



**PKB** PRIVATBANK AG

2010 ANNUAL REPORT 53<sup>RD</sup> YEAR OF ACTIVITY

<b>Board of Directors</b>	Patry Jean <sup>1) 3)</sup>	Veyrier (GE)	<i>Chairman</i>
	Jesi Ferrari Maurizio <sup>1) 2)</sup>	Lugano (TI)	<i>Vice-Chairman</i>
	Zari Malacrida Fernando <sup>1) 3)</sup>	Gentilino (TI)	<i>Vice-Chairman</i>
	Delcò Edio	Taverne - Torricella (TI)	
	Fontana Benedetto <sup>3)</sup>	Prato Leventina (TI)	
	Hauser Dieter <sup>2) 3)</sup>	Zumikon (ZH)	
	Peter Henry <sup>1) 3)</sup>	Lugano (TI) (dal 20.04.2011)	
	Rochat Jean-Philippe <sup>2) 3)</sup>	Épalinges (VD)	
	Spadafora Giuseppe	Milano (I) (fino al 20.04.2011)	
	Trabaldo Togna Massimo	Milano (I)	
Tronconi Augusto <sup>3)</sup>	Lugano (TI) (fino al 20.04.2011)		
<b>Secretary</b>	Corti Emilio	Cadro (TI)	
<b>Internal Audit</b>	Treichler Sandro		<i>First Internal Auditor</i>
	Pecorone Diego		<i>Internal Auditor</i>
<b>Statutory Auditors Group Auditors</b>	Ernst & Young SA		
<b>Executive Board</b>	Trabaldo Togna Umberto		<i>Chief Executive Officer</i>
	Coda Nunziante Ferdinando		<i>Managing Director</i>
	Soncini Luca		<i>Managing Director</i>
	Borsetti Giovanni		<i>Executive Vice President</i>
	Tonella Enrico		<i>Executive Vice President</i>

<sup>1)</sup> Members of the Executive Committee

<sup>2)</sup> Members of the Audit Committee

<sup>3)</sup> Independent directors under the FINMA circular 08/24

## Members of the General Management

<i>Senior Vice Presidents</i>	Andreoletti Fiorenzo	Pisciotta Antonino		
	Bernasconi Florio	Rickenback Giovanni		
	Berti Roberto	Saladino Matteo		
	Bianchi Ermanno	Sanchez Antonio		
	Bravin Luca	Selig Olivier		
	Croce Pierluigi	Spannagel Rolf		
	Della Torre Di Lavagna Oberto	Talleri Marco		
	Dolfi Francesco	<i>Vice Presidents</i>	Andreoletti Maria Luisa	
	Graves Anthony		Cimetti Gianfranco	
	Jaquet Raffaella		Compagnoni Giorgio	
	Martin Nicolas		Dosi Delfini Nicolo'	
	Nocchi Stefano		Duarte Villela Heitor	
	Parmeggiani Luca		Kundert Hans	
	Pasqualini Luciano		Marchesi Mauro	
	Penati Carlo		Marcotullio Stefano	
	<i>First Vice Presidents</i>		Algisi Roberto	Mattioli Massimo
			Amman Sabine	Pedrotti Roberto
			Arnold Felix	Pelizzari Antonella
			Benz Christoph	Petrucchi Pierluigi
Bonacina Paolo			Porter Nicholas	
Brugger Elisabeth			Radaelli Luca	
Calligher Eros			Reichlin Carlo	
Ceribelli Lucio			Ricci Renzo	
Fumagalli Vittorio			Rossi-Pedruzzi Guido	
Grassi René			Sala Mario	
Kuhn Catherine			Scarmignan Michele	
Lucchetti Andrea		Torri Tiziana		
Lusso Alessandro		Vanacore Barbara		
Maltese Stefano		Vincentelli Sergio		
Marazzi Alberto		Vuilleumier-Desjacques Chantal		

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### PKB Ginevra

*Direttore* Caracciolo di Vietri Gennaro

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### PKB Zurigo

*Direttore* Kaufmann René

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### PKB Bellinzona

*Direttore* Simoni Dario

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### PKB Antigua

*Condirettore* Lema Norberto

**Antonio della Corna**  
(Soncino e Cremona,  
documented from 1482 to 1498)

**St. Julian  
kills his parents**  
Tempera and oil on panel, 134,8 x 153, 2 cm

Inscription at the base of the bed:  
"HOC QUOD] MANTENEE DIDICI SUB DOGMATE / CLARI. / ANTONI  
CORNE DEXTERA PINXIT / OPUS"  
["This work, which I learned to do under the tutelage of the famous Mantegna, was  
painted by the right hand of Antonio della Corna"]

The painting shows Julian, a gentleman of noble origins, as he mistakenly kills his parents asleep in their bed, under the impression that he has surprised his wife with a lover. The murder is reminiscent of the Oedipus myth that was recorded by Jacopo da Varazze (*Legenda aurea*, 13<sup>th</sup> century) in his summary of lessons from late Medieval saints' lives. According to the most popular version, Julian is said to have had a mystical premonition of the crime during a hunt, and to ensure that he did not fulfil the horrendous prediction, he disappeared from his family home without trace, finding refuge and fortune in distant lands. In despair, the young man's parents set out to look for him, and after a very long journey finally found the castle where the young Julian was lord. As their son was not there at the time, the woman that Julian had since married welcomed his parents, "receiving them kindly and, through love for her husband, letting them rest in their own bed, making up a bed for herself and her husband somewhere else". In the painting, Julian's horrified wife is present at the crime; in the background, through the open arch in the wall, the figure of Julian can be seen emerging from a well covered with poisonous snakes (miraculously harmless), the punishment for parricide in antiquity. The legend also recounts that to atone for his guilt Julian subsequently devoted himself, with his wife, to the care of pilgrims, whom he welcomed in a shelter built on the banks of a river. Devotion to Julian, who became known as the Hospitaller on account of his care and hospitality, became widespread in Europe, particularly in the 14<sup>th</sup> and 15<sup>th</sup> centuries. In northern Italy, the most extensive iconographic series dedicated to the saint are those found in Trent Cathedral (Monte da Bologna, mid-14<sup>th</sup> century) and in St. Julian's Church, Savigliano (Piedmont painter c. 1480); in the latter, the scene of the unintentional parricide is depicted in the same elegant and courtly style that characterises the painting examined here.

The large dimensions of this painting, its form and the narrative focus that the episode represents, nevertheless constitute a unique example in the history of the representation of legend. It is likely that the work was executed for the altar of a confraternity or a private chapel dedicated to the saint. It is not known where the painting was originally sited, but proof of the purchasers' aristocratic origins can be seen in the shields in the middle of the garlands hanging from the frieze depicted on the wall of the room. The surface of the two coats of arms is today covered in a dark, uniformly applied colour, on which can be made out a date in Roman numerals (1478, not 1488 as it was thought recently: Galli 1995, Agosti 1997). However, this cannot be its original date as both a personal and a reflectographic examination reveal that a very old restoration has hidden the vertical lines of a coat of arms that must have belonged to the family of the person that commissioned the work.

The painting must therefore have been painted for Cremona for two reasons: the painter of the work, Antonio della Corna, did not include the place of origin after his signature (which would have been the norm if the work had been executed for a different location), and the earliest documentary evidence of the picture confirms its location in the Lombard city. Even before 1757, it was found in the collection of Giovanni Battista Zaist (1700-1757), who refers to it in his *Notizie storiche* (Historical news) published posthumously in 1774, and then at the residence of Antonio Maria Panni, who was the pupil, relative and publisher of Zaist (Biffi 1773-1788). Since then, interest in the painting has never waned, although the canvas, which has passed from collection to collection, seems to have been cited more on account of its reputation than from personal knowledge. From 1827 (Grasselli 1827) until at least 1861 it hung "in the gallery of the stately home Averoldi di Brescia" where it was seen by Mündler (1857) and Morelli (c.1861); it then went to Bignami at Casalmaggiore (Crowe-Cavalcaselle 1871) and remained there until at least 1913 (Bonetti 1913). In 1923, Salmi gave it up for lost, and the assertion by Giuseppe Fiocco (1932) that it was kept in the Pelletier collection in



Paris cannot be verified. It resurfaced at the exhibition entitled *La casa italiana nei secoli* (The Italian home over the centuries), staged by Carlo Ludovico Ragghianti at Palazzo Strozzi, Florence, in 1948, on loan from the antiques expert Luigi Bellini; he must have later sold it to Prince Johannes Schwarzenberg (Vienna-Mercatale: Agosti 2005), after whose death (1967) it passed to Agnew's Art Gallery in London. Finally, it reappeared at Sotheby's Auction House in New York on 28 January 2009.

With an elegant anacoluthon, Antonio della Corna claims, in the elegiac couplet reproduced at the base of the bed, his own apprenticeship to Mantegna. Contrary to what is often maintained, the painter probably wanted to record a real apprenticeship with the famous master, rather than state the exact origin; in this, as in subsequent works, the Cremonese painter demonstrates that he had personal access to the paintings and drawings of Mantegna. Here the foreshortened figure of the saint's father, in a pose of impassioned and innocent homage, is taken directly from the famous *Cristo morto* at the Brera Art Gallery; the figure of the mother, which does not show any obvious signs of the authorship of the painting, is not clearly defined against the headboard of the bed. The depiction of the figures of the young woman and the saint, captured in a whirlwind of clothing, also moves away from the strict style of Mantegna and, as has often been observed, is reminiscent of the Ferrara school of Francesco del Cossa and Ercole de Roberti. It can be seen therefore that during a chronological period that must date around the 1490s (Mantegna's *Cristo morto* was probably painted around 1483) Antonio della Corna was familiar with the works of the master painted in Mantua and the Ferrara culture and cycle of frescos in the Schifanoia Palace (around 1471). He fully represented the fashionable trend of Cremonese art in the second half of the 15<sup>th</sup> century, distinguished by its special relationship with the eastern parts of the Po Valley: Padua, Ferrara and Bologna. In this canvas, these figurative references have been executed with a particularly unusual freshness and descriptive cheerfulness, seen in everything from the flowers and twigs scattered on the floor to the care with which the clothes of the main characters have been painted, the happiness suffusing the room furnishings and the rural landscape depicted on the headboard against which the pillows are propped. The range of exquisite, bold colours used also contributes to the painting's freshness, which the painter would never again be able to reproduce.

*Mauro Natale*

#### **Bibliography:**

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- G. Fiocco, *Porträts aus der Emilia*, in *Pantheon*, V, 1932, figure p. 338, p. 340
- A. Galli, *Antonio Della Corna e il Maestro di Palazzo d'Arco in Arte Cristiana*, 769, 1995, p. 275, figs. 1-2
- G. Agosti, *Su Mantegna I. La storia dell'arte libera la testa*, Milan 2005, pp. 41, 412-413, notes 68-69 (with previous bibliography)

Dear shareholders,

In 2010, the world's major economies continued, with widely differing results, along the slow route back to the normalisation of economic activity after the severe crisis that took hold in the second half of 2008. However, while the principal emerging countries began to show rapid growth again, and countries such as Germany, the US and Switzerland posted solid growth rates, other important countries have not yet managed to shake off the effects of the crisis and continue to record near-zero growth.

Against this macroeconomic backdrop, investors' attention focused on the high debt levels of the weakest countries in the eurozone, known as the PIGS (Portugal, Ireland, Greece and Spain), and on their ability to repay it, generating a real crisis of confidence over their sovereign bonds, which soon spread to the euro. The measures taken by the EU, in agreement with the IMF and with the support of various central banks, have gradually restored a certain degree of calm to the markets, but in the knowledge that the funding problems are still far from being resolved.

Uncertainties and sudden changes have now become a regular feature of our business, forcing us to disregard short-term results and focus our efforts on maintaining a policy of prudence and sound management. We now give preference to long-term objectives aimed at fulfilling the requirements of a demanding international client base that shares our business philosophy.

The bank's fifty-third year was thus notable for bringing to fruition three important development projects: the strengthening of the Geneva branch in the summer following the recruitment of eight new private bankers; the acquisition of Banca Gesfid in Lugano in September and its subsequent integration into PKB, which was completed on 31 December; and the acquisition in November of a 10% stake in Queluz Gestao de Ativos LTDA, Sao Paulo, a company active in asset management for domestic customers in Brazil.

These three initiatives stem from the policy pursued by the bank's Board of Directors and Executive Board to increase its domestic operations on the Swiss market, strengthen the structure of PKB by joining with smaller banks and develop its asset management business in Latin America.

The main result of this raft of measures can be seen in the figure for client assets for the year under review which, at year-end, stood at CHF 6.3 billion for PKB Privatbank alone, an increase of over CHF 1.2 billion (25%) compared with 2009.

In terms of the bank's financial results, 2010 can be regarded as a year of transition for PKB. Owing to the combined adverse effects of the strength of the Swiss franc (which also hampered the growth of the client assets referred to above by nearly CHF 700 million), ongoing low interest rates and fewer investment opportunities offered by the bond markets, the bank's revenues declined by 17.89% to CHF 59.863 million at the end of the year. Despite a careful cost control policy, costs were broadly in line with the previous year's figure, mainly due to the increase in personnel expenses associated with development projects and extraordinary expenses relating to the acquisition of Banca Gesfid.

As a result of the customary prudent policy as regards provisions and the complete amortisation of the goodwill arising from the merger with Banca Gesfid, which was financed through reserves, net profit for the year stood at CHF 12.512 million, a decrease of 39.18 % compared with the figure of CHF 20.573 million in 2009.

The Board of Directors acknowledged the wishes of Giuseppe Spadafora and Augusto Tronconi not to be re-elected for a new term of office, and thanked them warmly for their valuable contribution. It then recommended to the shareholders' meeting that all the other directors be re-elected and that Henry Peter be elected as the new member of the Board of Directors.

I would like to express my sincere thanks to our customers for the trust they have placed in the Bank, and to the senior managers and all employees for the commitment and team spirit shown in a year that was particularly busy due to the acquisition and integration of Banca Gesfid.

For the Board of Directors  
Chairman  
Jean Patry

## HIGHLIGHTS – KEY FIGURES AS AT DECEMBER 31, 2010

	AMOUNTS IN CHF	2010	2009
Gross profit		19,787,234	33,004,917
Depreciation, value adjustments, provisions		31,155,271	19,228,861
Net income		12,511,890	20,573,180
<i>of which proposed dividend</i>		10,000,000	18,000,000
Shareholders' equity as per balance sheet		261,024,404	258,512,513
Tier 1 ratio		26,23%	25,40%
Number of employees		224	174

## COMMENTS ON THE BALANCE SHEET

### Balance sheet total

As at December 31, 2010 total assets amounted to CHF 1,506,1 million against liabilities of CHF 1,235,1 million. Shareholders' equity, including net profit for the year, therefore totalled CHF 271,0 million. The increase in the balance sheet total with respect to the previous year was CHF 51,3 million, or 3,5%.

### Assets

**Liquid assets** This item includes cash plus clearing and postal account balances. The total of CHF 22,6 million is well above the legal requirement for primary liquidity.

**Due from banks** Amounts held with banks were decreased by CHF 33,0 million (-3,7%) from CHF 897,5 million to CHF 864,5 million. These funds are for CHF 864,3 million placed with major banks in OECD countries.

Time deposits accounted for CHF 778,6 million, CHF 733,7 million of them due within 90 days, while sight deposits amounted to CHF 85,9 million.

**Due from customers** Amounts due from customers rose by 48,2%, from CHF 264,3 million to CHF 391,7 million. Despite these figures, the average exposure to debtors in 2010 remained broadly the same as the previous year. This result suffered from the decline in the CHF/EUR exchange rate, the fact that nearly half of the amounts due from customers are expressed in euro, and, more importantly, that a number of major new loans were granted in the fourth quarter of 2010. Note that following the merger with Banca Gesfid, PKB recovered amounts due totalling EUR 33,4 million from this bank.

**Securities and precious metals trading portfolios** The book value fell from CHF 4,4 million to CHF 1,0 million. The portfolio mainly comprises shares (CHF 0,6 million) and ETF funds (CHF 0,4 million).

**Financial Investments** As at December 31, 2010 financial investments totalled CHF 73,5 million against CHF 56,4 million the preceding year (+CHF 17,1 million: 30,3%). Investments in funds are stationary to CHF 19,0 million (CHF 19,0 million at December 31, 2009). Fixed income securities were CHF 54,4 million (CHF 37,4 million at December 31, 2009), of which CHF 21,1 million pledged in favour of correspondent banks (CHF 21,1 million at December 31, 2009).

**Main shareholdings** The bank holds the entire share capital of PKB Privatbank Ltd, St. John's, Antigua, of Valuevalor AG, Lugano and of Planetarium PKB Consultoria SA, Montevideo. This entry also includes minority shareholdings in Cassa Lombarda Spa, Milan (33,9%), Anthilia Capital Partner Spa, Milano (36,6), Rasini & C. SA (30%), Queluz Gestao de Ativos, San Paolo (10%) and EIH Endurance Investments Holding SA, Lugano (25%).

COMMENTS ON THE BALANCE SHEET

Assets	
<b>Fixed assets</b>	<p>Increased from CHF 34,3 million to CHF 46,9 million (+CHF 12,6 million, or 36,7%). The figure at 31 December 2010 also includes fixed assets gained in the merger with Banca Gesfid (CHF 14,2 million).</p> <p>This represent tangible fixed assets that include the bank's buildings along with fixtures and furniture, any capitalised renovation works and computer equipment.</p>
<b>Other assets</b>	<p>Other assets decreased to CHF 7,8 million as at December 31, 2010 from CHF 3,6 million at the end of the preceding year. This item consists mainly in positive replacement values that amount to CHF 7,6 million. Positive replacement values relate to derivative financial instruments, taken out for the bank's own account or for account of clients, and represent the claims on counterparties.</p>
Liabilities	
<b>Due to banks</b>	<p>Amounts due to banks decreased from CHF 123,4 million to CHF 159,5 million (– CHF 36,1 million, or 22,6%).</p>
<b>Due to customers</b>	<p>These increased by CHF 102,5 million, or 11,2% (CHF 1.019,5 million at 31 December 2010, CHF 917,0 million at 31 December 2009). The very low level of interest rates of the main currencies, which emerged particularly during the second half of the year, generated a build-up of cash in customers' current accounts, pending better investment opportunities.</p>
<b>Other liabilities</b>	<p>This item amounted to CHF 14,6 million as at December 31, 2010 (– CHF 5,9 million, or 67,8%). It comprises predominantly the Bank's liability for indirect taxes (CHF 5,1 million) as well as negative replacement values on derivative instruments (CHF 9,4 million), representing its liability to counterparties.</p>
<b>Shareholders' equity</b>	<p>Shareholders' equity as per balance sheet totals CHF 258,5 million, (excluding reserves for general banking risks and the year's net profit). After approval by the Shareholders' Meeting of the Board of Directors' proposal for the allocation of profits, shareholders' equity on the balance sheet will amount to CHF 261,0 million.</p>

## COMMENTS ON THE INCOME STATEMENT

<b>Revenues</b>	<p>An examination of the various totals in the profit and loss account shows net interest income of CHF 9,0 million, a decline of 18,1% compared with the previous year. This was due mainly to lower interest rates, as the average exposure to customers remained broadly unchanged.</p> <p>Commission income items fell: declines were noted for commission income on credit transactions (12,0%), commission income on securities trading and investment operations (18,4%) and commission expenses (38,7%). In contrast, commission income from other services increased by 4,8%. Overall, commission income declined from CHF 44,1 million in 2009 to CHF 40,7 million in 2010 (– CHF 3,4 million, or 7,7%). Trading income was CHF 10,1 million, against CHF 17,7 million in 2009 (–42,9%).</p> <p>This is due to the fact that 2009 was a particularly positive year, with securities trading profits jumping by 193,2% compared with 2008.</p> <p>Other ordinary income came in at CHF 4,3 million, compared to CHF 4,9 million the previous year (–CHF 0,6 million, or 11,1%).</p> <p>In 2010, the bank received a capital gain on financial investment of CHF 0,3 million, compared with CHF 1,5 million in the previous year (a fall of CHF 1.2 million); conversely, income from investments rose from CHF 2,5 million at 31 December 2009 to CHF 3,1 million at 31 December 2010 (up by CHF 0,6 million).</p> <p>Total revenues can be broken down as follows:</p> <ul style="list-style-type: none"> <li>14,0% from interest operations</li> <li>63,5% from commissions and services</li> <li>15,7% from trading activities</li> <li>6,8% from other ordinary income.</li> </ul>
<b>Expenses</b>	<p>Personnel costs increased from CHF 34,5 million at 31 December 2009 to CHF 33,8 million at 31 December 2010 (–CHF 0,7 million, or 2,1%).</p> <p>General expenses rose by 3,2% from CHF 10,3 million at 31 December 2009 to CHF 10,6 million at 31 December 2010. This increase is mainly due to costs incurred in acquiring Banca Gesfid.</p>
<b>Gross profit</b>	<p>The gross profit amounts to CHF 19,8 million, a decrease of CHF 13,2 million (– 40,0%) compared to the 2009 financial year.</p>
<b>Depreciation on fixed assets</b>	<p>The total amount of depreciation stands at CHF 30,6 million, increasing compared to the previous period (+ CHF 14 million).</p> <p>The figure for 2010 includes the full depreciation of the merger loss (i.e. goodwill) for the by incorporation of Banca Gesfid SA of CHF 26,2 million. Depreciation on investments, however, fell from CHF 10,6 million at 31 December 2009 to CHF 0,4 million at 31 December 2010.</p>
<b>Provisions, valuation adjustments and losses</b>	<p>This item fell from CHF 2,5 million to CHF 0,4 million. In 2010, losses totalling CHF 0,3 million were posted to the accounts, while provisions of CHF 0,1 million were made, compared with CHF 2,0 million allocated for operating risks in the previous year.</p>
<b>Extraordinary income</b>	<p>This item totalled CHF 35,6 million, of which CHF 26,2 million was due to the elimination of taxed reserves that were used to cover the loss arising from the merger with Banca Gesfid. An amount of CHF 9,4 million was realised from the elimination of reserves that were no longer necessary.</p>
<b>Extraordinary expenses</b>	<p>This item rose from CHF 0,1 million to CHF 8,4 million. CHF 4,8 million of the rise was due to the increase in general credit following the development of the bank's loan operations and the creation of other provisions.</p>
<b>Net profit for the year</b>	<p>The net profit for the year amounts to CHF 12,5 million. Compared with the net profit of the previous year, CHF 20,5 million, it shows a decrease of CHF 8,0 million or 39,0%.</p>

**BALANCE SHEET AS AT DECEMBER 31, 2010**

Assets	AMOUNTS IN CHF	2010	2009
Liquid assets		22.688.607,73	98.119.395,22
Money market instruments		0,00	334.152,53
Due from banks		864.577.808,28	897.531.199,77
Due from customers		289.567.676,90	213.182.754,63
Mortgage loans		102.151.478,99	51.151.243,64
Securities and precious metals trading portfolios		1.078.147,52	4.494.052,68
Financial investments		73.587.834,20	56.404.700,56
Participations		92.129.317,78	91.890.404,45
Fixed assets		46.926.526,10	34.355.056,72
Accrued income and prepaid expenses		5.562.911,84	3.707.937,91
Other assets		7.860.250,80	3.644.938,28
<b>Total assets</b>		<b>1.506.130.560,14</b>	<b>1.454.815.836,39</b>
<i>Total subordinated assets</i>		<i>0,00</i>	<i>0,00</i>
<i>Total due from group companies and significant shareholders</i>		<i>95.723,70</i>	<i>1.299.038,45</i>

Liabilities	AMOUNTS IN CHF	2010	2009
Due to banks		123.403.799,75	159.529.918,02
Due to customers on savings and deposit accounts		1.194.874,59	748.243,39
Due to customers, other		1.018.308.700,91	916.224.150,90
Cash bonds		760.000,00	50.000,00
Accrued expenses and deferred income		14.342.654,11	9.981.479,95
Other liabilities		14.595.584,04	8.700.813,68
Value adjustments and provisions		26.697.542,89	23.550.716,60
Reserves for general banking risks		35.803.000,00	59.518.000,00
Share capital		16.000.000,00	16.000.000,00
General statutory reserves		37.300.000,00	35.500.000,00
Other reserves		205.000.000,00	204.000.000,00
Profit carried forward		212.513,85	439.333,85
Profit for the year		12.511.890,00	20.573.180,00
<b>Total liabilities</b>		<b>1.506.130.560,14</b>	<b>1.454.815.836,39</b>
<i>Total subordinated liabilities</i>		<i>0,00</i>	<i>0,00</i>
<i>Total due to group companies and significant shareholders</i>		<i>131.700.925,80</i>	<i>74.612.899,04</i>

OFF - BALANCE SHEET OPERATIONS

	AMOUNTS IN CHF	2010	2009
Contingent liabilities		70.228.437,16	69.407.607,38
Irrevocable commitments		8.086.285,27	4.650.229,00
Uncalled liabilities to pay in capital or additional capital on shares		3.475.287,93	4.754.956,10
Derivative instruments:			
Positive replacement value		8.761.101,98	3.825.023,76
Negative replacement value		10.570.706,97	4.524.148,16
Contract volume		569.663.421,11	206.833.517,00
Fiduciary transactions		649.261.015,33	947.185.314,46

## INCOME STATEMENT

	AMOUNTS IN CHF	2010	2009
<b>Results from interest activities</b>			
Interest and discount income		9.743.913,20	12.784.232,82
Interest and dividend income on trading portfolios		45.185,88	66.406,22
Interest and dividend income on financial investments		1.255.813,41	945.634,10
Interest expense		-2.045.921,22	-2.786.601,60
<b>Subtotal: Net interest income</b>		<b>8.998.991,27</b>	<b>11.009.671,54</b>
<b>Results from commission and service fee activities</b>			
Commission income on lending activities		827.669,34	940.937,33
Commission income from securities and investment business		33.873.708,00	41.525.627,64
Other commission income		12.017.993,58	11.456.074,17
Commission expenses		-5.958.025,38	-9.733.440,39
<b>Subtotal: Results from commission and service fee activities</b>		<b>40.761.345,54</b>	<b>44.189.198,75</b>
<b>Results from trading operations</b>		<b>10.102.919,03</b>	<b>17.709.111,91</b>
<b>Other ordinary results</b>			
Income from disposal of financial investments		134.010,15	668.374,66
Income from participations		3.194.790,00	2.540.000,00
Real estate income		820.866,00	803.972,20
Other ordinary income		370.444,64	1.544.809,62
Other ordinary expenses		-138.990,56	-624.669,74
<b>Subtotal: Other ordinary results</b>		<b>4.381.120,23</b>	<b>4.932.486,74</b>
<b>Operating expenses</b>			
Personnel expenses		-33.780.967,85	-34.499.115,38
General administrative expenses		-10.676.174,12	-10.336.436,39
<b>Subtotal: Operating expenses</b>		<b>-44.457.141,97</b>	<b>-44.835.551,77</b>
<b>Gross profit</b>		<b>19.787.234,10</b>	<b>33.004.917,17</b>
Depreciation and write-offs on fixed assets		-30.684.033,93	-16.631.424,69
Value adjustments, provisions and losses		-471.236,97	-2.597.437,11
<b>Result before extraordinary items and taxes</b>		<b>-11.368.036,80</b>	<b>13.776.055,37</b>
Extraordinary income		35.648.306,89	12.563.908,58
Extraordinary expenses		-8.455.625,89	-100.000,00
Taxes		-3.312.754,20	-5.666.783,95
<b>Net profit for the year</b>		<b>12.511.890,00</b>	<b>20.573.180,00</b>

**DISTRIBUTION OF PROFIT**

Proposal of the Board of Directors	AMOUNTS IN CHF	2010	2009
Profit for the year		12.511.890,00	20.573.180,00
Profit carried forward from previous year		212.513,85	439.333,85
<b>Disposable profit</b>		<b>12.724.403,85</b>	<b>21.012.513,85</b>
<b>Profit distribution</b>			
– Allocation to general statutory reserves		1.000.000,00	1.800.000,00
– Allocation to other reserves		1.500.000,00	1.000.000,00
– Dividend distribution		10.000.000,00	18.000.000,00
<b>Profit carried forward</b>		<b>224.403,85</b>	<b>212.513,85</b>

## 1. Operations and staff

PKB Privatbank AG is present in Lugano (registered office), where it operates as a full-service bank and in Bellinzona, Geneva and Zurich where it provides private banking services. The bank's principal activities include portfolio management and all related services, «market making» on the primary Swiss franc bond market, foreign exchange trading and commercial operations.

The headcount, expressed as full-time employees, was 224 at 31 December 2010 (versus 174 at the end of 2009).

All of the essential bank's activities are followed internally, without recourse to outsourcing.

## 2. Accounting and valuation principles used

<i>Accounting and valuation principles</i>	The accounts are established by transaction date principle, in accordance with the directives of the federal financial market supervision authority (FINMA).																					
<i>Foreing funds and currencies</i>	Valuation at year-end rates. Exchange differences have been booked in the income statement under «Results from trading operations». Exchange rates used for the main currencies were as follows: EUR 1,4841 (2008: 1,4924); USD 1,0299 (2008: 1,0610).																					
<i>Credits and general liabilities</i>	Valuation at nominal value.																					
<i>Securities and precious metals trading portfolios</i>	Valuation at market price.																					
<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 date of acquisition 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 are fully depreciated in the year of purchase, while those valued at over CHF 30,000 are depreciated using a rate of 10% - 50% of the purchase cost. All other fixed assets are shown on the balance sheet at the lower of purchase cost and market value. The periods and rates for ordinary depreciation are as follows:																					
	<table border="1"> <tr> <td>Fixed assets available for the bank's use</td> <td>50 years</td> <td>2,00%</td> </tr> <tr> <td>Renovation expenses</td> <td>3 years</td> <td>33,33%</td> </tr> <tr> <td>Equipment</td> <td>3 years</td> <td>33,33%</td> </tr> <tr> <td>Furniture</td> <td>3 years</td> <td>33,33%</td> </tr> <tr> <td>Business equipment and vehicles</td> <td>3 years</td> <td>33,33%</td> </tr> <tr> <td>IT Hardware/Software</td> <td>3 years</td> <td>33,33%</td> </tr> <tr> <td>Intangibles</td> <td>5 years</td> <td>20,00%</td> </tr> </table>	Fixed assets available for the bank's use	50 years	2,00%	Renovation expenses	3 years	33,33%	Equipment	3 years	33,33%	Furniture	3 years	33,33%	Business equipment and vehicles	3 years	33,33%	IT Hardware/Software	3 years	33,33%	Intangibles	5 years	20,00%
Fixed assets available for the bank's use	50 years	2,00%																				
Renovation expenses	3 years	33,33%																				
Equipment	3 years	33,33%																				
Furniture	3 years	33,33%																				
Business equipment and vehicles	3 years	33,33%																				
IT Hardware/Software	3 years	33,33%																				
Intangibles	5 years	20,00%																				
<i>Real estate</i>	Goodwill from the merger of the former Banca Gesfid was fully amortised during the current year.																					

*Derivative financial instruments*

Valuation is effected at market prices (marked-to-market). The use of derivative financial instruments for the bank's own account is mainly for hedging purposes and only marginally for trading operations within limits established by internal regulations.

*Principles applied in the identification of risk of loss and calculation of value adjustments*

Credits are assessed regularly, at least once a year. Where the risk warrants it, the assessment is carried out more frequently and in a timely manner, particularly for non-performing loans. Where a need is identified to raise provisions for the unsecured portion, these are booked immediately.

*Collateral assets for loans*

The realizable value is calculated on the basis of the market price or sale value, from which the costs of disposal and refinancing are deducted.

*Risk management*

The risk management policy, examined every year by the Board of Directors, constitute the basis of the Bank's risk management process. This is combined with a structure of limits, defined for every identified risk category, which is checked constantly, with particular regard to the risks indicated below.

The Board of Directors carries out sufficient risk valuations in order to guarantee that the risk of a significant error in the annual accounts can be considered as low. In accordance with the laws in force, the Bank has established a set of Regulations in place for the consolidated Supervision of the COFI (Banking & Finance) Group. These Regulations set out – in an integrated framework – the risk management guidelines to be followed by all COFI (Banking & Finance) Group companies. Risk management is an integral part of the internal control system provided by FINMA circular 08/24.

The Bank's internal control system is supervised by the Board of Directors, which lays down its operational guidelines and periodically checks its adequacy and effective functioning. The Board is supported in this task by the Audit Committee, which has advisory and recommendation functions, and by the Risk Committee (RICO), which is responsible for defining the processes for integrated measurement, management and control of risks throughout the Coparfin Group. The RICO meets at least every quarter and benefits from an integrated Group risk reporting system. Internal Audit checks and evaluates the internal control system, and helps in constantly fine-tuning it.

*Credit risk*

Risk management and control are governed by a set of Regulations approved by the Board of Directors. These Regulations provide for the establishment of a Credit Committee. Credit risk is controlled through a system of exposure limits and geographic concentration (country risk) for which there are specific provisions. Counterparties and guarantees provided are analysed quantitatively and qualitatively. Capital requirements for credit risk are calculated using the standard method with the replacement principle.

*Market risk*

Management and control of market risk associated with asset and liability management are governed by a set of Regulations approved by the Board of Directors. These Regulations provide for the establishment of an Asset&Liability Committee (ALCO).

Interest-rate risk is controlled through indicators that measure the income effect and the value effect, as calculated on the basis of stress tests. Exchange rate risk is controlled by a system of exposure limits.

Interest-rate risk is hedged using derivatives (FRAs and IRSs).

### Market risk (trading portfolio)

With respect to its trading portfolio, the Bank is a market maker on the primary market for bonds denominated in Swiss francs. It is also active in currency, bond and equity trading.

Management and control of the market risk associated with trading activities are governed by a set of Regulations approved by the Board of Directors and by internal rules and regulations issued by the management.

The market risk associated with the trading portfolio is controlled using a system of exposure limits, the results of which are reported to the management.

Capital requirements for market risk are calculated using the standardised approach.

### Liquidity risk

The management and control of liquidity risk are governed by the Board of Directors and the management through the Liquidity policy. Liquidity risk is monitored in accordance with the law.

### Operational risk

The management and control of operational risk, which includes legal and compliance risks, are governed by the Board of Directors through a set of Regulations and by the management through internal rules and regulations.

Operational risk is monitored through a system of loss recognition, the results of which are submitted to the management. Operating risk is mitigated as follows:

- Processes: the Bank manages its activities, especially those that may be affected by external events, in accordance with the legal and ethical provisions applicable to the banking sector and ensuring that operational orders and contracts with customers are transparent and clearly understood. The Bank applies the principles of segregation of duties.
- 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 approach of the COFI (Banking & Finance) Group to risk management.

As regards compliance risk and its impact on the bank's reputation risk mitigation is achieved through the constant training and awareness raising of staff, at all levels, a clear definition of its work processes and responsibilities, as well as the dissemination of a corporate culture founded, among others, on the pillars of total integrity and uncompromising ethical and professional standards. To this end, the Bank has instituted a PKB Charter of Values, which has been presented and discussed throughout the Bank. The Bank has also a Legal & Compliance department that covers all compliance activities.

- Internal systems: the Bank has the internal and external expertise to ensure the in-house development and maintenance of its IT system;
- External events: the Bank has implemented security measures designed specifically to prevent unauthorised persons from accessing areas where "sensitive" documents are stored. The management has prepared a General Continuity Plan with a detailed analysis, to ensure the continuity of its activities and cope with the different scenarios outlined therein, and has identified the minimum resources necessary to do so.

Capital requirements for operational risk are calculated according to the basic indicator principle.

### Legal risk

To prevent risks, the bank ensures that its activity particularly that involving any external impact, is governed by legal and ethical standards applicable in the banking sector, and by ensuring knowledge and transparency in its operational and contractual relations with clients.

*Reputational and compliance risks*

Mitigation of reputational risk is achieved through constant training and actions to increase awareness of staff at all levels, through a clear definition of operational processes and responsibilities, and by disseminating a corporate culture based on an irreproachable activity and the highest standards of professional ethics.

A PKB Charter of Values was also introduced. This was presented and discussed at all levels throughout the Bank.

The Bank has a Legal and Compliance department that covers all aspects of compliance.

*Bank policy in the use of derivative  
financial instruments*

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Positions taken in derivative instruments are, in general, held on behalf of clients. For the structural management of the balance sheet, the bank hedges interest rate risk via the use of Interest Rate Swaps and Forward Rate Agreements.

### 3. Information on the balance sheet

Assets pledged or assigned to secure own liabilities and assets subject to ownership reservation	AMOUNTS IN CHF/000	2010	2009
Securities pledged		21.124	21.090
Effective obligations		0	0

Liabilities to own pension plans	AMOUNTS IN CHF/000	2010	2009
<b>Total</b>		8.336	10.245

The Bank's employees are affiliated to an autonomous and independent social welfare institution, in accordance with legal requirements governing occupational pension schemes in Switzerland (LPP). The rules of the fund are based on those of a defined contributions scheme. 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. To complete the occupational pension arrangements under the terms of federal law, a foundation of a social nature has been established – i.e. patronage – based pension funds, autonomous and independent. This foundation may provide assistance to employees.

Employees of the former Banca Gesfid SA had occupational pension cover with a legally independent collective pension fund up to 31 December 2010 (the date of the merger). Banca Gesfid SA employees were members of three different pension plans: a basic plan for all employees and two supplementary plans for management grades. Contributions were paid to a collective pension fund of a legally independent insurance company. The fund bore the costs of providing a pension to employees and their surviving relatives pursuant to occupational pension legislation. From 1 January 2011, the employees of the former Gesfid SA were transferred to PKB Privatbank AG's pension fund.

Value adjustments and provisions / Reserves for general banking risks								AMOUNTS IN CHF/000	
	Balance end of preceding year (Dec. 31, 2009)	Effect of the merger with Banca Gesfid at Dec. 31, 2010	Specific usage and reversals	Change in definition of purpose (reclassifications)	Recoveries, doubtful interest, currency differences	New creation charged to income statement	Reversals credited to income statement	Balance end of current year (Dec. 31, 2010)	
Value adjustments and provisions for default risks (credit and country risks)	2.334	3.184	-341		-28	18	-374	4.793	
Value adjustments and provisions for other business risks	8.400	151		-151			-5.000	3.400	
Restructuring provisions		510						510	
Other provisions	12.817	2.557	-1.601	151	-10	5.326	-1.245	17.995	
<b>Total value adjustments and provisions</b>	<b>23.551</b>	<b>6.402</b>	<b>-1.942</b>	<b>0</b>	<b>-38</b>	<b>5.344</b>	<b>-6.619</b>	<b>26.698</b>	
Less: Value adjustments directly netted with assets									
<b>Total value adjustments and provisions as per balance sheet</b>	<b>23.551</b>							<b>26.698</b>	
<b>Reserves for general banking risks</b>	<b>59.518</b>					<b>4.785</b>	<b>-28.500</b>	<b>35.803</b>	

Breakdown of other assets and other liabilities	AMOUNTS IN CHF/000			
	2010		2009	
	Other assets	Other liabilities	Other assets	Other liabilities
Replacement values	7.614	9.424	3.458	4.157
Indirect taxes	176	5.116	151	4.493
Other	70	56	36	51
<b>Total</b>	<b>7.860</b>	<b>14.596</b>	<b>3.645</b>	<b>8.701</b>

Statement of changes in shareholders' equity	AMOUNTS IN CHF/000
<b>Shareholders' equity as at January 1, 2010</b>	
Share capital paid-in	16.000
General legal reserve	35.500
General legal reserve	204.000
Reserves for general banking risks	59.518
Disposable profit	21.013
<b>Total shareholders' equity as at January 1, 2010 (before distribution of profit)</b>	<b>336.031</b>
+ Allocation to general legal reserve	1.800
+ Allocation to other reserves	1.000
+ Capital increase	
+ Premium over par value	
- Dissolution of reserve for general banking risks	-23.715
- Dividend and other distributions of retained earnings brought forward	-20.800
+ Profit for the year	12.512
<b>Total shareholders' equity as at December 31, 2010 (before distribution of profit)</b>	<b>306.828</b>
Thereof:	
Share capital paid-in	16.000
General legal reserve	37.300
Other reserves	205.000
Reserves for general banking risks	35.803
Disposable profit	12.725

Amounts due from and due to group companies as well as loans and exposure to members of the bank's governing bodies	AMOUNTS IN CHF/000		2010	2009
Amount receivable from group companies			59.252	30.753
Liabilities to group companies			662	73.259
Loans to bank's governing bodies			6.932	2.990

Loans granted to the management are awarded under the same conditions applied to Bank staff.  
Transactions with affiliated companies were carried out at arm's length and concern securities transactions, payments and treasury activities.

Capital structure	AMOUNTS IN CHF/000			2010			2009		
	Total par value	Number of shares	Dividend bearing capital	Total par value	Numbers of shares	Dividend bearing capital			
Share capital	16.000	16.000	16.000	16.000	16.000	16.000			
<b>Total capital</b>	<b>16.000</b>	<b>16.000</b>	<b>16.000</b>	<b>16.000</b>	<b>16.000</b>	<b>16.000</b>			

Significant shareholders	AMOUNTS IN CHF/000		2010		2009	
	Par value	Participation in %	Nominale	Quota in % in %		
Voting shareholder: COFI SA, Luxembourg	16.000	100.00	16.000	100.00		

There are neither conditional share capital nor significant non-voting shareholders.

The Compagnie de l'Occident pour la Finance et l'Industrie SA is a Luxembourg company listed on the stock exchange.  
The family of the late Serafino Trabaldo Togna, Minusio (TI), indirectly controls 51,6% of the voting rights of the latter company.

#### 4. Information on off-balance sheet transactions

Breakdown of fiduciary transactions	AMOUNTS IN CHF/000	2010	2009	VARIAZIONE
Fiduciary transactions with third-party banks		359.412	621.875	-262.463
Fiduciary transactions with banks of the group and associated banks		262.269	291.590	-29.321
Loans and other financial transactions		27.580	33.720	-6.140
<b>Total</b>		<b>649.261</b>	<b>947.185</b>	<b>-297.924</b>

#### 5. Information on the income statement

Breakdown of results from trading operations	AMOUNTS IN CHF/000	2010	2009	CHANGE
Foreign exchange and banknotes		6.622	9.213	-2.591
Precious metals		293	253	+40
Securities		3.518	8.121	-4.603
Other		-330	122	-452
<b>Total</b>		<b>10.103</b>	<b>17.709</b>	<b>-7.606</b>

#### Amortisation of intangible assets

The total of CHF 30,7 million mainly comprised CHF 25,3 million relating to the full amortisation of goodwill from the merger with Banca Gesfid and ordinary amortisation on fixed assets of CHF 4,1 million.

#### Extraordinary revenues and expenses

Extraordinary revenues mainly consist of the elimination of provisions no longer considered financially necessary totalling CHF 6,5 million and the elimination of reserves for general banking risks of CHF 28,5 million. Extraordinary costs mainly consist of the creation of reserves for general banking risks totalling CHF 4,8 million and other provisions of CHF 3,6 million.

**REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS**

To the General Meeting  
of PKB Privatbank AG, Lugano

As statutory auditor, we have audited the accompanying financial statements of PKB Privatbank SA which comprise the balance sheet, income statement and notes, on pages 12 to 25, for the year ended 31 December 2010.

*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 2010 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 Code of Obligations (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.

Lugano, March 28th, 2011

**Ernst & Young SA**

Mario Mosca  
(Auditor in charge)

Marco Laganara





## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated companies:

PKB Privatbank AG, Lugano

PKB Privatbank Limited, St. John's, Antigua (W.I.)

Banca Gesfid SA, Lugano\*

*\*from 1.09.2010 to 31.12.2010 (the date of the merger)*

Parent company

Subsidiary company (100%)

Subsidiary company (100%)

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2010

Assets	AMOUNTS IN CHF	2010	2009
Liquid assets		22.688.968,65	98.119.678,20
Money market instruments		0,00	15.057.117,31
Due from banks		1.161.608.709,58	1.222.187.346,58
Due from customers		293.649.874,01	219.231.800,08
Mortgage loans		102.151.478,99	51.151.243,64
Securities and precious metals trading portfolios		1.078.147,52	4.494.052,68
Financial investments		73.587.834,22	66.508.480,24
Unconsolidated participations		41.007.498,94	52.697.592,30
Tangible fixed assets		74.167.014,77	61.224.142,26
Intangible assets		23.590.000,00	3.022.638,86
Accrued income and prepaid expenses		6.021.562,22	4.171.996,02
Other assets		8.365.367,20	4.186.445,93
<b>Total assets</b>		<b>1.807.916.456,10</b>	<b>1.802.052.534,10</b>
<i>Total subordinated assets</i>		<i>0,00</i>	<i>0,00</i>
<i>Total due from group companies and significant shareholders</i>		<i>0,00</i>	<i>0,00</i>

Liabilities	AMOUNTS IN CHF	2010	2009
Due to banks		10.272.025,81	85.883.712,33
Due to customers on savings and deposit accounts		1.194.874,59	748.243,39
Due to customers, other		1.402.153.758,53	1.313.471.142,98
Cash bonds		760.000,00	50.000,00
Accrued expenses and deferred income		14.718.823,94	10.272.230,77
Other liabilities		14.777.753,80	8.767.294,17
Value adjustments and provisions		36.087.034,18	35.876.319,68
Reserves for general banking risks		57.393.000,00	60.763.367,67
Share capital		16.000.000,00	16.000.000,00
Consolidated reserves		252.220.223,11	248.864.213,75
Group profit		2.338.962,14	21.356.009,36
<b>Total liabilities</b>		<b>1.807.916.456,10</b>	<b>1.802.052.534,10</b>
<i>Total subordinated liabilities</i>		<i>0,00</i>	<i>0,00</i>
<i>Total due to group companies and significant shareholders</i>		<i>28.810.543,36</i>	<i>15.081.488,92</i>

**CONSOLIDATED OFF-BALANCE SHEET OPERATIONS**

	AMOUNTS IN CHF	2010	2009
Contingent liabilities		70.238.437,16	69.417.607,38
Irrevocable commitments		8.086.285,27	4.650.229,00
Uncalled liabilities to pay in capital or additional capital on shares		3.475.287,93	4.754.956,10
Credit commitments			
Derivative instruments:			
Positive replacement value		8.761.101,98	3.825.023,76
Negative replacement value		10.570.706,97	4.524.148,16
Contract volume		569.663.421,11	206.833.517,00
Fiduciary transactions		432.694.721,33	735.696.045,06

## CONSOLIDATED INCOME STATEMENT

	AMOUNTS IN CHF	2010	2009
<b>Results from interest activities</b>			
Interest and discount income		12.615.375,57	16.064.120,89
Interest and dividend income on trading portfolios		45.185,89	66.406,22
Interest and dividend income on financial investments		1.420.443,70	1.093.512,79
Interest expense		-3.281.637,06	-4.149.497,17
<b>Subtotal: Net interest income</b>		<b>10.799.368,10</b>	<b>13.074.542,73</b>
<b>Results from commission and service fee activities</b>			
Commission income on lending activities		1.510.823,24	1.201.892,68
Commission income from securities and investment business		42.982.738,46	42.480.127,39
Other commission income		11.919.198,48	11.201.719,20
Commission expenses		-8.113.566,90	-10.139.497,22
<b>Subtotal: Results from commission and service fee activities</b>		<b>48.299.193,28</b>	<b>44.744.242,05</b>
<b>Results from trading operations</b>		<b>10.978.013,61</b>	<b>17.836.652,43</b>
<b>Other ordinary results</b>			
Income from disposal of financial investments		349.248,25	662.780,34
Income from unconsolidated participations		194.790,00	526.702,10
Real estate income		843.032,69	803.972,20
Other ordinary income		398.925,13	1.544.809,62
Other ordinary expenses		-138.990,56	-624.669,74
<b>Subtotal: Other ordinary results</b>		<b>1.647.005,51</b>	<b>2.913.594,52</b>
<b>Operating expenses</b>			
Personnel expenses		-40.247.732,76	-35.220.464,14
General administrative expenses		-12.706.807,98	-10.811.879,58
<b>Subtotal: Operating expenses</b>		<b>-52.954.540,74</b>	<b>-46.032.343,72</b>
<b>Gross profit</b>		<b>18.769.039,76</b>	<b>32.536.688,01</b>
Depreciation and write-offs on fixed assets		-25.226.932,49	-14.358.510,73
Value adjustments, provisions and losses		-2.403.143,96	-2.597.437,11
<b>Result before extraordinary items and taxes</b>		<b>-8.861.036,69</b>	<b>15.580.740,17</b>
Extraordinary income		17.502.403,96	12.305.589,29
Extraordinary expenses		-5.053.477,51	-100.000,00
Taxes		-1.248.927,62	-6.430.320,10
<b>Group net profit</b>		<b>2.338.962,14</b>	<b>21.356.009,36</b>

CONSOLIDATED CASH FLOW STATEMENT

	AMOUNTS IN CHF/000			
			2010	2009
	Sources of funds	Application of funds	Sources of funds	Application of funds
<b>Cash flow from operating activities (internal sources)</b>				
Net income	2.339		21.356	
Depreciation and write-offs on non-current assets	25.227		14.359	
Value adjustments and provisions	1.932		2.000	
Accrued income and prepaid expenses		1.850	1.427	
Accrued expenses and deferred income	4.447		2.365	
Other items		2.902		10.663
Dividend of preceding year		18.000		22.500
<b>Balance</b>	<b>11.193</b>		<b>8.344</b>	
<b>Cash flow from investing activities</b>				
Unconsolidated participations		2.317		9.026
Real estate		17.799		396
Other fixed assets		1.655		3.466
Intangible assets		25.276		
<b>Balance</b>		<b>47.047</b>		<b>12.888</b>
<b>Cash flow from banking activities</b>				
<b>Medium and long-term transactions (more than 1 year)</b>				
Due to banks				
Due to customers				
Cash bond issues	760			50
Due from banks				
Due from customers		13.360	12.927	
Mortgage Loans		43.792		19.094
Financial investments		11.224		24.049
<b>Short-term transactions</b>				
Due to banks		75.612	25.830	
Due to customers	89.129		313.458	
Due from money market instruments	15.057		24.617	
Due from banks	60.579			380.902
Due from customers		61.058	42.261	
Mortgage Loans		7.208	11.018	
Securities and precious metals portfolios	3.416			3.954
Other assets		4.179	9.318	
Other liabilities	6.010			9.532
Other items	1.905		8.742	
<b>Liquidity</b>				
Cash	75.431			6.046
<b>Balance</b>	<b>35.854</b>		<b>4.544</b>	

## NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

### 1. Operations and staff

The PKB Group is present in Switzerland in Lugano, Bellinzona, Geneva and Zurich, and through its subsidiary PKB Privatbank Limited, in Antigua (W.I.). The principal activities of the Group are private banking and commercial and financial operations. The headcount, expressed as full-time employees, at the end of 2010 was 230 (2009: 180). All of the bank's activities are followed internally, without recourse to outsourcing.

### 2. Accounting and valuation principles used

<i>Consolidation principles</i>	The accounting principles of the Group comply with the provisions of the Swiss Federal Law on Banks and Savings Banks, and the accounting regulations of the Swiss Financial Markets Supervisory Authority (FINMA). The consolidation is prepared using the purchase method.	
<i>Fully-consolidated participations</i>	The consolidated financial statements contain the annual accounts of PKB Privatbank AG, Lugano and PKB Privatbank Ltd, St. John's, Antigua.	
<i>Accounting and valuation principles</i>	The accounts are established by recording operations on the date of the transaction. The accounting principles set out below have been used.	
<i>Foreign funds and currencies</i>	Valuation at year-end rates. Exchange differences have been booked in the income statement under "Results from trading operations". Exchange rates used for the main currencies were as follows: EUR 1,2433 (2009: 1,4841); USD 0,9371 (2009: 1,0299).	
<i>Credits and general liabilities</i>	Valuation at nominal value.	
<i>Securities and precious metals trading portfolios</i>	Valuation at market price.	
<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 date of acquisition and the maturity date.	
<i>Non fully-consolidated participations</i>	Participation not exceeding 20%.	Valuation at acquisition price, after deduction of any economically necessary depreciation.
	Participation between 20% and 50%:	Valuation at equity value.
	Irrespective of the percentage of participation, companies which are not material for a proper valuation of the Group's assets or revenues have been valued at acquisition price, less such depreciation as is economically necessary.	
<i>Tangible fixed assets</i>	Stated at acquisition cost after necessary deductions for ordinary depreciation. Works of art are not depreciated. Works of art valued at less than CHF 30,000 are fully depreciated in the year of purchase, while those valued at over CHF 30,000 are depreciated using a rate of 10% - 50% of the purchase cost. All other fixed assets are shown on the balance sheet at the lower of purchase cost and market value. Depreciation is charged using the straight-line method. The periods and rates used for depreciation are as follows:	
	Buildings	50 years      2,00 %
	Renovation expenses	20 years      5,00 %
	Equipement	10 years      10,00 %
	Furniture	10 years      10,00 %
	Business equipment and vehicles	5 years      20,00 %
	Hardware/Software	3 years      33,33 %
	Intangible assets	5 years      20,00 %

<i>Intangible assets</i>	Intangible assets exposed to the budget relate to the goodwill paid for the acquisition of Bank Gesfid SA.
<i>Credit risks</i>	Where necessary, the bank makes appropriate provisions, which are booked under “Value adjustments and provisions”.
<i>Doubtful interest</i>	Interest and commissions overdue by 90 days are not recognized as revenues but are booked under provisions. The concerned loans are considered as non-performing.
<i>Revenues from trading activities</i>	These revenues are recorded in the income statement before deduction of refinancing expenses.
<i>Contingent liabilities, irrevocable commitments payment commitments and guarantee liabilities</i>	These are reported as off-balance sheet items at nominal value. Provisions for known risks are reported under “Value adjustments and provisions”.
<i>Derivative financial instruments</i>	Valuation is effected at market prices (marked-to-market). The use of derivative financial instruments for the bank’s own account is mainly for hedging purposes and only marginally for trading operations within limits established by internal regulations.
<i>Principles applied in the identification of risk of loss and calculation of value adjustments</i>	Credits are assessed regularly, at least once a year. Where the risk warrants it, the assessment is carried out more frequently and in a timely manner, particularly for non-performing loans. Where a need is identified to raise provisions for the unsecured portion, these are booked immediately.
<i>Collateral assets for loans</i>	The realizable value is calculated on the basis of the market price or sale value, from which the costs of disposal and refinancing are deducted.
<i>Risk management</i>	The risk management policy, examined every year by the Board of Directors, constitutes the basis of the Bank’s risk management process. This is combined with a structure of limits, defined for every identified risk category, which is checked constantly, with particular regard to the risks indicated below. The Board of Directors carries out sufficient risk valuations in order to guarantee that the risk of a significant error in the annual accounts can be considered as low. In accordance with the laws in force, the Bank has established a set of Regulations in place for the consolidated Supervision of the COFI (Banking & Finance) Group. These Regulations set out – in an integrated framework – the risk management guidelines to be followed by all Coparfin Group companies. Risk management is an integral part of the internal control system provided for by FINMA circular 08/24. The Bank’s internal control system is supervised by the Board of Directors, which lays down its operational guidelines and periodically checks its adequacy and effective functioning. The Board is supported in this task by the Audit Committee, which has advisory and recommendation functions, and by the Risk Committee (RICO), which is responsible for defining the processes for the integrated measurement, management and control of risks throughout the COFI (Banking & Finance) Group. The RICO meets at least every quarter and benefits from an integrated Group risk reporting system. Internal Audit checks and evaluates the internal control system, and helps to constantly fine-tune it.
	<u><i>Credit risk</i></u> Risk management and control are governed by a set of Regulations approved by the Board of Directors. These Regulations provide for the establishment of a Credit Committee. Credit risk is controlled through a system of exposure limits and geographic concentration (country risk) for which there are specific provisions. Counterparties and guarantees provided are analysed quantitatively and qualitatively. Capital requirements for credit risk are calculated using the standard method with the replacement principle.

### Market risk

Management and control of market risk associated with asset and liability management are governed by a set of Regulations approved by the Board of Directors. These Regulations provide for the establishment of an Asset&Liability Committee (ALCO). Interest-rate risk is controlled through indicators that measure the income effect and the value effect, as calculated on the basis of stress tests. Exchange-rate risk is controlled by a system of exposure limits.

Interest-rate risk is hedged using derivatives (FRAs and IRSs).

### Market risk (trading portfolio)

With respect to its trading portfolio, the Bank is a market maker on the primary market for bonds denominated in Swiss francs. It is also active in currency, bond and equity trading.

Management and control of the market risk associated with trading activities are governed by a set of Regulations approved by the Board of Directors and by internal rules and regulations issued by the management.

The market risk associated with the trading portfolio is controlled using a system of exposure limits, the results of which are reported to the management.

Capital requirements for market risk are calculated using the standardised approach.

### Liquidity risk

The management and control of liquidity risk are governed by the Board of Directors and the management. Liquidity risk is monitored in accordance with the law.

### Operational risk

The management and control of operational risk, which includes legal and compliance risks, are governed by the Board of Directors through a set of Regulations and by the management through internal rules and regulations.

Operational risk is monitored through a system of loss recognition, the results of which are submitted to the management. Operating risk is mitigated as follows:

- Processes: the Bank manages its activities, especially those that may be affected by external events, in accordance with the legal and ethical provisions applicable to the banking sector and ensuring that operational orders and contracts with customers are transparent and clearly understood. The Bank applies the principles of segregation of duties.
- 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 approach of the COFI (Banking & Finance) Group to risk management.

As regards compliance risk and its impact on the bank's reputation risk mitigation is achieved through the constant training and awareness raising of staff, at all levels, a clear definition of its work processes and responsibilities, as well as the dissemination of a corporate culture founded, among others, on the pillars of total integrity and uncompromising ethical and professional standards. To this end, the Bank has instituted a PKB Charter of Values, which has been presented and discussed throughout the Bank. The Bank has also a Legal & Compliance department that covers all compliance activities.

- Internal systems: the Bank has the internal and external expertise to ensure the in-house development and maintenance of its IT system;
- External events: the Bank has implemented security measures designed specifically to prevent unauthorised persons from accessing areas where "sensitive" documents are stored. The management has prepared a General Continuity Plan with a detailed analysis, to ensure the continuity of its activities and cope with the different scenarios outlined therein, and has identified the minimum resources necessary to do so.

Capital requirements for operational risk are calculated according to the basic indicator principle.

Legal risk

To prevent risks, the bank ensures that its activity particularly that involving any external impact, is governed by legal and ethical standards applicable in the banking sector, and by ensuring knowledge and transparency in its operational and contractual relations with clients.

Reputational and compliance risks

Mitigation of reputational risk is achieved through constant training and actions to increase awareness of staff at all levels, through a clear definition of operational processes and responsibilities, and by disseminating a corporate culture based on an irreproachable activity and the highest standards of professional ethics.

A PKB Charter of Values was also introduced. This was presented and discussed at all levels throughout the Bank.

The Bank has a Legal and Compliance department that covers all aspects of compliance.

*Bank policy in the use of derivative  
financial instruments*

Positions taken in derivative instruments are, in general, held on behalf of clients.

For the structural management of the balance sheet, the Bank hedges interest rate risk via the use of Interest Rate Swaps and Forward Rate Agreements.

### 3. Information on the consolidated balance sheet

Schedule of collateral for loans and off-balance sheet transactions	AMOUNTS IN CHF/000			TOTAL
	Mortgage collateral	Other collateral	Whitout collateral	
<b>Loans</b>				
Due from customers	34.296	225.120	34.234	293.650
Mortgage loans	102.151			102.151
residential	72.889			
commercial	28.958			
industrial	304			
<b>Total loans</b>	<b>136.447</b>	<b>225.120</b>	<b>34.234</b>	<b>395.801</b>
<i>Preceding year</i>	<i>54.230</i>	<i>196.521</i>	<i>19.632</i>	<i>270.383</i>
<b>Off-balance sheet transactions</b>				
Contingent liabilities	1.631	48.967	19.641	70.239
Irrevocable commitments		1.580	6.506	8.086
Credit commitments		3.475		3.475
<b>Total off-balance sheet transactions</b>	<b>1.631</b>	<b>54.022</b>	<b>26.147</b>	<b>81.800</b>
<i>Preceding year</i>	<i>665</i>	<i>51.414</i>	<i>26.744</i>	<i>78.823</i>

Doubtful loans	AMOUNTS IN CHF/000			
	Gross amount	Estimated realizable value of collateral	Net amount	Provisions
Current year	1.384		1.384	1.384
<i>Preceding year</i>	<i>2.684</i>	<i>853</i>	<i>1.831</i>	<i>1.865</i>

Securities and precious metals trading portfolios	AMOUNTS IN CHF/000		2010	2009
Debt instruments				
Exchange listed				3.930
Unlisted				
Shares and similar securities and rights			1.063	552
Precious metals			15	12
<b>Total securities and precious metals trading portfolios</b>			<b>1.078</b>	<b>4.494</b>
<i>of which securities eligible for discount at the Swiss National Bank</i>				<i>1.232</i>

Financial investments	AMOUNTS IN CHF/000		2010	2009	2010	2009
			Book value	Book value	Market value	Market value
Debt instruments						
of which held to maturity			54.447	45.272	56.838	47.129
of which carried at the lower of cost or market			1.482	2.201	1.482	2.201
Shares and similar securities and rights			17.659	19.035	18.203	19.685
of which qualified participations						
Precious metals						
Fixed assets						
<b>Total financial investments</b>			<b>73.588</b>	<b>66.508</b>	<b>76.523</b>	<b>69.015</b>
<i>of which securities eligible for discount at the Swiss National Bank</i>			<i>22.440</i>	<i>24.862</i>		

Unconsolidated participations	AMOUNTS IN CHF/000		2010	2009
Participations				
With market value				
Without market value			41.007	49.172
<b>Total participations</b>			<b>41.007</b>	<b>49.172</b>

Information on participations	AMOUNTS IN CHF/000						
Main unconsolidated participations	Valuation method	Registered office	Activity	Currency	Share capital amount in/000	Equity interest in % 2010	Equity interest in % 2009
Cassa Lombarda SpA	Equity	Milano	Istituto di credito	EUR	18.000	33.94%	33.94%
Anthilia Capital Partners SpA	Equity	Milano	Società finanziaria	EUR	4.371	36.60%	38.80%
EIH Endurance Investments Holding SA	Equity	Lugano	Holding finanziaria	CHF	100	25.00%	25.00%
Euroceanica (UK) Limited	At Cost	Londra	Holding finanziaria	USD	20.000	0.00%	4.66%
Rasini & C. SA	At Cost	Lugano	Società fiduciaria	CHF	336	30.06%	30.06%
Valuevalor SA	At Cost	Lugano	Società fiduciaria	CHF	1.000	100.00%	100.00%
Queluz Gestao de Ativos Ltda	At Cost	San Paolo	Società finanziaria	BRL	1.248	10.00%	
Planetarium Advisor SA	At Cost	Lussemburgo	Advisor di fondi	EUR	75		100.00%

In 2010, the shareholding in Euroceanica (UK) Limited was sold to COFI SA, Luxembourg. The shareholding in Rasini & C. SA was valued at cost (at equity in 2009) as the sale was arranged for 2011.

Fixed assets and participations	AMOUNTS IN CHF/000				2010					
	Historical cost	Write-offs/ Accumulated depreciation	Book value as at Dec. 31, 2009	Change in the consolidation perimeter	Reclassification	Additions	Disposals	Write-offs	Value adjustments for equity method valuation	Book value end of current year
<b>Participations</b>										
valued by "equity" method	37.145	7.043	44.188		-1.746	6.545			-14.007	34.980
Other	22.770	-14.260	8.510		1.746	1.643	7.510		1.638	6.027
<b>Total participations</b>	<b>59.915</b>	<b>-7.217</b>	<b>52.698</b>		<b>0</b>	<b>8.188</b>	<b>7.510</b>		<b>-12.369</b>	<b>41.007</b>
<b>Properties</b>										
Building for bank use, Lugano	48.682	-17.163	31.519			854		1.424		30.949
Building for bank use, Zurich	9.297	-6.701	2.596			14		145		2.465
Building for bank use, Geneva	12.960	-6.649	6.311			136		431		6.016
Other	9.954	-3.492	6.462	14.000						20.462
<b>Other fixed assets</b>	<b>41.754</b>	<b>-27.418</b>	<b>14.336</b>	<b>289</b>		<b>4.161</b>		<b>4.511</b>		<b>14.275</b>
<b>Total tangible fixed assets</b>	<b>122.647</b>	<b>-61.423</b>	<b>61.224</b>	<b>14.289</b>		<b>5.165</b>		<b>6.511</b>		<b>74.167</b>
<b>Assets under finance leases</b>										
<b>Other</b>										
<b>Intangible assets</b>										
Goodwill	41.609	-38.586	3.023			26.188		5.621		23.590
<b>Total intangible assets</b>	<b>41.609</b>	<b>-38.586</b>	<b>3.023</b>			<b>26.188</b>		<b>5.621</b>		<b>23.590</b>

#### Fire insurance value

<b>Buildings for use by the Bank</b>	<b>68.987</b>
<b>Other fixed assets</b>	<b>34.916</b>

Assets pledged or assigned to secure own liabilities and assets subject to ownership reservation	AMOUNTS IN CHF/000	2010	2009
Assets pledged		21.124	21.090
<b>Own liabilities</b>		<b>0</b>	<b>0</b>

Liabilities to own pension plans	AMOUNTS IN CHF/000	2010	2009
<b>Total</b>		<b>8.336</b>	<b>10.245</b>

Employees of the former Banca Gesfid SA had occupational pension cover with a legally independent collective pension fund up to 31 December 2010 (the date of the merger). Banca Gesfid SA employees were members of three different pension plans: a basic plan for all employees and two supplementary plans for management grades. Contributions were paid to a collective pension fund of a legally independent insurance company. The fund bore the costs of providing a pension to employees and their surviving relatives pursuant to occupational pension legislation. The company fully and continuously meets all the pension institution's pension obligations via payment of an insurance premium. As a result, the bank has no identifiable financial advantage nor any obligation to provide cover in respect of the foundation. The payment of contributions is the Bank's only financial commitment to the foundation.

Employees of the former Banca Gesfid SA had occupational pension cover with a legally independent collective pension fund up to 31 December 2010 (the date of the merger). Banca Gesfid SA employees were members of three different pension plans: a basic plan for all employees and two supplementary plans for management grades. Contributions were paid to a collective pension fund of a legally independent insurance company. The fund bore the costs of providing a pension to employees and their surviving relatives pursuant to occupational pension legislation. From 1 January 2011, the employees of the former Gesfid SA were transferred to PKB Privatbank AG's pension fund.

Creation of reserves for employer contributions	AMOUNTS IN CHF/000			
	Nominal value at Dec. 31, 2010	Usage waived as at Dec. 31, 2010	Other value adjustments as at Dec. 31, 2010	Balance sheet as at Dec. 31, 2010
Patronage pension institution	1.300	1.300	–	–
Pension institution	–	–	–	–
<b>Total</b>	<b>1.300</b>	<b>1.300</b>	<b>–</b>	<b>–</b>

Economic benefits/liabilities and costs of pensions	AMOUNTS IN CHF/000				
	Surplus/ deficit as at Dec. 31, 2010	Company's economic benefit/ liability as at Dec. 31, 2010	Contributions offset during 2010	Contributions paid during the period and booked as personnel expenses	
				2010	2009
Employer's pension institution with a surplus	666	–	–	–	–
Pension institution with a deficit	–346	–	–	2.535	2.450
<b>Totale</b>		<b>–</b>	<b>–</b>	<b>2.535</b>	<b>2.450</b>

There were no contribution reserves nor economic advantages or obligations to provide cover by the employer contained in the pension institution of the former Banca Gesfid SA at 31 December 2010. Contributions totalling CHF 200,374.43 were paid during the period 1 September to 31 December 2010 for employees of the former Banca Gesfid SA.

The Bank must determine for each pension plan whether the degree of coverage and the pension institution's particular situation will give rise to a financial advantage or commitment. The evaluation is based on the financial position at 31 December 2009 and trends in the financial position during 2010.

Based on estimates received from the employer's pension institution and the pension institution, the degree of coverage pursuant to art. 44 OPP2 (Occupational Pension Regulation) was 288.86% (versus 212.61% in 2009) and 102.30% (versus 102.90%) respectively:

	AMOUNTS IN CHF/000							
	Balance end of preceding year (Dec. 31, 2009)	Merger with Banca Gesfid 1.9.2010	Specific usage and reversals	Change in definition of purpose (reclassifications)	Recoveries, doubtful interest, currency differences	New creation charged to income statement	Reversal credited to income statement	Position at 31.12.2010 (aggregate)
Value adjustments and provisions for other business risks	13.216	4.304	–1.491				–2.222	13.807
Value adjustments and provisions for default risks (credit and country risks)	2.334	3.167	–341		–28	35	–374	4.793
Provisions for deferred taxes	8.400	151		–151			–5.000	3.400
Restructuring provisions			–205			715		510
Other provisions	11.926	125	–1.601	151	–10	2.986		13.577
<b>Total value adjustments and provisions</b>	<b>35.876</b>	<b>7.747</b>	<b>–3.638</b>	<b>0</b>	<b>–38</b>	<b>3.736</b>	<b>–7.596</b>	<b>36.087</b>
Less: Value adjustments directly netted with assets								
<b>Total value adjustments and provisions as per balance sheet</b>	<b>35.876</b>							<b>36.087</b>
<b>Reserves for general banking risks</b>	<b>60.763</b>					<b>4.785</b>	<b>–8.155</b>	<b>57.393</b>

Breakdown of other assets and other liabilities	AMOUNTS IN CHF/000		2010		2009	
	Other assets	Other liabilities	Other assets	Other liabilities	Other assets	Other liabilities
Replacement values	7.614	9.424	3.457	4.157		
Indirect taxes	176	5.116	151	4.494		
Other	575	238	578	117		
<b>Total</b>	<b>8.365</b>	<b>14.778</b>	<b>4.186</b>	<b>8.768</b>		

Statement of changes in shareholder's equity		AMOUNTS IN CHF/000	
<b>Shareholders' equity as at January 1, 2010</b>			
Share capital			16.000
less unpaid share capital			0
Share capital paid-in			16.000
Consolidated reserves			248.864
Reserves for general banking risks			60.763
Group profit			21.356
<b>Total shareholders' equity as at January 1, 2009 (before distribution of profit)</b>			<b>346.983</b>
+ Allocation to profit carried forward			2.800
+ Capital increase			
+ Premium over par value			
- Currency translation differences			
- Dissolution of reserve for general banking risk			-3.370
- Dividends and other distributions of retained earnings brought forward			-20.800
+ Net profit for the year			2.339
<b>Total shareholders' equity as at December 31, 2009 (before distribution of profit)</b>			<b>327'952</b>
thereof:			
Share capital paid-in			16.000
Consolidated reserves			252.220
Reserves for general banking risks			57.393
Group profit			2.339

Eligible capital	AMOUNTS IN CHF/000		31.12.2010	31.12.2009
<b>Gross Tier 1 capital</b>			<b>317.952</b>	<b>328.984</b>
of which minority interests				
of which innovative capital instruments				
- regulatory deductions			-64.597	-47.476
- other deductions from capital				
<b>Eligible Tier 1 capital</b>			<b>253.355</b>	<b>281.508</b>
+ eligible Tier 2 and Tier 3 capital				
- other deductions				
<b>Total eligible capital</b>			<b>253.355</b>	<b>281.508</b>

Required capital	AMOUNTS IN CHF/000		31.12.2010	31.12.2009
Credit risk (Swiss standardised approach)			65.414	50.493
of which for equities held in the banking book			3.828	5.207
Non – counter party – related risk (Swiss standardised approach)			21.162	17.192
Market risk (Swiss standardised approach)			4.486	6.123
of which for interest rate instruments			614	690
of which for participations			170	88
of which for foreign exchange, precious metals			3.702	5.345
of which for commodities			–	–
Operational risk (basic indicator approach)			11.869	13.534
<b>Total minimum capital requirements</b>			<b>102.931</b>	<b>87.342</b>
<b>Ratio between total eligible capital and minimum capital requirements according to Swiss law</b>			<b>246%</b>	<b>322%</b>

Maturity structure of current assets and borrowed funds								AMOUNTS IN CHF/000
	At sight	Redeemable by notice	Maturities within 3 months	within 3 to 12 months	within 1 to 5 years	over 5 years	Fixed	Total
<b>Current assets</b>								
Cash	22.689							22.689
Money market instruments								
Due from banks	86.007	306.295	716.119	53.188				1.161.609
Due from customers	115	137.290	102.193	38.695	8.664	6.693		293.650
Mortgage loans			6.706	20.106	72.787	2.552		102.151
Securities and precious metals trading portfolios	15		1.063					1.078
Financial investments			20.142		42.540	10.906		73.588
<b>Total current assets</b>	<b>108.826</b>	<b>443.585</b>	<b>846.223</b>	<b>111.989</b>	<b>123.991</b>	<b>20.151</b>	<b>0</b>	<b>1.654.765</b>
<i>Preceding year</i>	<i>270.846</i>	<i>749.394</i>	<i>449.606</i>	<i>127.207</i>	<i>63.017</i>	<i>16.679</i>	<i>0</i>	<i>1.676.749</i>
<b>Borrowed funds</b>								
Money market instruments								
Due to banks	8.008		2.264					10.272
Due to customers in savings and investment accounts		1.195						1.195
Due to customers, other	1.036.292	264.987	87.362	13.513				1.402.154
Cash bonds					760			760
<b>Total borrowed funds</b>	<b>1.044.300</b>	<b>266.182</b>	<b>89.626</b>	<b>13.513</b>	<b>760</b>	<b>0</b>	<b>0</b>	<b>1.414.381</b>
<i>Preceding year</i>	<i>957.653</i>	<i>367.306</i>	<i>60.120</i>	<i>15.074</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1.400.153</i>

Amount due from and due to group companies as well as loans And exposure to members of the bank's governing bodies	AMOUNTS IN CHF/000	2010	2009
Due from group companies		59.252	30.753
Due to group companies		662	73.259
Due from bank's governing bodies		6.932	2.990

Loans granted to the management are awarded under the same conditions applied to bank staff.  
Transactions with affiliated companies were carried out at arm's length and concern securities transactions, payments and treasury activities.

Analysis of assets and liabilities by Swiss and foreign origin	AMOUNTS IN CHF/000		2010		2009	
	Swiss	Foreign	Swiss	Foreign	Swiss	Foreign
<b>Assets</b>						
Cash	22.689		98.119	1		
Money market instruments				15.057		
Due from banks	107.660	1.053.949	54.205	1.167.982		
Due from customers	96.029	197.621	53.975	165.257		
Mortgage loans	102.151		51.151			
Securities and precious metals trading portfolios	430	648	1.332	3.162		
Financial investments	20.130	53.458	18.553	47.955		
Unconsolidated participations	4.944	36.063	3.610	49.088		
Fixed assets	74.109	58	61.189	35		
Intangible assets	23.590		623	2.400		
Accrued income and prepaid expenses		6.022		4.172		
Other assets	246	8.119	187	3.999		
<b>Total assets</b>	<b>451.978</b>	<b>1.355.938</b>	<b>342.944</b>	<b>1.459.108</b>		
<b>Liabilities and shareholders' equity</b>						
Due to banks	5.825	4.447	11.228	74.656		
Due to customers in savings and deposit accounts	965	230	614	134		
Due to customers, other	256.047	1.146.107	273.998	1.039.473		
Cash bonds	760		50			
Accrued expenses and deferred income	888	13.830	519	9.753		
Other liabilities	5.256	9.522	4.494	4.274		
Value adjustments and provisions	36.087		35.876			
Reserves for general banking risks	57.393		60.763			
Share capital	16.000		16.000			
Consolidated reserves	252.220		248.864			
Group profit	2.339		21.356			
<b>Total liabilities and shareholders' equity</b>	<b>633.780</b>	<b>1.174.136</b>	<b>673.762</b>	<b>1.128.290</b>		

Geographical analysis of assets	AMOUNTS IN CHF/000		2010		2009	
<b>Assets</b>		%				%
Italy	250.379	13.85	197.693		10.97	
Other OECD countries	996.741	55.13	1.171.514		65.01	
Other countries in America (non-members of OECD)	63.937	3.54	54.800		3.04	
Other countries	44.881	2.48	35.099		1.95	
<b>Total foreign assets</b>	<b>1.355.938</b>	<b>75.00</b>	<b>1.459.106</b>		<b>80.97</b>	
Switzerland	451.978	25.00	342.946		19.03	
<b>Total assets</b>	<b>1.807.916</b>	<b>100.00</b>	<b>1.802.052</b>		<b>100.00</b>	

Breakdown of assets and liabilities by currencies	CURRENCIES (equivalent in CHF/000)				
	CHF	USD	EUR	Other	Total
<b>Assets</b>					
Liquid assets	21.455	124	1.041	69	22.689
Money market instruments					
Due from banks	225.282	392.728	464.438	79.161	1.161.609
Due from customers	72.716	34.860	173.731	12.343	293.650
Mortgage loans	102.151				102.151
Securities and precious metals trading portfolios	430	523	67	58	1.078
Financial investments	38.410	3.051	32.127		73.588
Unconsolidated participations	4.944		34.420	1.643	41.007
Tangible fixed assets	74.167				74.167
Intangible assets	23.590				23.590
Accrued income and prepaid expenses	5.717	60	244	1	6.022
Other assets	7.817	516	13	19	8.365
<b>Total assets</b>	<b>576.679</b>	<b>431.862</b>	<b>706.081</b>	<b>93.294</b>	<b>1.807.916</b>
Forward contracts	49.963	151.058	223.341	31.419	455.781
<b>Long position</b>	<b>626.642</b>	<b>582.920</b>	<b>929.422</b>	<b>124.713</b>	<b>2.263.697</b>
<i>Long position preceding year</i>	<i>507.065</i>	<i>403.061</i>	<i>902.615</i>	<i>135.286</i>	<i>1.948.027</i>
<b>Liabilities and shareholders' equity</b>					
Due to banks	352	868	6.893	2.159	10.272
Due to customers in savings and deposit accounts	1.195				1.195
Due to customers, other	204.038	414.766	710.747	72.603	1.402.154
Cash bonds	760				760
Accrued expenses and deferred incomes	14.718				14.718
Other liabilities	14.467	9	302		14.778
Value adjustments and provisions	34.578	1.378	131		36.087
Reserves for general banking risks	57.393				57.393
Share capital	16.000				16.000
Consolidated reserves	252.220				252.220
Group profit	2.339				2.339
<b>Total liabilities</b>	<b>598.060</b>	<b>417.021</b>	<b>718.073</b>	<b>74.762</b>	<b>1.807.916</b>
Forward contracts	66.438	166.047	176.205	48.201	456.891
<b>Short position</b>	<b>664.498</b>	<b>583.068</b>	<b>894.278</b>	<b>122.963</b>	<b>2.264.807</b>
<i>Short position preceding year</i>	<i>562.815</i>	<i>395.949</i>	<i>853.819</i>	<i>135.174</i>	<i>1.947.757</i>
<b>Net long (short) position</b>	<b>-37.856</b>	<b>-148</b>	<b>35.144</b>	<b>1.750</b>	<b>-1.110</b>
<i>Net long (short) position preceding year</i>	<i>-55.750</i>	<i>7.112</i>	<i>48.796</i>	<i>112</i>	<i>270</i>

#### 4. Information on consolidated off-balance sheet transactions

Analysis of contingent liabilities	AMOUNTS IN CHF/000	2010	2009	CHANGE
Payment guarantees and similar instruments		52.694	51.975	+719
Performance guarantees and similar instruments		295	807	-512
Irrevocable commitments under documentary credits		17.249	16.636	+613
Other contingent liabilities				
<b>Total</b>		<b>70.238</b>	<b>69.418</b>	<b>+820</b>

Derivative instruments	AMOUNTS IN CHF/000	Trading instruments			Hedging instruments		
		Positive replacement value	Negative replacement value	Contract volume	Positive replacement value	Negative replacement value	Contract volume
<b>Interest rate derivatives</b>							
Forward contracts FRAs and IRS					186	894	77.520
Futures		20	11	8.316			
<b>Foreign exchange derivatives</b>							
Forward contracts		7.269	8.379	456.891			
Options (OTC)		35	35	756			
<b>Equity/Index derivatives</b>							
Options		1.252	1.252	26.180			
<b>Total</b>		<b>8.576</b>	<b>9.677</b>	<b>492.143</b>	<b>186</b>	<b>894</b>	<b>77.520</b>
<i>Preceding year</i>		<i>3.825</i>	<i>3.646</i>	<i>168.513</i>	<i>0</i>	<i>878</i>	<i>38.320</i>

<b>Total after impact of netting contracts:</b>	Positive replacement value (cumulative)	Negative replacement value (cumulative)
Current year	8.762	10.571
<i>Preceding year</i>	<i>3.825</i>	<i>4.524</i>

Analysis of fiduciary transactions	AMOUNTS IN CHF/000	2010	2009	CHANGE
Deposits with third-party banks		405.115	701.976	-296.861
Loans and other financial transactions		27.580	33.720	-6.140
<b>Total</b>		<b>432.695</b>	<b>735.696</b>	<b>-303.001</b>

Clients' assets	AMOUNTS IN CHF/000	2010	2009	CHANGE
Held in investments funds managed by the bank		712.686	581.256	131.430
Under investment mandate		2.594.737	1.250.477	1.344.260
Other		4.069.803	4.146.894	-77.091
<b>Total clients' assets (including double-counted assets)</b>		<b>7.377.226</b>	<b>5.978.627</b>	<b>1.398.599</b>
of which double-counted		519.268	421.749	97.519
Net deposits (withdrawals)		1.929.600	-1.005.999	2.935.599

Assets held purely for custody purposes are not included in this table. These are understood to be assets in respect of which the bank only provides a custody and encashment service, without providing any additional services. The net contributions/withdrawals are calculated on the basis of actual movements of customer funds and/or securities in and/or out of the accounts. Variations due to market prices (securities and currencies), interest and dividends, are not considered to be contributions or withdrawals.

## 5. Information on the consolidated income statement

Analysis of results from trading operations	AMOUNTS IN CHF/000	2010	2009	CHANGE
Foreign exchange and banknotes		7.192	9.341	-2'149
Precious metals		293	253	+40
Securities		3.823	8.121	-4'298
Other		-330	122	-452
<b>Total trading operations</b>		<b>10.978</b>	<b>17.837</b>	<b>-6'859</b>

Analysis of personnel expenses	AMOUNTS IN CHF/000	2010	2009	CHANGE
Salaries		33.351	28.843	+4'508
Social security contributions		5.574	5.195	+379
Other personnel expenses		1.323	1.182	+141
<b>Total personnel expenses</b>		<b>40.248</b>	<b>35.220</b>	<b>+5'028</b>

Analysis of other operating expenses	AMOUNTS IN CHF/000	2010	2009	CHANGE
Occupancy expenses		1.667	1.556	+111
Maintenance costs of computers, telecommunications, machines, furniture, vehicles, other facilities and equipment		2.198	1.672	+526
Other office expenses		8.842	7.584	+1'258
<b>Total operating expenses</b>		<b>12.707</b>	<b>10.812</b>	<b>+1'895</b>

Operating profit by location	AMOUNTS IN CHF/000		2010		2009	
	Swiss	Foreign	Swiss	Foreign	Swiss	Foreign
Net interest income	9.545	1.254	11.010	2.065		
Net fee and commission income	46.928	1.371	43.509	1.235		
Net income from trading operations	10.864	114	17.709	128		
Other income from ordinary activities	1.380	267	2.919	-6		
<b>Operating income</b>	<b>68.717</b>	<b>3.006</b>	<b>75.147</b>	<b>3.422</b>		
Personnel expenses	-39.553	-694	-34.499	-721		
General administrative expenses	-12.309	-398	-10.336	-476		
<b>Operating expenses</b>	<b>-51.862</b>	<b>-1.092</b>	<b>-44.835</b>	<b>-1.197</b>		
<b>Operating profit</b>	<b>16.855</b>	<b>1.914</b>	<b>30.312</b>	<b>2.225</b>		

### Depreciation/amortisation on fixed assets

Depreciation/amortisation totalled CHF 25,2 million, an increase of CHF 10,9 million compared with the previous period. This amount includes the depreciation/amortisation of fixed assets totalling CHF 6,5 million (including the full depreciation/amortisation of Banca Gesfid's IT hardware and software), goodwill of CHF 4,7 million and write-downs of shareholdings amounting to CHF 14 million (CHF 13,2 of this relates to Cassa Lombarda, of which around half is due to the EUR/CHF exchange rate).

### Value adjustments, provisions and losses

The figure of CHF 2,4 million includes CHF 1,9 million relating to the creation of specific provisions connected with the merger of Banca and PKB Privatbank SA.

### Extraordinary revenues and expenses

Extraordinary revenues totalled CHF 17,5 million, of which CHF 5,3 million stems from the elimination of provisions no longer considered necessary, CHF 8,2 million from the elimination of taxed reserves and CHF 1,8 million from the sale of the Saint George stake held by Banca Gesfid SA. The remaining CHF 2,2 million relates to miscellaneous income.

Extraordinary costs rose from CHF 0,1 million to CHF 5,1 million, most of which is due to the creation of reserves for general banking risks totalling CHF 4,8 million.

**REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS**

To the General Meeting  
of PKB Privatbank AG, Lugano

As statutory auditor, we have audited the accompanying consolidated financial statements of PKB Privatbank SA, which comprise the balance sheet, income statement, cash flow statement and notes, on pages 30 to 49, for the year ended 31 December 2009.

*Board of Directors' responsibility*

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with Swiss banking law and 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 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss banking law and comply with Swiss law.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (article 728 Code of Obligations (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.

Lugano, March 28th, 2010

**Ernst & Young SA**

Mario Mosca  
(Auditor in charge)

Marco Laganara

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