

ANNUAL REPORT 2007
BANQUE PIGUET & CIE S.A.



BANQUE PIGUET & CIE S.A.

DEPUIS 1856

MESSAGE FROM THE EXECUTIVE BOARD

EARNINGS INCREASE IN AN ENVIRONMENT OF GREAT VOLATILITY

The year 2007 saw a 35 percent increase in net profitability to a record CHF 20.007 million.

This included a number of extraordinary items but the operational increase was nevertheless up 30 percent over 2006, in a year of volatile financial markets.

The major extraordinary item was a profit of CHF 1.573 million resulting from the sale of our 25 percent holding in Miami-based PRS Group, with whom we enjoyed ten years of a profitable and mutually beneficial relationship.

Total assets increased to CHF 5.7 billion at 31 december, while our investment performances achieved good results in a difficult year. Our funds of hedge funds performed particularly well.

2007 saw the first full year of operation of our Hong Kong Representative Office and the September opening of our Dubai Representative Office.

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

INVESTMENT POLICY

AN OPPORTUNISTIC INVESTMENT POLICY

Volatility in the financial markets increased throughout 2007 with the growing uncertainty about the economic environment and the losses of the financial sector.

Global growth displayed a marked disparity between emerging and developed countries. In the latter, and particularly in the United States, industrial activity was moderating and the real-estate crisis - far from being absorbed - now appeared to be spreading to the commercial segment. Eventually these factors were inevitably likely to weigh on households' purchasing power. Moreover, the unemployment rate, which was well up, gave more weight to the theory of an imminent recession. Companies' confidence also deteriorated and investment was likely to remain weak until companies regained more visibility with regard to their orders. Only the weakness of the dollar, which had restored vigour to exports, was lending support to growth. It should be noted that the Fed, through its accommodative monetary policy, has shown great pragmatism and might restore investors' confidence.

In the euro zone, the economic slowdown accentuated. Industrialists' confidence deteriorated and pointed to a more moderate level of investment. Households were more cautious, even though the unemployment rate improved. The financial constraints and those weighing on purchasing power began to slow down domestic demand. Furthermore the economic growth differentials between countries were significant, with Germany appearing to resist better the appreciation of the euro. In relative terms, however, we gave preference to the United Kingdom stock market, given the more accommodative monetary policy of the Bank of England and encouraging technical indicators.

Robust domestic demand enabled the BRIC countries (Brazil, Russia, India and China) to post still-steady growth rates, despite the negative impact of the global economic situation. The increase in the oil price did not slow down the keen increase in consumption, driven by wage and salary increases and the creation of new jobs.

Despite the persistence of fears of inflation, yields dropped sharply on long-term government bonds, a market segment to which we gave preference throughout the year.

The Bank's opportunistic policy - that is, increasing equities on two occasions while noting the scale of the slide and the return of profound pessimism, and anticipating a cut in US interest rates - proved worthwhile. While noting the formation of a favourable consensus in the fourth quarter, we decided to make these increases for reasons of caution, a choice that proved judicious.

The careful selection of external funds and the excellent performance of alternative investments also contributed to the good overall performance.

The US dollar was still subject to some very negative psychological considerations, and some observers were beginning to mention the possibility of a major financial crisis. However, it should be noted that despite the abundance of unfavourable US economic data and a yield differential that favoured the euro, the greenback was holding up better. These signs invited us to be less negative about this currency.

PRIVATE BANKING

GROWTH OF ASSETS AND FINE PERFORMANCES

The growth of assets in 2007 and the good performances achieved were the result of consistent work and close co-operation with our clients. Portfolio activity ran at a high level owing to greater market volatility and judiciously selected investments, avoiding in particular the real-estate market and other risky sectors.

This close relationship with our clients - which is the Bank's fundamental philosophy - was maintained by means of numerous visits and by our high-profile presence at cultural and sporting events that we sponsor throughout the year.

In this respect, prospection bore fruit and many new accounts were opened thanks to our intense marketing activity.

Another gratifying fact was that the percentage of assets managed with a discretionary mandate attained 56 percent of the assets entrusted to our Bank, which testifies to the confidence that our clients have in our investment policy.

INSTITUTIONAL ACCOUNT MANAGEMENT

ABOVE-AVERAGE PERFORMANCES

The judicious choices of our investment strategy in 2007 translated into performance levels above the benchmark indices and generally higher than those of most of our competitors. This is more particularly true of balanced or pension fund-type (LPP) mandates and managed international bond accounts, for which the year 2007 resulted in excellent performances in both absolute and relative terms. By way of an example, balanced accounts, which, as a rule, had an equities exposure of between 30 percent and 40 percent during the year, posted results higher than the three LPP-2000 indices, which include 25 percent, 40 percent and 60 percent equities respectively.

These results stem from good decisions in terms of asset allocation, weighting of markets and economic sectors and from a judicious bond policy. Furthermore the excellent performances of our selection of alternative funds – a diversification which the Bank had been recommending for a long time – were also a very positive factor.

Our above-average performances enable us to look towards the future of this activity optimistically. They are based on an independent investment strategy that is not influenced by fashion trends, on rigorous asset allocation and meticulous selection of outside talent. This proven know-how, which sets us apart from our competitors, should arouse growing interest among Swiss and perhaps even foreign pension fund institutions.

INDEPENDENT MANAGERS

A stable year in difficult markets

2007 was a varied year from all points of view, but a very positive one in financial terms.

The marked increase in deposited assets, some promising new client relationships and the development of existing co-operation arrangements are all elements that marked the year.

This gratifying development has led us to strengthen our team and to reorganize our business so as to meet the expectations of our Independent managers and their clients with ever-increasing efficiency.

An evolution, which was initiated in 2007, will gradually take shape in 2008 with the implementation of actions aimed at ensuring the best possible quality of client service.

ORGANIZATION OF THE BANK AS OF 31 DECEMBER 2007

Board of Directors

Chairman

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

Bernard Lachenal	Attorney
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Members

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

Executive Board

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

Auditors

KPMG S.A.

**KEY FIGURES FOR OUR MAJORITY SHAREHOLDER,
THE BANQUE CANTONALE VAUDOISE (BCV), AT 31 DECEMBER 2007**

Balance sheet (in CHF million)

Balance sheet total	35 337
Advances to clients	22 479
Client deposits and loans	27 490
Shareholders' equity	3 225

Income

Gross income	529
Net income	477

Funds on deposit	84 349
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Total manpower (in units of full-time labour)	2 045
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Equities market data

Highest price	652.00
Lowest price	480.00

Structure of capital

Canton of Vaud	66.95%
Public	33.05%

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

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

	CHF	
	2007	2006
Assets		
Cash and cash equivalents	11 466 408.88	6 713 182.35
Money-market instruments	1 755.44	643.87
Due from banks	158 253 721.22	59 641 083.35
Loans and advances to customers	139 742 884.14	152 983 256.80
Mortgage loans	149 508 183.00	147 119 134.00
Trading portfolio assets	198 688.78	–
Financial investments	12 377 279.54	8 813 336.68
Participations	182 947.90	8 298 447.90
Tangible fixed assets	13 050 000.00	12 831 000.00
Accrued income and prepaid expenses	4 999 107.18	4 818 038.54
Other assets	8 782 047.93	8 992 700.01
Total assets	498 563 024.01	410 210 823.50
Total group intercompany and affiliate receivables	156 460 442.74	27 898 667.59
Liabilities		
Money-market paper issued	669 907.43	100 842.42
Due to banks	61 900 515.90	93 851 498.93
Customer savings and investment accounts	2 066 394.28	3 995 246.53
Other customer accounts	300 388 659.42	196 048 622.85
Accrued expenses and deferred income	14 245 495.65	12 961 242.65
Other liabilities	11 010 813.97	13 144 265.30
Valuation adjustments and provisions	5 651 977.63	5 987 384.84
Reserves for general banking risks	3 000 000.00	2 500 000.00
Equity capital	20 000 000.00	20 000 000.00
General legal reserves	10 180 000.00	10 080 000.00
Reserve for own equity certificates	6 467 943.00	3 751 557.00
Other reserves	42 932 057.00	32 848 443.00
Retained earnings	41 719.98	169 745.95
Profit for the year	20 007 539.75	14 771 974.03
Total liabilities	498 563 024.01	410 210 823.50
Total liabilities to group companies and significant shareholders	59 521 851.01	79 058 941.64

OFF-BALANCE SHEET TRANSACTIONS AS OF 31 DECEMBER

Off-balance sheet	CHF	
	2007	2006
Contingent liabilities	10 921 822.41	12 352 263.03
Irrevocable commitments	1 198 000.00	5 117 300.00
Derivative financial instruments		
<i>Values of underlyings</i>	1 212 862 252.54	1 014 977 171.22
<i>Positive replacement values</i>	8 675 592.28	8 850 834.68
<i>Negative replacement values</i>	8 402 928.76	8 643 010.70
Fiduciary deposits with other banks	681 414 793.15	655 591 259.84

INCOME STATEMENT AS OF 31 DECEMBER

	CHF	
	2007	2006
Income and expenses from ordinary banking operations		
Net interest income		
<i>Interest and discount income</i>	12 798 202.92	10 579 240.82
<i>Interest and dividend income from financial investments</i>	341 771.72	283 337.07
<i>Interest expenses</i>	-2 587 857.81	-2 422 420.14
Subtotal for net interest income	10 552 116.83	8 440 157.75
Income from commissions and services		
<i>Fees and commissions on lending operations</i>	207 854.90	165 525.13
<i>Fees and commissions on securities and investment transactions</i>	50 364 641.41	44 353 619.75
<i>Fees and commissions on other services</i>	1 288 578.51	1 200 020.67
<i>Fee and commission expenses</i>	-5 745 820.56	-5 341 420.24
Subtotal for income from commissions and service transactions	46 115 254.26	40 377 745.31
Net trading income	7 292 465.11	7 879 854.75
Other ordinary income		
<i>Profit on disposal of financial investments</i>	74 951.10	17 451.90
<i>Income from holdings</i>	204 720.42	485 769.82
<i>Real estate income</i>	1 149.00	-823.20
<i>Miscellaneous ordinary income</i>	282 229.35	188 414.53
<i>Miscellaneous ordinary expenses</i>	-	-189 798.03
Subtotal for other ordinary income	563 049.87	501 015.02
Total income from ordinary banking operations	64 522 886.07	57 198 772.83
Operating expenses		
<i>Personnel costs</i>	-26 743 060.67	-25 004 513.66
<i>Other operating expenses</i>	-11 830 435.55	-12 183 443.53
Subtotal for operating expenses	-38 573 496.22	-37 187 957.19
Gross profit	25 949 389.85	20 010 815.64
Depreciation and write-offs on fixed assets	-1 460 767.05	-1 238 939.30
Value adjustments, provisions and losses	-166 427.74	-757 351.86
Profit on ordinary banking operations before extraordinary items and taxes	24 322 195.06	18 014 524.48
Extraordinary income	2 834 270.94	2 544 072.85
Extraordinary expenses	-581 273.00	-526 265.00
Taxes	-6 567 653.25	-5 260 358.30
Profit for the year	20 007 539.75	14 771 974.03

CASH FLOW STATEMENT (IN THOUSANDS OF SWISS FRANCS)

	2007			2006		
	Source of funds	Use of funds	Balance	Source of funds	Use of funds	Balance
Cash inflow/outflow from operations						
Net profit for the year	20008	–		14772	–	
Depreciation and write-offs on fixed assets	1461	–		1239	–	
Profit/loss on the sales of participations	–	1597		–	193	
Profit/loss on the sales of tangible fixed assets	–	6		1	–	
Allocation to the reserve for general banking risks	500	–		500	–	
Valuation adjustments and provisions	761	1096		1475	2653	
Accrued income and prepaid expenses in the form of assets	–	182		–	428	
Accrued expenses and deferred income in the form of liabilities	1283	–		4491	–	
Other headings	211	2133		8129	5502	
Dividend from previous year	–	2000		–	1400	
Balance	24224	7014	17210	30607	10176	20431
Cash inflow/outflow from investments						
Holdings	9712	–		403	–	
Real estate	268	62		–	–	
Other tangible fixed assets	–	1880		147	470	
Balance	9980	1942	8038	550	470	80
Cash flow from banking operations						
Medium- and long-term operations (>1 year)						
<i>Other customer accounts</i>	–	1872		–	658	
<i>Loans and advances to customers</i>	2895	–		15076	–	
<i>Mortgage loans</i>	5156	–		–	12536	
<i>Financial investments</i>	1069	–		–	1057	
Short-term operations						
<i>Money-market paper issued</i>	569	–		101	–	
<i>Due to banks</i>	–	31951		9788	–	
<i>Customer savings and investment accounts</i>	–	1929		–	3928	
<i>Other customer accounts</i>	106213	–		–	4115	
<i>Money-market instruments</i>	–	1		4	–	
<i>Due from banks</i>	–	98613		1852	–	
<i>Loans and advances to customers</i>	10346	–		–	29869	
<i>Mortgage loans</i>	–	7545		2415	–	
<i>Trading portfolio assets</i>	–	199		2796	–	
<i>Financial investments</i>	–	4633		–	164	
Balance	126248	146743	–20495	32032	52327	–20295
Cash position						
Cash and cash equivalents	–	4753		–	216	
Balance	–	4753	–4753	–	216	–216
Total source of funds	160452			63189		
Total utilization of funds		160452	–		63189	–

NOTES TO THE FINANCIAL STATEMENTS

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

General observations

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

The Bank conducts its activities from its head office in Yverdon-les-Bains, the branch in Geneva and the offices in Lausanne and Lugano. Following the opening of the Hong Kong Representative Office in 2006, the Bank also opened a representative office in Dubai in 2007.

Expressed in terms of full-time jobs, the headcount at the end of 2007 was 115.2 employees, which was an overall increase of 8.6 compared with the end of 2006. The representative offices employed 5 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.

Other activities

On 30 March 2007, the Bank sold its minority shareholding of 25 percent in PRS Group, comprising companies that specialize in alternative management. A profit of CHF 1573407 was made on this transaction.

Risk management

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

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

Other market risks

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

Cash 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.

Outsourcing

The Bank has entrusted specific tasks to the following organizations:

- THALES SUISSE S.A.: management and operation of computer systems
- SUNGARD INVESTMENT SYSTEMS S.A.: 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 contracts.

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 the valuation and accounting principles

With a view to comparison with 2007, the "Other assets" and "Other liabilities" of the financial year 2006 have been adapted, following a corrected breakdown of some items shown under the headings "Accrued income and prepaid expenses" and "Accrued expenses and deferred income".

With regard to "Tangible fixed assets", the period of use foreseen for software, computer and communication equipment has been reduced to a maximum of 3 years, compared with 5 years previously. Hence the Bank has made an additional write-down of CHF 205 500 in 2007, in order to comply with this new accounting principle since the date on which the assets concerned were purchased.

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. The total costs of the representative offices amounted to CHF 1 714 490 in 2007 (2006: CHF 1 215 555).

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:

	2007		2006	
	Closing rate	Average annual rate	Closing rate	Average annual rate
EUR	1.6553	1.6457	1.6097	1.5765
USD	1.1322	1.1950	1.2207	1.2474
GBP	2.2537	2.3944	2.3891	2.3116
JPY	1.0134	1.0166	1.0244	1.0747

General valuation principles

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

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

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

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

Pension and welfare commitments

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

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

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

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

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

Taxation

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

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

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

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

Valuation adjustments and provisions

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 Piguet & 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 18 535 shares, that is 9.3 percent of the share capital. The remaining 11 465 shares (5.7 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 control interest rate risks, in the context of its balance sheet management. The balance of income from operations intended to hedge interest rate risks is entered under the heading "Interest charges". Accrued interest and changes in replacement values are shown in the "Adjustment account" under "Other assets" or "Other liabilities". The effects of hedging and the objectives and strategies of hedging transactions are documented when the transactions have been completed.

3. Notes to the balance sheet

The following sections are numbered in accordance with the Instructions for Preparation of the Accounts (Directives sur l'établissement des comptes, DEC-CFB). The missing numbers correspond to sections that are not relevant to Banque Piguet & 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			
	Secured by mortgage	Other risk mitigants	Unsecured	Total
Loans				
Loans and advances to customers	12 192	115 372	12 179	139 743
Mortgages				
<i>Residential real estate</i>	140 248	–	–	140 248
<i>Office and business premises</i>	4 324	–	–	4 324
<i>Others</i>	4 936	–	–	4 936
Total advances				
31.12.2007	161 700	115 372	12 179	289 251
31.12.2006	157 961	128 035	14 106	300 102
Off-balance sheet transactions				
Contingent liabilities	–	10 822	100	10 922
Irrevocable commitments	–	599	599	1 198
Total off-balance sheet transactions				
31.12.2007	–	11 421	699	12 120
31.12.2006	1 440	14 631	1 398	17 469
	Gross receivables	Realization value of risk mitigants	Net receivables	Individual value adjustments
Impaired loans				
31.12.2007	13 480	8 784	4 696	4 696
31.12.2006	13 809	9 430	4 379	4 379

3.2 Allocation of trading portfolio assets, financial investments and holdings (in thousands of Swiss francs)

Trading portfolio assets	2007	2006
Equity securities	199	–
Total trading portfolio assets	199	–
<i>Including securities eligible for repurchase agreements in accordance with liquidity regulations</i>	–	–

Financial investments	Book value		Just value	
	2007	2006	2007	2006
Debt securities intended to be held until maturity	12 076	7 727	12 102	7 834
Equity securities	301	1 086	310	1 128
Total financial investments	12 377	8 813	12 412	8 962
<i>Including securities eligible for repurchase agreements in accordance with liquidity regulations</i>	12 076	7 727	12 102	7 834

Holdings	2007	2006
Holdings with market value	183	183
Holdings without market value	–	8 115
Total holdings	183	8 298

3.3 Key investments

Company / Head office	Activity	Currencies	Capital in thousands of units	Holding in %	
				2007	2006
Cofimor Investment and Finance Limited, Nicosia, Cyprus	Inactive	CHF	3	86.00	86.00
*PRS International Consulting, Miami	Asset management	USD	1	–	25.00
*PRS International (Cayman) Ltd, Cayman Islands	Asset management	USD	250	–	25.00
*PRS Latam LLC, Wilmington (Delaware)	Asset management	USD	266	–	16.66
*PRS Partner USA LLC, Wilmington (Delaware)	Asset management	USD	200	–	16.66

*These investments have been sold on 30 March 2007.

3.4 Fixed assets (in thousands of Swiss francs)

	Cost	Accumulated depreciation and write-offs	Book value at year-end	Current year				
				Changes in allocation	Additions	Disposals	Depreciation and write-offs	Book value at year-end
Holdings								
<i>Minority holdings</i>	9 333	-1 035	8 298	-	-	-8 115	-	183
Total holdings	9 333	-1 035	8 298	-	-	-8 115	-	183
Tangible fixed assets								
<i>Bank premises</i>	13 681	-2 331	11 350	-	62	-262	-210	10 940
Other tangible fixed assets	7 494	-6 806	688	-	1 267	-	-633	1 321
Software	5 509	-4 716	793	-	613	-	-617	789
Total tangible fixed assets	26 684	-13 853	12 831	-	1 942	-262	-1 461	13 050
Fire insurance value of real estate								13 304
Fire insurance value of other tangible fixed assets								9 784
Liabilities: future terms of leasing resulting from leasing of exploitation								-

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

	2007		2006	
	Other assets	Other liabilities	Other assets	Other liabilities
Replacement value of derivative financial instruments				
<i>Contracts as agent</i>	8 676	8 403	8 851	8 643
Total of derivative financial instruments	8 676	8 403	8 851	8 643
Offset accounts	-	11	-	149
Indirect taxes	106	2 597	142	2 259
Miscellaneous assets and liabilities	-	-	-	2 093
Total other assets and other liabilities	8 782	11 011	8 993	13 144

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

	2007		2006	
	Book value of pledge	Real liabilities	Book value of pledge	Real liabilities
Financial investments	12 076	-	7 727	-

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 2007	Pension expenses included in "Personnel costs"	
		2007	2006	Variation		2007	2006
Pension funds	2007	2007	2006	Variation	2007	2007	2006
With no surplus or deficit "Caisse de pensions BCV"	—	—	—	—	2 468	2 468	2 299
With surpluses "Fonds de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"	200	—	—	—	188	188	163
Total	200	—	—	—	2 656	2 656	2 462

The surplus or deficit of a pension fund is based on its unaudited interim accounts at 30 September 2007.

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

Pension funds

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

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

3.9 Presentation of valuation adjustments and provisions

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

	Status at year-end 2006	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 2007
Value adjustments and provisions for default risks (recovery risks and country risks)	4 379	-46	-25	761	-	-325	4 744
Value adjustments and provisions for other operational risks	563	-	-	-	-	-	563
Provisions for the BCV pension fund	410	-410	-	-	-	-	-
Other provisions	635	-	25	-	-	-315	345
Total value adjustments and provisions shown on the balance sheet	5 987	-456	-	761	-	-640	5 652
Reserves for general banking risks	2 500	-	-	-	500	-	3 000

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

	2007			2006		
	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%)

	2007				2006			
	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	16 600	166 000	83.00	16 600
Fondation d'intéressement Banque Piguet & Cie S.A., Yverdon-les-Bains	1 147	11 465	5.73	1 147	1 057	10 570	5.28	1 057

The Bank's employees hold 18 535 shares – 9.27 percent (2006: 23 430 shares – 11.72 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 2006

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

Status at 31 December 2006 (before distribution of income)

	84122
+ Allocation to reserves for general banking risks	500
+ Allocation to General legal reserves (CHF 100) and to other reserves (CHF 12 800)	12900
– Deduction from profit shown on the balance sheet	–12900
– Deduction from other reserves	–2716
+ Allocation to the reserve for own equity securities	2716
– 2006 Dividend	–2000
+ Net profit for the year	20008

Status at 31 December 2007 (before distribution of income)

	102630
Including:	
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

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	11 466	–	–	–	–	–	–	11 466
Money-market instruments	–	–	2	–	–	–	–	2
Due from banks	158 254	–	–	–	–	–	–	158 254
Loans and advances to customers	41 482	37 988	38 574	17 456	4 243	–	–	139 743
Mortgage loans	–	60 648	21 392	21 921	29 862	15 685	–	149 508
Trading portfolio assets	–	199	–	–	–	–	–	199
Financial investments	–	5 301	–	557	6 519	–	–	12 377
Total current assets								
31.12.2007	211 202	104 136	59 968	39 934	40 624	15 685	–	471 549
31.12.2006	107 955	79 511	58 137	64 239	52 800	12 628	–	375 270
Borrowed funds								
Money-market paper issued	–	–	670	–	–	–	–	670
Due to banks	17 843	5 000	12 925	26 132	–	–	–	61 900
Customer savings and investments accounts	–	2 066	–	–	–	–	–	2 066
Customer accounts, other	265 022	18 870	5 729	6 330	4 438	–	–	300 389
Total borrowed funds								
31.12.2007	282 865	25 936	19 324	32 462	4 438	–	–	365 025
31.12.2006	204 665	15 845	13 878	53 298	6 310	–	–	293 996

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

	2007	2006
Loans used	3 369	7 350

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	2007		2006	
	Swiss	Foreign	Swiss	Foreign
Cash and cash equivalents	9 396	2 070	5 472	1 241
Money-market instruments	2	–	–	1
Due from banks	148 875	9 379	20 924	38 717
Loans and advances to customers	60 773	78 970	59 539	93 444
Mortgage loans	147 081	2 428	144 639	2 480
Trading portfolio assets	–	198	–	–
Financial investments	11 533	844	6 530	2 283
Participations	183	–	183	8 116
Tangible fixed assets	13 050	–	12 831	–
Accrued income and prepaid expenses	4 999	–	4 818	–
Other assets	8 782	–	8 993	–
Total assets	404 674	93 889	263 929	146 282
Liabilities				
Money-market paper issued	670	–	101	–
Due to banks	51 417	10 484	77 883	15 968
Customer savings and investment accounts	2 008	58	3 911	84
Other customer accounts	111 380	189 008	109 389	86 660
Accrued expenses and deferred income	14 245	–	12 962	–
Other liabilities	11 011	–	13 144	–
Value adjustments and provisions	5 652	–	5 987	–
Reserves for general banking risks	3 000	–	2 500	–
Equity capital	20 000	–	20 000	–
General legal reserve	10 180	–	10 080	–
Reserve for own equity securities	6 468	–	3 752	–
Other reserves	42 932	–	32 848	–
Retained earnings	42	–	170	–
Profit for the year	20 008	–	14 772	–
Total liabilities	299 013	199 550	307 499	102 712

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

Assets	2007		2006	
	Absolute value	As % of	Absolute value	As % of
Europe				
<i>Switzerland</i>	404 674	81.1	263 929	64.4
<i>European Union</i>	33 536	6.7	70 090	17.1
United States	2 757	0.6	11 601	2.8
Asia	13 223	2.7	1 328	0.3
Others	44 373	8.9	63 263	15.4
Total assets	498 563	100.0	410 211	100.0

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

Assets	Currency							Total
	CHF	USD	EUR	GBP	JPY	Other	Metal	
Cash and cash equivalents	8 609	69	2 744	41	1	2	–	11 466
Money-market instruments	–	–	2	–	–	–	–	2
Due from banks	512	14 596	121 591	9 417	109	7 800	4 229	158 254
Loans and advances to customers	67 005	34 219	30 933	627	6 891	68	–	139 743
Mortgage loans	149 508	–	–	–	–	–	–	149 508
Trading portfolio assets	–	199	–	–	–	–	–	199
Financial investments	11 533	557	–	287	–	–	–	12 377
Participations	183	–	–	–	–	–	–	183
Tangible fixed assets	13 050	–	–	–	–	–	–	13 050
Accrued income and prepaid expenses	4 487	123	384	2	3	–	–	4 999
Other assets	8 782	–	–	–	–	–	–	8 782
Total of positions entered as assets	263 669	49 763	155 654	10 374	7 004	7 870	4 229	498 563
Delivery claims arising from spot and forward transactions and options	301 981	450 179	405 100	3 781	10 418	42 148	190	1 213 797
Total assets	565 650	499 942	560 754	14 155	17 422	50 018	4 419	1 712 360
Liabilities								
Money-market paper issued	662	–	–	8	–	–	–	670
Due to banks	39 402	12 822	6 744	692	2 239	1	–	61 900
Customer savings and investment accounts	2 066	–	–	–	–	–	–	2 066
Other customer accounts	88 397	37 166	148 246	9 781	4 760	7 811	4 229	300 390
Accrued expenses and deferred income	14 224	–	20	–	–	1	–	14 245
Other liabilities	11 011	–	–	–	–	–	–	11 011
Value adjustments and provisions	5 652	–	–	–	–	–	–	5 652
Reserves for general banking risks	3 000	–	–	–	–	–	–	3 000
Equity capital	20 000	–	–	–	–	–	–	20 000
General legal reserve	10 180	–	–	–	–	–	–	10 180
Reserve for own equity securities	6 468	–	–	–	–	–	–	6 468
Other reserves	42 932	–	–	–	–	–	–	42 932
Retained earnings	42	–	–	–	–	–	–	42
Profit for the year	20 007	–	–	–	–	–	–	20 007
Total of positions entered as liabilities	264 043	49 988	155 010	10 481	6 999	7 813	4 229	498 563
Delivery commitments arising from spot and forward transactions and options	309 985	424 557	402 441	3 713	21 381	42 021	9 699	1 213 797
Total liabilities	574 028	474 545	557 451	14 194	28 380	49 834	13 928	1 712 360
Net position per currency	–8 378	25 397	3 303	–39	–10 958	184	–9 509	–

4. Notes to off-balance sheet transactions

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

	2007	2006
Contingent liabilities	10 922	12 352

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

	2007	2006
Irrevocable commitments	1 198	5 117
<i>Thereof participation to the deposit guarantee</i>	<i>1 198</i>	<i>1 118</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 underlyings	Replacement value positive	Replacement value negative	Value of underlyings
Interest rate instruments						
<i>Swaps</i>	–	–	–	97	171	22 500
Foreign currencies						
<i>Forward contracts</i>	4 195	4 349	596 873	–	–	–
<i>Swaps</i>	3 733	3 232	536 384	–	–	–
<i>Options (OTC)</i>	651	651	57 105	–	–	–
Total before impact of netting contracts						
31.12.2007	8 579	8 232	1 190 362	97	171	22 500
31.12.2006	8 834	8 593	989 977	17	50	25 000
Total after impact of netting contracts		Replacement value positive (cumulative)			Replacement value negative (cumulative)	
31.12.2007		8 676			8 403	
31.12.2006		8 851			8 643	

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

	2007	2006
Fiduciary deposits with other banks	573 072	543 456
Fiduciary deposits with the BCV Guernsey	100 540	104 379
Total of fiduciary deposits	673 612	647 835
Fiduciary loan	7 803	7 756
Total	681 415	655 591

4.5 Client assets (in thousands of Swiss francs)

Type of client assets	2007	2006
Assets held in funds under own management	1 221 876	1 177 523
Assets under portfolio management (contracts)	2 105 750	2 020 709
Other assets	2 326 167	2 239 262
Total client assets (including double entries)	5 653 793	5 437 494
Double entries	1 122 050	1 177 523
Net deposits/withdrawals of new cash	49 837	463 555

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 (2007: CHF 109.1 million and 2006: CHF 107.4 million).

5. Note to income statement

5.2 Net trading income (in thousands of Swiss francs)

	2007	2006
Foreign currency and precious metals	6 908	7 704
Banknotes	181	219
Securities	203	-43
Total	7 292	7 880

5.3 Personnel costs (in thousands of Swiss francs)

	2007	2006
Fixed and variable compensation	21 696	20 117
Contributions to staff pension funds	2 656	2 462
Employee benefits	1 881	1 964
Other personnel expenses	510	462
Total of personnel costs	26 743	25 005

5.4 Other operating expenses (in thousands of Swiss francs)

	2007	2006
Cost of premises	1 198	1 094
Computerization costs	2 849	2 597
Cost of financial information	1 401	1 255
Cost of machines, furniture and other installations	97	144
Marketing and communications costs	1 206	1 698
Cost of office supplies and subscriptions	354	351
Cost of telecommunications and postage	368	413
Insurance costs	58	48
Travel and entertainment expenses	1 094	1 408
Cost of auditing and other outside consultants	693	935
Cost of representative offices	1 714	1 216
VAT	337	297
Miscellaneous operating expenses	461	727
Total of other operating costs	11 830	12 183

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

	2007	2006
Extraordinary income		
Recovery of provision made for litigation	55	1 551
Partial recovery of provision for exchange rate risk on loans granted to PRS Group	315	480
Partial recovery of provision on Cofimor	–	15
Profit on liquidating a shareholding	1 573	193
Profit on sales of fixed assets	6	–
Release of the provision for taxes following the definitive taxation of previous financial years	605	–
Recovery of customers	270	198
Other	10	107
Total	2 834	2 544

	2007	2006
Extraordinary charges		
Allocation to reserves for general banking risks	500	500
Other	81	26
Total	581	526

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

	2007		2006	
	Swiss	Foreign	Swiss	Foreign
Net interest income	10 552	–	8 440	–
Net fee and commission income	46 115	–	40 378	–
Net trading income	7 292	–	7 880	–
Other ordinary income	403	160	57	444
Income	64 362	160	56 755	444
Personnel expenses	26 743	–	25 004	–
Other operating expenses (included personnel expenses cost of representative offices)	10 116	1 714	10 659	1 524
Expenses	36 859	1 714	35 663	1 524

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

APPROPRIATION OF PROFIT ACCORDING TO PROPOSAL OF THE BOARD OF DIRECTORS

	CHF	
	2007	2006
Profit for the year	20 007 539.75	14 771 974.03
Retained earnings at beginning of the year	41 719.98	169 745.95
Profit shown on the balance sheet	20 049 259.73	14 941 719.98
Proposed appropriation of profit shown on the balance sheet		
Allocation to other reserves	–13 500 000.00	–12 800 000.00
Dividend	–6 000 000.00	–2 000 000.00
Allocation to general legal reserves	–500 000.00	–100 000.00
Retained earnings brought forward	49 259.73	41 719.98

**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 2007.

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 2008

KPMG S.A.

Pierre Zach
Auditor in Charge

Catherine Tornare-Cottet

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