



PKB PRIVATBANK SA

2021

ANNUAL REPORT

64th YEAR OF ACTIVITY

CONTENTS

Governing bodies of PKB SA	4
Board of Directors' Report	8
Highlights	9

Consolidated Financial Statements

Comments on the consolidated balance sheet	12
Comments on the consolidated income statement	13
Consolidated balance sheet	14
Consolidated income statement	16
Consolidated cash flow statement	17
Statement of changes to shareholders' equity	18
Notes to the consolidated annual financial statements	19
Auditors' report	39

Parent Company Financial Statements

Comments on the balance sheet	43
Comments on the income statement	45
Balance sheet	46
Income Statement	48
Appropriation of profits	49
Statement of changes to shareholders' equity	49
Notes to the annual financial statements	50
Auditors' report	61



GOVERNING BODIES OF PKB SA

Board of Directors	Umberto Trabaldo Togna ^{1) 3)}	Zug (ZG)	<i>Chairman</i>
	Massimo Trabaldo Togna ^{1) 3)}	Milano (I)	<i>Vice-Chairman</i>
	Francesco Bellini Cavalletti ^{1) 4)}	Milano (I)	
	Jean-Blaise Conne ^{2) 4)}	Paudex (VD)	
	Giovanni Leonardi ^{2) 4) 5)}	Bedretto (TI)	
	Pierre Poncet ^{3) 4)}	Vésenaz (GE)	
	Giovanni Vergani ^{2) 4)}	Ruvigliana (TI)	
	Antonio Vegezzi ^{2) 4) 6)}	Genthod (GE)	
Secretary	Elena Trabaldo-de Mestral	Paris (FR)	
Internal Audit	Cristiana Beretta		<i>Lead Auditor</i>
	Farah Vanoni		<i>Internal Auditor</i>
	Marko Antanaskovic		<i>Internal Auditor</i>
External Auditor	Deloitte SA		
Executive Board	Luca Venturini		<i>Chief Executive Officer</i>
	Michele Balice		<i>Executive Vice President</i>
	Fabrizio Cerutti		<i>Executive Vice President</i>
	Peter Conrad		<i>Executive Vice President</i>
	Marco Malcontenti		<i>Executive Vice President</i>
	Lorenzo Tavola		<i>Executive Vice President</i>

¹⁾ Member of the Executive Committee

²⁾ Member of the Audit & Risk Committee

³⁾ Member of the Remuneration and Appointments Committee

⁴⁾ Independent directors pursuant to FINMA circular 17/01

⁵⁾ Until 28.4.2022

⁶⁾ From 28.4.2022 (awaiting FINMA approval as at the date of this report)

Management (Situation as of 1st April 2022)

<i>Senior Vice Presidents</i>	Roberto Algisi	Sascha Kever
	Mirko Angelini	Michael Maennlin
	Gianluca Bolla	Alberto Masciadri
	Paolo Bonacina	Pierluigi Petrucci
	Luca Bravin	Nicolas Porter
	Gennaro Caracciolo di Vietri	Renzo Ricci
	Giovanni Castellino	Michele Scarmignan
	Alessandro Cavadini	Marcello Tronconi
	Giorgio Compagnoni	
	Oberto della Torre di Lavagna	<i>Vice Presidents</i>
	Francesco Dolfi	Adriano Albertazzi
	Flavio Facchin	Laura Aioldi
	Massimo Falletta	Walter Bari
	Anthony Graves	Francesco Bettosini
	Fiorenzo Indi	Giorgio Bianchi
	Raffaella Jaquet	Maurizio Cassinelli
	Andrea Luchetti	Massimiliano Colombo
	Alessandro Lusso	Emil Cosic Sala
	Monica Malnati	Stefano Dalmagioni
	Christian Martinelli	Roberto De Felice
	Roberto Pedrotti	Pasquale De Paola
	Carlo Penati	Salvatore Dell'Aira
	Antonino Pisciotta	Margrith Goydke Müller
	Francesco Promutico	Luc Haering
	Giovanni Rickenbach	Stefano Jermini
	Marco Torino	René Kobel
	Sandro Treichler	Matteo Lurati
	Matteo Zanchi	Gaetano Laforgia
		Stefano Marcotullio
		Massimo Mattioli
<i>First Vice Presidents</i>	Sabine Amann	Antonello Muntoni
	Chiara Barrile	Edy Muscionico
	Andrea Bianchi	Rocco Nirella
	Paola Bolliger	Antonella Pelizzari
	Marco Briganti	Paolo Pigato
	Cristina Chendi	Carlo Reichlin
	Sandro De Toffol	Samuele Rudelli
	Nicolò Dosi Delfini	Peter Tobler
	Emilio Fiordaliso	Alessandro Trabaldo Togna
	Andrea Gerli	Marco Valentini
	Andrea Giordano	Manuel Zanetti
	Michael Gisler	Sabrina Zito-Salvatore
	Michael Heil	

PKB Geneva

Senior Vice President Pascal Dubey

PKB Zürich

Senior Vice President Roland Eberhard

PKB Bellinzona

Vice President Mauro Marchesi

Tomory Dodge

Radiation George, 2008

Oil on canvas
cm 177.80 x 152.40

Tomory Dodge is a contemporary American painter known, in particular, for his expressive abstraction.

Starting from landscape paintings based on photographs of swamps and deserts, clouds and trees, appliances and explosions, over time he has focused more on pure abstraction. "Before, the brushstrokes constructed the image," according to the artist. "Now the brushstrokes are the image."

His canvases are covered with seemingly disjointed gestures, created by laying down a mark and then altering it, continuously transforming layers of thick oil paint with fluid, sometimes fluorescent, brushstrokes that draw from a varied colour palette. His works depict irregular shapes and clashing planes that blend into compositions of organized chaos, challenging viewers to reflect on the process and meaning of image creation.

"I like the formal tension that comes from the inclusion of different approaches to painting on one surface," the artist said of painting. "But I think a lot of that tension comes from my own doubt in the adequacy of any single approach or system of painting. There is often a simultaneous doubt and fascination by the last mark or action I've made."

Tomory Dodge was born in 1974 in Denver, Colorado and lives in Los Angeles.

He has exhibited in many shows at private and public American galleries.

His works are present in the collections of numerous museums such as: Los Angeles County Museum of Art; Orange County Museum of Art (Newport Beach, California); San Francisco Museum of Modern Art; Berkeley Art Museum and Pacific Film Archive; Dallas Museum of Art; Smithsonian American Art Museum (Washington, DC); and Whitney Museum of American Art (New York, NY).



BOARD OF DIRECTORS' REPORT

Dear Shareholders,

The macroeconomic framework improved considerably in 2021. The combined effect of mass vaccination programmes and strong support from monetary and fiscal policies enabled advanced countries to recover from much of the shock caused by Covid-19 in 2020. Businesses struggled to rebuild their stocks and had to revise their production plans upwards, but failed to meet the exceptional demand for durable consumer goods. The dramatic increase in the price of raw materials added to the stress suffered by supply chains. In the United States, in particular, the labour market struggled to adjust to the sharp increase in demand, generating an upward pressure on wages. Thanks to the strong cyclical recovery, developed economies moved considerably closer to full employment. From autumn, the Federal Reserve took a less accommodative stance. 2021 ended with the outbreak of the Omicron variant, which once again slowed the return to normality. In terms of international relations, the year was marked by the considerable cooling in US and Europe's relations with China and Russia, with clear economic implications, given the intense trade and financial relations that characterise the globalised economy.

Trends in the stock markets in advanced economies in 2021 were particularly positive and fully reflected the improved macroeconomic context, the robust growth in earnings, and improved business profitability. Emerging markets, on the other hand, had a difficult year, and not only because of the greater difficulties in overcoming the pandemic. China suffered from the growing intervention by central government, which specifically penalised certain segments of the technology sector and, notably, the real estate sector. Extremely low interest rates, inflationary pressures, and monetary policy changes on the horizon penalised government issues and the Investment Grade segment. In the currency markets, the Fed's change in approach to address the danger of accelerating inflation supported the dollar, while a more accommodating ECB did not work in favour of the euro. Rising inflation supported the Swiss franc, but not gold in a context of rising real rates.

As regards the Bank's performance, 2021 was the year of the "new normal", during which exogenous shocks were well absorbed by the structure and the new rules of social engagement and business operations meant that our Institute was positively affected by a different way of working. New players in the FinTech sector and, more in general, digitalization and development of the blockchain, continue to contribute to the increase in competition in a sector, i.e. banking, which is already extremely competitive; but above all they have provided serious food for thought and a strong incentive to innovate, improve operational efficiency and adapt the holistic offering to customers.

These issues, together with a coordinated approach to ESG aspects, were the common thread running through the year; the Board of Directors encouraged General Management to take a position in this direction, calling for innovative strategic choices.

In general terms, 2021 was a complex year but one that also provided good news, above all in terms of net growth and the resulting growth of assets under management both by PKB and by all the group's subsidiaries, which reported positive results. Customer relationship managers recruited during the year and the business cases supported by Management contributed positively and in the expected timeframe. Our Zurich branch was strengthened by the recruitment of a new manager and new Senior Relationship Managers dedicated to the domestic market and other core European markets. The only exception remains PKB Panama, which underwent a transitional phase, coinciding with the transformation of its business model from Banking Institution to Advisory Office, with the ultimate aim of serving the core Latin American customers in close proximity to the reference markets, both geographically and in terms of time. The transformation of PKB Panama will be completed by Q3 2022.

The planning phase of the so-called "Italy-Switzerland project", concerning the offer by Cassa Lombarda of investment services for Italian residents with assets held in Switzerland, was concluded and the implementation phase started, with the aim of being operational in Q1 2022. The new platform dedicated to Italian customers in partnership with Cassa Lombarda will allow PKB Group to maximise its competitive advantage over the competition and above all to offer its target customers a comprehensive, structured and holistic service.

At the end of 2021, PKB Group customer assets - net of double counting - totalled CHF 12.9 billion, up CHF 607 million on the previous financial year, while the parent company's own funds were CHF 413 million (after distribution of the dividend), with a Tier 1 Ratio of 28.7% for PKB and 26.9% on a Group level, maintaining the Bank and the Group at the highest levels of the Swiss banking sector in terms of capital strength. In 2021, the containment of operating costs continued on both a PKB and Group level and after prudent provisions, PKB's net profit as of 31.12.2021 stood at CHF 4.0 million (+50.5%), while consolidated profit, which discounts higher depreciation and provisions, amounted to CHF 2.4 million (+154%). The results achieved confirm the intrinsic solidity of the Bank and the Group in a market and economic context made even more difficult by the coronavirus pandemic and geopolitical tensions.

The Board of Directors thanks customers for the trust placed in the bank, General Management and all the staff for the commitment and the great spirit of collaboration they have demonstrated.

For the Board of Directors
the Chairman
Umberto Trabaldo Togna

The general shareholders' meeting, having taken note of the wishes of Mr. Giovanni Leonardi, a member of the Board of Directors since 2017, not to be re-elected for a new term of office, expressed a warm thanks for his important contribution to the management of the Bank and renewed the term of office of all the other directors. At the same time, Mr. Antonio Vegezzi was appointed as the new director (awaiting FINMA approval as at the date of this report).

HIGHLIGHTS

PKB Group	AMOUNTS IN CHF /000	2021	2020
Income statement			
Net revenues		115'942	108'886
Operating expenses		-102'002	-97'650
Gross profit		13'940	11'236
Group profit		2'406	947
Balance sheet			
Balance sheet total		3'434'377	3'377'020
Gross basic shareholders' equity		403'355	406'089
Client assets			
Total client assets (net of double counting)		12'921'659	12'233'755
Capital indicators			
Tier 1 ratio		26.93%	25.11%
Capital adequacy ratio		26.93%	25.11%
Workforce (FTEs)			
Workforce		448.5	457.7
<i>of whom in Switzerland</i>		<i>231.2</i>	<i>232.7</i>
<i>of whom abroad</i>		<i>217.3</i>	<i>225.0</i>
PKB SA			
	AMOUNTS IN CHF/000	2021	2020
Income statement			
Net revenues		64'438	62'677
Operating expenses		-55'301	-55'658
Gross profit		9'137	7'019
Net profit for the year		4'035	2'682
Balance sheet			
Balance sheet total		2'324'256	2'310'139
Gross basic shareholders' equity		412'638	414'603
Capital indicators			
Tier 1 ratio		28.71%	28.62%
Capital adequacy ratio		28.71%	28.62%

CONSOLIDATED FINANCIAL STATEMENTS

Scope of consolidation

PKB Privatbank SA, Lugano	Parent company
PKB Banca Privada (Panamá) SA, Panama	Subsidiary (100%)
Alasia SA, Lugano	Subsidiary (100%)
PKB Servizi Fiduciari SpA, Milan	Subsidiary (100%)
Cassa Lombarda, Milan	Subsidiary (99.57%)

Contents

Comments on the consolidated balance sheet	12
Comments on the consolidated income statement	13
Consolidated balance sheet	14
Consolidated income statement	16
Consolidated cash flow statement	17
Statement of changes to shareholders' equity	18
Notes to the consolidated annual financial statements	19
Auditors' report	39

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

Balance sheet total	
	At 31.12.2021, assets totalled CHF 3,434.4 million versus liabilities of CHF 3,067.2 million; shareholders' equity, including net profit for the period, was consequently CHF 367.2 million. Compared with the previous year, the balance sheet total increased by CHF 57.3 million, or 1.7%.
Assets	
Liquid assets	This item includes cash deposits, sight deposits and those held in foreign issue banks. They increased by CHF 25.6 million (+3.23%), from CHF 793.2 million to CHF 818.8 million.
Amounts due from banks	The amounts due from banks increased by CHF 100.5 million (+50.4%), from CHF 199.3 million to CHF 299.8 million.
Amounts due from clients	Amounts due from clients decreased by 5.9%, from CHF 859.5 million to CHF 808.6 million.
Mortgage loans	Mortgages increased by 1.0%, from CHF 825.2 million to CHF 833.8 million.
Trading portfolio assets	The book value of trading assets decreased from CHF 69.3 million to CHF 60.9 million.
Positive replacement values of derivative financial instruments	Positive replacement values totalled CHF 12.8 million compared with CHF 16.8 million in the previous year (-23.85%) and relate to transactions in derivative financial instruments, taken out on the Bank's own account or on behalf of clients, and represent counterparty risk.
Financial investments	At 31.12.2021, financial investments totalled CHF 472.3 million compared with CHF 471.5 million in the previous year (+0.17%). Investments in securities totalled CHF 7.1 million (CHF 7.0 million at 31.12.2020), while investment in fixed income securities totalled CHF 465.1 million (CHF 464.5 million at 31.12.2020).
Main non-consolidated participations	This item contains the minority shareholdings accounted at cost method (annex 3.7).
Tangible fixed assets	These fell from CHF 70.9 million to CHF 67.1 million (- CHF 3.7 million, or 5.33%). They include buildings owned by the Group, furniture, fixtures and fittings, any capitalised renovation work, hardware and software.
Intangible assets	Intangible assets relate to the goodwill paid in the acquisitions of participations/clients
Other assets	Other assets decreased to CHF 41.9 at 31.12.2021 from CHF 51.6 million at the end of the previous year. This item consists of the clearing account in which the revaluation of hedging instruments is recognised, totalling CHF 15.4 million, deferred tax assets on profit (CHF 5.7 million), indirect tax receivables (CHF 10.1 million), clearing accounts (CHF 1.4 million) and other receivables (CHF 9.2 million).
Liabilities	
Amounts due to banks	Amounts due to banks increased from CHF 265.2 million to CHF 337.5 million.
Amounts due in respect of client deposits	Amounts due in respect of client deposits decreased by CHF 4.9 million, or 0.2% (CHF 2,461.8 million at 31.12.2021. CHF 2,466.6 million at 31.12.2020).
Negative replacement values of derivative financial instruments	Negative replacement values totalled CHF 34.5 million compared with CHF 44.2 million in the previous year (-22.0%) and relate to transactions in derivative financial instruments, taken out on the Bank's own account or on behalf of clients, and represent a liability in respect of counterparties.
Other liabilities	At 31.12.2021 these totalled CHF 24.8 million (- CHF 2.3 million, or -8.59% compared with the previous year). This item comprises indirect tax liabilities (CHF 0.9 million), clearing accounts (CHF 10.2 million) and other payables (CHF 13.6 million).

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

Revenues

The gross result from interest operations totalled CHF 23.5 million, lower compared with the previous year (-9.12%).

The net result from interest operations, including the negative change in value adjustments on receivables (- CHF 0.15 million) was CHF 23.3 million, in decrease compared with the previous year (-2.5%).

The result from commission business and services amounted to CHF 82.9 million in increase compared with the previous year (+13.2%).

The result from trading operations totalled CHF 7.1 million compared with CHF 8.4 million at 31.12.2020 (-15.4%).

Other ordinary income came in at CHF 2.5 million compared with CHF 3.2 million in the previous year.

Operating expenses

Operating expenses increased compared with the previous year, and came in at CHF 102.0 million (+ 4.5%). Personnel expenses increased by 4.5% (CHF +3.4 million) while other operating expenses by CHF 1.0 million.

Value adjustments on participations and depreciation and amortisation of tangible fixed and intangible assets

The total cost amounts to CHF 6.6 mio and mainly consists in depreciation and amortisation on tangible and intangible fixed assets, and is in increase of CHF 0.3 million (+4.89%, compared to the previous year).

The amortisation on intangible fixed assets amounts to CHF 1.5 million.

Changes in provisions and other value adjustments and losses

This item decreased by CHF 3.3 million (previous year decrease of CHF 2.2 million).

Operating result

The operating result was CHF 4.1 million, in increase of CHF 2.0 million compared with the 2020 result that totaled CHF 2.1 million.

Extraordinary income

The extraordinary income was CHF 0.3 million, mainly due to contingent gains.

Net profit for the year

Net profit for the year was CHF 2.4 million (0.9 million in 2020).

CONSOLIDATED BALANCE SHEET

Assets	AMOUNTS IN CHF	Notes	2021	2020
Liquid assets			818'849'944	793'241'375
Amounts due from banks			299'855'655	199'322'259
Amounts due from clients		3.2	808'671'821	859'508'529
Mortgage loans		3.2	833'778'915	825'234'872
Trading portfolio assets		3.3	60'879'557	69'307'360
Positive replacement values of derivative financial instruments		3.4	12'770'421	16'769'182
Financial investments		3.5	472'293'715	471'509'298
Accrued income and prepaid expenses			15'091'606	14'875'818
Non-consolidated participations		3.6, 3.7	2'700'789	2'701'304
Tangible fixed assets		3.8	67'083'918	70'861'280
Intangible assets		3.9	459'472	2'068'384
Other assets		3.10	41'941'099	51'620'340
Total assets			3'434'376'912	3'377'020'001

The figures in the balance sheet, the profit and loss and the annexes are rounded. The total can therefore differ from single values.

Liabilities	AMOUNTS IN CHF	Notes	2021	2020
Amounts due to banks			337'586'204	265'203'544
Amounts due in respect of customer deposits			2'461'760'784	2'466'623'280
Negative replacement values of derivative financial instruments		3.4	34'539'739	44'295'811
Bond issues and central mortgage institution loans			120'800'000	110'800'000
Accrued expenses and deferred income			16'349'960	17'650'703
Other liabilities		3.10	24'807'168	27'138'827
Provisions		3.16	28'747'375	32'794'583
Reserves for general banking risks		3.16	42'570'000	42'570'000
Bank's capital		3.17	20'000'000	20'000'000
Statutory capital reserve			67'867'600	67'867'600
<i>of which tax-exempt capital contributions reserve</i>			67'867'600	67'867'600
Voluntary retained earnings reserves			276'511'308	280'704'425
Minority interests in equity capital			431'030	423'794
Group profit			2'405'743	947'434
<i>of which minority interests in group profit</i>			7'642	7'236
Total Liabilities			3'434'376'912	3'377'020'001

The figures in the balance sheet, the profit and loss and the annexes are rounded. The total can therefore differ from single values.

CONSOLIDATED OFF-BALANCE SHEET TRANSACTIONS

	AMOUNTS IN CHF	Note	2021	2020
Contingent liabilities		3.2, 3.28	58'019'956	42'770'083
Irrevocable commitments		3.2	19'542'666	9'451'264
Obligation to pay-up shares and make further contributions		3.2	3'495'992	4'555'787

The figures in the balance sheet, the profit and loss and the annexes are rounded. The total can therefore differ from single values.

CONSOLIDATED INCOME STATEMENT

	AMOUNTS IN CHF	Note	2021	2020
Result from interest operations				
Interest and discount income			18'964'270	21'698'115
Interest and dividend income from trading portfolios			662'688	992'811
Interest and dividend income from financial investments			4'852'067	4'520'446
Interest expense			-1'022'781	-1'400'230
Sub-total: gross result from interest operations			23'456'243	25'811'142
Changes in value adjustments for default risks and losses from interest operations			-146'923	-1'899'766
Sub-total: net result from interest operations			23'309'320	23'911'376
Result from commission business and services				
Commission income from securities trading and investment activity			83'280'268	74'380'880
Commission income from lending activities			1'008'107	1'076'576
Commission income from other services			7'561'732	6'676'559
Commission expense			-8'874'220	-8'816'985
Sub-total: result from commission business and services			82'975'887	73'317'030
Result from trading activities and fair value option		3.32	7'122'922	8'421'582
Other result from ordinary activities				
Result from the disposal of financial investments			1'566'065	3'090'867
Income from participations			198'716	273'859
Result from real estate			585'045	319'565
Other ordinary income			313'866	116'736
Other ordinary expenses			-129'482	-564'793
Sub-total: other results from ordinary activities			2'534'211	3'236'234
Net revenues			115'942'341	108'886'222
Operating expenses				
Personnel expenses		3.34	-78'282'254	-74'925'316
General and administrative expenses		3.35	-23'720'137	-22'724'969
Sub-total: operating expenses			-102'002'391	-97'650'284
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets			-6'562'885	-6'900'383
Changes to provisions and other value adjustments and losses			-3'258'586	-2'193'894
Operating result			4'118'479	2'141'661
Extraordinary income			334'183	273'521
Extraordinary expenses			0	0
Changes in reserves for general banking risks			0	0
Taxes			-2'046'920	-1'467'748
Group profit			2'405'743	947'434
<i>of which minority interests in group profit</i>			<i>7'642</i>	<i>7'236</i>

The figures in the balance sheet, the profit and loss and the annexes are rounded. The total can therefore differ from single values.

CONSOLIDATED CASH FLOW STATEMENT

	AMOUNTS IN CHF/000		2021		2020	
	Origin	Use	Origin	Use	Origin	Use
Cash flow from operating activities (internal financing)						
Group profit	2'406	-	947	-		
Changes in reserves for general banking risks	-	-	-	-		
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	6'563	-	6'900	-		
Provisions and other value adjustments	4'657	8'705	6'106	16'930		
Change in value adjustments for default risks and losses	370	2'682	1'691	434		
Non-monetary income from value adjustments to participations valued at equity	-	-	-	-		
Exchange rate fluctuations on fixed assets	690	-	420	-		
Accrued income and prepaid expenses	-	216	-	3'539		
Accrued expenses and deferred income	-	1'301	-	1'264		
Other items	866	-	-	220		
Previous year's dividend	-	6'000	-	-		
Balance	-	3'351	-	6'321		
Cash flow from shareholders' equity transactions						
Bookings recognised in reserves	-	-	-	-		
Balance	-	-	-	-		
assets and intangible assets and intangible assets						
Non-consolidated participations	1	-	-	181		
Real estate	-	138	-	429		
Other tangible fixed assets	-	1'862	-	2'322		
Intangible assets	135	-	-	752		
Balance	-	1'865	-	3'683		
Cash flow from banking operations						
Medium- and long-term business (>1 year)						
Amounts due to banks	-	12'110	171'201	-		
Amounts due in respect of customer deposits	2'351	-	1'753	-		
Bond issues and central mortgage institution loans	10'000	-	-	-		
Amounts due from clients	19'605	-	-	5'172		
Mortgage loans	-	19'100	10'278	-		
Financial investments	43'537	-	-	78'380		
Short-term business						
Amounts due to banks	84'492	0	-	55'644		
Amounts due in respect of client deposits	-	7'213	-	201'876		
Negative replacement values of derivative financial instruments	-	9'756	6'274	0		
Other liabilities	-	2'332	3'674	0		
Amounts due from banks	-	100'533	-	8'140		
Amounts due from clients	33'543	-	-	2'288		
Mortgage loans	10'556	-	14'945	0		
Trading portfolio assets	8'428	-	306	0		
Positive replacement values of derivative financial instruments	3'999	-	1'545	0		
Financial investments	-	44'321	-	20'675		
Other assets	9'679	-	-	10'111		
Balance	30'825	-	-	172'310		
Total cash flows	25'609	-	-	182'314		
Change in liquid assets	25'609	-	-	182'314		

STATEMENT OF CHANGES TO SHAREHOLDERS' EQUITY

AMOUNTS IN CHF/000

	Bank's capital	Capital reserve	Reserves for general banking risks	Currency translation reserves	Voluntary retained earnings reserve and profit/loss carried forward	Own shares (negative item)	Minority interests	Result for the period	Total
Equity at start of current period	20'000	67'868	42'570	1'994	278'710	0	424	947	412'513
Other contributions	-	-	-	-	-	-	-	-	-
Currency rate differences	-	-	-	867	-	-	-	-	867
Dividends and other allocations	-	-	-	-	-6'000	-	-	-	-6'000
Other allocations to/withdrawals from reserves for general banking risks	-	-	-	-	-	-	-	-	-
Other allocations to/withdrawals from other reserves	-	-	-	-	940	-	7	-947	-
Profit of the period	-	-	-	-	-	-	-	2'406	2'406
Equity at the end of current period	20'000	67'868	42'570	2'861	273'650	0	431	2'406	409'786

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1. Operations and workforce

The PKB Group is present in Switzerland in Lugano, Bellinzona, Geneva, Zurich, in Panama through its subsidiary PKB Banca Privada (Panama) SA and in Milan, through Cassa Lombarda SpA. The Group's main activity is private banking, where it offers a wide range of services. PKB Group complements its range of services with Corporate Banking and Capital Markets, where it is one of the leading independent decision-makers in the primary Swiss franc bond market. At 31.12.2021, the workforce, expressed as FTEs, was 448.5 (2020: 457.7)

The Bank undertakes all essential activities in-house and does not outsource significant services as defined by the circular FINMA 2018/3

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

<i>Consolidation policies</i>	The accounting policies used in the preparation of the annual financial statements comply with the Swiss Federal Law on Banks and Savings Banks, and the provisions of the Swiss Financial Markets Supervisory Authority (FINMA) Circular 2020/1 "Accounting Directives - Banks" and the FINMA Accounting Ordinance. The consolidated financial statements provide a true and accurate representation of the Group's situation. Consolidation is by the purchase method.														
<i>Fully-consolidated participations</i>	The consolidated financial statements include the annual financial statements of PKB Privatbank AG, Lugano; PKB Banca Privada (Panama) SA, Panama; Cassa Lombarda SpA, Milan; Alasia SA, Lugano and PKB Servizi Fiduciari SpA, Milan.														
<i>Accounting and valuation policies</i>	The accounts are presented by registration date. The criteria listed below were adopted.														
<i>Foreign currencies and funds</i>	Valued at year-end rates Exchange rate differences are recognised in the income statement under "Results from trading activities and fair value option". The exchange rates used for the main currencies were as follows: EUR 1.03686 (2020: 1.08203) USD 0.91175 (2020: 0.88462).														
<i>General receivables and commitments</i>	Valued at nominal value, net of value adjustments (defined by the art. 25 and 26 of the FINMA Accounting Ordinance).														
<i>Trading portfolio assets</i>	Valued at fair value.														
<i>Financial investments</i>	Equities: valued at market value at the end of the year, but not above purchase price. Fixed income securities: the difference between the purchase price and the value is distributed over the years from purchase to maturity.														
<i>Not fully consolidated participations</i>	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Holding up to 20%:</td> <td>Valued at purchase price, minus necessary amortisation.</td> </tr> <tr> <td>Holding between 20% and 50%</td> <td>Valuation at NAV:</td> </tr> </table> <p>Regardless of the size of the holding, companies that are not material to the correct valuation of Group equity and/or income, are valued at cost minus economically necessary amortisation.</p>	Holding up to 20%:	Valued at purchase price, minus necessary amortisation.	Holding between 20% and 50%	Valuation at NAV:										
Holding up to 20%:	Valued at purchase price, minus necessary amortisation.														
Holding between 20% and 50%	Valuation at NAV:														
<i>Tangible fixed assets</i>	<p>These are booked at cost minus ordinary depreciation. Works of art are not depreciated. All other fixed assets are shown on the balance sheet at the lower of cost and market value. Depreciation is applied on a straight-line basis. Ordinary depreciation periods and rates are as follows:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Fixed assets used by the Bank</td> <td style="text-align: right;">maximum 50 years*</td> </tr> <tr> <td>Renovations</td> <td style="text-align: right;">maximum 20 years</td> </tr> <tr> <td>Plant</td> <td style="text-align: right;">maximum 10 years</td> </tr> <tr> <td>Furniture</td> <td style="text-align: right;">maximum 10 years</td> </tr> <tr> <td>Equipment and vehicles</td> <td style="text-align: right;">maximum 5 years</td> </tr> <tr> <td>Hardware/Software</td> <td style="text-align: right;">maximum 3 years</td> </tr> <tr> <td>Intangible assets</td> <td style="text-align: right;">maximum 5 years</td> </tr> </table> <p>* Maximum until the value of the land. Other Group entities use the same depreciation rate.</p>	Fixed assets used by the Bank	maximum 50 years*	Renovations	maximum 20 years	Plant	maximum 10 years	Furniture	maximum 10 years	Equipment and vehicles	maximum 5 years	Hardware/Software	maximum 3 years	Intangible assets	maximum 5 years
Fixed assets used by the Bank	maximum 50 years*														
Renovations	maximum 20 years														
Plant	maximum 10 years														
Furniture	maximum 10 years														
Equipment and vehicles	maximum 5 years														
Hardware/Software	maximum 3 years														
Intangible assets	maximum 5 years														

<i>Reserves for general banking risks</i>	Reserves for general banking risks are taxed at the statutory level on the portion that exceeds the maximum amount accepted for tax purposes (for further details, please refer to the statutory data). At Group level, deferred taxes are accounted for the portion of reserves not taxed at the individual level. The criteria for the use of these reserves at the consolidated level differs from those applied at the statutory level.
<i>Intangible Assets</i>	The intangible assets recorded on the balance sheet relate to the goodwill paid for the acquisition of Cassa Lombarda SpA, Alasia SA, Cogesp SA and the acquisition of clients assets after deduction of depreciations.
<i>Solvency risks</i>	In order to cover credit risk, value adjustments are booked in accordance with Art. 25, 26 and 28 of the FINMA Ordinance on Accounts (OPAC-FINMA). For impaired loans, i.e., when there is a high probability that the borrower is no longer able to meet its repayment obligations, specific value adjustments are recorded and deducted from the respective asset item. Regarding non-compromised loans, PKB Group, according to the latent loss risk approach, periodically checks for the existence of loss risks not covered by specific value adjustments and, where necessary, books generic value adjustments.
<i>Doubtful interest</i>	Interest and commission over 90 days overdue are not recognised in revenues, but provisions are made for them. The loans in question are considered non-performing.
<i>Result from trading activities and the fair valueoption</i>	This is recognised in the income statement before deduction of refinancing costs.
<i>Contingent liabilities, irrevocable commitments, payment and credit commitments</i>	Off-balance sheet transactions are recorded at nominal value. Any provisions for recognised risks are reported under the item “Provisions”.
<i>Derivative financial instruments</i>	These are valued at market value, mark-to-market. The Bank’s use of derivative financial instruments on its own behalf mainly concerns hedging transactions and marginally trading within the limits established by internal regulation.
<i>Criteria applied for identifying risks of loss and calculating adjustments</i>	Credit files are analysed regularly and at least once a year. Where necessary, depending on the risk, analysis is conducted more frequently and <i>value</i> promptly, particularly for non-performing loans. Value adjustments required for any portion of the loan not covered by guarantees are recorded immediately.
<i>Collateral assets for loans</i>	Liquidation value is calculated on the basis of market price or realised value, from which the costs of liquidation and refinancing are deducted.
<i>Deferred tax</i>	They are calculated on the reserves for general banking risk and on the valuation differences for asset and liability entries in the individual financial statements as compared with the consolidated financial statements.
<i>Risk assessment and management</i>	Risk assessment and management form an integral part of the internal control system, as required by FINMA Circular 2017/1 «Corporate governance - banks». The Board of Directors is responsible for the Group's internal control system, for which it sets the guidelines and periodically checks that they are sufficient and operating correctly. The Board of Directors is supported in its duties by an Audit & Risk Committee, which advises and makes proposals. The Executive Board is responsible for the operational management of consolidated supervision, and in turn is supported by the Risk Committee (CORI), responsible for defining the procedures for measuring, managing and controlling risk for the PKB Group. CORI meets at least every quarter, and has an integrated Group risk reporting system. Internal Audit checks and assesses the internal control system, and thereby helps to constantly refine it. In compliance with current legal requirements, the Group has produced its own regulations for the consolidated supervision of the Group and a <i>Risk Appetite Framework Policy</i> . These set out integrated guidelines for risk assessment and management with which all Group companies must comply. The risk assessment and management policy, which is examined every year by the Board of Directors, forms the basis of the PKB Group’s risk management process. It is linked to a set of ceilings that cover each identified risk category and are checked constantly, particularly with regards to the risks set out below.

Credit risk

Credit risk is regulated by the Board of Directors through the Credit Policy and the PKB Group Credit Regulation. The Executive Board manages credit risk through the Credit Committee (COCR), which supervises the application of company strategies, and analyses, in terms of quality and quantity, the solvency of counterparties and their respective guarantees.

Credit risk is controlled by limiting risk and exposure at PKB Group level, by limiting concentration of risk in counterparty groups (large exposures and 20 largest exposures) and by country. Delcredere and country risk are subject to special provisions.

Supervisory capital requirements for credit risk are calculated using the international method, with a comprehensive approach to the treatment of guarantees.

Market risk (balance sheet)

The market risk on balance sheet assets is governed by the *Risk Appetite Framework Policy* with the definition of risk appetite and risk tolerance and by the *Asset&Liability Management Policy* of the PKB Group approved by the Board of Directors. The Executive Board supervises market risk through the CORI.

The interest rate risk, calculated through the *Economic Value of Equity* and the *Net Interest Income*, is based on the standardized interest rate shock scenarios according to Circular FINMA 2019/2 (attachment 2). The interest rate risk for customers loans or mortgages are hedged mainly with Interest Rate Swaps according to Accounting rules and applying the hedge accounting principles. Exchange rate risk is hedged mainly by forward rate agreements and currency options.

Market risk (trading portfolio)

Trading portfolio management is governed by the *Risk Appetite Framework Policy* with the definition of risk appetite and risk tolerance and through the PKB Group *Trading Policy* approved by the Board of Directors and by directives approved by the Executive Board. PKB Switzerland is a market maker on the primary CHF bond market, and also operates on the forex, bond and equity markets.

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

Supervisory capital requirements for market risk are calculated using the standard method, with a delta-plus approach for options.

Liquidity risk

Liquidity risk is regulated by the Board of Directors through the *Risk Appetite Framework Policy* with the definition of risk appetite and risk tolerance, through the *Asset&Liability Management Policy* and the Liquidity Regulation, both valid at PKB Group level. The Executive Board manages liquidity risk through ALCO.

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

Operational risk

Operational risk, which includes legal and compliance risks, is managed by the Board of Directors through the PKB Group's Operational Policy and the Group Legal&Compliance Policy, as well as implementing regulations, while the Executive Board also issues directives on operational risk management:

The strategy and business model adopted expose the Group to the following main types of operational risk defined by FINMA Circular 2008/21 «Operational risks - banks»:

- Internal fraud: losses due to acts carried out with fraudulent intentions, misappropriation of goods, circumvention of laws, regulations or internal provisions with implication of at least a part internal to the company;
- External fraud: losses due to acts carried out with fraudulent intentions, misappropriation of goods, circumvention of laws or regulations without implication of an internal part of the company;
- Clients, products and business practices: losses arising from non-intentional or negligent non-fulfillment of obligations towards customers and losses deriving from the type or structure of certain products;
- Execution, delivery and management of processes: losses deriving from errors in the execution of activities or in the management of processes and losses deriving from relations with commercial partners and suppliers;
- Business interruptions, system failures and damage to physical assets: losses deriving from business interruptions or problems with technical systems and deriving from damage to physical assets due to natural disasters or other events.

The assessment of operational risks is supported by an analysis of the critical areas present in the processes and activities carried out by the Group entities, while for the measurement of the current operational risk the Group uses a system of quantitative and qualitative indicators provided by the *Risk Appetite Framework Policy* and the minimum standards and key controls in the area of operational risk, which include the calculation of capital requirements according to the basic indicator approach, the analysis of operational losses, the analysis of Key Risk Indicators and the inherent and residual risk assessments.

Operational risk management and mitigation is carried out through the following distribution of tasks and responsibilities:

- First line of defence: owner of operational risks generated by business activities and responsible for managing operational risks;
- Second line of defence (Group Risk Management): responsible for consolidated supervision of the Group's operational risk.

Operational risk is monitored primarily through the verification of the qualitative and quantitative indicators defined in the *Risk Appetite Framework Policy* and through the verification of the minimum standards and key controls in the area of operational risk. Group Risk Management also ensures a quarterly report to the CRO and CORI.

Legal risk

To prevent risks, the PKB Group ensures that its operations, particularly those likely to have an impact on the outside world, are in line with the legal requirements and ethical standards applying to the banking sector, and that operations and contracts involving clients are comprehensible and transparent.

Reputational and compliance risk

Unlike compliance risks, which concern only the breach of laws and regulations, damage to reputation can be caused by such a break or even by behaviour that the public considers inappropriate or unacceptable, even though it is fully compliant with the law and regulations. In order to take into account the wide range of reputational risks, the PKB Group has produced a Charter of Values, designed to support a corporate culture based on impeccable conduct and leading professional standards.

Compliance risks are managed through a whole series of policies and procedures that cover all the Group's areas of business. Given the international nature of our business, internal rules go beyond the Swiss legal and regulatory framework, and address all cross-border activities and issues relevant to the way we serve our clients, in particular in the areas of investment advisory services and trading on foreign financial markets.



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

Group policy on the use of derivative financial instruments

Positions taken in derivatives are, in general, held on behalf of clients. The PKB Group makes use of interest rate risk hedging transactions for the structural management of the balance sheet, through interest rate swaps and forward rate agreements.

Significant events following the end of the financial year

The geo-political crisis and the consequent economic and financial repercussions that have manifested themselves as of February 2022, with the Russian invasion of Ukraine, have affected the Group's consolidated financial portfolio, which shows an overall unrealized loss, with P&L impact, as of the date of this report, of approximately CHF 6 million. It should also be noted that there are no significant exposures to Russian/Ukrainian customers.

Changes in accounting principles

No changes within the 202 financial year.

3. Details on individual positions in the notes to the financial statements

3.1 Breakdown of securities financing transactions (assets and liabilities)

No positions at 31.12.2021

3.2 Presentation of loan collateral and off-balance sheet transactions, as well as impaired loans/receivable	AMOUNTS IN CHF/000			TOTAL
	Secured by mortgage	Other collateral	Unsecured	
Loans (before netting with value adjustments)				
Amounts due from customers	64'364	713'095	41'480	818'939
Mortgage loans	831'136	11'197	34	842'367
- Residential property	558'886	10'024	34	568'943
- Office and business premises	180'195	1'173	-	181'368
- Commercial and industrial premises	20'171	-	-	20'171
- Other	71'886	-	-	71'886
Total loans (prior netting with value adjustments)				
Current financial year	895'500	724'291	41'514	1'661'305
Previous financial year	926'245	723'220	57'229	1'706'694
Loans (after netting with value adjustments)				
Current financial year	887'054	713'882	41'514	1'642'451
Previous financial year	925'395	702'120	57'229	1'684'743
Off-balance sheet				
Contingent liabilities	3'641	46'814	7'565	58'020
Irrevocable commitments	11'641	232	7'670	19'543
Obligation to pay-up shares and make further contribution	-	-	3'496	3'496
Off-balance sheet total				
Current financial year	15'281	47'046	18'732	81'059
Previous financial year	7'807	33'503	15'467	56'777

Impaired loans

	Gross debt	Estimated realizable value of collateral	Net debt	Individual realizable value
Current financial year	35'822	17'052	18'770	18'770
Previous financial year	43'873	21'444	22'429	21'950

3.3 Breakdown of trading portfolio and other financial instruments at fair value (assets and liabilities)	AMOUNTS IN CHF/000	2021	2020
Assets			
Trading portfolio assets			
Debt securities, money market securities/transactions		60'879	69'307
of which listed		36'706	32'003
Equity securities		-	-
Precious metals and commodities		-	-
Total assets		60'879	69'307
<i>of which securities eligible to repo agreements in compliance with liquidity requirements</i>		-	-

3.4 Presentation of derivative financial instruments (assets and liabilities)	AMOUNTS IN CHF/000	INSTRUMENTS HELD FOR TRADING			HEDGING INSTRUMENTS		
		Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments		11'734	9'978	247'828	281	16'324	283'765
Forward contracts							
Swap		2'853	1'097	38'384	281	13'536	268'465
Options (OTC)		8'881	8'881	209'444	-	2'788	15'300
Foreign exchange / Precious metals		735	8'217	596'577	-	-	-
Forward contracts		134	142	7'976	-	-	-
Combined interest rate/currency swaps		601	8'075	588'600	-	-	-
Options (OTC)		-	-	-	-	-	-
Equity securities/indices		21	21	1'133	-	-	-
Options (OTC)		21	21	1'133	-	-	-
Total before netting agreement							
Current financial year		12'490	18'216	845'538	281	16'324	283'765
Previous financial year		16'633	19'093	971'780	135	25'202	313'231
Total after netting		Positive replacement values (cumulative)			Negative replacement values (cumulative)		
Current financial year		12'771			34'540		
Previous financial year		16'769			44'296		

Breakdown by counterparty	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	8'882	453	3'436

3.5 Breakdown of financial investments	AMOUNTS IN CHF/000		Book value		Fair value	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Debt securities	465'112	464'468	468'116	473'943		
of which intended to be held to maturity	366'715	378'647	369'670	387'657		
of which not intended to be held to maturity	98'397	85'820	98'446	86'286		
Equity securities	7'182	7'042	11'336	8'575		
of which qualified participations	1'310	1'367	2'871	1'367		
Precious metals	-	-	-	-		
Real estate	-	-	-	-		
Total	472'294	471'509	479'452	482'518		
<i>of which securities eligible for pensions under liquidity rules</i>	<i>270'399</i>	<i>13'196</i>	<i>271'871</i>	<i>13'459</i>		

Breakdown of counterparties by rating	From AAA up to AA-	From A+ up to A-	From BBB+ up to BBB-	From BB+ up to B-	Less than B-	No rating
Debt securities: Book values	125'649	46'845	162'235	68'428	2'146	59'807

3.6 Presentation of participations	AMOUNTS IN CHF/000			2021						
	Acquisition cost	Accumulated value adjustments and/or changes in book value (valuation using the equity method)	Book value at 31.12.2020	Transfers	Investments	Disposals	Value adjustments	Changes in book value in the case of participations valued using the equity method	Book Value at 31.12.2020	Market value
Other participations										
Not listed	2'701	-	2'701	-	-	-	-	-	2'701	n/a*
Total participations	2'701	-	2'701	-	-	-	-	-	2'701	n/a

3.7 Disclosure of companies in which the bank holds a permanent direct or indirect significant participation	AMOUNTS IN CHF/000					
	Business activity	Currency	Bank's capital	Share of capital	Share of votes	Held directly
Fully consolidated participations						
PKB Banca Privada (Panama) SA, Panamá	Bank	USD	10'000	100.00%	100.00%	10'000
Cassa Lombarda S.p.A.	Bank	EUR	18'000	99.57%	99.57%	17'922
PKB Alasia SA, Lausanne	Asset management	CHF	250	100.00%	100.00%	250
PKB Servizi Fiduciari SpA, Milan	Fiduciary	EUR	240	100.00%	100.00%	240
Unconsolidated participations						
Six Group AG, Zurigo	Market infrastructure	CHF	19'522	0.01%	0.01%	3
Viseca Holding SA, Zurigo	Holding company	CHF	25'000	0.28%	0.28%	69
Pfandbriefbank, Zurich	Bank	CHF	1'000'000	0.14%	0.14%	1'425
Fenera & Partners SGR S.p.A.	Asset management	EUR	1'000	2.18%	2.18%	22
Lombarda & Associati srl	Financial Advisory	EUR	150	35.00%	35.00%	53
S.S.B. Società Servizi Bancari SPA	Financial Services	EUR	22'275	0.00%	0.00%	1
Bancomat SPA	Financial Services	EUR	21'096	0.02%	0.02%	4
S.W.I.F.T.	Servizi finanziari	EUR	437'559	0.00%	0.00%	12

3.8 Presentation of tangible fixed assets	AMOUNTS IN CHF/000			2021						
	Acquisition cost	Accumulated depreciation	Book value at 31.12.2020	Changes to the scope of consolidation	Transfers	Investments	Disposals	Depreciation	Appreciation	Book value at 31.12.2021
Bank premises	101'544	-55'830	45'714	-	-	138	-629	-2'264	-	42'958
Other properties	10'283	-3'499	6'784	-	-	-	-	-7	-	6'778
Proprietary or separately acquired software	9'608	-7'878	1'730	-	-	807	-	-1'205	-	1'332
Other tangible fixed assets	67'541	-50'908	16'633	-	-	1'055	-61	-1'612	-	16'015
Total tangible fixed assets	188'976	-118'115	70'861	-	-	2'000	-690	-5'088	-	67'083

3.9 Presentation of intangible assets				AMOUNTS IN CHF/000						
				2021						
	Acquisition cost	Accumulated amortisation	Book value at 31.12.2020	Changes to the scope of consolidation	Transfers	Investments	Disposals	Amortisation	Appreciation	Book value at 31.12.2020
Goodwill	92'855	-90'787	2'068	-	-	-	-135	-1'474	-	459
Total intangible assets	92'855	-90'787	2'068	-	-	-	-135	-1'474	-	459

3.10 Breakdown of other assets and other liabilities		AMOUNTS IN CHF/000		2021		2020	
		Other assets	Other liabilities	Other assets	Other liabilities		
Compensation account		15'467	-	24'320	-		
Deferred income taxes recognised as assets		5'763	10	5'638	12		
Clearing / transitory accounts		1'437	10'200	523	18'986		
Indirect taxes		10'074	976	11'191	2'635		
Other receivables and liabilities		9'201	13'622	9'948	5'506		
Total		41'941	24'807	51'620	27'139		

3.11 Disclosure of assets pledged or assigned to secure own commitments and assets under reservation of ownership		AMOUNTS IN CHF/000	
		Book values	Effective commitments
Assets pledged / assigned			
Margin accounts			33'615
Bonds given as collateral to banks			293'961
Mortgages used to guarantee loans from central mortgage bond institutions			171'334
			120'800

3.12 Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the bank held by own pension schemes		AMOUNTS IN CHF/000	
		2021	2020
Total		20'868	20'211

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

The other group entities have no commitments to their own pension funds.

3.13 Disclosure on the economic situation of own pension schemes

Employer contribution reserves (ECR)	AMOUNTS IN CHF/000					
	Nominal value at 31.12.2021	Waiver at 31.12.2021	Net amount at 31.12.2021	Net amount at 31.12.2020	Impact of ECR on personnel expenses	
					2021	2020
LPP pension fund for employees of PKB Privatbank AG	1'300	-	1'300	1'300	-	-
Total	1'300	-	1'300	1'300	-	-

Presentation of the economic benefit/obligation and the pension expenses	AMOUNTS IN CHF/000						
	Over-funding/ underfunding at 31.12.2021	Economic share of the bank and/or the financial group		Change in economic share in reporting year	Contributions paid for the reporting period	Pension charges within personnel expenses	
		2021	2020			2021	2020
With overfunding	26'072	-	-	-	5'073	4'303	4'429
Total	26'072	-	-	-	5'073	4'303	4'429

For each pension plan, the Bank must determine whether reserve levels and the particular circumstances of the pension fund give rise to a surplus or a shortfall. The assessment is based on the financial position at 31 December 2020 and the change in the financial position over 2021.

Based on the estimates received from the pension fund, the reserve levels in accordance with art. 44 OPP2 (Ordinanza sulla previdenza professionale – Occupational Pension Order) were 117.7% (2020: 111.4%).

The employees of Alasia SA are insured by "CP Fonds interprofessionnel de prévoyance" in Lausanne and the employees of Cogesp SA by AXA Winterthur.

Employees of foreign companies:

Employees of foreign companies that are part of the Group (FTE 217) have pension cover in their respective countries, in accordance with local laws.

3.14 Presentation of issued structured products

The Bank did not issue any structured products over the year.

3.15 Presentation of bonds outstanding issues and mandatory convertible bonds

There were no outstanding bond issues at 31.12.2021

3.16 Presentation of value adjustments, provisions, reserves for general banking risks and changes therein during the current year

IMPORT IN CHF/000

	Balance at 31.12.2020	Use in conformity with designated purpose	Transfers	Currency rate differences	Past due interest, recoveries	New provisions charged to the income statement	Releases to the income statement	Balance at 31.12.2021
Provisions for deferred taxes	11'478	-	-	-	-	-	-1'155	10'323
Provisions for pension benefit obligations	2'221	-310	83	-140	-	48	-	1'903
Other provisions	19'096	-6'601	-83	-157	-	4'906	-639	16'522
Total provisions	32'795	-6'911	0	-297	-	4'954	-1'794	28'748
Reserves for general banking risks	42'570	-	-	-	-	-	-	42'570
Value adjustment for default and country risks	21'950	-783	-	-609	-	979	-2'682	18'855
of which, value adjustments for default risks in respect of impaired loans/receivables	21'950	-783	-	-609	-	894	-2'682	18'770
of which value adjustments for latent risks	-	-	-	-	-	85	-	85

The item «Other provisions» includes CHF 10.0 million (2020 CHF 11.0 million) allocated to personnel funds, CHF 6.0 million (2020 CHF 7.5 million) for legal/tax risks and CHF 0.5 million (2020 CHF 0.5 million) to hedge country risk.

Contingent liabilities whose outcome can be estimated were allocated on the basis of the best available estimate.

The new provisions and releases to the income statement after the partial or full absorption of the value adjustment / provision are presented individually if necessary. The events and circumstances of these are disclosed.

3.17 Presentation of bank's capital	AMOUNTS IN CHF/000	2021			2020		
		Total nominal value	Number of ordinary shares	Capital eligible for dividend	Total nominal value	Number of ordinary shares	Capital eligible for dividend
Share capital (full paid)		20'000	20'000	20'000	20'000	20'000	20'000
Total share capital		20'000	20'000	20'000	20'000	20'000	20'000

At 31.12.2021 there were no voluntary restrictions on the distributable nature of reserves.

3.18 Number and value of equity securities or options on equity securities held by all executives and directors and by employees and disclosures on any employee participation schemes

The Bank had no employee participation schemes at 31.12.2021

3.19 Disclosure of amounts due from/to related parties	AMOUNTS IN CHF/000	AMOUNTS DUE FROM		AMOUNTS DUE TO	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
Holders of qualified participations		3'491	3'002	25'133	15'956
Group companies		-	-	-	-
Affiliates		-	-	911	1'118
Transactions with members of governing bodies		1'557	1'599	6'701	3'216
Other related parties		7'530	6'208	22'702	23'517

Loans to members of governing bodies are granted under the same conditions applied to Bank employees.

Transactions with affiliates are conducted under arm's length conditions, and relate to securities transactions, payment traffic and treasury transactions.

3.20 Disclosure of holders of significant participations		AMOUNTS IN CHF/000		31.12.2021		31.12.2020	
	Direct / indirect	Nominal	%	Nominal	%		
Auriga S.A., Lussemburgo	Direct	20'000	100.00	20'000	100.00		
Antipodes SA, Lussemburgo	Indirect	5'994	29.97	5'994	29.97		
Plénitude SA, Lussemburgo	Indirect	5'994	29.97	5'994	29.97		
Mnemosyne Investments SL, Spagna	Indirect	3'704	18.52	3'704	18.52		
Aquilifer SRL, Italia	Indirect	2'668	13.34	2'668	13.34		
Massimo Trinaldo Togna, Italia	Indirect	3'304	17.98	3'304	17.98		
Umberto Trinaldo Togna, Svizzera	Indirect	3'304	17.98	3'304	17.98		
Flaminia Trinaldo Togna, Italia	Indirect	2'629	11.72	2'629	11.72		
Marina Trinaldo Togna, Italia	Indirect	2'629	11.72	2'629	11.72		
Stefano Trinaldo Togna, Spagna	Indirect	2'538	12.69	2'538	12.69		
Elisabetta Trinaldo Togna, Italia	Indirect	1'166	5.83	1'166	5.83		
Roberto Botto Poala, Italia	Indirect	-	7.67	-	7.67		

There is no conditional capital, and there are no significant shareholders without voting rights.

3.21 Disclosure of own shares and composition of equity capital

At 31.12.2021 neither the Group nor its subsidiaries held any treasury shares.

3.22 Disclosures in accordance with the ordinance against excessive compensation with respect to listed stock corporations and article 663c paragraph 3 CO for banks whose equity securities are listed

Not applicable

3.23 Presentation of maturity structure of financial instruments

AMOUNTS IN CHF/000

	MATURITY							Balance at 31.12.2021
	At Sight	Cancellable	Within 3 months	3-12 months	1-5 years	over 5 years	No maturity	
Current assets/ Financial instruments								
Liquid assets	818'850	-	-	-	-	-	-	818'850
Amounts due from banks	297'758	995	20	1'083	-	-	-	299'856
Amounts due from clients	338'228	72'057	86'248	126'998	93'015	92'126	-	808'672
Mortgage loans	-	392'217	17'402	27'809	163'645	232'706	-	833'779
Trading portfolio assets	60'880	-	-	-	-	-	-	60'880
Positive replacement values of derivative financial instruments	12'770	-	-	-	-	-	-	12'770
Financial investments	5'502	-	17'094	84'183	272'973	92'541	-	472'294
Total at 31.12.2021	1'533'988	465'269	120'764	240'074	529'633	417'372	-	3'307'100
<i>Total at 31.12.2020</i>	<i>1'443'275</i>	<i>452'767</i>	<i>134'901</i>	<i>212'902</i>	<i>604'948</i>	<i>386'100</i>	<i>-</i>	<i>3'234'893</i>
Debt capital/ financial instruments								
Amounts due to banks	88'817	-	25'188	-	223'581	-	-	337'586
Amounts due in respect of client deposits	2'391'836	-	52'626	-	17'300	-	-	2'461'761
Negative replacement values of derivative financial instruments	34'540	-	-	-	-	-	-	34'540
Mortgages from issuers of mortgage bonds and loans	-	-	-	10'000	36'800	74'000	-	120'800
Total at 31.12.2021	2'515'193	-	77'814	10'000	277'680	74'000	-	2'954'687
<i>Total at 31.12.2020</i>	<i>2'420'864</i>	<i>50'714</i>	<i>53'610</i>	<i>295</i>	<i>273'639</i>	<i>87'800</i>	<i>-</i>	<i>2'886'923</i>

3.24 Presentation of assets and liabilities, by domestic and foreign origin in accordance with the domicile principle	AMOUNTS IN CHF/000			
	2021		2020	
	Switzerland	Abroad	Switzerland	Abroad
Assets				
Liquid assets	566'804	252'046	659'389	133'852
Amounts due from banks	185'187	114'669	83'716	115'606
Amounts due from clients	174'111	634'561	176'923	682'586
Mortgage loans	684'146	149'633	706'662	118'573
Trading portfolio assets	-	60'880	-	69'307
Positive replacement values of derivative financial instruments	6'849	5'922	9'264	7'506
Financial investments	75'057	397'237	48'321	423'188
Accrued expenses and deferred income	13'468	1'624	13'857	1'019
Non-consolidated participations	2'652	49	2'652	50
Tangible fixed assets	46'286	20'798	48'215	22'647
Intangible assets	354	106	1'936	132
Other assets	17'898	24'043	25'543	26'077
Total assets	1'772'810	1'661'567	1'776'478	1'600'542
Liabilities				
Amounts due to banks	87'644	249'942	24'352	240'852
Amounts due in respect of client deposits	441'726	2'020'035	571'775	1'894'848
Negative replacement values of derivative financial instruments	10'799	23'741	9'174	35'121
Mortgages from issuers of mortgage bonds and loans	120'800	-	110'800	-
Accrued expenses and deferred income	12'668	3'682	16'008	1'643
Other liabilities	8'179	16'628	9'310	17'829
Provisions	23'184	5'564	27'786	5'009
Reserves for general banking risks	42'570	-	42'570	-
Bank's capital	20'000	-	20'000	-
Statutory capital reserve	15'084	52'783	67'868	-
Earnings reserve	287'723	-11'211	292'818	-12'114
Minority interests in equity capital	431	-	-	424
Group profit	643	1'763	248	699
Total liabilities	1'071'450	2'362'927	1'192'710	2'184'311

3.25 Breakdown of total assets by country or group of countries		AMOUNTS IN CHF/000		2021		2020	
Assets			%		%		%
Italy		1'110'258	32.33	1'032'388	30.57		
Other OECD countries		474'692	13.82	462'440	13.69		
Other countries in the Americas (non-OECD countries)		39'995	1.16	30'563	0.91		
Other countries		36'621	1.07	75'152	2.23		
Total receivables abroad		1'661'567	48.38	1'600'542	47.40		
Switzerland		1'772'810	51.62	1'776'478	52.60		
Total assets		3'434'377	100.00	3'377'020	100.00		

3.26 Breakdown of total assets by credit rating of country groups (risk domicile)		Net foreign exposure 31.12.2021		Net foreign exposure 31.12.2020	
Bank's country rating	Moody's	in CHF /000	%	in CHF /000	%
1-2	Aaa – AA3	1'543'181	98.26%	1'594'517	98.15%
3	A1 – A3	1'930	0.12%	739	0.05%
4	Baa1 – Baa3	10'737	0.68%	9'144	0.56%
5	Ba1 – Ba3	7'375	0.47%	12'807	0.79%
6	B1 – B3	1'834	0.12%	4'899	0.30%
7	Caa1 – C	2'692	0.17%	1'093	0.07%
0	No rating	2'729	0.17%	1'325	0.08%
Total assets		1'570'478	100.00%	1'624'524	100.00%

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

3.27 Presentation of assets and liabilities broken down by the most significant currencies for the Bank	CURRENCIES (equivalent in CHF/000)				
	CHF	EUR	USD	Other	Total
Assets					
Liquid assets	565'607	252'771	317	155	818'850
Amounts due from banks	12'473	90'024	135'858	61'500	299'855
Amounts due from clients	135'434	596'707	58'209	18'322	808'672
Mortgage loans	684'146	149'633	-	-	833'779
Trading portfolio assets	-	44'114	12'567	4'199	60'880
Positive replacement values of derivative financial instruments	12'761	-	4	5	12'770
Financial investments	91'089	374'426	6'779	-	472'294
Accrued expenses and deferred income	12'659	2'139	254	40	15'092
Non-consolidated participations	2'652	49	-	-	2'701
Tangible fixed assets	45'552	18'618	2'914	-	67'084
Intangible assets	353	106	-	-	459
Other assets	16'806	23'706	1'201	228	41'941
Total assets	1'579'532	1'552'293	218'103	84'449	3'434'377
Delivery entitlements from spot exchange, forward forex and forex option transactions	18'625	295'494	275'965	6'374	596'458
Total assets at 31.12.2021	1'598'157	1'847'787	494'068	90'823	4'030'835
Liabilities					
Amounts due to banks	86'574	248'922	1'234	856	337'586
Amounts due in respect of client deposits	368'429	1'544'998	471'989	76'345	2'461'761
Negative replacement values of derivative financial instruments	34'537	-	3	-	34'540
Mortgages from issuers of mortgage bonds and loans	120'800	-	-	-	120'800
Accrued expenses and deferred income	11'443	4'278	629	-	16'350
Other liabilities	2'098	21'644	1'065	-	24'807
Provisions	22'570	5'979	198	-	28'747
Reserves for general banking risks	42'570	-	-	-	42'570
Bank's capital	20'000	-	-	-	20'000
Statutory capital reserve	67'868	-	-	-	67'868
Earnings reserve	305'316	-28'805	-	-	276'511
Minority interests in equity capital	431	-	-	-	431
Group profit	2'406	-	-	-	2'406
Total liabilities	1'085'042	1'797'016	475'118	77'201	3'434'377
Delivery commitments from spot exchange, forward forex and forex option transactions	527'813	39'127	16'939	12'579	596'458
Total liabilities at 31.12.2021	1'612'855	1'836'143	492'057	89'780	4'030'835
Net position per currency	-14'698	11'644	2'011	1'043	-

3.28 Breakdown and explanation of contingent liabilities and liabilities	AMOUNTS IN CHF/000	2021	2020
Guarantees to secure credits and similar		42'760	33'103
Irrevocable commitments resulting from documentary letters of credit		4'680	1'968
Other contingent liabilities		10'580	7'698
Total contingent liabilities		58'020	42'770

3.29 Breakdown of credit commitments

There were no credit commitments at 31.12.2021

3.30 Breakdown of fiduciary transactions	AMOUNTS IN CHF/000	2021	2020
Fiduciary investments with other banks		121'499	197'748
Total fiduciary transactions		121'499	197'748

3.31 Breakdown of managed assets and presentation of their development

a) Breakdown managed assets	AMOUNTS IN CHF/000	2021	2020
Type of asset			
Assets held in self-managed collective investment schemes		872'497	847'982
Asset under discretionary asset management agreements		4'119'400	4'137'489
Other managed assets		7'832'338	7'310'824
Sub-total: managed assets (incl. double counting)		12'824'234	12'296'294
<i>of which double counting</i>		867'160	888'513
Commercial clients – Custody only		964'584	825'974
Sub-total: other client assets		964'584	825'974
Total client assets (incl. double counting)		13'788'819	13'122'268

b) Presentation of the development of managed assets	AMOUNTS IN CHF/000	2021	2020
Total managed assets (incl. double counting) at start of period		12'296'294	12'205'316
+/- Net new money inflow or net new money outflow		430'259	-11'405
+/- Change in market prices, interest, dividends and exchange rates		103'064	-41'884
+/- Other effects*		-5'383	144'267
Total managed assets (incl. double counting) at end of period		12'824'234	12'296'294

* At 31.12.2021, the item «Other effects» corresponds to the outflow of HPS BASIC FUNDS from the managed funds perimeter. Other managed assets includes all client assets (private, commercial and institutional) held for investment on which the Bank receives commission and/or fees in addition to custody fees and other account-keeping expenses. All other assets held in custody by the Bank that do not meet the above criteria are considered “custody only”. Assets under management are client assets managed in accordance with the profile chosen by the client. Receivables due from clients are not deducted from total managed assets. Net contributions/withdrawals include actual inflows and outflows of client funds and assets but do not include the performance of securities or currencies, interest, charges, commission or dividends.

3.32 Breakdown of the result from trading activities and the fair value option

a) Breakdown by business area (based on the organisation of the bank and/or the financial group)	AMOUNTS IN CHF/000	2021	2020
Trading with mixed transactions		7'119	8'432
Group companies subject to FINMA money laundering supervision		4	-11
Total result from trading activities		7'123	8'421

b) Breakdown by underlying risk and application of the fair value option	AMOUNTS IN CHF/000	2021	2020
Result from trading activities from:			
- Interest rate instruments		2'452	781
- Equity securities (ind. funds)		-131	124
- Currencies		4'772	7'464
- Commodities/precious metals		29	53
Total result from trading activities		7'123	8'421

3.33 Disclosure of material refinancing income in the item «interest and discount income» as well as material negative interest

The Bank refinances itself by the central mortgage institution "Pfandbriefbank AG". As at 31.12.2021 the total liability was CHF 120.8 million and the related interests expenses for the exercise 2021 was 0.2 million.

«Income from interest and discounts» includes negative interest of CHF 2.7 million.

3.34 Breakdown of personnel expenses	2021	2020
Remuneration (attendance fees, fixed compensation to members of the Bank's governing bodies, salaries and allowances)	59'107	56'209
Benefits	13'861	13'577
Other personnel expenses	5'314	5'138
Total personnel expenses	78'283	74'925

3.35 Breakdown of general and administrative expenses	2021	2020
Building occupancy expenses	2'854	3'012
IT and telecommunications technology expenses	7'093	5'943
Expenses for vehicles, equipment, furniture and other fixtures, and operating leases	493	467
Audit fees (art. 961a no. 2 CO)	666	651
- of which for statutory and regulatory audits	666	651
- of which other services	0	0
Sundry operating expenses	12'613	12'653
Total other operating expenses	23'720	22'725

3.36 Explanations regarding material losses, extraordinary income and expenses, as well as material releases of hidden reserves, reserves for general banking risks and value adjustments and provisions no longer required

The extraordinary results are due to contingent assets, of which CHF 0.1 million referred to securities.

3.37 Disclosure of and reasons for revaluations of participations and tangible fixed assets up to acquisition cost

No revaluation during the financial year 2021.

3.38 Presentation of the operating result, broken down according to domestic and foreign origin, according to the principle of permanent establishment	AMOUNTS IN CHF/000	2021		2020	
		Switzerland	Abroad	Switzerland	Abroad
Net result from interest operations		13'124	10'185	13'373	10'578
Result from commission business and services		47'301	35'675	42'332	31'037
Result from trading activities		5'506	1'617	6'901	1'521
Other result from ordinary activities		1'952	582	871	2'365
Income for the period		67'883	48'059	63'477	45'501
Personnel expenses		-48'060	-30'222	-47'923	-27'002
Material expenses		-11'059	-12'661	-9'031	-13'786
Operating expenses		-59'119	-42'883	-56'955	-40'787
Operating profit		8'764	5'176	6'522	4'713

3.39 Presentation of current taxes, deferred taxes, and disclosure of tax rate	AMOUNTS IN CHF/000	2021		2020	
		Aliquota		Aliquota	
Current tax expense *		25.7%	3'581	15.6%	1'758
Deferred tax expense		16.7%	-1'534	28.0%	134
Extraordinary Items			0		-424
Total tax			2'047		1'468

* Average rate applied to operating profit.

3.40 Disclosure and explanations on the earnings per equity security in the case of listed banks

The Bank's shares are not listed.

Report of the Statutory Auditor

To the General Meeting of
PKB PRIVATBANK SA, Lugano

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of PKB PRIVATBANK SA, which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes (pages 14 - 38 of the Annual Report) to the consolidated financial statements for the year then ended.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with the provisions governing the preparation of financial statements for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation 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 2021 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss accounting principles applicable for Banks and comply with Swiss law.

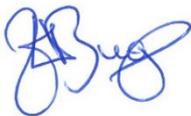
Report on Other Legal Requirements

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

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

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

Deloitte SA



Alexandre Buga
Licensed Audit Expert
Auditor in charge



Pietro Di Fluri
Licensed Audit Expert

Lugano, 24 March 2022
AB/PDF/dbo

PARENT COMPANY FINANCIAL STATEMENTS

Contents

Comments on the balance sheet	43
Comments on the income statement	45
Balance sheet	46
Income statement	48
Appropriation of profits	49
Statement of changes to shareholders' equity	49
Notes to the annual financial statements	50
Auditors' report	61

COMMENTS ON THE BALANCE SHEET

Balance sheet total

At 31.12.2021 assets totalled CHF 2,324.3 million versus liabilities of CHF 1,954.3 million; shareholders' equity, including net profit for the period, was consequently CHF 369.9 million. The balance sheet total increased by CHF 14.1 million, or 0.6% compared with the previous year.

Assets

Liquid assets	This item includes cash deposits and amounts due from the SNB. The total of CHF 566.8 million covers the legal requirement for primary liquidity.
Amounts due from banks	The amounts due from banks increased by CHF 103.4 million (+55.1%), from CHF 187.8 million to CHF 291.2 million. These were mainly funds deposited with major banks in OECD countries.
Amounts due from clients	Amounts due from clients increased by 3.5%, from CHF 455.6 million to CHF 471.5 million.
Mortgage loans	Mortgage loans decreased by 3.2%, from CHF 706.7 million to CHF 684.1 million.
Trading portfolio assets	At 31.12.2021 the Bank did not have any open positions within the trading portfolio
Positive replacement values of derivative financial instruments	Positive replacement values totalled CHF 12.8 million compared with CHF 16.7 million in the previous year (-23.8%) and relate to transactions in derivative financial instruments, taken out on the Bank's own account or on behalf of clients, and represent counterparty risk.
Financial investments	At 31.12.2021, financial investments totalled CHF 112.1 million, compared with CHF 84.9 million in the previous year (+32.0%). Investments in funds totalled CHF 4.7 million (CHF 4.4 million at 31.12.2020), while investments in fixed income securities amounted to CHF 106.1 million (CHF 79.2 million at 31.12.2020). Investments in equities amount to CHF 1.3 million (CHF 1.4 million at 31.12.2020).
Main participations	<p>The Bank owns the entire share capital of PKB Banca Privada (Panama) SA and of Alasia SA, Lugano. Moreover it owns 99.56% of Cassa Lombarda Spa, Milan and directly owns 70% of PKB Servizi Fiduciari SpA.</p> <p>It also has minority shareholdings in Viseca Holding SA, Zürich (0.28%), Six Group AG, Zürich (0.015%), Pfandbriefbank AG, Zürich (0.14%) and Fenera & Partners SGR SpA, Torino (2.18%)</p>
Tangible fixed assets	<p>These decreased from CHF 26.0 million to CHF 25.3 million (- CHF 0.7 million, or -2.7%).</p> <p>They include buildings owned by the Bank, furniture, fixtures and fittings, any capitalised renovation work, hardware and software.</p>
Intangible assets	Intangible assets totalled CHF 0.2 million and relate to the acquisition of clients assets.
Other assets	Other assets decreased to CHF 6.9 million at 31.12.2021, from CHF 19.2 million at the end of the previous year. This item mainly consists of the compensation account where the revaluation of hedging instruments is registered (CHF 4.4 million), the pure clearing accounts (CHF 1.4 million) and indirect taxes (CHF 0.6 million).

Liabilities

Amounts due to banks	Amounts due to banks decreased from CHF 127.3 million to CHF 111.7 million (-12.3%).
Amounts due in respect of client deposits	These increased by CHF 40.2 million, or 2.6% (CHF 1,606.3 million at 31.12.2021, CHF 1,566.1 million at 31.12.2020).
Negative replacement values of derivative financial instruments	Negative replacement values totalled CHF 34.5 million compared with CHF 44.3 million in the previous year (-22.0%) and relate to transactions in derivative financial instruments, taken out on the Bank's own account or on behalf of clients, and represent a liability in respect of counterparties.
Bond issues and central mortgage institutions loans	They include loans due to Pfandbriefbank AG, Zurigo. At 31.12.2021 they totalled CHF 120.8 million (CHF 110.8 million at 31.12.2020)
Other liabilities	At 31.12.2021 these totalled CHF 8.2 million (- CHF 1.6 million compared with the previous year). This item includes intrests components arising from hedging instruments (CHF 5.5 million) and financial investments sold before maturity (CHF 0.6 million) , engagements due to indirect taxes (CHF 0.9 million) and the pure clearing accounts (CHF 0.6 million).
Shareholders' equity	Shareholders' equity on the balance sheet totalled CHF 365.9 million (excluding reserves for general banking risks and net profit for the year), down on the figure of CHF 369.2 million in the previous year. The decrease is attributable to the utilization of 2020 profit.

COMMENTS ON THE INCOME STATEMENT

Revenues

Looking at the various aggregates of the income statement, we see that the gross result from interest operations was CHF 13.1 million, down by 3.3% compared to the previous year (CHF 13.6 million) as the result of the decrease of treasury net revenues, mainly caused by lower interest rates. On the other hand, interest and dividend income contributed positively, with an increase of 155% compared to the previous year, thanks to the good performance of private equity funds.

After the deduction of value adjustments for risks of loss and losses from interest operations (- CHF 0.02 million) the net result from interest operations settled at CHF 13.1 million, in decrease of 1.9% compared with the previous year (CHF 13.4 million).

The result from commission business and services increased (+5.6%): the result was positively affected by securities trading and investment activity (+7.2%) and by the reduction in commission expenses (-3.9%), while commission income from other services (-17.1%) and the fees for credit transactions (-8.0%) decreased compared to the previous year.

The rise in commission income is mainly due to the the increase of client assets (+2.6%). The result from trading operations totalled CHF 5.5 million, lower compared to CHF 6.9 million of the previous year (-20.4%): mainly due to the decrease of trading results on interest instruments (-66.6%) while trading on currencies and precious metals increased of 8.5% compared with the previous year.

Other results from ordinary activities amounted to CHF 1.9 million, growing compared with CHF 0.9 million in the previous year: mainly due to the income from participations (+ CHF 0.6 million), the result from real estate (+ CHF 0.3 million) and from the unrealized changes in the valuation of financial investments (+ CHF 0.6 million). On the other hand, the results from disposals of financial assets decreased compared to the previous year (- CHF 0.5 million).

Total revenues break down as follows:

20.4%	net result from interest operations
68.1%	result from commission business and services
8.5%	result from trading activities
3.0%	result from other ordinary activities.

Operating expenses

Operating expenses decreased of 0.6% compared with the previous year. Personnel expenses decreased of 2.2%, to CHF 44.8 million (CHF 45.8 million in 2020).

Other operating expenses increased of 6.5% to CHF 10.5 million (CHF 9.9 million in 2020).

Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets

The total cost amounted to CHF 0.6 million, almost unchanged compared with the previous year.

Changes in provisions and other value adjustments and losses

The net change shows a loss of CHF 1.2 million, lower by 5.8% compared with the previous year (- CHF 1.3 million).

Operating result

The operating result of the year amounted to CHF 5.8 million, 60.5% higher compared to the previous year (CHF 3.6 million).

Extraordinary income

Extraordinary income amounted to CHF 0.3 million and is mainly related to contingent assets (CHF 0.2 million), and to revaluation of participations (CHF 0.1 million).

Profit for the year

Net profit for the year was CHF 4.0 million; this compared to CHF 2.7 million of previous year, i.e. an increase of 50.5%.

BALANCE SHEET

Assets	AMOUNTS IN CHF	Notes	2021	2020
Liquid assets			566'786'721	659'370'559
Amounts due from banks			291'203'261	187'798'681
Amounts due from clients		3.1	471'502'728	455'619'428
Mortgage loans		3.1	684'145'886	706'661'854
Trading portfolio assets			0	0
Positive replacement values of derivative financial instruments		3.3	12'754'164	16'735'469
Financial investments		3.4	112'120'279	84'932'842
Accrued expenses and deferred income			12'391'801	12'544'633
Participations			140'945'658	140'855'892
Tangible fixed assets			25'301'509	25'991'465
Intangible assets			236'000	476'000
Other assets		3.5	6'867'840	19'151'999
Total assets			2'324'255'844	2'310'138'821

The figures in the balance sheet, the profit and loss and the annexes are rounded. The total can therefore differ from single values.

Liabilities	AMOUNTS IN CHF	Notes	2021	2020
Amounts due to banks			111'719'363	127'337'920
Amounts due in respect of customer deposits			1'606'321'882	1'566'129'339
Negative replacement values of derivative financial instruments		3.3	34'529'596	44'282'090
Bond issues and central mortgage institution loans			120'800'000	110'800'000
Accrued expenses and deferred income			11'628'411	15'239'148
Other liabilities		3.5	8'217'808	9'812'515
Provisions		3.9	12'400'609	15'934'983
Reserves for general banking risks		3.9	48'700'000	48'700'000
Bank's capital		3.10	20'000'000	20'000'000
Statutory capital reserve			67'867'600	67'867'600
<i>of which tax-exempt capital contributions reserve</i>			67'867'600	67'867'600
Statutory retained earnings reserve			41'000'000	41'000'000
Voluntary retained earnings reserve			219'000'000	219'000'000
Profit carried forward			18'035'225	21'353'197
Net profit for the year			4'035'350	2'682'028
Total Liabilities			2'324'255'844	2'310'138'821

The figures in the balance sheet, the profit and loss and the annexes are rounded. The total can therefore differ from single values.

OFF-BALANCE SHEET TRANSACTIONS

	AMOUNTS IN CHF	Notes	2021	2020
Contingent liabilities		3.1	45'669'861	30'571'003
Irrevocable commitments		3.1	15'664'052	8'133'186
Obligation to pay-up shares and make further contribution		3.1	3'495'992	4'555'787

The figures in the balance sheet, the profit and loss and the annexes are rounded. The total can therefore differ from single values.

INCOME STATEMENT

	AMOUNTS IN CHF	Notes	2021	2020
Result from interest operations				
Interest and discount income			10'909'431	13'897'402
Interest and dividend income from trading portfolios			285'176	246'137
Interest and dividend income from trading portfolios			2'173'393	852'881
Interest expense			-219'978	-1'399'888
Sub-total: gross result from interest operations			13'148'021	13'596'532
Changes in value adjustments for default risks and losses from interest operations			-23'763	-223'565
Sub-total: net result from interest operations			13'124'259	13'372'967
Result from commission business and services				
Commission income from securities trading and investment activity			45'221'888	42'172'539
Commission income from lending activities			413'877	449'742
Commission income from other services			4'508'763	5'437'875
Commission expense			-6'283'414	-6'538'913
Sub-total: result from commission business and services			43'861'114	41'521'243
Result from trading activities and fair value option		3.16	5'501'529	6'911'348
Other result from ordinary activities				
Result from the disposal of financial investments			294'855	756'880
Income from participations			856'704	212'482
Result from real estate			585'045	319'565
Other ordinary income			214'829	0
Other ordinary expenses			-	-417'590
Sub-total: other results from ordinary activities			1'951'433	871'336
Net revenues			64'438'334	62'676'894
Operating expenses				
Personnel expenses		3.17	-44'780'949	-45'785'385
General and administrative expenses		3.18	-10'519'586	-9'872'951
Sub-total: operating expenses			-55'300'535	-55'658'336
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets			-2'110'129	-2'100'742
Changes to provisions and other value adjustments and losses			-1'228'517	-1'304'176
Operating result			5'799'154	3'613'641
Extraordinary income			325'935	247'758
Extraordinary expenses			-	-
Changes in reserves for general banking risks			-	-
Taxes			-2'089'738	-1'179'371
Net profit for the year			4'035'350	2'682'028

The figures in the balance sheet, the profit and loss and the annexes are rounded. The total can therefore differ from single values.

APPROPRIATION OF PROFITS

Recommendation of the Board of Directors	AMOUNTS IN CHF	2021	2020
Net profit for the year		4'035'350	2'682'028
Profit carried forward		18'035'225	21'353'197
Distributable profit		22'070'575	24'035'225
Appropriation of profits			
- Allocation to statutory retained earnings reserve		-	-
- Allocation to voluntary retained earnings reserve		-	-
- Distribution of distributable profit		6'000'000	6'000'000
New amount carried forward		16'070'575	18'035'225

STATEMENT OF CHANGES TO SHAREHOLDERS' EQUITY

AMOUNTS IN CHF/000										
	Bank's capital	Capital reserves	Reserves earnings	Reserves for general banking risks	Currency translation reserves for general banking risks	Voluntary retained earnings reserve and profit/loss carried forward	Own shares (negative item)	Minority interests (negative item)	Result for the period interests	Total
Equity at start of current period	20'000	67'868	41'000	48'700	-	240'353	-	-	2'682	420'603
Currency rate differences	-	-	-	-	-	-6'000	-	-	-	-6'000
Dividends and other allocations	-	-	-	-	-	-	-	-	-	-
Other allocations to/withdrawals from other	-	-	-	-	-	2'682	-	-	-2'682	-
Profit of the period	-	-	-	-	-	-	-	-	4'035	4'035
Equity at the end of current period	20'000	67'868	41'000	48'700	-	237'035	-	-	4'035	418'638

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. Operations and workforce

PKB Privatbank AG is present in Lugano (registered office), Bellinzona, Geneva and in Zurich. PKB Privatbank AG operates as a universal bank.

The Bank's main activity is private banking, where it offers a wide range of services. The Bank complements its range of services with Corporate Banking and Capital Markets, where it is one of the leading independent decision-makers in the primary Swiss franc bond market.

At 31.12.2021, the workforce, expressed as FTEs, was 219.0 (2020: 219.55 units).

The Bank undertakes all essential activities in-house and does not outsource significant services as defined by the circular FINMA 2018/3

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

<i>Accounting and valuation policies</i>	The accounting policies used in the preparation of the annual financial statements comply with the Swiss Federal Law on Banks and Savings Banks, and the provisions of the Swiss Financial Markets Supervisory Authority (FINMA) Circular 2020/1 “Accounting Directives - Banks” and the FINMA Accounting Ordinance. The Bank prepares the statutory single-entury financial statements according to the principle of reliable representation. The accounts are presented by registration date. The criteria listed below were adopted.
<i>Foreign funds and currencies</i>	Valued at year-end rates. Exchange rate differences are recognised in the income statement under “Results from trading activities and fair value option”. The exchange rates used for the main currencies were as follows EUR 1,03686 (2020: 1,08203) USD 0,91175 (2020: 0,88462).
<i>General receivables and commitments</i>	Valued at nominal value, net of value adjustments (defined by the art. 25 and 26 of the FINMA Accounting Ordinance).
<i>Trading portfolio assets</i>	Valued at market value.
<i>Financial investments</i>	Equities: valued at market value at the end of the year, but not above purchase price. Fixed income securities: the difference between the purchase price and the redemption value is distributed over the years from purchase to maturity.
<i>Participations</i>	Valued at purchase price, minus economically necessary amortization.
<i>Tangible fixed assets</i>	These are booked at cost minus ordinary and extraordinary depreciation. Depreciation is applied on a straight-line basis. Works of art valued at less than CHF 30,000.00 are fully depreciated in the year of purchase, while those valued at over CHF 30,000.00 are depreciated at a rate of 10% for up to 50% of the purchase cost. All other fixed assets are shown on the balance sheet at the lower of cost and market value. Ordinary depreciation periods are as follows:
	Properties used by the Bank maximum 50 years
	Renovations maximum 3 years
	Plant maximum 3 years
	Furniture maximum 3 years
	Equipment and vehicles maximum 3 years
	Hardware/Software maximum 3 years
	Intangible assets maximum 5 years

* Maximum until the value of the land.

<i>General banking risks</i>	Reserves for general banking risks are taxed on the portion that exceeds the maximum amount accepted for tax purposes (for further detail, please refer to annex 3.9)
<i>Solvency risks</i>	Where necessary, specific value adjustments are booked and then deducted from their respective item under assets. In order to cover credit risk, value adjustments are booked in accordance with Art. 25, 26 and 28 of the FINMA Ordinance on Accounts (OPAC-FINMA). For impaired loans, i.e., when there is a high probability that the borrower is no longer able to meet its repayment obligations, specific value adjustments are recorded and deducted from the respective asset item. Regarding non-compromised loans, PKB Privatbank AG, according to the latent loss risk approach, periodically checks for the existence of loss risks not covered by specific value adjustments and, where necessary, books generic value adjustments
<i>Doubtful interest</i>	Interest and commission over 90 days overdue are not recognised in revenues, but provisions are made for them. The loans in question are considered non-performing.
<i>Result from trading activities and the fair value option</i>	This is recognised in the income statement before deduction of refinancing costs.
<i>Contingent liabilities and irrevocable commitments</i>	Off-balance sheet transactions are recorded at nominal value. Any provisions for <i>payment and credit commitment</i> recognised risks are reported under the item "Provisions"
<i>Derivative financial instruments</i>	These are valued at market value, mark-to-market. The Bank's use of derivative financial instruments on its own behalf mainly concerns hedging transactions and marginally trading within the limits established by internal regulation.
<i>Criteria applied for identifying risks of losses and calculating value adjustments</i>	Credit files are analysed regularly and at least once a year. Where necessary depending on the risk, analysis is conducted more frequently and promptly, particularly for non-performing loans. Value adjustments required for any portion of the loan not covered by guarantees are recorded immediately.
<i>Collateral assets for loans</i>	Liquidation value is calculated on the basis of market price or realised value, from which the costs of liquidation and refinancing are deducted.
<i>Risk assessment and management</i>	<p>Risk assessment and management form an integral part of the internal control system, as required by FINMA Circular 2017/1 «Corporate governance - banks». The Board of Directors is responsible for the Bank's internal control system, for which it sets the guidelines and periodically checks that they are sufficient and operating correctly.</p> <p>The Board of Directors is supported in its duties by an Audit & Risk Committee, which advises and makes proposals. The Executive Board is responsible for operational management, and in turn is supported by the <i>Risk Committee (CORI)</i>, responsible for defining the procedures for measuring, managing and controlling risk for the PKB Group. The CORI meets at least every quarter, and has an integrated Group risk reporting system. Internal Audit checks and assesses the internal control system, and thereby helps to constantly refine it.</p> <p>In compliance with current legal requirements, the Bank has produced its own regulations for the consolidated supervision of the Group and a <i>Risk Appetite Framework Policy</i>. These set out integrated guidelines for risk assessment and management with which all Group companies must comply. The risk assessment and management policy, which is examined every year by the Board of Directors, forms the basis of the Bank's risk management process. It is linked to a set of ceilings that cover each identified risk category and are checked constantly, particularly with regards to the risks set out below.</p> <p><u><i>Credit risk</i></u></p> <p>Credit risk is regulated by the Board of Directors through the <i>Credit Policy</i> and the PKB Group Credit Regulation. The Executive Board manages credit risk through the Credit Committee (COCR), which supervises the application of company strategies, and analyses, in terms of quality and quantity, the solvency of counterparties and their respective guarantees.</p> <p>Credit risk is controlled by limiting risk and exposure at PKB Group level, by limiting concentration of risk in counterparty groups (large exposures and 20 largest exposures) and by country. Delcredere and country risk are subject to special provisions. Supervisory capital requirements for credit risk are calculated using the international method, with a comprehensive approach to the treatment of guarantees.</p>

Market risk (balance sheet)

The market risk on balance sheet assets is governed by the *Risk Appetite Framework Policy* with the definition of risk appetite and risk tolerance and by the *Asset&Liability Management Policy* of the PKB Group approved by the Board of Directors. The Executive Board supervises market risk through the Asset&Liability Committee (ALCO).

The interest rate risk, calculated through the *Economic Value of Equity* and the *Net Interest Income*, is based on the standardized interest rate shock scenarios according to Circular FINMA 2019/2 (attachment 2). The interest rate risk for customers loans or mortgages are hedged mainly with Interest Rate Swaps according to Accounting rules and applying the hedge accounting principles. Exchange rate risk is hedged mainly by forward rate agreements and currency options.

Market risk (trading portfolio)

Trading portfolio management is governed by the Risk Appetite Framework Policy with the definition of risk appetite and risk tolerance and through the PKB Group *Trading Policy* approved by the Board of Directors and by directives approved by the Executive Board. The Bank is a *Market Maker* on the primary CHF bond market, and also operates on the forex, bond and equity markets.

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

Supervisory capital requirements for market risk are calculated using the standard method, with a delta-plus approach for options.

Liquidity risk

Liquidity risk is regulated by the Board of Directors through the Risk Appetite Framework Policy with the definition of risk appetite and risk tolerance, through the *Asset&Liability Management Policy* and the Liquidity Regulation, both valid at PKB Group level. The Executive Board supervises and manages liquidity risk through ALCO.

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

Operational risk

Operational risk, which includes legal and compliance risks, is managed by the Board of Directors through the PKB Group's *Operational Policy* and the Group *Legal&Compliance Policy*, as well as implementing regulations, while the Executive Board also issues directives on operational risk management.

The strategy and business model adopted expose the Group to the following main types of operational risk defined by FINMA Circular 2008/21 «Operational risks - banks»:

- Internal fraud: losses due to acts carried out with fraudulent intentions, misappropriation of goods, circumvention of laws, regulations or internal provisions with implication of at least a part internal to the company;
- External fraud: losses due to acts carried out with fraudulent intentions, misappropriation of goods, circumvention of laws or regulations without implication of an internal part of the company;
- Clients, products and business practices: losses arising from non-intentional or negligent non-fulfillment of obligations towards customers and losses deriving from the type or structure of certain products;
- Execution, delivery and management of processes: losses deriving from errors in the execution of activities or in the management of processes and losses deriving from relations with commercial partners and suppliers;
- Business interruptions, system failures and damage to physical assets: losses deriving from business interruptions or problems with technical systems and deriving from damage to physical assets due to natural disasters or other events.

The assessment of operational risks is supported by an analysis of the critical areas present in the processes and activities carried out by the Group entities, while for the measurement of the current operational risk the Group uses a system of quantitative and qualitative indicators provided by the *Risk Appetite Framework Policy* and the minimum standards and key controls in the area of operational risk, which include the calculation of capital requirements according to the basic indicator approach, the analysis of operational losses, the analysis of Key Risk Indicators and the inherent and residual risk assessments.

Operational risk management and mitigation is carried out through the following distribution of tasks and responsibilities:

- First line of defence: owner of operational risks generated by business activities and responsible for managing operational risks;
- Second line of defence (Group Risk Management): responsible for consolidated supervision of the Group's operational risk.

Operational risk is monitored primarily through the verification of the qualitative and quantitative indicators defined in the *Risk Appetite Framework Policy* and through the verification of the minimum standards and key controls in the area of operational risk. Group Risk Management also ensures a quarterly report to the CRO and CORI.

Legal risk

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

Reputational and compliance risk

Unlike compliance risks, which concern only the breach of laws and regulations, damage to reputation can be caused by such a break or even by behaviour that the public considers inappropriate or unacceptable, even though it is fully compliant with the law and regulations. In order to take into account the wide range of reputational risks, Banca PKB has produced a Charter of Values, designed to support a corporate culture based on impeccable conduct and leading professional standards.

Compliance risks are managed through a whole series of policies and procedures that cover all the Bank's areas of business. Given the international nature of our business, internal rules go beyond the Swiss legal and regulatory framework, and address all cross-border activities and issues relevant to the way we serve our clients, in particular in the areas of investment advisory services and trading on foreign financial markets.

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

Bank policy on the use of derivative financial instruments

Positions taken in derivatives are, in general, held on behalf of clients. The Bank makes use of interest rate risk hedging transactions for the structural management of the balance sheet, through interest rate swaps and forward rate agreements.

Significant events following the end of the financial year

No events with a significant financial impact occurred after the balance sheet closing date. The geo-political crisis and the consequent economic and financial repercussions, which became apparent from February 2022, with the Russian invasion of Ukraine, have so far affected neither the property portfolio nor the loan portfolio.

Changes in accounting principles

No changes within the 2021 financial year.

3. Details on individual positions in the notes to the financial statements

3.1 Presentation of loan collateral and off-balance sheet transactions, as well as impaired loans/receivable	AMOUNTS IN CHF/000	TYPE OF COLLATERAL			TOTAL
		Secured by mortgage	Other collateral	Unsecured	
Loans (before netting with value adjustments)					
Amounts due from customers		56'878	401'458	20'894	479'230
Mortgage loans		684'996	-	-	684'996
- Residential property		478'685	-	-	478'685
- Office and business premises		115'075	-	-	115'075
- Commercial and industrial premises		20'171	-	-	20'171
- Other		71'065	-	-	71'065
Total loans (prior netting with value adjustments)					
Current financial year		741'874	401'458	20'894	1'164'226
<i>Previous financial year</i>		771'072	376'212	24'624	1'171'908
Loans (after netting with value adjustments)					
Current financial year		741'024	393'731	20'894	1'155'649
<i>Previous financial year</i>		770'222	367'435	24'624	1'162'281
Off-balance sheet					
Contingent liabilities		3'579	37'077	5'013	45'670
Irrevocable commitments		7'764	230	7'670	15'664
Obligation to pay-up shares and make further contribution		-	-	3'496	3'496
Off-balance sheet total					
Current financial year		11'343	37'308	16'179	68'326
<i>Previous financial year</i>		6'435	24'135	12'689	43'260
Impaired loans					
		Gross debt	Estimated realizable value of collateral	Net debt	Individual value adjustments
Current financial year		15'636	7'071	8'565	8'565
<i>Previous financial year</i>		16'741	7'114	9'627	9'627

3.2 Breakdown of trading portfolio and other financial instruments at fair value (assets and liabilities)

No position at 31.12.2021 and at 31.12.2020

3.3 Presentation of derivative financial instruments (assets and liabilities)	AMOUNTS IN CHF/000	INSTRUMENTS HELD FOR TRADING			HEDGING INSTRUMENTS		
		Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments		11'717	9'967	247'801	281	16'324	283'765
Forward contracts							
Swaps		2'836	1'086	38'357	281	13'536	268'465
Options (OTC)		8'881	8'881	209'444	-	2'788	15'300
Foreign exchange / Precious metals		735	8'217	596'577	-	-	-
Forward contracts		134	142	7'976	-	-	-
Combined interest rate/currency swaps		601	8'075	588'600	-	-	-
Options (OTC)		-	-	-	-	-	-
Equity securities/indices		21	21	1'133	-	-	-
Options (OTC)		21	21	1'133	-	-	-
Total before netting agreement							
Current financial year		12'473	18'206	845'511	281	16'324	283'765
Previous financial year		16'600	19'080	969'008	135	25'202	313'231
Total after netting		Positive replacement values			Negative replacement values		
Current financial year		12'754			34'530		
Previous financial year		16'735			44'282		

Breakdown by counterparty	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	8'882	437	3'436

3.4 Breakdown of financial investments	AMOUNTS IN CHF/000	Book value		Fair value	
		2021	2020	2021	2020
Debt securities		106'059	79'200	106'809	80'414
of which intended to be held to maturity		106'059	78'878	106'809	80'089
of which not intended to be held to maturity		-	322	-	325
Equity securities		6'062	5'733	10'216	7'266
of which qualified participations		1'310	1'367	2'871	1'367
Precious metals					
Real estate					
Total		112'120	84'933	117'025	87'680
of which securities eligible for pensions under liquidity rules		13'196	13'196	13'258	13'459

Breakdown of counterparties by rating	From AAA up to AA-	From A+ up to A-	From BBB+ up to BBB-	From BB+ up to B-	Less than B-	No rating
Debt securities: Book values	16'790	9'430	51'847	4'501		23'491

3.5 Breakdown of other assets and other liabilities	AMOUNTS IN CHF/000	2021		2020	
		Other assets	Other liabilities	Other assets	Other liabilities
Compensation account		4'408	-	17'911	-
Indirect taxes		615	957	543	483
Pure clearing accounts		1'437	579	523	1'669
Other assets and liabilities		408	635	175	872
Interests components from hedging instruments		-	5'494	-	6'033
Interests components from financial investments sold before maturity		-	553	-	756
Total		6'868	8'218	19'152	9'813

3.6 Disclosure of assets pledged or assigned to secure own commitments and assets under reservation of ownership	AMOUNTS IN CHF/000	
	Book values	Effective commitments
Assets pledged / assigned		
Margin accounts		33'615
Bonds used as collateral to banks		13'196
Mortgages used to guarantee loans from central mortgage bond institutions		171'334

3.7 Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the bank held by own pension schemes	AMOUNTS IN CHF/000	2021	2020
		Total	20'868

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

3.8 Disclosure on the economic situation of own pension schemes

Employer contribution reserves (ECR)	AMOUNTS IN CHF/000					
	Nominal value at 31.12.2021	Waiver at 31.12.2021	Net amount at 31.12.2021	Net amount at 31.12.2020	Impact of ECR on personnel expenses	
					2021	2020
LPP pension fund for employees of PKB Privatbank AG	1'300		1'300	1'300		
Totale	1'300		1'300	1'300		

Presentation of the economic benefit/bligation and the pension expenses	AMOUNTS IN CHF/000						
	Overfunding/underfunding at 31.12.2021	Economic share of the bank and/or the financial group		Change in economic share in reporting year	Contributions paid for the reporting period	Pension charges within personnel expenses	
		2021	2020			2021	2020
Pension fund							
With overfunding	26'072				5'073	4'303	4'429
Total	26'072				5'073	4'303	4'429

For each pension plan, the Bank must determine whether reserve levels and the particular circumstances of the pension fund give rise to a surplus or a shortfall. The assessment is based on the financial position at 31 December 2020 and the change in the financial position over 2021. Based on the estimates received from the pension fund, the reserve levels in accordance with art. 44 OPP2 (Ordinanza sulla previdenza professionale – Occupational Pension Order) were 117.7% (2020: 111.4%).

3.9 Presentation of value adjustments, provisions, reserves for general banking risks and changes therein during the current year

AMOUNTS IN CHF/000

	Balance at 31.12.2021	Use in conformity with designated purpose	Transfers	Currency rate differences	Past due interest, recoveries	New provisions charged to the income statement	Releases to the income statement	Balance at 31.12.2020
Other provisions	15'935	-5'616	-	-	-	2'548	-466	12'401
Total provisions	15'935	-5'616	-	-	-	2'548	-466	12'401
Reserves for general banking risks	48'700							48'700
Value adjustment for default and country risks	9'627	-783	-	-235	-	41	-73	8'577
of which, value adjustments for default risks in respect of impaired loans/receivables	9'627	-783	-	-235	-	29	-73	8'565
of which value adjustments for latent risks	-	-	-	-	-	12	-	12

The item «Other provisions» includes chf 6.6 million (2020: CHF 8.2 million) allocated to the retention plan, CHF 5.4 million (2020: CHF 7.5 million) for legal/fiscal risks and chf 0.4 million (2020: CHF 0.3 million) to hedge country risk.

Contingent liabilities, whose outcome can be estimated, were allocated on the basis of the best available estimate.

The new provisions and releases to the income statement after the partial or full absorption of the value adjustment / provision are presented individually if necessary. The events and circumstances of these are disclosed.

Following the recent change in practice by the tax authorities, the reserve for general banking risks is allowed for tax purposes in the maximum amount of CHF 42.8 million (2020: CHF 48.7 million). In the current year, a taxed reserve of CHF 1.5 million has been constituted. The remaining untaxed reserve (CHF 4.5 million) will be built up linearly over the next three financial years in accordance with the agreement made with the cantonal tax office.

3.10 Presentation of bank's capital	AMOUNTS IN CHF/000	2021			2020		
		Total nominal value	Number of ordinary shares	Capital eligible for dividend	Total nominal value	Number of shares	Capital eligible for dividend
Share capital (full paid)		20'000	20'000	20'000	20'000	20'000	20'000
Total share capital		20'000	20'000	20'000	20'000	20'000	20'000

At 31.12.2021 and at 31.12.2020, there were no voluntary restrictions on the distributable nature of reserves.

3.11 Disclosure of amounts due from/to related parties commitments and assets under reservation of ownership	AMOUNTS IN CHF/000	AMOUNTS DUE FROM		AMOUNTS DUE TO	
		Current year	Previous year	Current year	Previous year
Holders of qualified participations		3'491	3'002	25'098	15'920
Group companies		4'416	2'678	24'899	99'345
Affiliates		-	-	911	1'118
Transactions with members of governing bodies		1'557	1'599	4'987	1'899
Other related parties		-	-	11'783	12'749

Loans to members of governing bodies are granted under the same conditions applied to Bank employees.

Transactions with affiliates are conducted under arm's length conditions, and relate to securities transactions, payment traffic and treasury transactions.

3.12 Disclosure of holders of significant participations	AMOUNTS IN CHF/000	31.12.2021		31.12.2020	
		Direct / Indirect	Nominal	%	Nominal
Auriga S.A., Lussemburgo	Direct	20'000	100.00	20'000	100.00
Antipodes SA, Lussemburgo	Indirect	5'994	29.97	5'994	29.97
Plénitude SA, Lussemburgo	Indirect	5'994	29.97	5'994	29.97
Mnemosyne Investments SL, Spagna	Indirect	3'704	18.52	3'704	18.52
Aquilifer SRL, Italia	Indirect	2'668	13.34	2'668	13.34
Massimo Trbaldo Togna, Italia	Indirect	3'304	17.98	3'304	17.98
Umberto Trbaldo Togna, Svizzera	Indirect	3'304	17.98	3'304	17.98
Flaminia Trbaldo Togna, Italia	Indirect	2'629	11.72	2'629	11.72
Marina Trbaldo Togna, Italia	Indirect	2'629	11.72	2'629	11.72
Stefano Trbaldo Togna, Spagna	Indirect	2'538	12.69	2'538	12.69
Elisabetta Trbaldo Togna, Italia	Indirect	1'166	5.83	1'166	5.83
Roberto Botto Poala, Italia	Indirect	-	7.67	-	7.67

The above figures refer to shares with full voting rights and do not take into account voting rights limited to the decision on the distribution of profits (usufruct). There is no conditional capital, and there are no significant shareholders without voting rights.

3.13 Breakdown of total assets by credit rating of country groups (risk domicile) paesi (localizzazione del rischio)		Net foreign exposure at 31.12.2021		Net foreign exposure at 31.12.2020	
Bank's country rating	Moody's	in CHF/000	%	in CHF/000	%
1-2	Aaa – Aa3	478'430	96.2%	464'024	95.9%
3	A1 – A3	967	0.2%	739	0.2%
4	Baa1 – Baa3	2'496	0.5%	2'478	0.5%
5	Ba1 – Ba3	10'434	2.1%	13'742	2.8%
6	B1 – B3	778	0.2%	1'058	0.2%
7	Caa1 – C	1'700	0.3%	294	0.1%
0	No rating	2'537	0.5%	1'325	0.3%
Total assets		497'343	100%	483'659	100%

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

3.14 Breakdown of fiduciary transactions	AMOUNTS IN CHF/000	2021	2020
Fiduciary investments with other banks		121'499	197'748
Fiduciary investments with Group banks and affiliated banks		-	50'673
Fiduciary loans		-	-
Total fiduciary transactions		121'499	248'421

3.15 Breakdown of managed assets and presentation of their development

a) Breakdown managed assets	AMOUNTS IN CHF/000	2021	2020
Type of asset			
Assets held in self-managed collective investment schemes		657'851	629'691
Asset under discretionary asset management agreements		2'371'695	2'427'116
Other managed assets		4'229'165	3'763'268
Sub-total managed assets (incl. double counting)		7'258'711	6'820'075
<i>of which double counting</i>		560'342	508'066
Commercial clients – Custody only		192'539	124'835
Sub-total: other client assets		192'539	124'835
Total client assets (incl. double counting)		7'451'250	6'944'909

b) Presentation of the development of managed assets	AMOUNTS IN CHF/000	2021	2020
Total managed assets (incl. double counting) at start of period		6'820'075	7'091'968
+ / - Net new money inflow or net new money outflow		238'911	-176'991
+ / - Change in market prices, interest, dividends and exchange rates		205'108	-68'694
+ / - Other effects*		-5'383	-26'208
Total managed assets (incl. double counting) at end of period		7'258'711	6'820'075

* At 31.12.2021, the item «Other effects» corresponds to the outflow of HPS BASIC FUND from the managed funds perimeter.

Other managed assets includes all client assets (private, commercial and institutional) held for investment on which the Bank receives commission and/or fees in addition to custody fees and other account-keeping expenses.

All other assets held in custody by the Bank that do not meet the above criteria are considered “custody only”. The breakdown complies with the provisions of FINMA Circular 2020/1.

Assets under management are client assets managed in accordance with the profile chosen by the client. Receivables due from clients are not deducted from total managed assets.

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

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

a) Breakdown by business area (Based on the organisation of the bank and/or the financial group)	AMOUNTS IN CHF/000	2021	2020
Trading with mixed transactions		5'502	6'911

b) Breakdown by underlying risk and application of the fair value option	AMOUNTS IN CHF/000	2021	2020
Result from trading activities from:			
- Interest rate instruments		888	2'660
- Equity securities (incl. funds)		-	-
- Currencies		4'585	4'199
- Commodities/precious metals		29	53
Total result from trading activities		5'502	6'911

3.17 Breakdown of personnel expenses	AMOUNTS IN CHF/000	2021	2020
Remuneration (attendance fees, fixed compensation to members of the Bank's governing bodies, salaries and allowances)		35'270	35'901
Benefits		7'915	8'266
Other personnel expenses		1'596	1'619
Total personnel expenses		44'781	45'785

3.18 Breakdown of general and administrative expenses	AMOUNTS IN CHF/000	2021	2020
Building occupancy expenses		1'676	1'793
IT and telecommunications technology expenses		2'551	2'128
Expenses for vehicles, equipment, furniture and other fixtures, and operating leases		127	148
Audit fees (art. 961a no. 2 CO)		384	360
- of which for accounting and supervisory audits		384	360
- of which other services		-	-
Sundry operating expenses		5'782	5'445
Total other operating expenses		10'520	9'873

3.19 Explanations concerning material losses, extraordinary revenue and expenses, material releases from undisclosed reserves, reserves for general banking risks and value adjustments and freed provisions

Extraordinary income amounted to CHF 0.3 million (2020: CHF 0.2 million), of which CHF 0.1 million is attributable to durable value recovery on participations and the remainder to other contingent assets.

3.20 Presentation of current taxes, deferred taxes, and disclosure of tax rate	AMOUNTS IN CHF/000	2021	2020		
		Tax Rate	Tax Rate		
Current tax expense *		22.9%	2'090	22.8%	1'603
Extraordinary elements			-		-424
Total tax			2'090		1'179

* Average weighted rate applied to operating profit.

Report of the Statutory Auditor

To the General Meeting of
PKB PRIVATBANK SA, Lugano

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of PKB PRIVATBANK SA, which comprise the balance sheet as at 31 December 2021 and the income statement, statement of changes in equity and notes (pages 46 - 60 of the Annual Report) for the year then ended.

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 2021 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

Deloitte SA



Alexandre Buga
Licensed Audit Expert
Auditor in charge



Pietro Di Fluri
Licensed Audit Expert

Lugano, 24 March 2022
AB/PDF/dbo

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