

Pictet Group

Annual report 2021



CONTENTS

| | |
|---|----|
| Key figures _____ | 3 |
| Reflections upon 2021 _____ | 4 |
| Consolidated balance sheet _____ | 6 |
| Consolidated income statement _____ | 7 |
| Consolidated cash-flow statement _____ | 8 |
| Statement of changes in equity _____ | 10 |
| Pictet Group governance at 31 December 2021 _____ | 11 |
| Notes _____ | 26 |
| Accounting principles _____ | 26 |
| Risk management _____ | 33 |
| Hedge accounting _____ | 39 |
| Events after the balance sheet date _____ | 40 |
| Notes to the balance sheet _____ | 41 |
| Notes to off-balance sheet transactions _____ | 63 |
| Notes to the income statement _____ | 66 |
| Report of the auditor _____ | 72 |

KEY FIGURES

| CHF thousand | 2021 | 2020 |
|---|------------|------------|
| Consolidated income statement | | |
| Operating income | 3 251 257 | 2 884 730 |
| Total expenses before tax | 2 327 677 | 2 191 006 |
| Operating result | 923 580 | 693 724 |
| Consolidated profit for the year | 1 007 883 | 576 714 |
| Cost/income ratio | 72% | 76% |
| <hr/> | | |
| CHF thousand | 31.12.2021 | 31.12.2020 |
| Consolidated balance sheet | | |
| Total assets | 48 923 744 | 45 345 865 |
| Total equity | 3 679 945 | 3 167 986 |
| Basel III CET1 solvency ratio | 22.5% | 20.6% |
| Basel III Total solvency ratio | 22.7% | 20.6% |
| Liquidity coverage ratio (LCR) | 164% | 182% |
| Return on equity | 29.4% | 18.3% |
| Leverage ratio | 5.0% | 5.2% |
| <hr/> | | |
| Other indicators | | |
| Assets under management or custody (CHF bn) | 698 | 609 |
| Staff (in FTE) | 5 040 | 4 881 |
| in Switzerland | 3 058 | 2 982 |
| abroad | 1 982 | 1 899 |
| Banque Pictet & Cie SA's rating FitchRatings/Moody's | AA-/Aa2 | AA-/Aa2 |

REFLECTIONS UPON 2021

I am proud to present the Annual Report of the Pictet Group for the year ended 31 December 2021.

Significant Covid-related public spending and monetary accommodation made for supportive market conditions in 2021. This, paired with the acumen of our investment professionals, resulted in an outstanding year for the Pictet Group. Assets under management or custody rose by 15% to an all-time high of CHF 698 billion from CHF 609 billion the previous year. Encouragingly, this was due to inflows from both existing and new clients and contributed to a 13% rise in the Group's operating income to CHF 3.251 billion. The operating result - excluding a one-off gain related to the sale and lease-back of our headquarters - was CHF 924 million, a 33% increase compared to 2020.

Pictet Wealth Management (PWM) finished the year with CHF 8 billion net new money. Pictet Asset Management (PAM) meanwhile raised CHF 18 billion of net new assets, and Pictet Asset Services (PAS) saw strong inflows from European and British institutional investors. Taken together, net new money across all business lines amounts to more than CHF 29 billion – the best commercial result in Pictet's history.

2021 also saw several changes to our Partnership. After careful consideration, Boris Collardi decided to step down from his role as a Managing Partner and leave the Pictet Group. We are grateful for Boris's significant contributions during his tenure and wish him well. We also announced the appointment of Elif Aktuğ and Francois Pictet, the 44th and 45th Managing Partners in the firm's history. Both will play essential roles in fortifying the Group and our continued efforts to reach the goals presented in our Ambition 2025 initiative.

Last year, we decided to move our European headquarter from Luxembourg to Frankfurt. Another office-related milestone was receiving permission to build a new headquarter in Geneva, "The Campus Pictet de Rochemont", to provide 2,500 workplaces and nearly 100 residential units. Once completed in 2025, this will be one of the most environmentally-conscious office buildings in Europe. As with our current headquarter, it is important to us that we consider sustainable solutions for the environments we operate in.

In this context, the COP26 meeting in Glasgow reiterated the urgency for action. As a business, we are conscious that our investment activities have environmental consequences. This is why we committed to set 1.5°C-aligned science-based decarbonisation targets and reach net zero across our operations and our investments by 2050 – initiatives that encapsulate our unwavering commitment to act responsibly as a firm.

While we publish this year's financial report with the encouraging news that the Covid-19 pandemic is receding in many places, a crisis of greater magnitude has emerged - an armed conflict in the wake of Russia's invasion of Ukraine. The war has already dealt a blow to the geopolitical and economic world order, and uncertainty is likely to prevail for some time. We are already experiencing knock-on effects on energy prices, the cost of living and supply disruptions may follow. Fiscal and monetary policymakers will need a balanced response alongside handling the severe economic effects of the pandemic and the significant costs of decarbonisation.

In times of global unease, we retain perspective by remembering that Pictet, as a privately owned company, has always resisted the temptations of short-term thinking and instead opted for a long-term focus and sustainable decision making. This approach has served us well and been to the lasting benefit of all stakeholders.

I would like to close by thanking our clients for their loyalty and trust and our employees around the world for their remarkable work in these challenging times. I am confident that Pictet's solid foundation will allow us to take the right steps to navigate this environment and continue building our future.

RENAUD DE PLANTA
Senior Partner

CONSOLIDATED BALANCE SHEET

| Assets (CHF thousand) | Notes | 31.12.2021 | 31.12.2020 |
|---|--------------|-------------------|-------------------|
| Liquid assets | | 11 668 513 | 13 869 915 |
| Amounts due from banks | 10 | 2 003 865 | 1 597 424 |
| Amounts due from securities financing transactions | 1 | 5 913 000 | 3 758 383 |
| Amounts due from customers | 2;16 | 9 819 087 | 8 320 080 |
| Trading portfolio assets | 3 | 37 074 | 47 073 |
| Positive replacement values of derivative financial instruments | 4 | 1 108 905 | 1 450 531 |
| Other financial instruments at fair value | 3 | 1 800 725 | 1 432 513 |
| Financial investments | 5;10 | 15 379 876 | 13 301 761 |
| Accrued income and prepaid expenses | | 688 695 | 683 024 |
| Non-consolidated participations | 6;7 | 6 904 | 5 845 |
| Tangible fixed assets | 8 | 174 916 | 474 827 |
| Other assets | 9 | 322 184 | 404 489 |
| Total assets | | 48 923 744 | 45 345 865 |
| Total subordinated claims | | - | - |
| Liabilities (CHF thousand) | Notes | 31.12.2021 | 31.12.2020 |
| Amounts due to banks | | 1 215 145 | 1 392 722 |
| Liabilities from securities financing transactions | 1 | 1 501 727 | 1 402 249 |
| Amounts due in respect of customer deposits | 11;16 | 37 358 724 | 34 423 463 |
| Trading portfolio liabilities | 3 | 7 553 | 6 676 |
| Negative replacement values of derivative financial instruments | 4 | 1 169 539 | 1 728 573 |
| Liabilities from other financial instruments at fair value | 3;13 | 1 996 105 | 1 639 385 |
| Accrued expenses and deferred income | | 1 368 326 | 1 106 919 |
| Other liabilities | 9 | 301 952 | 250 328 |
| Provisions | 14 | 324 728 | 227 564 |
| Total equity | | 3 679 945 | 3 167 986 |
| Equity owners' contribution | 15;17 | 691 063 | 780 519 |
| Capital reserve | | 11 664 | 11 664 |
| Retained earnings reserve | | 1 988 736 | 1 808 262 |
| Currency translation reserve | | (19 401) | (9 173) |
| Consolidated profit for the year | | 1 007 883 | 576 714 |
| Total liabilities | | 48 923 744 | 45 345 865 |
| Total subordinated liabilities | | - | - |

Consolidated off-balance-sheet transactions

| CHF thousand | Notes | 31.12.2021 | 31.12.2020 |
|-------------------------|-------|------------|------------|
| Contingent liabilities | 2;23 | 7 611 079 | 8 046 501 |
| Irrevocable commitments | 2 | 44 388 | 39 345 |

CONSOLIDATED INCOME STATEMENT

| CHF thousand | Notes | 2021 | 2020 | Change |
|---|--------------|--------------------|--------------------|-------------|
| Interest and discount income | 27 | 157 860 | 135 559 | |
| Interest and dividend income from financial investments | | 7 919 | 50 743 | |
| Interest expense | 27 | (4 007) | (12 638) | |
| Gross result from interest operations | | 161 772 | 173 664 | -7% |
| Changes in value adjustments for default risks and losses from interest operations | 2;14 | 2 074 | (33 342) | |
| Subtotal net result from interest operations | | 163 846 | 140 322 | 17% |
| Commission income from securities trading and investment activities | | 3 984 884 | 3 380 390 | |
| Commission income from lending activities | | 4 890 | 5 456 | |
| Commission income from other services | | 9 814 | 13 974 | |
| Commission expenses | | (1 113 330) | (880 823) | |
| Subtotal result from commission business and services | | 2 886 258 | 2 518 997 | 15% |
| Result from trading activities and the fair value option | 26;27 | 192 992 | 221 950 | -13% |
| Income from other non-consolidated participations | | 8 161 | 1 262 | |
| Result from real estate | | 1 177 | 1 488 | |
| Other ordinary income | | 319 | 713 | |
| Other ordinary expenses | | (1 496) | (2) | |
| Subtotal other result from ordinary activities | | 8 161 | 3 461 | 136% |
| Personnel expenses | 28 | (1 607 961) | (1 578 336) | |
| General and administrative expenses | 29 | (597 495) | (533 341) | |
| Subtotal operating expenses | | (2 205 456) | (2 111 677) | 4% |
| Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets | 6;8 | (51 731) | (53 228) | |
| Changes to provisions and other value adjustments and losses | 30 | (70 490) | (26 101) | |
| Operating result | | 923 580 | 693 724 | 33% |
| Extraordinary income | 30 | 306 004 | 372 | |
| Extraordinary expenses | 30 | (108) | (136) | |
| Taxes | 32 | (221 593) | (117 246) | |
| Consolidated profit of the period | | 1 007 883 | 576 714 | 75% |

CONSOLIDATED CASH-FLOW STATEMENT

| CHF thousand | 2021 | | 2020 | |
|---|------------------|----------------|----------------|----------------|
| | Cash inflows | Cash outflows | Cash inflows | Cash outflows |
| Cash flow from operating activities (internal financing) | | | | |
| Consolidated result of the year | 1 007 883 | - | 576 714 | - |
| Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets | 51 731 | - | 53 228 | - |
| Provisions and other value adjustments | 130 120 | 32 956 | 28 080 | 14 194 |
| Change in value adjustments for default risks and losses | 4 984 | 10 404 | 33 342 | - |
| Accrued income and prepaid expenses | - | 5 671 | - | 240 589 |
| Accrued expenses and deferred income | 261 407 | - | 251 358 | - |
| Other items | 133 929 | 301 752 | - | 77 006 |
| Previous year's dividends | - | 427 307 | - | 520 256 |
| Subtotal | 1 590 054 | 778 090 | 942 722 | 852 045 |
| Cash flow from shareholders' equity transactions | | | | |
| Share capital/participation capital/endowment capital, of which, equity owners' contribution | - | 89 456 | - | 39 800 |
| Recognised in reserves | 20 839 | - | 20 226 | - |
| Subtotal | 20 839 | 89 456 | 20 226 | 39 800 |
| Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets | | | | |
| Participations | - | 809 | 2 179 | - |
| Real estate | 615 000 | 33 139 | - | 11 517 |
| Other tangible fixed assets | 136 | 32 315 | - | 52 213 |
| Subtotal | 615 136 | 66 263 | 2 179 | 63 730 |

| CHF thousand | 2021 | | 2020 | |
|---|------------------|------------------|-------------------|-------------------|
| | Cash inflows | Cash outflows | Cash inflows | Cash outflows |
| Cash flow from banking operations | | | | |
| Medium- and long-term business (>1 year) | | | | |
| Amounts due from customers | - | 49 665 | 22 706 | - |
| Financial investments | - | 1 648 584 | - | 3 368 284 |
| Short-term business (<1 year) | | | | |
| Amounts due to banks | - | 177 577 | 220 711 | - |
| Liabilities from securities financing transactions | 99 478 | - | 992 207 | - |
| Amounts due in respect of customer deposits | 2 935 261 | - | 5 858 901 | - |
| Trading portfolio liabilities | 877 | - | 1 593 | - |
| Negative replacement values of derivative financial instruments | - | 559 034 | 351 924 | - |
| Liabilities from other financial instruments at fair value | 356 720 | - | 779 692 | - |
| Amount due from banks | - | 406 441 | - | 342 617 |
| Amount due from securities financing transactions | - | 2 154 617 | 854 617 | - |
| Amount due from customers | - | 1 443 922 | 761 328 | 33 342 |
| Trading portfolio assets | 9 999 | - | - | 4 033 |
| Positive replacement values of derivative financial instruments | 341 626 | - | - | 167 299 |
| Other financial instruments at fair value | - | 368 212 | - | 686 011 |
| Financial investments | - | 429 531 | 26 829 | - |
| Liquidity | | | | |
| Liquid assets | 2 201 402 | - | - | 5 278 474 |
| Subtotal | 5 945 363 | 7 237 583 | 9 870 508 | 9 880 060 |
| Total | 8 171 392 | 8 171 392 | 10 835 635 | 10 835 635 |

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 1.1.2021 | 780 519 | 11 664 | 1 808 262 | (9 173) | 576 714 | 3 167 986 |
| Other variations | (89 456) | - | 31 067 | - | - | (58 389) |
| Currency translation differences | - | - | - | (10 228) | - | (10 228) |
| Dividends and other distributions | - | - | - | - | (427 307) | (427 307) |
| Other allocations to (transfers from) the other reserves | - | - | 149 407 | - | (149 407) | - |
| Consolidated profit of the pe- riod | - | - | - | - | 1 007 883 | 1 007 883 |
| Equity at 31.12.2021 | 691 063 | 11 664 | 1 988 736 | (19 401) | 1 007 883 | 3 679 945 |

**PICTET GROUP GOVERNANCE
AT 31 DECEMBER 2021**

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, Sébastien Eisinger, Elif Aktuğ and François Pictet.

Pictet Group governing bodies

The three main governing bodies are the Board of Partners, the Group Executive Committee 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 Group Executive Committee (GEC) is responsible for implementing the Group's strategy as set and approved by the Board of Directors. It monitors the implementation of the strategy within the Group. The GEC also defines the internal control framework.

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*

Nicolas Pictet

Jacques de Saussure*

Daniel Wanner

*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.

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 Council of the Swiss National Bank
- Member of the Board of Directors of SGS SA
- Member of the Board of Directors of Stonehage Fleming Group Services (Jersey) Limited, Jersey
- Member of the Board of the Grand Théâtre de Genève Foundation, Geneva
- Member of the Board of the Fondation du Musée d'art moderne et contemporain, Geneva

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**

- Chairman of the Board of Directors of Banque Thaler SA, Geneva
- Vice-chairman of the Board of Directors of Banque du Léman SA, Geneva
- Chairman of the Board of Directors of Valcourt SA, Geneva
- Member of the Board of Directors of MKS Pamp SA, Geneva, of MMTC PAMP India pvt. Ltd, Dehli and Goldavenue SA, Geneva
- Member of the Finance Commission of Doctors Without Borders Switzerland, Geneva
- Member of the Appel de Genève Foundation Board, Geneva

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**

- Member of various Boards of charitable foundations

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**

- Member of the Board of Directors of Salt Mobile SA, Renens
- Chairman of the Board of Directors of Symbiotics SA, Geneva
- Chairman of the Board of Directors of EuroSite Power Inc., Waltham (United States)
- Treasurer of the FIFDH Foundation (International Film Festival and Forum on Human Rights), Geneva
- Member of the Council of Europa Nostra, The Hague
- Chairman of the EPFL Plus Foundation, Lausanne
- Member of various Boards of charitable foundations

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
- Chairman of the Conseil Paroissal of Saint-Prex

*Appointments**

- Member of the Board of Fondation Philanthropique Takoha E&D Wanner

* Appointments outside the Pictet Group

Board of Partners

Composition

Renaud de Planta
Rémy Best
Marc Pictet
Bertrand Demole
Laurent Ramsey
Sébastien Eisinger
Elif Aktuğ
François Pictet

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
- CEO of Hong Kong and Northern Asia

*Appointments**

- Member of the Swiss Bankers Association, Geneva
- Member of various Boards of charitable foundations and academic institutions

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, Paris
- Chairman of the INSEAD Campaign Board, Paris
- Chairman of Domus Antiqua Helvetica, Geneva
- Member of the Assembly of the International Committee of the Red Cross
- Chairman of the Board of the Cercle du Grand Théâtre de Genève, 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**

- Member of the Advisory Committee of the Fondation of Luxembourg, Luxembourg
- Member of the Board of Trustees of Avenir Suisse, Zurich
- Chairman of the Foundation Board of Fondation pour Genève, Geneva

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

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**

- Vice-chairman of the Committee of Genève Place Financière Foundation, Geneva
- Member of the Board of Directors of the Asset Management Association (AMAS), Geneva

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

Elif Aktuğ

Education

- Master of Business Administration, Stanford School of Business
- MA, Institut d'Etudes Politiques de Paris, major Finance and Economics

Professional experience

- Since 2011: Pictet Group (partner since 2021)
- 2001-2010: Goldman Sachs International, London
- 1997-1999 : Goldman Sachs International, London

*Appointments**

- No other appointments

François Pictet

Education

- MBL, Master of Advanced Studies (MAS) in Business Law, Universities of Geneva and Lausanne
- Certificate in English Legal Methods, University of Cambridge
- Bachelor in Law, University of Geneva

Professional experience

- Since 2015: Pictet Group (partner since 2021)
- 2012-2014: AEA Investors, Private Equity Fund, London
- 2008-2011: Credit Suisse AG, Zurich
- 2006-2007: Aga Khan Agency for Microfinance, Geneva
- 2006 : Ethos Foundation, Geneva
- 2004-2005: UBS Securities LLC, New York
- 2003: Euroclear, Brussels
- 2002-2003: Hennerkes, Kirchdörfer & Lorz, Stuttgart

*Appointments**

- No other appointments

* Appointments outside the Pictet Group

Group Executive Committee (GEC)

Composition

Members of the Board of Partners
(above)

Xavier Barde
Christèle Hiss Holliger
Jean-Philippe Nerfin
Grégory Petit
Peter Wintsch

Composition

The GEC is made up of the eight members of the Board of Partners as ex officio members. The other members of the GEC are appointed by management from among the heads of the Group's main support functions.

Organisation

The GEC meets as often as business requires, but in principle at least once a month, chaired by the senior partner.

Responsibilities

The GEC is responsible for implementing the Group's strategy as set and approved by the Board of Partners. It monitors the implementation of the strategy within the Group by ensuring that the decisions of the management are properly passed down to the business lines and Group entities. The GEC also defines the internal control framework.

Backgrounds of the members of the Group Executive Committee

Members of the Board of Partners (above)

Xavier Barde

Education

- Swiss Certified Public Accountant
- Bachelor's in Economics, University of St. Gallen, additional specialisation in banking

Professional experience

- Pictet Group: since 2000
since 2020: equity partner
since 2018: Group Chief Risk Officer
2000 - 2018: deputy CFO and various positions in the Group
- 1995 - 2000: Arthur Andersen (Audit manager)

Christèle Hiss Holiger

Education

- MAS (Monetary Authority of Singapore), Certification Level 3
- Federal diploma of Financial Analyst and Asset Manager (CFPI), Lausanne
- Master in international management, Ecole des Hautes Etudes Commerciales (EDHEC), France

Professional experience

- Pictet Group since 1998:
since 2021: Global Head of Human Resources, Pictet Group, Geneva
2017 - 2021 : Global Head of Human Resources, Pictet Wealth Management (PWM), Geneva
Since 2016: equity partner
2015 - 2017 : Chief Executive Officer of Pictet Asset Management (PAM), Singapore
1998 - 2015 : Department of Institutional Client Management, Head of Institutional Client Relations, Pictet Asset Management (PAM), Geneva
- 1995 - 1998: United European Bank (BNP Paribas Group), Geneva
- 1992 - 1995: BNP, Paris

Jean-Philippe Nerfin

Education

- Law degree and bar exam, Geneva
- International and European Economic & Commercial Law (LL.M)

Professional experience

- Pictet Group: since 2010
since 2019: Group General Counsel
2017 - 2018: General Counsel Pictet Group Banks
2010 - 2016: various positions in the Legal Department
- 2003-2009: Pestalozzi Attorneys at Law, Geneva

Grégory Petit

Education

- Swiss Certified Public Accountant
- Diploma in International Financial Management, Conservatoire National des Arts et Métiers, Paris
- Master's in Finance, Paris School of Business, Paris

Professional experience

- Pictet Group since 2008:
since 2020: equity partner
since 2018: Group Chief Financial Officer
2008 - 2017: various positions in the Internal Audit Department of the Pictet Group
- 2002 - 2007: Ernst & Young
- 2001 - 2002: Andersen
- 1999 - 2000: Arthur Andersen
- 1996 - 1998: Caisse d'Épargne France

Peter Wintsch

Education

- Bachelor of Science in Economics, specialisation in marketing and information systems, University of Geneva

Professional experience

- Pictet Group since 2000:
Since 2021: Group Chief Operating Officer
since 2015: Equity partner
since 2005: Group Chief Technology Officer
2000 - 2005 : Head of the Organisation Department
- 1995 - 2000: JP Morgan Suisse SA
- 1994 - 1995: Price Waterhouse Management Consultancy Services (Suisse)
- 1989 - 1994 : IBM Suisse SA

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 2021.

Group Executive Committee

The members of the GEC receive a fixed and variable remuneration. They also receive the fee conditions and other benefits offered to staff.

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 2021.

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 2021. 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 2021, 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 2021

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 2021.

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 as well as the Swiss Financial Market Supervisory Authority's (FINMA) Accounting ordinance (FINMA-AO) and the accounting rules for banks (FINMA Circular 2020/1).

The 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 2021' (in accordance with the Circular 2016/01).

The main accounting methods applied are described below.

General valuation principles

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

Recording of transactions

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

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:

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

Liquid assets

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

Amounts due from banks and from customers

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

Value adjustments for default risk

Impaired loans/receivables are valued on an item-by-item basis. Off-balance-sheet transactions, such as firm commitments, guarantees and derivatives, are also included in this valuation. Any value impairment charge is covered by individual value adjustments to reflect the disparity between the book value of the receivable and the amount expected to be received as reimbursement.

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

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

Disclosures concerning the treatment of past due interest

Interest due and in arrears by over 90 days is regarded as being past due. The Group does not recognise any past due interest or interest from impaired loans/receivables in the consolidated income statement; instead, these items are booked under 'Changes in value adjustments for default risks and losses from interest operations'.

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

When a loan of a client or a group exceeds the limit granted, when a current account is overdrawn without an authorised overdraft limit or when the value of pledged collateral falls below the applicable drawdown limit, the Credit Risk Control team immediately notifies the Client Relationship Manager who must take remedial steps subject to oversight by the 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 based on a proper valuation of any collateral security.

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

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

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

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

Securities financing transactions

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 recorded as a liability in the balance sheet under 'Liabilities from other financial instruments at fair value'. Amounts corresponding to the underlying financial assets are recorded on the assets side of the balance sheet under 'Other financial instruments at fair value'.

The difference between the amounts invested by clients, shown under liabilities, and positions held to cover the certificates, shown on the assets side, is essentially due to a cash component recorded under 'Liquid assets' on the assets side of the balance sheet and the replacement values of derivative financial instruments purchased in accordance with the investment strategy of the certificates.

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

Financial investments

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

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

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

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, software, IT and telecommunications equipment as well as furniture, fixtures and fittings. Tangible fixed assets are valued at their acquisition cost, less accumulated depreciation computed according to the straight-line method over the estimated useful lifetimes of the assets. Depreciation charges are booked under 'Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets' in the consolidated income statement.

| <i>Scheduled useful lifetimes</i> | |
|-----------------------------------|-----------|
| Buildings for own use | 50 years |
| Other buildings | 50 years |
| Software | 3 years |
| IT equipment | 3 years |
| Other equipment and furniture | 3-5 years |

Provisions

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

Liabilities relating to pension schemes

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 consolidated 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 consolidated 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 permissible and the intended use of the surplus is to lower future employer contributions, to reimburse contributions to the employer or to utilise them outside regulatory benefits. This benefit (surplus) appears under 'Other assets' in the balance sheet and is booked in the income statement under 'Personnel expenses'. The obligation (shortfall) is registered in the same way in the income statement. It is, however, booked under 'Provisions' in the balance sheet.

Taxes

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

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 the accounting principles in 2021.

Restatement of previous year's figures

A figure relating to the previous year has been restated to take into account past losses carried forward at the end of 2020 in certain Group entities, that generates potential receivables shown in note 23 to the financial statements.

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 to a prior 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 subdivided 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 involving risks that are not adequately rewarded are avoided.

Credit risk

Credit risk arises out of the possibility of a counterparty defaulting on its financial obligations towards 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.

Clients

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

Risks are limited by stringent criteria in terms of the quality, liquidity, valuation and diversification of assets pledged as collateral, as well as by the application of conservative loan-to-value ratios, differentiated by asset class. All liabilities stemming from credit granted are reviewed in a quarterly report submitted to the 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. Credit risk management for non-bank clients is under the supervision of the Group's Chief Credit Officer.

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 and the Central Clearing Houses.

Selected banking counterparties are approved on a quarterly basis by the Pictet Group's Management. All limits are set according to a formal process. Limits on trading and settlement, bank deposits, fiduciary deposits and clearing limits are set on an individual basis for each counterparty.

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

- the Banking Risk Committee (BRC), comprising Pictet Group financial analysts specialised in banks, gives an impartial assessment to the Counterparty Risk Committee (CRC) and the Weekly Counterparty Committee (WCC);
- the Weekly Counterparty Committee (WCC) examines requests for changes to existing limits or for new limits for banking counterparties;
- the Financial Institutions Management team checks compliance with limits for each banking counterparty.

A weekly report on the status of contracted obligations is compiled and presented to the 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 refers to the Pictet Group's exposure to any adverse movements in market conditions. The main risk factors relate to interest rates, exchange rates and prices of equity securities and precious metals.

Trading operations
for its own account (trading portfolio)

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

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

Trading activities for the Group's own account are aimed essentially at mitigating risk resulting from client orders. It is not the Pictet Group's prime vocation to take 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 interest rate markets.

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

Structural balance-sheet management
(bank portfolio)

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

The purpose of managing the balance sheet, generally referred to as Asset & Liability Management (ALM), is to estimate and achieve a balance between liabilities (inflows) and assets (outflows) in light of the 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 first level market risk controls stemming from treasury management activities and including the stress tests. The second level

controls (independent) are performed by the Group Risk Department.

The purpose of the 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 be clearly defined for each significant risk. These responsibilities are broken down into three categories: owning the risk, controlling the risk and monitoring the risk.

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

A process of identifying and assessing operational risks throughout the 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 actively exchanging information with business lines and regular efforts to remind staff of their responsibilities and heighten their awareness about the direct and indirect impact that the Pictet Group's activities might have on its

reputation as well as on that of its clients and its staff (such as changes in the political or regulatory climate). Effective management of communications, both in-house and to the outside world, is crucial in safeguarding the Pictet Group's good name and reputation. Group Corporate Communications is responsible for managing risk related to the Group's image. It monitors articles published about the Group and contacts the media if the Group's reputation could be damaged. Measures aimed at limiting risk to the Group's image and reputation include analysing and pinpointing any areas of vulnerability, carrying out internal analyses and escalation procedures as well as rules of conduct applicable to staff. Group Corporate Communications works closely with the Risks, Compliance and Legal Departments. Reputational risk, as well as the monitoring and adequacy of taken measures, are subject to particular attention by Pictet Group's Management.

The Pictet Group has implemented 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 and members of staff appointed as 'Crisis Coordinators' have been trained. Operating procedures and communications plans have been compiled.

Business Continuity Management is geared towards safeguarding the sustainability of the 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

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

Hedge accounting

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 following a long-term strategy. This portfolio holds bonds intended to be held to maturity, although, in particular circumstances (such as a downgrading of an issuer's credit rating), the debt securities may be sold before term. Depending on market rates, excess treasury amounts may also be invested in short-term investments. In order to protect against interest-rate risk that might have an adverse impact on the portfolio's value, the 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

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

Notes to the balance sheet

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

| CHF thousand | 31.12.2021 | 31.12.2020 |
|---|------------|------------|
| Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions* | 5 913 000 | 3 758 383 |
| Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions* | 1 501 727 | 1 402 249 |
| Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements | 1 506 543 | 1 405 275 |
| Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge | 5 916 593 | 3 809 590 |

*Before netting agreements

2. Presentation of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

| CHF thousand | Type of collateral | | | Total |
|--|---------------------|------------------|-----------|-----------|
| | Secured by mortgage | Other collateral | Unsecured | |
| Loans (before netting with value adjustments) | | | | |
| Amounts due from clients | 5 252 | 9 672 795 | 169 350 | 9 847 397 |
| Total loans (before netting with value adjustments) | | | | |
| 31.12.2021 | 5 252 | 9 672 795 | 169 350 | 9 847 397 |
| 31.12.2020 | 44 656 | 8 120 951 | 188 203 | 8 353 810 |
| Total loans (after netting with value adjustments) | | | | |
| 31.12.2021 | 5 252 | 9 672 795 | 141 040 | 9 819 087 |
| 31.12.2020 | 44 656 | 8 120 951 | 154 473 | 8 320 080 |
| Off-balance sheet | | | | |
| Contingent liabilities | - | 7 303 336 | 307 743 | 7 611 079 |
| Irrevocable commitments | - | 25 834 | 18 554 | 44 388 |
| Total off-balance sheet | | | | |
| 31.12.2021 | - | 7 329 170 | 326 297 | 7 655 467 |
| 31.12.2020 | - | 7 961 391 | 124 455 | 8 085 846 |

Impaired loans/receivables

| CHF thousand | Gross debt amount | Estimated liquidation value of collateral | Net debt amount | Individual value adjustments |
|--------------|-------------------|---|-----------------|------------------------------|
| 31.12.2021 | 28 310 | - | 28 310 | 28 310 |
| 31.12.2020 | 33 730 | - | 33 730 | 33 730 |

Impaired loans represent 0.29% of the total amounts due from clients at 31 December 2021 (compared to 0.41% at 31 December 2020).

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

| Assets (CHF thousand) | 31.12.2021 | 31.12.2020 |
|---|-------------------|-------------------|
| Trading portfolio assets | 37 074 | 47 073 |
| Debt securities, money market securities/transactions | - | 539 |
| <i>of which, listed</i> | - | 539 |
| Equity securities | 37 074 | 46 534 |
| Other financial instruments at fair value | 1 800 725 | 1 432 513 |
| Equity securities | 1 784 034 | 1 412 176 |
| Precious metals | 16 691 | 20 337 |
| Total assets | 1 837 799 | 1 479 586 |
| <i>of which, determined using a valuation model</i> | 3 049 | 1 615 |
| Liabilities (CHF thousand) | 31.12.2021 | 31.12.2020 |
| Trading portfolio liabilities | 7 553 | 6 676 |
| Equity securities | 7 553 | 6 676 |
| Other financial instruments at fair value | 1 996 105 | 1 639 385 |
| Structured products (certificates) | 1 996 105 | 1 639 385 |
| Total liabilities | 2 003 658 | 1 646 061 |
| <i>of which, determined using a valuation model</i> | 2 778 | 1 461 |

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

4. Presentation of derivative financial instruments (assets and liabilities)

| CHF thousand | Trading instruments | | | Hedging instruments | | |
|--|-----------------------------|-----------------------------|--------------------|-----------------------------|-----------------------------|-------------------|
| | Positive replacement values | Negative replacement values | Contract volume | Positive replacement values | Negative replacement values | Contract volume |
| Interest-rate instruments | | | | | | |
| Swaps | 15 598 | 14 002 | 1 848 331 | 123 841 | 152 833 | 21 711 905 |
| Futures | 7 | 37 | 1 031 609 | - | - | - |
| Options (exchange-traded) | - | - | 2 266 | - | - | - |
| Foreign exchange | | | | | | |
| Forward contracts | 179 763 | 312 690 | 43 369 520 | - | - | - |
| Combined interest rate/ currency swaps | 652 138 | 560 543 | 102 034 935 | 8 160 | 6 518 | 868 165 |
| Options (OTC) | 5 266 | 6 241 | 1 472 686 | - | - | - |
| Precious metals | | | | | | |
| Forward contracts | 816 | 605 | 56 788 | - | - | - |
| Combined interest rate/ currency swaps | 2 507 | 3 933 | 412 697 | - | - | - |
| Options (OTC) | 15 726 | 12 346 | 1 172 243 | - | - | - |
| Equity securities/indices | | | | | | |
| Forward contracts | 906 | 1 069 | 158 568 | - | - | - |
| Futures | 5 | 2 | 933 572 | - | - | - |
| Options (OTC) | 77 831 | 83 395 | 3 962 740 | - | - | - |
| Options (exchange-traded) | 20 136 | 9 120 | 336 067 | - | - | - |
| Credit derivatives | | | | | | |
| Credit default swaps | 6 205 | 6 205 | 501 318 | - | - | - |
| Total before netting agreements: | | | | | | |
| 31.12.2021 | 976 904 | 1 010 188 | 157 293 340 | 132 001 | 159 351 | 22 580 070 |
| of which, determined using a valuation model | 956 756 | 1 001 029 | 154 989 826 | 132 001 | 159 351 | 22 580 070 |
| 31.12.2020 | 1 359 880 | 1 349 665 | 156 543 681 | 90 651 | 378 908 | 21 422 889 |
| of which, determined using a valuation model | 1 323 558 | 1 341 724 | 154 040 596 | 90 651 | 378 908 | 21 422 889 |

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) |
|--------------|--|--|
| 31.12.2021 | 1 108 905 | 1 169 539 |
| 31.12.2020 | 1 450 531 | 1 728 573 |

Breakdown by counterparty

| Positive replacement values (after netting agreements) (CHF thousand) | Central clearing houses | Banks and securities dealers | Other customers |
|---|-------------------------|------------------------------|-----------------|
| 31.12.2021 | 136 039 | 655 504 | 317 362 |
| 31.12.2020 | 70 630 | 905 424 | 474 477 |

5. Breakdown of financial investments

| CHF thousand | Book value | | Fair value | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 |
| Debt securities | 14 551 456 | 12 509 379 | 14 632 384 | 12 830 052 |
| <i>of which, intended to be held to maturity</i> | 14 551 456 | 12 509 379 | 14 632 384 | 12 830 052 |
| Equity securities | 180 912 | 179 390 | 222 234 | 227 174 |
| Precious metals | 647 508 | 612 992 | 647 508 | 612 992 |
| Total | 15 379 876 | 13 301 761 | 15 502 126 | 13 670 218 |
| <i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i> | 10 513 259 | 10 038 574 | 10 589 583 | 10 279 361 |

Breakdown of counterparties by rating

| CHF thousand | Book value | |
|--------------|-------------------|-------------------|
| | 31.12.2021 | 31.12.2020 |
| AAA | 10 781 124 | 9 312 356 |
| AA+ | 2 401 374 | 1 966 696 |
| AA | 312 071 | 197 379 |
| AA- | 1 055 443 | 1 031 556 |
| A+ | 1 444 | 1 392 |
| Total | 14 551 456 | 12 509 379 |

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 31.12.2020 | Additions | Disposals | Value adjustments | Changes in book value in the case of participations valued using the equity method/depreciation reversals | Book value at 31.12.2021 | Market value |
|-----------------------------|------------------|---|--------------------------|------------|-----------|-------------------|---|--------------------------|----------------|
| Other participations | | | | | | | | | |
| with market value | 2 900 | (2 900) | - | - | - | - | - | - | 3 210 |
| without market value | 9 192 | (3 347) | 5 845 | 803 | 6 | (60) | 310 | 6 904 | 142 393 |
| Total participations | 12 092 | (6 247) | 5 845 | 803 | 6 | (60) | 310 | 6 904 | 145 603 |

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 | 0 | 100 |
| Banque Pictet & Cie SA, Carouge | Bank | CHF | 90 000 | 100 | 100 | 0 | 100 |
| Bayside Pictet Ltd, Nassau | Real estate company | CHF | 7 | 100 | 100 | 0 | 100 |
| Finance 1805 SA, Carouge | Financial company | CHF | 100 | 100 | 100 | 0 | 100 |
| FundPartner Solutions (Europe) SA, Luxembourg | Fund management | CHF | 6 250 | 100 | 100 | 0 | 100 |
| FundPartner Solutions (Suisse) SA, Carouge | Fund management | CHF | 10 000 | 100 | 100 | 0 | 100 |
| Pictet & Cie (Europe) S.A., Luxembourg | Bank | CHF | 70 000 | 100 | 100 | 0 | 100 |
| Pictet & Cie Group SCA, Carouge | Financial company | CHF | 148 500 | 100 | 100 | 0 | 100 |
| PICTET & PARTNERS, Cologny | Financial company | CHF | 300 000 | 100 | 100 | 100 | 0 |
| Pictet Advisory Services (Overseas) Ltd, Nassau | Financial company | CHF | 150 | 100 | 100 | 0 | 100 |
| Pictet Alternative Advisors SA, Carouge | Wealth management | CHF | 3 000 | 100 | 100 | 0 | 100 |
| Pictet Alternative Advisors (Europe) SA, Luxembourg | Wealth management | EUR | 525 | 100 | 100 | 0 | 100 |
| Pictet Alternative Advisors Holding SA, Carouge | Financial company | CHF | 5 700 | 100 | 100 | 0 | 100 |
| Pictet Alternative Advisors (UK) Limited, Londres | Wealth management | GBP | 50 | 100 | 100 | 0 | 100 |
| Pictet Alternative Advisors (Germany) GMBH, Francfort | Wealth management | EUR | 85 | 100 | 100 | 0 | 100 |
| Pictet Alternative Advisors (Spain) SL, Madrid | Wealth management | EUR | 60 | 100 | 100 | 0 | 100 |
| Pictet Alternative Advisors (Sweden) AB, Stockholm | Wealth management | SEK | 600 | 100 | 100 | 0 | 100 |
| Pictet Asset Management (Europe) SA, Luxembourg | Asset Management | CHF | 11 332 | 100 | 100 | 0 | 100 |
| Pictet Asset Management (Hong-Kong) Ltd, Hong-Kong | Asset Management | HKD | 30 000 | 100 | 100 | 0 | 100 |
| Pictet Asset Management (Japan) Ltd, Tokyo | Asset Management | JPY | 200 000 | 100 | 100 | 0 | 100 |
| Pictet Asset Management (Singapore) Pte Ltd, Singapour | Asset Management | SGD | 2 500 | 100 | 100 | 0 | 100 |
| Pictet Asset Management Ltd, Londres | Asset Management | GBP | 45 000 | 100 | 100 | 0 | 100 |
| Pictet Asset Management Holding SA, Carouge | Financial company | CHF | 40 000 | 100 | 100 | 0 | 100 |
| Pictet Asset Management Inc., Montréal | Asset Management | CAD | 250 | 100 | 100 | 0 | 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 SA, Carouge | Asset Management | CHF | 21 000 | 100 | 100 | - | 100 |
| Pictet Asset Management (USA) Corp., New York | Asset Management | USD | - | 100 | 100 | - | 100 |
| Pictet Bank & Trust Ltd, Nassau | Bank | CHF | 55 000 | 100 | 100 | - | 100 |
| Pictet Canada S.E.C., Montréal | Brokerage | CAD | 75 900 | 100 | 100 | 100 | - |
| Pictet Capital S.A., Cologne | Financial company | CHF | 90 000 | 100 | 100 | 83 | 17 |
| Pictet Europe SA, Luxembourg | Financial company | CHF | 10 000 | 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 (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 | 30 000 | 100 | 100 | - | 100 |
| Pictet Participations SARL, Luxembourg | Financial company | CHF | 8 700 | 100 | 100 | - | 100 |
| Pictet Private Fund Management (Shanghai) Limited, Shanghai | Asset Management | CNY | 16 505 | 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 31.12.2021

| Company name and domicile | Business activity | Currency | Company capital (in thousand) | Book value (in thousand CHF) | Share of capital (in %) | Share of votes (in %) |
|------------------------------------|-------------------|----------|-------------------------------|------------------------------|-------------------------|-----------------------|
| Euroclear Holding SA/NV, Bruxelles | Financial Company | EUR | 3 147 | 1 893 | 1 | 1 |
| Pictet International Ltd | Financial Company | CHF | 655 | 1 275 | 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' (2020: none).

There are no commitments to purchase or dispose of shares (2020: 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 31.12.2020 | Additions | Disposals | Translation differences | Depreciation | Book value at 31.12.2021 |
|------------------------------------|------------------|--------------------------|--------------------------|---------------|-------------------|-------------------------|------------------|--------------------------|
| Buildings for own use | 514 677 | (188 498) | 326 179 | 33 139 | (313 248) | - | (1 263) | 44 807 |
| Other real estate | 52 715 | (25 638) | 27 077 | - | - | - | (725) | 26 352 |
| Separately acquired software | 88 715 | (75 237) | 13 478 | 3 972 | - | (12) | (8 675) | 8 763 |
| Other tangible fixed assets | 279 689 | (171 596) | 108 093 | 28 343 | - | (124) | (41 318) | 94 994 |
| Total tangible fixed assets | 935 796 | (460 969) | 474 827 | 65 454 | (313 248) | (136) | (51 981) | 174 916 |

9. Breakdown of other assets and other liabilities

| CHF thousand | Other assets | | Other liabilities | |
|--|----------------|----------------|-------------------|----------------|
| | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 |
| Compensation account | - | 174 671 | 28 334 | - |
| Deferred income taxes recognised as assets | 13 284 | 14 444 | - | - |
| Indirect taxes | 143 400 | 118 810 | 52 105 | 48 057 |
| Clearing accounts | 157 967 | 89 708 | 217 966 | 194 038 |
| Other | 7 533 | 6 856 | 3 547 | 8 233 |
| Total | 322 184 | 404 489 | 301 952 | 250 328 |

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 | |
|-----------------------|-------------|------------|-----------------------|------------|
| | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 |
| Due from banks | 242 259 | 217 800 | 242 259 | 217 800 |
| Financial investments | 1 800 532 | 1 865 648 | 1 800 532 | 1 865 648 |

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

The unaudited annual accounts for the Pictet Group's *Fondation de Prévoyance Complémentaire* pension plan show its funding ratio stood at 100% as at end-2021. Reassurance cover for death and invalidity risks has been taken out by the pension schemes with an insurance group.

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) | 31.12.2021 | 31.12.2020 |
|---|------------|------------|
| Amounts due in respect of client deposits | 136 293 | 36 056 |

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 31.12.2021 | Contributions paid for 2021 | Pension expenses in personnel expenses | |
|--|---|--------------------------------|---|--------|
| | | | 2021 | 2020 |
| Employer sponsored funds/employer sponsored pension schemes | - | 2 300 | 2 300 | 2 300 |
| Pension plans without overfunding/underfunding | - | 24 204 | 26 789 | 26 562 |
| Pension plans with overfunding | 25.9% | 101 756 | 101 756 | 97 916 |

The governing bodies consider that any overfunding, as defined by FINMA's AO (article 29), would be deployed for the benefit of the members of the pension scheme, so there would be no economic benefit accruing to the Pictet Group.

As at 31 December 2021, 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 derivative | |
| Equity securities | | | | | |
| With own debenture component (oDC) | | 1 979 414 | - | - | 1 979 414 |
| Without oDC | | - | - | - | - |
| Commodities/precious metals | | | | | |
| With own debenture component (oDC) | | 16 691 | - | - | 16 691 |
| Without oDC | | - | - | - | - |
| Total 31.12.2021 | | 1 996 105 | - | - | 1 996 105 |

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

14. Presentation of value adjustments,
provisions and changes therein during the current year

| CHF thousand | Balance at 31.12.2020 | Use in conformity with designated purpose | Past due interest, recoveries | New creations charges to income | Releases to income | Balance at 31.12.2021 |
|---|--------------------------|---|-------------------------------------|---------------------------------------|-----------------------|--------------------------|
| Provisions for deferred taxes | 93 541 | - | - | 47 845 | - | 141 386 |
| Provisions for other business risks | 132 911 | (11 128) | (665) | 82 981 | (21 693) | 182 406 |
| Other provisions | 1 112 | (135) | (41) | - | - | 936 |
| Total provisions | 227 564 | (11 263) | (706) | 130 826 | (21 693) | 324 728 |
| Value adjustments for default and country risks | 33 730 | (3 331) | 1 183 | 3 801 | (7 073) | 28 310 |
| <i>of which</i> , value adjustments for default risks in respect of impaired loans/receivables | 33 730 | (3 331) | 1 183 | 3 801 | (7 073) | 28 310 |

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.

The increase in 'Provision for deferred taxes' mainly stems from the sale of the headquarter building, the impacts of which are outlined in note 30.

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

In October 2012, the Swiss Financial Market Supervisory Authority (FINMA) notified Banque Pictet & Cie SA (formerly known as Pictet & Cie) that the US Department of Justice had lodged a general request for information pertaining to its wealth management business with US clients. Banque Pictet & Cie SA is in ongoing discussions with the US Department of Justice and is cooperating fully with it in compliance with applicable legislation. At this juncture, it is not feasible to judge what the extent of any financial implications for Banque Pictet & Cie SA might be, which explains why no provision had been set aside as at 31 December 2021.

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 | |
|---|------------------|------------|----------------|------------|
| | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 |
| Holders of qualified participations | 4 729 | 630 | 966 346 | 803 169 |
| Linked companies | 15 | 35 | 2 304 | 2 261 |
| Transactions with members of governing bodies | 26 | 1 | 285 549 | 272 372 |

Transactions with related parties are concluded at going market rates.

17. Disclosure of holders of significant participations

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

Decisions are made 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 | 11 668 513 | - | - | - | - | - | 11 668 513 |
| Amounts due from banks | 1 861 560 | - | 137 128 | 5 177 | - | - | 2 003 865 |
| Amounts due from securities financing transactions | - | - | 5 913 000 | - | - | - | 5 913 000 |
| Amounts due from customers | 84 304 | 5 444 363 | 3 016 073 | 992 001 | 280 092 | 2 254 | 9 819 087 |
| Trading portfolio assets | 37 074 | - | - | - | - | - | 37 074 |
| Positive replacement values of derivative financial instruments | 1 108 905 | - | - | - | - | - | 1 108 905 |
| Other financial instruments at fair value | 1 800 725 | - | - | - | - | - | 1 800 725 |
| Financial investments | 828 420 | - | 495 695 | 1 446 768 | 10 163 920 | 2 445 073 | 15 379 876 |
| Total 31.12.2021 | 17 389 501 | 5 444 363 | 9 561 896 | 2 443 946 | 10 444 012 | 2 447 327 | 47 731 045 |
| Total 31.12.2020 | 19 219 682 | 5 179 078 | 6 399 837 | 1 785 993 | 8 858 792 | 2 334 298 | 43 777 680 |

| 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 | 1 215 145 | - | - | - | - | - | 1 215 145 |
| Liabilities from securities financing transactions | - | - | 1 501 727 | - | - | - | 1 501 727 |
| Amounts due in respect of customer deposits | 36 079 929 | 171 503 | 1 107 292 | - | - | - | 37 358 724 |
| Trading portfolio liabilities | 7 553 | - | - | - | - | - | 7 553 |
| Negative replacement values of derivative financial instruments | 1 169 539 | - | - | - | - | - | 1 169 539 |
| Liabilities from other financial instruments at fair value | 1 996 105 | - | - | - | - | - | 1 996 105 |
| Total 31.12.2021 | 40 468 271 | 171 503 | 2 609 019 | - | - | - | 43 248 793 |
| Total 31.12.2020 | 38 223 766 | 198 555 | 2 170 747 | - | - | - | 40 593 068 |

19. Presentation of assets and liabilities
by domestic and foreign origin
in accordance with the domicile principle

| Assets (CHF thousand) | 31.12.2021 | | 31.12.2020 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Swiss | Foreign | Swiss | Foreign |
| Liquid assets | 7 648 153 | 4 020 360 | 11 955 395 | 1 914 520 |
| Amounts due from banks | 541 203 | 1 462 662 | 565 708 | 1 031 716 |
| Amounts due from securities financing transactions | 5 513 000 | 400 000 | 3 457 000 | 301 383 |
| Amounts due from customers | 1 012 515 | 8 806 572 | 788 374 | 7 531 706 |
| Trading portfolio assets | 5 085 | 31 989 | 19 672 | 27 401 |
| Positive replacement values of derivative financial instruments | 192 024 | 916 881 | 489 290 | 961 241 |
| Other financial instruments at fair value | 271 463 | 1 529 262 | 252 997 | 1 179 516 |
| Financial investments | 3 180 662 | 12 199 214 | 3 491 039 | 9 810 722 |
| Accrued income and prepaid expenses | 164 271 | 524 424 | 137 589 | 545 435 |
| Non-consolidated participations | 2 021 | 4 883 | 1 711 | 4 134 |
| Tangible fixed assets | 151 283 | 23 633 | 449 655 | 25 172 |
| Other assets | 139 130 | 183 054 | 292 089 | 112 400 |
| Total assets | 18 820 810 | 30 102 934 | 21 900 519 | 23 445 346 |

| Liabilities (CHF thousand) | 31.12.2021 | | 31.12.2020 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Swiss | Foreign | Swiss | Foreign |
| Amounts due to banks | 648 815 | 566 330 | 640 006 | 752 716 |
| Liabilities from securities financing transactions | 1 501 727 | - | 1 402 249 | - |
| Amounts due in respect of customer deposits | 8 833 468 | 28 525 256 | 8 961 541 | 25 461 922 |
| Trading portfolio liabilities | 379 | 7 174 | 177 | 6 499 |
| Negative replacement values of derivative financial instruments | 352 554 | 816 985 | 619 614 | 1 108 959 |
| Liabilities from other financial instruments at fair value | 1 744 113 | 251 992 | 1 416 344 | 223 041 |
| Accrued expenses and deferred income | 544 131 | 824 195 | 533 531 | 573 388 |
| Other liabilities | 138 081 | 163 871 | 162 738 | 87 590 |
| Provisions | 321 624 | 3 104 | 199 220 | 28 344 |
| Total equity | 3 268 671 | 411 274 | 2 842 242 | 325 744 |
| Equity owners' contribution | 691 063 | - | 780 519 | - |
| Capital reserve | 11 664 | - | 11 664 | - |
| Retained earnings reserve | 1 988 736 | - | 1 808 262 | - |
| Currency translation reserve | (19 401) | - | (9 173) | - |
| Consolidated profit for the year | 596 609 | 411 274 | 250 970 | 325 744 |
| Total liabilities | 17 353 563 | 31 570 181 | 16 777 662 | 28 568 203 |

20. Breakdown of total assets by country (domicile principle)

| Assets (CHF thousand) | 31.12.2021 | | 31.12.2020 | |
|-----------------------|-------------------|-------------|-------------------|-------------|
| | Absolute | Share as % | Absolute | Share as % |
| Switzerland | 18 820 810 | 38% | 21 900 519 | 48% |
| Europe | 18 538 550 | 38% | 13 975 523 | 31% |
| The Americas | 9 113 376 | 19% | 7 692 209 | 17% |
| Asia | 2 107 093 | 4% | 1 480 996 | 3% |
| Africa and Oceania | 343 915 | 1% | 296 618 | 1% |
| Total assets | 48 923 744 | 100% | 45 345 865 | 100% |

21. Breakdown of total assets by credit rating of country groups (risk domicile view)

| Rating according to FINMA mapping tables | Net foreign exposure 31.12.2021 | | Net foreign exposure 31.12.2020 | |
|---|------------------------------------|-------------|------------------------------------|-------------|
| | CHF thousand | Share as % | CHF thousand | Share as % |
| 1 & 2 | 25 098 249 | 88% | 18 230 664 | 83% |
| 3 | 1 602 047 | 6% | 878 516 | 4% |
| 4 | 662 657 | 2% | 951 481 | 4% |
| 5 | 130 778 | 0% | 144 988 | 1% |
| 6 | 137 853 | 0% | 112 457 | 1% |
| 7 | 32 084 | 0% | 104 546 | 0% |
| Unrated | 946 071 | 3% | 1 495 075 | 7% |
| Total | 28 609 739 | 100% | 21 917 727 | 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. 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.

22. Presentation of assets and liabilities broken down by most significant currencies (at 31 December 2021)

| Currencies (CHF thousand) | CHF | EUR | USD | GBP | JPY | OTHERS | TOTAL |
|--|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
| Assets | | | | | | | |
| Liquid assets | 7 644 424 | 4 019 027 | 1 514 | 376 | 14 | 3 158 | 11 668 513 |
| Amounts due from banks | 79 709 | 295 955 | 865 078 | 53 159 | 58 610 | 651 354 | 2 003 865 |
| Due from securities financing transactions | 5 913 000 | - | - | - | - | - | 5 913 000 |
| Amounts due from customers | 741 209 | 3 591 702 | 4 620 552 | 526 897 | 127 176 | 211 551 | 9 819 087 |
| Trading portfolio assets | 9 947 | 2 582 | 22 865 | 1 636 | 40 | 4 | 37 074 |
| Positive replacement values of derivative financial instruments | 890 171 | 71 968 | 96 673 | 28 222 | 271 | 21 600 | 1 108 905 |
| Other financial instruments at fair value | 234 136 | 133 884 | 1 096 541 | 46 632 | 28 608 | 260 924 | 1 800 725 |
| Financial investments | 2 755 858 | 4 950 293 | 5 988 753 | 794 393 | - | 890 579 | 15 379 876 |
| Accrued income and prepaid expenses | 249 531 | 240 998 | 129 389 | 25 239 | 39 401 | 4 137 | 688 695 |
| Non-consolidated participations | 4 639 | 803 | 965 | 6 | - | 491 | 6 904 |
| Tangible fixed assets | 164 413 | 2 948 | 912 | 2 055 | 2 355 | 2 233 | 174 916 |
| Other assets | 165 599 | 75 349 | 55 752 | 11 721 | 9 378 | 4 385 | 322 184 |
| Total assets shown in the balance sheet | 18 852 636 | 13 385 509 | 12 878 994 | 1 490 336 | 265 853 | 2 050 416 | 48 923 744 |
| Delivery entitlements from spot exchange, forward forex and forex options transactions | 279 674 047 | 148 713 804 | 199 817 971 | 29 156 190 | 10 775 215 | 14 177 224 | 682 314 451 |
| Total assets | 298 526 683 | 162 099 313 | 212 696 965 | 30 646 526 | 11 041 068 | 16 227 640 | 731 238 195 |

| Currencies (CHF thousand) | CHF | EUR | USD | GBP | JPY | OTHERS | TOTAL |
|---|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
| Liabilities | | | | | | | |
| Amounts due to banks | 167 129 | 315 225 | 593 134 | 66 289 | 19 418 | 53 950 | 1 215 145 |
| Liabilities from securities financing transactions | - | 134 701 | 1 289 277 | 77 749 | - | - | 1 501 727 |
| Amounts due in respect of customer deposits | 7 656 077 | 11 147 719 | 13 628 596 | 2 290 182 | 196 243 | 2 439 907 | 37 358 724 |
| Trading portfolio liabilities | 1 230 | 1 558 | 4 746 | - | - | 19 | 7 553 |
| Negative replacement values of derivative financial instruments | 928 401 | 91 557 | 121 197 | 11 125 | 271 | 16 988 | 1 169 539 |
| Liabilities from other financial instruments at fair value | 322 232 | 186 535 | 1 150 033 | 47 784 | 28 598 | 260 923 | 1 996 105 |
| Accrued expenses and deferred income | 586 160 | 481 342 | 67 166 | 143 240 | 30 646 | 59 772 | 1 368 326 |
| Other liabilities | 301 952 | - | - | - | - | - | 301 952 |
| Provisions | 323 274 | 1 454 | - | - | - | - | 324 728 |
| Total equity | 3 679 945 | - | - | - | - | - | 3 679 945 |
| Equity owners' contribution | 691 063 | - | - | - | - | - | 691 063 |
| Capital reserve | 11 664 | - | - | - | - | - | 11 664 |
| Retained earnings reserve | 1 988 736 | - | - | - | - | - | 1 988 736 |
| Currency translation reserve | (19 401) | - | - | - | - | - | (19 401) |
| Consolidated profit for the year | 1 007 883 | - | - | - | - | - | 1 007 883 |
| Total liabilities shown in the balance sheet | 13 966 400 | 12 360 091 | 16 854 149 | 2 636 369 | 275 176 | 2 831 559 | 48 923 744 |
| Delivery obligations from spot exchange, forward forex and forex options transactions | 284 634 187 | 149 762 658 | 195 820 701 | 27 982 014 | 10 768 284 | 13 346 607 | 682 314 451 |
| Total liabilities | 298 600 587 | 162 122 749 | 212 674 850 | 30 618 383 | 11 043 460 | 16 178 166 | 731 238 195 |
| Net position per currency | (73 904) | (23 436) | 22 115 | 28 143 | (2 392) | 49 474 | - |

Notes to off-balance sheet transactions

23. Breakdown and explanation of contingent assets and liabilities

| CHF thousand | 31.12.2021 | 31.12.2020 |
|---|------------------|------------------|
| Guarantees to secure credits and similar | 7 611 079 | 8 046 501 |
| Total contingent liabilities | 7 611 079 | 8 046 501 |
| Contingent assets arising from tax losses carried forward | 13 847 | 11 758 |
| Total contingent assets | 13 847 | 11 758 |

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

24. Breakdown of fiduciary transactions

| CHF thousand | 31.12.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Fiduciary investments with third-party companies | 13 801 540 | 13 351 487 |
| Fiduciary transactions arising from securities lending and borrowing, which the bank conducts in its own name for the account of customers | 509 490 | 376 162 |
| Total fiduciary transactions | 14 311 030 | 13 727 649 |

25. Breakdown of assets under management or custody

Breakdown of assets under management or custody

| CHF billion | 31.12.2021 | 31.12.2020 |
|---|--------------|--------------|
| Assets in collective investment schemes managed by the bank | 231.6 | 200.5 |
| Assets under discretionary asset management agreements | 125.7 | 108.9 |
| Other assets under custody | 524.0 | 460.7 |
| Total assets under management or custody (incl. double counting) | 881.3 | 770.1 |
| <i>of which, double counting</i> | 182.9 | 160.7 |
| Total managed assets excl. double counting | 698.4 | 609.4 |

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

| CHF billion | 2021 | 2020 |
|---|--------------|--------------|
| Total assets under management or custody - beginning of year | 770.1 | 735.5 |
| +/- Net new money inflow or net new money outflow | 31.1 | 25.8 |
| +/- Price gains/losses, interest, dividends and currency gains/losses | 80.1 | 8.8 |
| +/- Other effects | - | - |
| Total assets under management or custody - end of year | 881.3 | 770.1 |

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 cash-flows and investments relating to client loans
- Outflows, subtracted from total inflows, comprising partial or total withdrawals of existing clients' assets.

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

Notes to the income statement

26. Breakdown of the result from trading activities and the fair value option

Breakdown by business area

| CHF thousand | 2021 | 2020 |
|--|----------------|----------------|
| Trading for the account of the customers | 145 393 | 142 635 |
| Trading for own account | 47 599 | 79 315 |
| Trading activity total | 192 992 | 221 950 |

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

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

| CHF thousand | 2021 | 2020 |
|---|----------------|----------------|
| Result from trading activities from: | | |
| Interest-rate instruments (incl. funds) | - | (3) |
| Equity securities (incl. funds) | 13 319 | 15 684 |
| Foreign currencies/precious metals/commodities | 179 673 | 206 269 |
| Total result from trading activities | 192 992 | 221 950 |
| <i>of which, from fair value option</i> | 8 639 | 5 695 |
| <i>of which, from fair value option on assets</i> | 8 639 | 5 695 |

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 | 2021 | 2020 |
|---|--------|--------|
| Negative interest on lending business (decrease in interest and discount income) | 22 896 | 31 741 |
| Negative interest on borrowing business (decrease in interest expense) | 48 324 | 42 443 |

28. Breakdown of personnel expenses

| CHF thousand | 2021 | 2020 |
|---|------------------|------------------|
| Salaries | 1 317 079 | 1 296 085 |
| <i>of which</i> , expenses relating to alternative forms of variable compensation | 236 357 | 176 290 |
| Social insurance benefits | 259 161 | 253 853 |
| Other personnel expenses | 31 721 | 28 398 |
| Total | 1 607 961 | 1 578 336 |

29. Breakdown of general and administrative expenses

| CHF thousand | 2021 | 2020 |
|---|----------------|----------------|
| Office space expenses | 102 875 | 83 257 |
| Expenses for information and communications technology | 240 286 | 241 268 |
| Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses | 12 109 | 12 223 |
| Professional services | 71 090 | 60 380 |
| Fees of audit firms | 6 732 | 6 581 |
| <i>of which</i> , for financial and regulatory audits | 4 959 | 4 462 |
| <i>of which</i> , for other services | 1 773 | 2 119 |
| Public relations | 35 662 | 27 898 |
| Travel | 17 725 | 18 057 |
| Taxes | 25 749 | 21 867 |
| Other operating expenses | 85 267 | 61 810 |
| Total | 597 495 | 533 341 |

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 | 2021 | 2020 |
|---|----------|----------|
| Changes to provisions and other value adjustments, losses | (70 490) | (26 101) |
| Extraordinary income | 306 004 | 372 |
| Extraordinary expenses | (108) | (136) |

A sale-leaseback agreement was concluded by Banque Pictet & Cie SA for its head office located at route des Aca-cias 60, in Geneva. Considering the residual value of the building, this transaction generated an extraordinary in-come of CHF 302 million.

In accordance with the accounting rules for drawing up the consolidated accounts as per the fair value principle, the capital gain reinvestment recognised in Banque Pictet & Cie SA's financial statements resulted in the recognition of a provision for deferred taxes at consolidated level. The detailed breakdown of value adjustments and provisions is shown in the table presenting value adjustments and pro-visions in note 14.

31. Presentation of the operating result
broken down by domestic and foreign origin,
according to the principle of permanent establishment

| (CHF thousand) | 2021 | | 2020 | |
|---|--------------------|------------------|--------------------|------------------|
| | Swiss | Foreign | Swiss | Foreign |
| Interest and discount income | 122 866 | 34 994 | 101 983 | 33 576 |
| Interest and dividend income from financial investments | 11 758 | (3 839) | 47 511 | 3 232 |
| Interest expense | (11 871) | 7 864 | (15 274) | 2 636 |
| Gross result from interest operations | 122 753 | 39 019 | 134 220 | 39 444 |
| Changes in value adjustments for default risks and losses from interest operations | 2 079 | (5) | (33 292) | (50) |
| Subtotal net result from interest operations | 124 832 | 39 014 | 100 928 | 39 394 |
| Commission income from securities trading and investment activities | 1 909 768 | 2 075 116 | 1 675 212 | 1 705 178 |
| Commission income from lending activities | 770 | 4 120 | 1 974 | 3 482 |
| Commission income from other services | 2 896 | 6 918 | 8 192 | 5 782 |
| Commission expenses | (216 247) | (897 083) | (215 811) | (665 012) |
| Subtotal result from commission business and services | 1 697 187 | 1 189 071 | 1 469 567 | 1 049 430 |
| Result from trading activities and the fair value option | 133 634 | 59 358 | 161 096 | 60 854 |
| Income from other non-consolidated participations | 8 161 | - | 1 262 | - |
| Result from real estate | 982 | 195 | 1 284 | 204 |
| Other ordinary income | 232 | 87 | 648 | 65 |
| Other ordinary expenses | (1 496) | - | (2) | - |
| Subtotal other result from ordinary activities | 7 879 | 282 | 3 192 | 269 |
| Personnel expenses | (1 039 194) | (568 767) | (1 033 741) | (544 595) |
| General and administrative expenses | (410 449) | (187 046) | (346 382) | (186 959) |
| Subtotal operating expenses | (1 449 643) | (755 813) | (1 380 123) | (731 554) |
| Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets | (38 253) | (13 478) | (40 950) | (12 278) |
| Changes to provisions and other value adjustments and losses | (73 109) | 2 619 | (15 363) | (10 738) |
| Operating result | 402 527 | 521 053 | 298 347 | 395 377 |
| Extraordinary income | 304 315 | 1 689 | 281 | 91 |
| Extraordinary expenses | - | (108) | - | (136) |
| Taxes | (110 233) | (111 360) | (47 658) | (69 588) |
| Consolidated profit of the year | 596 609 | 411 274 | 250 970 | 325 744 |

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

| CHF thousand | 2021 | 2020 |
|---|----------------|----------------|
| Creation/(release) of provisions for deferred taxes | 46 685 | 7 842 |
| Current tax expenses | 174 908 | 109 404 |
| Total taxes | 221 593 | 117 246 |
| Average tax rate | 24.0% | 16.9% |
| Average tax rate (current tax expenses) | 18.9% | 15.8% |

A provision for deferred taxes was constituted in 2021, in relation to the sale-leaseback transaction of the Bank's building in Geneva.

Report of the auditor
on the consolidated financial statements



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 (pages 6 to 10) and notes (pages 26 to 71), for the year ended 31 December 2021.

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 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 2021 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 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



Grégory Cachin
Audit expert

Geneva, 29 April 2022

This report is available in English
and French. The latter is
the authoritative version.
© 2022 All rights reserved.

Pictet Group Head Office
Route des Acacias 60
1211 Geneva 73, Switzerland
+41 58 323 2323
group.pictet