



**PKB BANCA PRIVADA
(PANAMÁ) SA**

2017

ANNUAL REPORT

6th YEAR OF ACTIVITY

History and Profile

PKB Banca Privada (Panamá) SA («PKB Banca Privada» or the «Bank») was established in 2012 in Panamá City. Panamá is a growing economy and one of the rising financial centers in the continent, with an advanced regulatory framework by international standards.

PKB Banca Privada obtained a banking license and a broker-dealer license from the Panamanian banking and security market authorities. As a result, the Bank can offer to its clients all available banking services and securities. Clients are guaranteed by a high degree of capital requirements, liquidity ratios, safety and confidentiality within the framework of the Banking laws and regulations.

PKB Banca Privada operates with a strong emphasis on private banking and wealth management. The Bank is a wholly owned subsidiary of PKB Privatbank AG, Lugano, Switzerland with branches in Geneva, Zurich and Bellinzona.

The Bank consolidates its accounts with PKB Privatbank AG – Lugano, Switzerland, thus complying with the provisions of the Swiss Federal Law on Banks and Saving Banks, and the accounting regulations of the Swiss Financial Market Supervisory Authority.

Statements are expressed in US Dollars (USD). Exchange rates applied for the main currencies are: CHF 0.96894 (1.0076582 in 2016) and eur 0.84616 (1.091155 in 2016). Profit or losses arising from foreign exchange operations are dealt within the statement of income.

Economic overview

In 2017, the world economy highlighted positive and synchronized growth. The developed economies were in addition able to accelerate their pace of expansion or to keep a relatively high cruising speed, barring the UK, slowed by Brexit-related uncertainties. The Eurozone in particular recorded a well above potential growth rate, thanks also the confidence boost delivered by the French general election. Growth in the United States was solid. Though full employment conditions, inflation remained below the Fed's target. Monetary and fiscal support enabled Japan to grow enough to pressure the labor market. In the emerging world, China accelerated relative to 2016, in spite of the slowdown forecasts formulated of the beginning of the year. India overcame successfully the demonetization and the introduction of the new levy tax. After having suffered from deep recessions, Russia and Brazil turned finally in the positive territory. During 2017, central banks in developed economies maintained on the whole a quite supportive attitude. While the Fed only reduced the monetary accommodation, both the ECB and the BOJ carried on their ultra-expansive policies. On the Forex market, the Euro was supported by accelerating growth in the Eurozone and by falling political uncertainties following the French election. The single currency recorded a +14.1% rise against the US Dollar. Wide support from central banks and synchronized growth of the global economy propelled the equity markets. Both the S&P 500 and the Topix surged markedly (+19.4% respectively +19.7%). The US Dollar depreciation limited the gains in Europe (Europe Stoxx 600 +7.7%), but boosted the Emerging markets (MSCI Emerging +34.3%). Government bonds in Euro (Citi Index) delivered a near-zero performance (+0.2%), the US ones a positive return (+2.3%). As for Investment Grade Corporate Bonds in Euro and US Dollar, performances were finally positive, +1.8% respectively +6.5%.

Board of Directors	Bernardo Brunschwiler	<i>Chairman</i>
	Marie Elaine Francey Henríquez	<i>Secretary</i>
	Jaime Alemán Healy	<i>Treasurer</i>
	Enrico Desiata	<i>Director</i>
	Mario Michele Siegfried Sala	<i>Director</i>
	Enrico Tonella	<i>Director</i>
	Beat Paoletto	<i>Director</i>
	Francisco Alvarez de Soto	<i>Director</i>

Management	Francesco Catanzaro	<i>Chief Executive Officer</i>
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Officers	Annette Mayuly De Dibulet	<i>Authorized officer</i>
	Issamary Sánchez	<i>Authorized officer</i>
	Lourdes de Colona	<i>Authorized officer</i>
	Zaira Pimentel P.	<i>Authorized officer</i>
	Kathia Martínez	<i>Authorized officer</i>

Chartered Accountants	Ernst & Young Office One Building, Floor 15-16 50th Street – 58th, Obarrio P.O. Box 0832-1575 W.T.C. Panama, Republic of Panamá
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Incorporation and offices	PKB BANCA PRIVADA (PANAMÁ), SA has been registered as a corporation organized and existing according to the laws of the Republic of Panamá by means of Public Document 16,591 dated 20th July 2012 of the Fifth Notary of the Circuit of Panamá, filed under Microjacket 775360, Document 2213703 of the Mercantile Section of the Public Registry as of 23rd July 2012.
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Registered office	Tower Financial Center Piso 49 Calle 50 y Calle Elvira Méndez Panamá, Republic of Panamá Telephone +507 294 07 00 Telefax +507 294 07 70 E-mail: privatebanking@pkb.com.pa Internet address: www.pkb.ch
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Balance sheet total

As of December 31 st, 2017, total assets amounted to USD 152,888,930 against total liabilities of USD 139,028,388.

Shareholder's equity totaled USD 13,860,542.

Assets

Liquid assets and due from banks Deposits and liquid assets totaled USD 125,522,809 as of December 31 st, 2017, a decrease of 34% with respect to previous year. Such deposits and liquid assets consisted of 72% in USD, 25% in EUR, 1% in CHF, , and 2% in other currencies.

Money market instruments At year-end, there were no money market instruments.

Financial investments At year-end, there were no financial investments.

Loans and due from customers At year end, there were USD 22,930,556 from loans, a increase of 182% with respect to previous year.

Participations At year-end the Bank had no participations.

Liabilities

Due to banks At year end the Bank had due to banks USD 8,829,963.

Due to customers As of December 31st, 2017, deposits from clients amounted to USD 129,579,083, a decrease of 31% with respect to previous year.

Shareholders' equity Total shareholder's equity amounts to USD 13,860,542, or 5% increase with respect to previous year.

Revenues

The most significant items are:

- Net interest margin USD 1,656,253, an increase of 4% with respect to 2016, mainly due to an outstanding increase in interest income from treasury operations.
- Net commissions on banking and investment business USD 1,995,706.

Expenses

Expenses total USD 5,048,849.

Net profit for the year

Net profit for the year totaled USD 654,164.

Notes

1. Corporate Information

PKB Banca Privada (Panama), S.A. (the Bank) a wholly owned subsidiary of PKB Privatbank AG, is registered in the Republic of Panama since July 23, 2012, operates with a Banking License International Award granted by the Superintendence of Banks of Panama, by resolution No. 0106-2012, of September 5, 2012, which allows directing from an established office in Panama, transactions that are perfected, consume or have their effects abroad and perform other activities authorized by the Superintendence. The Bank started operations on September 21, 2012. The Bank's main office is at 50 Street and Elvira Méndez Street, P.H. Tower Financial Center (Towerbank), 49th Floor, Panama City, Republic of Panama.

In accordance with the measures of the legislation, the International License banks require maintain a paid capital or minimum capital of USD 3,000,000 and capital funds for less than 8% of its assets weighted by risks, including off-balance sheet operations. For the subsidiaries and branches of foreigners with an international license, the requirements of capital funds based on consolidated capital funds of the Head Office; taking into consideration the measurement required by the legislation of the host country of the Head Office, provided that it is subject to local regulation.

The full set of the audited financial statements for the year ended December 31, 2017 are available at the office of PKB Banca Privada (Panamá) S. A., in the Spanish language.

2. Basis of Presentation

These summary financial statements are provided for general information purposes only. They are presented on the same basis as the audited financial statements for the year ended December 31, 2017, except that several financial statement items have been grouped together and, the notes to the financial statements have not been included. These items not included herein are however integral parts of financial statements presented in accordance with International Financial Reporting Standards.

SUMMARY STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2017

Assets	AMOUNTS IN USD	2017	2016
Due from banks		125,522,809	189,929,105
Accrued income on due from banks		41,857	154,044
Loans and due from customers, including accrued income on loans		22,930,556	8,139,635
Fixed assets		3,999,664	4,202,894
Other assets and Prepaid Expenses		394,044	564,584
Total assets		152,888,930	202,990,262

SUMMARY STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2017 (CONTINUED)

Liabilities and shareholders' equity	AMOUNTS IN USD	2017	2016
Liabilities			
Due to banks		8,829,963	1,190,927
Due to customers		129,579,083	187,135,206
Accrued interest payable		74,807	24,846
Other liabilities		544,535	1,432,905
Total liabilities		139,028,388	189,783,884
Shareholder's equity			
Share capital		10,000,000	10,000,000
Retained earnings		3,294,556	3,005,595
Dynamic provision		565,986	200,783
Total shareholder's equity		13,860,542	13,206,378
Total liabilities and shareholder's equity		152,888,930	202,990,262

SUMMARY INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

AMOUNTS IN USD	2017	2016
Interest income and expense		
Interest income on deposits with banks	1,301,101	1,481,018
Interest income on loans	437,082	151,613
Interest expense	-81,930	-41,066
Subtotal: Net interest income	1,656,253	1,591,565
Unrealized income on financial investment revaluation		
Other ordinary results		
Commission income from securities and investment business	3,710,924	4,891,933
Gain on foreign exchange	335,836	689,156
Subtotal: Other ordinary results	4,046,760	5,581,089
Subtotal: Net interest and other income	5,703,013	7,172,654
Operating expenses		
Commission expenses	1,715,218	2,314,587
Personnel expenses	1,097,420	1,269,855
General administrative expenses	2,021,132	2,386,096
Depreciation of fixed assets	215,079	223,387
Subtotal: Operating expenses	5,048,849	6,193,925
Result before extraordinary items and taxes	654,164	978,729
Net profit for the year	654,164	978,729

SUMMARY STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED AT DECEMBER 31, 2017

	AMOUNTS IN USD	2017	2016
Net profit for the year		654,164	978,729
Profit carried forward from previous year		3,005,595	1,969,476
Net Profit available for distribution		3,659,759	2,948,205
Net profit distribution			
– Adjustment (allocation) to general statutory reserves (dynamic provision)		(365,203)	57,390
Retained earnings brought forward		3,294,556	3,005,595

SUMMARY CASH FLOWS STATEMENTS FOR THE YEAR ENDED AT DECEMBER 31, 2017

AMOUNTS IN USD	2017	2016
Operating activities		
Net profit for the year	654,164	978,729
Adjustments to reconcile net profit to cash from operating activities:		
Depreciation of fixed assets	215,079	223,387
Interest income	-1,738,183	-1,632,631
Interest expense	81,930	41,066
Net operating profit before changes in working capital	-787,010	-389,449
Time deposits with banks, with original maturity of more than ninety days	-100,912,000	-19,412,000
Loans	-14,596,895	2,284,334
Other assets	170,540	2,601,036
Due from banks and customers	-49,917,087	-130,773,679
Other liabilities	-888,368	-2,377,864
Net cash from operations	34,893,180	-148,067,622
Interest received	1,656,341	1,652,953
Interest paid	-31,968	-20,193
Net cash provided for (used in) operating activities	36,517,553	-146,434,862
Investing activities		
Acquisition of fixed assets	-11,849	-89,450
Net cash flow from investing activities	-11,849	-89,450
Increase (decreased) in cash and cash equivalents	36,505,704	-146,524,312
Cash and cash equivalents at the beginning of year	88,929,105	235,453,417
Cash and cash equivalents at the end of year	125,434,809	88,929,105

REPORT OF THE INDEPENDENT AUDITOR ON SUMMARY FINANCIAL STATEMENTS

**To the general assembly of
shareholders of PKB
Banca Privada (Panamá), S. A.**

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2017, the summary income statement, summary statement of retained earnings and summary cash flows statement for the year then ended, and related notes are derived from the complete audited financial statements of PKB Banca Privada (Panamá), S. A. for the year ended December 31, 2017.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, on the basis described in Note 2.

Summary financial statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards reporting framework applied in the preparation of the audited financial statements of PKB Banca Privada (Panamá), S.A. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated March 22, 2018.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note 2.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Ernst & Young

March 22, 2018
Panamá, Republic of Panamá

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