

ANNUAL REPORT 2008
BANQUE FIGUET & CIE S.A.



MESSAGE FROM THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The year 2008 was marked by an unprecedented financial crisis at the global level. It resulted in major falls in almost all financial markets and an explosion of volatility in all asset classes, particularly during the fourth quarter.

These difficult markets led to disappointing negative performances for many of our clients, although our investment policy always remained cautious by ensuring a judicious diversification of assets.

The Bank's results were nevertheless influenced by this hostile environment, but without impacting the financial strength of our institution; net earnings fell by 49% compared with 2007 to CHF 10.1 million. Total custody assets amounted to CHF 4.2 billion at year end.

In the course of the year the Board of Directors appointed three new members of the Executive Board: Jacques Apothéloz, Philippe Bacharach, and Michel Menoud. Charles de Boissezon, Chairman of the Executive Board since 2004, retired on 1st December to pursue other personal projects. We wish to thank him for his significant contribution to the development of the Bank during five years. Following his departure, Claude Figeat was appointed acting CEO until the arrival of Christopher E. Preston, previously Head of Wealth Management at Banque Cantonale Vaudoise. He will become Chief Executive Officer of Banque Piguet at the beginning of the second quarter of 2009. Olivier Steimer, Chairman of the Board of Directors of Banque Cantonale Vaudoise, will replace him as Chairman of our Board of Directors. We extend a warm welcome to them in their new positions.

For our majority shareholder, Banque Cantonale Vaudoise, the strategic orientations adopted by its new management and its excellent financial position were rewarded by the upgrading of its rating from A+ to AA- at the end of the year.

We wish to thank our clients for their trust and loyalty and all our staff for their hard work and commitment which have helped us through a particularly difficult period.

INVESTMENT POLICY

The deterioration of economic activity is global: growth is falling sharply in the G7 countries in the wake of the credit and real estate crisis and is slowing down significantly in the emerging countries. Industrial activity is contracting markedly in the developed countries, and companies' order books collapsed at the end of the year. In this environment and in view of the financing difficulties caused by credit restrictions, companies will be compelled to reduce their investment expenditures. Moreover, lay-offs are accelerating and causing a significant rise in unemployment rates.

In the United States, even though the industrial survey of purchasing managers and the leading indicators have further deteriorated, some encouraging signs can be noted from certain real estate indicators, in particular the decrease in mortgage rates. Furthermore, the massive stimulus plan devised by the new administration brings hope of a recovery of economic activity in the course of the second half of 2009.

In Europe, the macro economic environment is no more encouraging, with the purchasing managers' index falling freely, both in Great Britain and in Continental Europe. It is worth noting the recent political will to limit the duration and scale of the recession by means of a more expansionist monetary policy, even though the ECB has acted late.

The UK, in contrast, reacted more quickly by cutting its interest rates aggressively and hence appears to be better equipped to move out of recession. A stabilization of the property sector, moreover, is appearing to be on the horizon.

All the emerging countries are facing a marked slowdown following the drop in exports. The first signs of a moderation in the number of jobs being created are appearing, severely affecting the temporary employment sector, particularly in Asia. China still stands out even though its strong growth is losing momentum. It's development has given preference to exports and it's industry is suffering from the slowdown observed in the rest of the world. The authorities are worried about the growth rate falling below 8% and have prepared support plans capable of boosting the region's dynamism.

The Eastern European and Baltic countries are the worst hit by the drop in European demand and tightening of financial conditions.

The deterioration of the economic environment and the easing of inflation (a short phase for deflation being possible) favoured government bonds. The yields on 10-year bonds fell below 3% in the United States and the trend also affected European bonds.

The cautious policy of the Bank, reducing the proportion of equities on three occasions, was not sufficient to enable a satisfactory performance to be achieved in 2008. We were penalized, first, by the quality of certain investment funds and, second, by our exposure to funds of hedge funds, which only partially played their traditional role of performance stabilizer.

We think that the widening of credit spreads is behind us and that corporate bonds offer attractive prospects.

As for equities, they offer an attractive medium- to long-term potential, despite some short-term uncertainty (excessive earnings expectations for 2009).

PRIVATE BANKING

GREAT CONFIDENCE SHOWN BY OUR CLIENTELE IN AN HISTORIC BEAR MARKET

2008 will be remembered and go down in banking history as one of the most difficult financial years in asset management.

Equity indices fell constantly throughout the year, only to further accelerate their slide in October, plummeting by more than 20% in a single week.

Bank failures and alarming news about the financial soundness of a number of large banks compelled the public authorities to intervene urgently on a massive scale and further increased the worries of market participants, including professionals.

In this environment, the quality and closeness of the banking relationship, a genuine ability to listen, perspicacity, the need to adopt a detached attitude and experience of such events in the past enabled us to reassure our clients by giving them the necessary support during the crisis.

With the strength of its 150-year history and backed by a powerful, public sector majority shareholder, our Bank has positioned itself as an ideal choice in our sector.

Although it was not possible to achieve positive performances on some accounts under management, our performances were in line with, if not better than, those of many of our competitors.

We wish to thank all our clients, both those of long standing and those who joined us during the year, for the confidence they have shown.

2008 has been a year of consolidation of growth for our Bank. Our cautious approach and proximity to our clients have reinforced the links, enabling us to look towards the future with peace of mind and optimism.

INSTITUTIONAL ACCOUNT MANAGEMENT

PRESERVATION OF LONG-TERM OUTPERFORMANCE

The particularly difficult environment in the financial markets in 2008 enabled us to validate our investment philosophy, which gives preference to caution and preservation of our clients' wealth. This investment philosophy is based in particular on the independence and experience of our management team, mistrust of market fashions, rigorous asset diversification and allocation as well as thorough selection of talented external managers.

Thanks to our conservative strategy, the balanced and pension mandates, in particular, again posted performances that were generally higher than the benchmark indices. Even though the portion invested in equities was lowered on several occasions, this exposure had a negative impact on the absolute performance of the mandates. However, the good performance of the bond portion, which remained widely exposed to first-rate securities having long maturities, allowed this negative effect to be attenuated and satisfactory performances to be attained for our mandates.

We wish to sincerely thank all our institutional clients for the confidence they have repeatedly shown in us throughout the year. Our performance track record and the soundness and quality of the relationships we maintain with our clients encourage us to look towards the future of our institutional account management business with optimism. We have therefore strengthened the team that is in charge of developing this line of business.

INDEPENDENT MANAGERS

STRONG RELATIONSHIPS DURING A DIFFICULT YEAR

The links with our independent managers grew stronger as the markets plunged into crisis. Under these troubled circumstances the relationship between the Bank, independent asset managers and our clients was very important since it was more essential than ever to be present and to communicate. Mutual confidence was strengthened in the context of an unprecedented financial and banking crisis.

2008 saw the initiation of new partnership agreements and the arrival of new clients. However, assets under management, which suffered from the consequences of the market declines, decreased significantly.

At the internal level, the process of strengthening our team that began in 2007 was completed in 2008, thereby enabling us to serve our clients professionally under optimal conditions and with more time to devote to their needs.

Now more than ever we are giving preference to the personal relationship we have with our independent managers, which is a fundamentally human and immeasurable element that forms the basis for our success. It is an element that is nurtured and developed every day, reminding us that nothing can ever be definitively taken for granted.

ORGANIZATION OF THE BANK AS OF 31 DECEMBER 2008

Board of Directors

Chairman

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

Deputy Chairman

Bernard Lachenal	Attorney
------------------	----------

Members

Arnold Meilland	
Christian Pella	Head of Legal Department, Banque Cantonale Vaudoise
Philip Seligman-Schuerch	Economist

Executive Board

Claude Figeat	Managing Director
Jacques Apothéloz	Executive Vice President
Philippe Bacharach	Executive Vice President
Michel Menoud	Executive Vice President

Auditors

KPMG S.A.

**KEY FIGURES FOR OUR MAJORITY SHAREHOLDER,
THE BANQUE CANTONALE VAUDOISE (BCV), AT 31 DECEMBER 2008**

Balance sheet (in CHF million)

Balance sheet total	35 239
Advances to clients	22 834
Client deposits and loans	28 134
Shareholders' equity	3 177

Income

Gross income	423
Net income	358

Funds on deposit 66 766

Total personal (in FTE) 1 914

Share price data

Highest price	479.00
Lowest price	249.00

Structure of capital

Canton of Vaud	66.95%
Public	33.05%

BCV participation in capital of Banque Piguët & Cie S.A. 85%

ANNUAL ACCOUNTS

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

	CHF	
	2008	2007
Assets		
Cash and cash equivalents	7 611 871.89	11 466 408.88
Money-market instruments	22 631.56	1 755.44
Due from banks	186 896 362.57	158 253 721.22
Loans and advances to customers	181 310 077.82	139 742 884.14
Mortgage loans	144 495 097.00	149 508 183.00
Trading portfolio assets	650 329.32	198 688.78
Financial investments	12 282 553.57	12 377 279.54
Participations	182 947.90	182 947.90
Tangible fixed assets	12 693 000.00	13 050 000.00
Accrued income and prepaid expenses	3 263 245.00	4 999 107.18
Other assets	32 403 304.22	8 782 047.93
Total assets	581 811 420.85	498 563 024.01
Total Group intercompany and affiliate receivables	170 039 798.14	156 460 442.74
Liabilities		
Money-market instruments	5 823.88	669 907.43
Due to banks	77 696 994.96	61 900 515.90
Customer savings and investment accounts	6 181 297.52	2 066 394.28
Other customer accounts	339 382 654.67	300 388 659.42
Accrued expenses and deferred income	8 660 682.98	14 245 495.65
Other liabilities	34 080 565.00	11 010 813.97
Valuation adjustments and provisions	9 058 579.23	5 651 977.63
Reserves for general banking risks	3 000 000.00	3 000 000.00
Equity capital	20 000 000.00	20 000 000.00
General legal reserves	10 680 000.00	10 180 000.00
Reserve for own equity certificates	11 323 353.00	6 467 943.00
Other reserves	51 576 647.00	42 932 057.00
Retained earnings	49 259.73	41 719.98
Profit for the year	10 115 562.88	20 007 539.75
Total liabilities	581 811 420.85	498 563 024.01
Total liabilities to Group companies and significant shareholders	80 935 390.82	59 521 851.01

OFF-BALANCE SHEET TRANSACTIONS AS OF 31 DECEMBER

Off-balance sheet	CHF	
	2008	2007
Contingent liabilities	11 834 149.91	10 921 822.41
Irrevocable commitments	1 692 000.00	1 198 000.00
Derivative financial instruments		
<i>Nominal of values</i>	925 537 604.02	1 212 862 252.54
<i>Positive replacement values</i>	31 260 114.73	8 675 592.28
<i>Negative replacement values</i>	31 982 919.42	8 402 928.76
Fiduciary deposits with other banks	502 962 949.43	681 414 793.15

INCOME STATEMENT AS OF 31 DECEMBER

	CHF	
	2008	2007
Income and expenses from ordinary banking operations		
Net interest income		
<i>Interest and discount income</i>	13 443 924.76	12 798 202.92
<i>Interest and dividend income from financial investments</i>	335 056.90	341 771.72
<i>Interest expenses</i>	-4 054 888.81	-2 587 857.81
Subtotal for net interest income	9 724 092.85	10 552 116.83
Income from commissions and services		
<i>Fees and commissions on lending operations</i>	143 315.69	207 854.90
<i>Fees and commissions on securities and investment transactions</i>	41 821 833.01	50 364 641.41
<i>Fees and commissions on other services</i>	1 260 233.78	1 288 578.51
<i>Fee and commission expenses</i>	-4 321 978.52	-5 745 820.56
Subtotal for income from commissions and service transactions	38 903 403.96	46 115 254.26
Net trading income	6 912 022.47	7 292 465.11
Other ordinary income		
<i>Profit on disposal of financial investments</i>	0.00	74 951.10
<i>Income from holdings</i>	71 887.95	204 720.42
<i>Real estate income</i>	9 309.00	1 149.00
<i>Miscellaneous ordinary income</i>	236 345.06	282 229.35
Subtotal for other ordinary income	317 542.01	563 049.87
Total income from ordinary banking operations	55 857 061.29	64 522 886.07
Operating expenses		
<i>Personnel costs</i>	-26 862 145.60	-26 743 060.67
<i>Other operating expenses</i>	-11 861 785.02	-11 830 435.55
Subtotal for operating expenses	-38 723 930.62	-38 573 496.22
Gross profit	17 133 130.67	25 949 389.85
Depreciation and write-offs on fixed assets	-1 385 470.39	-1 460 767.05
Value adjustments, provisions and losses	-3 431 242.00	-1 664 427.74
Profit on ordinary banking operations before extraordinary items and taxes	12 316 418.28	24 322 195.06
Extraordinary income	1 256 447.40	2 834 270.94
Extraordinary expenses	-59 284.80	-581 273.00
Taxes	-3 398 018.00	-6 567 653.25
Profit for the year	10 115 562.88	20 007 539.75

CASH FLOW STATEMENT (IN THOUSANDS OF SWISS FRANCS)

	2008			2007		
	Source of funds	Use of funds	Balance	Source of funds	Use of funds	Balance
Cash inflow/outflow from operations						
Net profit for the year	10 116	–		20 008	–	
Depreciation and write-offs on fixed assets	1 385	–		1 461	–	
Profit/loss on the sales of participations	–	–		–	1 597	
Profit/loss on the sales of tangible fixed assets	–	–		–	6	
Allocation to the reserve for general banking risks	–	–		500	–	
Valuation adjustments and provisions	3 826	420		761	1 096	
Accrued income and prepaid expenses in the form of assets	1 736	–		–	182	
Accrued expenses and deferred income in the form of liabilities	–	5 584		1 283	–	
Other headings	23 176	23 727		211	2 133	
Dividend from previous year	–	6 000		–	2 000	
Balance	40 239	35 731	4 508	24 224	7 014	17 210
Cash inflow/outflow from investments						
Holdings	–	–		9 712	–	
Real estate	–	–		268	62	
Other tangible fixed assets	–	1 029		–	1 880	
Balance	–	1 029	–1 029	9 980	1 942	8 038
Cash flow from banking operations						
Medium- and long-term operations (>1 year)						
<i>Other customer accounts</i>	–	2 624		–	1 872	
<i>Due to banks</i>	–	1 000		–	–	
<i>Loans and advances to customers</i>	3 973	–		2 895	–	
<i>Mortgage loans</i>	–	5 533		5 156	–	
<i>Financial investments</i>	–	9		1 069	–	
Short-term operations						
<i>Money-market paper issued</i>	–	664		569	–	
<i>Due to banks</i>	15 797	–		–	31 951	
<i>Customer savings and investment accounts</i>	4 115	–		–	1 929	
<i>Other customer accounts</i>	41 618	–		106 213	–	
<i>Money-market instruments</i>	–	20		–	1	
<i>Due from banks</i>	–	27 642		–	98 613	
<i>Loans and advances to customers</i>	–	45 541		10 346	–	
<i>Mortgage loans</i>	10 546	–		–	7 545	
<i>Trading portfolio assets</i>	–	451		–	199	
<i>Financial investments</i>	102	–		–	4 633	
Balance	76 151	83 484	–7 333	126 248	146 743	–20 495
Cash position						
Cash and cash equivalents	3 854	–		–	4 753	
Balance	3 854	–	3 854	–	4 753	–4 753
Total source of funds	120 244			160 452		
Total utilization of funds		120 244	–		160 452	–

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, the offices in Lausanne and Lugano and at its Representative Offices in Hong Kong and Dubai.

Expressed in terms of full-time jobs, the headcount at the end of 2008 amounted to 112.2 employees, which was an overall decrease of 3.0 compared with the end of 2007. The representative offices employed 4 staff members.

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.

Outsourcing

The Bank has entrusted specific tasks to the following organizations:

- API SA (effective 20th March 2008): 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)

A detailed services contract has been drawn up for this outsourcing, in compliance with the requirements of the Swiss Federal Banking Commission.

In order to guarantee the confidential nature of all operations, the employees of the service providers 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.

Modification of the valuation and accounting principles

With respect to "Personnel costs", the total amount of days of paid leave that had not been taken and of overtime that had not been compensated for at the closing date, that is, CHF 566 300, was recorded as an expense for the financial year; the corresponding sum is shown under "Accrued expenses and deferred income" in order to reflect the employer's liabilities if employees should leave the Bank.

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:

	2008		2007	
	Closing rate	Average annual rate	Closing rate	Average annual rate
EUR	1.4795	1.5765	1.6553	1.6457
USD	1.0644	1.0757	1.1322	1.1950
GBP	1.5303	1.9709	2.2537	2.3944
JPY	1.1741	1.0509	1.0134	1.0166

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.

Loans (outstanding client loans and mortgage loans)

Impaired loans, that is, loans for which it is doubtful that the debtor will be able to meet his future commitments, are valued individually and the depreciation of the value is covered by individual valuation adjustments. Off-balance sheet operations such as firm commitments, guarantees and derivative financial instruments are likewise included in this valuation.

A loan is considered impaired when one of the payments relating to the settlement of interest, payment of commissions or to partial or full repayment of the principal has not been obtained in full for more than 90 days after the due date. A loan for which it is unlikely that the debtor will be able to meet his commitments owing to strong indications as listed under marginal note 226b of the SFBC's guidelines on the presentation of accounts is considered to be impaired.

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. On the contrary, 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

The Bank makes value adjustments and individual provisions for all recognizable risks of loss, that is, a probable liability based on a past event, the amount and/or due date of which are/is uncertain, but which can be reliably estimated. Value adjustments and provisions which, in the course of an accounting period, are no longer financially necessary are released and entered in the profit and loss account or maintained in the form of hidden reserves.

Reserves for general banking risks

In order to sustainably ensure the Bank's prosperity, reserves may be formed for general banking risks, taking into account, first, the earnings capacity of the financial year concerned and, second, the limits set by the tax authorities.

Reserve for own equity certificates

In 2001 the Bank established the "Fondation d'intéressement Banque Piguët & Cie S.A.", which purchased 30 000 equity certificates (15 percent of the share capital) of the Bank in order to enhance the loyalty of some of its employees. Currently the staff members concerned hold 14 125 shares, that is 7.06 percent of the share capital. The remaining 15 875 shares (7.94 percent of the share capital), which are owned by the Foundation, are deemed to be an indirect holding of own equity certificates and require the formation of a "Reserve for own equity certificates", which is shown on the liabilities side of the balance sheet, by debiting "Other reserves". Said shares are valued at the average cost of the purchases and sales made since 2001.

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 manage 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.

Risk management

The Board of Directors has conducted an analysis of the principal risks to which the Bank is exposed. This analysis is based on the risk management data and tools put in place by the latter. When analysing risks, it took account of the control system put in place in order to manage and reduce the risks. They are monitored by the risk manager and the risks committee representing the various operations involving risks within the Bank.

A centralized information system for the different components of the risky operations 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 risks result 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 risk

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.

Pillar 3: Publication requirements for quantitative information relating to equity capital

Presentation of the equity capital that can be taken into account (in thousands of CHF)	31.12.08
Gross basic equity capital (after deduction of own equity certificates)	92 422
<i>of which minority interests</i>	-
<i>of which innovative instruments</i>	-
./. statutory deduction	-
./. other elements to be deducted from basic equity capital	-183
= basic equity capital that can be taken into account	92 239
+ complementary and additional equity capital	-
./. other deductions to be made against complementary and additional equity capital and all equity capital	-
= Equity capital that can be taken into account	92 239

Presentation of required equity capital (in thousands of CHF)	Approach used	31.12.08
Credit risks	Standard international approach (AS-BRI)	17 049
<i>of which price risks relating to the equity certificates in the Bank's portfolio</i>		92
Risks not relating to counterparties		1 090
Market risks		56
<i>of which on interest rate instruments (general and specific market risk)</i>	Minimis approach	-
<i>of which on equity certificates</i>	Minimis approach	-
<i>of which on currencies and precious metals</i>	Standard approach	32
<i>of which on commodities</i>	Standard approach	24
Operating risks	Basic indicator approach	8 454
Total		26 649

SA-BIS: additional Swiss equity capital requirements relating to risks not connected with counterparties and to credit risks (multiplier as per arts. 64 and 65 Ordinance on Equity Capital)

	4'013
Total required equity capital	30 662

Ratio between the equity capital taken into account and the equity capital required by Swiss law	301%
---	-------------

BIS ratios

Basic equity capital that can be taken into account (including innovative instruments)	24%
Equity capital that can be taken into account	24%

This being the first year in which information to equity capital and reserves is published no comparison is made to the previous year.

The full publication in accordance with the legal equity capital requirements is available on the Bank's website at the following address:
www.banquepiguet.com.

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 de la FINMA). 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	8 928	147 004	25 378	181 310
Mortgages				
<i>Residential real estate</i>	139 071	–	–	139 071
<i>Office and business premises</i>	4 454	–	–	4 454
<i>Commercial and industrial property</i>	–	–	–	–
<i>Others</i>	970	–	–	970
Total advances				
31.12.2008	153 423	147 004	25 378	325 805
31.12.2007	161 700	115 372	12 179	289 251
Off-balance sheet transactions				
Contingent liabilities	–	11 707	127	11 834
Irrevocable commitments	–	–	1 692	1 692
Total off-balance sheet transactions				
31.12.2008	–	11 707	1 819	13 526
31.12.2007	–	11 421	699	12 120
	Gross receivables	Realization value of risk mitigants	Net receivables	Individual value adjustments
Impaired loans				
31.12.2008	14 148	8 864	5 284	5 284
31.12.2007	13 480	8 784	4 696	4 696

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

Trading portfolio assets	2008	2007
Equity securities	650	199
Total trading portfolio assets	650	199
<i>Including securities eligible for repurchase agreements in accordance with liquidity regulations</i>	–	–

Allocation of holdings (in thousands of Swiss francs)

	Book value		Just value	
	2008	2007	2008	2007
Debt securities intended to be held until maturity	12 061	12 076	12 330	12 102
Equity securities	222	301	231	310
Total financial investments	12 283	12 377	12 561	12 412
<i>Including securities eligible for repurchase agreements in accordance with liquidity regulations</i>	12 061	12 076	12 330	12 102

Holdings (in thousands of Swiss francs)

	2008	2007
Holdings with market value	183	183
Holdings without market value	–	–
Total holdings	183	183

3.3 Key investments

Company / Head Office	Activity	Currencies	Capital in thousands of units	Holding in %	
				2008	2007
Cofimor Investment and Finance Limited, Nicosia, Cyprus	Inactive	CHF	3	86.00	86.00

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>Minority holdings</i>	183	–	183	–	–	–	–	183
Total holdings	183	–	183	–	–	–	–	183
Real estate								
<i>Bank premises</i>	13 481	–2 541	10 940	–	–	–	–206	10 734
<i>Other tangible fixed assets</i>	8 761	–7 440	1 321	–	179	–	–507	993
<i>Software</i>	6 122	–5 333	789	–	849	–	–672	966
Total tangible fixed assets	28 364	–15 314	13 050	–	1 028	–	–1 385	12 693
Fire insurance value of real estate								14 151
Fire insurance value of other tangible fixed assets								9 778
Liabilities: future terms of leasing resulting from leasing of exploitation								–

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

	2008		2007	
	Other assets	Other liabilities	Other assets	Other liabilities
Replacement value of derivative financial instruments				
<i>Management of balance sheet</i>	–	–	–	–
<i>Contracts as agent</i>	31 260	31 983	8 676	8 403
Total derivative financial instruments	31 260	31 983	8 676	8 403
Offset accounts	922	–	–	11
Indirect taxes	221	2 098	106	2 597
Miscellaneous assets and liabilities	–	–	–	–
Total other assets and other liabilities	32 403	34 081	8 782	11 011

3.6 Assets pledged as security or transferred as a guarantee of commitments as well as assets constituting a proprietary reserve (in thousands of Swiss francs)

	2008		2007	
	Book value of pledge	Real liabilities	Book value of pledge	Real liabilities
Financial investments	12 061	–	12 076	–

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 2008	Pension expenses included in "Personnel costs"	
		2008	2007	Variation		2008	2007
Pension funds	2008	2008	2007	Variation	2008	2008	2007
With surplus or (deficit) "Pension Fund BCV" ¹	-25 000	-	-	-	2 679	2 679	2 468
With surplus "Additional pension fund in favour of the senior executives of BCV" ²	400	-	-	-	246	246	188
Total	-24 600	-	-	-	2 925	2 925	2 656

The surplus or deficit of the pension funds at 31 December 2008 is based on their unaudited interim accounts at 30 September 2008. Since that date the deficit of the BCV Pension Fund has been exacerbated, in line with the unfavourable trend on the financial markets.

¹ The Board of the Pension Fund has decided to take a series of measures aimed at absorbing the deficit of the BCV Pension Fund. Since these measures do not involve any contribution from the employer, no financial liability has been recorded at the balance sheet date.

² 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 is no identifiable economic benefit to be capitalized on the balance sheet.

Pension funds

Banque Piguet employees are members of the "Caisse de pensions de la Banque Cantonale Vaudoise (CP BCV)". Its purpose is to insure them 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 en faveur de l'encadrement supérieur 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 2007	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 2008
Value adjustments and provisions for default risks (recovery risks and country risks)	4 744	–	–	677	–	–90	5 331
Value adjustments and provisions for other operational risks	563	–	–	–	3 150	–230	3 483
Provisions for the BCV pension fund, "Caisse de pensions de la BCV"	–	–	–	–	–	–	–
Other provisions	345	–	–	–	–	–100	245
Total value adjustments and provisions shown on the balance sheet	5 652	–	–	677	3 150	–420	9 059
Reserves for general banking risks	3 000	–	–	–	–	–	3 000

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

	2008			2007		
	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%)

	2008				2007				
	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	17 000	170 000	85.00	17 000	170 000	85.00	17 000	170 000	85.00
Fondation d'intéressement Banque Piguet & Cie S.A.	1 588	15 875	7.94	1 588	11 465	5.73	1 147	11 465	5.73

The Bank's employees hold 14 125 shares – 7.06 percent (2007: 18 535 shares – 9.3 percent).

The shares owned by the Fondation d'intéressement Banque Piguet & 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 2007

Equity capital	20000
General legal reserve	10180
Reserves for general banking risks	3000
Reserve for own equity securities	6468
Other reserves	42932
Profit shown on the balance sheet	20050

Status at 31 December 2007

(before distribution income)	102630
+ Allocation to general legal reserves (CHF 500) and to other reserves (CHF 13500)	14000
– Deduction from profit shown on the balance sheet	–14000
– Deduction from other reserves	–4855
+ Allocation to the reserve for own equity securities	4855
– 2006 Dividend	–6000
+ Net profit for the year	10116

Status at 31 December 2008

(before distribution income)	106746
------------------------------	---------------

Including :

Equity capital	20000
General legal reserve	10680
Reserves for general banking risks	3000
Reserve for own equity securities	11323
Other reserves	51577
Profit shown on the balance sheet	10166

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	7 612	–	–	–	–	–	–	–	7 612
Money-market instruments	–	–	23	–	–	–	–	–	23
Due from banks	181 370	2 900	1 626	1 000	–	–	–	–	186 896
Loans and advances to customers	49 077	46 871	70 373	14 719	270	–	–	–	181 310
Mortgage loans	–	72 988	10 943	9 486	36 915	14 163	–	–	144 495
Trading portfolio assets	–	650	–	–	–	–	–	–	650
Financial investments	–	222	5 533	–	6 528	–	–	–	12 283
Total current assets									
31.12.2008	238 059	123 631	88 498	25 205	43 713	14 163	–	–	533 269
31.12.2007	211 202	104 136	59 968	39 934	40 624	15 685	–	–	471 549
Borrowed funds									
Money-market paper issued	–	–	6	–	–	–	–	–	6
Due to banks	2 697	–	50 000	25 000	–	–	–	–	77 697
Customer savings and investments accounts	–	6 181	–	–	–	–	–	–	6 181
Customer accounts, other	268 954	48 449	11 809	8 357	1 814	–	–	–	339 383
Total borrowed funds									
31.12.2008	271 651	54 630	61 815	33 357	1 814	–	–	–	423 267
31.12.2007	282 865	25 936	19 324	32 462	4 438	–	–	–	365 025

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

	2008	2007
Loans used	4 051	3 369

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	2008		2007	
	Swiss	Foreign	Swiss	Foreign
Cash and cash equivalents	6 889	723	9 396	2 070
Money-market instruments	23	–	2	–
Due from banks	136 395	50 501	148 875	9 379
Loans and advances to customers	58 581	122 729	60 773	78 970
Mortgage loans	142 107	2 388	147 081	2 428
Trading portfolio assets	233	417	–	198
Financial investments	11 544	739	11 533	844
Participations	183	–	183	–
Tangible fixed assets	12 693	–	13 050	–
Accrued income and prepaid expenses	3 263	–	4 999	–
Other assets	32 403	–	8 782	–
Total assets	404 314	177 497	404 674	93 889
Liabilities				
Money-market paper issued	6	–	670	–
Due to banks	76 881	815	51 417	10 484
Customer savings and investment accounts	6 122	59	2 008	58
Other customer accounts	146 908	192 475	111 380	189 008
Accrued expenses and deferred income	8 661	–	14 245	–
Other liabilities	34 080	–	11 011	–
Valuation adjustments and provisions	9 059	–	5 652	–
Reserves for general banking risks	3 000	–	3 000	–
Equity capital	20 000	–	20 000	–
General legal reserve	10 680	–	10 180	–
Reserve for own equity securities	11 323	–	6 468	–
Other reserves	51 577	–	42 932	–
Retained earnings	49	–	42	–
Profit for the year	10 116	–	20 008	–
Total liabilities	388 462	193 349	299 013	199 550

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

Assets	2008		2007	
	Absolute value	As % of	Absolute value	As % of
Europe				
<i>Switzerland</i>	404 314	69.4	404 674	81.1
<i>European Union</i>	61 988	10.7	33 536	6.7
United States of America	19 146	3.3	2 757	0.6
Asia	10 886	1.9	13 223	2.7
Others	85 477	14.7	44 373	8.9
Total assets	581 811	100	498 563	100

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	5 927	98	1 544	36	6	1	–	7 612
Money-market instruments	19	4	–	–	–	–	–	23
Due from banks	54 797	63 972	48 349	7 637	3 790	3 408	4 943	186 896
Loans and advances to customers	116 819	22 081	36 974	158	5 248	30	–	181 310
Mortgage loans	144 495	–	–	–	–	–	–	144 495
Trading portfolio assets	233	417	–	–	–	–	–	650
Financial investments	11 543	535	10	195	–	–	–	12 283
Participations	183	–	–	–	–	–	–	183
Tangible fixed assets	12 693	–	–	–	–	–	–	12 693
Accrued income and prepaid expenses	3 095	15	140	–	13	–	–	3 263
Other assets	32 403	–	–	–	–	–	–	32 403
Total of positions entered as assets	382 207	87 122	87 017	8 026	9 057	3 439	4 943	581 811
Delivery claims arising from spot and forward transactions and options	142 581	369 981	388 769	7 268	15 157	2 795	366	926 917
Total assets	524 788	457 103	475 786	15 294	24 214	6 234	5 309	1 508 728
Liabilities								
Money-market papers issued	5	–	–	1	–	–	–	6
Due to banks	75 318	989	1 389	–	–	–	–	77 696
Customer savings and investment accounts	6 181	–	–	–	–	–	–	6 181
Other customer accounts	141 886	86 428	85 596	8 104	9 048	3 378	4 943	339 383
Accrued expenses and deferred income	8 625	8	27	1	–	–	–	8 661
Other liabilities	34 080	–	–	–	–	–	–	34 080
Valuation adjustments and provisions	9 059	–	–	–	–	–	–	9 059
Reserves for general banking risks	3 000	–	–	–	–	–	–	3 000
Equity capital	20 000	–	–	–	–	–	–	20 000
General legal reserve	10 680	–	–	–	–	–	–	10 680
Reserve for own equity securities	11 323	–	–	–	–	–	–	11 323
Other reserves	51 577	–	–	–	–	–	–	51 577
Retained earnings	49	–	–	–	–	–	–	49
Profit for the year	10 116	–	–	–	–	–	–	10 116
Total of positions entered as liabilities	381 899	87 425	87 012	8 106	9 048	3 378	4 943	581 811
Delivery commitments arising from spot and forward transactions and options	142 312	370 291	388 710	7 360	15 145	2 733	366	926 917
Total liabilities	524 211	457 716	475 722	15 466	24 193	6 111	5 309	1 508 728
Net position per currency	577	-613	64	-172	21	123	–	–

4. Notes to off-balance sheet transactions

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

	2008	2007
Contingent liabilities	11 834	10 922

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

	2008	2007
Irrevocable commitments	1 692	1 198
<i>Thereof participation to the deposit guarantee</i>	<i>1 692</i>	<i>1 198</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	–	–	–	–	1 009	20 000
Foreign currencies						
<i>Forward contracts</i>	25 142	23 942	710 800	–	–	–
<i>Swaps</i>	6 039	6 953	188 237	–	–	–
<i>Options (OTC)</i>	79	79	6 501	–	–	–
Total before impact of netting contracts						
31.12.2008	31 260	30 974	905 538	–	1 009	20 000
31.12.2007	8 579	8 232	1 190 362	97	171	22 500
Total after impact of netting contracts						
		Replacement value positive (cumulative)			Replacement value negative (cumulative)	
31.12.2008		31 260			31 983	
31.12.2007		8 676			8 403	

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

	2008	2007
Fiduciary deposits with other banks	395 242	573 072
Fiduciary deposits with the BCV Guernsey	100 403	100 540
Total of fiduciary deposits	495 645	673 612
Fiduciary loan	7 318	7 803
Total	502 963	681 415

4.5 Client assets (in thousands of Swiss francs)

Type of client assets	2008	2007
Assets held in funds under own management	815 681	1 221 876
Assets under portfolio management (contracts)	1 462 878	2 105 750
Other assets	1 789 545	2 326 167
Total client assets (including double entries)	4 068 104	5 653 793
Double entries	806 897	1 122 050
Net deposits/withdrawals of new cash	-280 752	49 837

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 (2008: CHF 125.9 million and 2007: CHF 109.1 million).

5. Note to income statement

5.2 Net trading income (in thousands of Swiss francs)

	2008	2007
Foreign currency and precious metals	6 986	6 908
Banknotes	164	181
Securities	-238	203
Total	6 912	7 292

5.3 Personnel costs (in thousands of Swiss francs)

	2008	2007
Fixed and variable compensation	21 355	21 696
Contributions to staff pension funds	2 925	2 656
Employee benefits	1 647	1 881
Other personnel expenses	935	510
Total of personnel costs	26 862	26 743

5.4 Other operating expenses (in thousands of Swiss francs)

	2008	2007
Cost of premises	1 216	1 198
Computerization costs	2 758	2 849
Cost of financial information	1 322	1 401
Cost of machines, furniture and other installations	77	97
Marketing and communications costs	1 361	1 206
Cost of office supplies and subscriptions	348	354
Cost of telecommunications and postage	323	368
Insurance costs	55	58
Travel and entertainment expenses	1 066	1 094
Cost of auditing and other outside consultants	946	693
Cost of representative offices	1 540	1 714
VAT	293	337
Miscellaneous operating expenses	557	461
Total of other operating costs	11 862	11 830

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

Extraordinary income	2008	2007
Recovery of provision made for litigation	–	55
Release of provisions on financial fixed assets	43	–
Release of hidden reserves	287	–
Partial recovery of provision for exchange rate risk on loans granted to PRS Group	–	315
Profit on liquidating a shareholding	–	1 573
Profit on sales of fixed assets	–	6
Release of the provision for taxes following the definite taxation of previous financial years	720	605
Recovery of customers	90	270
Other	116	10
Total	1 256	2 834

Extraordinary charges	2008	2007
Allocation to reserves for general banking risks	–	500
Other	59	81
Total	59	581

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

	2008		2007	
	Swiss	Foreign	Swiss	Foreign
Net interest income	9 724	–	10 552	–
Net fee and commission income	38 903	–	46 115	–
Net trading income	6 912	–	7 292	–
Other ordinary income	318	–	403	160
Income	55 857	–	64 362	160
Staff expenses	26 862	–	26 743	–
Other operating expenses (including personnel expenses cost of representative offices) ¹	10 322	1 540	10 116	1 714
Expenses	37 184	1 540	36 859	1 714

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

¹ As far as the representative offices in Hong Kong and Dubai are concerned, the relevant personnel costs (which are not subject to Swiss social charges) are entered in the account “Cost of representative offices” shown under the heading “Other operating expenses” of the profit and loss account.

APPROPRIATION OF PROFIT ACCORDING TO PROPOSAL OF THE BOARD OF DIRECTORS

	CHF	
	2008	2007
Profit for the year	10 115 562.88	20 007 539.75
Retained earnings at beginning of the year	49 259.73	41 719.98
Profit shown on the balance sheet	10 164 822.61	20 049 259.73
Proposed appropriation of profit shown on the balance sheet		
Allocation to other reserves	–6 900 000.00	–13 500 000.00
Dividend	–3 000 000.00	–6 000 000.00
Allocation to general legal reserves	–200 000.00	–500 000.00
Retained earnings brought forward	64 822.61	49 259.73

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

As statutory auditors, we have audited the annual financial statements of Banque Piguet & Cie S.A., which comprise the balance sheet, the income statement, the financing table and the notes for the financial year ended 31 December 2008.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the annual financial statements in accordance with the requirements of Swiss law and the articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and presentation 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 annual financial statements based on our audit. Our audit was conducted in accordance with Swiss law and Swiss Auditing Standards (NAS). Those standards require that an audit be planned and performed to obtain reasonable assurance that 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, as does the assessment of the risks that the financial statements may contain material misstatement, 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 2008 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements according to the Auditor Supervision Act (LSR) and independence (article 728 CO and art. 11 LSR) 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.

KPMG S.A.

Pierre Zach
Certified auditor
Auditor in charge

Catherine Tornare-Cottet
Certified auditor

Geneva, 30 March 2009

Attachments:

- Financial statements consisting of the balance sheet, income statement, financing table and the notes.
- Proposal for appropriation of available earnings.

ADDRESSES**Head Office****Yverdon-les-Bains**

Rue de la Plaine 14
 CH-1400 Yverdon-les-Bains
 Telephone +41 (0)24 423 43 00
 Fax +41 (0)24 423 43 05

Branch**Geneva**

Place de l'Université 5
 CH-1205 Genève
 Telephone +41 (0)22 322 88 00
 Fax +41 (0)22 322 88 22

Agencies**Lausanne**

Rue du Grand-Chêne 8
 CH-1003 Lausanne
 Telephone +41 (0)21 310 10 10
 Fax +41 (0)21 310 10 20

Lugano

Via S. Balestra 17
 CH-6900 Lugano
 Telephone +41 (0)91 913 44 50
 Fax +41 (0)91 913 44 55

Representative Offices**Hong Kong**

Unit 2903
 29/F Alexandra House
 18 Chater Road
 Central, Hong Kong
 Telephone (+852)2810 8180
 Fax (+852)2810 8183

Dubai

The Fairmont Dubai
 Shk. Zayed Road
 Suite 2504
 Dubai, UAE
 Telephone (+9714)329 5666
 Fax (+9714)329 5566