

ANNUAL REPORT 2005
BANQUE PIGUET & CIE S.A.



BANQUE PIGUET & CIE S.A.

DEPUIS 1856

MESSAGE FROM THE EXECUTIVE BOARD

A POSITIVE YEAR IN EVERY RESPECT

The year 2005 ended with the achievement of several important objectives for Banque Piguet, which saw positive developments in all sectors.

Net profit after tax was 35% higher than in 2004, reaching a record CHF 9.5 million. Dynamic markets as well as asset growth contributed to this result.

Deposited assets increased 20% compared with the previous year to CHF 5 billion. All our businesses contributed to this result - private banking, the independent portfolio managers and institutional management.

Preparations for the 150th anniversary of Banque Piguet in 2006 are in full swing and this jubilee year will be celebrated in the proper way. In addition to the events being organized at our various locations, a history of the Bank is being written and will be made available to all our customers, employees and friends.

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

INVESTMENT POLICY

The Bank's investment policy proved to be somewhat overly prudent on the equity side, especially with regard to European securities. However, this excessive caution in the equity component of our portfolios was offset by the emphasis placed on Japan and emerging markets and by a good choice of segments in which to invest. The funds managed by external specialists, a practice which the Bank has used successfully for a number of years, also played a positive part. In terms of asset allocation, the contribution of alternative funds was moderate but always very steady, confirming their attractiveness in the long term. The performance of bonds was generally muted, but the Bank invested preferentially in very long-dated bonds and some of the peripheral and emerging markets, thereby making a contribution to overall performance. Finally, thanks to favourable exposure to the dollar and certain peripheral currencies, the performance obtained from these portfolios was quite respectable and, in terms of comparable risk, matched the average results recorded by Swiss banks as measured by a broad sample of investment funds. However, in contrast to the previous year, dollar-denominated accounts performed only moderately well due to the firmness of the currency in 2005.

With these results, the performance of the various risk profiles over the years remains above the average and with less volatility. True to its method of not pursuing trends but watching instead for the surprises that can be scattered along an apparently well-established path, the Bank maintains a rather cautious attitude towards the equity markets. These are buoyed up by a confidence which, whilst not reaching excessively optimistic levels, nonetheless appears to underestimate the inevitable economic slowdown in America at the same time as it overestimates the still very selective and fragile recovery in Europe. Certainly, a slowdown of the world's leading economy would put a stop to the rise of the Federal funds rates in the United States and subsequently in other countries, and would open up the possibility of an ulterior easing of rates around the world. But for this to give a boost to the markets, investors would first have to get over their disappointments with profits in the United States and elsewhere. Moreover, the merits of developing countries are largely, perhaps overly, recognized by stock market operators.

The Bank still does not see any risk of inflation, despite the alarmist statements issued by central banks, especially the ECB. The latter remains very much under the influence of the Bundesbank, which sees any growth, even minimal, as an inflationary risk. Long-term and better-quality bonds, which are not at all in vogue, still seem to us to be an interesting and low-risk investment. In the more volatile environment that could well develop in coming months or in the longer term, exposure to alternative funds still seems appropriate as long as it is based on a rigorous selection that looks at the future and not just past results. With regard to currencies, the excessive pessimism towards the dollar that dominated the end of 2004 has been corrected. It is very difficult to project the future development of the greenback's parity to the euro from its current level. It is true that America is still affected by structural problems, especially in terms of the external deficit, but everyone is largely aware of them. Europe's problems – structural public deficits, a relatively non-dynamic economy, a lack of political and social cohesion – seem to impress observers less. Perhaps the future belongs to other currencies - the yen or the currencies of countries with dynamic economies that enjoy good public finances and surpluses.

PRIVATE BANKING

THE RISE IN TOTAL ASSETS UNDER MANAGEMENT PLUS THE EXCELLENT PERFORMANCE OF THE MARKETS GENERATED CONSIDERABLE IMPROVEMENT IN PROFITABILITY

It is encouraging to see that all our locations experienced fine business growth. Total assets under management are nudging the target of CHF 5 billion, and our private customers continue to demonstrate a growing trust by giving us discretionary management mandates. This business, which goes to the very heart of our customer services, accounts for over half the assets entrusted to our Bank.

For some years, legal and tax constraints have required us to update the administrative procedures frequently. 2005 was no exception to the rule. Thanks to the efficient and determined commitment of all the members of staff involved, the necessary adjustments were made under the best possible conditions for our clientele and for the Bank.

We enter our 150th anniversary year serenely and happily. Our oak leaf symbolises our values perfectly : authenticity, vitality, continuity, growth and freshness. These are the qualities that also make us stand out in our cultivation of the foreign clientele we hope to develop further through our presence in other countries.

These commendable results for 2005 have been achieved thanks to the loyalty of our long-standing customers and the trust of those who have joined us more recently. We also believe that these special relationships are proof of the quality of our performance and commitment.

INSTITUTIONAL ACCOUNT MANAGEMENT

CONSIDERABLE INCREASE IN MANAGED ASSETS

We obtained generally good performances in the balanced management and LOB (Swiss Federal Law on Occupational Benefits) type institutional accounts in 2005, despite our rather prudent approach towards equities, especially with regard to European securities. This caution was generally offset by our definite overweighting of emerging markets and the Japanese stock exchange, as well as by a favourable choice of economic sectors. Given the good cumulative results obtained over the last few years, in absolute terms as well as compared with the indices or the competition, several of our customers have renewed their trust in us in the best possible way by increasing the size of the mandates confided to us.

Moreover, the fine performance of our international bond fund, the Piquet Global Fund, helped to obtain new institutional mandates for bonds.

Current contacts with Swiss and foreign pension institutions lead us to believe that our institutional business, which has grown increasingly over the last two years, should continue to develop through 2006.

INDEPENDENT MANAGERS

**WELL-POSITIONED MARKETS AND UNFLAGGING ATTENTION TO CUSTOMER NEEDS
BENEFITED THE COLLABORATION BETWEEN INDEPENDENT MANAGERS AND BANQUE
PIGUET**

Rising markets

The firmness of the equity markets in 2005 made it possible to generate very good account results in general. Most of the independent managers were able to take advantage of these positive markets, thanks to judicious investment decisions as well as the quality of the financial information supplied by the Bank. Indeed, our regular investment strategy presentations are increasingly successful and our independent managers show great interest in our original perspective towards the global economy and financial market developments.

Attentive service

Against this favourable background, the staff in our Independent Managers Department were unflaggingly attentive to the needs of the managers and their customers. They all helped to make 2005 a success for this division, which grew by more than 15% in terms of assets under management. Furthermore, information and presentations were given on a regular basis to our independent managers about the coming into effect of the agreement on the taxation of savings income. The transition to the new situation took place very satisfactorily.

ORGANIZATION OF THE BANK AS OF 20 APRIL 2005

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 Rodríguez-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 Fides Peat

**KEY FIGURES FOR OUR MAJORITY SHAREHOLDER
THE BANQUE CANTONALE VAUDOISE (BCV), AT 31 DECEMBER 2005**

Balance sheet (in CHF million)

Balance sheet total	34 875
Advances to clients	21 685
Client deposits and loans	24 638
Shareholders' equity	3 229

Income

Gross income	486
Net income	457

Funds on deposit 71 751

Total manpower (in units of full-time labour) 2 349

Equities market data

Highest price	378.00
Lowest price	208.00

Structure of capital

Canton of Vaud	67,28 %
Public	32,72 %

BCV participation in capital of Banque Piguet & Cie S.A. 81 %

ANNUAL ACCOUNTS

BALANCE SHEET AS OF 31 DECEMBER
(before repartition of the benefice)

	CHF	
	2005	2004
Assets		
Cash	6 497 143.02	7 346 085.29
Money market instruments	5 367.79	11 128.59
Due from banks	61 493 451.18	58 304 455.14
Due from clients	138 190 380.00	131 435 859.93
Mortgages	136 998 015.40	139 029 523.50
Negotiable securities and precious metal trading portfolios	2 796 184.63	1 146 532.12
Financial investments	7 592 232.66	7 426 290.86
Participations	8 508 447.90	9 649 947.90
Tangible fixed assets	13 747 500.00	15 013 000.00
Accrued income and prepaid expenses	4 389 816.76	3 749 455.88
Other assets	3 489 251.91	7 887 620.82
Total assets	383 707 791.25	380 999 900.03
Total group intercompany and affiliate receivables	38 966 008.13	37 637 114.37
Liabilities		
Due to banks	84 063 136.12	98 273 020.47
Due to clients in savings and investment accounts	7 923 461.64	9 004 263.00
Other commitments to clients	200 820 990.69	191 608 538.00
Accrued expenses and deferred income	8 470 355.15	5 965 027.55
Other liabilities	5 015 486.70	9 293 241.48
Valuation adjustments and provisions	7 164 615.00	5 415 300.00
Reserves for general banking risks	2 000 000.00	1 500 000.00
Share capital	20 000 000.00	20 000 000.00
General legal reserves	10 040 000.00	10 000 000.00
Reserve for Bank's own participation certificates	3 101 165.00	2 256 165.00
Other reserves	25 498 835.00	20 543 835.00
Retained earnings	100 509.53	114 109.25
Income for the year	9 509 236.42	7 026 400.28
Total liabilities	383 707 791.25	380 999 900.03
Total due to group intercompany and affiliate accounts	81 359 581.81	90 925 419.56

OFF-BALANCE SHEET TRANSACTIONS AS OF 31 DECEMBER

Off-balance sheet	CHF	
	2005	2004
Contingent liabilities	17 207 218.55	9 268 593.65
Irrevocable commitments	9 466 470.00	6 340 000.00
Future commitments	–	1 000.00
Derivative financial instruments		
<i>Underlying amounts</i>	621 544 180.17	507 340 878.37
<i>Positive replacement value</i>	3 345 505.56	6 869 263.70
<i>Negative replacement value</i>	3 704 855.69	7 773 110.53
Fiduciary transactions	534 618 304.56	357 156 236.00

INCOME STATEMENT AS OF 31 DECEMBER

	CHF	
	2005	2004
Income and expenses from normal banking activities		
Income from interest transactions		
<i>Interest and discount income</i>	8 674 047.11	7 720 507.92
<i>Interest and dividend income on financial investments</i>	264 513.81	259 211.20
<i>Interest expenses</i>	-2 334 639.49	-2 052 012.39
Subtotal for income from interest transactions	6 603 921.43	5 927 706.73
Income from commissions and services		
<i>Earnings from commissions on lending activities</i>	230 938.07	140 541.59
<i>Earnings from commissions on securities and investment transactions</i>	36 997 965.42	32 523 122.38
<i>Earnings from fees for other services</i>	1 161 815.83	1 058 905.63
<i>Commission expenses</i>	-4 388 225.49	-4 801 470.53
Subtotal for income from commissions and service transactions	34 002 493.83	28 921 099.07
Income from trading operations	7 727 257.93	5 642 648.32
Other ordinary income		
Income from disposal or financial investments	5 295.16	47 953.91
<i>Earnings from participations</i>	161 279.58	5 500.00
<i>Income from real estate</i>	1 560.33	35 352.00
<i>Other ordinary income</i>	163 554.25	198 134.66
Subtotal for other ordinary income	331 689.32	286 940.57
Total income from ordinary banking operations	48 665 362.51	40 778 394.69
Operating expenses		
<i>Staff expenses</i>	-21 897 899.11	-19 468 596.65
<i>Other operating expenses</i>	-10 938 551.42	-10 042 942.54
Subtotal for operating expenses	-32 836 450.53	-29 511 539.19
Gross income	15 828 911.98	11 266 855.50
Depreciation and amortization of fixed assets	-1 241 867.96	-1 686 217.61
Valuation adjustments, provisions and losses	-674 988.41	-1 597 687.24
Interim income	13 912 055.61	7 982 950.65
Extraordinary income	300 973.76	3 480 615.63
Extraordinary expenses	-1 295 000.00	-1 500 000.00
Taxation	-3 408 792.95	-2 937 166.00
Income for the year	9 509 236.42	7 026 400.28

Source and utilization of funds (in thousands of Swiss francs)

	2005			2004		
	Source of funds	Utilization of funds	Balance	Source of funds	Utilization of funds	Balance
Cash flow from operations (internal financing)						
Income for the year	9 509	–		7 026	–	
Depreciation and amortization of fixed assets	1 242	–		1 686	–	
Book earnings on the sales of participations	–	20		–	3 038	
Book earnings on the sales of tangible fixed assets	–	82		–	–	
Allocation to the reserve for general banking risks	500	–		1 500	–	
Valuation adjustments and provisions	2 328	410		1 386	363	
Accrued income and prepaid expenses in the form of assets	–	641		811	–	
Accrued expenses and deferred income in the form of liabilities	2 505	–		2 071	–	
Other headings	4 397	4 278		2 116	2 245	
Dividend from the previous financial year	–	1 200		–	1 200	
Balance	20 481	6 631	13 850	16 596	6 846	9 750
Cash flow from changes in fixed assets						
Participations	1 142	–		154	–	
Real estate used by the Bank	–	–		–	526	
Other real estate	1 309	–		1 134	–	
Other tangible fixed assets	–	1 286		10	1 339	
Balance	2 451	1 286	1 165	1 298	1 865	-567
Cash flow from banking activities						
Medium- and long-term transactions (>1 year)						
<i>Due to clients</i>	–	2 085		4 463	–	
<i>Due from clients</i>	10 042	–		6 319	–	
<i>Mortgages</i>	38 039	–		–	7 973	
<i>Financial investments</i>	15	–		831	–	
Short-term transactions						
<i>Commitments to banks</i>	–	14 210		22 827	–	
<i>Commitments to clients</i>	–	1 081		1 840	–	
<i>Other commitments</i>	11 297	–		–	3 674	
<i>Money market instruments</i>	6	–		40	–	
<i>Due from banks</i>	–	3 189		13 550	–	
<i>Due from clients</i>	–	16 861		–	36 440	
<i>Mortgages</i>	–	36 007		–	5 760	
<i>Negotiable securities and precious metal trading portfolios</i>	–	1 649		–	1 147	
<i>Financial investments</i>	–	181		–	441	
Balance	59 399	75 263	-15 864	49 870	55 435	-5 565
Cash position						
Cash	849	–		–	3 618	
Balance	849	–	849	–	3 618	-3 618
Total source of funds	83 180			67 764		
Total utilization of funds		83 180	–		67 764	–

NOTES TO THE FINANCIAL STATEMENTS

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

General observations

The objective of Banque Piguet & 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.

Expressed in terms of full-time jobs, the headcount at the end of 2005 was the equivalent of 103.4 employees, which was an increase of 12.6 compared with the end of 2004.

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 2005 the Bank had a 25.0% minority holding in PRS Group, companies specializing in alternative management.

Risk management

The management of risks is based on the Bank's credit and market risk policy. 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 risk

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 negligible.

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

Cash risks are 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 organisation 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.

Modification of valuation and accounting principles

Since 1 January 2005, the Bank has recorded directly under "Valuation adjustments and provisions" on the liabilities side of the balance sheet, without affecting the profit and loss account, the equivalent of interest overdue for more than 90 days (CHF 1 008 080 as 31 December 2005) in accordance with the requirements of the FBC's directives on the presentation of annual financial statements. Previously, this doubtful interest (CHF 863 465 as 31 December 2004) was credited under "Income from interest and discounts" and a provision of an equal amount was made by debiting the heading "Valuation adjustments, provisions and losses".

This change did not have any impact on the result of the 2005 financial year.

Recording of operations and inclusion in the balance sheet

All operations are entered in the books on the day they are completed 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:

	2005		2004	
	Closing rate	Average annual rate	Closing rate	Average annual rate
EUR	1.5446	1.5481	1.5456	1.5437
USD	1.3179	1.2384	1.1371	1.2401
GBP	2.2626	2.2636	2.1831	2.2736
JPY	1.1166	1.1299	1.1097	1.1508

Pension fund commitments

The Banque Cantonale Vaudoise (BCV) Group to which Banque Piquet & Cie S.A. belongs has subscribed to various pension fund schemes for all its employees, as required by local legislation. These schemes, generally speaking, have a legal structure based on the principle of the amount of contributions made. The employees of Banque Piquet & Cie S.A. are affiliated to the parent company's scheme. In view of the support provided by the Group to reduce the technical deficit of the principal pension fund institution, that of the Banque Cantonale Vaudoise, the scheme has been designated as a benefits-based scheme – for the calculation of pension liabilities – within the meaning of Swiss-GAAP ARR 16. The actuarial calculations, which are carried out by independent experts for the pension fund as a whole, serve as a basis for proportional determination of the pension liabilities and charges of Banque Piquet & Cie S.A.. The surplus cover is activated only to the extent that it makes it possible to reduce the future charge to the employer. The surplus cover cannot be repaid to the employer, however.

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.

Realised and unrealised 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. Information concerning 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 Piguet & Cie S.A.

3.1 Summary of hedging operations (in thousands of Swiss francs)

	Type of hedging			Total
	Mortgage guarantees	Other guarantees	Unsecured advances	
Advances				
Due from clients	12 413	104 845	20 932	138 190
Mortgages				
<i>Residential properties</i>	132 913	–	–	132 913
<i>Commercial properties</i>	2 657	–	–	2 657
<i>Trade and industry</i>	–	–	–	–
<i>Others</i>	1 428	–	–	1 428
Total advances				
31.12.2005	149 411	104 845	20 932	275 188
31.12.2004	145 955	103 329	21 182	270 466
Off-balance sheet				
Contingent liabilities	–	15 146	2 061	17 207
Irrevocable commitments	8 257	1 210	–	9 467
Future commitments	–	–	–	–
Total off-balance sheet				
31.12.2005	8 257	16 356	2 061	26 674
31.12.2004	5 890	8 807	913	15 610
	Gross amount	Estimated value from realization of securities	Net amount	Individual value adjustments
Doubtful debts				
31.12.2005	18 739	13 357	5 382	5 382
31.12.2004	15 993	11 782	4 211	4 211

3.2 Allocation of negotiable securities and precious metal trading portfolios, financial investments and participations (in thousands of Swiss francs)

Negotiable securities and precious metal trading portfolios	2005	2004
Participation certificates	2 796	1 147
Total negotiable securities and precious metal trading portfolios	2 796	1 147
<i>Including securities accepted for rediscount or as collateral by the issuing bank</i>	-	-

Essential commitments and receivables funds 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)	3 345	6 704
Negative replacement values of derivative financial instruments of trading portfolios (other liabilities)	-2 990	-6 594

Distribution of financial investments (in thousands of Swiss francs)

	book value		just value	
	2005	2004	2005	2004
Debt securities intended to be held until the maturity date	7 187	7 313	7 479	7 765
Participation certificates	405	113	412	116
Total	7 592	7 426	7 891	7 881
<i>Including securities accepted for rediscount or as collateral by the issuing bank</i>	7 187	6 546	7 478	6 999

Participations (in thousands of Swiss francs)

	2005	2004
Quoted	183	183
Unquoted	8 325	9 467
Total participations	8 508	9 650

3.3 Key investments

Company / Head Office	Activity	Capital in thousands of units	Participation in %	
			2005	2004
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	100.00
Piguet Bank & Trust Ltd, in liquidation*, Cayman Islands	Asset management	USD -	-	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 Bank & Trust Ltd was liquidated during 2005 financial year.

3.4 Presentation of fixed assets (in thousands of Swiss francs)

	Purchase value	Cumulative depreciation	Book value at the end of the previous year	Current year				Book value at the end of the current year
				Changes in allocation	Investments	Disinvestments	Depreciation	
Participations								
<i>Majority participations</i>	2 215	-863	1 352	-	-	-1 142	-	210
<i>Minority participations</i>	9 333	-1 035	8 298	-	-	-	-	8 298
Total participations	11 548	-1 898	9 650	-	-	-1 142	-	8 508
Real estate								
<i>Real estate used by the Bank</i>	13 681	-1 898	11 783	-	-	-	-218	11 565
<i>Other real estate</i>	2 370	-1 061	1 309	-	-	-1 309	-	-
Other tangibles	11 395	-9 474	1 921	-	1 286	-	-1 024	2 183
Total tangible assets	27 446	-12 433	15 013	-	1 286	-1 309	-1 242	13 748
Fire insurance value of real estate								13 256
Fire insurance value of other tangible assets								8 474
Liabilities: future terms of leasing resulting from leasing of exploitation								-

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

	2005		2004	
	Other assets	Other liabilities	Other assets	Other liabilities
Replacement value of derivative financial instruments				
<i>Contracts for own account</i>				
<i>Management of balance sheet</i>	-	715	165	1 179
<i>Contracts as agent</i>	3 345	2 990	6 704	6 594
Total of derivative financial instruments	3 345	3 705	6 869	7 773
Adjustment account	144	-	419	-
Indirect taxes	-	1 120	-	824
Various assets and liabilities	-	190	600	696
Total for other assets and other liabilities	3 489	5 015	7 888	9 293

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)

	2005		2004	
	Assets pledged or transferred	Corresponding engagements	Assets pledged or transferred	Corresponding effectifs
Financial investments	7 187	-	5 600	-

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

Group of insured persons

The employees of Banque Piquet & Cie S.A. are affiliated to the pension fund of the Banque Cantonale Vaudoise (PF BCV). Its purpose is to insure them against the economic consequences resulting from retirement, disablement and death by guaranteeing benefits fixed by statute. It participates in the application of the compulsory insurance scheme introduced by the Law on Occupational Pension Schemes (LPP) and complies with at least the minimal requirements of the LPP.

Benefits-based schemes

Calculation method and assumptions

Owing to the employer's participation in the pension fund restructuring measures, the pension scheme of the PF BCV is treated as a benefits-based scheme within the meaning of the Swiss accounting standard GAAP RPC 16. The pension liabilities are determined by an independent expert and are assessed according to the Projected Unit Credit Method and on the basis of the following assumptions:

Biometric probability	EVK 2000
Reinforcement for longevity	3.0%
Trend in salaries	1.5%
Indexing of pensions	0.0%
Discount rate	3.75%
Rate of remuneration on savings accounts	3.5%
Leaving probability	10%
Retirement age	100% at 60 years
Future annual increase in the AVS pension	0.5%
AVS pension drawn by beneficiaries aged 60	100%

In addition, a long-term yield on assets of 4.75% is taken into account. The expected yield for 2005 amounted to 5%.

Annual charges

The annual charges for 2005 amounted to CHF 3 227 764 (2004: CHF 2 986 464) taking into account the employees' contributions totalling CHF 1 035 554 (2004: CHF 958 212). This cost of provision for pensions is covered by the employer's statutory contributions amounting in 2005 to CHF 2 192 210 (2004: CHF 2 028 252).

Amounts not capitalized in the balance sheet

Restructuring measures were decided in 2002 by the Board of Foundation of the PF BCV; they take effect between 2003 and 2007. As part of this restructuring, an exceptional contribution of CHF 415 841 was paid by the Bank in 2005. A provision of CHF 410 000 had been made for this amount in the 2004 financial year. In 2005, the Bank also made a provision of CHF 410 000. This provision is shown in table 3.9 below under "Other provisions". This amount cannot be deducted from the employer's contributions and is therefore not capitalized in the balance sheet.

3.9 Presentation of valuation adjustments and provisions / Reserves for credit risk fluctuations

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

	Situation at the end of the year 2004	Utilization and reversals	Change of allocation (new allocation)	Recovery, doubtful interest, exchange rate differences	New expenses charged to income statement	Reversals credited to income statement	Situation at the end of the year 2005
Valuation adjustments and provisions for default risks (recovery risks and country risks)	4 428	–	–	1 008	115	-168	5 383
Valuation adjustments and provisions for other operational risks	577	–	–	–	–	–	577
Other provisions	410	-410	–	–	1 205	–	1 205
Total valuation adjustments and provisions	5 415	-410	–	1 008	1 320	-168	7 165
Reserves for general banking risks	1 500	–	–	–	500	–	2 000

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

	2005			2004		
	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%)	2005				2004			
	Nominal value total	Number of shares	%	Capital participating in dividend	Nominal value total	Number of shares	%	Capital participating in dividend
With voting rights								
Banque Cantonale Vaudoise, Lausanne	16 200	162 000	81.0	16 200	15 800	158 000	79.0	15 800
Fondation d'intéressement Banque Piguët & Cie S.A., Yverdon-les-Bains	1 115	11 150	5.6	1 115	960	9 600	4.8	960
Arnold Meilland, Genolier	800	8 000	4.0	800	1 200	12 000	6.0	1 200

The Bank's employees hold 18 850 shares (2004: 20 400 shares).

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 Composition of shareholders' equity (in thousands of Swiss francs)

Shareholders' equity at the beginning of the current year

Share capital	20 000
General legal reserve	10 000
Reserves for general banking risks	1 500
Reserve for the Bank's own participation certificates	2 256
Other reserves	20 544
Income as per balance sheet	7 140
Total shareholders' equity, at beginning of the current year (before distribution of the profit)	61 440
+ Allocation to reserves for general banking risks	500
- Deduction from Other reserves	- 845
+ Allocation to the Reserve for the Bank's own participation certificates	845
- Dividend deducted from the earnings of the previous financial year	- 1 200
+ Income of current year	9 509
Total shareholders' equity, at the end of current year (before distribution of the profit)	70 249

Including:

Share capital	20 000
General legal reserve	10 040
Reserves for general banking risks	2 000
Reserve for the Bank's own participation certificates	3 101
Other reserves	25 499
Income as per balance sheet	9 609

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

	Maturities						Fixed assets	Total
	At sight	Redeemable by notice	In excess of 3 months	In excess of 3 months to 12 months	In excess of 12 months to 5 years	In excess of 5 years		
Current assets								
Cash	6 497	–	–	–	–	–	–	6 497
Money market instruments	–	–	5	–	–	–	–	5
Due from banks	61 493	–	–	–	–	–	–	61 493
Due from clients	49 840	8 153	10 632	47 351	22 126	88	–	138 190
Mortgages	–	42 346	31 278	25 207	35 807	2 360	–	136 998
Negotiable securities and precious metal trading portfolios	–	–	2 796	–	–	–	–	2 796
Financial investments	–	81	980	–	6 531	–	–	7 592
Total current assets								
31.12.2005	117 830	50 580	45 691	72 558	64 464	2 448	–	353 571
31.12.2004	101 032	39 566	40 132	75 800	84 006	4 164	–	344 700
Borrowed funds								
Commitments to banks	12 202	15 000	16 500	40 361	–	–	–	84 063
Due to clients in the form of savings and investments	–	7 923	–	–	–	–	–	7 923
Other commitments to clients	180 603	9 235	670	3 345	6 968	–	–	200 821
Total borrowed funds								
31.12.2005	192 805	32 158	17 170	43 706	6 968	–	–	292 807
31.12.2004	170 731	16 167	41 914	61 021	8 958	95	–	298 886

3.13 Receivables and commitments to affiliated companies as well as credits granted within organization (in thousands of Swiss francs)

	2005	2004
Credits granted within organization	4 354	1 288

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

3.14 Distribution of the balance sheet between Switzerland and abroad (in thousands of Swiss francs)

Assets	2005		2004	
	Switzerland	Abroad	Switzerland	Abroad
Cash	5 878	619	5 878	1 468
Money market instruments	–	5	–	11
Due from banks	42 907	18 586	32 662	25 642
Due from clients	56 626	81 565	53 643	77 793
Mortgages	134 467	2 532	138 536	494
Negotiable securities and precious metal portfolios	–	2 796	–	1 147
Financial investments	6 612	980	6 859	567
Participations	183	8 326	183	9 467
Tangible fixed assets	13 747	–	15 013	–
Accrued income and prepaid expenses	4 390	–	3 749	–
Other assets	3 489	–	7 888	–
Total assets	268 299	115 409	264 411	116 589
Liabilities				
Commitments to banks	81 913	2 150	87 324	10 949
Due to clients in the form of savings and investments	7 836	88	8 951	53
Other commitments to clients	118 586	82 235	104 915	86 694
Accrued expenses and deferred income	8 470	–	5 965	–
Other liabilities	5 015	–	9 294	–
Valuation adjustments and provisions	7 165	–	5 415	–
Reserves for general banking risks	2 000	–	1 500	–
Share capital	20 000	–	20 000	–
General legal reserve	10 040	–	10 000	–
Reserve for the Bank's own participation certificates	3 101	–	2 256	–
Other reserves	25 499	–	20 544	–
Retained earnings	101	–	114	–
Income for the year	9 509	–	7 026	–
Total liabilities	299 235	84 473	283 304	97 696

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

Assets	2005		2004	
	Absolute value	Portion as %	Absolute value	Portion as %
Europe				
<i>Switzerland</i>	268 299	69.9	264 411	69.4
<i>European Union</i>	47 065	12.3	49 124	12.9
United States	12 697	3.3	11 748	3.1
Asia	7 579	2.0	16 911	4.4
Others	48 068	12.5	38 806	10.2
Total assets	383 708	100	381 000	100

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

Assets	Currency							Total
	CHF	USD	EUR	GBP	JPY	Other	Metal	
Cash	4862	268	1323	43	1	–	–	6 497
Money market instruments	–	–	5	–	–	–	–	5
Due from banks	517	21827	16228	8575	8093	3326	2928	61 494
Due from clients	65071	40119	31410	219	1351	20	–	138 190
Mortgages	136998	–	–	–	–	–	–	136 998
Negotiable securities and precious metal trading portfolios	–	2796	–	–	–	–	–	2 796
Financial investments	6612	657	–	323	–	–	–	7 592
Participations	8509	–	–	–	–	–	–	8 509
Tangible fixed assets	13748	–	–	–	–	–	–	13 748
Accrued income and prepaid expenses	3881	172	337	–	–	–	–	4 390
Other assets	3489	–	–	–	–	–	–	3 489
Total of positions entered as assets	243 687	65 839	49 303	9 160	9 445	3 346	2 928	383 708
Claims to deliver in relation to spot transactions, futures and options	192220	130170	198554	8787	17437	–	–	547 168
Total assets	435 907	196 009	247 857	17 947	26 882	3 346	2 928	930 876
Liabilities								
Commitments to banks	66525	16284	1233	–	–	21	–	84 063
Due to clients in savings and investment accounts	7924	–	–	–	–	–	–	7 924
Other commitments to clients	85696	43639	47273	9004	9126	3156	2927	200 821
Accrued expenses and prepaid income	8440	29	1	–	–	–	–	8 470
Other liabilities	4999	–	16	–	–	–	–	5 015
Valuation adjustments and provisions	7165	–	–	–	–	–	–	7 165
Reserves for general banking risks	2000	–	–	–	–	–	–	2 000
Share capital	20000	–	–	–	–	–	–	20 000
General legal reserve	10040	–	–	–	–	–	–	10 040
Reserve for the Bank's own participation certificates	3101	–	–	–	–	–	–	3 101
Other reserves	25499	–	–	–	–	–	–	25 499
Retained earnings	101	–	–	–	–	–	–	101
Income for the year	9509	–	–	–	–	–	–	9 509
Total of positions entered as liabilities	250 999	59 952	48 523	9 004	9 126	3 177	2 927	383 708
Commitments to deliver in relation to spot transactions, futures and options	192887	129792	198294	9081	17114	–	–	547 168
Total liabilities	443 886	189 744	246 817	18 085	26 240	3 177	2 927	930 876
Net position per currency	-7 979	6 265	1 040	-138	642	169	1	–

4. Information concerning off-balance sheet transactions

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

	2005	2004
Irrevocable commitments	17 207	9 269

4.3 Outstanding derivative financial instruments (in thousands of Swiss francs)

	Trading instruments			Hedging instruments		
	Replacement value positive	Replacement value negative	Underlying amount	Replacement value positive	Replacement value negative	Underlying amount
Rates instruments						
Swaps	–	–	–	–	715	60 000
Currencies						
<i>Forward contracts</i>	2 967	1 743	376 344	–	–	–
<i>Swaps</i>	341	1 210	170 469			
<i>Options (OTC)</i>	37	37	14 731	–	–	–
Total before impact of netting contracts						
31.12.2005	3 345	2 990	561 544	–	715	60 000
31.12.2004	6 869	6 771	442 341	–	1 002	65 000
Total after impact of netting contracts						
31.12.2005	3 345	2 990	561 544	–	715	60 000
31.12.2004	6 869	6 771	442 341	–	1 002	65 000

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

	2005	2004
Fiduciary deposits with other banks	346 903	294 096
Fiduciary deposits with the BCV Guernsey	181 380	63 060
Total fiduciary deposits	528 283	357 156
Fiduciary loan	6 335	–
Total	534 618	357 156

4.5 Client assets (in thousands of Swiss francs)

Type of client assets	2005	2004
Assets held in funds under own management	1 005 775	785 565
Assets under portfolio management (contracts)	1 681 074	1 169 675
Other assets	2 010 315	1 939 657
Total client assets (including double entries)	4 697 164	3 894 807
Double entries	1 005 775	785 565
Net deposits/withdrawals of new cash	171 383	507 781

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 (2005: CHF 110.8 million and 2004: CHF 95.3 million).

The figures for the 2004 financial year have been reprocessed accordingly so that they can be compared with the 2005 financial year.

5. Information concerning income statement

5.2 Distribution of income from trading operations (in thousands of Swiss francs)

	2005	2004
Currency transactions	7 347	5 398
Foreign exchange transactions	209	180
Equity trading	171	65
Income from trading operations	7 727	5 643

5.3 Staff expenses (in thousands of Swiss francs)

	2005	2004
Salaries, bonuses	17 751	15 916
Contributions to pension fund schemes	2 192	2 028
Other social benefits	1 453	1 259
Other staff expenses	502	266
Total staff expenses	21 898	19 469

5.4 Other operating costs (in thousands of Swiss francs)

	2005	2004
Cost of premises	1 027	1 060
Computerization costs	2 451	2 518
Cost of financial information	1 191	1 351
Cost of machines, furniture and other installations	113	102
Advertising and communications costs	1 919	1 204
Cost of office supplies and subscriptions	376	420
Cost of telecommunications and postage	395	392
Insurance costs	53	56
Travel and entertainment expenses	1 253	1 081
Cost of auditing and other outside consultants	1 272	992
VAT	364	309
Other operating costs	525	558
Total of other operating costs	10 939	10 043

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

	2005	2004
Extraordinary income		
Recovery of provision made for taxes	–	399
Recovery of provision made for litigation	56	–
Partial sale of a shareholding	–	3 009
Profit on liquidating a shareholding	20	29
Profit on sales of fixed assets	82	28
Recovery of debts	143	16
Total	301	3 481

	2005	2004
Extraordinary charges		
Provision for exchange-rate risk on loans granted to the PRS Group	795	–
Allocation to Reserves for general banking risks	500	1 500
Total	1 295	1 500

The Bank sold 8.33% of the shares of the PRS Group at 31 December 2004, payment of which is staggered by contract over a period of 6 years. The claims relating to said sale are bearing interest and are shown in the books in USD. The exchange-rate gain as at 31 December 2005 resulting from these claims was offset by the formation of a specific provision of CHF 795 000 which will serve to cover any future exchange-rate losses that may result from these claims during the period that remains until they are reimbursed.

BOARD OF DIRECTORS' PROPOSED DISTRIBUTION OF AVAILABLE EARNINGS

	CHF	
	2005	2004
Income for the year	9 509 236.42	7 026 400.28
Retained earnings	100 509.53	114 109.25
Balance sheet income	9 609 745.95	7 140 509.53
Proposed distribution of balance-sheet earnings		
Allocation to other reserves	-8 000 000.00	-5 800 000.00
Dividend	-1 400 000.00	-1 200 000.00
Allocation to General legal reserves	-40 000.00	-40 000.00
Carried forward	169 745.95	100 509.53

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 2005.

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, 31 March 2006

KPMG Fides Peat

Pierre Zach
Swiss Certified Accountant
Auditor in Charge

Laurent Bellières
Swiss Certified Accountant

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