

ANNUAL REPORT 2006
BANQUE PIGUET & CIE S.A.



BANQUE PIGUET & CIE S.A.

DEPUIS 1856

MESSAGE FROM THE EXECUTIVE BOARD

OUR 150th YEAR

The year 2006 was a special one for Banque Piguet as we celebrated our 150th Anniversary. This special year was marked by many events including good results, increased assets under management, the opening of the Bank's first international office, celebrations in all the cities where we are represented and the publication of a book covering our 150 years of existence and retracing the Bank's history since its origins in the heart of French-speaking Switzerland.

The operational increase was 26%, represented by higher income from larger volumes of activity and increased assets coupled with a strict control of costs. Net profits after tax saw an overall increase of 55% to CHF 14.8 million, partly due to some extraordinary items. Total assets increased by 15% to CHF 5.5 billion. All of our three main businesses, private banking, independent portfolio managers and institutional management, contributed to these results.

This anniversary year also saw the opening of a representative office in Hong Kong, which will initially focus on the region but also act as a platform for China when local laws permit offshore activity.

The publication of our Bank's history reflects the pride we have in our heritage and success over a century and a half in the country that invented private banking.

We wish to thank our customers for their trust and loyalty and our staff for their hard work and commitment.

INVESTMENT POLICY

The economic slowdown that we had been expecting for some time in the United States finally began only in the second quarter of 2006. Moreover, this slowdown remained fairly mild despite the excessive indebtedness of numerous sections of the population and the sharp correction in the real-estate sector. Thus, it was not enough to significantly slow down the growth of the world economy, which only began to moderate at the end of the year. This environment, combined with the surge in oil prices until the summer, greatly revived fears of inflation, which in addition were maintained by the alarmist declarations of the central banks. Although these fears were in the end not really confirmed by the facts, they inflicted temporary damage on bonds, whereas equities posted some very satisfactory performances, particularly in Europe and certain emerging countries. This inflation psychosis has calmed down since then, following the moderation of the economic expansion and the significant correction of oil prices and long-term interest rates. However, the stock markets benefitted from this situation even more than did bonds, which reflected a return of investors' appetite for risk. Other indications can be found in the persistent interest in European small caps and in certain emerging markets such as China and India, where the speculation indicators have turned to red. The very low yield premium offered by the bonds of poor debtors compared with the best quality paper is another example.

The Bank's cautious policy and its refusal to follow general trends did not allow us to fully benefit from the rise in prices on certain markets, in particular on the accounts based in euros and Swiss francs. This is because in addition to the negative incidence of the bond exposure, these accounts were penalized by the weakness of most of the main non-European currencies, especially during the first half-year. They caught up during the second half of the year thanks to the stabilization of bonds and to the good performance of the stock markets and alternative investments, but this allowed only a small gain to be made over the whole financial year in the portfolios based in Swiss francs or euros. The cost of currency hedging also played a negative and penalizing role.

The return of optimism to the stock markets and certain risky investments, at the end of a bull market that has lasted for four years or more – depending on the financial centres – without a significant correction, encourages us to maintain a degree of caution. Moreover, one can note the almost unanimous forecast of a moderate and temporary slowdown in the United States which would be favourable for bonds and perhaps even more so for equities because it would be synonymous with a slight moderation of global growth and with low inflation. However, such unanimity leaves little room for surprises – one of which would be another acceleration of the U.S. economy. It would put upward pressures on interest rates and would be positive neither for bonds nor for equities. Such a hypothesis does not seem very plausible, however. The opposite scenario, that of a significant slowdown in economic activity in the United States, appears to have a little better chance of happening. It would be very positive for good-quality and long-term bonds but less so for equities. In any event the stock markets are in general over-bought and a correction appears to be inevitable in the near future even assuming the most positive scenario of a soft landing for the U.S. economy, so that we are giving ourselves additional time to reflect before possibly increasing equities.

Apart from the sometimes considerable short- or medium-term fluctuations, it can be observed that the dollar has attained a degree of stability against the euro over the last three years. It is nevertheless too early to confirm whether this represents a new trend as the dollar remains close to its lowest point against the Euro. In the meantime investors' interest is turning to the currencies that are offering high yields or whose interest rates are in a phase of being raised, with the result that the currencies with low yields are being neglected. This has been the case for the Swiss franc and the yen for some time, which is giving rise to some speculative excesses.

PRIVATE BANKING

STRONG GROWTH IN ASSETS AND PROFITABILITY

Our Anniversary year was celebrated with strong growth in assets and profitability. The opening of our representative office in Hong Kong at the end of the year will provide a new market for the development of our activities.

Assets grew by 15% to CHF 5.5 billion and came from all our main markets, both from new clients and existing ones. The proportion of assets managed on a discretionary basis remained over 50%.

The activities surrounding our anniversary year provided opportunities to meet with and friends in various settings but also allowed us to use this historic occasion to forge closer ties. This was done through events, the press, and publications. Two of the most successful were the publication of the history of the Bank, and our association with the "Le Temps" newspaper to present, every week throughout the year, the careers of 52 remarkable Swiss individuals who have established themselves in various endeavours in the four corners of the world. This project reflected the values that we have cultivated over 150 years, particularly an open-mindedness and a desire to move ahead, both in Switzerland and elsewhere.

We take this opportunity to thank our clients and staff, who have contributed to Banque Piguët's long history, and remind ourselves of our obligations to future generations.

INSTITUTIONAL ASSET MANAGEMENT

The assets managed for the account of institutional clients continued to increase in 2006 thanks to new accounts, management of which began at the beginning of the year, and to existing clients who renewed their trust in us by increasing the size of their mandates.

Institutional clients still appreciate the high-quality service provided by a human-sized bank, a philosophy that advocates both long-term growth and capital preservation, as well as an approach to investment that is different and off the beaten track.

In view of the increased number of discretionary portfolios, the team has been strengthened in order to continue to improve the service quality. This will also enable us to enhance our overall institutional asset management offer.

INDEPENDENT MANAGERS

MORE THAN EVER IT IS OUR TEAM'S SERVICE, RELATIONAL SKILLS, COMPETENCY AND FLEXIBILITY THAT HAVE WON OVER INDEPENDENT PORTFOLIO MANAGERS

A jubilee year and some gratifying results

2006 was a year of grace in which the excellent results obtained were well-timed to mark our 150th anniversary. Numerous festivities marked this jubilee throughout the year with, in particular, strong participation by our independent portfolio managers. This was an opportunity to thank them for their confidence, loyalty and the significant contribution they made to the results of the financial year, in which we were able to post a 20% increase in deposited assets.

A constantly increasing sector

In 2000, when the Anti-Money Laundering Law (LBA) came into force at almost the same time as the bursting of the speculative bubble on the stock markets, the forecasts were rather pessimistic about an increase in assets managed by independent portfolio managers. The end of the grace period, falling performances, tougher administrative constraints and growing difficulties involved in setting up one's own business all heralded a slow-down in business activity. But this did not happen and the assets managed by independent portfolio managers constantly increased as more and more clients chose this arrangement. Today the size of this sector in Switzerland is estimated at about 600 to 700 billion Swiss francs.

Service and relational skills

Our concerns are centred on service quality and relational skills, which are essential in order to earn our customers' trust. Because at the end of the day it is people and their intrinsic qualities that make the difference in a world like ours that consists mainly of figures and regulations. We therefore endeavour to give priority to the qualities of relational skills, competency and flexibility, without losing sight of the rigour and precision that our profession requires of us.

ORGANIZATION OF THE BANK AS OF 31 DECEMBER 2006

Board of Directors

Chairman

Christopher E. Preston	Member of the Executive Board, Banque Cantonale Vaudoise
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Deputy Chairman

Bernard Lachenal	Attorney
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Members

Gonzalo Rodriguez-Fraile	Chairman, PRS Group
Philip Seligman-Schuerch	Economist
Alexandre Zeller	President of the Executive Board, Banque Cantonale Vaudoise

Executive Board

Charles de Boissezon	President of the Executive Board
Arnold Meilland	Member of the Executive Board
Claude Figeat	Member of the Executive Board

Auditors

KPMG S.A.

**KEY FIGURES FOR OUR MAJORITY SHAREHOLDER,
THE BANQUE CANTONALE VAUDOISE (BCV), AT 31 DECEMBER 2006**

Balance sheet (in CHF million)

Balance sheet total	36 537
Advances to clients	22 059
Client deposits and loans	25 120
Shareholders' equity	3 419

Income

Gross income	536
Net income	534

Funds on deposit	80 800
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Total manpower (in units of full-time labour)	2 390
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Equities market data

Highest price	587.00
Lowest price	389.00

Structure of capital

Canton of Vaud	67.08 %
Public	32.92 %

BCV participation in capital of Banque Piguët & Cie S.A.	83 %
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ANNUAL ACCOUNTS

BALANCE SHEET AS OF 31 DECEMBER
(before distribution of income)

	CHF	
	2006	2005
Assets		
Cash and cash equivalents	6 713 182.35	6 497 143.02
Money-market instruments	643.87	5 367.79
Due from banks	59 641 083.35	61 493 451.18
Loans and advances to customers	152 983 256.80	138 190 380.00
Mortgage loans	147 119 134.00	136 998 015.40
Trading portfolio assets	–	2 796 184.63
Financial investments	8 813 336.68	7 592 232.66
Participations	8 298 447.90	8 508 447.90
Tangible fixed assets	12 831 000.00	13 747 500.00
Accrued income and prepaid expenses	4 959 903.87	4 389 816.76
Other assets	8 850 834.68	3 489 251.91
Total assets	410 210 823.50	383 707 791.25
Total group intercompany and affiliate receivables	27 898 667.59	38 966 008.13
Liabilities		
Money-market paper issued	100,842.42	–
Due to banks	93 851 498.93	84 063 136.12
Customer savings and investment accounts	3 995 246.53	7 923 461.64
Other customer accounts	196 048 622.85	200 820 990.69
Accrued expenses and deferred income	11 991 670.90	8 470 355.15
Other liabilities	14 113 837.05	5 015 486.70
Valuation adjustments and provisions	5 987 384.84	7 164 615.00
Reserves for general banking risks	2 500 000.00	2 000 000.00
Equity capital	20 000 000.00	20 000 000.00
General legal reserves	10 080 000.00	10 040 000.00
Reserve for own equity certificates	3 751 557.00	3 101 165.00
Other reserves	32 848 443.00	25 498 835.00
Retained earnings	169 745.95	100 509.53
Profit for the year	14 771 974.03	9 509 236.42
Total liabilities	410 210 823.50	383 707 791.25
Total liabilities to Group companies and significant shareholders	79 058 941.64	81 359 581.81

OFF-BALANCE SHEET TRANSACTIONS AS OF 31 DECEMBER

Off-balance sheet	CHF	
	2006	2005
Contingent liabilities	12 352 263.03	17 207 218.55
Irrevocable commitments	5 117 300.00	9 466 470.00
Derivative financial instruments		
<i>Values of underlyings</i>	1 014 977 171.22	621 544 180.17
<i>Positive replacement values</i>	885 0834.68	3 345 505.56
<i>Negative replacement values</i>	864 3010.70	3 704 855.69
Fiduciary deposits with other banks	655 591 259.84	534 618 304.56

INCOME STATEMENT AS OF 31 DECEMBER

	CHF	
	2006	2005
Income and expenses from ordinary banking operations		
Net interest income		
<i>Interest and discount income</i>	10 579 240.82	8 674 047.11
<i>Interest and dividend income from financial investments</i>	283 337.07	264 513.81
<i>Interest expenses</i>	-2 422 420.14	-2 334 639.49
Subtotal for net interest income	8 440 157.75	6 603 921.43
Income from commissions and services		
<i>Fees and commissions on lending operations</i>	165 525.13	230 938.07
<i>Fees and commissions on securities and investment transactions</i>	44 353 619.75	36 997 965.42
<i>Fees and commissions on other services</i>	1 200 020.67	1 161 815.83
<i>Fee and commission expense</i>	-5 341 420.24	-4 388 225.49
Subtotal for income from commissions and service transactions	40 377 745.31	34 002 493.83
Net trading income	7 879 854.75	7 727 257.93
Other ordinary income		
<i>Profit on disposal of financial investments</i>	17 451.90	5 295.16
<i>Income from holdings</i>	485 769.82	161 279.58
<i>Real estate income</i>	-823.20	1 560.33
<i>Miscellaneous ordinary income</i>	188 414.53	163 554.25
<i>Miscellaneous ordinary expenses</i>	-189 798.03	-
Subtotal for other ordinary income	501 015.02	331 689.32
Total income from ordinary banking operations	57 198 772.83	48 665 362.51
Operating expenses		
<i>Personnel costs</i>	-25 004 513.66	-21 897 899.11
<i>Other operating expenses</i>	-12 183 443.53	-10 938 551.42
Subtotal for operating expenses	-37 187 957.19	-32 836 450.53
Gross profit	20 010 815.64	15 828 911.98
Depreciation and write-offs on fixed assets	-1 238 939.30	-1 241 867.96
Value adjustments, provisions and losses	-757 351.86	-674 988.41
Profit on ordinary banking operations before extraordinary items and taxes	18 014 524.48	13 912 055.61
Extraordinary income	2 544 072.85	300 973.76
Extraordinary expenses	-526 265.00	-1 295 000.00
Taxes	-5 260 358.30	-3 408 792.95
Profit for the year	14 771 974.03	9 509 236.42

CASH FLOW STATEMENT (IN THOUSANDS OF SWISS FRANCS)

	2006			2005		
	Source of funds	Use of funds	Balance	Source of funds	Use of funds	Balance
Cash inflow/outflow from operations						
Net profit for the year	14 772	–		9 509	–	
Depreciation and write-offs on fixed assets	1 239	–		1 242	–	
Profit/loss on the sales of participations	–	193		–	20	
Profit/loss on the sales of tangible fixed assets	1	–		–	82	
Allocation to the reserve for general banking risks	500	–		500	–	
Valuation adjustments and provisions	1 475	2 653		2 328	410	
Accrued income and prepaid expenses in the form of assets	–	570		–	641	
Accrued expenses and deferred income in the form of liabilities	3 522	–		2 505	–	
Other headings	9 098	5 360		4 397	4 278	
Dividend from previous year	–	1 400		–	1 200	
Balance	30 607	10 176	20 431	20 481	6 631	13 850
Cash inflow/outflow from investments						
Holdings	403	–		1 142	–	
Real estate	–	–		1 309	–	
Other tangible fixed assets	147	470		–	1 286	
Balance	550	470	80	2 451	1 286	1 165
Cash flow from banking operations						
Medium- and long-term operations (>1 year)						
<i>Other customer accounts</i>	–	658		–	2 085	
<i>Loans and advances to customers</i>	15 076	–		10 042	–	
<i>Mortgage loans</i>	–	12 536		38 039	–	
<i>Financial investments</i>	–	1 057		15	–	
Short-term operations						
<i>Money-market paper issued</i>	101	–		–	–	
<i>Due to banks</i>	9 788	–		–	14 210	
<i>Customer savings and investment accounts</i>	–	3 928		–	1 081	
<i>Other customer accounts</i>	–	4 115		11 297	–	
<i>Money-market instruments</i>	4	–		6	–	
<i>Due from banks</i>	1 852	–		–	3 189	
<i>Loans and advances to customers</i>	–	29 869		–	16 861	
<i>Mortgages loans</i>	2 415	–		–	36 007	
<i>Trading portfolio assets</i>	2 796	–		–	1 649	
<i>Financial investments</i>	–	164		–	181	
Balance	32 032	52 327	–20 295	59 399	75 263	–15 864
Cash position						
Cash and cash equivalents	–	216		849	–	
Balance	–	216	–216	849	–	849
Total source of funds	63 189			83 180		
Total utilization of funds		63 189	–		83 180	–

NOTES TO THE FINANCIAL STATEMENTS

1. Commentary on the year's activity and a word about staffing

General observations

The objective of Banque Piquet & Cie S.A. (hereinafter "the Bank") is to operate a bank focusing mainly on asset management and dealing in shares and transferable securities. In addition to its asset management business, the Bank is mainly involved in the arrangement of lombard and mortgage loans for certain clients.

The Bank conducts its activities from its head office in Yverdon-les-Bains, the branch in Geneva and the offices in Lausanne and Lugano. During the 2006 financial year the Bank established a representative office in Hong Kong.

Expressed in terms of full-time jobs, the headcount at the end of 2006 was the equivalent of 106.6 employees, which was an overall increase of 3.2 compared with the end of 2005.

The Bank's main activities are described below.

Balance sheet operations

Interest operations carried out for the account of clients are generated by loans to clients that are generally covered by securities or mortgages, the latter being mainly for home financing.

Short- and medium-term interbank operations are mainly carried out with the Banque Cantonale Vaudoise (BCV) Group.

The Bank manages balance sheet interest rate risks by means of interest rate swaps (IRS).

Trading operations

The Bank carries out all of the trading operations that are customarily offered in this field for the account of clients, on the basis of recommendations from its financial analysts.

The Bank has set extremely strict limits for own-account trading activities.

Commissions and services

Commissions and services relate mainly to asset management, fiduciary deposits and the trading of securities and derivative financial instruments for client accounts. The Bank also provides services in the field of discretionary management as well as the administration of investment funds.

The Bank offers its services to both institutional and private banking clients.

Other activities

As of 31 December 2006 the Bank had a 25% minority holding in PRS Group, companies specializing in alternative asset management. These shareholdings were sold during the first quarter of 2007.

Risk management

The Bank has appointed a risk manager and a risk committee. All the different activities within the Bank involving risks are represented on this committee.

A centralized information system linking the various aspects of the Bank's activities that involve risk has been put in place.

Default risks

The Bank's credit risk policy takes into account all commitments which could result in losses if the counterparties should be unable to meet their obligations.

The Bank limits credit risks in several ways: by diversifying them, by imposing strict requirements on the quality of borrowers and by the degree of cover required. The quality of clients is assessed on the basis of standardized solvency criteria. Responsibility for granting loans is organized by the Board of Directors. The value of guarantees is subject to regular checks by type of cover. The Bank's real estate experts provide assistance to the units responsible for lending, as well as to clients, for all technical and valuation issues relating to real estate.

The Bank has laid down the following procedures for the valuation of real estate:

- property inhabited by the owner: actual value
- investment property: value based on yield
- building plots: market value taking into account future use

The size of a loan depends on the client's ability to service the debt and the proportion of client securities held by the Bank that it represents. Second mortgages have to be amortized. For the valuation of securities used as collateral (lombard loans), the Bank applies the principle of market value after deduction of the regulatory collateral margins.

Valuation adjustments and loss reserves are reviewed and readjusted each quarter.

Interest rate risks

Interest rate risk results from failure to match the due dates of assets and liabilities on the balance sheet. The Bank's policy for all major loans is to refinance in the same currency for the same maturity dates.

Investment limits take into account the potential impact on earnings and shareholders' equity. Interest rate risk is measured monthly by means of software designed to analyse the effect of interest rate variations on income and shareholders' equity. Given the Bank's field of activity, the interest rate risk may be considered moderate.

Other market risks

In order to limit other market risks, which are mainly position risks in relation to participation certificates and currencies, the Bank has established a system of limits. Trading positions are subject to daily checks.

Cash risks

The cash risk is controlled in accordance with the applicable legal requirements. Trading for the Bank's own account is monitored on a regular basis.

Operating risks

Operating risks are defined as "risks of direct or indirect losses resulting from an insufficiency or failure attributable to procedures, the human factor, existing systems or to external events". Such risks can be limited with the help of internal rules and directives governing organization and suitable controls. The system of internal controls is verified by the internal auditors and monitored by the compliance officer and the risk manager. They all report directly to the Board of Directors.

Compliance and legal risks

The compliance officer ensures that the Bank is acting in accordance with the regulatory provisions in force and with the duty of due diligence expected of financial intermediaries. The compliance officer and the legal department are responsible for adjusting the internal directives to new legislative and regulatory requirements. They follow ongoing legislative developments at the levels of the supervisory authorities, government, parliament and other bodies.

Outsourcing

The Bank has entrusted specific tasks to the following organizations :

- THALES (SUISSE) SA: management and operation of computer systems
- SUNGARD INVESTMENT SYSTEMS SA : operation of banking software
- BIVERONI BATSCHELET PARTNERS AG : operation of interbank communication systems (SIC, SWIFT, SECOM)

In accordance with the requirements of the Federal Banking Commission, this outsourcing is governed in each case by a detailed service contract.

In order to guarantee the confidential nature of all operations, the employees of the service provider are all subject to banking secrecy.

2. Valuation and accounting principles

Basic principles

The keeping of the accounts and the accounting and valuation principles applied are in conformity with the Swiss Code of Obligations, the Federal Law on Banks and Savings Banks and its implementing ordinance, the provisions of the articles of association and the directives of the Federal Banking Commission.

Recording of operations and inclusion in the balance sheet

All operations are entered in the balance sheet on the day they are completed ("trade date accounting") and valued from that day for the purpose of determining the result.

Conversion of foreign currencies

Transactions in foreign currencies are entered in the accounts at the exchange rates applicable on the date of the transactions. Profits and losses resulting from the settlement of these transactions as well as from the conversion of monetary assets and liabilities denominated in foreign currencies at the exchange rates applicable on the date of the balance sheet, are entered in the profit and loss account.

The main exchange rates used at the time of closing the annual accounts are as follows:

	2006		2005	
	Closing rate	Average annual rate	Closing rate	Average annual rate
EUR	1.6097	1.5765	1.5446	1.5481
USD	1.2207	1.2474	1.3179	1.2384
GBP	2.3891	2.3116	2.2626	2.2636
JPY	1.0244	1.0747	1.1166	1.1299

General valuation principles

Assets and liabilities as well as off-balance sheet transactions that are grouped together under the same heading are in all cases subject to individual valuations.

Receivables and liabilities denominated in foreign currencies as well as positions in foreign currencies are valued at the exchange rates applicable on the date of the balance sheet.

Cash, receivables from money market paper, receivables from banks and liabilities

These items are entered in the balance sheet at their face value or purchase price, after deduction of individual valuation adjustments for doubtful debts.

Pension and welfare commitments

The treatment of pension commitments is based on the Swiss GAAP ARR 16 standard.

Pension commitments are taken to mean all commitments resulting from the pension and welfare plans and institutions which provide for retirement, death or disablement benefits.

According to the standard, there is an economic benefit if the Bank has been able, on account of surplus coverage in the pension and welfare institutions, to exert a positive effect on future cash flows. A contrario, an economic commitment exists if, owing to a shortfall in the pension and welfare institutions, the Bank wants or has to participate in the financing. Furthermore, in the event of surplus coverage, there is an economic benefit if it is legal and envisaged to use this surplus to reduce the employer's contributions, to reimburse them to the employer by virtue of local legislation or to use them outside the scope of the statutory benefits for another economic purpose of the employer's.

Each time the annual accounts are closed, the Bank determines for each pension and welfare fund whether there are assets (benefits) or liabilities (commitments) other than the contributions paid and the related adjustments. This examination is carried out on the basis of the financial situation of the pension and welfare institutions according to their intermediate accounts closed at 30 September.

A commitment is entered in the balance sheet under "Valuation adjustments and provisions"; the economic benefit is accounted for under "Other assets". The difference with the corresponding value of the previous period is recorded, for each pension and welfare institution, under "Staff expenses"; the same applies to the period-adjusted contributions.

Taxation

Taxes levied on profits and shareholders' equity for the financial year are determined in accordance with the relevant fiscal regulations and are entered in the accounts as expenses for the financial year under review.

The balances due by way of direct tax on current profits and shareholders' equity are entered on the liabilities side of the balance sheet under the heading "Adjustment accounts", while the balances due by way of indirect taxes are shown under "Other liabilities".

Contingent liabilities, irrevocable commitments, undertakings to fully pay up and make additional payments

These items are presented as off-balance sheet transactions at face value. The Bank makes provisions under liabilities in the balance sheet for foreseeable risks.

Valuation adjustments and provisions

Valuation adjustments and individual provisions are made to cover all identifiable risks of loss, in accordance with the principle of caution. Valuation adjustments and provisions which, in a given accounting period, are no longer economically necessary are written back and entered in the profit and loss account.

Derivative financial instruments

Trading operations

All of the Bank's derivative financial instruments are valued at fair value (replacement value). Positive and negative replacement values are entered in the balance sheet under the headings "Other assets" and "Other liabilities". The fair value results from the price set by an efficient and liquid market. Realized and unrealized income from transactions on derivative financial instruments used for trading purposes is entered in the accounts under the heading "Income from trading operations".

Hedging transactions

The Bank also uses derivative financial instruments (IRS) to control interest rate risks, in the context of its balance sheet management.

The balance of income from operations intended to hedge interest rate risks is entered under the heading "Interest charges". Accrued interest and changes in replacement values are shown in the "Adjustment account" under "Other assets" or "Other liabilities".

The effects of hedging and the objectives and strategies of hedging transactions are documented when the transactions have been completed.

3. Notes to the balance sheet

The following sections are numbered in accordance with the Instructions for Preparation of the Accounts (Directives sur l'établissement des comptes, DEC-CFB). The missing numbers correspond to sections that are not relevant to Banque Piguët & Cie S.A.

3.1 Breakdown of risk mitigants (collateral and third-party guarantees) for loans and off-balance sheet transactions (in thousands of Swiss francs)

	Type of hedging			Total
	Secured by mortgage	Other risk mitigants	Unsecured	
Loans				
Loans and advances to customers	10842	128035	14106	152983
Mortgages				
<i>Residential real estate</i>	139123	–	–	139123
<i>Office and business premises</i>	3081	–	–	3081
<i>Commercial and industrial property</i>	376	–	–	376
<i>Others</i>	4539	–	–	4539
Total advances				
31.12.2006	157961	128035	14106	300102
31.12.2005	149411	104845	20932	275188
Off-balance sheet transactions				
Contingent liabilities	–	11513	839	12352
Irrevocable commitments	1440	3118	559	5117
Total off-balance sheet transactions				
31.12.2006	1440	14631	1398	17469
31.12.2005	8257	16356	2061	26674
	Gross receivables	Realization value of risk mitigants	Net receivables	Individual value adjustments
Impaired loans				
31.12.2006	13809	9430	4379	4379
31.12.2005	18739	13357	5382	5382

3.2 Allocation of financial investments and holdings (in thousands of Swiss francs)

Trading portfolio assets	2006	2005
Equity securities	–	2 796
Total trading portfolio assets	–	2 796
<i>Including securities eligible for repurchase agreements in accordance with liquidity regulations</i>	–	–

Essential commitments and receivables fund under other balance sheet headings, with valuation at the market price and income listed under the heading “Income from trading operations”

Positive replacement values of derivative financial instruments of trading portfolios (other assets)	8 851	3 345
Negative replacement values of derivative financial instruments of trading portfolios (other liabilities)	–8 643	–2 990

	Book value		Just value	
	2006	2005	2006	2005
Debt securities intended to be held until the maturity	7 727	7 187	7 834	7 479
Equity securities	1 086	405	1 128	412
Total financial investments	8 813	7 592	8 962	7 891
<i>Including securities eligible for repurchase agreements in accordance with liquidity regulations</i>	7 727	7 187	7 834	7 478

Holdings (in thousands of Swiss francs)	2006	2005
Holdings with market value	183	183
Holdings without market value	8 115	8 325
Total holdings	8 298	8 508

3.3 Key investments

Company / Head Office	Activity	Currencies	Capital in thousands of units	Holding in %	
				2006	2005
Cofimor Investment and Finance Limited, Nicosia, Cyprus	Inactive	CHF	3	86.00	86.00
Piguet Asset Management S.A.*, Luxembourg	Management of investment funds	CHF	210	–	100.00
PRS International Consulting, Miami	Asset management	USD	1	25.00	25.00
PRS International (Cayman) Ltd, Cayman Islands	Asset management	USD	250	25.00	25.00
PRS Latam LLC, Wilmington (Delaware)	Asset management	USD	266	16.66	16.66
PRS Partner USA LLC, Wilmington (Delaware)	Asset management	USD	200	16.66	16.66

* Piguet Asset Management Ltd was liquidated during 2006 financial year.

3.4 Fixed assets (in thousands of Swiss francs)

	Cost	Accumulated depreciation and write-offs	Book value at year-end	Current year				Book value at year-end
				Changes in allocation	Additions	Disposals	Depreciation and write-offs	
Holdings								
<i>Majority holdings</i>	1 073	-863	210	-	-	-210	-	-
<i>Minority holdings</i>	9 333	-1 035	8 298	-	-	-	-	8 298
Total holdings	10 406	-1 898	8 508	-	-	-210	-	8 298
<i>Bank premises</i>	13 681	-2 116	11 565	-	-	-	-215	11 350
<i>Other tangible fixed assets</i>	12 681	-10 498	2 183	-	470	-148	-1 024	1 481
Total tangible fixed assets	26 362	-12 614	13 748	-	470	-148	-1 239	12 831
Fire insurance value of real estate								13 304
Fire insurance value of other tangible fixed assets								7 487
Liabilities: future terms of leasing resulting from leasing of exploitation								-

3.5 Other assets and other liabilities (in thousands of Swiss francs)

	2006		2005	
	Other assets	Other liabilities	Other assets	Other liabilities
Replacement value of derivative financial instruments				
<i>Management of balance sheet</i>	-	-	-	715
<i>Contracts as agent</i>	8 851	8 643	3 345	2 990
Total of derivative financial instruments	8 851	8 643	3 345	3 705
Offset accounts	-	149	144	-
Indirect taxes	-	2 259	-	1 120
Miscellaneous assets and liabilities	-	3 063	-	190
Total other assets and other liabilities	8 851	14 114	3 489	5 015

3.6 Assets pledged or assigned as collateral for own liabilities and assets with reservation of title (in thousands of Swiss francs)

	2006		2005	
	Book value of pledge	Real liabilities	Book value of pledge	Real liabilities
Financial investments	7 727	-	7 187	-

3.7 Indication of commitments to own occupational pension funds (in thousands of Swiss francs)

Economic benefit/liability and pension expenses	Surplus /deficit	Economic benefit/liability			Contributions adjusted for the period 2006	Pension expenses included in "Personnel Costs"	
		2006	2005	Variation		2006	2005
Pension funds	2006	2006	2005	Variation	2006	2006	2005
With no surplus or deficit "Caisse de pension BCV"	–	–	–	–	2 299	2 299	2 192
With surpluses "Fonds de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"	900	–	–	–	163	163	–
Total	900	–	–	–	2 462	2 462	2 192

The surplus or deficit of a pension fund is based on its unaudited interim accounts at 30 September 2006.

Since it is not intended to apply the surpluses to reduce the employer's contributions, to refund the contributions to the employer, or to use them for any economic purpose of the employer other than regulatory benefits, there's no identifiable economic benefit to be capitalized on the balance sheet. There is no economic liability to report in the pension fund accounts.

Pension funds

Piguet employees are members of the "Caisse de pensions de la Banque Cantonale Vaudoise (CP BCV)". Its purpose is to insure its members against the economic consequences of retirement, disability and death by guaranteeing benefits in accordance with the terms of the pension fund regulations. It is a provider of the compulsory insurance introduced under the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (LPP) and satisfies at least the minimum requirements of that law.

Senior executives insured with the CP BCV are also members of the "Fondation de prévoyance complémentaire de la Banque Cantonale Vaudoise", the purpose of which is to insure its members against the economic consequences of retirement, disability and death by guaranteeing benefits in accordance with the terms of the pension fund regulations.

3.9 Presentation of valuation adjustments and provisions

Reserves for general banking risks (in thousands of Swiss francs)

	Status at year-end 2005	Used as allocated	Change of allocation (new allocation)	Recoveries, overdue interest, forex differences	New provisions charged to income statement	Release credited to income statement	Status at year-end 2006
Value adjustments and provisions for default risks (recovery risks and country risks)	5 382	-354	-	790	366	-1 805	4 379
Value adjustments and provisions for other operational risks	578	-	-	-	-	-15	563
Other provisions	1 205	-	-	-	320	-480	1 045
Total value adjustments and provisions shown on the balance sheet	7 165	-354	-	790	686	-2 300	5 987
Reserves for general banking risks	2 000	-	-	-	500	-	2 500

3.10 Presentation of share capital (in thousands of Swiss francs)

	2006			2005		
	Nominal value total	Number of shares	Capital participating in dividend	Nominal value total	Number of shares	Capital participating in dividend
Share capital	20 000	200 000	20 000	20 000	200 000	20 000

Large shareholders and groups of shareholders bound by voting agreements (more than 5%)

	2006				2005				
	Total book value	Number of shares	Capital with entitlement % to dividend	Total book value	Number of shares	Capital with entitlement % to dividend	Total book value	Number of shares	Capital with entitlement % to dividend
With voting rights									
Banque Cantonale Vaudoise, Lausanne	16 600	166 000	83.0	16 600	162 000	81.0	16 200	162 000	81.0
Fondation d'intéressement Banque Piguët & Cie S.A., Yverdon-les-Bains	1 057	10 570	5.28	1 057	11 150	5.6	1 115	11 150	5.6

The Bank's employees hold 23 430 shares – 11.72% (2005: 26 850 shares – 13.4%).

The shares owned by the Fondation d'intéressement Banque Piguët & Cie S.A. are deemed to be an indirect holding of the Bank's own participation certificates.

3.11 Movements in shareholders' equity (in thousands of Swiss francs)

Status at 1 January 2005

Equity capital	20000
General legal reserve	10040
Reserves for general banking risks	2000
Reserve for own equity securities	3101
Other reserves	25499
Profit shown on the balance sheet	9610

Status at 31 December 2005

	70250
+ Allocation to reserves for general banking risks	500
+ Allocation to other reserves	8000
– Deduction from profit shown on the balance sheet	–8000
– Deduction from other reserves	–650
+ Allocation to the reserve for own equity securities	650
– 2005 Dividend	–1400
+ Net profit for the year	14772
Status at 31 December 2006	84122

Including:

Equity capital	20000
General legal reserve	10080
Reserves for general banking risks	2500
Reserve for own equity securities	3752
Other reserves	32848
Profit shown on the balance sheet	14942

3.12 Maturity structure of current assets and borrowed funds (in thousands of Swiss francs)

	Maturities						Fixed assets	Total
	Sight	Callable	Up to 3 months	3 to 12 months	12 months to 5 years	Over 5 years		
Current assets								
Cash and cash equivalents	6 713	–	–	–	–	–	–	6 713
Money-market instruments	–	–	1	–	–	–	–	1
Due from banks	59 641	–	–	–	–	–	–	59 641
Loans and advance to customers	41 601	36 481	38 190	29 573	7 138	–	–	152 983
Mortgage loans	–	43 016	18 734	34 666	39 147	11 556	–	147 119
Financial investments	–	14	1 212	–	6 515	1 072	–	8 813
Total current assets								
31.12.2006	107 955	79 511	58 137	64 239	52 800	12 628	–	375 270
31.12.2005	117 830	50 580	45 691	72 558	64 464	2 448	–	353 571
Borrowed funds								
Money-market paper issued	–	–	101	–	–	–	–	101
Due to banks	32 851	–	11 000	50 000	–	–	–	93 851
Customer savings and investments accounts	–	3 995	–	–	–	–	–	3 995
Customer accounts, other	171 814	11 850	2 777	3 298	6 310	–	–	196 049
Total borrowed funds								
31.12.2006	204 665	15 845	13 878	53 298	6 310	–	–	293 996
31.12.2005	192 805	32 158	17 170	43 706	6 968	–	–	292 807

3.13 Loans to members of governing bodies (in thousands of Swiss francs)

	2006	2005
Loans used	7 350	4 354

Loans are granted on the usual terms extended to the Bank's staff.

3.14 Breakdown of assets and liabilities by Swiss and foreign origin (in thousands of Swiss francs)

Assets	2006		2005	
	Swiss	Foreign	Swiss	Foreign
Cash and cash equivalents	5 472	1 241	5 878	619
Money-market instruments	–	1	–	5
Due from banks	20 924	38 717	42 907	18 586
Loans and advances to customers	59 539	93 444	56 626	81 565
Mortgage loans	144 639	2 480	134 467	2 532
Trading portfolio assets	–	–	–	2 796
Financial investments	6 530	2 283	6 612	980
Participations	183	8 116	183	8 326
Tangible fixed assets	12 831	–	13 747	–
Accrued income and prepaid expenses	4 960	–	4 390	–
Other assets	8 851	–	3 489	–
Total assets	263 929	146 282	268 299	115 409
Liabilities				
Money-market paper issued	101	–	–	–
Due to banks	77 883	15 968	81 913	2 150
Customer savings and investment accounts	3 911	84	7 836	88
Other customer accounts	109 389	86 660	118 586	82 235
Accrued expenses and deferred income	11 992	–	8 470	–
Other liabilities	14 114	–	5 015	–
Value adjustments and provisions	5 987	–	7 165	–
Reserves for general banking risks	2 500	–	2 000	–
Equity capital	20 000	–	20 000	–
General legal reserve	10 080	–	10 040	–
Reserve for own equity securities	3 752	–	3 101	–
Other reserves	32 848	–	25 499	–
Retained earnings	170	–	101	–
Profit for the year	14 772	–	9 509	–
Total liabilities	307 499	102 712	299 235	84 473

3.15 Breakdown of assets by country / groups of countries (in thousands of Swiss francs)

Assets	2006		2005	
	Absolute value	As % of	Absolute value	As % of
Europe				
<i>Switzerland</i>	263 929	64.4	268 299	69.9
<i>European Union</i>	70 090	17.1	47 065	12.3
United States of America	11 601	2.8	12 697	3.3
Asia	1 328	0.3	7 579	2.0
Others	63 263	15.4	48 068	12.5
Total assets	410 211	100.0	383 708	100.0

3.16 Balance sheet breakdown by currencies (in thousands of Swiss francs)

Assets	Currency							Total
	CHF	USD	EUR	GBP	JPY	Other	Metal	
Cash and cash equivalents	4 488	131	2 041	53	–	–	–	6 713
Money-market instruments	–	–	1	–	–	–	–	1
Due from banks	10 141	5 359	10 619	24 955	1 005	4 232	3 331	59 642
Loans and advances to customers	63 544	39 278	44 701	1 124	4 333	2	–	152 982
Mortgage loans	147 119	–	–	–	–	–	–	147 119
Financial investments	6 529	1 955	–	329	–	–	–	8 813
Participations	8 299	–	–	–	–	–	–	8 299
Tangible fixed assets	12 831	–	–	–	–	–	–	12 831
Accrued income and prepaid expenses	4 249	176	533	–	2	–	–	4 960
Other assets	8 851	–	–	–	–	–	–	8 851
Total of positions entered as assets	266 051	46 899	57 895	26 461	5 340	4 234	3 331	410 211
Delivery claims arising from spot and forward transactions and options	347 214	359 559	278 646	14 080	16 176	1 724	–	1 017 399
Total assets	613 265	406 458	336 541	40 541	21 516	5 958	3 331	1 427 610
Liabilities								
Money-market paper issued	64	–	–	37	–	–	–	101
Due to banks	62 324	10 144	4 203	16 795	–	385	–	93 851
Customer savings and investment accounts	3 995	–	–	–	–	–	–	3 995
Other customer accounts	91 472	29 664	53 009	9 769	5 323	3 481	3 331	196 049
Accrued expenses and deferred income	11 991	–	1	–	–	–	–	11 992
Other liabilities	12 026	–	2 071	–	16	1	–	14 114
Value adjustments and provisions	5 987	–	–	–	–	–	–	5 987
Reserves for general banking risks	2 500	–	–	–	–	–	–	2 500
Equity capital	20 000	–	–	–	–	–	–	20 000
General legal reserve	10 080	–	–	–	–	–	–	10 080
Reserve for own equity securities	3 752	–	–	–	–	–	–	3 752
Other reserves	32 848	–	–	–	–	–	–	32 848
Retained earnings	170	–	–	–	–	–	–	170
Profit for the year	14 772	–	–	–	–	–	–	14 772
Total of positions entered as liabilities	271 981	39 808	59 284	26 601	5 339	3 867	3 331	410 211
Delivey commitments arising from spot and forward transactions and options	354 195	354 048	277 920	13 763	16 151	1 322	–	1 017 399
Total liabilities	626 176	393 856	337 204	40 364	21 490	5 189	3 331	1 427 610
Net position per currency	–12 911	12 602	–663	177	26	769	–	–

4. Notes to off-balance sheet transactions

4.1 Distribution of contingent liabilities (in thousands of Swiss francs)

	2006	2005
Contingent liabilities	12 352	17 207

4.2 Distribution of contingent liabilities (in thousands of Swiss francs)

	2006	2005
Irrevocable commitments	5 117	9 466
<i>Thereof participation to the deposit guarantee</i>	<i>1 118</i>	<i>–</i>

4.3 Open positions in derivative financial instruments (in thousands of Swiss francs)

	Trading instruments			Hedging instruments		
	Replacement value positive	Replacement value negative	Value of underlying	Replacement value positive	Replacement value negative	Value of underlying
Interest rate instruments						
Swaps	–	–	–	17	50	25 000
Foreign currencies						
<i>Forward contracts</i>	7 713	5 588	693 472	–	–	–
<i>Swaps</i>	942	2 826	268 216	–	–	–
<i>Options (OTC)</i>	179	179	28 289	–	–	–
Total before impact of netting contracts						
31.12.2006	8 834	8 593	989 977	17	50	25 000
31.12.2005	3 345	2 990	561 544	–	715	60 000

4.4 Distribution of fiduciary transactions (in thousands of Swiss francs)

	2006	2005
Fiduciary deposits with other banks	543 456	346 903
Fiduciary deposits with the BCV Guernsey	104 379	181 380
Total of fiduciary deposits	647 835	528 283
Fiduciary loan	7 756	6 335
Total	655 591	534 618

4.5 Client assets (in thousands of Swiss francs)

Type of client assets	2006	2005
Assets held in funds under own management	1 177 523	1 005 775
Assets under portfolio management (contracts)	2 020 709	1 681 074
Other assets	2 239 262	2 010 315
Total client assets (including double entries)	5 437 494	4 697 164
Double entries	1 177 523	1 005 775
Net deposits/withdrawals of new cash	463 555	171 383

The net deposits and withdrawals made by clients are calculated monthly by adding up the incoming and outgoing transfers, including securities-related transfers. The effects connected with changes in exchange rates, variations in securities prices, lending transactions and internal transfers from one account to another are not taken into consideration when determining assets and net deposits and withdrawals of new money.

When the Bank acts mainly as custodian and is not required, depending on the nature of the account, to offer additional services, the assets are deemed to be custody only and are not taken into consideration in the above table (2006: CHF 107.4 million and 2005: CHF 110.8 million).

5. Note to income statement

5.2 Net trading income (in thousands of Swiss francs)

	2006	2005
Foreign currency and precious metals	7 704	7 347
Banknotes	219	209
Securities	-43	171
Total	7 880	7 727

5.3 Personnel costs (in thousands of Swiss francs)

	2006	2005
Fixed and variable compensation	20 117	17 751
Contributions to staff pension funds	2 462	2 192
Employee benefits	1 964	1 453
Other personnel expenses	462	502
Total of personnel costs	25 005	21 898

5.4 Other operating expenses (in thousands of Swiss francs)

	2006	2005
Cost of premises	1 094	1 027
Computerization costs	2 597	2 451
Cost of financial information	1 255	1 191
Cost of machines, furniture and other installations	144	113
Marketing and communications costs	1 698	1 919
Cost of office supplies and subscriptions	351	376
Cost of telecommunications and postage	413	395
Insurance costs	48	53
Travel and entertainment expenses	1 408	1 253
Cost of auditing and other outside consultants	935	1 272
Cost of representative offices	1 216	31
VAT	297	364
Miscellaneous operating expenses	727	494
Total of other operating costs	12 183	10 939

5.5 Remarks on extraordinary income and charges and value adjustments that have been freed up (in thousands of Swiss francs)

Extraordinary income	2006	2005
Recovery of provision made for litigation	1 551	56
Partial recovery of provision for exchange rate risk on loans granted to PRS Group	480	–
Partial recovery of provision on Cofimor	15	–
Profit on liquidating a shareholding	193	20
Profit on sales of fixed assets	–	82
Recovery of customers	198	143
Other	107	–
Total	2 544	301

Extraordinary charges	2006	2005
Provision for exchange rate risk on loans granted to the PRS Group	–	795
Allocation to Reserves for general banking risks	500	500
Other	26	–
Total	526	1 295

5.7 Breakdown of income and expenses arising from ordinary banking operations (in thousands of Swiss francs)

	2006		2005	
	Swiss	Foreign	Swiss	Foreign
Net interest income	8 440	–	6 604	–
Net fee and commission income	40 378	–	34 002	–
Net trading income	7 880	–	7 727	–
Other ordinary income	57	444	176	156
Income	56 755	444	48 509	156
Personnel expenses	25 004	–	21 898	–
Other operating expenses (included personnel expenses cost of representative offices)	10 659	1 524	10 877	61
Expenses	35 663	1 524	32 775	61

The geographical breakdown of income is not representative insofar as business conducted abroad generates income in Switzerland.

APPROPRIATION OF PROFIT ACCORDING TO PROPOSAL OF THE BOARD OF DIRECTORS

	CHF	
	2006	2005
Profit for the year	14 771 974.03	9 509 236.42
Retained earnings at beginning of the year	169 745.95	100 509.53
Profit shown on the balance sheet	14 941 719.98	9 609 745.95
Proposed appropriation of profit shown on the balance sheet		
Allocation to other reserves	–12 800 000.00	–8 000 000.00
Dividend	–2 000 000.00	–1 400 000.00
Allocation to general legal reserves	–100 000.00	–40 000.00
Retained earnings brought forward	41 719.98	169 745.95

**Report of the Statutory Auditors to the General Meeting
of BANQUE PIGUET & CIE S.A., Yverdon-les-Bains**

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement, source and utilization of funds and notes) of Banque Piguet & Cie S.A. for the year ended 31 December 2006.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss auditing standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

Geneva, 30 March 2007

KPMG S.A.

Pierre Zach
Auditor in Charge

Catherine Tornare-Cottet

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