

CORNIER

Cornèr Banca

Annual report

2006



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55th Annual report

2006

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Report of the Board of Directors

Dear Shareholders,

2006 was a year of sustained growth for the international economy, with a differentiated development between various geographic areas. The expansion of the Asian economy continued with sustained speed, while the main western markets experienced economic consolidation with very contrasting signals from the United States in the last part of the year.

In this environment, the Swiss economy gave proof of solidity, moving in a comprehensively positive scenario, which should continue also during 2007. As for the European Union, the probable weakening of exports, due to a diminished growth of Switzerland's main commercial partners, should be counterbalanced by a reinforcement in private consumption, on which the favourable course of the employment market and the increasing consumers confidence have a positive effect.

Starting in the summer, the Swiss stock market emphasized a determined bullish market orientation. The substantial stability of interest rates, a particularly satisfactory progress in company profits, a gradual improvement in the macroeconomic view, also the repositioning of the price of oil, created the premises for an ascent in the value of the financial markets.

This development has been favourably reflected in the profitability of the Cornèr Banca Group that realised a net profit of 73.7 million Swiss francs, with an increase of 25.8% compared to the preceding year. Total assets have increased by 17.1% to 4'888 million Swiss francs, and the share capital by 7.4% reaching a total of 732 million Swiss francs.

The net income from commissions and fees had a positive evolution, that however is not highlighted in the analysis of the profit and loss account due to the demerger of the acquiring business, the activity of contracting merchants for the acceptance of credit cards which was transferred to Aduno SA in July 2005. The absence of revenue deriving from the acquiring business has, in fact, produced a contraction of 7.0% in the overall results to 154.5 million. As a consequence of this demerger, the Cornèr Banca Group was able to contain the costs of personnel to 113.0 million (-2.7%) and the operating expenses to 74.0 million (-5.0%).

The other line-items of the profit and loss account highlight the trading operations results that have advanced by 14.8%, to 43.8 million and the net interest income result has increased by 5.3%, to 108.4 million Swiss francs. The global gross profit has reached 123.6 million, that is an increase of 8.7%.

The favourable year 2006 results were mainly produced by the Headquarter activities, that reconfirmed its presence on the Ticino marketplace with interesting developments in the area of private banking and credit activities. The results produced by the foreign affiliated Cornèr Banque (Luxembourg) SA of

Luxembourg and Cornèr Bank (Overseas) Limited of Nassau were also particularly satisfactory. The only voice outside the chorus is that of the affiliate of Milan that closed its accounts with a negative result. At the same time, at the beginning of a project aiming to re-launch the business, this affiliate was further integrated in the Cornèr Group and its IT systems migrated to the parent's platform; moreover, the business name was changed to "Cornèr SIM S.p.A." and the offices transferred to via Manzoni 37, a much more central and strategic city area for the development of the business.

In the credit card sector, thanks to a project that has been under development during the past three years, the card management system software has been completely renewed, setting the basis for the creation of new customers oriented products and services, fully in line with the market evolution. Besides, jointly with the introduction of the new denomination Cornèrcard, that replaced the former "Bank Card Center" branding, the bank launched a new logo and the introduction of the Corporate Identity for this division. The objective is to face the competitive credit card marketplace with an incisive and dynamic style, more suitable to sustain the progress of one of the bank's leading sectors.

Aiming at expanding the activities and reinforcing the competitive capacities, the Cornèr Group has made important investments also in the private banking division, touching some organisational and structural aspects, with the objective of further improving customer service. Amongst the measures taken by the Headquarters was also the integration of the foreign affiliates service in the private banking division.

At the organisational level, it is worth mentioning the tasks performed to comply with the directives of Basel II, with particular reference to the management of operational risks. At a technological level, the disaster recovery plan was completed, by putting in place hardware and software infrastructures which will support the bank's daily operations in case of a catastrophic event.

The Board of Directors rejoices with the management of the bank and with all its employees for the commitment demonstrated and for the contribution given for reaching the results commented in this report.

A sincere thank you for the profitable and intelligent collaboration provided during his 24 years of service goes to Director Dr. Piercarlo Lissi, responsible for the foreign affiliates, who will leave the bank during 2007, having reached retirement age.

The Board of Directors



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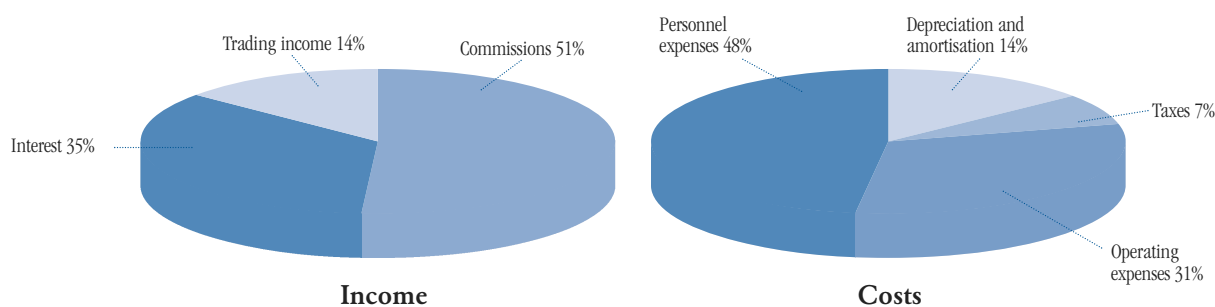
Cornier Bank Group

Annual accounts

Key figures of the Cornèr Bank Group (million CHF)

	2006	2005	2004	2006 vs. 2005	2005 vs. 2004
Total assets	4'888.1	4'175.5	3'714.8	+ 17.1%	+ 12.4%
Customer deposits	2'683.6	2'443.9	2'014.6	+ 9.8%	+ 21.3%
Customer lendings	2'094.2	2'079.6	2'009.2	+ 0.7%	+ 3.5%
Shareholders' equity	731.9	681.5 (1)	773.1	+ 7.4%	- 11.8%
Income	310.5	307.7	294.2	+ 0.9%	+ 4.6%
Costs	-187.0	-194.0	-183.3	- 3.6%	+ 5.8%
Gross profit	123.6	113.7	110.9	+ 8.7%	+ 2.5%
Depreciation and amortisation, value adjustments, provisions and losses	-32.4	-37.7	-31.4	- 14.1%	+ 20.1%
Profit before tax and non-recurring items	91.2	76.0	79.5	+ 20.0%	- 4.4%
Extraordinary results	-0.2	-0.1	0.1		
Taxes	-17.3	-17.3	-17.5		
Net profit	73.7	58.6	62.1	+ 25.8%	- 5.6%

(1) After distribution of an extraordinary dividend of CHF 144 million.



*Scope of consolidation
(of companies consolidated by the full consolidation method)*

**Cornè Banca SA
Via Canova 16
6901 Lugano/Switzerland**

Share capital	CHF	12	m
Shareholders' equity	CHF	588.2	m
Total assets	CHF	3530.3	m

**Cornè Banque
(Luxembourg) SA
10, Rue Dicks
1417 Luxembourg/Luxembourg**

Bank			
Shareholding		90	%
Share capital	CHF	20	m
Shareholders' equity	CHF	36.7	m
Total assets	CHF	1474.1	m

**Cornè Bank
(Overseas) Limited
308, East Bay Street
Nassau/The Bahamas**

Bank			
Shareholding		100	%
Share capital	CHF	10	m
Shareholders' equity	CHF	81.0	m
Total assets	CHF	684.8	m

**Cornè SIM SpA ⁽¹⁾
Via Manzoni, 37
20121 Milano/Italy**

Securities trading company			
Shareholding		100	%
Share capital	€	17.8	m
Shareholders' equity	€	12.4	m
Total assets	€	40.6	m

**Finanziaria & Valori SA
Via Canova 16
6901 Lugano/Switzerland**

Fiduciary and finance company			
Shareholding		100	%
Share capital	CHF	2.5	m

**Cornè Trust (C.I.) Limited
Old Crown Office
Ann's Place
St. Peter Port/Guernsey-C.I.**

Trust company			
Shareholding		100	%
Share capital	CHF	0.25	m

**Securicard SA
4, avenue de Provence
1000 Lausanne 20/Switzerland**

Services company			
Shareholding		100	%
Share capital	CHF	0.1	m

**CFG Compagnia Fiduciaria
Generale Srl
Via Privata Maria Teresa, 11
20123 Milano/Italy**

Fiduciary company			
Shareholding ⁽²⁾		100	%
Share capital	€	0.1	m

**Immobiliare Maria Teresa Srl
Via Privata Maria Teresa, 11
20123 Milano/Italy**

Real estate company			
Shareholding ⁽³⁾		100	%
Share capital	€	0.1	m

(1) Formerly Uniprof SIM SpA

(2) Held by Cornè SIM SpA

(3) Held by Finanziaria & Valori SA

Consolidated profit and loss account

in thousands of Swiss Francs

	Notes	Financial year 2006	Financial year 2005	Change
Income and expenditure from ordinary banking business				
Interest and discount income		170'550	135'024	35'526
Interest and dividend income from trading portfolio		705	1'959	-1'254
Interest and dividend income from financial investments		7'157	5'510	1'647
Interest expense		-70'037	-39'573	-30'464
Net interest income	6	108'375	102'920	5'455
Credit commissions		1'321	1'952	-631
Securities and investment commissions		67'945	66'473	1'472
Fee income and other commissions		94'581	107'632	-13'051
Commission expense		-9'344	-9'944	600
Net fee and commission income	6	154'503	166'113	-11'610
Net trading income	1, 6	43'773	38'132	5'641
Income from sale of financial investments		3'064	-12	3'076
Income from participations valued according to the equity method		189	100	89
Income from real estate		331	349	-18
Other ordinary income		2'008	1'722	286
Other ordinary expenses		-1'696	-1'646	-50
Net other ordinary results	6	3'896	513	3'383
Total income		310'547	307'678	2'869
Personnel expenses	2	-112'972	-116'079	3'107
Other operating expenses	3	-74'013	-77'876	3'863
Operating expenses	6	-186'985	-193'955	6'970
Gross profit	6	123'562	113'723	9'839

Consolidated profit and loss account
in thousands of Swiss Francs

	Notes	Financial year 2006	Financial year 2005	Change
Results for the financial year				
Gross profit		123'562	113'723	9'839
Depreciation and amortisation of fixed assets and intangible assets	13	-20'329	-18'193	-2'136
Value adjustments, provisions and losses	4	-12'041	-19'496	7'455
Profit before tax and non-recurring items		91'192	76'034	15'158
Extraordinary income	5	234	1'989	-1'755
Extraordinary expenses	5	-399	-2'051	1'652
Taxes		-17'323	-17'340	17
Group profit		73'704	58'632	15'072
<i>of which</i>				
- <i>Minority interests</i>		434	162	272

Consolidated balance sheet

in thousands of Swiss Francs

	Notes	Financial year 2006	Financial year 2005	Change
Assets				
Liquid assets	21	558'365	453'573	104'792
Claims in respect of money market paper	21	769	359	410
Due from banks	21	1'683'543	1'053'512	630'031
Due from clients	7, 9, 21	1'529'393	1'505'855	23'538
Mortgage lending	7, 9, 21	564'819	573'758	-8'939
Securities and precious metals trading portfolio	10, 21	9'916	24'454	-14'538
Financial investments	11, 21	358'203	392'401	-34'198
Non-consolidated participating interests	12, 13	849	718	131
Fixed assets	13	97'281	97'660	-379
Intangible assets	13	10'218	11'325	-1'107
Accrued and deferred items		21'326	13'082	8'244
Other assets	15	53'404	48'822	4'582
Total	25, 27, 28	4'888'086	4'175'519	712'567
<i>of which</i>				
- Subordinated amounts receivable		-	-	-
- Amounts due from non-consolidated Group companies and qualified shareholders	24	5'011	5'438	-427

Consolidated balance sheet
in thousands of Swiss Francs

	Notes	Financial year 2006	Financial year 2005	Change
Liabilities				
Liabilities in respect of money market paper	22	638	1'520	-882
Due to banks	22	1'255'622	856'806	398'816
Due to clients as savings or deposits	22	194'008	211'984	-17'976
Other amounts due to clients	22	2'434'681	2'184'302	250'379
Medium-term notes	22	54'951	47'618	7'333
Accrued and deferred items		71'401	63'385	8'016
Other liabilities	15	58'186	46'389	11'797
Value adjustments and provisions	19	86'712	82'020	4'692
Reserves for general banking risks	19, 20	110'000	110'000	-
Share capital	20	12'000	12'000	-
Capital reserve	16, 20	525	525	-
Revenue reserve	16, 20	532'422	497'213	35'209
Minority interests in shareholders' equity	20	3'236	3'125	111
Group profit	20	73'704	58'632	15'072
- of which minority interests		434	162	272
Total	26, 29	4'888'086	4'175'519	712'567
<i>of which</i>				
- Subordinated liabilities		-	-	-
- Amounts due to non-consolidated Group companies and qualified shareholders		15'282	10'119	5'163

Consolidated off-balance-sheet business
in thousands of Swiss Francs

	Notes	Financial year 2006	Financial year 2005	Change
Off-balance-sheet business				
Contingent liabilities	8, 30	70'674	61'580	9'094
Irrevocable commitments	8	15'238	8'749	6'489
Liabilities for calls on shares and other equities	8	150	150	-
Credit commitments	8, 31	1'055	786	269
Derivative financial instruments:	32, 33			
- Positive replacement value	15	49'601	42'024	7'577
- Negative replacement value	15	47'359	38'433	8'926
- Nominal amount		5'012'583	6'269'112	-1'256'529
Fiduciary transactions	34	721'277	698'701	22'576

Consolidated flow of funds statement

in thousands of Swiss Francs

	Financial year 2006		Financial year 2005	
	Source of funds	Use of funds	Source of funds	Use of funds
Flow of funds				
Net cash provided by (used in) operating activities (self-financing)	74'458	-	78'732	-
Group profit	73'704	-	58'632	-
Allocation to provisions	4'692	-	6'657	-
Depreciation and amortisation	20'340	-	18'225	-
Change in accrued income and prepaid expenses	-	-8'244	-	-4'478
Change in accrued expenses and deferred income	8'016	-	5'746	-
Dividend of the previous year	-	-24'050	-	-6'050
Net cash provided by (used in) shareholders' equity	739	-	-	-144'210
Extraordinary dividend (from the Revenue reserve)	-	-	-	-144'000
Modification of the scope of consolidation	-	-	-	-281
Setting-up Aduno SA	-	-	-	-123
Foreign currency conversion difference	739	-	194	-
Net cash provided by (used in) fixed asset transactions	-	-18'985	-	-16'197
Participating interests	-	-131	-	-
Real estate	-	-	-	-1'000
Other fixed assets	-	-7'404	-	-5'301
Intangible assets	-	-11'450	-	-9'896
Net cash provided by (used in) medium/long-term activities (> 1 year)	106'209	-	-	-107'636
Due to banks	-	-3'108	3'108	-
Other amounts due to clients	15'305	-	147	-
Due from clients	12'961	-	14'489	-
Mortgage lending	-	-20'245	-	-80'260
Financial investments	92'308	-	-	-51'323
Medium-term notes	8'988	-	6'203	-
Net cash provided by (used in) short-term activities (< 1 year)	-	-57'629	272'289	-
Liabilities in respect of money market paper	-	-882	815	-
Claims in respect of money market paper	-	-410	2'236	-
Due to banks	401'924	-	126'109	-
Due from banks	-	-630'031	-	-219'192
Other amounts due to clients	235'074	-	430'102	-
Due from clients	-	-36'500	-	-45'503
Due to clients as savings or deposits	-	-17'976	1'031	-
Mortgage lending	29'184	-	40'910	-
Securities and precious metals trading portfolio	14'538	-	-	-13'210
Financial investments	-	-58'110	-	-19'132
Medium-term notes	-	-1'655	-	-8'215
Other assets	-	-4'582	-	-4'291
Other liabilities	11'797	-	-	-19'371
Liquidity	-	-104'792	-	-82'978
Liquid assets	-	-104'792	-	-82'978
Total	181'406	-181'406	351'021	-351'021

Activity of the Cornèr Bank Group

General remarks

Cornèr Banca, a Swiss bank, was founded in Lugano in 1952 and its Head office and general management are in Lugano.

In Switzerland, the Bank provides a full range of banking services through branches in Locarno and Lausanne and five agencies, with private banking and securities trading as its core activities. These activities are also carried out by its foreign affiliated companies in Luxembourg and Nassau (Bahamas) and by its affiliate Cornèr SIM in Milan. The Cornèr Group also manages its own investment funds and acts as custodian for a number of other funds. Cornèr offers its private, institutional and corporate customers a very wide range of credit facilities and loans, mainly through the parent company and its branches in Switzerland. The shipping loans sector has been successfully strengthened in the recent years.

Visa and MasterCard credit card issuing and administration is another important business unit for Cornèr Banca where it has been active for more than thirty years. During the financial year 2005, the acquiring business was transferred to Aduno SA.

The Cornèr Banca Group's consolidated accounts are prepared by the parent company.

Extraordinary dividend

During October 2005, Cornèr Banca's shareholders voted for the payment of an extraordinary dividend totalling CHF 144 million (CHF 6,000 per share). This dividend was paid from the reserves available for distribution. Following payment of this extraordinary dividend, the Bank's strong capital position remained intact, with shareholders' equity representing three times the amount required by law.

Personnel

The Cornèr Banca Group currently employs

- 806 people (2005 = 798), 753 full-time equivalents (2005 = 748),
- of whom 734 (2005 = 714), 684 full-time equivalents (2005 = 667) work for the parent company.

Outsourcing

The Bank does not make use of outsourcing services as defined in Swiss Federal Banking Commission circular 99/2.

Principles of consolidation

General remarks

The Group's accounts are prepared according to the applicable legislation, with particular reference to the Commercial Code, the Federal Law governing Banks and Savings Banks and its implementing regulations, and the specific guidelines issued by the Federal Banking Commission (FBC), in particular those concerning the keeping and preparation of accounts: BAG-FBC 14.12.1994 (amended on 25.03.2004) and some of the provisions of the new BAG-FBC guidelines dated 21.12.2006 already applicable on 31.12.2006.

The Group's accounts are based on the parent company's and individual affiliated companies' figures for the financial year. These figures have been checked and confirmed by the relevant auditors.

Scope of consolidation

Consolidation includes all the companies in which Cornèr Banca directly or indirectly holds a majority of the share capital. The first pages of this report give concise details of the companies that have been consolidated.

The company Fiduciarie Winandy SA, Luxembourg – of which the affiliate Finanziaria & Valori owns 25% – is consolidated by the equity method. This method is used because Cornèr Group does not exercise a decisive influence over the management of the company.

Small companies with low activity levels and marginal impact on the Group's profits are not consolidated. These companies are posted under Non-consolidated participating interests.

Consolidation method

Companies that operate in the banking and finance sectors in which the bank holds a direct or indirect majority of the voting rights and capital are consolidated by the full consolidation method.

Capital is consolidated by the Anglo-Saxon purchase method. Any goodwill arising on first consolidation is shown under Intangible assets. Minority interests in the equity and net profit are shown separately in the balance sheet and profit and loss account.

Intra-group receivables, liabilities and transactions and the corresponding profit and loss account entries are eliminated in the consolidated accounts.

Companies in which the bank holds a direct or indirect participating interest of between 20% and 50% are consolidated by the equity method. As a result, they appear in the group's accounts according to the percentage of their net worth that the bank owns.

Annual accounts in foreign currency

Where the balance sheets of consolidated companies are not expressed in Swiss francs they are converted using year-end rates, except for shareholders' equity, which is converted at historic rates. The profit and loss accounts are converted using average rates for the whole year.

Any conversion differences are recognised in shareholders' equity under Conversion differences.

Year end

All the companies included in the consolidation ended their financial years on December 31st, 2006.

Accounting principles and valuation criteria

Recording of transactions

All transactions are entered in the balance sheet in the same way on the day on which they are concluded and are valued by the criteria described in this section.

Conversion of foreign currencies

Foreign currency positions are converted to Swiss francs using the closing rates. Transactions carried out during the year are converted at the exchange rate prevailing on the day of the transaction.

The result of valuation of balance sheet and off-balance sheet transactions is taken to the profit and loss account under Trading income/expense.

Exchange rates used for the principal currencies and precious metals

Currency	Swiss francs	
	2006	2005
1 Euro	1,607	1,554
1 US Dollar	1,219	1,316
1 Canadian Dollar	1,0484	1,1306
1 Pound Sterling	2,3901	2,2702
100 Yen	1,0253	1,119
1 g Gold	24,85	21,66
1 g Silver	0,494697	0,360678

Money market paper

Claims resulting from money market instruments are entered in the balance sheet at nominal value, while the discount is credited to interest income on an accrual basis. Fixed rate debt instruments are valued by the accrual method.

Receivables from and liabilities to banks and customers

All receivables and liabilities are entered in the balance sheet at nominal value.

If there is any doubt as to repayment of capital or payment of the interest on that capital, the interest is either no longer computed or is adequately provisioned, while a specific adjustment is made to the value of the capital in the currency of the doubtful loan. Positions are shown on the balance sheet without netting between assets and liabilities.

Repo transactions

Repo transactions are booked as deposits with pledge of securities. The securities remain on the balance sheet, while the loan is shown under liabilities to banks. Similarly, reverse repo transactions are booked as loans with pledge of securities and shown under receivables from banks.

The profit or loss is shown under Interest income/expense.

Securities lending

Securities lending transactions on behalf of customers are shown off balance sheet, under Fiduciary transactions. Fees and commissions received are recognised in the profit and loss account under Fee and commission income.

Securities and precious metal trading portfolio

This heading contains equities, bonds and precious metals held in connection with ordinary trading transactions. These items are valued at fair value, being the year-end market price quoted on a recognised stock exchange or representative market as defined by banking legislation. Any unlisted securities are valued on the basis of specific, recognised valuation models.

Interest and dividend income received is shown in the profit and loss account under Interest income. The heading Trading income includes only profits and losses arising from the purchase and sale prices and excludes refinancing costs.

Accounting principles and valuation criteria

Financial investments

These comprise all the financial assets that do not relate to either trading transactions or participating interests. They are valued according to the lower of cost or market method.

Profits and losses are taken to the profit and loss account under Other ordinary results. Profits or losses from disposal of financial investments are shown under an appropriate heading, while the balance of the value adjustments is booked under Other ordinary income/expenses. Interest and dividend income is shown in the profit and loss account under Interest income.

Non-consolidated participating interests

Non-consolidated participating interests are valued at acquisition cost less necessary amortisation.

Fixed assets

Fixed assets comprise the premises used by the Bank, other premises, electronic data processing equipment and other technical equipment, as well as fixtures and fittings.

They are valued at acquisition cost less necessary depreciation. Depreciation is calculated according to the estimated useful life, not exceeding:

Buildings	50 years
Equipment and furnishings	10 years
Hardware, general machinery	3 years

The real value of fixed assets is revalued at each year end. If this revaluation results in a change in useful life or a reduction in value, an additional depreciation charge is made.

Small investments in fixed assets are charged directly to the profit and loss account under Other operating expenses. Profits or losses from disposal of assets are booked under Extraordinary income/expenses.

In table 13 of the notes, "Analysis of fixed assets", the real estate and other fixed assets that have been fully amortized are no longer shown in the columns "Acquisition value" and "Accumulated amortization".

Intangible assets

Goodwill:

If the acquisition costs of a participating interest exceed the value of its net assets taken over and valued according to the same guidelines as those used in the Group, the difference is goodwill.

This goodwill is shown on the asset side of the balance sheet and is amortised by the straight line method, over a period of 5 years. The real value of the asset is revalued at each year end and, if it is overvalued, an additional amortisation charge is made.

Other intangibles:

Acquisitions of software and other intangibles are taken to the balance sheet only if it is expected that they can be used for more than one year.

They are valued at acquisition cost, less necessary depreciation. Depreciation is calculated on the basis of estimated useful life not exceeding 3 years.

The real value of these assets is revalued at the end of each year. If this revaluation results in a change in useful life or a reduction in value, an additional depreciation charge is made.

Small investments in intangibles are charged directly to the profit and loss account under Other operating expenses.

Profits and losses from disposals of assets are booked under Extraordinary income/expenses.

Intangibles created by the Bank itself are not booked as assets.

Accrued and deferred items

All profit and loss items are booked according to the accruals principle.

Accounting principles and valuation criteria

Taxes

Ordinary taxes:

Ordinary taxes are calculated on the basis of tax legislation in force in the respective countries and booked as an expense, for the accounting period to which they relate.

Provisions for taxes are shown under Accrued and deferred items.

Any tax credits are recognised in the balance sheet only if there is a reasonable degree of certainty that they will be recovered. As of 31.12.2006 the amount of potential tax credits was insignificant and no amount was recognised on the balance sheet.

Deferred taxes:

Provisions for deferred taxes cover all possible future expenses owing to deferral of taxation of specific items; they are allocated to Taxes, in the financial year in which they arise, and recognised under Value adjustments and provisions.

These contingent expenses are valued each year, on the basis of current tax rates, unless the actual expense that will need to be borne in the future is already known.

The provisions existing as of 31.12.2006 in the accounts of the parent company and in those of the Group cover in particular taxes on the Reserves for general banking risks.

Value adjustments and provisions

Specific value adjustments or global provisions are made for all risks identifiable at year end, adopting a prudent approach. The resulting expense, after deducting any recoveries, is charged to Value adjustments, provisions and losses. The profit and loss account shows the net position; table no. 19 breaks this down into the individual components.

Credit risk:

A credit or loan is deemed to be doubtful if there are indications that a debtor might be unable to meet his commitments, and also if interest is not paid within 90 days.

When a credit or loan is deemed doubtful, a value adjustment is immediately made, taking account of the realisation value of any security. Interest ceases to be computed or is also subject to a value adjustment.

An additional general value adjustment determined on the basis of historic data is made to cover the latent risks arising from consumer lending, vessel loans and country risk in general.

Other risks:

An appropriate specific provision is made for any other risk arising out of banking activity as soon as the risk becomes apparent.

Provisions to cover fraudulent credit card activities are included under Other risks.

Own shares and debt instruments

Own debt instruments that are traded are offset by the corresponding liability positions.

At the end of the 2006 financial year, the own debt instruments position was insignificant, and the own shares position was zero.

Derivative financial instruments

Derivative financial instruments are valued at fair value and recorded in the balance sheet as positive or negative replacement values under Other assets or Other liabilities.

Fair value is the price quoted on a recognised market or a price set by a market maker, or values established on the basis of specific, recognised valuation models.

The replacement values resulting from transactions generated by customers are also taken to the balance sheet. They are presented gross, with no setoff between positive and negative replacement values.

Accounting principles and valuation criteria

Trading transactions:

The Bank treats all derivative financial instruments as trading transactions, excluding those used to hedge a balance sheet position.

The results of trading transactions are recorded under Trading income/expense.

Hedging transactions:

Hedging transactions are identified and reported as such at the beginning of the transaction. The value assigned to a hedging transaction mirrors that of the underlying object. The result of calculating the replacement values is booked in the compensation account (Other assets or Other liabilities), with no effect on the profit and loss account.

Realised profits or losses are booked under Interest income or expense.

The Bank regularly checks its hedging transactions to ensure that they are effective at all times.

Other off-balance sheet items

All other off-balance sheet assets and liabilities are valued at nominal value.

Presentation of accounts

In order to ensure a better comprehension and transparency, some columns of the profit and loss accounting together with some additional information to the financial statements are presented in a more exhaustive manner than required by law.

Risk management

Risk management is an integral part of banking. The Board of Directors, as the responsible body, defines and periodically reviews the risk policy and the various rules applicable to all the Cornèr Banca Group companies. Application of these rules is entrusted to the parent company's general management and to specific committees. Strict limits and authorities are put in place for each type of risk and controlled on an ongoing basis.

There is also a clear distinction between the operational departments and those responsible for the controls.

Rate and liquidity risks

Rate risk represents the possibility that unexpected changes in rates will cause losses. Liquidity risk represents the possibility of not being able to meet payment obligations. The Asset and Liability Committee is responsible for managing rate and liquidity risks and defines the most appropriate instruments to hedge against these risks.

Rate risk management is based on the guidelines in Swiss Federal Banking Commission circular 99/1.

A special IT tool allows the rate risk to be calculated and simulates the effects of rate movements on the interest margin and on the Bank's equity. Stress scenarios are analysed periodically.

Liquidity positions are monitored daily and maintained within the minimum limits required by law.

Credit risk

Credit risk represents the possibility that a change in a counterparty's ability to comply with its contractual liabilities will cause losses.

The Credit Risk Committee is responsible for managing these risks, which include country risk and concentration risk.

In order to manage credit risk the Bank has put in place specific rules concerning the granting of credit facilities and loans, and strict authorisation limits. Counterparty banks are subject to an internal rating system, while loans to customers are individually subject to careful analysis.

Appropriate internal rules determine the maximum amounts that may be lent for the different types of security provided for loans and credit facilities granted by the Bank.

Risk management

An efficient information system allows the loans and credit facilities granted and the value of the security furnished to be monitored regularly. Real-time information means that the responsible bodies within the Bank are kept up-to-date with the position of each individual loan or credit facility on an ongoing basis. In addition, each file periodically undergoes a detailed review.

In order to manage efficiently and minimize the settlement risk for the forex spot activity, the bank uses the CLS (Continuous Linked Settlement) system, which it joined as a “third party” member.

The risks relating to the Visa and MasterCard activities are also closely examined and managed through an internal rating system. In this sector, the Bank has for some time had sophisticated credit and operational risk control systems, active 24 hours a day and 7 days a week, to provide efficient management of cardholders’ and contracted merchants’ activity.

There are also procedures in place to monitor the progress of credit and loan facilities granted and whether they are repaid within the agreed terms.

Market risk

Market risk represents the possibility that unexpected changes in prices will cause losses.

The Trading Committee is responsible for managing the market risk in the Trading Book.

Market transactions are recognised immediately so as to be able to value them in real time and determine the size of the overall positions. Trading positions and their impact on the profit and loss account are valued daily.

Appropriate rules and strict operating limits allow market risks to be appropriately managed. The equity required to cover markets risks is determined by the standardised method provided for by Swiss Federal Banking Commission circular 97/1.

Market risks are monitored through an efficient information system and reporting to the responsible bodies within the Bank.

Other risks

The Risk Management Committee, which oversees all the other risk committees mentioned above, manages all the risks not delegated to another committee, including compliance, image and reputational risks, as well as operational and legal risks.

Besides the traditional Legal Department, the Bank has specific and competent Risk and Compliance management departments. Significant efforts have been made in terms of staff training for the whole bank and of the upgraded IT systems.

The internal audit department, which operates in close cooperation with the external auditor, provides the final element in the risk management process. It is responsible for verifying that procedures are adequate and are complied with, and for the proper functioning of the control systems as a whole.

Notes to the consolidated annual accounts

in thousands of Swiss Francs

	Financial year 2006	Financial year 2005
1		
Trading income		
Foreign exchange, precious metals and banknote trading	41'980	34'308
Securities trading	1'793	3'824
Total	43'773	38'132
2		
Personnel expenses		
Salaries	88'972	91'204
Social security contributions	8'358	8'840
Contributions to staff pension funds	12'320	13'194
Other personnel expenses	3'322	2'841
Total	112'972	116'079
3		
Other operating expenses		
Expense of premises	5'320	5'184
IT, machinery and other equipment	10'989	11'381
Postage and telecommunications	6'157	7'221
Services, consulting and information expenses	25'083	24'879
Marketing	17'153	17'815
Other operating costs	9'311	11'396
Total	74'013	77'876
4		
Value adjustments, provisions and losses		
Allocation for provisions for bad and doubtful debts (credit and country risks)	8'528	10'074
Allocation for business risks	3'263	2'557
Allocation for other risks	250	6'865
Total	12'041	19'496
5		
Extraordinary expenses and income		
The extraordinary results of 2005 were largely accounted for by the activity in relation to the spin-off of the acquiring business area.		

Notes to the consolidated annual accounts
in thousands of Swiss Francs

6	Financial year 2006		Financial year 2005	
	Switzerland	Abroad	Switzerland	Abroad
Breakdown of gross profit between Switzerland and abroad				
Net interest income	98'848	9'527	102'276	644
Net commission and fee income	135'611	18'892	146'499	19'614
Net trading income	41'147	2'626	33'898	4'234
Net other ordinary results	4'026	-131	194	319
Operating income	279'632	30'914	282'867	24'811
Personnel expenses	-102'413	-10'559	-104'582	-11'497
Other operating expenses	-64'944	-9'069	-70'265	-7'611
Operating expenses	-167'357	-19'628	-174'847	-19'108
Gross profit	112'275	11'286	108'020	5'703

7	Form of security			Total
	Mortgage security	Other security	Unsecured	
Security for loans				
Due from clients	7'234	567'943	954'216	1'529'393
- of which financing of credit card activity	-	21'424	639'180	660'604
- of which loans to public entities and companies controlled by public entities	-	4	168'094	168'098
Mortgage lending	564'819	-	-	564'819
- Residential properties	348'596	-	-	348'596
- Commercial properties	139'281	-	-	139'281
- Trade and industrial properties	59'633	-	-	59'633
- Other properties	17'309	-	-	17'309
Total financial year 2006	572'053	567'943	954'216	2'094'212
Financial year 2005	583'787	549'014	946'812	2'079'613

8	Security for off-balance-sheet business			
Contingent liabilities	-	51'806	18'868	70'674
Irrevocable commitments	-	-	15'238	15'238
Liabilities for calls on shares and other equities	-	-	150	150
Credit commitments	-	-	1'055	1'055
Total financial year 2006	-	51'806	35'311	87'117
Financial year 2005	-	52'022	19'243	71'265

Notes to the consolidated annual accounts

in thousands of Swiss Francs

9	Gross amount	Liquidation value of collateral	Net amount	Specific value adjustments
Impaired loans				
Financial year 2006	1'362	15	1'347	1'347
Financial year 2005	1'265	14	1'251	1'251
Non-performing loans				
Financial year 2006	16'731	11'590	5'141	5'141
Financial year 2005	1'616	988	628	628

Doubtful loans have been valued individually according to very prudent criteria.

10	Financial year 2006	Financial year 2005
Securities and precious metals trading portfolio		
Interest-bearing securities and loan-stock rights	9'494	23'243
- listed	9'494	22'071
- unlisted	-	1'172
Equities	238	1'047
Precious metals	184	164
Total	9'916	24'454

11	Book value		Fair value	
	Financial year 2006	Financial year 2005	Financial year 2006	Financial year 2005
Financial investments				
Interest-bearing securities and loan-stock rights	354'853	389'814	354'899	389'894
- of which valued at lower of cost or market	354'853	389'814	354'899	389'894
Equities	2'518	1'755	2'518	1'755
Real estate	832	832	832	832
Total	358'203	392'401	358'249	392'481

12	Book value	
	Financial year 2006	Financial year 2005
Non-consolidated participating interests (unlisted)		
Valued according to the equity method	799	668
Other non-consolidated participations	50	50
Totale	849	718

Notes to the consolidated annual accounts
in thousands of Swiss Francs

13	Financial year in review						
	Acquisition cost	Accumulated depreciation & amortisation	Book value end 2005	Investments (1)	Disposals and forex differences	Depreciation & amortisation	Book value end 2006
Analysis of fixed assets							
Participations valued according to the equity method	1'024	-356	668	111	20	-	799
Other non-consolidated participations	750	-700	50	-	-	-	50
Non-consolidated qualified participating interests	1'774	-1'056	718	111	20	-	849
Bank buildings	96'247	-19'195	77'052	-	-	-1'874	75'178
Other real estate	8'200	-200	8'000	-	-	-	8'000
Other tangible fixed assets	24'837	-12'229	12'608	7'381	23	-5'909	14'103
Total fixed assets	129'284	-31'623	97'660	7'381	23	-7'783	97'281
Goodwill	9'597	-7'675	1'922	6	-	-1'921	7
Other intangible assets	19'881	-10'478	9'403	11'443	1	-10'636	10'211
Totale intangible assets	29'478	-18'153	11'325	11'449	1	-12'557	10'218

(1) Including value increases.

Fire insurance value of bank premises and other real estate	109'712
Fire insurance value of other fixed assets	42'319
Total	152'031

14	Financial year 2006	Financial year 2005
Leasing contracts not on balance sheet		
Commitments relating to future leasing instalments	-	-

15	Financial year 2006		Financial year 2005	
	Assets	Liabilities	Assets	Liabilities
Other assets and liabilities				
Replacement values of trading portfolio derivative financial instruments	47'930	46'017	41'957	35'220
Replacement values of derivative financial instruments used for hedging purposes	1'671	1'342	67	3'213
Compensation account	-	331	3'144	-
Others	3'803	10'496	3'654	7'956
Total	53'404	58'186	48'822	46'389

Notes to the consolidated annual accounts

in thousands of Swiss Francs

16	Financial year 2006		Financial year 2005	
	Carrying amount	Related liability	Carrying amount	Related liability
Assets pledged, assigned or under reservation of ownership				
Guarantees in order to obtain financing from the Swiss National Bank (1)	44'763	-	43'574	-
Pledged assets to guarantee stock market activities and the interbank clearing account	42'441	-	63'520	-
Pledged assets to guarantee other commitments	7'639	-	6'657	-
Total	94'843	-	113'751	-

(1) In line with the directives issued by the Swiss National Bank, the financing facility replaced the existing one for Lombard loans.

	Financial year 2006	Financial year 2005
Non-distributable statutory or legal reserves	42'417	39'317

17	Financial year 2006	Financial year 2005
Repo transactions		
Book value of receivables deriving from funds lent under Reverse Repurchase transactions	-	20'636
Book value of liabilities deriving from funds received under Repo transactions	200'000	235'636
Book value of securities given as security for Repo transactions	200'160	214'831
- of which with unrestricted right of resale or pledge	-	-

18 Pension funds

The Cornèr Banca SA staff are insured with an independent and autonomous pension fund that is subject to the applicable Swiss pension fund legislation (LPP). The fund's rules define the employee and employer contributions and pension benefits. The Group's other companies do not have their own pension funds; their staff are covered by arrangements with third parties on the basis of the laws of the respective countries. No Group company had any outstanding liability in respect of pensions at 31.12.2006.

The employer's contributions are booked under Personnel expenses at Contributions to staff pension funds.

There is also a corporate pension fund that insures part of the staff, funded entirely by the Bank. In order to improve the structure of the fund's balance sheet, and following a change to its memorandum and articles of association, the Bank made an extraordinary contribution of CHF 2 million in financial year 2005.

Contributions reserve

No contributions reserve has been set up by the bank.

	Surplus / Deficit	Net advantage / obligation for the Group		Change in the period	Adjusted contribution period 2006	Employers costs included in the personnel expenses	
		31.12.2006	31.12.2005			2006	2005
Advantage / Obligation and Pension plan costs							
Pension fund without surplus / deficit	-	-	-	-	11'451	11'451	10'054
Corporate pension fund foundation	86	-	-	-	817	817	3'096

The bank has to determine for each pension plan, whether the level of cover and the particular situation of the pension fund generates a financial advantage or obligation. This evaluation is based on the financial position as at 31 December 2005 and how the financial position changed in 2006.

Notes to the consolidated annual accounts
in thousands of Swiss Francs

	Financial year 2006	Financial year 2005
Amounts due to own pension funds		
Amounts due	35'441	34'643

19	Financial year in review					Status end 2006
	Status end 2005	Provisions charged to the profit and loss account	Uses and releases as designated	Recoveries, other alloca- tions and forex differences	Releases to profit and loss account	
Value adjustments and provisions						
Deferred taxes	38'560	346	-	-	-	38'906
Bad and doubtful debts (credit and country risks)	30'430	10'799	-12'926	8'489	-2'171	34'621
Other business risks	3'471	127	-50	154	-107	3'595
Other provisions	9'559	311	-416	136	-	9'590
Sub-total	43'460	11'237	-13'392	8'779	-2'278	47'806
Total	82'020	11'583	-13'392	8'779	-2'278	86'712
Reserves for general banking risks	110'000	-	-	-	-	110'000

20	Financial year 2006
Statement of changes in shareholders' equity	
Share capital at the beginning of the year (completely paid-up)	12'000
Capital reserve	525
Revenue reserve	496'483
Minority interests in shareholders' equity	3'125
Reserves for general banking risks	110'000
Group profit as per balance sheet (financial year 2005)	58'632
Foreign currency conversion difference	730
Total shareholders' equity at the beginning of the reporting year	681'495
Dividends and other allocations deducted from the profit of the previous year	-24'050
Group profit (financial year 2006)	73'704
Foreign currency conversion difference	739
Total shareholders' equity at the end of the reporting year	731'888
<i>of which</i>	
- Share capital (completely paid-up)	12'000
- Capital reserve	525
- Revenue reserve	530'954
- Minority interests in shareholders' equity	3'236
- Reserves for general banking risks	110'000
- Group profit	73'704
- Foreign currency conversion difference	1'469

Notes to the consolidated annual accounts

in thousands of Swiss Francs

21	On demand	Callable	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Maturity structure of current assets and financial investments							
Liquid assets	558'365	-	-	-	-	-	558'365
Claims in respect of money market paper	60	-	110	599	-	-	769
Due from banks	692'841	-	977'091	13'611	-	-	1'683'543
Due from clients	-	857'213	351'575	131'144	183'379	6'082	1'529'393
Mortgage lending	-	127'903	55'381	126'562	206'479	48'494	564'819
Securities and precious metals trading portfolio	9'916	-	-	-	-	-	9'916
Financial investments	3'351	-	47'749	115'000	170'942	21'161	358'203
Total financial year 2006	1'264'533	985'116	1'431'906	386'916	560'800	75'737	4'705'008
Financial year 2005	797'899	954'470	1'168'365	361'617	673'247	48'314	4'003'912
22							
Maturity structure of debt capital							
Liabilities in respect of money market paper	638	-	-	-	-	-	638
Due to banks	455'548	48'495	607'186	144'393	-	-	1'255'622
Due to clients as savings or deposits	-	194'008	-	-	-	-	194'008
Other amounts due to clients	1'049'970	121'537	1'121'664	92'380	49'130	-	2'434'681
Medium-term notes	-	-	2'242	11'055	40'488	1'166	54'951
Total financial year 2006	1'506'156	364'040	1'731'092	247'828	89'618	1'166	3'939'900
Financial year 2005	1'261'869	280'336	1'472'938	217'488	68'270	1'329	3'302'230

23	Financial year 2006	Financial year 2005
Particular claims and liabilities		
Loans to members of the bank's governing bodies (1)	18'800	20'416
- of which guaranteed by mortgages	16'372	18'179
- of which guaranteed by securities or funds deposited at the bank	1'619	1'575

(1) See notes to the parent company accounts (notes 9 and 10 on page 95).

Notes to the consolidated annual accounts
in thousands of Swiss Francs

24	Financial year 2006	Financial year 2005
Amounts due from non-consolidated Group companies and qualified shareholders		
Qualified shareholders (1)	5'011	5'438
- of which guaranteed by mortgages	3'000	3'235
- of which guaranteed by securities or funds deposited at the bank	928	1'417

There are no companies connected to the Group as defined by the Federal Banking Commission.

(1) See notes to the parent company accounts (note 10 on page 95).

25	Financial year 2006		Financial year 2005	
	Switzerland	Abroad	Switzerland	Abroad
Breakdown of assets between Switzerland and abroad				
Liquid assets	511'743	46'622	428'901	24'672
Claims in respect of money market paper	220	549	295	64
Due from banks	93'592	1'589'951	106'941	946'571
Due from clients	1'000'850	528'543	1'009'343	496'512
Mortgage lending	560'678	4'141	569'292	4'466
Securities and precious metals trading portfolio	240	9'676	235	24'219
Financial investments	39'217	318'986	73'266	319'135
Non-consolidated participating interests	50	799	50	668
Fixed assets	95'860	1'421	96'934	726
Intangible assets	10'167	51	11'282	43
Accrued and deferred items	15'021	6'305	9'050	4'032
Other assets	32'534	20'870	31'203	17'619
Total	2'360'172	2'527'914	2'336'792	1'838'727

26	Financial year 2006		Financial year 2005	
	Switzerland	Abroad	Switzerland	Abroad
Breakdown of liabilities between Switzerland and abroad				
Liabilities in respect of money market paper	628	10	742	778
Due to banks	718'254	537'368	529'812	326'994
Due to clients as savings or deposits	170'160	23'848	187'953	24'031
Other amounts due to clients	817'517	1'617'164	821'762	1'362'540
Medium-term notes	54'951	-	47'618	-
Accrued and deferred items	62'585	8'816	57'770	5'615
Other liabilities	33'579	24'607	26'456	19'933
Value adjustments and provisions	77'856	8'856	73'756	8'264
Reserves for general banking risks	110'000	-	110'000	-
Share capital	12'000	-	12'000	-
Capital reserve	525	-	525	-
Revenue reserve	532'422	-	497'213	-
Minority interests in shareholders' equity	-	3'236	-	3'125
Group profit	73'704	-	58'632	-
Total	2'664'181	2'223'905	2'424'239	1'751'280

Classified by counterparty's domicile.

Notes to the consolidated annual accounts

in thousands of Swiss Francs

27	Financial year 2006		Financial year 2005	
	Amount	Percentage	Amount	Percentage
Breakdown of assets by geographical area				
Switzerland	2'360'172	48.3%	2'336'792	55.9%
European Union countries	2'068'397	42.3%	1'401'427	33.6%
Other O.E.C.D. countries	214'056	4.4%	190'671	4.6%
Others	245'461	5.0%	246'629	5.9%
Total	4'888'086	100.0%	4'175'519	100.0%

Classified by counterparty's domicile.

28	CHF	EUR	USD	Other	Total
Breakdown of assets by currency					
Liquid assets	503'312	54'045	510	498	558'365
Claims in respect of money market paper	220	549	-	-	769
Due from banks	213'560	957'846	337'728	174'409	1'683'543
Due from clients	994'901	229'702	301'973	2'817	1'529'393
Mortgage lending	560'678	-	-	4'141	564'819
Securities and precious metals trading portfolio	283	7'587	1'862	184	9'916
Financial investments	319'002	33'066	6'135	-	358'203
Non-consolidated participating interests	50	799	-	-	849
Fixed assets	96'041	1'240	-	-	97'281
Intangible assets	10'167	51	-	-	10'218
Accrued and deferred items	9'492	9'614	2'219	1	21'326
Other assets	26'086	10'705	13'189	3'424	53'404
Total assets on balance sheet	2'733'792	1'305'204	663'616	185'474	4'888'086
Claims for delivery deriving from spot, forward and option currency and precious metal transactions at delta factor	189'820	1'306'549	1'302'861	326'602	3'125'832
Total assets 2006	2'923'612	2'611'753	1'966'477	512'076	8'013'918

Notes to the consolidated annual accounts
in thousands of Swiss Francs

29	CHF	EUR	USD	Other	Total
Breakdown of liabilities by currency					
Liabilities in respect of money market paper	504	48	78	8	638
Due to banks	331'687	275'018	549'578	99'339	1'255'622
Due to clients as savings or deposits	194'008	-	-	-	194'008
Other amounts due to clients	723'733	1'053'894	508'326	148'728	2'434'681
Medium-term notes	54'951	-	-	-	54'951
Accrued and deferred items	59'694	9'451	2'214	42	71'401
Other liabilities	29'026	12'236	13'192	3'732	58'186
Value adjustments and provisions	82'890	3'822	-	-	86'712
Reserves for general banking risks	110'000	-	-	-	110'000
Share capital	12'000	-	-	-	12'000
Capital reserve	525	-	-	-	525
Revenue reserve	532'422	-	-	-	532'422
Minority interests in shareholders' equity	3'236	-	-	-	3'236
Group profit	73'704	-	-	-	73'704
Total liabilities on balance sheet	2'208'380	1'354'469	1'073'388	251'849	4'888'086
Obligations deriving from spot, forward and option currency and precious metal transactions at delta factor	737'354	1'274'838	882'895	225'187	3'120'274
Total liabilities 2006	2'945'734	2'629'307	1'956'283	477'036	8'008'360
Net position per currency	-22'122	-17'554	10'194	35'040	5'558

30	Financial year 2006	Financial year 2005
Breakdown of contingent liabilities		
Credit guarantees	54'814	52'682
Irrevocable commitments in respect of documentary credits	15'860	8'898
Total	70'674	61'580
31		
Credit commitments		
Liabilities arising from deferred payments	1'055	786

Notes to the consolidated annual accounts
in thousands of Swiss Francs

32	Trading		
	Positive replacement value	Negative replacement value	Notional amount
Open derivative financial instruments			
Interest rate contracts			
Forwards including FRAs	5	4	23'628
Swaps	9'167	9'083	813'653
Futures	-	-	2'664
Options (OTC)	411	411	115'276
Total	9'583	9'498	955'221
Foreign exchange contracts			
Forwards	9'983	9'207	1'247'596
Swaps	9'811	8'762	1'698'723
Options (OTC)	3'248	3'251	405'653
Total	23'042	21'220	3'351'972
Precious metals contracts			
Forwards	2	2	270
Swaps	43	40	2'618
Futures	-	-	10'016
Options (OTC)	41	41	4'200
Total	86	83	17'104
Equity/Index contracts			
Forwards	930	930	20'950
Futures	-	-	74'961
Options (OTC)	14'289	14'286	52'090
Options (traded)	-	-	235'877
Total	15'219	15'216	383'878
Others			
Futures	-	-	1'076
Options (traded)	-	-	332
Total	-	-	1'408
Grand total financial year 2006 (before/after netting)	47'930	46'017	4'709'583
Financial year 2005	41'957	35'220	6'026'636

Notes to the consolidated annual accounts
in thousands of Swiss Francs

33	Hedging		
	Positive replacement value	Negative replacement value	Notional amount
Open derivative financial instruments			
Interest rate contracts			
Swaps	1'671	1'342	303'000
Grand total financial year 2006 (before/after netting)	1'671	1'342	303'000
Financial year 2005	67	3'213	242'476

34	Financial year 2006	Financial year 2005
Fiduciary transactions		
Fiduciary placements	697'818	664'634
Fiduciary credits and other fiduciary financial transactions	23'459	34'067

Report of the Group Auditors



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To the General Meeting of

Cornèr Banca SA, Lugano

Lausanne, March 9, 2007

Report of the group auditors

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement and notes, pages 57 to 81) of the group Cornèr Banca SA, Lugano, for the year ended December 31, 2006.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks and comply with Swiss law.

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

Ernst & Young Ltd

Pierre Balsiger
Swiss Certified Accountant
(in charge of the audit)

Karen Praplan
Swiss Certified Accountant

Direzione Generale e Sede General Management and Head Office

Cornèr Banca SA
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