



PKB PRIVATBANK SA

2020

ANNUAL REPORT

63rd YEAR OF ACTIVITY

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GOVERNING BODIES OF PKB SA

Board of Directors	Umberto Trbaldo Togna ^{1) 3)}	Zug (ZG)	<i>Chairman</i>
	Massimo Trbaldo 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)}	Bedretto (II)	
	Pierre Poncet ^{3) 4)}	Vésenaz (GE)	
	Giovanni Vergani ^{2) 4)}	Ruvigliana (II)	
	Edio Delcò ⁵⁾	Taverne-Torricella (II)	
Secretary	Alessandro Trbaldo Togna	Zürich (ZH)	
Internal Audit	Diego Pecorone		<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⁾ Chairman, Member of the Executive Committee and of the Remuneration and Appointments Committee until 28.04.2020

Management (Situation as of 1st April 2020)

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

PKB Geneva*Senior Vice President* Pascal Dubey

PKB Zürich*Senior Vice President* Bernardo Brunswiler

PKB Bellinzona*Vice President* Mauro Marchesi

Wu Yiming

Untitled, 2008

Ink and colour painting on paper
137 x 69 cm

Wu Yiming is a Chinese painter and sculptor who in the course of his career has remained more anchored than other artists of his generation to the tradition of Chinese art, without refusing the practice of contemporary Western art.

Using the traditional Chinese ink painting technique, to which he added watercolours and acrylics, applying them in a multiplicity of layers, in the first decade of the 2000s he depicted figures of men or women, often in formal or fashionable clothes, Chinese in appearance although faceless, as if to underline a progressive loss of identity of his people. Some figures depicted, such as that of the work belonging to the PKB collection, seem to float in the water, borne to destinations unknown. The artist has expressly referred to bodies dragged by the Huangpu River which crosses the city of Shanghai, dividing it into the two areas of Pudong and Puxi.

In those same years, Wu Yiming developed a similar artistic practice in the field of sculpture, depicting cultural symbols (such as Buddha, Joseph Beuys, the Statue of Liberty) without facial features.

More recently, the artist seems to have lost interest in the human figure and has instead focused his work on images of nature, such as orchids in bloom, the corner of a pond, lotus flowers, pairs of dancing swans, ginkgo biloba plants (one of the longest-lived trees on the planet) or impressions of everyday life, such as an explosion of fireworks, the spectrum of a neon light, the night lights of the city, candelabras with a religious connotation. With the themes dealt with in recent years, his return to the tradition of Chinese art has been completed.

Wu Yiming was born in 1966 in Shanghai, where he studied, lives and works. The chief exhibitions he has taken part in were held at the ShanghArt galleries in Shanghai and Beijing, at the Karsten Greve Gallery in Cologne and in a number of international museums. In 2005, in Italy he participated in a touring exhibition of the then still little-known Chinese contemporary painting that visited the cities of Bologna, Padua and Turin.



BOARD OF DIRECTORS' REPORT

Dear Shareholders,

The year just ended cannot be summed up by a single narrative. It was marked by three distinct periods. The positive trends of 2019 continued in the first two months of the year and global stock exchanges recorded new all-time highs. Initially relegated to a local phenomenon limited to China, Covid-19 instead quickly spread to become a global pandemic. The restrictions on social life introduced by an increasing number of countries to contain its spread have caused a notable contraction of economic activity and a collapse in international trade. Accordingly the stock markets therefore recorded, from the all-time high on 12 February to the subsequent low on 23 March, a dizzying decline, on average equalling approximately one third of their value. Governments and central banks reacted, albeit with considerable differences from country to country in terms of extent and swiftness of measures. In the United States, Congress quickly approved a substantial fiscal aid package, while the Federal Reserve accelerated the reduction in interest rates and launched a significant bond purchase programme. In Europe, the action of central banks and various national governments has been relatively swift, although the need to find an agreement between the 27 member countries has slowed down the EU response considerably, ultimately resulting in the ambitious "Recovery Fund". The announcement of the discovery of the first vaccine against Covid-19, widespread during the summer, was the moment that most defined 2020. Successful first wave containment measures paved the way for a sharp rebound in activity for developed economies and an almost complete return to normal in China. Despite the successive waves of the pandemic, the imminence of mass vaccination and the broad support also expected in the future from fiscal and monetary policies both helped to keep investor confidence high in the final part of the year. In terms of financial markets, 2020 produced a mixed picture. Risky assets collapsed in the first quarter, followed by a notable recovery in the subsequent nine months. The US and Asian equity markets fully recovered their initial losses. The Nasdaq, whose numerous high-tech companies benefited from pandemic containment measures, reached new all-time highs, while Europe finished the year in slightly negative territory. Gold appreciated significantly, confirming its position as a store of value. On the currency side, the Euro strengthened against the dollar, sterling and the yen; while the euro/franc exchange rate remained stable thanks to the interventions of the Swiss National Bank.

With reference to the Bank's performance, 2020 was certainly an atypical year full of external circumstances that have severely tested its resilience and its operational efficiency together with its ability to react and innovate. The global pandemic, in fact, has forced us to review our way of thinking, relating (both with customers and colleagues) and of working. Unfortunately, even within our extended family there have been complex circumstances and unexpected suffering. In remembering our loved ones, our thoughts and our gratitude go out to all our employees who made a constant and continuous commitment that has, in turn, made a fundamental contribution to overcoming a global crisis that has taken the whole world by surprise.

Not only our Institute, but the whole Group, has shown a solidity that makes us optimistic for the challenges of the future. Over the course of the year, the foundations were laid for the definitive closure, which then was formalized at the start of 2021, of the legal disputes that involved our Institute in Italy. With reference to the Business, Management has determined the core of the new Italy – Switzerland business model, which involves both PKB and Cassa Lombarda. Having received positive feedback from the Supervisory Authorities of both countries, it is finally possible to aspire to implementing the long and complex project component. Also given the important investments foreseen, the New Model will represent one of the main objectives which, if achieved within the provided time-frame, could represent a competitive advantage vis-à-vis competitors on the reference market.

In terms of international markets, the centrality of our presence in Panama is confirmed, as a bridge over Latin America, albeit with an adaptation of our offering, more consistent with the positioning of our Group. Management has also reshaped our offer on the domestic market, merging two historical teams with complementary souls, ensuring that all the conditions exist for the creation of an adequate space in a notoriously complex market.

On the domestic front, in September Mr Peter Conrad, who boasts a long career in important Swiss banking institutions and in the Family Office sphere, was appointed as Head of Private Banking. Furthermore, a professional and dynamic team, with long experience despite its relative youth, has decided to join our Institute with an ambitious project in the LATAM market, well supported by specific skills and savoir faire. In the final days of 2020, PKB completed the 100% acquisition of Cogesp SA, Lugano, a company active in the field of asset management for Swiss and foreign clients. Its merger with Alasia SA, scheduled for the end of the first half of 2021, will mean the creation of a leading player in the field of multi-bank asset management and Family Office services.

At the end of 2020, PKB Group client assets - net of double counting - totalled CHF 12.23 billion, while the parent company's own funds exceeded CHF 420 million, with a Tier 1 Ratio of 28.62% for PKB and 25.11% at Group level, maintaining the bank and the Group at the highest levels of the Swiss banking universe in terms of capital strength. During 2020, the containment of operating costs continued at both PKB and Group level and after prudent provisions, PKB's net profit as at 31.12.2020 stood at CHF 2.68 million, while consolidated profit, which discounts higher depreciation and provisions, amounted to CHF 0.95 million. 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.

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

For the Board of Directors
Chairman

Umberto Trabaldo Togna

HIGHLIGHTS

PKB Group	AMOUNTS IN CHF /000	2020	2019
Income statement			
Net revenues		108'886	123'321
Operating expenses		-97'650	-105'478
Gross profit		11'236	17'842
Group profit		947	1'932
Balance sheet			
Balance sheet total		3'377'020	3'462'998
Gross basic shareholders' equity		406'089	411'380
Client assets			
Total client assets (net of double counting)		12'233'755	12'311'780
Capital indicators			
Tier 1 ratio		25.11%	24.72%
Capital adequacy ratio		25.11%	24.72%
Workforce (FTEs)			
Workforce		457.7	463.4
<i>of whom in Switzerland</i>		232.7	238.7
<i>of whom abroad</i>		225.0	224.7

PKB SA	AMOUNTS IN CHF/000	2020	2019
Income statement			
Net revenues		62'677	68'567
Operating expenses		-55'658	-58'957
Gross profit		7'019	9'610
Net profit for the year		2'682	730
Balance sheet			
Balance sheet total		2'310'139	2'446'290
Gross basic shareholders' equity		414'603	417'921
Capital indicators			
Tier 1 ratio		28.62%	29.35%
Capital adequacy ratio		28.62%	29.35%

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%)
Cogesp Compagnia di gestione privata SA	Subsidiary (100%)
PKB Servizi Fiduciari SpA, Milan	Subsidiary (100%)
Cassa Lombarda, Milan	Subsidiary (99.57%)

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COMMENTS ON THE CONSOLIDATED BALANCE SHEET

Balance sheet total	
	At 31.12.2020, assets totalled CHF 3,377.0 million versus liabilities of CHF 3,007.1 million; shareholders' equity, including net profit for the period, was consequently CHF 369.9 million. Compared with the previous year, the balance sheet total decreased by CHF 86.0 million, or 2.5%.
Assets	
Liquid assets	This item includes cash deposits, sight deposits and those held in foreign issue banks. They fell by CHF 182.3 million (-18.7%), from CHF 975.6 million to CHF 793.2 million.
Amounts due from banks	The amounts due from banks increased by CHF 8.1 million (+4.3%), from CHF 191.2 million to CHF 199.3 million.
Amounts due from clients	Amounts due from clients increased by 0.7%, from CHF 853.3 million to CHF 859.5 million.
Mortgage loans	Mortgages decreased by 3.0%, from CHF 850.5 million to CHF 825.2 million.
Trading portfolio assets	The book value of trading assets decreased from CHF 69.6 million to CHF 69.3 million.
Positive replacement values of derivative financial instruments	Positive replacement values totalled CHF 16.8 million compared with CHF 18.3 million in the previous year (-8.4%) 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 31.12.2020, financial investments totalled CHF 471.5 million compared with CHF 372.4 million in the previous year (+26.6%). Investments in securities totalled CHF 7.0 million (CHF 8.4 million at 31.12.2019), while investment in fixed income securities totalled CHF 464.5 million (CHF 364.1 million at 31.12.2019).
Main non-consolidated participations	This item contains the minority shareholdings accounted at cost method (annex 3.7).
Tangible fixed assets	These fell from CHF 73.8 million to CHF 70.9 million (- CHF 3.0 million, or 4.0%). They include buildings owned by the Group, furniture, fixtures and fittings, any capitalised renovation work, hardware and software.
Intangible assets	Intangible assets mainly relate to the goodwill paid in the acquisitions of Cassa Lombarda Spa, Milan.
Other assets	Other assets increased to CHF 51.6 at 31.12.2020 from CHF 41.5 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 24.3 million, deferred tax assets on profit (CHF 5.6 million), indirect tax receivables (CHF 11.2 million), clearing accounts (CHF 0.5 million) and other receivables (CHF 9.9 million).
Liabilities	
Amounts due to banks	Amounts due to banks increased from CHF 149.6 million to CHF 265.2 million.
Amounts due in respect of client deposits	Amounts due in respect of client deposits decreased by CHF 200.1 million, or 7.5% (CHF 2,466.6 million at 31.12.2020. CHF 2,666.7 million at 31.12.2019).
Negative replacement values of derivative financial instruments	Negative replacement values totalled CHF 44.3 million compared with CHF 38.0 million in the previous year (+16.5%) 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 31.12.2020 these totalled CHF 27.1 million (+ CHF 3.7 million, or +15.7% compared with the previous year). This item comprises indirect tax liabilities (CHF 2.6 million), clearing accounts (CHF 19.0 million) and other payables (CHF 5.5 million).

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

Revenues

The gross result from interest operations totalled CHF 25.9 million, lower compared with the previous year (-11.2%).

The net result from interest operations, including the negative change in value adjustments on receivables (- CHF 1.9 million) was CHF 24.0 million, in decrease compared with the previous year (-10.5%).

The result from commission business and services amounted to CHF 73.3 million in decrease compared with the previous year (-5.3%).

The result from trading operations totalled CHF 8.4 million compared with CHF 10.9 million at 31.12.2019 (-22.8%).

Other ordinary income came in at CHF 3.2 million compared with CHF 8.2 million in the previous year.

Operating expenses

Operating expenses decreased on the previous year, and came in at CHF 97.7 million (-7.4%). Personnel expenses decreased by -5.3% (CHF -4.2 million) while other operating expenses decreased by 13.8% (CHF -3.6 million). For both entries, the decrease compared to the previous year is mainly due to the cost reduction in PKB Privatbank SA.

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

The total cost amounts to CHF 6.9 mio and mainly consists in depreciation and amortisation on tangible and intangible fixed assets, and is in decrease of CHF 0.1 million (-1.8%, compared to the previous year).

The amortisation of the goodwill of Cassa Lombarda Spa, Milano amounted to CHF 1.5 million.

Changes in provisions and other value adjustments and losses

This item decreased by CHF 2.2 million (previous year decrease of CHF 7.2 million).

Operating result

The operating result was CHF 2.1 million, in decrease of CHF 1.5 million compared with the 2019 result that totaled CHF 3.6 million. This is mainly due to the decrease of the net revenues that are partially compensated by the decrease of the operating expenses.

Extraordinary income

The extraordinary income was CHF 0.3 million, mainly due to contingent gain, of which CHF 0.1 million related to securities.

Net profit for the year

Net profit for the year was CHF 0.9 million (1.9 million in 2019).

CONSOLIDATED BALANCE SHEET

Assets	AMOUNTS IN CHF	Notes	2020	2019
Liquid assets			793'241'375	975'554'880
Amounts due from banks			199'322'259	191'182'704
Amounts due from clients		3.2	859'508'529	853'305'838
Mortgage loans		3.2	825'234'872	850'457'959
Trading portfolio assets		3.3	69'307'360	69'613'413
Positive replacement values of derivative financial instruments		3.4	16'769'182	18'314'483
Financial investments		3.5	471'509'298	372'454'688
Accrued income and prepaid expenses			14'875'818	11'337'252
Non-consolidated participations		3.6, 3.7	2'701'304	2'520'414
Tangible fixed assets		3.8	70'861'280	73'820'130
Intangible assets		3.9	2'068'384	2'927'309
Other assets		3.10	51'620'340	41'509'103
Total assets			3'377'020'001	3'462'998'173

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	2020	2019
Amounts due to banks			265'203'544	149'646'554
Amounts due in respect of customer deposits			2'466'623'280	2'666'746'680
Negative replacement values of derivative financial instruments		3.4	44'295'811	38'021'503
Bond issues and central mortgage institution loans			110'800'000	110'800'000
Accrued expenses and deferred income			17'650'703	18'914'253
Other liabilities		3.10	27'138'827	23'465'027
Provisions		3.16	32'794'583	43'618'788
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			280'704'425	279'010'917
Minority interests in equity capital			423'794	404'895
Group profit			947'434	1'931'956
<i>of which minority interests in group profit</i>			7'236	18'899
Total Liabilities			3'377'020'001	3'462'998'173

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	2020	2019
Contingent liabilities		3.2, 3.28	42'770'083	62'886'226
Irrevocable commitments		3.2	9'451'264	141'007'026
Obligation to pay-up shares and make further contributions		3.2	4'555'787	5'450'706

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	2020	2019
Result from interest operations				
Interest and discount income			21'698'115	25'925'258
Interest and dividend income from trading portfolios			992'811	1'073'317
Interest and dividend income from financial investments			4'520'446	3'787'942
Interest expense			-1'400'230	-1'719'259
Sub-total: gross result from interest operations			25'811'142	29'067'258
Changes in value adjustments for default risks and losses from interest operations			-1'899'766	-2'359'967
Sub-total: net result from interest operations			23'911'376	26'707'291
Result from commission business and services				
Commission income from securities trading and investment activity			74'380'880	79'237'783
Commission income from lending activities			1'076'576	1'286'425
Commission income from other services			6'676'559	7'466'373
Commission expense			-8'816'985	-10'530'573
Sub-total: result from commission business and services			73'317'030	77'460'008
Result from trading activities and fair value option		3.32	8'421'582	10'911'169
Other result from ordinary activities				
Result from the disposal of financial investments			3'090'867	5'227'855
Income from participations			273'859	194'629
Result from real estate			319'565	327'345
Other ordinary income			116'736	2'720'427
Other ordinary expenses			-564'793	-228'158
Sub-total: other results from ordinary activities			3'236'234	8'242'098
Net revenues			108'886'222	123'320'566
Operating expenses				
Personnel expenses		3.34	-74'925'316	-79'125'468
General and administrative expenses		3.35	-22'724'969	-26'352'708
Sub-total: operating expenses			-97'650'284	-105'478'176
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets			-6'900'383	-7'026'965
Changes to provisions and other value adjustments and losses			-2'193'894	-7'219'347
Operating result			2'141'661	3'596'078
Extraordinary income			273'521	1'409'419
Extraordinary expenses			0	0
Changes in reserves for general banking risks			0	0
Taxes			-1'467'748	-3'073'541
Group profit			947'434	1'931'956
<i>of which minority interests in group profit</i>			<i>7'236</i>	<i>18'899</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			
	2020		2019	
	Origin	Use	Origin	Use
Cash flow from operating activities (internal financing)				
Group profit	947		1'932	
Changes in reserves for general banking risks				
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	6'900		7'027	
Provisions and other value adjustments	6'106	16'930	8'449	7'266
Change in value adjustments for default risks and losses	1'691	434	882	173
Non-monetary income from value adjustments to participations valued at equity				
Exchange rate fluctuations on fixed assets	420		1'102	
Accrued income and prepaid expenses		3'539		438
Accrued expenses and deferred income		1'264	1'582	
Other items		220	787	97
Previous year's dividend				
Balance		6'321	13'787	
Cash flow from shareholders' equity transactions				
Bookings recognised in reserves				51
Balance		0		51
assets and intangible assets and intangible assets				
Non-consolidated participations		181		79
Real estate		429		161
Other tangible fixed assets		2'322		1'515
Intangible assets		752		166
Balance		3'683		1'921
Cash flow from banking operations				
Medium- and long-term business (>1 year)				
Amounts due to banks	171'201			80'703
Amounts due in respect of customer deposits	1'753			13'309
Bond issues and central mortgage institution loans			23'000	
Amounts due from clients		5'172		49'873
Mortgage loans	10'278		40'004	
Financial investments		78'380		16'766
Short-term business				
Amounts due to banks		55'644	73'262	
Amounts due in respect of client deposits		201'876	164'496	
Negative replacement values of derivative financial instruments	6'274		18'844	
Other liabilities	3'674			935
Amounts due from banks		8'140	28'469	
Amounts due from clients		2'288	98'730	
Mortgage loans	14'945		73'735	
Trading portfolio assets	306			21'347
Positive replacement values of derivative financial instruments	1'545			9'225
Financial investments		20'675	13'422	
Other assets		10'111		3'424
Balance		172'310	338'379	
Total cash flows		182'314	352'166	1'972
Change in liquid assets		182'314	350'194	

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	2'214	276'797		405	1'932	411'786
Other contributions									
Currency rate differences				-220					-220
Dividends and other allocations									
Other allocations to/withdrawals from reserves for general banking risks									
Other allocations to/withdrawals from other reserves					1'913		19	-1'932	
Profit of the period								947	947
Equity at the end of current period	20'000	67'868	42'570	1'994	278'710		424	947	412'513

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 activities are private banking and commercial and financial operations. At 31.12.2020, the workforce, expressed as FTEs, was 457.7 (2019: 463.4)

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

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. Effective from 31.12.2020 Cogesp Compagnia di Gestione Privata SA, Lugano has been fully consolidated.
<i>Accounting and valuation policies</i> <i>Foreign currencies and funds</i>	The accounts are presented by registration date. The criteria listed below were adopted. 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 1.08203 (2019: 1.08682) USD 0.88462 (2019: 0.96847).
<i>General receivables and commitments</i>	Valued at nominal value, net of value adjustments. The Bank has adopted the transitional terms defined by the art. 98 of the FINMA Accounting Ordinance that allow the application of the new rules concerning value adjustments (art. 25 FINMA Accounting Ordinance) in the FY 2021 instead 2020.
<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>	Holding up to 20%: Valued at purchase price, minus necessary amortisation. Holding between 20% and 50% Valuation at NAV: 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.
<i>Tangible fixed assets</i>	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:
	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

* Maximum until the value of the land.

Other Group entities use the same depreciation rate.

<i>Reserves for general banking risks</i>	Reserves for general banking risks are not taxed. The group accounting policies applicable for the utilization of the provision differs from the Head office policies.
<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>	Where necessary, specific value adjustments are booked and then deducted from their respective item under assets.
<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, 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. For Cassa Lombarda, provisions for doubtful loans are recorded according to international accounting standards
<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. 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

There are no events following the end of the financial year. Concerning Covid-19 pandemic that represented an event following the financial year end 2019, the developments linked to pandemic are not generating relevant repercussions in the PKB Group. In this context, the Executive Boards of the Group entities are however continuing to address significant attention to ensure adequate and timely supervisory activities in order to allow prompt implementation of the related mitigation and risk containment measures. Each Group entity continues to have in place the emergency plans provided for by the respective General Continuity Plans in order to protect resources and ensure the continuity of the operational processes of all essential services.

Changes in accounting principles

No changes within the 2020 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 31.12.2020

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	100'601	722'962	57'229	880'791
Mortgage loans	825'644	259		825'903
- Residential property	589'763	67		589'830
- Office and business premises	161'548	192		161'740
- Commercial and industrial premises	19'595	0		19'595
- Other	54'738	0		54'738
Total loans (prior netting with value adjustments)				
Current financial year	926'245	723'220	57'229	1'706'694
Previous financial year	967'829	706'552	53'903	1'728'284
Loans (after netting with value adjustments)				
Current financial year	925'395	702'120	57'229	1'684'743
Previous financial year	959'453	692'873	51'438	1'703'764
Off-balance sheet				
Contingent liabilities	4'773	33'164	4'833	42'770
Irrevocable commitments	3'035	338	6'078	9'451
Obligation to pay-up shares and make further contribution			4'556	4'556
Off-balance sheet total				
Current financial year	7'807	33'503	15'467	56'777
Previous financial year	5'535	127'440	76'369	209'344

Impaired loans

	Gross debt	Estimated realizable value of collateral	Net debt	Individual realizable value
Current financial year	43'873	21'444	22'429	21'950
Previous financial year	63'081	36'390	26'691	24'520

The difference of 0.5 million between the net debt and the estimated reliable value of collateral is related to the amounts expected to be recovered from clients.

3.3 Breakdown of trading portfolio and other financial instruments at fair value (assets and liabilities)	AMOUNTS IN CHF/000	2020	2019
Assets			
Trading portfolio assets			
Debt securities, money market securities/transactions		69'307	69'614
of which listed		32'003	23'659
Equity securities			
Precious metals and commodities			
Total assets		69'307	69'614
<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		13'764	11'942	243'196	135	25'202	313'231
Forward contracts							
Swap		3'590	1'767	40'592	135	21'274	291'131
Options (OTC)		10'174	10'174	202'605		3'928	22'100
Foreign exchange / Precious metals		2'869	7'152	728'584			
Forward contracts		132	447	14'314			
Combined interest rate/currency swaps		2'737	6'705	714'270			
Options (OTC)							
Equity securities/indices							
Options (OTC)							
Total before netting agreement							
Current financial year		16'633	19'093	971'780	135	25'202	313'231
Previous financial year		18'163	21'777	1'205'216	152	16'245	230'475
Total after netting		Positive replacement values (cumulative)			Negative replacement values (cumulative)		
Current financial year				16'769			44'296
Previous financial year				18'135			38'022
Breakdown by counterparty		Central clearing houses		Banks and securities dealers		Other customers	
Positive replacement values (after netting agreements)			10'176		2'827		3'766

3.5 Breakdown of financial investments	AMOUNTS IN CHF/000		Book value		Fair value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Debt securities	464'468	364'093	473'943	369'780		
of which intended to be held to maturity	378'647	276'000	387'657	281'129		
of which not intended to be held to maturity	85'820	88'093	86'286	88'651		
Equity securities	7'042	8'362	8'575	10'280		
of which qualified participations	1'367	1'373	1'367	1'373		
Precious metals						
Real estate						
Total	471'509	372'455	482'518	380'060		
<i>of which securities eligible for pensions under liquidity rules</i>	<i>13'196</i>	<i>27'350</i>	<i>13'459</i>	<i>27'991</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	146'416	15'270	202'765	59'415	16'641

3.6 Presentation of participations	AMOUNTS IN CHF/000									
	Acquisition cost	Accumulated value adjustments and/or changes in book value (valuation using the equity method)	Book value at 31.12.2019	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	2'520		2'520		186	-5			2'701	n/a
Total participations	2'520		2'520		186	-5			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
Cogesp Compagnia di Gestione Privata SA, Lugano	Asset management	CHF	250	100.00%	100.00%	250
PKB Alasia SA, Lausanne	Asset management	CHF	500	100.00%	100.00%	500
PKB Servizi Fiduciari SpA, Milan	Fiduciary	EUR	240	100.00%	100.00%	240
Unconsolidated participations						
Six Group AG, Zurich	Market infrastructure	CHF	19'522	0.01%	0.01%	3
Aduno Holding SA, Zurich	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

3.8 Presentation of tangible fixed assets	AMOUNTS IN CHF/000			2020						
	Acquisition cost	Accumulated depreciation	Book value at 31.12.2019	Changes to the scope of consolidation	Transfers	Investments	Disposals	Depreciation	Appreciation	Book value at 31.12.2020
Bank premises	101'800	-53'570	48'230			100	-356	-2'260		45'714
Other properties	9'954	-3'492	6'462			329		-7		6'784
Proprietary or separately acquired software	7'848	-6'247	1'601			1'416	-3	-1'284		1'730
Other tangible fixed assets	74'255	-56'728	17'527	4		901	-61	-1'738		16'633
Total tangible fixed assets	193'857	-120'037	73'820	4		2'746	-420	-5'289		70'861

3.9 Presentation of intangible assets			AMOUNTS IN CHF/000							
			2020							
	Acquisition cost	Accumulated amortisation	Book value at 31.12.2019	Changes to the scope of consolidation	Transfers	Investments	Disposals	Amortisation	Appreciation	Book value at 31.12.2020
Goodwill	92'103	-89'176	2'927	205		560	-13	-1'611		2'068
Total intangible assets	92'103	-89'176	2'927	205		560	-13	-1'611		2'068

3.10 Breakdown of other assets and other liabilities		AMOUNTS IN CHF/000		2020		2019	
		Other assets	Other liabilities	Other assets	Other liabilities		
Compensation account		24'320		15'406			
Deferred income taxes recognised as assets		5'638	12	6'393	10		
Clearing / transitory accounts		523	18'986	1'240	11'321		
Indirect taxes		11'191	2'635	9'917	500		
Other receivables and liabilities		9'948	5'506	8'554	11'634		
Total		51'620	27'139	41'509	23'465		

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			42'199
Bonds given as collateral to banks			278'349
Mortgages used to guarantee loans from central mortgage bond institutions			172'777
			110'800

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	
		2020	2019
Total		20'211	18'254

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

3.13 Disclosure on the economic situation of own pension schemes

Employer contribution reserves (ECR)	AMOUNTS IN CHF/000					
	Nominal value at 31.12.2020	Waiver at 31.12.2020	Net amount at 31.12.2020	Net amount at 31.12.2019	Impact of ECR on personnel expenses	
					2020	2019
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 31.12.2020	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	
		2020	2019			2020	2019
With overfunding	17'906				4'695	4'429	4'289
Total	17'906				4'695	4'429	4'289

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 2019 and the change in the financial position over 2020.

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 111.25% (2019: 111.8%).

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 (ITE 225) 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 31.12.2020

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

IMPORTI IN CHF/000

	Balance at 31.12.2019	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
Provisions for deferred taxes	12'192						-714	11'478
Provisions for pension benefit obligations	2'156			42		23		2'221
Other provisions	29'271	-12'949	96	-3		5'948	-3'267	19'096
Total provisions	43'619	-12'949	96	39		5'971	-3'981	32'795
Reserves for general banking risks	42'570							42'570
Value adjustment for default and country risks	25'125	-4'432		-46	-329	2'066	-434	21'950
of which, value adjustments for default risks in respect of impaired loans/receivables	24'521	-3'828		-46	-329	2'066	-434	21'950
of which value adjustments for latent risks	604	-604						0

The item «Other provisions» includes CHF 11 million (2019 CHF 13.2 million) allocated to personnel funds, CHF 7.5 million (2019 CHF 15.3 million) for legal/tax risks and CHF 0.5 million (2019 CHF 0.8 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 are referred for CHF 2.8 million (2019 CHF 6.2 million) to the full and definitive closure of the dispute with Italian authorities. 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

	2020			2019		
	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 31.12.2020 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 31.12.2020

3.19 Disclosure of amounts due from/to related parties

AMOUNTS IN CHF/000

	AMOUNTS DUE FROM		AMOUNTS DUE TO	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Holders of qualified participations	3'002	4'730	15'956	24'329
Group companies				307
Affiliates			1'118	4'158
Transactions with members of governing bodies	1'599	1'903	3'216	4'007
Other related parties	6'208	1'090	23'517	18'545

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		31.12.2020		31.12.2019	
	Nominal	%	Nominal	%		
with voting rights: Auriga SA, Luxembourg	20'000	100.00	20'000	100.00		

There is no conditional capital, and there are no significant shareholders without voting rights. Luxembourg company Auriga S.A. holds 100% of the Bank's share capital. The voting rights of the latter are controlled indirectly, for 59.94%, by the family of the late Serafino Trabaldo Togna. Further significant shareholdings are held by the heirs of the late Achille Trabaldo Togna (13.34%) and Piero Trabaldo Togna (18.52%).

3.21 Disclosure of own shares and composition of equity capital

At 31.12.2020 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 31.12.2020
	At Sight	Cancellable	Within 3 months	3-12 months	1-5 years	over 5 years	No maturity	
Current assets/ Financial instruments								
Liquid assets	793'241							793'241
Amounts due from banks	195'305	3'412	232	373				199'322
Amounts due from clients	364'082	41'076	87'976	161'628	128'320	76'427		859'509
Mortgage loans		408'279	12'876	26'830	140'237	237'014		825'235
Trading portfolio assets	69'307							69'307
Positive replacement values of derivative financial instruments	16'769							16'769
Financial investments	4'570		33'817	24'072	336'392	72'659		471'509
Total at 31.12.2020	1'443'275	452'767	134'901	212'902	604'948	386'100		3'234'893
<i>Total at 31.12.2019</i>	<i>1'572'423</i>	<i>550'136</i>	<i>129'275</i>	<i>161'275</i>	<i>477'323</i>	<i>428'790</i>		<i>3'319'222</i>
Debt capital/ financial instruments								
Amounts due to banks	27'990		1'228	295	235'691			265'204
Amounts due in respect of client deposits	2'348'578	50'714	52'382		14'949			2'466'623
Negative replacement values of derivative financial instruments	44'296							44'296
Mortgages from issuers of mortgage bonds and loans					23'000	87'800		110'800
Total at 31.12.2020	2'420'864	50'714	53'610	295	273'639	87'800		2'886'923
<i>Total at 31.12.2019</i>	<i>2'584'705</i>	<i>99'954</i>	<i>16'934</i>	<i>75'136</i>	<i>95'685</i>	<i>92'800</i>		<i>2'965'215</i>

3.24 Presentation of assets and liabilities, by domestic and foreign origin in accordance with the domicile principle	AMOUNTS IN CHF/000			
	2020		2019	
	Switzerland	Abroad	Switzerland	Abroad
Assets				
Liquid assets	659'389	133'852	788'980	186'575
Amounts due from banks	83'716	115'606	60'158	131'025
Amounts due from clients	176'923	682'586	175'475	677'831
Mortgage loans	706'662	118'573	730'622	119'836
Trading portfolio assets		69'307		69'613
Positive replacement values of derivative financial instruments	9'264	7'506	7'980	10'334
Financial investments	48'321	423'188	39'105	333'350
Accrued expenses and deferred income	13'857	1'019	9'770	1'568
Non-consolidated participations	2'652	50	2'471	49
Tangible fixed assets	48'215	22'647	49'346	24'474
Intangible assets	1'936	132	2'761	166
Other assets	25'543	26'077	16'313	25'196
Total assets	1'776'478	1'600'542	1'882'980	1'580'018
Liabilities				
Amounts due to banks	24'352	240'852	5'679	143'968
Amounts due in respect of client deposits	571'775	1'894'848	585'482	2'081'265
Negative replacement values of derivative financial instruments	9'174	35'121	9'564	28'458
Mortgages from issuers of mortgage bonds and loans	110'800		110'800	
Accrued expenses and deferred income	16'008	1'643	17'532	1'382
Other liabilities	9'310	17'829	1'331	22'134
Provisions	27'786	5'009	37'752	5'866
Reserves for general banking risks	42'570		42'570	
Bank's capital	20'000		20'000	
Statutory capital reserve	67'868	0	67'868	
Earnings reserve	292'818	-12'114	295'625	-16'614
Minority interests in equity capital		424		405
Group profit	248	699	-2'024	3'956
Total liabilities	1'192'710	2'184'311	1'192'178	2'270'820

3.25 Breakdown of total assets by country or group of countries	AMOUNTS IN CHF/000	2020		2019	
			%		%
Assets			%		%
Italy	1'032'388	30.57		1'099'691	31.76
Other OECD countries	462'440	13.69		363'930	10.51
Other countries in the Americas (non-OECD countries)	30'563	0.91		44'142	1.27
Other countries	75'152	2.23		72'255	2.09
Total receivables abroad	1'600'542	47.40		1'580'018	45.63
Switzerland	1'776'478	52.60		1'882'980	54.37
Total assets	3'377'020	100.00		3'462'998	100.00

3.26 Breakdown of total assets by credit rating of country groups (risk domicile)		Net foreign exposure 31.12.2020		Net foreign exposure 31.12.2019	
Bank's country rating	Moody's	in CHF /000	%	in CHF /000	%
1-2	Aaa – AA3	1'594'517	98.15%	1'509'321	98.31%
3	A1 – A3	739	0.05%	2'799	0.18%
4	Baa1 – Baa3	9'144	0.56%	13'440	0.88%
5	Ba1 – Ba3	12'807	0.79%	5'100	0.33%
6	B1 – B3	4'899	0.30%	2'172	0.14%
7	Caa1 – C	1'093	0.07%	768	0.05%
0	No rating	1'325	0.08%	1'737	0.11%
Total assets		1'624'524	100.00%	1'535'337	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	658'089	134'761	229	163	793'241
Amounts due from banks	11'620	66'548	69'906	51'248	199'322
Amounts due from clients	136'114	658'917	45'188	19'289	859'509
Mortgage loans	706'662	118'573			825'235
Trading portfolio assets		48'093	19'765	1'450	69'307
Positive replacement values of derivative financial instruments	16'735		11	23	16'769
Financial investments	59'348	412'112	50		471'509
Accrued expenses and deferred income	10'413	1'603	2'828	31	14'876
Non-consolidated participations	2'652	50			2'701
Tangible fixed assets	47'326	20'532	3'004		70'861
Intangible assets	1'936	132			2'068
Other assets	18'721	31'726	953	221	51'620
Total assets	1'669'617	1'493'045	141'934	72'424	3'377'020
Delivery entitlements from spot exchange, forward forex and forex option transactions	16'882	386'263	316'459	9'788	729'392
Total assets at 31.12.2020	1'686'499	1'879'308	458'393	82'211	4'106'412
Liabilities					
Amounts due to banks	13'015	239'442	1'540	11'206	265'204
Amounts due in respect of client deposits	378'995	1'588'708	438'989	59'931	2'466'623
Negative replacement values of derivative financial instruments	44'271		12	13	44'296
Mortgages from issuers of mortgage bonds and loans	110'800			0	110'800
Accrued expenses and deferred income	12'906	2'384	2'348	12	17'651
Other liabilities	2'377	23'545	870	347	27'139
Provisions	27'786	5'009		0	32'795
Reserves for general banking risks	42'570			0	42'570
Bank's capital	20'000			0	20'000
Statutory capital reserve	67'868			0	67'868
Earnings reserve	280'704			0	280'704
Minority interests in equity capital	424			0	424
Group profit	947			0	947
Total liabilities	1'002'664	1'859'088	443'758	71'510	3'377'020
Delivery commitments from spot exchange, forward forex and forex option transactions	673'109	36'147	10'278	9'858	729'392
Total liabilities at 31.12.2020	1'675'773	1'895'235	454'036	81'369	4'106'412
Net position per currency	10'726	-15'927	4'357	843	0

3.28 Breakdown and explanation of contingent liabilities and liabilities	AMOUNTS IN CHF/000	2020	2019
Guarantees to secure credits and similar		33'103	50'566
Irrevocable commitments resulting from documentary letters of credit		1'968	2'734
Other contingent liabilities		7'698	9'586
Total contingent liabilities		42'770	62'886

3.29 Breakdown of credit commitments

There were no credit commitments at 31.12.2019

3.30 Breakdown of fiduciary transactions	AMOUNTS IN CHF/000	2020	2019
Fiduciary investments with other banks		197'748	221'309
Total fiduciary transactions		197'748	221'309

3.31 Breakdown of managed assets and presentation of their development

a) Breakdown managed assets	AMOUNTS IN CHF/000	2020	2019
Type of asset			
Assets held in self-managed collective investment schemes		847'982	738'188
Asset under discretionary asset management agreements		4'137'489	4'203'145
Other managed assets		7'310'824	7'263'983
Sub-total: managed assets (incl. double counting)		12'296'294	12'205'316
<i>of which double counting</i>		888'513	692'908
Commercial clients – Custody only		825'974	799'372
Sub-total: other client assets		825'974	799'372
Total client assets (incl. double counting)		13'122'268	13'004'688

b) Presentation of the development of managed assets	AMOUNTS IN CHF/000	2020	2019
Total managed assets (incl. double counting) at start of period		12'205'316	12'257'280
+/- Net new money inflow or net new money outflow		-11'405	-580'312
+/- Change in market prices, interest, dividends and exchange rates		-41'884	538'088
+/- Other effects*		144'267	-9'740
Total managed assets (incl. double counting) at end of period		12'296'294	12'205'316

* At 31.12.20120, the item «Other effects» corresponds to the outflow of HPS BASIC FUNDS from the managed funds perimeter and to the acquisition of COGESP COMPAGNIA DI GESTIONE PRIVATA SA.

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	2020	2019
Trading with mixed transactions		8'432	10'903
Group companies subject to FINMA money laundering supervision		-11	8
Total result from trading activities		8'421	10'911

b) Breakdown by underlying risk and application of the fair value option	AMOUNTS IN CHF/000	2020	2019
Result from trading activities from:			
- Interest rate instruments		781	5'582
- Equity securities (ind. funds)		124	
- Currencies		7'464	5'301
- Commodities/precious metals		53	28
Total result from trading activities		8'421	10'911

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 31.12.2020 the total liability was CHF 110.8 million and the related interests expenses for the exercise 2020 was 0.2 million.

«Income from interest and discounts» includes negative interest of CHF 3.5 million.

3.34 Breakdown of personnel expenses	2020	2019
Remuneration (attendance fees, fixed compensation to members of the Bank's governing bodies, salaries and allowances)	56'209	59'456
Benefits	13'577	13'574
Other personnel expenses	5'138	6'094
Total personnel expenses	74'925	79'125

3.35 Breakdown of general and administrative expenses	2020	2019
Building occupancy expenses	3'012	3'167
IT and telecommunications technology expenses	5'943	6'517
Expenses for vehicles, equipment, furniture and other fixtures, and operating leases	467	542
Audit fees (art. 961a no. 2 CO)	651	527
- of which for statutory and regulatory audits	651	527
- of which other services		
Sundry operating expenses	12'653	15'600
Total other operating expenses	22'725	26'353

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 2020.

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	2020		2019	
		Switzerland	Abroad	Switzerland	Abroad
Net result from interest operations		13'373	10'578	15'661	11'046
Result from commission business and services		42'332	31'037	43'407	34'053
Result from trading activities		6'901	1'521	8'272	2'639
Other result from ordinary activities		871	2'365	1'931	6'311
Income for the period		63'477	45'501	69'271	54'049
Personnel expenses		-47'923	-27'002	-49'342	-29'784
Material expenses		-9'031	-13'786	-11'103	-15'250
Operating expenses		-56'955	-40'787	-60'444	-45'034
Operating profit		6'522	4'713	8'827	9'015

3.39 Presentation of current taxes, deferred taxes, and disclosure of tax rate	AMOUNTS IN CHF/000	2020		2019	
		Tax rate		Tax rate	
Current tax expense *		15.6%	1'758	8.3%	1'483
Deferred tax expense		28.0%	134	30.7%	1'591
Extraordinary Items			-424		
Total tax			1'468		3'074

* 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 2020, and the consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes (pages 14 - 37 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 2020 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 2021
AB/PDF/dbo

PARENT COMPANY FINANCIAL STATEMENTS

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COMMENTS ON THE BALANCE SHEET

Balance sheet total	At 31.12.2020 assets totalled CHF 2,310.1 million versus liabilities of CHF 1,938.2 million; shareholders' equity, including net profit for the period, was consequently CHF 371.9 million. The balance sheet total decreased by CHF 136.1 million, or 5.6% compared with the previous year.
Assets	
Liquid assets	This item includes cash deposits and amounts due from the SNB. The total of CHF 659.4 million covers the legal requirement for primary liquidity.
Amounts due from banks	The amounts due from banks increased by CHF 5.1 million (+2.8%), from CHF 182.7 million to CHF 187.8 million. These were mainly funds deposited with major banks in OECD countries. Notice deposits totalled CHF 3.9 million while sight deposits amounted to CHF 183.9 million.
Amounts due from clients	Amounts due from clients increased by 2.4%, from CHF 444.8 million to CHF 706.7 million.
Mortgage loans	Mortgage loans decreased by 3.3%, from CHF 730.6 million to CHF 706.7 million.
Trading portfolio assets	At 31.12.2020 the Bank did not have any open positions within the trading portfolio
Positive replacement values of derivative financial instruments	Positive replacement values totalled CHF 16.7 million compared with CHF 18.3 million in the previous year (-8.8%) 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 31.12.2020, financial investments totalled CHF 84.9 million, compared with CHF 96.4 million in the previous year (-11.9%). Investments in funds totalled CHF 4.4 million (CHF 5.8 million at 31.12.2019), while investments in fixed income securities amounted to CHF 79.2 million (CHF 89.3 million at 31.12.2019). Investments in equities amount to CHF 1.4 million, unchanged from the previous period.
Main participations	The Bank owns the entire share capital of PKB Banca Privada (Panama) SA, Alasia SA, Lugano and Cogesp SA, Lugano. Moreover it owns 99.56% of Cassa Lombarda Spa, Milan and directly owns 70% of PKB Servizi Fiduciari SpA. It also has minority shareholdings in Aduno SA, Zurigo (0.28%), Six Group AG, Zürich (0.015%), Pfandbriefbank AG, Zürich (0.14%) and Fenera & Partners SGR SpA, Torino (2.18%)
Tangible fixed assets	These increased from CHF 25.8 million to CHF 26 million (+ CHF 0.2 million, or 0.7%). They include buildings owned by the Bank, furniture, fixtures and fittings, any capitalised renovation work, hardware and software.
Intangible assets	Intangible assets totalled CHF 0.5 million and relate to the acquisition of clients assets.
Other assets	Other assets increased to CHF 19.2 million at 31.12.2020, from CHF 12.1 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 17.9 million), the pure clearing accounts (CHF 0.5 million) and indirect taxes (CHF 0.5 million).

Liabilities

Amounts due to banks	Amounts due to banks decreased from CHF 156.9 million to CHF 127.3 million (-18.8%).
Amounts due in respect of client deposits	These decreased by CHF 111.8 million, or 6.7% (CHF 1,566.1 million at 31.12.2020, CHF 1,677.9 million at 31.12.2019).
Negative replacement values of derivative financial instruments	Negative replacement values totalled CHF 44.3 million compared with CHF 38.0 million in the previous year (+16.5%) 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 31.12.2020 they totalled CHF 110.8 million, unchanged compared with the previous year.)
Other liabilities	At 31.12.2020 these totalled CHF 9.8 million (+ CHF 7.7 million compared with the previous year). This item includes interest components arising from hedging instruments (CHF 6.0 million) and financial investments sold before maturity (CHF 0.8 million), engagements due to indirect taxes (CHF 0.5 million) and the pure clearing accounts (CHF 1.7 million).
Shareholders' equity	Shareholders' equity on the balance sheet totalled CHF 369.2 million (excluding reserves for general banking risks and net profit for the year), up on the figure of CHF 368.5 million in the previous year. The increase is related to the net profit for 2019.

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 13.6 million, down by 21.1% compared to the previous year (CHF 17.2 million) as the result of the decrease of treasury net revenues, mainly caused by lower interest rates, especially on USD currency deposits. The negative change in value adjustments for risks of loss and losses from interest operations made this year (- CHF 0.2 million) compared with a negative change recorded last year in the amount of CHF 1.6 million meant that the net result from interest operations settled at CHF 13.4 million, in decrease of 14.6% compared with the previous year (CHF 15.7 million).

The result from commission business and services decreased (-2.8%): the result was negatively affected by securities trading and investment activity (-4.3%), commission income from other services (-10.8%) and the negative change in fees for credit transactions (-2.4%) which were only partially offset by the reduction in commission expense (-18.7%).

The reduction in commission income is mainly due to the decrease of client assets (-3.4%).

The result from trading operations totalled CHF 6.9 million, lower compared to CHF 8.3 million of the previous year (-16.4%): mainly due to the decrease of trading results on interest instruments (-29.2%) while trading on currencies and precious metals decreased of 5.6% compared with the previous year.

Other results from ordinary activities amounted to CHF 0.9 million, lower compared with CHF 1.9 million in the previous year: mainly due to the result from the disposal of financial investments (- CHF 0.6 million) and the unrealized changes in the valuation of financial investments (- CHF 0.4 million), while the result from real estate (- CHF 0.01 million) and the income from participations (- CHF 0.02 million) were almost unchanged compared with the previous year.

Total revenues break down as follows:

21.3%	net result from interest operations
66.3%	result from commission business and services
11.0%	result from trading activities
1.4%	result from other ordinary activities.

Operating expenses

Operating expenses decreased of 5.6% compared with the previous year. Personnel expenses decreased of 2.5%, to CHF 45.8 million (CHF 47.0 million in 2019). The decrease is due in particular to the decrease in the number of employees (in FTE). Other operating expenses decreased of 17.6% to CHF 9.9 million (CHF 12.0 million in 2019).

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

The total cost is almost unchanged compared with the previous year.

Changes in provisions and other value adjustments and losses

The net change shows a loss of CHF 1.3 million, lower by 78.8, compared with the previous year (- CHF 6.2 million).

Operating result

The operating result of the year amounted to CHF 3.6 million, in increase of 168.2% compared to the previous year (CHF 1.3 million).

Extraordinary income

Extraordinary income amounted to CHF 0.2 million and is mainly related to contingent assets, of which 0.1 million referred to securities.

Profit for the year

Net profit for the year was CHF 2.7 million; this compared to CHF 0.7 million of previous year, i.e. a decrease of 267.4%.

BALANCE SHEET

Assets	AMOUNTS IN CHF	Notes	2020	2019
Liquid assets			659'370'559	788'937'933
Amounts due from banks			187'798'681	182'715'803
Amounts due from clients		3.1	455'619'428	444'796'065
Mortgage loans		3.1	706'661'854	730'621'822
Trading portfolio assets			0	0
Positive replacement values of derivative financial instruments		3.3	16'735'469	18'340'427
Financial investments		3.4	84'932'842	96'444'298
Accrued expenses and deferred income			12'544'633	8'954'481
Participations			140'855'892	137'596'463
Tangible fixed assets			25'991'465	25'798'139
Intangible assets			476'000	0
Other assets		3.5	19'151'999	12'084'366
Total assets			2'310'138'821	2'446'289'798

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	2020	2019
Amounts due to banks			127'337'920	156'848'792
Amounts due in respect of customer deposits			1'566'129'339	1'677'882'981
Negative replacement values of derivative financial instruments		3.3	44'282'090	38'017'904
Bond issues and central mortgage institution loans			110'800'000	110'800'000
Accrued expenses and deferred income			15'239'148	17'111'298
Other liabilities		3.5	9'812'515	2'156'331
Provisions		3.9	15'934'983	25'551'694
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			21'353'197	20'623'234
Net profit for the year			2'682'028	729'963
Total Liabilities			2'310'138'821	2'446'289'798

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	2020	2019
Contingent liabilities		3.1	30'571'003	46'614'603
Irrevocable commitments		3.1	8'133'186	8'287'651
Obligation to pay-up shares and make further contribution		3.1	4'555'787	5'450'706

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	2020	2019
Result from interest operations				
Interest and discount income			13'897'402	17'622'246
Interest and dividend income from trading portfolios			246'137	235'237
Interest and dividend income from trading portfolios			852'881	1'010'483
Interest expense			-1'399'888	-1'630'705
Sub-total: gross result from interest operations			13'596'532	17'237'261
Changes in value adjustments for default risks and losses from interest operations			-223'565	-1'577'468
Sub-total: net result from interest operations			13'372'967	15'659'792
Result from commission business and services				
Commission income from securities trading and investment activity			42'172'539	44'065'516
Commission income from lending activities			449'742	591'554
Commission income from other services			5'437'875	6'096'815
Commission expense			-6'538'913	-8'041'239
Sub-total: result from commission business and services			41'521'243	42'712'647
Result from trading activities and fair value option		3.16	6'911'348	8'263'550
Other result from ordinary activities				
Result from the disposal of financial investments			756'880	1'369'741
Income from participations			212'482	192'121
Result from real estate			319'565	327'345
Other ordinary income			0	96'938
Other ordinary expenses			-417'590	-54'745
Sub-total: other results from ordinary activities			871'336	1'931'400
Net revenues			62'676'894	68'567'389
Operating expenses				
Personnel expenses		3.17	-45'785'385	-46'980'040
General and administrative expenses		3.18	-9'872'951	-11'976'942
Sub-total: operating expenses			-55'658'336	-58'956'982
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets			-2'100'742	-2'099'440
Changes to provisions and other value adjustments and losses			-1'304'176	-6'163'485
Operating result			3'613'641	1'347'482
Extraordinary income			247'758	659'654
Extraordinary expenses			0	0
Changes in reserves for general banking risks			0	0
Taxes			-1'179'371	-1'277'173
Net profit for the year			2'682'028	729'963

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	2020	2019
Net profit for the year		2'682'028	729'963
Profit carried forward		21'353'197	20'623'234
Distributable profit		24'035'225	21'353'197
Appropriation of profits			
- Allocation to statutory retained earnings reserve			
- Allocation to voluntary retained earnings reserve			
- Distribution of distributable profit		6'000'000	
New amount carried forward		18'035'225	21'353'197

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		239'623			730	417'921
Currency rate differences										
Dividends and other allocations										
Other allocations to/withdrawals from other						730			-730	
Profit of the period									2'682	2'682
Equity at the end of current period	20'000	67'868	41'000	48'700		240'353			2'682	420'603

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. Operations and workforce

PKB Privatbank AG is present in Lugano (registered office), where it operates as a universal bank and in Bellinzona, Geneva and Zurich where it provides private banking services. Lausanne Branch has been closed during the year 2020.

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

At 31.12.2020, the workforce, expressed as FTEs, was 219.55 (2019: 229.65 units).

The bank undertakes all essential activities in-house and does not outsource.

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-entty 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 1,08203 (2019: 1,08682) USD 0,88462 (2018: 0,96847).														
<i>General receivables and commitments</i>	Valued at nominal value, net of value adjustments. The Bank has adopted the transitional terms defined by the art. 98 of the FINMA Accounting Ordinance that allow the application of the new rules concerning value adjustments (art. 25 FINMA Accounting Ordinance) in the FY 2021 instead 2020.														
<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:														
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Properties 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 3 years</td> </tr> <tr> <td>Plant</td> <td style="text-align: right;">maximum 3 years</td> </tr> <tr> <td>Furniture</td> <td style="text-align: right;">maximum 3 years</td> </tr> <tr> <td>Equipment and vehicles</td> <td style="text-align: right;">maximum 3 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>	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
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>	The general banking risk reserve is not taxed.
<i>Solvency risks</i>	Where necessary, specific value adjustments are booked and then deducted from their respective item under assets.
<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, 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</i> (CORI), 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. 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
the end of the financial year*

There are no events following the end of the financial year. Concerning Covid-19 pandemic that represented an event following the financial year end 2019, the developments linked to pandemic are not generating relevant repercussions on the Bank. In this context, the Executive Boards of the Bank is however continuing to address significant attention to ensure adequate and timely supervisory activities in order to allow prompt implementation of the related mitigation and risk containment measures.

The Bank continues to have in place the emergency plans provided for by the General Continuity Plans in order to protect resources and ensure the continuity of the operational processes of all essential services.

Changes in accounting principles

No changes whithin the 2020 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		63'560	376'212	24'624	464'397
Mortgage loans		707'512			707'512
- Residential property		518'121			518'121
- Office and business premises		116'489			116'489
- Commercial and industrial premises		19'595			19'595
- Other		53'306			53'306
Total loans (prior netting with value adjustments)					
Current financial year		771'072	376'212	24'624	1'171'908
<i>Previous financial year</i>		793'736	379'416	16'061	1'189'214
Loans (after netting with value adjustments)					
Current financial year		770'222	367'435	24'624	1'162'281
<i>Previous financial year</i>		792'886	366'471	16'061	1'175'418
Off-balance sheet					
Contingent liabilities		4'719	23'797	2'055	30'571
Irrevocable commitments		1'717	338	6'078	8'133
Obligation to pay-up shares and make further contribution				4'556	4'556
Off-balance sheet total					
Current financial year		6'435	24'135	12'689	43'260
<i>Previous financial year</i>		2'898	44'043	13'412	60'353
Impaired loans					
		Gross debt	Estimated realizable value of collateral	Net debt	Individual value adjustments
Current financial year		16'741	7'114	9'627	9'627
<i>Previous financial year</i>		26'495	13'055	13'440	13'796

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

No position at 31.12.2020 and at 31.12.2019

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		13'731	11'919	243'154	135	25'202	313'231
Forward contracts							
Swaps		3'563	1'751	40'549	135	21'274	291'131
Options (OTC)		10'168	10'168	202'605		3'928	22'100
Foreign exchange / Precious metals		2'869	7'161	725'854	0	0	0
Forward contracts		132	456	11'638			
Combined interest rate/currency swaps		2'737	6'705	714'216			
Options (OTC)							
Equity securities/indices		0	0	0	0	0	0
Options (OTC)							
Total before netting agreement							
Current financial year		16'600	19'080	969'008	135	25'202	313'231
Previous financial year		18'189	21'773	1'207'955	152	16'245	230'475
Total after netting		Positive replacement values			Negative replacement values		
Current financial year		16'735			44'282		
Previous financial year		18'340			38'018		

Breakdown by counterparty	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	10'153	2'816	3'766

3.4 Breakdown of financial investments	AMOUNTS IN CHF/000	Book value		Fair value	
		2020	2019	2020	2019
Debt securities		79'200	89'252	80'414	90'947
of which intended to be held to maturity		78'878	88'670	80'089	90'362
of which not intended to be held to maturity		322	582	325	585
Equity securities		5'733	7'192	7'266	9'112
of which qualified participations		1'367	1'373	1'367	1'373
Precious metals					
Real estate					
Total		84'933	96'444	87'680	100'059
of which securities eligible for pensions under liquidity rules		13'196	27'350	13'459	27'991

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	24'195	6'612	28'120	4'515	17	15'742

3.5 Breakdown of other assets and other liabilities	AMOUNTS IN CHF/000	2020		2019	
		Other assets	Other liabilities	Other assets	Other liabilities
Compensation account		17'911		10'353	
Indirect taxes		543	483	478	456
Pure clearing accounts		523	1'669	1'240	1'701
Other assets and liabilities		175	872	13	
Interests components from hedging instruments			6'033		
Interests components from financial investments sold before maturity			756		
Total		19'152	9'813	12'084	2'156

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		42'199
Bonds used as collateral to banks		13'196
Mortgages used to guarantee loans from central mortgage bond institutions		172'777
		110'800

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	2020	2019
		Total	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.

3.8 Disclosure on the economic situation of own pension schemes

Employer contribution reserves (ECR)	AMOUNTS IN CHF/000					
	Nominal value at 31.12.2020	Waiver at 31.12.2020	Net amount at 31.12.2020	Net amount at 31.12.2019	Impact of ECR on personnel expenses	
					2020	2019
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 31.12.2020	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	
		2020	2019			2020	2019
Pension fund							
With overfunding	17'906				4'695	4'429	4'289
Total	17'906				4'695	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 2019 and the change in the financial position over 2020. 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 111.25% (2019: 111.8%).

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 31.12.2019	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	25'552	-11'561				4'842	-2'898	15'935
Total provisions	25'552	-11'561				4'842	-2'898	15'935
Reserves for general banking risks	48'700							48'700
Value adjustment for default and country risks	14'400	-4'432		-29	-329	17	0	9'627
of which, value adjustments for default risks in respect of impaired loans/receivables	13'796	-3'828		-29	-329	17	0	9'627
of which value adjustments for latent risks	604	-604						0

The item «Other provisions» includes chf 8.2 million (2019 CHF 10.2 million) allocated to the retention plan, CHF 7.5 million (2019 CHF 14.5 million) for legal/fiscal risks and chf 0.3 million (2019 CHF 0.8 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 are referred for CHF 2.8 million (2019 CHF 6.2 million) to the full and definitive closure of the dispute with Italian authorities. 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.

3.10 Presentation of bank's capital

AMOUNTS IN CHF/000

	2020			2019		
	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 31.12.2020 and at 31.12.2019, 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	3002	4721	15'920	24'329
Group companies	2'678	11'410	99'345	148'211
Affiliates			1'118	4'158
Transactions with members of governing bodies	1'599	1'903	1'899	1'802
Other related parties			12'749	10'103

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

	2019		2018	
	Nominal	%	Nominal	%
with voting rights: Auriga SA, Luxembourg	20'000	100.00	20'000	100.00

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

Luxembourg company Auriga S.A. holds 100% of the Bank's share capital. The voting rights of the latter are controlled indirectly, for 59.94%, by the family of the late Serafino Trabaldo Togna. Further significant shareholdings are held by the heirs of the late Achille Trabaldo Togna (13.34%) and Piero Trabaldo Togna (18.52%).

3.13 Breakdown of total assets by credit rating of country groups (risk domicile) paesi (localizzazione del rischio)		Net foreign exposure at 31.12.2020		Net foreign exposure at 31.12.2019	
Bank's country rating	Moody's	in CHF/000	%	in CHF/000	%
1-2	Aaa – Aa3	464'024	95.9%	526'132	94.3%
3	A1 – A3	739	0.2%	1'820	0.3%
4	Baa1 – Baa3	2'478	0.5%	11'741	2.1%
5	Ba1 – Ba3	13'742	2.8%	13'873	2.5%
6	B1 – B3	1'058	0.2%	1'912	0.3%
7	Caa1 – C	294	0.1%	501	0.1%
0	No rating	1'325	0.3%	1'737	0.3%
Total assets		483'659	100%	557'715	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	2020	2019
Fiduciary investments with other banks		197'748	221'309
Fiduciary investments with Group banks and affiliated banks		50'673	101'538
Fiduciary loans			
Total fiduciary transactions		248'421	322'847

3.15 Breakdown of managed assets and presentation of their development

a) Breakdown managed assets	AMOUNTS IN CHF/000	2020	2019
Type of asset			
Assets held in self-managed collective investment schemes		629'691	616'061
Asset under discretionary asset management agreements		2'427'116	2'584'968
Other managed assets		3'763'268	3'890'939
Sub-total managed assets (incl. double counting)		6'820'075	7'091'968
<i>of which double counting</i>		<i>508'066</i>	<i>467'282</i>
Commercial clients – Custody only		124'835	91'361
Sub-total: other client assets		124'835	91'361
Total client assets (incl. double counting)		6'944'909	7'183'328

b) Presentation of the development of managed assets	AMOUNTS IN CHF/000	2020	2019
Total managed assets (incl. double counting) at start of period		7'091'968	6'909'620
+ / - Net new money inflow or net new money outflow		-176'991	-103'584
+ / - Change in market prices, interest, dividends and exchange rates		-68'694	295'672
+ / - Other effects*		-26'208	-9'740
Total managed assets (incl. double counting) at end of period		6'820'075	7'091'968

* At 31.12.2020, 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	2020	2019
Trading with mixed transactions		6'911	8'264
b) Breakdown by underlying risk and application of the fair value option	AMOUNTS IN CHF/000	2020	2019
Result from trading activities from:			
- Interest rate instruments		2'660	3'757
- Equity securities (incl. funds)			
- Currencies		4'199	4'477
- Commodities/precious metals		53	28
Total result from trading activities		6'911	8'263

3.17 Breakdown of personnel expenses	AMOUNTS IN CHF/000	2020	2019
Remuneration (attendance fees, fixed compensation to members of the Bank's governing bodies, salaries and allowances)		35'901	37'213
Benefits		8'266	7'812
Other personnel expenses		1'619	1'955
Total personnel expenses		45'785	46'980

3.18 Breakdown of general and administrative expenses	AMOUNTS IN CHF/000	2020	2019
Building occupancy expenses		1'793	1'803
IT and telecommunications technology expenses		2'128	2'289
Expenses for vehicles, equipment, furniture and other fixtures, and operating leases		148	135
Audit fees (art. 961a no. 2 CO)		360	334
- of which for accounting and supervisory audits		360	334
- of which other services			
Sundry operating expenses		5'445	7'417
Total other operating expenses		9'873	11'977

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

The extraordinary income is due to various contingent assets, of which CHF 0.1 million referred to securities.

3.20 Presentation of current taxes, deferred taxes, and disclosure of tax rate	AMOUNTS IN CHF/000	2020	2019
	Tax rate		Tax Rate
Current tax expense *	22.8%	1'603	13.3%
Extraordinary elements		-424	
Total tax		1'179	1'277

* 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 2020 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 2020 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 2021
AB/PDF/dbo

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