



PKB PRIVATBANK SA

2015

ANNUAL REPORT

58TH YEAR OF ACTIVITY

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GOVERNING BODIES OF PKB SA

Board of Directors	Henry Peter ¹⁾⁵⁾	Lugano (TI)	<i>Chairman, Vice-Chairman⁹⁾</i>
	Fernando Zari Malacrida ¹⁾⁶⁾⁹⁾	Gentilino (TI)	<i>Vice-Chairman⁸⁾</i>
	Massimo Trbaldo Togna ⁴⁾²⁾	Milano (I)	<i>Vice-Chairman</i>
	Edio Delcò ²⁾	Taverne - Torricella (TI)	
	Claudio Ferrari ¹⁾⁶⁾⁹⁾	Zug (ZG)	
	Dieter Hauser ³⁾⁶⁾	Zumikon (ZH)	
	Giovanni Leonard ³⁾⁶⁾¹⁰⁾	Bodio (TI)	
	Pierre Poncet ⁶⁾¹⁰⁾	Vésenaz (GE)	
	Jean-Philippe Rochat ³⁾⁵⁾⁶⁾	Épalinges (VD)	
	Secretary	Elena Trbaldo Togna ⁹⁾	Carouge (GE)
Federico Trbaldo Togna ¹⁰⁾		Conches (GE)	
Internal Audit	Mirko Angelini		<i>First Internal Auditor</i>
	Diego Pecorone		<i>Internal Auditor</i>
External Auditor	Ernst & Young SA		
Executive Board	Umberto Trbaldo Togna		<i>Chief Executive Officer</i>
	Ferdinando Coda Nunziante		<i>Managing Director</i>
	Luca Soncini		<i>Managing Director</i>
	Lorenzo Tavola		<i>Executive Vice President</i>
	Enrico Tonella ⁷⁾		<i>Executive Vice President</i>
	Matteo Saladino ⁸⁾		<i>Executive Vice President</i>

¹⁾ Member of the Executive Committee

²⁾ Member of the Executive Committee since 21.4.2016

³⁾ Member of the Audit Committee

⁴⁾ Member of the Executive Committee up to 21.4.2016

⁵⁾ Member of the Remuneration and Appointments Committee

⁶⁾ Independent directors pursuant to FINMA circular 08/24

⁷⁾ Up to 30.4.2015

⁸⁾ From 1.05.2015

⁹⁾ Up to 21.4.2016

¹⁰⁾ From 21.4.2016

Management (at 1 April 2016)

<i>Senior Vice Presidents</i>	Roberto Algisi Paolo Anastasi Fiorenzo Andreoletti Roberto Berti Paolo Bonacina Luca Bravin Bernardo Brunschwiler Gino Cardone Giovanni Castellino Pierluigi Croce Oberto della Torre di Lavagna Francesco Dolfi Flavio Facchin Massimo Falletta Anthony Graves Raffaella Jaquet Alessandro Lusso Nicolas Martin Stefano Nocchi Luciano Pasqualini Carlo Penati Antonino Pisciotta Francesco Promutico Antonio Sanchez Sandro Treichler Libero Valsangiacomo		Pierluigi Petrucci Nicholas Porter Renzo Ricci Giovanni Rickenbach Thorsten Sackmann Mario Sala Michele Scarmignan Olivier Selig Rolf Spannagel Marco Talleri
		<i>Vice Presidents</i>	Raymond Aellig Inaki Arcocha Torres Marco Bertagna Paola Bolliger Alessandro Cavadini Cristina Chendi Giorgio Compagnoni Salvatore Dell'Aira Fiorenzo Indi Kobel René Alessandro Lanzara Matteo Lurati Daniele Mallozzi Mauro Marchesi Stefano Marcotullio Alberto Masciadri Massimo Mattioli Filippo Moor Edy Muscionico Antonella Pelizzari Luca Radaelli Emilio Re Carlo Reichlin Patrizia Rivera Mariotti Carmine Salerno Marco Torino Tiziana Torri Marcello Tronconi Guido Uglietti Sergio Vincentelli
<i>First Vice Presidents</i>	Francesco Alberio Sabine Amann Christoph Benz Gianluca Bolla Paolo Calastri Eros Calligher Lucio Ceribelli Nicolò Dosi Delfini René Grassi Sascha Kever Catherine Kuhn Gabriele Larghi Andrea Luchetti Stefano Maltese Roberto Pedrotti		

PKB Geneva

Director Gennaro Caracciolo di Vietri

PKB Zurich

Director Bernardo Brunschwiler

PKB Bellinzona

Director Dario Simoni

PKB Lausanne

Director Andrew Gilbert

PKB Banca Privada (Panamá) SA

Director Francesco Catanzaro

Jules de Balincourt

Ex Pats, Ticos and Gringos
Oil on wood, cm. 112 x 122, 2015

Like many contemporary artists on the New York art scene, Jules de Balincourt was born not in New York but in Paris. He lived with his parents in Ibiza and Zurich before moving to California at the age of eight. Having absorbed American culture since his childhood, unlike many of his colleagues who moved to New York as adults Balincourt is an American artist.

His paintings present an ironic and sometimes satirical view of US politics and economics, giving them a personal dreamlike and visionary twist. Balincourt employs post-Pop painterly language with thoughtful use of colour taken from the great French masters of previous centuries. As with many of his contemporaries, his art makes no clear distinction between the figurative and the abstract. There is a strong resonance in his paintings, as in the case of “Expats, Ticos and Gringos,” which depicts a group of people going through a lush tropical jungle that literally overwhelms them.

Balincourt's works have been exhibited in many major museums around the world (Mori Art Museum in Tokyo, Montreal Museum of Fine Art, The Modern Art Museum of Fort Worth, Kasseler Kunstverein in Kassel) and are in numerous public and private collections (Montreal Museum of Fine Art, Los Angeles County Museum of Art, Museum of Contemporary Art of Los Angeles, Saatchi, Collezione Maramotti).

Jules de Balincourt was born in Paris in 1972. He lives and works in Brooklyn.



BOARD OF DIRECTORS' REPORT

Dear Shareholders,

2015 was a chequered year marked by many significant events.

In January, the Swiss National Bank abandoned its minimum 1.20 EUR/CHF exchange rate policy, simultaneously lowering its benchmark rate to -0.75% . The result was a general rise in the value of the Swiss franc and the slide of a large part of the rate curve for the currency into negative figures. In contrast to the pessimism expressed in winter, the Swiss economy produced positive although moderate growth, despite a clear slowdown in exports.

The arduous recovery of the Eurozone economy consolidated. Faced with weak inflation forecasts, the start of the year saw the European Central Bank launching quantitative easing. The euro continued the general weakening begun the previous year and German bond yields dropped to almost zero.

In China, the transition from an investment and export-driven economy to a development model focused on services and private consumption slowed growth. The imbalances within the Chinese economy raised fears of future painful adjustments. With Russia and Brazil in deep recession, China's slowdown caused a chain reaction: pressure on commodities markets that are now suffering from over-capacity after years of intensive investment; the depreciation of emerging country currencies; and corrections in the valuation of risky assets, equities and corporate debt world-wide.

Growth in the US was relatively robust. The prospect of full employment pushed the Federal Reserve, not without some hesitation, to raise its benchmark rate in December and to become the first central bank of a developed country to begin to normalize its monetary policy.

For our Bank, 2015 was marked by the conclusion of several important projects begun in previous financial years, such as the migration to a new IT platform developed by an external provider and the sale, completed in October, of our subsidiary in Antigua (West Indies) to the Ansbacher Bank (Bahamas) Ltd. of Nassau (Bahamas). In summer we also signed an agreement with the US Department of Justice on PKB's participation in the US Program for Swiss Banks, paying a USD 6.3 million fine from reserves formed for this purpose in previous financial years. Ordinary business saw a major focus on helping our foreign clients comply with regularisation programmes and on expanding on our domestic market in Ticino and Romandia and in Latin America.

Under the negative impact of the strengthening of the Swiss franc against other currencies and the cost (not passed on to clients) of the SNB's introduction of negative rates on bank deposits, PKB group net revenues were CHF 111.5 million (-11.6% on the previous year) and consolidated net profit was CHF 15.2 million, a sharp drop on the previous financial year, in part due to higher costs and investment in development programmes. The PKB Privatbank SA, Lugano net profit, thanks to the positive impact of the extraordinary sale of the Antigua subsidiary, totalled CHF 25.6 million ($+CHF 3.4$ million, or $+15.00\%$ on 2014).

2015 also saw change on the Executive Committee when Enrico Tonella, Executive Vice-President with PKB for over 30 years, retired and was replaced by Matteo Saladino, who joined PKB in 2010 after the purchase of Gesfid Bank. The Board of Directors gives its most sincere thanks to Mr. Tonella for his constant commitment and contributions to the growth of the Bank over these many years.

The Board of Directors would like to express its satisfaction with the results obtained during the 2015 financial year and its thanks to its clients for the trust they have placed in the Bank and its general management, and to all its staff for their devoted service and strong co-operative spirit.

For the Board of Directors
the Chairman
Henry Peter

HIGHLIGHTS

PKB group	AMOUNTS IN CHF/000	2015	2014
Income Statement			
Operating income		111,510	126,143
Operating expense		-81,223	-79,448
Gross profit		30,287	46,695
Group profit		15,214	26,027
Balance sheet			
Balance sheet total		3,347,364	3,518,392
Gross shareholders' equity		331,117	331,763
Customers' credits			
Total net of credits recorded in double-entry		9,233,026	11,700,397
Capital indicators			
Tier 1 ratio		18.97%	21.39%
Solvency ratio		18.97%	22.25%
Workforce (FTEs)			
Workforce		286,8	275
<i>of whom Switzerland</i>		263,5	241,7
<i>of whom abroad</i>		23,3	33,3

PKB SA	AMOUNTS IN CHF/000	2015	2014
Income Statement			
Operating income		112,371	116,351
Operating expense		-73,845	-73,746
Gross profit		38,526	42,605
Net profit for the year		25,591	22,243
Balance sheet			
Balance sheet total		3,130,479	3,090,056
Gross shareholders' equity		335,701	323,111
Capital indicators			
Tier 1 ratio		18.96%	20.80%
Solvency ratio		18.96%	20.90%

CONSOLIDATED FINANCIAL STATEMENTS

Scope of consolidation

PKB Privatbank SA, Lugano	Parent Company
PKB Banca Privada (Panamá) SA, Panama	Subsidiary (100%)
PKB Alasia SA, Lausanne	Subsidiary (100%)
PKB Servizi Fiduciari SpA, Milan	Subsidiary (70%)

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COMMENTS ON THE CONSOLIDATED BALANCE SHEET

Balance sheet total	
	At 31.12.2015 the total assets were CHF 3,347.4 million against liabilities of CHF 3,049.6 million; shareholders' equity, including net profit for the period, therefore totalled CHF 297.8 million excluding reserves for general banking risk. With respect to the previous year, the balance sheet total fell CHF 171.0 million (4.9%).
Assets	
Liquid assets	This includes cash plus sight deposits. The CHF 1,092.0 million total is above the legal requirement for primary liquidity.
Amounts from banks	Down by CHF 266.0 million (-34.1%), from CHF 780.2 million to CHF 514.2 million.
Amounts due from customers	Amounts due from customers dropped by 14.2%, from CHF 717.9 million to CHF 615.8 million.
Mortgage loans	Mortgage loans increased by 19.1% from CHF 637.8 million to CHF 759.7 million.
Trading portfolio assets	Book value dropped from CHF 16.7 million to CHF 3.6 million.
Positive replacement values of derivative financial instruments	Positive replacement values totalled CHF 32.3 million (CHF 51.1 million in 2014 or -36.7%) on derivative financial instruments taken out on the Bank's own account or for clients and constitutes a claim against counterparties.
Financial investments	At 31.12.2015, financial investments were CHF 192.5 million against CHF 158.8 million the previous year (+21.3%). Investments in funds totalled CHF 16.4 million (CHF 20.8 million at 31.12.2014) and in fixed-income securities increased to CHF 176.1 million (CHF 137.9 million at 31.12.2014).
Main non fully-consolidated participations	The Bank wholly owns Valuevalor AG (now in liquidation) of Lugano. This heading also includes minority shareholdings in Cassa Lombarda SpA, Milan (33.9%), Anthilia Capital Partner SpA, Milan (31.6%), Aduno SA, Zurich (0.28%) and EIH Endurance Investments Holding SA, Lugano (25%).
Tangible fixed assets	These dropped from CHF 64.8 million to CHF 62.1 million (-CHF 2.7 million, or -4.2%) and include buildings owned by the Bank, their furniture, fixtures and fittings, any capitalised renovation work and computer hardware and software.
Intangible assets	Intangible assets are the goodwill paid for Liechtensteinische Landesbank (Switzerland) SA. (LLB) of Lugano and PKB Alasia SA.
Other assets	Other assets fell to CHF 16.8 million at 31.12.2015 from CHF 28.9 million at the end of the previous financial year. This heading is mainly the clearing account in which the CHF 14.6 million revaluation of hedging instruments is recognised.
Liabilities	
Amount due to banks	Liabilities to banks increased from CHF 33.8 million to CHF 186.1 million.
Amount due in respect of Customer deposits	These dropped CHF 304.5 million (10.2%) to CHF 2,687.5 million at 31.12.2015 from CHF 2,992.0 million at 31.12.2014, mainly due to the sale of PKB Privatbank Ltd, St. John's, Antigua. The continued very low level of interest rates on all the main currencies and the uncertainty on the financial markets are keeping liquidity in clients' current accounts high as they wait for better investment opportunities.
Negative replacement values of derivative financial instruments	Negative replacement values totalled CHF 38.8 million against CHF 47.6 million the previous financial year (-18.4%) on derivative financial instruments taken out on the Bank's own behalf on for clients and constitutes a liability to counterparties.
Other liabilities	At 31.12.2015 these were CHF 16.5 million (- CHF 9.0 million or 35.3% on the previous year). These are mainly liabilities for indirect tax liabilities (CHF 5.7 million) and on the clearing account where the CHF 10.0 million revaluation of hedging instruments is recognised.

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

Revenues

Gross profit on interest margin business totalled CHF 23.2 million, up from the previous year (+13.5%). The increase is due mainly to the positive contribution made by swaps, which leveraged the differences created on the markets by the very negative rates on the Swiss franc. Net profit on interest margin business, including change in loan value adjustments (CHF 4.3 million) came to CHF 18.9 million, up from the previous financial year (+2.5%). Commission and service profit fell (-15.5%): all items were down on the previous year, from securities trading and investment (-18.4%), to lending (-1.2%) and including other services (-4.6%) and commission charges (-21.9%).

The drop is attributable not just to the sale of the Antigua subsidiary, effective 31 October 2015, but also to the reduction in trading for clients (hit by very low, static interest rates on the principal currencies, which blocked fixed-income transactions, and by the continued uncertainty on the financial markets) and to the drop in assets under management following the extraordinary rise in the value of the Swiss franc after the Swiss National Bank's decision on 15 January 2015 to abandon its minimum EUR/CHF exchange rate policy.

Overall, trading produced CHF 14.7 million (CHF 15.3 million at 31.12.2014 or -3.8%).

Other ordinary income came in at CHF 2.3 million, compared to CHF 2.9 million the previous financial year (-23.1%).

Operating expenses

Operating expenses, after the exceptional increase in 2014 caused mainly by the integration of the former LLB and to major Group management and IT projects, went up slightly compared to the previous financial year to CHF 81.2 million (+2.2%). Personnel costs rose (+2.5% to 1.5 million) as a result of hiring for both the front office and control functions. Other operating expenses increased slightly over the previous financial year (+1.3% or 0.3 million).

Value adjustments to equity holdings, and depreciation/amortisation

Total cost, which is mainly depreciation and amortisation, was down on the previous financial year to CHF 14.1 million (-13.1%). CHF 6.5 million of the total cost was write down of the goodwill on Banca Gesfid, on Liechtensteinische Landesbank (Switzerland) SA (LLB) of Lugano and on PKB Alasia SA. To this was added the amortisation of infrastructure investments by the parent company and subsidiaries.

Changes in provisions and other value adjustments and losses

These were down by CHF 4.3 million compared to the previous financial year (-69.3%) and include operating loss (CHF 0.8 million) and provisions for operating risk (CHF 1.1 million). Please note that under the new accounting regulations that apply from 2015 provisions for loans are now booked under interest margins as "changes in value adjustments for risk of loss and loss on interest margin business".

Financial year profit

Profit for the financial year totalled CHF 14.3 million, down by CHF 10.0 million (-41.2%) on 2014.

Extraordinary income

Of the CHF 6.2 million, CHF 4.8 million came from the sale of the entire stake in PKB Privatbank Ltd, St. John's, Antigua and CHF 0.3 million from the sale of other minority shareholdings.

Extraordinary expenses

CHF 1.9 million, mainly cost of the sale of PKB Privatbank Ltd, St. John's, Antigua.

Group profits

Group profits totalled CHF 15.2 million, down CHF 10.8 million (-41.5%).

CONSOLIDATED BALANCE SHEET

Assets	AMOUNTS IN CHF	2015	2014
Liquid assets		1,092,002,355.73	1,002,551,262.66
Amounts due from banks		514,224,015.32	780,205,478.90
Amounts due from customers		615,804,928.73	717,852,642.26
Mortgage loans		759,691,830.48	637,836,268.94
Trading portfolio assets		3,593,828.94	16,653,550.14
Positive replacement values of derivative financial instruments		32,328,498.86	51,098,192.52
Financial investments		192,509,106.29	158,757,670.33
Accrued income and prepaid expenses		9,475,094.58	7,845,019.09
Non fully-consolidated participations		39,554,419.58	39,675,914.70
Tangible fixed assets		62,059,969.94	64,780,323.40
Intangible assets		9,270,045.78	12,188,904.24
Other assets		16,849,492.00	28,946,631.45
Total assets		3,347,363,586.23	3,518,391,858.63

Liabilities	AMOUNTS IN CHF	2015	2014
Amounts due to banks		186,144,737.59	33,763,849.45
Amount due in respect of customer deposits		2,687,497,934.61	2,991,960,283.22
Negative replacement values of derivative financial instruments		38,802,066.50	47,544,621.12
Accrued expenses and deferred income		26,848,208.05	20,196,631.06
Other liabilities		16,534,868.03	25,552,670.00
Provisions		45,418,313.64	52,611,152.29
Reserves for general banking risk		48,350,000.00	49,719,200.00
Share capital		16,000,000.00	16,000,000.00
Statutory retained earnings reserve		266,289,327.41	254,928,333.66
Minority stakes in equity capital		264,310.14	87,310.14
Group profits		15,213,820.26	26,027,807.69
<i>of which minorities</i>		-70,311.38	-61,009.72
Total liabilities		3,347,363,586.23	3,518,391,858.63

CONSOLIDATED OFF-BALANCE SHEET OPERATIONS

	AMOUNTS IN CHF	2015	2014
Contingent liabilities		36,821,944.73	77,485,960.67
Irrevocable commitments		21,169,649.23	10,009,928.67
Payment and additional funding commitments		2,409,442.98	2,427,376.54

CONSOLIDATED PROFIT AND LOSS STATEMENT

	AMOUNTS IN CHF	2015	2014
Result from interest operations			
Interest and discount income		24,544,682.70	22,462,111.32
Interest and dividend income from trading portfolios		284,942.84	264,281.15
Interest and dividend income from financial investments		1,793,980.75	1,719,296.21
Interest expense		-3,454,909.82	-4,032,550.95
Sub-total: gross result from interest operations		23,168,696.47	20,413,137.72
Changes in value adjustments for default risks and losses from interest operations		-4,305,347.55	-2,005,653.63
Sub-total: net result from interest operations		18,863,348.92	18,407,484.09
Result from commission business and services			
Commission income from securities trading and investments activities		86,293,896.20	105,714,522.94
Commission income from lending activities		1,295,356.72	1,310,929.79
Commission income from other services		9,705,266.87	10,176,751.32
Commission expense		-21,619,489.90	-27,689,164.59
Sub-total: result from commission business and services		75,675,029.89	89,513,039.46
Result from trading activities and fair value option		14,720,869.55	15,297,315.50
Other result from ordinary activities			
Result from the disposal of financial investments		371,021.03	220,253.43
Income from participations		1,184,308.77	1,957,300.00
Result from real estate		788,077.06	830,799.79
Other ordinary income		92,714.99	86,896.03
Other ordinary expenses		-185,656.87	-170,322.67
Sub-total: other result from ordinary activities		2,250,464.98	2,924,926.58
Net revenues		111,509,713.34	126,142,765.63
Operating expenses			
Personnel expenses		-61,730,764.83	-60,212,986.71
General and administrative expenses		-19,491,863.13	-19,235,426.25
Sub-total: operating expenses		-81,222,627.96	-79,448,412.96
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		-14,123,046.35	-16,258,124.46
Changes to provisions and other value adjustments and losses		-1,905,593.09	-6,204,524.88
Operating result		14,258,445.94	24,231,703.34
Extraordinary income		6,165,291.39	2,725,605.40
Extraordinary expenses		-1,911,498.89	-152,926.24
Change in reserves for general banking risk		1,369,200.00	5,074,813.00
Taxes		-4,667,618.18	-5,851,387.81
Group profits		15,213,820.26	26,027,807.69
<i>of which minorities</i>		-70,311.38	-61,009.72

CONSOLIDATED CASH FLOW STATEMENT

	AMOUNTS IN CHF/000	
	2015	
	Origin	Use
Cash flow from operating activities (internal financing)		
Group profits	15,214	
Change in reserves for general banking risk		1,369
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	14,123	
Provisions, and other value adjustments		7,193
Changes in value adjustments for risk of loss and loss	2,907	
Accrued income and prepaid expenses		1,630
Accrued expenses and deferred income	6,652	
Other items		1,064
Dividend previous year		15,000
Balance	12,640	
Cash flow from shareholder's equity transactions		
Recognised in reserves	514	
Balance	514	
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets:		
Non fully-consolidated participations	1,182	
Real estate		970
Other tangible fixed assets:		3,982
Intangible assets		3,532
Balance		7,302
Cash flow from banking operations		
Medium- and long-term business (> 1 year)		
Amounts due from banks	1,083	
Amount due in respect of customers deposits		43,836
Mortgage loans		103,808
Financial investments		66,560
Short-term business		
Amount due to banks	151,298	
Amount due in respect of customers deposits		304,462
Negative replacement values of derivative financial instruments		8,977
Other liabilities		8,783
Amounts due from banks	265,981	
Amounts due from customers	142,976	
Mortgage loans		18,048
Trading portfolio assets	13,060	
Positive replacement values of derivative financial instruments	19,237	
Financial investments	32,808	
Other assets	11,630	
Balance	83,599	
Total cash flows	96,753	7,302
Changes in liquid assets		89,451

2014 figures are not published as specified in paragraph 13 of the 2015 FINMA FAQ. The 2014 consolidated cash flow statement is available in the 2014 annual report.

STATEMENT OF CHANGES IN EQUITY

AMOUNTS IN CHF/000

	Share capital	Capital reserve	Reserves for general banking risk	Foreign currency conversion reserves	Optional profit reserves & retained earnings/ loss reserves	Own shares	Minority interests	Results of the period	Total
Equity at start of current period	16,000		49,719	198	254,731		87	26,028	346,763
Other contributions					336		177		337
Currency translation differences				-4					-4
Dividends and other distributions								-15,000	-15,000
Other allocations to/ transfers from reserves for general banking risk			-1,369						-1,369
Other allocations to/ transfers from other reserves					11,028			-11,028	
Profit for the period								15,214	15,214
Equity at end of current period	16,000		48,350	194	266,095		264	15,214	346,117

ANNEX TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1. Operations and workforce

The PKB group is present in Switzerland in Lugano, Bellinzona, Geneva, Zurich and Lausanne and in Panama through its subsidiary PKB Banca Privada (Panamá) SA. The principal activities of the Group are private banking and commercial and financial operations. The workforce, expressed as FTEs, at 31.12.2015 was 286.8 (2014 = 275). The Group undertakes all essential work in-house and does not outsource.

2. Accounting and valuation policies applied to in the consolidated annual financial statements

<i>Consolidation policies</i>	The Group's accounts comply with the Swiss Federal Law on Banks and Savings Banks, and the accounting regulations of the Swiss Financial Markets Supervisory Authority (FINMA). Consolidation is by the purchase method.														
<i>Fully-consolidated holdings</i>	The consolidated financial statements include the ordinary financial statements of PKB Privatbank SA of Lugano, PKB Banca Privada (Panamá) SA of Panama, PKB Alasia SA of Lausanne and PKB Servizi Fiduciari SpA of Milan.														
<i>Accounting and valuation policies</i>	Accounts are presented by posting date. The criteria listed below were used.														
<i>Foreign funds and currencies</i>	Valuation at year-end rates. Exchange differences are recognised in the Income Statement under 'Trading and fair-value option'. Exchange rates used for the main currencies were as follows: EUR 1.08286 (2014: 1.2027) USD 0.9924 (2014: 0.9894).														
<i>General receivables and liabilities</i>	Valued at nominal value, net of value adjustments (if any).														
<i>Trading portfolio assets</i>	Valued at fair value.														
<i>Financial investments</i>	Equities: market value at the end of the financial year, but not above purchase price. Fixed-income securities: the difference between purchase price and redemption value is distributed over the years between purchase and maturity.														
<i>Not fully consolidated holdings</i>	Holding up to 20%: Valued at cost minus economically necessary amortisation. Holding: Valued at NAV between 20% and 50%: Regardless of the size of investment, companies that are not material to the correct valuation of Group equity and/or income, are valued at cost minus economically necessary amortisation.														
<i>Fixed assets</i>	Stated at cost minus ordinary depreciation. Works of art are not depreciated. All other fixed assets are shown on the balance sheet at the lower of cost and market value. Depreciation is straight-line. The depreciation periods and rates are as follows:														
	<table border="0"> <tr> <td>Properties used by the bank</td> <td>up to 50 years</td> </tr> <tr> <td>Renovations</td> <td>up to 20 years</td> </tr> <tr> <td>Systems</td> <td>up to 10 years</td> </tr> <tr> <td>Furniture</td> <td>up to 10 years</td> </tr> <tr> <td>Equipment and vehicles</td> <td>up to 5 years</td> </tr> <tr> <td>Hardware/software</td> <td>up to 3 years</td> </tr> <tr> <td>Intangible assets</td> <td>up to 5 years</td> </tr> </table>	Properties used by the bank	up to 50 years	Renovations	up to 20 years	Systems	up to 10 years	Furniture	up to 10 years	Equipment and vehicles	up to 5 years	Hardware/software	up to 3 years	Intangible assets	up to 5 years
Properties used by the bank	up to 50 years														
Renovations	up to 20 years														
Systems	up to 10 years														
Furniture	up to 10 years														
Equipment and vehicles	up to 5 years														
Hardware/software	up to 3 years														
Intangible assets	up to 5 years														

<i>Reserves for general banking risk</i>	Reserves for general banking risk are not taxed.
<i>Intangible assets</i>	Intangible assets on the Balance Sheet are the goodwill paid for the Liechtensteinische Landesbank (Switzerland) SA (LLB) of Lugano asset deal and to purchase PKB Alasia SA.
<i>Solvency risks</i>	Where necessary, individual value adjustments are set against the relevant asset item.
<i>Doubtful interest</i>	Interest and commission outstanding for over 90 days are not recognized in income but are carried to provisions. The loans concerned are treated as non-performing.
<i>Result from trading and fair-value option business</i>	This is recognised in the Income Statement without deduction of refinancing costs.
<i>Contingent liabilities, irrevocable commitments, payment and credit commitments</i>	Recognised off-balance sheet at nominal value. Provisions for known risks are reported under Provisions.
<i>Derivative financial instruments</i>	Recognised at market value, marked-to-market. The Bank uses derivative financial instruments on its own behalf mainly for hedging, and only marginally for trading within the limits set by its internal regulations.
<i>Criteria for identifying risks of loss and calculating value adjustments</i>	Loan applications are assessed regularly and at least once a year. Where necessary, assessment is more often and prompt, in particular for non-performing loans. If a value adjustment needs to be applied to the unsecured portion of the loan, this will be recorded immediately.
<i>Collateral assets for loans</i>	Liquidation value is calculated on the basis of market price or realised value, from which the costs of liquidation and refinancing are deducted.
<i>Deferred tax</i>	This is calculated on the reserves for general banking risk and on the valuation differences for asset and liability entries in the individual financial statements as compared with the consolidated financial statements.
<i>Risk assessment and management</i>	<p>Risk assessment and management form an integral part of the internal control system, as required by FINMA circular 08/24. Responsibility for the Group's internal control system lies with the Board of Directors, which sets the guidelines and periodically checks that they are sufficient and are operating correctly.</p> <p>The Board of Directors is supported in its duties by an Audit Committee, which advises and makes proposals, while the operating management of consolidated supervision is provided by the Executive Board that in its own turn is supported by the <i>Risk Committee</i> (RICO) and the <i>Compliance Committee</i> (COCO), whose duties are to set the procedures for measuring, managing and controlling risk for the PKB group and COFI Group (<i>Banking & Finance</i>). RICO and COCO meet at least once a quarter and have a built-in Group risk reporting system. Internal Audit checks and assesses the internal control system, thus contributing to its constant refinement.</p> <p>In compliance with current legal requirements, the Group has produced its own regulations for the consolidated supervision of the COFI Group (<i>Banking & Finance</i>) and a <i>risk policy</i>. These set out integrated guidelines for risk assessment and management with which all Group companies must comply. Risk assessment and management policy, which is examined every year by the Board of Directors, forms the basis of the PKB group's risk management process and is linked to a set of ceilings that cover each identified risk category and are checked constantly, with particular emphasis on the following risks.</p>

Credit risk

Credit risk is regulated by the Board of Directors through COFI group (*banking & finance*) *credit policy* and PKB group credit regulations. The Executive Board manages credit risk through the Credit Committee (COCR), which supervises the application of company strategies and analyses, in terms of quality and quantity, the solvency of counterparties and the security they have. Credit risk is controlled by limiting risk and exposure limits at PKB group and COFI group (*banking & finance*) levels, and by limiting concentration of risk in counterparty groups (large risks and 10 major debtors) and by country. Special provisions are recognised for del credere and country risk.

Capital requirements for credit risk are calculated using the international method and taking a comprehensive approach to the treatment of guarantees.

Market risk (balance sheet)

The market risk on balance sheet assets is managed through the *asset & liability management policy* approved by the Board of Directors. The Executive Board supervises market risk through the *Asset & Liability Committee* (ALCO).

Rate risk is controlled using indicators of *income* and *value effect*, which are calculated using stress scenarios. Counterparty and exchange rate risks are controlled using a system of exposure limits. Interest rate risk is hedged mainly with *interest rate swaps* and exchange rate risk mainly by forward rate agreements and currency options.

Rate risk is calculated using the *modified duration* method as required by the supervisory authorities.

Market risk (trading portfolio)

Trading portfolio management is governed by the COFI (*banking & finance*) group's *asset and liability management policy* approved by the Board of Directors and by the guidelines approved by the Executive Board. PKB Switzerland is a *market maker* on the primary CHF bond market and also operates on the forex, bond and equity markets. Market risk on the trading portfolio is controlled using a system of exposure limits, the results of which are reported to the Executive Board.

Capital adequacy requirements for market risk are calculated using the standard method, taking a delta-plus approach to options.

Liquidity risk

Liquidity management is governed by the Board of Directors through the *asset & liability management* policy of the COFI (*banking & finance*) group and the liquidity regulations of the PKB group. The Executive Board supervises and manages liquidity risk through ALCO.

Liquidity risk is supervised in accordance with legal requirements and the results of checks are reported via ALCO.

Operating risk

Management and control of operating risk, which includes legal and compliance risks, are governed by the Board of Directors through a set of regulations and by the Executive Committee through directives. Operating risk is managed as follows.

- Processes: the Group governs its own operations, in particular those that are likely to come into contact with the outside world, in accordance with the legal requirements and ethical standards applying to banking. It ensures that operations and contracts involving clients are comprehensible and transparent, especially financial derivative contracts in respect of which the Bank has signed agreements with ISDA and CSA. Functions are separated to mitigate operating risk.

- Human resources: the Bank's aim is to recruit qualified personnel capable of implementing its strategy and identifying with the Bank's culture. The latter is reflected by management and staff as well as by the COFI (*banking & finance*) group's approach to risk management. *Compliance* risk and its impact on the Bank's reputation is mitigated through constant training and awareness raising of staff at all levels, a clear definition of work processes and responsibilities and the dissemination of a corporate culture founded on the pillars of total integrity and uncompromising ethical and professional standards. The Group has also introduced a PKB code of values that was presented and discussed at all levels throughout the Bank. The Group has a *Legal & Compliance* Department that covers all aspects of *compliance*.
 - Internal systems: the Group has the internal and external expertise needed to ensure in-house development and maintenance of its IT system.
 - External events: the Bank has implemented security measures specifically designed to prevent unauthorised persons from accessing areas where sensitive documents are stored. The Executive Board has introduced a general continuity plan for its own work. The plan includes detailed analysis to cope with the various scenarios posited and has identified the minimum resources necessary for the continuity plan.
- Operating risk is monitored by a system for identifying loss, the results of which are reported via RICO. Capital adequacy requirements for operating risk are calculated using the basic method.

Legal risk

To prevent risks, the PKB group ensures that its operations, particularly those likely to come into contact with the outside world, are in line with the legal requirements and ethical standards applying to the banking sector, and that operations and contracts involving clients are comprehensible and transparent.

Reputation and compliance risks

Unlike compliance risks, which concern only the breaking of laws and regulations, damage to reputation can be caused by such a break or even by behaviour that the public considers unacceptable even though it is fully compliant with the law and regulations. In order to cover the wide range of reputation risks, PKB has produced a code of values, designed to support a corporate culture based on impeccable conduct and best in class professional standards.

Compliance risks are addressed by a comprehensive set of policies and procedures reaching out to all facets of our business. Given the international nature of our business, internal rules go beyond the Swiss legal and regulatory landscape, and address all cross-border activities and issues relevant to the way we serve our clients, in particular in the areas of investment advisory services and trading on foreign financial markets.

Strict compliance with the law, standards and our internal regulations is assured through a three-level control program. Primary responsibility for compliance with all these rules lies with the line manager. The first level of control is based mainly on process and workflow checks to ensure compliance with the Bank's 4-eyes principle, and on escalation. Continuous training for staff at all levels is an integral part of our efforts to mitigate reputation and compliance risks. The second level of control includes independent checks by Legal & Compliance, which reports to the Executive Board. Risks are assessed once a year and a compliance action plan produced to ensure risks are addressed promptly and correctly. The third level of control includes audits performed by Internal Audit, which is not an operating department and reports to the Board of Directors. Internal Audit also carries out its own independent controls.

*Group policy on the use of
derivative financial instruments*

Positions taken in derivative instruments are, in general, held on behalf of clients. Structural management of the balance sheet is achieved by hedging interest rate risk through interest rate swaps and forward rate agreements.

3. Details on individual positions in the Annex to the Annual Financial Statements

3.1 Breakdown of securities financing transactions (assets and liabilities)

There were no positions at 31.12.2015

3.2 Presentation of collateral for loans and off-balance-sheet transactions, as well as impaired loans	TYPE OF COLLATERAL			TOTAL
	Mortgage	Other collateral	Unsecured	
Loans (before netting with value adjustments)				
Amounts due from customers	140,797	444,488	46,921	632,206
Mortgage loans	759,692			759,692
– Residential property	534,881			534,881
– Office and business premises	183,849			183,849
– Commercial and industrial premises	19,550			19,550
– Other	21,412			21,412
Total loans (prior netting with value adjustment)				
Current financial year	900,489	444,488	46,921	1,391,898
<i>Previous financial year</i>	<i>766,480</i>	<i>552,007</i>	<i>50,615</i>	<i>1,369,102</i>
Loans (after netting with value adjustment)				
Current financial year	900,489	444,488	30,520	1,375,497
<i>Previous financial year</i>	<i>766,480</i>	<i>552,007</i>	<i>37,202</i>	<i>1,355,689</i>
Off-balance sheet				
Contingent liabilities	1,189	29,365	6,268	36,822
Irrevocable commitments	8,611	613	11,946	21,170
Payment and additional funding commitments			2,409	2,409
Total				
Current financial year	9,800	29,978	20,623	60,401
<i>Previous financial year</i>	<i>1,563</i>	<i>69,751</i>	<i>18,609</i>	<i>89,923</i>

Impaired loans

	Gross debt	Estimated realisable value of collateral	Net debt netto dei debiti	Individual value adjustments
Current financial year	22,796	6,493	16,303	16,320
<i>Previous financial year</i>	<i>8,673</i>	<i>1,668</i>	<i>7,005</i>	<i>7,065</i>

3.3 Breakdown of trading portfolios and other financial instruments at fair value (assets and liabilities)	AMOUNTS IN CHF/000	2015	2014
Assets			
Trading portfolio assets			
Debt securities, money market securities / transactions		2,199	14,819
of which, listed		2,199	14,819
Equity securities		1,388	1,820
Precious metals and commodities		7	15
Total assets		3,594	16,654
<i>of which securities eligible to repo agreements in compliance with liquidity requirements</i>			1,614

3.4 Derivative financial instruments (assets and liabilities)	AMOUNTS IN CHF/000	INSTRUMENTS HELD FOR TRADING			HEDGING INSTRUMENTS		
		Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments							
Swaps					5,814	13,035	170,958
Options (OTC)					11,641	16,101	439,980
Foreign exchange / precious metals							
Forward contracts		885	1,224	93,654			
Combined currency/interest rate swaps		3,198	2,853	411,507	9,605	4,404	1,301,967
Equity securities/indices							
Options (OTC)		486	486	37,976			
Options (exchange traded)		699	699	17,712			
Total before netting							
Current financial year		5,268	5,262	560,849	27,060	33,540	1,912,905
<i>Previous financial year</i>		<i>32,416</i>	<i>20,765</i>	<i>2,285,481</i>	<i>18,682</i>	<i>26,780</i>	<i>881,825</i>
Total after netting							
		Positive replacement values (cumulative)			Negative replacement values (cumulative)		
Current financial year							
<i>Previous financial year</i>							
Breakdown by counterparty							
		Central clearing houses		Banks and securities dealers		Other customers	
Positive replacement values (after netting agreements)				16,418		15,910	

3.5 Breakdown of financial investments	AMOUNTS IN CHF/000			
	Book value		Fair value:	
	2015	2014	2015	2014
Debt securities				
of which intended to be held to maturity	176,108	137,910	177,597	140,066
Equity securities	16,401	20,848	19,634	23,624
Total	192,509	158,758	197,231	163,690
<i>of which securities eligible for pensions under liquidity rules</i>	<i>24,686</i>	<i>14,129</i>		

Breakdown of counterparties by rating	AAA to AA-	A + to A-	BBB + to BBB-	BB+ to B-	Less than B-	No rating
Debt securities: carrying amounts	55,875	53,608	8,506	1,036	48	57,035

3.6 Presentation of participations	AMOUNTS IN CHF/000				2015					
	Purchase value	Depreciation and/or value adjustment (equity method) to date	Book value at 31.12.14	Reclassifications	Investments	Disinvestments	Value adjustment	Value adjusts of holdings valued at equity	Book value at 31.12.15	Market value
Participations valued at equity										
Not listed	42,972	-5,927	37,045			432		1,060	37,673	n/a
Other participations										
Not listed	3,024	-393	2,631			750			1,881	n/a
Total	45,996	-6,320	39,676			1,182		1,060	39,554	

3.7 Companies in which the bank directly or indirectly has significant long-term holdings	AMOUNTS IN CHF/000						
	Business	Currency	Share Capital	Stake	Voting rights (%)	Direct holding	Indirect holding
Fully consolidated participations (1)							
PKB Banca Privada (Panamá) SA, Panamá	Bank	USD	10,000	100.00%	100.00%	10,000	
PKB Alasia SA, Lausanne	Asset manager	CHF	500	100.00%	100.00%	500	
PKB Servizi fiduciari SpA, Milan	Fiduciary	EUR	240	70.00%	70.00%	168	
Partecipations valued at equity							
Cassa Lombarda S.p.A.	Bank	EUR	18,000	33.94%	33.94%	6,109	
Anthilia Capital Partners SGR S.p.A.	Holding company	EUR	5,371	31.60%	34.54%	1,697	158
EIH Endurance Investments Holding SA	Holding company	CHF	100	25.00%	25.00%	25	
Main unconsolidated partecipations							
Aduno Holding SA, Zurich	Holding company	CHF	25,000	0.28%	0.28%	70	
Valuevalor SA (in liquidation), Lugano	Holding company	CHF	1,500	100.00%	100.00%	1,500	

⁽¹⁾ In the 2015 financial year PKB Privatbank Ltd, St. John's, Antigua, previously consolidated in full, left the consolidation.

3.8 Presentation of tangible fixed assets	AMOUNTS IN CHF/000			2015					
	Purchase value	Depreciation to date	Book value at 31.12.14	Reclassifications	Investments	Disposals	Depreciation	Appreciation	Book value at 31.12.15
Bank premises	77,788	-40,644	37,144		969		2,177		35,936
Other properties	9,954	-3,492	6,462						6,462
Software developed internally or purchased					3,032		683		1,365
Other tangible fixed assets:	64,741	-43,567	21,174		1,551	600	4,812		18,297
Total tangible assets:	152,483	-87,703	64,780		5,552	600	7,672		62,060

3.9 Presentation of intangible fixed assets			AMOUNTS IN CHF/000							2015		
	Purchase value	Amortisation to date	Book value at 31.12.14	Reclassifications	Investments	Disposals	Depreciation	Appreciation	Book value at 31.12.15			
Goodwill	80,291	-68,102	12,189		3,532		6,451		9,270			
Total intangible assets	80,291	-68,102	12,189		3,532		6,451		9,270			

3.10 Breakdown of other assets and other liabilities		AMOUNTS IN CHF/000		2015		2014	
				Other assets	Other liabilities	Other assets liabilities	Other
Compensation account				14,633	10,004	27,105	19,019
Deferred income taxes on profits				142			
Indirect tax				1,595	5,695	336	6,421
Other receivables and liabilities				479	836	1,506	113
Total				16,849	16,535	28,947	25,553

3.11 Disclosure of assets pledged or assigned to secure own commitments and assets under reservation of ownership			AMOUNTS IN CHF/000	
	Book value		Effective commitment	
Assets pledged/assigned				
Bonds given as collateral to banks			17,561	17,561
Assets subject to reservation of title				

3.12 Commitments towards the Bank's own pension funds and number and type of the Bank's own equity instruments held by these agencies		AMOUNTS IN CHF/000	
		2015	2014
Total		17,470	32,223

The Bank's employees are registered with an autonomous and independent pension fund in accordance with the law on occupational pensions in Switzerland (LPP). Regulations require the use of defined contributions schemes. Pension liabilities are calculated each year by an actuary. The Bank accounts for its contributions to the employees' occupational pension scheme as expenses for the financial year concerned.

3.13 Economic situation of the Bank's own pension funds

Employer contribution reserves (ECR)	AMOUNTS IN CHF/000					
	Nominal value at 31.12.15	Waiver at 31.12.2015	Net amount at 31.12.2015	Net amount at 31.12.2014	Impact of RCDL on personnel expense	
					2015	2014
Employer sponsored funds				1,300		
LPP Pension Fund for PKB Privatbank AG personnel	1,300	1,300	1,300			
Total	1,300	1,300	1,300	1,300		

Economic advantages/commitments and pension expenses	AMOUNTS IN CHF/000						
	Overfunding / under-funding at 31.12.2015	Economic share of Bank and/or financial group (%)		Change in economic share in 2015 financial year concerned	Contributions paid this period	Pension charge within personnel costs	
		2015	2014			2015	2014
Pension fund							
With surplus	1,438				4,608	4,608	4,853
Total	1,438				4,608	4,608	4,853

The Bank must determine for each pension plan whether reserve levels and the particular circumstances of the pension fund give rise to a surplus or a shortfall. The assessment is based on the financial position at 31 December 2014 and the financial position over 2015 as a whole. Based on the estimates received from the pension fund, reserves pursuant to Article 44 ÖPP2 (Ordinanza sulla previdenza professionale [Occupational Pension Order]) are 107.4% (2014: 106%)

3.14 Structured products issued

There are no bond issues at 31.12.2015

3.15 Presentation of bonds outstanding and mandatory convertible bonds

There are no outstanding positions at 31.12.2015

3.16 Value adjustments and provisions reserves for general banking risk, and changes over the year AMOUNTS IN CHF/000

	31.12.2014	Changes in consolidation scope	Applications in line with purpose	Reclassifications	Exchange differences	Interest on arrears, recoveries	New provisions carried to loss	Reversals	31.12.2015
Deferred taxes	15,875						846	-17	16,704
Provisions for other business risks	3,400								3,400
Other provisions	33,336	-519	-11,432				4,032	-103	25,314
Total provisions	52,611	-519	-11,432				4,878	-120	45,418
Reserves for general banking risk	49,719		3,369				2,000		48,350
Value adjustments for loss and country risks	13,413		-457		-777	62	4,190	-30	16,401
Of which loss of doubtful loans	13,413		-457	-81	-777	62	4,190	-30	16,320
Of which loan loss				81					81

3.17 Presentation of the bank's capital AMOUNTS IN CHF/000

	2015			2014		
	Total par value	Number of shares	Participating shares	Total par value	Number of shares	Participating shares
Share capital (full paid)	16,000	16,000	16,000	16,000	16,000	16,000
Total share capital	16,000	16,000	16,000	16,000	16,000	16,000

3.18 Number and value of participation rights or options on equity held by directors, managers and staff, and disclosure of employee participation schemes (if any)

At 31.12.2015, the Bank had no employee participation schemes.

3.19 Disclosure of amounts due from / to related parties AMOUNTS IN CHF/000

	RECEIVABLES		LIABILITIES	
	2015	2014	2015	2014
Holders of qualified participations			35,565	33,224
Group companies			1,700	62
Linked companies	811	16,887	2,971	1,581
Members of governing bodies	7,525	7,607	10,501	

Loans to members of governing bodies are made at the conditions applying to Bank employees.
Transactions with participating interests were at arm's length and concern securities transactions, payment business and treasury transactions.

3.20 Owners of significant holdings	AMOUNTS IN CHF/000		2015		2014	
	Nominal	%	Nominal	%	Nominal	%
With voting rights: COFI SA., Luxembourg	16,000	100.00	16,000	100.00		

There is no conditional capital and there are no major shareholders without voting rights. Compagnie de l'Occident pour la Finance et l'Industrie SA (COFI) is a listed Luxembourg company. The family of the late Serafino Trabaldo Togna, Minusio (TI), indirectly controls 51.844% of its voting rights.

3.21 Treasury shares and composition of equity

At 31.12.2015, the Group and its subsidiaries held no treasury shares.

3.22 Information required from listed banks under the Ordinance against abusive remuneration in listed limited companies and under article 663c paragraph 3 CO

Not applicable

3.23 Maturity structure of financial instruments	AMOUNTS IN CHF/000							
	MATURITY							Capitalised
	Sight	Notice	3 months	3-12 months	1-5 years	over 5 years		
Current assets/financial instruments								
Liquid assets	1,092,002							1,092,002
Amounts due from banks	234,249	45,259	188,172	46,544				514,224
Amounts due from customers		265,632	126,989	133,628	58,953	30,603		615,805
Mortgage loans	1,440	492,371	16,981	8,829	141,002	99,069		759,692
Trading portfolgio assets	3,594							3,594
Positive replacement values of derivative financial instruments	32,329							32,329
Financial investments	16,671		4,727	9,605	85,032	76,474		192,509
Total at 31.12.2015	1,380,285	803,262	336,869	198,606	284,987	206,146		3,210,155
<i>Total at 31.12. 2014</i>	<i>1,203,136</i>	<i>572,132</i>	<i>991,983</i>	<i>320,776</i>	<i>216,368</i>	<i>60,560</i>		<i>3,364,955</i>
Debt capital/financial instruments								
Amounts due to banks	181,378		2,601	1,083	1,083			186,145
Amount due in respect of customer deposits	2,684,530	1,975		993				2,687,498
Negative replacement values on derivatives financial instruments	38,802							38,802
Total at 31.12.2015	2,904,710	1,975	2,601	2,076				2,912,445
<i>Total at 31.12.2014</i>	<i>2,883,751</i>	<i>111,463</i>	<i>10,284</i>	<i>20,227</i>				<i>3,025,725</i>

3.24 Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle	AMOUNTS IN CHF/000		2015		2014	
	Switzerland	Foreing	Switzerland	Foreing	Switzerland	Foreing
Assets						
Liquid assets	1,092,002		1,002,547	4		
Amounts due from banks	123,080	391,144	92,280	687,925		
Amounts due from customers	228,285	387,520	163,774	554,079		
Mortgage loans	759,692		637,836			
Trading portfolio assets	842	2,752	10,595	6,059		
Positive replacement values of derivative financial instruments	32,329		44,665	6,433		
Financial investments	97,308	95,201	53,878	104,880		
Accrued income and prepaid expenses	9,462	13	6,796	1,049		
Non fully-consolidated participations	6,250	33,305	2,096	37,580		
Tangible fixed assets	59,665	2,395	60,358	4,422		
Intangible assets	9,270		12,189			
Other assets	16,231	618	28,229	718		
Total assets	2,434,416	912,948	2,115,243	1,403,149		
Liabilities						
Amounts due to banks	55,538	130,607	19,046	14,718		
Amounts due in respect of customer deposits	677,709	2,009,789	654,385	2,337,576		
Negative replacement values on derivative financial instruments	38,802		45,701	1,844		
Accrued expenses and deferred income	26,591	258	18,746	1,450		
Other liabilities	16,380	155	25,269	284		
Provisions	45,326	92	52,611			
Reserves for general banking risk	48,350		49,719			
Share capital	16,000		16,000			
Statutory retained earnings reserve	266,289		254,928			
Minorities	264		87			
Group profit	15,214		26,028			
Total liabilities	1,206,463	2,140,901	1,162,520	2,355,872		

3.25 Assets by country or groups of countries	AMOUNTS IN CHF/000	2015		2014	
			%		%
Assets					
Italy	189,544	5.66	179,704	5.11	
Other OECD countries	532,122	15.90	912,386	25.93	
Other countries in the Americas (non-OECD countries)	152,899	4.57	214,818	6.11	
Other countries	38,383	1.15	130,141	3.70	
Total	912,948	27.27	1,437,049	40.84	
Switzerland	2,434,416	72.73	2,081,343	59.16	
Total assets	3,347,364	100.00	3,518,392	100.00	

3.26 Total assets by solvency of country group (location of risk)		NET FOREIGN LIABILITIES AT 31.12.2015	
Country rating by the Bank	Moody's	in CHF /000	%
1-2	Aaa – Aa3	679,924	85.2%
3	A1 – A3	4,230	0.5%
4	Baa1 – Baa3	81,913	10.3%
5	Ba1 – Ba3	6,693	0.8%
6	B1 – B3	8,953	1.1%
7	Caa1 – C	623	0.1%
0	No rating	15,478	1.9%
Total assets		797,814	100%

The Bank measures country risk using Swiss Export Risk Insurance (SERV) ratings. These are compared with Moody's ratings in the table above.

3.27 Assets and liabilities broken down by the most important currencies for the bank

	CURRENCIES (equivalent in CHF/000)				
	CHF	EUR	USD	Other	Total
Assets					
Liquid assets	1,089,666	1,850	346	140	1,092,002
Amounts due from banks	24,920	147,882	283,270	58,152	514,224
Amounts due from customers	140,198	302,992	128,399	44,216	615,805
Mortgage loans	759,692				759,692
Trading portfolio assets	2,448	828	291	27	3,594
Positive replacement values of derivative financial instruments	29,447		2,882		32,329
Financial investments	129,748	40,805	21,955	1	192,509
Accrued income and prepaid expenses	7,540	512	1,336	87	9,475
Non fully-consolidated participations	6,249	32,758	547	1	39,555
Tangible fixed assets	58,146	22	3,892		62,060
Intangible assets	9,270				9,270
Other assets	16,229	373		247	16,849
Total assets	2,273,553	528,022	442,918	102,871	3,347,364
Spot, forward and option contracts not yet delivered	45,178	833,952	839,238	86,080	1,804,448
Total assets at 31.12.2015	2,318,731	1,361,974	1,282,156	188,951	5,151,812
Liabilities					
Amounts due to banks	54,369	95,513	19,479	16,784	186,145
Amount due in respect of customers deposits	444,058	1,121,608	1,044,467	77,365	2,687,498
Negative replacement values of derivative financial instruments	35,926		2,876		38,802
Accrued expenses and deferred income	25,252	693	899	5	26,849
Other liabilities	16,215	258	59	3	16,535
Provisions	45,318	11	89		45,418
Reserves for general banking risk	48,152		198		48,350
Share capital	15,453		547		16,000
Statutory retained earnings reserve	264,875	446	968		266,289
Profits reserve		264			264
Minorities	12,703	1,266	1,245		15,214
Group profits	962,321	1,220,059	1,070,827	94,157	3,347,364
Delivery rights on currency spot, forward and option transactions	1,325,448	170,802	209,324	93,667	1,799,241
Total liabilities at 31.12.2015	2,287,769	1,390,861	1,280,151	187,824	5,146,605
Net position per currency	30,962	-28,887	2,005	1,127	

3.28 Contingent liabilities and contingent assets	AMOUNTS IN CHF/000	2015	2014
Loan guarantees and similar		24,659	65,844
Irrevocable commitments resulting from documentary credits		2,784	9,322
Other contingent liabilities		9,379	2,320
Total contingent liabilities		36,822	77,486

3.29 Breakdown of credit commitments

There were no credit commitments at 31.12.2015

3.30 Fiduciary transactions	AMOUNTS IN CHF/000	2015	2014
Fiduciary investments with other banks		19,410	34,007
Fiduciary loans			197
Total fiduciary transactions		19,410	34,204

3.31 Breakdown of client assets and presentation of their development

a) Breakdown of client assets	AMOUNTS IN CHF/000	2015	2014
Types of asset			
Held by self-managed collective investment schemes		787,388	1,023,844
Assets under management		3,357,195	4,143,750
Other managed assets.		5,339,105	6,931,269
Sub-total: managed assets (including double-entry records)		9,483,688	12,098,863
<i>Of which double-entry</i>		<i>449,184</i>	<i>660,451</i>
Commercial clients - custody only		198,522	261,985
Sub-total: other client assets.		198,522	261,985
Total client assets (including double-entry)		9,682,210	12,360,848
b) Development of managed assets	AMOUNTS IN CHF/000	2015	2014
Total managed assets (including double-entry) at start of period		12,098,863	9,660,341
+/- Net inflow of new funds/net financial outflow		-332,166	1,984,910
+/- Change in market prices, interest, dividends and currency exchange rates		-1,161,251	715,597
+/- Other effects*		-1,121,758	-261,985
Total managed assets (including double-entry) at end of period		9,483,688	12,098,863

* At 31.12.2015, 'other effects' is the net AuM outflow following the sale of PKB Privatbank Ltd, St. John's, Antigua. At 31.12.2014 this was the result of the reclassification of 'custody only' commercial clients previously booked under the 'other managed assets'. The other managed assets include all client assets (private, commercial and institutional) held for investment on which the Bank receives commission and/or fees in addition to custody fees and other account-keeping expenses.

All other assets held in custody by the Bank that do not meet the above criteria are considered 'custody only' as required under FINMA Circular 2015/1. Assets under management (AuM) are client assets managed in accordance with the profile chosen by the client. Client credit is not deducted from total managed assets.

Net contributions/withdrawals include actual flows into/out of client funds and assets but do not include the performance of securities or currencies, interest, charges, commission or dividends.

3.32 Breakdown of the result of trading and fair value option business

a) Breakdown by business sector (based on the organisation of the Bank and/or the financial group)	2015	2014
AMOUNTS IN CHF/000		
Banks pursuant to article 1 paragraph 1 LB and Article 2,a OB	14,760	15,261
Group companies subject to FINMA money laundering supervision	-39	36
Total trading results	14,721	15,297
b) Breakdown by underlying risk and application of the fair value option	2015	2014
AMOUNTS IN CHF/000		
Results from trading of:		
– Instruments based on interest rates	1,755	1,904
– Equity securities (inc. funds)	-82	104
– Currencies	12,769	13,527
– Commodities/precious metals	279	-238
Total trading results	14,721	15,297

3.33 Report of significant income from refinancing under 'Income from interest and discounts' and significant negative interest

The Bank has no significant refinancing, 'Income from interest and discounts' includes CHF 5.9 million in negative interest.

3.34 Breakdown of personnel expense	2015	2014
AMOUNTS IN CHF/000		
Remuneration (attendance fees and fixed pay to directors, salaries and cheques)	49,524	47,967
Benefits	9,442	9,660
Other personnel expense	2,765	2,586
Total personnel expense	61,731	60,213

3.35 Breakdown of other operating expense	2015	2014
AMOUNTS IN CHF/000		
Premises	2,384	2,327
IT and telecommunications technology	2,691	1,591
Cars, machinery, furniture and other fixtures, and operating leases	228	551
Audit fees (article 961a no. 2 CO)	526	437
– <i>Of which for accounting and supervisory audits</i>	526	437
Other operating expense	13,663	14,329
Total other operating expense	19,492	19,235

3.36 Details of material losses, extraordinary revenue and expenses, material releases from undisclosed reserves, reserves for general banking risks and from value adjustments and freed-up provisions

Of total CHF 6.2 million extraordinary income, CHF 4.8 million came from the sale of PKB Privatbank Ltd, St. John's, Antigua and CHF 0.3 million from the sale of other minority shareholdings.

CHF 1.9 million in extraordinary expense came mainly from the cost of the sale of PKB Privatbank Ltd, St. John's, Antigua.

3.37 Disclosure of and reasons for the revaluation of equity holdings and tangible fixed assets at purchase cost.

In the financial year 2015 there were no revaluations of equity holdings at purchase cost.

3.38 Operating profits, broken down into domestic and foreign profit on the location of business principle	AMOUNTS IN CHF/000		2015		2014	
	Switzerland	Abroad	Switzerland	Abroad	Switzerland	Abroad
Net profit from interest operations	17,507	1,356	18,634	1,780		
Commission business and services	66,017	9,658	78,729	10,784		
Trading activities and fair value option	13,111	1,610	13,390	1,908		
Other ordinary activities	2,249	1	2,925			
Profit for the financial year	98,884	12,625	113,678	14,472		
Personnel expense	-58,609	-3,122	-57,532	-2,682		
General and administrative expenses	-14,363	-5,129	-17,488	-1,748		
Operating expenses	-72,972	-8,251	-75,020	-4,430		
Operating profit	25,912	4,374	38,658	10,042		

3.39 Current tax and deferred tax and tax rates	AMOUNTS IN CHF/000		2015		2014	
	Tax rate		Tax rate		Tax rate	
Current tax expense *	12.7%	3,839	10.3%	5,022		
Deferred tax expense	19.8%	829	19.8%	829		
Total tax		4,668		5,851		

* Average weighted rate applied to operating profit

3.40 Information and details on participation right profits for listed banks

Bank shares are not listed.

4. Equity and liquidity data published in accordance with FINMA Circular 2008/22

4.1 Eligible equity	AMOUNTS IN CHF/000	2015	2014
Gross basic equity		331,117	331,763
of which minorities		264	87
of which paid-in share capital		16,000	16,000
of which reserves generated from profits		266,289	254,928
of which reserves for general banking risk		48,350	49,719
- regulatory deductions		-48,824	-51,865
of which intangible assets		-9,270	-12,189
Eligible basic equity		282,293	279,898
+complementary and supplementary capital			10,998
Eligible equity		282,293	290,896

4.2 Capital requirement	AMOUNTS IN CHF/000	2015	2014
Credit risk (full BIS method)		91,671	74,839
of which valuation risk on equity securities in the Bank's portfolio	2,280		3,780
Risks without counterparty (full BIS method)		4,965	5,182
Market risk (standard)		5,162	7,216
of which interest rate instruments	2,307		6,281
of which equity securities	242		418
of which currencies and precious metals	2,313		295
of which commodities	300		221
Operating risks (basic indicators)		17,227	16,141
Capital requirement		119,025	103,378
Ratio of eligible equity to Swiss law capital requirement		237%	281%

4.3 Capital ratios	AMOUNTS IN CHF/000	2015
CET1 ratio		18.97%
T1 ratio		18.97%
Regulatory capital ratio		18.97%
CET1 ratio pursuant to transitory provisions		4.77%
of which capital margins pursuant to transitory provisions		4.50%
of which CET1 counter-cyclical buffer		0.27%
CET1 ratio covering minimum requirements and capital margin net of AT1 and T2 requirements met by CET 1		15.17%
CET 1 capital target pursuant to Circular FINMA 11/2 plus counter-cyclical capital (% of risk weighted positions)		7.67%
Available CET1 (at % of the risk weighted positions)		15.17%
T1 capital target pursuant to Circular FINMA 11/2 plus counter-cyclical capital (% of risk weighted positions)		9.27%
Available T1 (% of risk weighted positions)		16.77%
T1 capital target pursuant to Circular FINMA 11/2 plus counter-cyclical capital (% of risk weighted positions)		11.47%
Available regulatory capital (% of risk weighted positions)		18.97%

4.4 Leverage ratio	AMOUNTS IN CHF/000	2015
Tier 1 capital		282,293
Leverage ratio exposure		3,410,864
Basel III leverage ratio		8.30%

4.5 Liquidity coverage ratio (LCR)	AMOUNTS IN CHF/000	I Trim. 15	II Trim. 15	III Trim. 15	IV Trim. 15
Stock of high quality liquid assets (HQLA)		1,018,518	1,043,097	931,715	1,039,553
Expected total cash outflow		1,737,611	1,957,787	1,524,564	1,254,135
Expected total cash inflow		753,893	855,754	617,340	637,655
Total net cash outflow		983,718	1,102,033	907,224	616,480
LCR ratio		103.54%	94.65%	102.70%	168.63%



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To the General Meeting of
PKB Privatbank SA, Lugano

Basle, 8 April 2016

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of PKB Privatbank SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 14 to 39), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with the 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 Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the accounting rules for banks and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence. In accordance with article 728a paragraph 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 Directors.

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

Ernst & Young Ltd

Erico Bertoli
Licensed audit expert
(Auditor in charge)

Daniele Gianora
Licensed audit expert

PARENT COMPANY FINANCIAL STATEMENTS

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COMMENTS ON THE BALANCE SHEET

Balance sheet total	
	At 31.12.2015, total assets were CHF 3,130.5 million against liabilities of CHF 2,828.1 million. Equity including profit for the period therefore totalled CHF 302.4 million, not including reserves for general banking risk. The increase in the balance sheet total over the previous year was CHF 40.4 million, or 1.3%.
Assets	
Liquid assets	This includes cash and sight deposits. The total of CHF 1,091.9 million is well above the legal requirement for primary liquidity.
Amounts due from banks	Down by CHF 63.1 million (-16.8%), bank credit balances dropped from CHF 375.3 million to CHF 312.2 million. These were mainly funds deposited with major banks in OECD member states. Notice deposits accounted for CHF 78.9 million, of which CHF 57.3 million subject to 90 days' notice, while sight deposits came to CHF 233.3 million.
Amount due from customers	Amounts due from customers dropped by 13.1%, from CHF 696.6 million to CHF 605.5 million.
Mortgage loans	Mortgage loans increased by 19.1%, from CHF 637.8 million to CHF 759.7 million.
Trading portfolgio assets	Book value dropped from CHF 13.7 million to CHF 1 million..
Positive replacement values of derivative financial instruments	Positive replacement values totalled CHF 32.3 million against CHF 44.7 million in the previous year (-27.6%) and concern derivative financial instruments taken out on behalf of the Bank or clients and constitute positive exposure to counterparties.
Financial investments	At 31.12.2015, financial investments totalled CHF 192.5 million against CHF 147.8 million the previous year (+30.2%). Investments in funds totalled CHF 16.4 million (CHF 20.8 million at 31.12.2014), and fixed-income securities totalled CHF 176.1 million (CHF 127.0 million at 31.12.2014), of which CHF 17.6 million pledged to correspondent banks (CHF 21.5 million at 31.12.2014).
Principal shareholdings	The bank wholly owns PKB Banca Privada (Panama) SA, Panama, PKB Alasia SA, Losanna di Valuevalor AG (in liquidation), Lugano and Planetarium PKB Consultoria SA, Montevideo. In addition it has minority shareholdings in Cassa Lombarda SpA, Milan (33.9%), Anthilia Capital Partners SpA, Milan (31.6%), Aduno SA, Zurich (0.28%) and EIH Endurance Investments Holding SA, Lugano (25%).
Tangible fixed Assets	These dropped from CHF 34.3 million to CHF 32.0 million (-CHF 2.2 million, or 6.5%). Tangible fixed assets include the Bank's premises, furniture, fixtures and fittings, any capitalised renovation works and computer hardware and software.
Intangible assets	This is the goodwill paid for acquisitions, which rose from CHF 8.4 million to CHF 8.9 million (+6.5%).
Other assets	These were down at 31.12.2015 to CHF 16.2 million against CHF 27.9 million at the end of the previous financial year. This item consists mainly of the clearing account where the revaluation of hedging instruments is booked (CHF 14.6 million).

Liabilities

Amounts due to banks	Liabilities to banks rose from CHF 286.1 million to CHF 299.5 million (+4.7%).
Amount due in respect of customer deposits	These were up CHF 26.1 million or +1.1% (CHF 2,371.2 million at 31.12.2015, CHF 2,345.1 million at 31.12.2014). The continued very low level of interest rates on the main currencies and the uncertainty on the financial markets is keeping cash levels high in customers' current accounts as they await better investment opportunities.
Negative replacement values of derivative financial instruments	Negative replacement values totalled CHF 38.8 million against CHF 40.2 million the previous financial year (-3.5%), concern derivative financial instruments taken out on behalf of the Bank or its clients and constitute negative exposure to counterparties.
Other liabilities	At 31.12.2015 these totalled CHF 15.7 million (-CHF 9.6 million or 38.0% compared to the previous year). They predominantly comprise the Bank's indirect tax liability (CHF 5.6 million) and the clearing account where the CHF 10.0 million revaluation of hedging instruments is booked.
Equity	Balance sheet equity totalled CHF 276.8 million (excluding reserves for general banking risk and net profit for the period). After approval by the Shareholders' Meeting of the Board of Directors' recommendation for the allocation of profits, balance sheet equity will total CHF 287.4 million.

COMMENTS ON THE INCOME STATEMENT

Income

Examination of the Income Statement shows gross income from interest margin business of CHF 21.8 million, up 17% on the previous period. The increase is mainly due to the positive contribution made by swaps, which leveraged market margins created by the very negative rates on the Swiss franc.

Net profit on from interest margin business, including value adjustment of loans (CHF 4.3 million) totalled CHF 17.5 million, up 5.2% on the previous financial year.

Commission and service income fell 16.3%. All items closed on the previous year, from securities trading and investment business (-18.2%), to lending and credit (-2.1%), other services (-2.8%) and commission charges (-16.3%).

The drop is attributable both to lower trading volumes for clients (because of the very low, unmoving interest rates on the principal currencies, which blocked fixed-income business, and the continued uncertainty on the financial markets) and also to the drop in assets under management following the exceptional appreciation in the value of Swiss franc after the Swiss National Bank's decision to discontinue its minimum Euro / Franc exchange rate policy on 15 January 2015.

Trading income totalled CHF 13.2 million in line with the CHF 13.4 million at 31.12.2014 (-1.6%).

Other ordinary income came in at CHF 14.5 million, sharply up on the previous financial year (+140.3%) due to the extraordinary dividends from the sale of PKB Privatbank Ltd, St. John's, Antigua.

Total income breaks down as follows:

15,6%	interest margin business
59,8%	commission and services
11,7%	trading
12,9%	other ordinary income.

Operating expense

Operating expense, after the exceptional rise in 2014 attributable mainly to the integration of the former LLB and to major management and IT projects, was in line with the previous financial year at CHF 73.8 million (+0.1%). Personnel costs were up (+1.11% or 0.6 million) as a result of front office and control recruitments. Other operating expense, despite the significant consultancy fees incurred for the US Tax Program, were down on the previous period (-3.11% or 0.5 million).

Value adjustments to equity holdings and depreciation and amortisation su immobilizzazioni materiali

Total cost, mainly depreciation and amortisation, was in line with the previous financial year at CHF 11.3 million (-1.7%).

Changes in provisions and other value adjustments and loss

Down CHF 4.4 million on the previous financial year (-71.9%), this item comprises CHF 0.7 million operating loss and CHF 1.0 million provisions for operating risk: Please note that the new accounting rules applying from 2015 mean that provisions for loans are now booked under the 'interest margins' as 'changes in value adjustments for risk of loss and loss on interest margin business'.

Profit for the period

Profit for the period was CHF 25.6 million, up CHF 0.5 million (+2.1%) on the financial year 2014.

Extraordinary income

Of the CHF 7.8 million total, CHF 6.6 million came from the sale of PKB Privatbank Ltd, St. John's, Antigua and CHF 0.3 million from the disposal of other minority shareholdings.

Extraordinary expenses

CHF 1.9 million, mainly from the cost of selling PKB Privatbank Ltd, St. John's, Antigua.

Profit for the period

Net profit for the period was CHF 25.6 million, up of CHF 3.3 million or 15.0% on the previous financial year.

BALANCE SHEET

Assets	AMOUNTS IN CHF	2015	2014
Liquid assets		1,091,892,685.61	1,002,470,629.65
Amount due from banks		312,219,252.00	375,282,195.17
Amount due from customers		605,516,672.00	696,648,506.06
Mortgage loans		759,691,830.48	637,836,268.94
Trading porfoglio assets		1,027,726.20	13,697,724.14
Positive replacement values of derivative financial instruments		32,328,498.86	44,665,118.16
Financial investments		192,497,610.53	147,845,694.62
Accrued income and prepaid expenses		9,050,094.00	6,795,635.96
Equity participations		69,059,743.80	94,241,222.92
Tangible fixed assets		32,028,089.63	34,259,431.65
Intangible assets		8,949,095.47	8,400,000.00
Other assets		16,217,847.92	27,913,541.79
Total assets		3,130,479,146.50	3,090,055,969.06

Liabilities	AMOUNTS IN CHF	2015	2014
Amounts due to banks		299,547,588.13	286,064,585.63
Amount due in respect of customer deposits		2,371,178,321.21	2,345,123,085.69
Negative replacement values of derivative financial instruments		38,807,949.69	40,204,795.44
Accrued expenses and deferred income		25,869,679.44	18,746,130.40
Other liabilities		15,711,315.13	25,337,322.99
Provisions		28,663,026.73	36,469,331.00
Reserves for general banking risk		48,350,000.00	46,350,000.00
Share capital		16,000,000.00	16,000,000.00
Legal reserve from profits		41,000,000.00	41,000,000.00
Optional reserves from profits		214,000,000.00	212,000,000.00
Retained earnings		5,760,717.91	517,653.85
Profit for the period		25,590,548.26	22,243,064.06
Total liabilities		3,130,479,146.50	3,090,055,969.06

OFF-BALANCE SHEET OPERATIONS

	AMOUNTS IN CHF	2015	2014
Contingent liabilities		36,821,944.73	76,880,157.98
Irrevocable commitments		20,576,239.23	10,009,928.67
Payment and additional funding commitments		2,409,442.98	2,427,376.54

INCOME STATEMENT

	AMOUNTS IN CHF	2015	2014
Result from interest operations			
Interest and discount income		23,254,560.12	20,904,381.99
Interest and dividend income from trading portfolios		231,681.45	220,865.29
Interest and dividend income from financial investments		1,721,835.61	1,625,316.40
Interest expense		-3,449,686.04	-4,157,032.87
Sub-total: gross result from interest operations		21,758,391.14	18,593,530.81
Changes in value adjustments for default risk and losses from interests operations		-4,305,347.55	-2,005,653.63
Sub-total: net result from interest operations		17,453,043.59	16,587,877.18
Result from commissions business and service			
Commission income from securities trading and investment activities		71,327,495.04	87,250,978.11
Commission from lending activities		1,269,711.92	1,296,877.44
Commission income from other services		10,819,457.52	11,126,390.41
Commission expense		-16,153,363.68	-19,299,843.60
Sub-total result from commissions business and service		67,263,300.80	80,374,402.36
Result from trading activities and fair value option		13,150,285.78	13,353,728.62
Other result from ordinary activities			
Result from the disposal of financial investments		371,021.03	220,253.43
Income from participations		13,438,869.54	5,067,300.00
Result from real estate		788,077.06	830,799.79
Other ordinary income		91,793.71	86,896.03
Other ordinary expenses		-185,656.87	-170,322.67
Sub-total: result from ordinary activities		14,504,104.47	6,034,926.58
Net revenue		112,370,734.64	116,350,934.74
Operating expenses			
Personnel expenses		-57,348,881.27	-56,720,203.28
General and administrative expenses		-16,496,019.00	-17,026,360.75
Sub-total: operating expenses		-73,844,900.27	-73,746,564.03
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		-11,251,755.66	-11,452,707.65
Changes to provisions and other value adjustments, and losses		-1,715,233.18	-6,107,289.94
Income for the period		25,558,845.53	25,044,373.12
Extraordinary income		7,796,201.62	2,284,617.18
Extraordinary expenses		-1,911,498.89	-152,926.24
Change in reserves for general banking risk		-2,000,000.00	0.00
Taxes		-3,853,000.00	-4,933,000.00
Profit for the period		25,590,548.26	22,243,064.06

APPLICATION OF PROFITS

Recommended by the Board of Directors	AMOUNTS IN CHF	2015	2014
Profit for the period		25,590,548.26	22,243,064.06
Retained earnings		5,760,717.91	517,653.85
Available profit		31,351,266.17	22,760,717.91
Application of profits			
– Legal reserve			
– Other reserves		2,000,000.00	2,000,000.00
– Dividend distribution		15,000,000.00	15,000,000.00
Retained earnings		14,351,266.17	5,760,717.91

STATEMENT OF CHANGES IN EQUITY

AMOUNTS IN CHF										
	Share capital	Capital ratio	Profit reserves	Reserves for general banking risk	Foreign currency conversion reserves	Other reserves and retained earnings/loss	Treasury shares (negative item)	Minorities	Profit/ loss for the period	Total
Equity at start of current period	16,000		41,000	46,350		212,518			22,243	338,111
Dividends and other distributions									-15,000	-15,000
Other allocations to/ transfers from general banking risk reserves				2,000						2,000
Other allocations to/ transfers from other reserves						7,243			-7,243	
Profit for the period									25,590	25,590
Equity at end of current period	16,000		41,000	48,350		219,761			25,590	350,701

ANNEX TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1. Operations and staff

PKB Privatbank AG is present in Lugano (registered office), where it operates as a universal bank and in Bellinzona, Geneva and Zurich where it provides private banking services.

The Bank's main business includes asset management and all related services, market making on the primary Swiss franc bond market, currency trading and commercial business.

The workforce expressed as FTEs at 31.12.2015 was 256.2 (2014: 241.7).

The Bank undertakes all essential work in-house and does not outsource.

2. Accounting and valuation policies applied to the annual financial statements

<i>Accounting and valuation policies</i>	Accounts are presented on transaction date principle, as required by the Swiss Federal Financial Market Supervision Authority (FINMA). The following criteria have been adopted.																					
<i>Foreign funds and currencies</i>	Valuation at year-end rates. Exchange differences were booked in the income statement under "Results from trading operations and from the fair-value option". Exchange rates used for the main currencies were as follows: EUR 1.08286 (2014: 1.2027) USD 0.9924 (2014: 0.9894).																					
<i>Receivables and general liabilities</i>	Valuation at nominal value.																					
<i>Trading portfolio assets</i>	Valuation at nominal value.																					
<i>Financial investments</i>	Shares: at market value at the end of the financial year, however not exceeding the acquisition price. Fixed-income securities: the difference between the acquisition price and the redemption value is distributed over the number of years between the acquisition date and the maturity date.																					
<i>Participations</i>	Valuation at acquisition price, after charging any economically necessary depreciation.																					
<i>Fixed assets</i>	Stated at acquisition cost after necessary deductions for ordinary and extraordinary depreciation. Depreciation is charged using the straight-line method. Works of art valued at less than CHF 30,000.00 are fully depreciated in the year of purchase, while those valued at over CHF 30,000.00 are depreciated at a rate of 10% up to 50% of the purchase cost. All other fixed assets are shown on the balance sheet at purchase cost or the market value, whichever is lower. The periods for ordinary depreciation are as follows.																					
	<table border="0"> <tr> <td>Properties used by the bank</td> <td>maximum</td> <td>50 years</td> </tr> <tr> <td>Renovations</td> <td>maximum</td> <td>3 years</td> </tr> <tr> <td>Plants</td> <td>maximum</td> <td>3 years</td> </tr> <tr> <td>Furnishings</td> <td>maximum</td> <td>3 years</td> </tr> <tr> <td>Equipment and vehicles</td> <td>maximum</td> <td>3 years</td> </tr> <tr> <td>Hardware/Software</td> <td>maximum</td> <td>3 years</td> </tr> <tr> <td>Intangible assets</td> <td>maximum</td> <td>5 years</td> </tr> </table>	Properties used by the bank	maximum	50 years	Renovations	maximum	3 years	Plants	maximum	3 years	Furnishings	maximum	3 years	Equipment and vehicles	maximum	3 years	Hardware/Software	maximum	3 years	Intangible assets	maximum	5 years
Properties used by the bank	maximum	50 years																				
Renovations	maximum	3 years																				
Plants	maximum	3 years																				
Furnishings	maximum	3 years																				
Equipment and vehicles	maximum	3 years																				
Hardware/Software	maximum	3 years																				
Intangible assets	maximum	5 years																				
<i>Solvency risks</i>	Where necessary, specific value adjustments are accounted and then deducted from their respective asset item.																					

<i>Doubtful interest</i>	Provisions are formed for interest and commission over 90 days overdue, which are not recognized in revenue. The relevant loans are treated as non-performing.
<i>Result from trading and fair-value option business</i>	These are carried to profit or loss before deduction of refinancing expense.
<i>Contingent liabilities and irrevocable payment and credit commitments</i>	These are recognised off-balance sheet at nominal value. Provisions for known risks are recognised under 'Provisions'.
<i>Derivative financial instruments</i>	Derivatives are recognised at market value on the marked-to-market principle. The Bank uses derivative financial instruments on its own behalf mainly for hedging and only marginally for trading, which is within the limits set by its internal regulations.
<i>Criteria for identifying risk of loss and calculating value adjustments</i>	Loans are examined regularly and at least once a year. Where necessary, examination will be more frequent or immediate and corrections will be applied to non-performing loans. Value adjustments to unsecured portions of loans are posted immediately.
<i>Collateral assets for loans</i>	Liquidation value is based on market price or realisation value minus disposal and refinancing costs.
<i>Risk assessment and management</i>	<p>Risk assessment and management form an integral part of the internal control system as required under FINMA circular 08/24. Responsibility for the Bank's internal control system lies with the Board of Directors, which sets the guidelines and periodically checks that they are sufficient and are operating correctly.</p> <p>The Board of Directors is supported in its duties by an Audit Committee, which advises and makes proposals, while operating management of consolidated supervision is provided by the Executive Board, which in its own turn is supported by the Risk Committee (RICO) and the Compliance Committee (COCO), whose duties are to set the procedures for measuring, managing and controlling risk at PKB group and COFI group (banking & finance) levels. RICO and COCO meet at least once a quarter and have a built-in Group risk reporting system. Internal Audit checks and assesses the internal control system, and therefore contributes to its constant refinement.</p> <p>In accordance with legal requirements, the Bank has a set of regulations for the consolidated supervision of COFI (banking & finance) group and a risk policy. These set out – within an integrated framework – the risk assessment and management guidelines to be followed by all Group companies. The risk assessment and management policy, which is examined once a year by the Board of Directors, forms the basis for the Bank's risk management procedure and is combined with a set of limits that applies to each identified risk category and is kept under constant check, with particular regard to the risks indicated below.</p> <p><u>Credit risk</u></p> <p>Credit risk is regulated by the Board of Directors through COFI group (banking & finance) credit policy and PKB group credit regulations. The Executive Board manages credit risk through the Credit Committee (COCR), which supervises the application of company strategies and analyses, in terms of quality and quantity, the solvency of counterparties and the security they have provided.</p> <p>Credit risk is controlled by limiting risk and exposure limits at PKB group and COFI group (banking & finance) levels, and by limiting concentration of risk in counterparty groups (large risks and 10 major debtors) and by country.</p> <p>Special provisions are recognised for del credere and country risk.</p> <p>Capital adequacy requirements for credit risk are calculated using the international method and taking a comprehensive approach to the treatment of guarantees.</p>

Market risk (balance sheet)

The market risk on balance sheet assets is managed through the COFI (banking & finance) group's asset & liability management policy approved by the Board of Directors. The Executive Board supervises market risk through the Asset & Liability Committee (ALCO).

Rate risk is controlled using indicators of income and value effect, which are calculated using stress scenarios. Counterparty and exchange rate risks are controlled using a system of exposure limits. Interest rate risk is hedged mainly with interest rate swaps and exchange rate risk mainly by forward rate agreements and currency options.

Rate risk is calculated using the modified duration method as required by the supervisory authorities.

Market risk (trading portfolio)

Trading portfolio management is based on the regulations approved by the Board of Directors and guidelines approved by the Executive Board. The Bank is a market maker on the primary market for CHF bond issues and also operates on the forex, bond and equity markets. Market risk on the trading portfolio is controlled using a system of exposure limits, the results of which are reported to the Executive Board.

Capital adequacy requirements for market risk are calculated using the standard method, taking a delta-plus approach to options.

Liquidity risk

Liquidity management is governed by the Board of Directors through the COFI (banking & finance) group's asset & liability management policy and the PKB group liquidity regulations. The Executive Board supervises and manages liquidity risk through ALCO.

Liquidity risk is supervised in accordance with legal requirements and control results are reported via ALCO.

Operating risk

Operating risk, which includes legal and compliance risks, is managed and controlled by the Board of Directors through regulations and by the Executive Board through directives.

Operating risk is managed as follows:

- Processes: the Group governs its own operations, in particular those that are likely to come into contact with the outside world, in accordance with the legal requirements and ethical standards applying to banking. It ensures that operations and contracts involving clients are comprehensible and transparent, especially financial derivative contracts in respect of which the Bank has signed agreements with ISDA and CSA. Functions are separated to mitigate operating risk.
- Human resources: human resources: the Bank's aim is to recruit qualified personnel capable of implementing its strategy and identifying with the Bank's culture. The latter is reflected by Management and staff as well as by the COFI (banking & finance) group's approach to risk management. Compliance risk and its impact on the Bank's reputation is mitigated through constant training and awareness raising of staff at all levels, a clear definition of work processes and responsibilities and the dissemination of a corporate culture founded on the pillars of total integrity and uncompromising ethical and professional standards. The Bank has also introduced a code of values that was presented and discussed at all levels throughout the Bank. The Bank's Legal & Compliance Department that covers all aspects of compliance;
- Internal systems: the Bank has the internal and external expertise needed to manage its IT systems;
- External events: the Bank has implemented security measures specifically designed to prevent unauthorised persons from accessing areas where sensitive documents are stored. The Executive Board has introduced a general continuity plan for its own work. The plan includes detailed analysis to cope with the various scenarios posited and has identified the minimum resources necessary for the continuity plan.

Operating risk is monitored by a system for identifying loss, the results of which are reported via RICO. Capital adequacy requirements for operating risk are calculated using the base method.

Legal risk

To prevent risks, the Bank ensures that its operations, particularly those likely to come into contact with the outside world, are in line with the legal requirements and ethical standards applying to the banking sector, and that operations and contracts involving clients are comprehensible and transparent.

Reputational and compliance risks

Unlike compliance risks, which concern only the breaking of laws and regulations, damage to reputation can be caused by such a break or even by behaviour that is inappropriate behaviour or behaviour that the public considers unacceptable even though it is fully compliant with the law and regulations. In order to cover the wide range of reputation risks, PKB has produced a code of values, designed to promote a corporate culture based on impeccable conduct and best-in-class professional standards.

Compliance risks are addressed by a comprehensive set of policies and procedures reaching out to all facets of our business. Given the international nature of our business, internal rules go beyond the Swiss legal and regulatory landscape, and address all cross-border activities and issues relevant to the way we serve our clients, in particular in the areas of investment advisory services and trading on foreign financial markets.

Strict compliance with the law, standards and our internal regulations is assured through a three-level control program. Primary responsibility for compliance with all these rules lies with the line manager. The first level of control is based mainly on process and workflow checks to ensure compliance with the Bank's 4-eyes principle, and on escalation. Continuous training for staff at all levels is an integral part of our efforts to mitigate reputation and compliance risks. The second level of control includes independent checks by Legal & Compliance, which reports to the Executive Board. Risks are assessed once a year and an action plan produced to ensure compliance risks are addressed promptly and correctly. The third level of control includes audits performed by Internal Audit, which is not an operating department and reports to the Board of Directors.

Bank policy on the use of derivative financial instruments

Positions taken in derivative instruments are, in general, held on behalf of clients. Structural management of the balance sheet is achieved by hedging interest rate risk through interest rate swaps and forward rate agreements.

3. Details of individual positions in the Annex to the Annual Financial Statements

3.1 Security for loans and off-balance sheet operations	AMOUNTS IN CHF/000	TYPE OF COVERAGE			TOTAL
		Mortgages	Contents security	No security	
Loans (before netting with value adjustments)					
Amounts due from customers		140,797	434,285	46,836	621,918
Mortgage loans		759,692			759,692
Residential property		534,881			534,881
Office and business premises		183,849			183,849
Commercial and industrial premises		19,550			19,550
Other		21,412			21,412
Total loans (prior netting with value adjustments)					
Current financial year		900,489	434,285	46,836	1,381,610
<i>Previous financial year</i>		766,480	530,803	50,615	1,347,898
Loans (after netting with value adjustments)					
Current financial year		900,489	434,285	30,435	1,365,209
<i>Previous financial year</i>		766,480	530,803	37,202	1,334,485
Off-balance sheet					
Contingent liabilities		1,189	29,365	6,268	36,822
Irrevocable commitments		8,611	19	11,946	20,576
Payment and additional funding commitments				2,409	2,409
Off-balance sheet total					
Current financial year		9,800	29,384	20,623	59,807
<i>Previous financial year</i>		1,563	69,145	18,609	89,317
Impaired loans					
		Amount Gross	Value Estimated realizable of collateral	Amount Net	Provisions
Current financial year		22,796	6,493	16,303	16,320
<i>Previous financial year</i>		8,673	1,668	7,005	7,065

3.2 Breakdown of trading portfolio and other financial instruments at fair value (assets and liabilities)	AMOUNTS IN CHF/000	2015	2014
Assets			
Trading portfolio assets			
Debt securities, money market securities / transactions		1,021	13,497
of which listed		1,021	13,497
Equity securities			186
Precious metals and commodities		7	15
Other instruments at fair value			
Total assets		1,028	13,698
<i>of which securities eligible to repo agreements in accordance with liquidity requirements</i>			1,614

3.3 Derivative financial	AMOUNTS IN CHF/000	INSTRUMENTS HELD FOR TRADING			HEDGING INSTRUMENTS		
		Positive replacement value	Negative replacement value	Contract volume	Positive replacement value	Negative replacement value	Contract volume
Contents							
Swaps					5,814	13,035	170,958
Options (OTC)					11,641	16,101	439,980
Foreign exchange / Precious metals							
Forward contracts		885	1,230	93,654			
Combined currency/interest rate swaps		3,198	2,853	411,507	9,605	4,404	1,301,967
Equity securities/indices							
Options OTC		486	486	37,976			
Options (exchange traded)		699	699	17,712			
Total before netting							
Current financial year		5,268	5,268	560,849	27,060	33,540	1,912,905
<i>Previous financial year</i>		25,983	13,425	2,285,481	18,682	26,780	881,825
Total after netting		Positive replacement values (cumulative)		Negative replacement values (cumulative)			
Current financial year							38,808
<i>Previous financial year</i>							40,205
Breakdown by counterparty		Central clearing houses		Banks and securities dealers		Other customers	
Positive replacement values (after netting agreements)				16,418		15,910	

3.4 Breakdown of financial investments	AMOUNTS IN CHF/000	Book value		Fair value:	
		2015	2014	2015	2014
Debt securities					
of which held to maturity		176,097	126,998	177,597	129,153
Equity securities		16,401	20,848	19,634	23,624
Total		192,498	147,846	197,231	152,777
<i>of which securities eligible for pensions under liquidity regulations</i>		<i>24,686</i>	<i>14,129</i>		

Counterparty breakdown by rating						
	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Less than B-	No rating
Debt securities: carrying amounts	55,875	53,608	8,506	1,036	48	57,024

3.5 Breakdown of other assets and other liabilities	AMOUNTS IN CHF/000	2015		2014	
		Other assets	Other liabilities	Other assets	Other liabilities
Compensation account		14,633	10,004	27,106	19,019
Indirect tax		1,582	5,609	218	6,318
Other receivables and liabilities		3	98	590	
Total		16,218	15,711	27,914	25,337

3.6 Assets pledged or assigned to guarantee Bank's own commitments and assets held subject to reservation of title	AMOUNTS IN CHF/000	
	Carrying Amounts	Actual commitments
Bonds given as collateral to banks	17,561	17,561

3.7 Commitments to Bank's own pension funds and number and type of Bank's own equity instruments held by those agencies	AMOUNTS IN CHF/000	2015	2014
		Total	17,470

The Bank's employees are registered with an autonomous and independent pension fund in accordance with the law on occupational pensions in Switzerland (LPP). Regulations require the use of defined contributions schemes. Pension liabilities are calculated each year by an actuary. The Bank accounts for its contributions to the employees' occupational pension scheme as expenses for the financial year concerned.

3.8 Information on economic situation of the Bank's own pension funds

Employer contributions reserve (ECR)	AMOUNTS IN CHF/000					
	Nominal value at 31.12.2015	Waiver at 31.12.2015	Net amount at 31.12.2015	Net amount at 31.12.2014	Impact of RCDL on personnel expense	
					2015	2014
Employer sponsored funds				1,300		
LLP Pension Fund for PKB Privatbank AG personnel	1,300		1,300			
Total	1,300		1,300	1,300		

Economic advantages/commitments and pension expenses	AMOUNTS IN CHF/000						
	Overfunding/Underfunding at 31.12.2015	Economic share of the Bank and/or the financial group		Change in economic share this period	Contributions paid this period	Pension contribution within personnel expense	
		2015	2014			2015	2014
Pension fund							
With excess coverage	1,438				4,532	4,532	4,786
Total	1,438				4,532	4,532	4,786

The Bank must determine for each pension plan whether reserve levels and the particular circumstances of the pension fund give rise to a surplus or a shortfall. The assessment is based on the financial position at 31 December 2014 and the financial position over 2015 as a whole. Based on the estimates received from the pension fund, reserves pursuant to Article 44 ÖPP2 (Ordinanza sulla previdenza professionale [Occupational Pension Order]) are 107.4% (2014: 106%)

3.9 Value adjustments and provisions reserves for general banking risk and changes over the year AMOUNTS IN CHF/000

	31.12.2014	Applications in line with purpose	Reclassifications	Exchange differences	Interest on arrears, recoveries	New provisions charged to the income statement	Reversals	31.12.2015
Provisions for other business risk	3,400							3,400
Other provisions	33,069	-11,431				3,625		25,263
Total provisions	36,469	-11,431				3,625		28,663
Reserves for general banking risk	46,350					2,000		48,350
Value adjustments for risk of loss and country risks	13,413	-457		-777	62	4,190	-30	16,401
Of which value adjustments for risk of loss on non-performing loans	13,413	-457	-81	-777	62	4,190	-30	16,320
Of which value adjustments for contingent risk			81					81

3.10 Presentation of the bank's capital AMOUNTS IN CHF/000

	2015			2014		
	Total par value	Number of shares	Participating shares	Total par value	Number of shares	Participating shares
Registered capital (fully paid)	16,000	16,000	16,000	16,000	16,000	16,000
Total share capital	16,000	16,000	16,000	16,000	16,000	16,000

3.11 Disclosure of amounts due from / to related parties AMOUNTS IN CHF/000

	RECEIVABLES		COMMITMENTS	
	2015	2014	2015	2014
Holders of qualified participations			35,565	31,940
Group companies		3,142	115,458	253,067
Linked companies	811	16,887	2,971	1,581
Members of governing bodies	7,525	7,607	10,501	4,250

Loans to members of governing bodies are at the conditions applying to bank employees. Transactions with participating interests were at arm's length and concern securities transactions, payment business and treasury transactions.

3.12 Information on owners of significant holdings AMOUNTS IN CHF/000

	2015		2014	
	Nominal	%	Nominal	%
With voting rights: COFI SA., Luxembourg	16,000	100,00	16,000	100,00

There is no conditional capital and there are no major shareholders without voting rights. Compagnie de l'Occident pour la Finance et l'Industrie SA (COFI) is a listed Luxembourg company. The family of the late Serafino Trabaldo Togna, Minusio (TI), indirectly controls 51.844% of its voting rights.

3.13 Total assets by solvency of country group (location of risk)		NET FOREIGN LIABILITIES AT 31.12.2015	
Country rating by the Bank	Moody's	in CHF /000	%
1-2	Aaa – Aa3	498,410	82.7%
3	A1 – A3	4,180	0.7%
4	Baa1 – Baa3	73,833	12.2%
5	Ba1 – Ba3	6,603	1.1%
6	B1 – B3	8,953	1.5%
7	Caa1 – C	622	0.1%
0	No rating	10,129	1.7%
Total assets		602,731	100%

The Bank measures country risk using Swiss Export Risk Insurance (SERV) ratings. These are compared with Moody's ratings in the table above.

3.14 Breakdown of fiduciary transactions	AMOUNTS IN CHF/000	
	2015	2014
Fiduciary investments with other banks	19,410	34,007
Fiduciary investments with banks in the group and associated banks	994	97,759
Fiduciary loans		197
Total	20,404	131,963

3.15 Breakdown of client assets and presentation of their development

a) Breakdown of client assets	AMOUNTS IN CHF/000	
	2015	2014
Types of assets		
Held in self-managed collective investment schemes	787,388	1,023,844
Assets under management	3,171,660	3,514,609
Other managed assets.	4,337,744	4,659,681
Sub-total: managed assets (including double-entry)	8,296,792	9,198,134
<i>Of which double-entry</i>	<i>434,687</i>	<i>660,451</i>
Commercial clients 'custody only'	198,522	261,985
Sub-total: other client assets.	198,522	261,985
Total client assets (including double-entry)	8,495,314	9,460,119
b) Development of managed assets	AMOUNTS IN CHF/000	
	2015	2014
Total managed assets (including double-entry) start of period	9,198,134	7,512,222
+/- Net inflow of new funds/net financial outflow	-349,004	1,550,890
+/- Change in market prices, interest, dividends and currency exchange	-552,338	397,007
+/- Other effects*		-261,985
Total managed assets (including double-entry) end of period	8,296,792	9,198,134

* At 31.12.2014 this was the result of the reclassification of 'custody only' commercial clients previously booked under the 'other managed assets.' The other managed assets include all client assets (private, commercial and institutional) held for investment on which the Bank receives commission and/or fees in addition to custody fees and other account-keeping expenses.

All other assets held in custody by the Bank that do not meet the above criteria are considered 'custody only' as required under FINMA Circular 2015/1.

Assets under management (AuM) are client assets managed in accordance with the profile chosen by the client. Client credit is not deducted from total managed assets. Net contributions/withdrawals include actual flows into/out of client funds and assets but do not include the performance of securities or currencies, interest, charges, commission or dividends.

3.16 Breakdown of the result of trading and the fair value option

a) Breakdown by business sector (based on the organisation of the Bank and/or financial group)	AMOUNTS IN CHF/000	2015	2014
Banks pursuant to article 1 paragraph 1 LB and article 2.a OB		13,150	13,354
b) Breakdown by underlying risk and the application of the fair value option	AMOUNTS IN CHF/000	2015	2014
Results from trading in:			
– Interest-rate instruments		1,720	2,447
– Equity securities (also funds)		–7	
– Currencies		11,158	11,145
– Commodities/precious metals		279	–238
Total result of trading		13,150	13,354

3.17 Breakdown of personnel expense	AMOUNTS IN CHF/000	2015	2014
Remuneration (attendance fees and fixed pay to Bank directors, salaries and cheques paid)		46,014	45,342
Benefits		8,963	9,216
Other personnel expense		2,372	2,162
Total personnel expense		57,349	56,720

3.18 Breakdown of other operating expense	AMOUNTS IN CHF/000	2015	2014
Premises		1,955	1,979
IT and telecommunications technology		2,511	1,591
Cars, machines, furniture and other fixtures, and operating leases		169	191
Audit fees (article 961a no. 2 CO)		465	420
<i>Of which accounting and supervision audits</i>		465	420
Additional operating expense		11,396	12,845
Total other operating expense		16,496	17,026

3.19 Details of material losses, extraordinary revenue and extraordinary costs and material reversals of undisclosed reserves, reserves for general banking risk and value

Of total CHF 7.8 million extraordinary income, CHF 6.6 million came from the sale of PKB Privatbank Ltd, St. John's, Antigua and CHF 0.3 million from the sale of other minority shareholdings.
CHF 1.9 million in extraordinary expense came mainly from the cost of the sale of PKB Privatbank Ltd, St. John's, Antigua.

3.20 Current tax and deferred taxes and tax rates	AMOUNTS IN CHF/000	2015		2014	
		Tax rate		Tax rate	
Current tax expense*		10.0%	3,853	11.6%	4,933
Total tax			3,853		4,933

*This is the average weighted rate applied to operating profit

4. Equity and liquidity data published in accordance with FINMA Circular 16/1

4.1 Eligible equity	AMOUNTS IN CHF/000	2015	2014
Gross basic equity		335,701	323,111
of which paid-in share capital		16,000	16,000
of which reserves generated from profits		255,000	253,000
of which reserves for general banking risk		48,350	46,350
- regulatory deductions		-76,128	-100,010
of which intangible assets		-8,949	-8,400
Eligible basic equity		259,573	223,101
+complementary and supplementary capital			8,688
Eligible equity		259,573	231,789

4.2 Capital requirement	AMOUNTS IN CHF/000	2015	2014
Credit risk (full BIS method)		87,030	60,059
of which valuation risk on equity securities in the Bank's portfolio	2,885		3,780
Risks without counterparty (full BIS method)		2,562	2,741
Market risk (standard)		3,494	6,587
of which interest rate instruments	2,222		6,166
of which equity securities			157
of which currencies and precious metals	973		43
of which commodities	300		221
Operating risk (basic indicator)		16,414	15,100
Capital requirements		109,500	84,487
Ratio of eligible equity to Swiss-law capital requirements		237%	274%

4.3 Capital ratios	AMOUNTS IN CHF/000	2015
CET1		18.96%
Tier 1		18.96%
Regulatory capital		18.96%
Minimum ratio under FINMA Circular 11/2		11.20%

4.4 Leverage ratio	AMOUNTS IN CHF/000	2015
Tier 1 capital		259,574
Leverage ratio exposure		3,147,349
Basel III leverage ratio		8.20%

4.5 Liquidity coverage ratio (LCR)	AMOUNTS IN CHF/000	I Quarter 15	II Quarter 15	III Quarter 15	IV Quarter 15
LCR ratio		105.82%	95.46%	96.81%	163.67%

To the General Meeting of
PKB Privatbank SA, Lugano

Lugano, 8 April 2016

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of PKB Privatbank SA, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 46 to 60), for the year ended 31 December 2015.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd



Erico Bertoli
Licensed audit expert
(Auditor in charge)



Daniele Gianora
Licensed audit expert

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