

The partners of Pictet & Partners – Messrs Renaud de Planta, Rémy Best, Marc Pictet, Bertrand Demole, Laurent Ramsey, Boris Collardi and Sébastien Eisinger – are significant equity owners.

Decisions are taken by the partners on a consensus basis, at the level of the holding companies.

18. MATURITY STRUCTURE OF FINANCIAL INSTRUMENTS

CHF thousand	AT SIGHT	CANCELLABLE	DUE				TOTAL
			WITHIN 3 MONTHS	WITHIN 3 TO 12 MONTHS	WITHIN 12 MONTHS TO 5 YEARS	AFTER 5 YEARS	
Assets/financial instruments							
Liquid assets	8 591 441	-	-	-	-	-	8 591 441
Amounts due from banks	1 139 239	-	115 568	-	-	-	1 254 807
Amounts due from securities financing transactions	-	-	4 613 000	-	-	-	4 613 000
Amounts due from customers	35 632	5 147 934	2 844 269	820 892	205 003	50 384	9 104 114
Trading portfolio assets	43 040	-	-	-	-	-	43 040
Positive replacement values of derivative financial instruments	1 283 232	-	-	-	-	-	1 283 232
Other financial instruments at fair value	746 502	-	-	-	-	-	746 502
Financial investments	736 304	2	570 051	1 061 824	5 376 561	2 215 564	9 960 306
Total 31.12.2019	12 575 390	5 147 936	8 142 888	1 882 716	5 581 564	2 265 948	35 596 442
Total 31.12.2018	18 588 433	5 448 159	4 808 739	1 910 917	4 161 876	2 451 355	37 369 479

CHF thousand	AT SIGHT	CANCELLABLE	DUE				TOTAL
			WITHIN 3 MONTHS	WITHIN 3 TO 12 MONTHS	WITHIN 12 MONTHS TO 5 YEARS	AFTER 5 YEARS	
Debt capital/financial instruments							
Amounts due to banks	1 172 011	-	-	-	-	-	1 172 011
Liabilities from securities financing transactions	-	-	410 042	-	-	-	410 042
Amounts due in respect of customer deposits	27 526 096	270 765	695 236	72 465	-	-	28 564 562
Trading portfolio liabilities	5 083	-	-	-	-	-	5 083
Negative replacement values of derivative financial instruments	1 376 649	-	-	-	-	-	1 376 649
Liabilities from other financial instruments at fair value	859 693	-	-	-	-	-	859 693
Total 31.12.2019	30 939 532	270 765	1 105 278	72 465	-	-	32 388 040
Total 31.12.2018	33 016 731	100 149	971 748	85 573	-	-	34 174 201

19. PRESENTATION OF ASSETS AND LIABILITIES BY DOMESTIC AND FOREIGN ORIGIN IN ACCORDANCE WITH THE DOMICILE PRINCIPLE

Assets (CHF thousand)	31.12.2019		31.12.2018	
	SWISS	FOREIGN	SWISS	FOREIGN
Liquid assets	7 377 175	1 214 266	13 620 098	908 331
Amounts due from banks	504 390	750 417	683 009	921 050
Amounts due from securities financing transactions	4 554 000	59 000	1 866 000	40 000
Amounts due from customers	1 267 869	7 836 245	768 305	7 818 255
Trading portfolio assets	24 938	18 102	1 023	62 900
Positive replacement values of derivative financial instruments	252 719	1 030 513	268 573	806 546
Other financial instruments at fair value	100 850	645 652	81 262	736 170
Financial investments	2 785 168	7 175 138	2 297 149	6 490 808
Accrued income and prepaid expenses	136 389	306 046	114 015	296 849
Non-consolidated participations	2 021	6 352	1 921	4 035
Tangible fixed assets	436 873	27 103	423 175	22 934
Other assets	237 613	87 654	144 661	97 115
Total assets	17 680 005	19 156 488	20 269 191	18 204 993

Liabilities (CHF thousand)	31.12.2019		31.12.2018	
	SWISS	FOREIGN	SWISS	FOREIGN
Amounts due to banks	471 977	700 034	846 546	487 740
Liabilities from securities financing transactions	410 042	-	240 565	-
Amounts due in respect of customer deposits	8 067 887	20 496 675	8 312 704	22 336 118
Trading portfolio liabilities	441	4 642	1 132	10 600
Negative replacement values of derivative financial instruments	321 174	1 055 475	197 120	848 101
Liabilities from other financial instruments at fair value	747 255	112 438	868 373	25 202
Accrued expenses and deferred income	394 966	460 595	399 598	469 434
Other liabilities	195 824	52 288	173 125	72 640
Provisions	182 819	30 859	237 312	2 105
Total equity	2 880 922	250 180	2 592 133	353 636
Equity owners' contribution	820 319	-	638 386	-
Capital reserve	11 664	-	11 664	-
Retained earnings reserve	1 789 101	-	1 713 853	-
Currency translation reserve	(29 042)	-	(14 070)	-
Consolidated profit for the year	288 880	250 180	242 300	353 636
Total liabilities	13 673 307	23 163 186	13 868 608	24 605 576

**20. BREAKDOWN OF TOTAL ASSETS
BY COUNTRY (DOMICILE PRINCIPLE)**

Assets (CHF thousand)	31.12.2019		31.12.2018	
	ABSOLUTE	SHARE AS %	ABSOLUTE	SHARE AS %
Switzerland	17 680 005	48%	20 269 191	52%
Europe	10 579 897	29%	9 915 797	26%
The Americas	6 663 108	18%	6 457 752	17%
Asia	1 566 064	4%	1 420 286	4%
Africa and Oceania	347 419	1%	411 158	1%
Total assets	36 836 493	100%	38 474 184	100%

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

RATING ACCORDING TO FINMA MAP- PING TABLES	NET FOREIGN EXPOSURE 31.12.2019		NET FOREIGN EXPOSURE 31.12.2018	
	CHF THOUSAND	SHARE AS %	CHF THOUSAND	SHARE AS %
1 & 2	14 530 926	81%	13 731 553	82%
3	959 524	5%	953 637	6%
4	1 024 375	6%	1 103 171	7%
5	161 804	1%	28 814	0%
6	6 139	0%	26 362	0%
7	13 243	0%	4 418	0%
Unrated	1 281 939	7%	857 351	5%
Total	17 977 950	100%	16 705 306	100%

– Comments on the rating system used

The Pictet Group uses credit ratings provided by FINMA in its rating concordance ('mapping') tables to calculate capital-adequacy requirements. The most prudent rating assigned by Moody's, Standard & Poor's or the OECD is the one taken for each country.

22. PRESENTATION OF ASSETS AND LIABILITIES BROKEN DOWN BY MOST SIGNIFICANT CURRENCIES
(AT 31 DECEMBER 2019)

Currencies (CHF thousand)	CHF	EUR	USD	GBP	JPY	OTHERS	TOTAL
Assets							
Liquid assets	7 373 003	1 215 796	1 360	281	12	989	8 591 441
Amounts due from banks	181 566	265 374	499 045	47 005	137 736	124 081	1 254 807
Due from securities financing transactions	4 613 000	-	-	-	-	-	4 613 000
Amounts due from customers	1 194 121	3 713 154	2 995 607	566 830	275 033	359 369	9 104 114
Trading portfolio assets	28 599	2 938	11 207	103	48	145	43 040
Positive replacement values of derivative financial instruments	991 797	83 869	73 504	29 592	8 088	96 382	1 283 232
Other financial instruments at fair value	81 672	50 425	449 855	23 455	21 010	120 085	746 502
Financial investments	2 396 175	3 421 165	3 112 351	262 401	-	768 214	9 960 306
Accrued income and prepaid expenses	174 376	130 067	85 797	18 140	32 813	1 242	442 435
Non-consolidated participations	4 739	-	965	2 162	-	507	8 373
Tangible fixed assets	447 588	5 762	-	3 041	3 091	4 494	463 976
Other assets	222 346	60 361	19 366	7 808	11 434	3 952	325 267
Total assets shown in the balance sheet	17 708 982	8 948 911	7 249 057	960 818	489 265	1 479 460	36 836 493
Delivery entitlements from spot exchange, forward forex and forex options transactions	165 425 246	86 423 372	120 081 000	20 055 997	9 690 447	14 245 126	415 921 188
Total assets	183 134 228	95 372 283	127 330 057	21 016 815	10 179 712	15 724 586	452 757 681

Currencies (CHF thousand)	CHF	EUR	USD	GBP	JPY	OTHERS	TOTAL
Liabilities							
Amounts due to banks	173 437	363 451	480 126	31 750	24 164	99 083	1 172 011
Liabilities from securities financing transactions	-	369 570	9 684	30 788	-	-	410 042
Amounts due in respect of customer deposits	7 796 672	11 220 224	6 483 959	1 510 419	381 471	1 171 817	28 564 562
Trading portfolio liabilities	444	465	4 174	-	-	-	5 083
Negative replacement values of derivative financial instruments	948 932	149 274	126 888	36 731	8 502	106 322	1 376 649
Liabilities from other financial instruments at fair value	134 067	51 218	509 192	24 114	21 010	120 092	859 693
Accrued expenses and deferred income	407 137	241 896	18 851	107 859	26 064	53 754	855 561
Other liabilities	248 112	-	-	-	-	-	248 112
Provisions	193 688	19 990	-	-	-	-	213 678
Total equity	3 131 102	-	-	-	-	-	3 131 102
Equity owners' contribution	820 319	-	-	-	-	-	820 319
Capital reserve	11 664	-	-	-	-	-	11 664
Retained earnings reserve	1 789 101	-	-	-	-	-	1 789 101
Currency translation reserve	(29 042)	-	-	-	-	-	(29 042)
Consolidated profit for the year	539 060	-	-	-	-	-	539 060
Total liabilities shown in the balance sheet	13 033 591	12 416 088	7 632 874	1 741 661	461 211	1 551 068	36 836 493
Delivery obligations from spot exchange, forward forex and forex options transactions	170 478 498	82 758 018	119 666 916	19 170 285	9 687 530	14 159 941	415 921 188
Total liabilities	183 512 089	95 174 106	127 299 790	20 911 946	10 148 741	15 711 009	452 757 681
Net position per currency	(377 861)	198 177	30 267	104 869	30 971	13 577	-

NOTES TO OFF-BALANCE SHEET TRANSACTIONS**23. BREAKDOWN AND EXPLANATION OF
CONTINGENT ASSETS AND LIABILITIES**

CHF thousand	31.12.2019	31.12.2018
Guarantees to secure credits and similar	7 237 945	5 742 264
Total contingent liabilities	7 237 945	5 742 264
Contingent assets arising from tax losses carried forward	-	306
Total contingent assets	-	306

‘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 regulation.

24. BREAKDOWN OF FIDUCIARY TRANSACTIONS

CHF thousand	31.12.2019	31.12.2018
Fiduciary investments with third-party companies	20 488 527	18 714 794
Fiduciary transactions arising from securities lending and borrowing, which the bank conducts in its own name for the account of customers	997 936	1 197 929
Total fiduciary transactions	21 486 463	19 912 723

25. BREAKDOWN OF ASSETS UNDER MANAGEMENT OR CUSTODY

– *Breakdown of assets under management or custody*

CHF billion	31.12.2019	31.12.2018
Assets in collective investment schemes managed by the bank	200.3	161.2
Assets under discretionary asset management agreements	114.7	99.5
Other assets under custody	420.5	370.3
Total assets under management or custody (incl. double counting)	735.5	631.0
<i>of which, double counting</i>	159.6	135.2
Total managed assets excl. double counting	575.9	495.8

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

CHF billion	2019	2018
Total assets under management or custody - beginning of year	631.0	661.8
+/- Net new money inflow or net new money outflow	26.9	(0.2)
+/- Price gains/losses, interest, dividends and currency gains/losses	77.6	(30.6)
+/- Other effects	-	-
Total assets under management or custody - end of year	735.5	631.0

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

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

In contrast, the assets of clients for which the Pictet Group provides only basic safekeeping services are not counted

when calculating assets under management or held in custody.

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

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

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

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

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

NOTES TO THE INCOME STATEMENT**26. BREAKDOWN OF THE RESULT FROM
TRADING ACTIVITIES AND THE FAIR VALUE OPTION***– Breakdown by business area*

CHF thousand	2019	2018
Trading for the account of the customers	110 355	115 040
Trading for own account	30 969	58 479
Trading activity total	141 324	173 519

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

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

CHF thousand	2019	2018
Result from trading activities from:		
Interest-rate instruments (incl. funds)	472	2 436
Equity securities (incl. funds)	4 671	8 826
Foreign currencies/precious metals/commodities	136 181	162 257
Total result from trading activities	141 324	173 519
<i>of which, from fair value option</i>	5 002	5 743
<i>of which, from fair value option on assets</i>	5 002	5 743

**27. DISCLOSURE OF MATERIAL REFINANCING UNDER
‘INTEREST AND DISCOUNT INCOME AS WELL AS
MATERIAL NEGATIVE INTEREST’**

– Refinancing income

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

– Negative interest

CHF thousand	2019	2018
Negative interest on lending business (decrease in interest and discount income)	62 523	73 098
Negative interest on borrowing business (decrease in interest expense)	36 586	33 124

28. BREAKDOWN OF PERSONNEL EXPENSES

CHF thousand	2019	2018
Salaries	1 076 785	1 061 829
<i>of which</i> , expenses relating to alternative forms of variable compensation	150 620	184 560
Social insurance benefits	224 912	222 045
Other personnel expenses	37 665	35 925
Total	1 339 362	1 319 799

29. BREAKDOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

CHF thousand	2019	2018
Office space expenses	78 243	71 989
Expenses for information and communications technology	248 246	230 869
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	15 361	14 059
Professional services	61 696	46 640
Fees of audit firms	6 410	5 255
<i>of which</i> , for financial and regulatory audits	4 553	3 700
<i>of which</i> , for other services	1 857	1 555
Public relations	44 766	39 892
Travel	44 978	40 539
Taxes	21 598	24 611
Other operating expenses	68 144	66 528
Total	589 442	540 382

**30. EXPLANATIONS REGARDING MATERIAL LOSSES,
EXTRAORDINARY INCOME AND EXPENSES,
AS WELL AS MATERIAL RELEASES OF HIDDEN RESERVES
AND VALUE ADJUSTMENTS AND PROVISIONS
NO LONGER REQUIRED**

CHF thousand	2019	2018
Changes to provisions and other value adjustments, losses	(46 071)	(26 562)
Extraordinary income	864	682
Extraordinary expenses	-	(424)

The detailed breakdown of value adjustments and provisions is shown in the table presenting value adjustments and provisions in annex 14.

**31. PRESENTATION OF THE OPERATING RESULT
BROKEN DOWN BY DOMESTIC AND FOREIGN ORIGIN,
ACCORDING TO THE PRINCIPLE OF
PERMANENT ESTABLISHMENT**

(CHF thousand)	2019		2018	
	SWISS	FOREIGN	SWISS	FOREIGN
Interest and discount income	93 322	53 347	153 090	50 392
Interest and dividend income from financial investments	81 857	24 483	46 844	33 828
Interest expense	2 257	5 327	3 435	4 151
Gross result from interest operations	177 436	83 157	203 369	88 371
Changes in value adjustments for default risks and losses from interest operations	(73)	-	49	-
Subtotal net result from interest operations	177 363	83 157	203 418	88 371
Commission income from securities trading and investment activities	1 471 687	1 466 000	1 474 975	1 497 129
Commission income from lending activities	1 251	1 994	2 553	1 887
Commission income from other services	19 783	358	22 406	804
Commission expenses	(182 479)	(562 199)	(217 581)	(559 848)
Subtotal result from commission business and services	1 310 242	906 153	1 282 353	939 972
Result from trading activities and the fair value option	100 494	40 830	125 101	48 418
Income from other non-consolidated participations	8 811	-	3 889	-
Result from real estate	1 833	139	1 784	224
Other ordinary income	164	96	73	158
Other ordinary expenses	(534)	-	-	-
Subtotal other result from ordinary activities	10 274	235	5 746	382
Personnel expenses	(867 636)	(471 726)	(879 698)	(440 101)
General and administrative expenses	(391 878)	(197 564)	(365 749)	(174 633)
Subtotal operating expenses	(1 259 514)	(669 290)	(1 245 447)	(614 734)
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	(35 767)	(12 020)	(32 678)	(11 721)
Changes to provisions and other value adjustments and losses	(9 162)	(36 909)	(20 232)	(6 330)
Operating result	293 930	312 156	318 261	444 358
Extraordinary income	738	126	682	-
Extraordinary expenses	-	-	-	(424)
Taxes	(5 788)	(62 102)	(76 643)	(90 298)
Consolidated profit of the year	288 880	250 180	242 300	353 636

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

CHF thousand	2019	2018
(Release)/creation of provisions for deferred taxes	(56'541)	9 342
Current tax expenses	124 431	157 599
Total taxes	67 890	166 941
Average tax rate	11.2%	21.9%
Average tax rate (current tax expenses)	20.5%	20.7%

The negative amount under the heading "provisions for deferred taxes" reflects the adjustment of provisions for deferred taxes mentioned in note 14 "Presentation of value adjustments, provisions and changes therein during the current year". Excluding provisions for deferred taxes, the average tax rate is 20.5% (20.7% in 2018).

REPORT OF THE AUDITOR



Report of the auditor

to the Board of Partners of Pictet & Cie Group SCA

Carouge

Report of the auditor on the consolidated financial statements of Pictet Group

On your instructions, we have audited the consolidated financial statements of Pictet Group, which comprise the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, statement of changes in equity and notes (pages 7 to 11 and 24 to 74), for the year ended 31 December 2019.

Board of Partners' responsibility

The Board of Partners is responsible for the preparation of the consolidated financial statements in accordance with accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Partners 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2019 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) and comply with Swiss law.

*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*

PricewaterhouseCoopers SA is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

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 consolidated financial statements according to the instructions of the Board of Partners.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA



Christophe Kratzer

Audit expert
Auditor in charge

Emmanuel Genequand

Geneva, 27 april 2020

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

© 2019

All rights reserved

Pictet Group head office
Route des Acacias 60
1211 Geneva 73, Switzerland