



ANNUAL REPORT 2010

OUR MISSION

Create, develop and maintain privileged and durable relationships between the Bank and its clients. This requires an understanding of their needs and the provision of the best solution.



BOARD OF DIRECTORS

Michel Cartillier	Chairman Banker, Geneva
Jean Thomazeau	Vice-Chairman Former Member of the General Management Committee of BNP Paribas, Paris
Camille Froidevaux	Board Secretary, Attorney-at-Law, Geneva
Gabriel Rolando Safdié	Banker, Panama
Bignia M. Vieli	Attorney-at-Law, Zurich

CHIEF EXECUTIVE OFFICER

Pierre Fischer *

GENEVA HEAD OFFICE

Management	Claude-Alain Bovier	Exchanges/Treasury/Stock Exchange
	Patrice Butty	IT/Securities and Cash
	Robert Dallal	Private Banking
	Philippe Delattre	Risks
	Susanne Duss	Logistics
	Stephan Griesmar	Advisor
	Michel Jimenez	Credits
	Sébastien Joliat	Accounting
	Michel Kisfaludy	Legal/Compliance
	Sabine Lufkin	Human Resources
	Elio Montanaro	General Secretary Office
	Daniel Tassan Din	Asset Management

LUGANO BRANCH

Cesare Guglielmone	Branch Manager
Emmanuele Carrassi del Villar	

ZURICH BRANCH

Ursula Matter	Branch Manager
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INTERNAL AUDIT

Jean-Louis Oehen

AUDITORS

Ernst & Young, Genève

* As of July 2010

ECONOMIC ENVIRONMENT

Macroeconomic Context

The year 2010 was marked by three key events:

To begin with, the Fed and ECB extended quantitative support measures which were accompanied by concomitant tax stimuli. This was followed by the sovereign debt crisis of several European countries and the weakening of the euro.

And finally, in the longer term, the gradual erosion of the primacy of the sovereign debts which were considered to be a low risk (euro zone governments and USA) in favour of the sovereign assets of emerging countries.

This situation resulted in increased public deficits on both sides of the Atlantic:

- USA: at the end of 2010 public debts reached 95% of the GDP and the budget deficit for 2011 is estimated at 9.4% of the GDP
- Emerging sovereign debts, whose economies had already overcome the consequences of the 2008 financial crisis, gradually moved closer to and even outstripped the risk premiums of heavily indebted euro zone countries (Brazil, South Korea compared with Greece).

The effect of these fundamental factors will only become apparent in the long term, but we are already noticing a migration of economic, financial and political centres towards the South and East.

The rebound of global growth set the tone during the second half of the year. Global GDP growth thus expanded at an average annual rate of 3.2% in 2010 despite the fact that it was initially expected to expand by 2%. It should be noted that the USA (+2.8% compared with an expected 2.1%), the Euro zone (+1.6% compared with an expected +0.6%) and the emerging nations [(Latin America (5.6% compared with an expected 3.6%), Asia, excluding China, and Japan (7.8% compared with an expected 5.7%), China (9.8% compared with an expected 8%) and Russia (3.8% compared with an expected 0.8%)].

As a result, the difference in the growth rate between the emerging and developed countries was more significant than expected, with the emerging nations on the one hand recovering or even exceeding their pre-crisis dynamism and the developed countries on the other recording in the majority of cases growth rates which were lower than their potential but higher than what had been expected.

Bond Market

The year 2010 confirmed the leading role played by central banks. The U.S. Federal Reserve played the continuity card whereas the European Central Bank surprised everyone with the implementation of its programme of sovereign-debt purchases.

The European crisis cut the euro zone in two. The North (with the exception of Ireland) benefitted from financing conditions which had never been so favourable (2.20% 10-year Bund at the lowest compared with 4.10% between 2000 and 2007),

whereas the peripheral countries saw the cost of their debts increase significantly (Ireland 10 years from 4.8% to 9% and Greece 10 years from 5% to 11% in 2010).

In the United States, the US bond market fared well in spite of the lack of Treasury bond purchases during the first half of the year and the relative improvement in growth prospects.

The Fed unceasingly warned investors about the poor rebound of US growth and quickly questioned the bearish nature of inflation. With Europe in a crisis, the conditions were naturally favourable for the Treasury bonds:

Ten-year bond yields dropped to 2.40% despite the fact that six months before they were at 3.8%. The dollar curve flattened by 100 pb on its 2/10 year segment due to the outstanding performance of the long segment.

Following suit with the bonds of peripheral nations, the credit markets were among those that were the most affected by the spill-over effects of the sovereign crisis in Europe.

The iTraxx credit indices showed a deviation of 44 pb and 170 pb respectively for the Main and the Crossover during the first week of the month of May. These levels were maintained until the end of the year.

Unlike the best credit ratings, the High Yield segment was largely immune to the sovereign risk in 2010. The BoAML HY Master II Index increased by 15.2% in Total Return. Similarly, the emerging indices fully benefitted from the cyclical recovery which was particularly dynamic in these areas. The EMBIG index recorded a performance of 12% in Total Return.

Equity markets

In the United States, the S&P500 showed an increase of 15% in Total Return at the end of a year which had been marked by a greater responsiveness of the financial markets to macroeconomic information. Northern Europe recorded good performances, in particular in Denmark (+36%) and in Germany (+16%), whereas in Southern Europe, Greece (-36%), Spain (-17%), Italy (-13%) and Portugal (-11%) did not cease to crystallize fears.

The performance of the emerging countries, which was measured by the MSCI Emerging Markets, rose to more than 119% in 2010 in Total Return.

Raw materials

During the year 2010, the prices of crude oil remained steady between USD 70 and 90 / b. The limits were exceeded at the end of the year.

The price of gold increased during the year by more than 30%, rising from USD 1,091 / ounce to USD 1,420 / ounce. It reached a record of USD 1,423 / ounce in the middle of December.

Silver increased by 78%, palladium by 96% and platinum by 20% reaching USD 30 / ounce for the first, USD 801 / ounce for the second and USD 1,777 for the last raw material.

FOREX

The year 2010 was marked by a sharp drop of the euro and dollar against the Swiss franc in the shadow of the European sovereign crisis and the covert currency war. The safe haven currencies, JPY and CHF, benefitted from a more auspicious environment and recorded the largest increases.

Outlook for 2011

The issues which prevailed throughout 2010, the dichotomy in growth rates and the sovereign debt crisis will undoubtedly remain relevant in 2011:

- The United States will benefit from a new tax stimulus with the two-year extension of tax reductions, an increase to the period during which unemployment benefits may be

claimed for thirteen months and a reduction in the payroll tax paid by households.

- The direct consequence is likely to be the absence of any budget consolidation measures in 2011 with a budget deficit of 9.4% of the GNP. All in all, US growth could still represent an average rate of 2.7% in 2011.
- The Euro zone should continue to be marked by significant differences and will suffer from the effects of its budget austerity, which implies a continued low growth rate (1.2%).
- Growth in the emerging countries could be slower than the rates in 2010 but it should continue to be dynamic.

STRATEGIC AND ORGANISATIONAL DEVELOPMENT

During the year 2010, the Bank carried out major strategic changes to enable its structures to be better matched to its activities. On the one hand, the activities of the subsidiary Safdié Investments Services, New York were brought to an end and on the other the sale of Safdié Distribuidora de Títulos et Valores Mobiliarios Ltda (DTVM), Sao Paulo was begun. It will be effective once the Banco Central do Brasil has given its consent.

Furthermore, our office location strategy was reviewed. The office in Buenos Aires was closed. Its former employees continue to collaborate with the Bank as independent consultants. In addition to these organisational measures, the optimisation of operational costs enabled us to improve operational effectiveness.

In order to ensure the continuity of its business activities throughout the world, the newly-restructured Bank enabled the Safdié family to sign an agreement with the Leumi Bank for the sale of all the capital of the Safdié Bank.

As a result of this agreement, the Leumi Bank will perpetuate the Safdié family's tradition of excellence in asset management. The key principles of its asset management are summarised below.

Asset management is primarily based on a bond-investment strategy which, at the same time, takes into account the principles of an open architecture investment approach. This principle has enabled the Bank, in particular in a difficult market environment, to safeguard its clients' portfolio growth. It has focused its attention to being perfectly attuned to the needs and risk profile of each of its clients in order to define the best suited management strategy.

The diversity of the financial products offered and in particular the Tower funds managed by Tower Management Company SA, Luxembourg, enable each client to choose the investment vehicles which are best suited to their needs.

The Tower funds are the following:

- Global Value Equity
- European Equity
- Global Equity
- Local Currency Emerging Markets Debt
- US Equity
- Global Asset Allocation
- Investment Grade Bond (USD and EUR)
- Emerging Market Equity

NETWORK

The network includes the following entities:

- Branches in Zurich and Lugano
- Subsidiaries:
 - Multi Banking Corporation (Overseas) Limited, Grand Cayman (BWI), a subsidiary established in this financial centre, which complies with FATF requirements, since 1972.

- Multifinance SA, Geneva
- Tower Management Company SA, Luxembourg
- Representative offices in Mexico, Tel Aviv and Panama.

RESULTS

The strong fall in interest rates, which was linked to our conservative investment policy, resulted in a concomitant reduction of the brokerage margin. Thus, the results of interest operations represented CHF 8.6 million in 2010.

The proceeds of commission transactions and service fees represented CHF 38.0 million, down by 14.15% compared to 2009. The uncertain evolution of market developments affected part of the clientele which preferred to maintain its assets in cash.

The result of trading operations decreased by CHF 1.4 million to reach CHF 2.4 million.

Personnel costs decreased by CHF 6.0 million to total CHF 34.2 million. Operating costs, which amount to CHF 14.2 million, are down by CHF 2.2 million, a reduction obtained by tighter cost controls.

The Group's net profit was CHF 2.8 million (CHF 2.6 million in 2009).

DISTRIBUTION OF PARENT COMPANY PROFIT

	CHF	
	2010	2009
Net income for financial year	512'449	2'737'716
Profit carried forward	62'464'176	59'726'460
Total	62'976'625	62'464'176
Proposal:		
Allocation to legal reserve	–	–
Dividend	–	–
Profit carried forward	62'976'625	62'464'176

In line with the Bank's development policy, the decision was taken at the Annual Shareholder's Meeting that no dividend should be paid, whilst reserving the right to pay a dividend in the course of this year.

The Board of Directors would like to thank the Bank's clients for their loyalty and to express their gratitude to all staff members, who, through their commitment and teamwork, contributed to the year's results.



**CONSOLIDATED
FINANCIAL STATEMENTS 2010**

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2010

	CHF	
Assets	2010	2009
Liquid assets	31'288'373	28'191'173
Due on money market paper	15'636'696	51'046'449
Due from banks	575'752'117	905'374'938
Due from clients	216'040'713	184'726'214
Mortgage loans	11'570'402	13'225'134
Trading balances in securities and precious metals	1'048'909	706'109
Financial investments	66'479'340	33'888'297
Unconsolidated investments	–	1'260
Tangible fixed assets	48'767'772	50'488'453
Intangible assets	–	675'278
Accrued income and prepaid expenses	7'755'393	8'302'527
Other assets	8'878'829	8'713'690
Total	983'218'544	1'285'339'522
Amounts due from significant shareholders	34'902'929	8'120'411
Liabilities		
Due to banks	5'829'092	28'407'864
Due to clients on savings and deposit accounts	777'614	1'036'724
Other amounts due to clients	795'331'969	1'064'829'979
Accrued expenses and deferred income	5'997'293	9'158'972
Other liabilities	9'098'055	7'943'666
Valuation adjustments and provisions	2'776'720	4'350'621
Reserve for general banking risks	450'000	4'366'267
Share capital	32'000'000	32'000'000
Reserve and retained earnings	128'145'837	130'686'855
Group profit for the year	2'811'964	2'558'574
Total	983'218'544	1'285'339'522
Amounts due to significant shareholders	8'808'546	14'867'876
Off-balance sheet transactions		
Contingent liabilities	22'319'664	31'170'649
Irrevocable commitments	3'724'000	2'768'000
Derivative instruments :		
– underlying amounts	403'796'507	498'181'870
– positive replacement values	8'494'929	6'781'266
– negative replacement values	8'433'717	6'807'314
Fiduciary transactions	228'364'214	412'192'864

CONSOLIDATED STATEMENT OF INCOME AS AT DECEMBER 31, 2010

	CHF	
Income and expenses from ordinary banking operations	2010	2009
Interest and discount income	7'263'388	10'577'468
Interest and dividend income on trading portfolios	81'872	145'347
Interest and dividend income on financial investments	1'999'073	3'276'029
Interest expenses	(725'104)	(4'223'429)
Net interest income	8'619'229	9'775'415
Commission income from lending activities	441'014	537'713
Commission income on securities and investments transactions	34'350'347	40'004'046
Commission income on other services	4'667'445	5'456'629
Commission expenses	(1'455'741)	(1'733'275)
Income from commission and service fee activities	38'003'065	44'265'113
Net income from trading operations	2'441'135	3'875'697
Income from the disposal of fixed financial assets	2'672'074	2'448'459
Income from investments including those accounted for under equity method	–	49'947
Real estate income	480'000	185'000
Other ordinary income	514'485	1'927'505
Other ordinary expenses	(1'512'694)	(304'816)
Other ordinary results	2'153'865	4'306'095
Personnel expenses	(34'198'291)	(40'205'373)
Other operating expenses	(14'207'339)	(16'426'082)
Operating expenses	(48'405'630)	(56'631'455)
Operating profit	2'811'664	5'590'865
Depreciation of fixed assets	(2'251'874)	(5'520'727)
Value adjustments, provisions and losses	(589'875)	(3'575'223)
Loss before extraordinary items and taxes	(30'085)	(3'505'085)
Extraordinary income	5'159'344	6'718'541
Extraordinary expenses	(2'118'735)	(536)
Taxes	(198'560)	(654'346)
Group profit for the year	2'811'964	2'558'574

CONSOLIDATED STATEMENT OF CASH FLOWS

	2010 CHF 000		2009 CHF 000	
	Funds provided	Funds used	Funds provided	Funds used
Group profit for the year	2'812	–	2'559	–
Depreciation of fixed assets	2'252	–	5'521	–
Valuation adjustments and provisions	–	1'575	–	1'393
Accrued income and prepaid expenses	548	–	113	–
Accrued expenses and deferred income	–	3'162	–	2'429
Other items	989	–	–	829
Dividend from the prior financial year	–	–	–	–
Cash flow from operating results	6'601	4'737	8'193	4'651
Consolidated reserves	–	5'097	–	1'129
Reserves for general banking risks	–	3'916	–	2'600
Cash flow from equity capital transactions	–	9'013	–	3'729
Participations	1	–	–	–
Mortgage on own building	–	–	–	–
Other tangible fixed assets	143	–	–	1'356
Cash flow from investment activities	144	–	–	1'356
Medium and long term transactions (> 1 year)				
– Due to banks	–	–	–	10'489
– Due to clients	–	–	–	36'948
– Due on money market paper	–	–	–	–
– Due from banks	–	–	33'716	–
– Due from clients	–	–	16'816	–
– Mortgage loans	–	–	1'380	–
– Financial investments	–	33'999	19'431	–
Short term transactions (< 1 year)				
– Due to banks	–	22'579	–	31'262
– Due to clients	–	269'757	163'247	–
– Due on money market paper	35'409	–	79'585	–
– Due from banks	329'623	–	–	357'903
– Due from clients	–	31'315	76'387	–
– Mortgage loans	1'655	–	–	804
– Financial investments	1'408	–	3'126	–
– Trading balances in securities and precious metals	–	343	2'371	–
Liquid assets				
– Liquid assets	–	3'097	42'890	–
Cash flow from banking activities	368'095	361'090	438'949	437'406
Total	374'840	374'840	447'142	447'142

1. BUSINESS ACTIVITY AND PERSONNEL

The Safdié Group is a banking and financial group that specialises in asset management and all forms of private banking for international private clients. The head office is in Geneva with branch offices operating in Zurich and Lugano. The Bank holds a banking license and has the status of securities dealer. Banque Safdié is mainly active in wealth management, trading and investment transactions. It also grants Lombard credits. The Bank's clients are served by a national and international network with subsidiaries in Switzerland, Luxem-

bourg and Cayman Islands as well as representative offices in Buenos Aires, Mexico, Tel Aviv and Panama.

The Bank's Board of Directors decided to transfer its financing and investment advisory activity as well as its discretionary management from Multifinance SA to Banque Safdié SA, effective as of October 1, 2009.

As at December 31, 2010, the Group's staff accounted for 140 employees (169 in 2009) of which 11 are employed by the representation offices (16 in 2009).

2. SUBSEQUENT EVENTS

The shareholders of Banque Safdié SA sold the entire share capital of the Bank to Bank Leumi le-Israël BM by contract

on February 10, 2011. It is foreseen that the transfer of share capital take place during the second semester of 2011.

3. STRATEGIC DECISION

The Board of Directors, in its meeting of December 8, 2009, decided to terminate the activities of Safdié Investment Services Corp., New York, held by Multifinance SA by the end of the first semester of 2010 as well as to sell Safdié

Distribuidora de Títulos e Valores Mobiliários Ltda, Sao Paulo to a related party. This operation is subject to prior agreement of the relevant Brazilian authorities.

4. RISK MANAGEMENT

The Board of Directors has undertaken the annual assessment of the Bank's Risks.

The Bank has established a risk management policy that includes regulatory obligations and specifies how they are applied in the Group's entities. The Board of Directors reviews this policy annually and makes adjustments if necessary. The Bank has also set up an Audit Committee.

Risk monitoring is based on the fixing of limits for the various categories of risk defined in relation to the Bank's business and on the implementation of a series of procedures and directives allowing the identification, measurement and control of major risk inherent in the Group's activities. For each category of risk, in particular counterparty risk, country risk, market risk, operational risks and legal risks, the identified risks are the subject of valuation adjustments and provisions. The Bank usually grants loans through Lombard credits, secured by marketable securities. In order to ensure sufficient coverage, it fixes suitable margins which are monitored regularly. Granted limits are regularly monitored by the Operational Credit Committee.

Limits for banks and brokers are fixed and re-examined annually by the Board of Directors.

As regards country-risk, in its lending operations, the Bank

regularly reviews the amounts forwarded against collateral in light of published ratings, on the one hand, and of its knowledge of the markets in which it operates, on the other.

The Treasury Committee sets limits for and regularly monitors market risks, which are mainly risks relating to trading operations positions, both at the single entity level and at the consolidated level. Securities and foreign-exchange positions are monitored daily and other positions weekly. The Bank uses the method employed for the calculation of the Bank's free capital as set out in note 12.

Interest-rate risks inherent in balance-sheet and off-balance sheet transactions are managed and monitored by the Bank's Treasury Committee. They are covered by limits set by the Board of Directors, both at the single entity level and at the consolidated level. A computer program makes it possible to conduct duration calculations and stress-simulation tests. The Bank quantifies the income effect (calculated over 12 months) and the value effect (equity capital sensitivity of interest rate moves). The latter measurement is based on equity capital sensitivity obtained by updating the positions. The assumptions used to process interest-rate sensitive positions are based on the Bank's practice in refixing interest-rate and comply with regulatory requirements.

Operational risks are limited by internal regulations and directives with regards to the organisation and risk monitoring procedures. The internal control system is regularly verified by the internal auditor, who reports to the Board of Directors through the Audit Committee.

Legal risks are monitored by the Legal and Compliance Officer, who ensures that the internal directives are adequate and that the Group complies with the legislative and regulatory provisions in force. The Compliance Office monitors ongoing legislative developments coming from the supervisory authorities and other bodies.

5. BUSINESS POLICY FOR THE USE OF DERIVATIVE INSTRUMENTS

Derivative instruments used by the Group, which are mainly forward foreign-exchange transactions, are mostly conducted for the account of clients and covered by the Bank in the market. The Bank's approach to counterparty risk is prudent.

Derivative instruments are also used for the purpose of hedging transactions.

Positions may be taken by the Treasury Committee within the limits set by Internal Regulations.

6. OUTSOURCING

The Bank has delegated to ES Concept all tasks related to management of its IT systems; banking message systems have been outsourced to Sterci SA. A detailed service contract governs this outsourcing, in accordance with the re-

quirements of the Swiss Financial Market Supervisory Authority (FINMA). The service provider's employees are all subject to banking secrecy in order to guarantee the confidentiality of operations.

7. ACCOUNTING, VALUATION AND PRESENTATION PRINCIPLES

The accounting, valuation and presentation principles applied to the consolidated and individual statutory financial statements are prepared in accordance with the Swiss Federal Code of Obligations, the Swiss Federal Law on Banks and Savings Banks and the respective Implementing Ordinance, the provisions of the Articles of Association and Swiss

Financial Market Supervisory Authority guidelines (FINMA). The consolidated financial statements give a true and fair view of Banque Safdié Group's assets, financial position and results. Said statements comply with the provisions governing the accounting practices of banks and securities dealers.

7.1 Companies included in the consolidation

The consolidated financial statements include the annual statements of the parent company and its affiliated companies. The consolidation scope comprises entities of which more than 50% of the voting rights are owned as well as companies for which the principle of equivalence is applied.

In 2010, the consolidation scope changed due to the transfer of Financial Partners Capital Management LLC, New York, a company for which the principle of equivalence had been applied in the consolidated accounts of 2009.

Fully integrated subsidiaries		Share capital (000)		Ownership %	Activity
Safdié Investment Services Corp.	New York	USD	0.001	100 1)	Asset management services
Multifinance SA	Geneva	CHF	1'000	100	Asset management services
Multi Banking Corporation (Overseas) Limited	Cayman Islands	USD	10'000	100	Banking
Tower Management Company SA	Luxembourg	USD	190	100	Financial services
Safdié Distribuidora de Títulos e Valores Mobiliários Ltda (DTVM)	São Paulo	BRL	6'704	100	Financial services

1) Safdié Investments services is a fully owned subsidiary of Multifinance SA.

The closing date of December 31st has been defined for all companies included in consolidation.

7.2 Consolidation and valuation basis

Group companies are consolidated according to the overall integration method. Subsidiaries are consolidated as of the date on which control is actually transferred. Operations carried out

within the Group are eliminated when the consolidated financial statements are drawn up. For investments of 20 to 50% the principle of equivalence is applied.

7.3 Foreign currency translation

Transactions in foreign currencies are recorded at the exchange rate prevailing as of the transaction date. Losses and gains resulting from the settlement of these transactions and from the conversion, at the exchange rate applicable on the balance sheet date, of monetary assets and liabilities denominated in foreign currencies are accounted for in the statement of in-

come. Assets and liabilities of Group companies are translated at the year-end exchange rate. Income and expenses are converted at the average annual exchange rate for the financial year. Any discrepancy resulting from the disparity between the exchange rates (conversion discrepancy) is recorded directly in shareholders' equity.

The principal exchange rates used to convert foreign currencies are as follows:

Devises	2010		2009	
	Closing rate	Average annual rate	Closing rate	Average annual rate
USD	0.9331	1.0378	1.0340	1.0829
BRL	0.5625	0.5888	0.5931	0.5493
EUR	1.2519	–	1.4829	–
GBP	1.4601	–	1.6693	–

7.4 General valuation principles

An individual valuation is made for assets and liabilities and off-balance sheet transactions published under the same heading.

7.5 Recording of transactions

All transactions are recorded on a trade date basis and valued as of that date with a view to determining the result. Transactions concluded on a cash basis though not yet executed, are recorded in the Balance Sheet according to the trade date principle (trade date accounting). Income and expenses are recorded as and when they are earned or incurred and are included in the accounts of the period to which they relate.

7.6 Liquids assets, due on money market and from banks and liabilities

These items are recorded at their face value or purchase value, after deduction of individual value adjustments for non-performing loans.

7.7 Loans (due from clients and mortgage loans)

Claims are shown in the balance sheet at the value they represent to the Bank. Non-performing loans are valued individually. The depreciation is covered by individual value adjustments. Off-balance sheet transactions are also included in this valuation.

A loan is deemed non-performing when repayments of capital and/or interest have been unpaid for more than 90 days. Interest overdue for more than 90 days is considered to be outstanding and is recorded as interest due subject to reservation. Value adjustments are deducted directly from the heading of the corresponding asset.

7.8 Trading balances in securities and precious metals

These portfolios are comprised of equities, interest-bearing securities and precious metals which were originally acquired with the intention of resale.

Trading portfolios are carried at fair value. Securities that are not traded on a recognised stock exchange or a representative market are valued according to the lower of cost or market value. Price differences are recorded in "Net income from trading operations".

Refinancing expenses are not allocated to « Net income from trading operating».

7.9 Financial investments

This position includes equities and interest-bearing securities which were originally acquired with the intention of medium or long-term retention.

Fixed-income securities which are intended to be held until maturity are stated at purchase price; premiums and discounts are amortised over the period to maturity and included under "Interest and dividend income from financial investments". Value adjustments for reasons of solvency are accounted for. Other investments are valued at the lower of cost or market value. All value adjustments are accounted for under "Other ordinary income" or "Other ordinary charges".

Value write-downs for reasons of solvency and subsequent write-backs are accounted for under «Other ordinary expenses» or «Other ordinary income».

7.10 Tangible fixed assets

Tangible fixed assets are reported at cost less accumulated depreciation. The accuracy of their values is reviewed each year.

The depreciation periods allowed for the different categories of tangible fixed assets are as follows:

- Software, computer and communication equipment
max. 3 years
- Furniture, cars, and office equipment
max. 5 years
- Equipment and other tangible fixed assets
max. 10 years

Scheduled amortisations are entered using the straight-line method.

The useful lives scheduled for buildings are as follows:

- Building owned by Head Office: 100 years in view of its historical value.
- Other Buildings: 50 years.

Residual values correspond to the value of land. Provisions for maintenance and renovation work are made annually.

Gains made when selling tangible fixed assets are accounted for under the heading «Extraordinary income» and losses under the heading «Extraordinary expenses».

7.11 Intangible assets (Goodwill)

Goodwill is depreciated over its estimated useful life. The method used is the straight-line method. Intangible assets correspond to the goodwill of first consolidation. These are amortised over a period not exceeding 10 years.

7.12 Taxes

Current taxes

Current taxes are taxes on recurrent profits. They are levied on income for the corresponding period and are determined in accordance with the fiscal rules of the entities concerned. Tax expenses are recognized to the accounting period during which the profits were earned. Direct taxes due are recorded on the liabilities side of the balance sheet under the heading "Accrued expenses and deferred income".

Deferred taxes

Deferred taxes correspond to future tax income and expenses. They are estimated at the end of each financial year at the rate of 25% (30% in 2009) and are entered in the statement of income. The counterpart is recorded on the liabilities side of the balance sheet under the heading "Valuation adjustments and provisions".

7.13 Valuation adjustments and provisions

For all identified risks existing at the balance sheet date, individual provisions are established on a prudential basis and are directly deducted from the corresponding headings on the assets side. Provisions intended to cover other risks are entered in the balance sheet under the heading "Valuation adjustments and provisions". At the end of the financial year any provisions that are no longer financially necessary are written back and entered in the statement of income.

7.14 Reserves for general banking risks

Reserves for general banking risks cover any risk for unidentified loss. They are recorded as a separate component of shareholder's equity.

7.15 Contingent and irrevocable commitments and confirmed credits

Off-balance sheet transactions are reported at nominal value. Identifiable loss risks are covered by specific provisions and reflected on the liabilities side of the balance sheet.

7.16 Derivative instruments

Derivative instruments include forward transactions, options, futures and swaps on the following underlyings: foreign currency, equity, indexes and interest rates. Positive and negative replacement values resulting from trades for the Bank's own account are booked under "Other assets" or "Other liabilities", as are positive and negative replacement values resulting from commission transactions on over-the-counter contracts.

Hedging transactions

Hedging transactions are subject to the same valuation principles as the underlying transactions that they hedge. The result is accounted for under the same heading as that concerning the hedged transaction. The Bank periodically checks the validity of the hedge. Transactions that no longer perform this function are assimilated to trading operations and are treated as such.

Trading operations

These comprise all derivative instruments that are not used for hedging purposes. They are valued at market value. Realized and unrealized results from trading are booked under "Net income from trading operations".

7.17 Pension liabilities

Pension scheme

The Bank operates the pension scheme for its employees through an independent and semi-autonomous provident institution that applies the provisions of the law on occupational pension schemes (LPP) in Switzerland.

The pension scheme applied is contributions-based and is financed both by the employer and by the employees on the basis of contributions set in the regulations.

The treatment of pension commitments is based on the Swiss GAAP ARR 16 standard, as amended on January 1, 2006. The employer's contributions are recorded as ordinary expenses for the financial year.

Employer's contributions reserve

No contributions reserve has been established by the employer.

Economic benefit / commitment and pension charges

For each pension scheme it is necessary to determine, from the Bank's point of view, whether the degree of coverage and the particular situation of the pension institution may lead to an economic benefit or an economic commitment. The assessment is based on the information forwarded by the pension institution on its financial situation as at December 31, 2010.

(CHF 000)	Economic share Covering/shortfall	Economic share recognized by the Bank		Change over period	Adjusted contributions for the period	Pension charges included in personnel expenses	
		31.12 2010	31.12.2009			2010	2009
Pensions institutions	–	–	–	–	2'669	2'669	2'871

The level of coverage is 105.3%.

7.18 Clients' assets

"Clients' assets" include all liabilities to customers in the form of savings and deposit accounts, time deposits, fiduciary investments and all securities duly valued on safe-custody accounts. Assets in own-managed funds are accounted for twice.

8. INFORMATION ON THE BALANCE SHEET

8.1 Overview of collateral (CHF 000)

Loans	2010			
	Mortgage	Other guarantees	Unsecured	Total
Due from clients	–	184'239	31'802	216'041
Mortgage loans	11'570	–	–	11'570
– Residential properties	11'570	–	–	11'570
– Commercial properties	–	–	–	–
Total				
Current year	11'570	184'239	31'802	227'611
<i>Previous year</i>	<i>13'225</i>	<i>183'073</i>	<i>1'653</i>	<i>197'951</i>
Off-balance sheet				
Contingent liabilities	–	18'456	110	18'566
Irrevocable commitments	–	3'724	–	3'724
Confirmed credits	–	–	–	–
Total				
Current year	–	22'180	110	22'290
<i>Previous year</i>	<i>–</i>	<i>33'844</i>	<i>95</i>	<i>33'939</i>
Non-performing loans				
	Gross amount	Estimated liquidation value of collateral	Net amount	Individual value adjustments
Current year	636	–	636	636
<i>Previous year</i>	<i>644</i>	<i>–</i>	<i>644</i>	<i>644</i>

8.2 Trading balances in securities and precious metals and financial investments (CHF 000)

Trading balances in securities and precious metals	2010	2009
Interest-bearing securities and rights		
– Listed on stock exchange*	930	460
– Unlisted	–	–
Equities instruments	119	246
Total	1'049	706
Of which eligible for discount or pledged by the issue bank	–	–

*Listed on stock exchange

Financial investments	Book value		Fair value(1)	
	2010	2009	2010	2009
Interest-bearing securities and rights				
– Valued using the « accrual method »	–	5'314	–	5'481
– Valued at the lower of cost or market value	50'363	11'021	50'656	11'129
Equities instruments (2)	16'116	17'553	16'429	18'250
Total	66'479	33'888	67'085	34'860

(1) Fair value results from the price given by a liquid market that is efficient in terms of price setting, or from the price established by a valuation model.

(2) Are included side-pockets funds, estimated in 2010 at book value for CHF 4,062 million and at CHF 4,080 million as per the fair value.

8.3 Details of fixed assets (CHF 000)

	Current year							
	Cost	Depreciation	Book value at 31.12.2009	Book value investment	Disposals	Exchange difference	Depreciation	Book value at 31.12.2010
Other investments	1	-	1	-	-	-	(1)	-
Bank buildings for own use	48'601	(5'338)	43'263	-	-	-	(384)	42'879
<i>Geneva (parcel 5607)</i>	32'836	(1'812)	31'024	-	-	-	(259)	30'765
<i>Geneva (parcel 5608)</i>	5'213	(288)	4'925	-	-	-	(41)	4'884
<i>Lugano</i>	10'552 *	(3'238)	7'314	-	-	-	(84)	7'230
Other tangible fixed assets	39'144	(31'919)	7'225	574	-	(26)	(1'884)	5'889
Total tangible fixed assets	87'745	(37'257)	50'488	574	-	(26)	(2'268)	48'768
Goodwill	16'638	(15'963)	675	-	(675)	(15)	15	-
Total intangible assets	16'638	(15'963)	675	-	(675)	(15)	15	-
Fire insurance value of Bank building	-	-	43'318	-	-	-	-	43'318
Fire insurance value of other tangible fixed assets.	-	-	18'200	-	-	-	-	18'200

*of which CHF 845'000.- resulting from the revaluation of the building and included in shareholder's equity

8.4 Assets pledged or assigned to guarantee the Bank's commitments and assets subject to reservation of title (CHF 000)

	2010		2009	
	Actual commitments	Amount or book value of pledge	Actual commitments	Amount or book value of pledge
Assets pledged				
Financial investments	15'637	-	19'999	-
Real Estate	-	-	-	-

8.5 Details relating to other assets and other liabilities

	Other assets		Other liabilities	
	2010	2009	2010	2009
Replacement values of derivative financial instruments resulting from trading operations for own account and for clients' accounts	8'495	6'781	8'434	6'686
Hedging instruments	-	-	-	121
	8'495	6'781	8'434	6'807
Compensation account	-	121	-	-
Other	384	1'812	664	1'137
Total	8'879	8'714	9'098	7'944

8.6 Valuation adjustments and provisions/reserves for general banking risks (CHF 000)

	Balance at 31.12.2009	Specific provisions/ reversal	Changes in specified purpose (new provisions)	Recoveries doubtful inte- rest, Currency translation differences	New provisions Charges to income statement	Reversal of provisions credited to the income statement	Balance at 31.12.2010
Provisions for deferred taxes	1'311	-	-	-	-	(947)	364
Credit risks	644	-	-	(75)	68	-	637
Country risks	10	-	-	-	-	-	10
Other operating risks	2'130*	(1'176)	-	(54)	1'334	(481)	1'753
Other provisions	900*	-	-	-	150	(400)	650
Sub-total	4'995	(1'176)	-	(129)	1'552	(1'828)	3'414
less:	-	-	-	-	-	-	(644)
Valuation adjustments directly offset against assets	(644)	-	-	-	-	-	(637)
Total valuation adjustments and provisions as per the balance sheet	4'351	-	-	-	-	-	2'777
Reserves for general banking risks	4'366					(3'916)	450

*At 31.12.2009, a provision of CHF 1'480'000.- economically necessary, was reclassified from « Other provisions » to « Other operating risks ».

8.7 Statement of changes in shareholders' equity (CHF 000)**Shareholder's equity at 01.01.2010**

Share capital	32'000
Reserves and retained earnings	130'687
Reserves for general banking risks	4'366
Group profit 2009	2'559
Total	169'612
Other appropriations/use of reserves	(3'916)
Dividends 2009 and other distributions	-
Group profit 2010	2'812
Foreign currency translation impact	(5'100)
Total shareholder's equity at 31.12.2010	163'408
Comprised of:	
Share capital	32'000
Reserves and retained earnings	128'146
Reserves for general banking risks	450
Group profit	2'812

The amount of non-distributable legal reserves is CHF 9'236'000.-

8.8 Maturity analysis of current assets and borrowed funds (CHF 000)

	2010							Total
	At sight	Redeemable by notice	Up to 3 months	3 to 12 months	12 months to 5 years	More than 5 years	Fixed assets	
Current assets								
Liquid assets	31'288	–	–	–	–	–	–	31'288
Due on money market paper	–	–	15'637	–	–	–	–	15'637
Due from banks	92'647	–	482'638	467	–	–	–	575'752
Due from clients	36'677	–	156'112	23'252	–	–	–	216'041
Mortgage loans	3'863	–	5'517	2'190	–	–	–	11'570
Trading balances in securities and precious metals	1'049	–	–	–	–	–	–	1'049
Financial instruments	10'787	–	–	2'435	43'828	3'947	5'482	66'479
Total current assets								
<i>Current year</i>	176'311	–	659'904	28'344	43'828	3'947	5'482	917'816
<i>Previous year</i>	257'977	–	822'649	120'075	8'241	5'536	2'679	1'217'157
Borrowed funds								
Due to banks	253	–	5'576	–	–	–	–	5'829
Due to clients on savings and deposit accounts	778	–	–	–	–	–	–	778
Other amounts due to clients	753'547	–	31'840	9'945	–	–	–	795'332
Total borrowed funds								
<i>Current year</i>	754'578	–	37'416	9'945	–	–	–	801'939
<i>Previous year</i>	1'029'722	–	20'953	43'600	–	–	–	1'094'275

8.9 Due from and due to related companies and loans to members of the Bank's governing bodies (CHF 000)

	2010	2009
Loans to members of the Bank's governing bodies	66	1

Credits to the Bank's governing bodies are made as per the Bank's criteria.

8.10 Assets and liabilities by domestic and foreign origin (CHF 000)

	2010		2009	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	31'288	–	28'191	–
Due on money market paper	–	15'637	–	51'046
Due from banks	206'180	369'572	230'525	674'850
Due from clients	41'140	174'901	10'844	173'882
Mortgage loans	6'224	5'346	7'482	5'743
Trading balances in securities and precious metals	–	1'049	–	706
Financial investments	5'638	60'841	6'825	27'064
Other investments	–	–	–	1
Tangible fixed assets	48'461	307	49'729	760
Intangible assets	–	–	–	675
Accrued income and prepaid expenses	6'678	1'078	6'469	1'834
Other assets	5'236	3'643	5'318	3'396
Total	350'845	632'374	345'383	939'957
Liabilities				
Due to banks	12	5'817	15'879	12'529
Due to clients on savings and deposit accounts	607	171	818	219
Other amounts due to clients	56'423	738'909	125'903	938'927
Accrued expenses and deferred income	4'954	1'043	6'819	2'340
Other liabilities	5'863	3'235	4'710	3'233
Valuation adjustments and provisions	2'535	242	4'351	–
Reserves for general banking risks	450	–	4'366	–
Share capital	32'000	–	32'000	–
Reserves and retained earnings	120'102	8'044	119'423	11'264
Group profit	2'638	174	679	1880
Total	225'584	757'635	314'948	970'392

8.11 Assets by country groups (CHF 000)

	2010		2009	
	Total	in %	Total	in %
Europe	830'247	84.5	1'017'212	79.1
North America	79'737	8.1	162'417	12.6
Caribbean	1'383	0.1	31'695	2.5
South America	62'004	6.3	56'037	4.4
Africa	6'677	0.7	565	0.0
Asia, Pacific	3'171	0.3	17'414	1.4
Total	983'219	100.0	1'285'340	100.0

This geographical breakdown of assets is prepared **using the client domicile** and not **the risk domicile**. Assets included in this statistic which are non-OECD countries are mainly covered by assets deposited at the Bank.

8.12 Balance sheet by currencies (CHF 000)

Assets	CHF	USD	GBP	EUR	Other	Total
Liquid assets	30'409	141	125	591	22	31'288
Due on money market paper	–	1'866	–	13'771	–	15'637
Due from banks	15'735	399'571	18'381	79'653	62'412	575'752
Due from clients	51'861	112'005	32'084	14'610	5'481	216'041
Mortgage loans	6'426	–	4'389	755	–	11'570
Trading balances in securities and precious metals	–	118	–	1	930	1'049
Financial investments	2'408	44'586	–	19'485	–	66'479
Other investments	–	–	–	–	–	–
Tangible fixed assets	48'333	–	–	–	435	48'768
Intangible assets	–	–	–	–	–	–
Accrued income and prepaid expenses	4'143	3'243	–	56	313	7'755
Other assets	6'122	841	157	770	989	8'879
Total	165'437	562'371	55'136	129'692	70'582	983'218
Delivery receivables from forward and options transactions	46'248	181'866	25'392	86'535	63'756	403'797
Total assets	211'685	744'237	80'528	216'227	134'338	1'387'015
Liabilities						
Due to banks	12	139	1'469	85	4'124	5'829
Due to clients on savings and deposit accounts	778	–	–	–	–	778
Other amounts due to clients	38'600	510'659	53'448	128'827	63'798	795'332
Accrued expenses and deferred income	4'361	771	–	294	571	5'997
Other liabilities	4'379	3'331	96	1'043	249	9'098
Valuation adjustments and provisions	2'618	158	–	–	–	2'776
Reserves for general banking risks	450	–	–	–	–	450
Share capital	32'000	–	–	–	–	32'000
Reserves and retained earnings	108'077	21'577	–	–	(1'508)	128'146
Group profit for the year	4'472	(528)	–	–	(1'132)	2'812
Total	195'747	536'107	55'013	130'249	66'102	983'218
Delivery payables from forward and options transactions	46'303	181'840	25'391	86'530	63'733	403'797
Total liabilities	242'050	717'947	80'404	216'779	129'835	1'387'015
Net position per currency	(30'365)	26'290	124	(552)	4'503	–

9. INFORMATION ON OFF-BALANCE SHEET TRANSACTIONS

9.1 Analysis of contingent and irrevocable liabilities (CHF 000)

Contingent liabilities	2010	2009
Irrevocable guarantees	18'566	31'171
Irrevocable commitments		
Guarantees of deposit, complementary liquidity	3'724	2'768

9.2 Outstanding derivative instruments (CHF 000)

	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Underlying amount	Positive replacement values	Negative replacement values	Underlying amount
Interest rate instruments						
Swaps	–	–	–	–	–	–
Futures	–	–	–	–	–	–
Options (OTC)	–	–	–	–	–	–
Foreign exchange/precious metals						
Forward contracts	4'534	4'473	309'782	–	–	–
Futures	–	–	–	–	–	–
Options (OTC)	3'961	3'961	94'015	–	–	–
Equities and index instruments						
Futures	–	–	–	–	–	–
Options (OTC)	–	–	–	–	–	–
Standardized options (exchange traded)	–	–	–	–	–	–
Other derivatives						
Futures	–	–	–	–	–	–
Options (OTC)	–	–	–	–	–	–
Total before and after netting agreement						
<i>Current year</i>	8'495	8'434	403'797	–	–	–
<i>Previous year</i>	6'781	6'686	491'979	–	121	6'203
			Accumulated positive replacement value			Accumulated negative replacement value
Total before and after netting agreement						
<i>Current year</i>			8'495			8'434
<i>Previous year</i>			6'781			6'807

9.3 Fiduciary transactions (CHF 000)

	2010	2009
Fiduciary deposits with third party banks	228'364	412'193
Fiduciary loans	–	–
Total	228'364	412'193

10. INFORMATION ON THE INCOME STATEMENT**10.1 Net income from trading transactions (CHF 000)**

	2010	2009
Income from foreign exchange, precious metals and bank notes	2'296	3'342
Trading in securities	145	534
Total	2'441	3'876

10.2 Analysis of personnel costs (CHF 000)

	2010	2009
Salaries and bonuses	26'588	31'530
Social charges	5'633	6'707
Other personnel expenses	1'977	1'968
Total	34'198	40'205

10.3 Analysis of other operating expenses (CHF 000)

	2010	2009
Bank premises	2'223	2'470
Computer equipment and software	3'824	4'529
Machinery, fixtures and fittings, vehicles	195	174
Other operating expenses	7'965	9'253
Total	14'207	16'426

10.4 Other ordinary incomes (CHF 000)

	2010	2009
Adjustments to value of financial investments estimated at lowest valuation	510	1924
Other incomes	4	4
Total	514	1'928

10.5 Other ordinary expenses (CHF 000)

	2010	2009
Adjustments to value of financial investments estimated at lowest valuation	(1'513)	(305)
Other expenses	–	–
Total	(1'513)	(305)

10.6 Breakdown of operating income and expenses between Switzerland and abroad on the basis of the operating location principle (CHF 000)

	2010		2009	
	Domestic	Foreign	Domestic	Foreign
Net interest income	6'892	1'727	7'196	2'579
Commissions and service fee activities	32'755	5'248	36'901	7'364
Net income from trading operations	2'315	126	3'369	507
Other ordinary income	821	1'333	206	4'100
Total operating income	42'783	8'434	47'672	14'550
Personnel expenses	(30'296)	(3'902)	(33'800)	(6'405)
Other operating expenses	(10'368)	(3'839)	(12'194)	(4'232)
Operating expenses	(40'664)	(7'741)	(45'994)	(10'637)
Operating profit	2'119	693	1'678	3'913

10.7 Remarks on extraordinary income and expenditure

Extraordinary income items	2010	2009
Release of reserves for general banking risks	3'917	2'600
Release of reserves for country risks	–	166
Release of reserves economically not necessary	798	3'270
Other non-recurring or non relevant items	444	683
Total of extraordinary income items	5'159	6'719
Extraordinary expenses		
Costs related to abandoning of IT migration project	(2'116)	-
Other non-recurring charges or non-relevant items	(3)	(1)
Total of extraordinary expenses	(2'119)	(1)

11. CLIENTS' ASSETS (CHF 000)

Type of clients' assets	2010	2009
Assets in in-house funds	612'688	625'821
Assets with discretionary mandate	498'323	841'463
Assets with advisory mandates	300'445	300'877
Other assets	3'386'716	3'926'289
Total clients' assets, including assets accounted for twice	4'798'172	5'694'450
Of which :		
double counting	655'824	734'849
Net inputs/withdrawals of funds	(659'281)	(216'761)

Owing to the services offered, the assets as a whole are deemed to be "more-than-custody-only".

Deposits/withdrawals consist of incoming/outgoing funds and securities. Interest and expenses debited to clients are not considered to be withdrawals of new money.

12. PRESENTATION OF FREE CAPITAL BASE (CHF 000)

12.1 Presentation of eligible free capital

	2010
Eligible free capital base (after allowing for treasury shares which are deducted from total)	163'408
Of which minority interests	–
Of which	–
./ regulatory deductions	–
./ other items deducted from free capital	(30'860)
= Eligible free capital	132'548
+ complementary and additional free capital	–
./ other deductions from additional free capital	–
= eligible free capital	132'548

12.2 Presentation of free capital requirements (CHF)

	Accounting method		Free capital requirements
Credit risks	AS CH		30'166
Of which market related linked to Bank's proprietary portfolio		–	
Non counterparty risk	AS CH		12'159
Market risks	Standard		6'860
• of which interest rate instruments (general and specific market risks)	Standard	80	
• of which securities-linked	Standard	168	
• of which precious metals-linked	Standard	5'120	
• of which commodity-linked	Standard	1'492	
Operational risks	Base indicator		8'999
Total			58'184
Ratio of eligible free capital required under Swiss regulations			227,78%

13. FINMA CIRCULAR 08/24

The President of the Board is a Member of the Audit Committee.

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE GENERAL MEETING OF BANQUE SAFDIÉ SA, GENEVA

As statutory auditor, we have audited the accompanying consolidated financial statements of Banque Safdié SA, which comprise the balance sheet, income statement and notes (8 to 25), for the year ended 31 December 2010.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the requirements of Swiss law and the consolidation and valuation principles as set out in the notes. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control sys-

tem relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2010 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.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA]) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Geneva, March 28, 2011
Ernst & Young SA



Pierre Balsiger
Licensed Audit expert
(Auditor in charge)



Florence Hô
Licensed Audit expert



FINANCIAL STATEMENTS 2010
BANQUE SAFDIÉ

BALANCE SHEET AS AT DECEMBER 31, 2010

	CHF	
Assets	2010	2009
Liquid assets	31'288'373	28'191'173
Due on money market paper	15'636'696	30'366'969
Due from banks	562'387'325	809'302'798
Due from clients	216'040'562	182'710'804
Mortgage loans	11'570'402	13'225'134
Trading balances in securities and precious metals	118'513	246'055
Financial investments	-	1'488'040
Permanent investments	17'268'400	16'473'400
Tangible fixed assets	47'615'933	48'884'041
Intangible assets	3'566'092	4'566'092
Accrued income and prepaid expenses	6'984'513	6'697'904
Other assets	8'857'782	8'524'564
Total	921'334'591	1'150'676'974
Amount due from Group companies and significant shareholders	64'398'447	16'827'662
Liabilities		
Due to banks	22'993'135	65'585'682
Due to clients on savings and deposit accounts	777'614	1'036'724
Other amounts due to clients	745'488'037	927'279'946
Accrued expenses and deferred income	5'135'085	8'220'202
Other liabilities	8'868'152	7'689'529
Valuation adjustments and provisions	10'622'219	13'926'991
Share capital	32'000'000	32'000'000
General legal reserves	7'763'724	7'763'724
Other reserves	24'710'000	24'710'000
Profit brought forward	62'464'176	59'726'460
Profit for the year	512'449	2'737'716
Total	921'334'591	1'150'676'974
Amounts due to Group companies and significant shareholders	26'357'777	61'778'507
Off balance sheet transactions		
Contingent liabilities	21'261'555	31'170'649
Irrevocable commitments	3'724'000	2'768'000
Derivative instruments		
– underlying amounts	403'796'507	503'786'010
– positive replacement values	8'494'929	6'781'266
– negative replacement values	8'433'717	6'807'314
Fiduciary transactions	271'100'810	480'992'343

STATEMENT OF INCOME AS AT DECEMBER 31, 2010

	CHF	
Income and expenses from ordinary banking operations	2010	2009
Interest and discount income	7'100'351	7'765'423
Interest and dividend income on trading investments	430	–
Interest and dividend income on financial investments	347'901	782'195
Interest expenses	(568'408)	(1'357'408)
Net interest income	6'880'274	7'190'210
Commission income from lending activities	441'014	526'082
Commission income on security trading and investments activities	28'658'899	29'917'486
Commission income on other services	4'650'011	5'278'254
Commission expenses	(1'004'363)	(877'043)
Income from commission and service fee activities	32'745'561	34'844'779
Net income from trading operations	2'305'180	3'342'827
Income on sales of financial investments	347'741	–
Investments income	–	1'465'000
Real estate income	480'000	185'000
Other ordinary income	–	1'317
Other ordinary results	827'741	1'651'317
Personnel expenses	(30'283'280)	(32'459'908)
Other operating expenses	(10'356'093)	(11'508'716)
Operating expenses	(40'639'373)	(43'968'624)
Operating profit	2'119'383	3'060'509
Depreciation of fixed assets	(3'049'209)	(4'348'957)
Valuation adjustments, provisions and losses	(588'462)	(2'086'975)
Profit before extraordinary items and taxes	(1'518'288)	(3'375'423)
Extraordinary incomes	5'069'472	6'533'675
Extraordinary expenses	(2'118'735)	(536)
Taxes	(920'000)	(420'000)
Profit for the year	512'449	2'737'716

1. BUSINESS ACTIVITY AND PERSONNEL

Please refer to the consolidated financial statements. As at December 31, 2010, the Bank's staff numbered 118

employees (2009:134) of which 11 (2009:16) within representative offices.

2. ACCOUNTING POLICIES AND VALUATION PRINCIPLES

The accounting policies and valuation principles statements of the financial statements of Banque Safdié SA correspond in general to those of the consolidated financial statements. Unlike the consolidated financial statements, which are established according to the requirements of a true and fair view, the financial statements of the Bank can be influenced by hidden reserves.

Permanent investments

Permanent investments are valued at lower of cost or value, taking into account any value adjustments deemed necessary.

Permanent investments are valued at cost less cumulative depreciation. The straight line depreciation method was used over a 10-year period. In 2009, a depreciation amount was

registered in order to adjust the investment to its real economic value.

Tangible fixed assets

Tangible fixed assets are valued at cost less cumulative depreciations. The straight line depreciation method was used over a 10-year period.

Risk management

The Board of Directors has conducted the annual assessment of the Bank's risks.

The Group policies regarding derivative instruments, risk management, market risks and interest rate risks are also applicable to the Bank.

3. SUBSEQUENT EVENTS

The shareholders of Banque Safdié SA sold the entire share capital of the Bank to Bank Leumi le-Israël BM by contract

on February 10, 2011. It is foreseen that the transfer of share capital take place during the second half of 2011.

4. STRATEGIC DECISION OF THE BOARD

The Board of Directors, in its meeting of December 8, 2009, decided to terminate the activities of Safdié Investment Services Corp., New York, held by Multifinance SA. It was also decided to sell Safdié Distribuidora de Títulos e Valores

Mobiliarios Ltda, Sao Paulo to a related party. This operation is subject to prior agreement of the relevant Brazilian authorities.

5. INFORMATION ON THE BALANCE SHEET

5.1 Assets pledged or assigned to guarantee the Bank's commitments and assets subject to reservation title (CHF 000)

	2010		2009	
	Value of pledge	Book amount of actual commitments	Value of pledge	Book amount of actual commitments
Financial investments	15'637	—	19'999	—
Real estate	—	—	—	—

5.2 Details of fixed assets (CHF 000)

	Cost	Depreciation	Book value at 31.12.2009	Current period				Book value at 31.12.2010
				Book value investments	Disposals	Exchange difference	Depreciation	
Bank buildings for own use	47'756	(5'338)	42'418	–	–	–	(384)	42'034
<i>Geneva (parcel 5607)</i>	32'836	(1'812)	31'024	–	–	–	(259)	30'765
<i>Geneva (parcel 5608)</i>	5'213	(288)	4'925	–	–	–	(41)	4'884
<i>Lugano</i>	9'707	(3'238)	6'469	–	–	–	(84)	6'385
Other tangible fixed assets	36'886	(30'422)	6'464	566	–	(3)	(1'445)	5'582
Total tangible fixed assets	84'642	(35'760)	48'882	566	–	(3)	(1'829)	47'616
Goodwill	14'207	(9'641)	4'566	–	–	–	(1000)	3'566
Total intangible assets	14'207	(9'641)	4'566	–	–	–	(1000)	3'566
Fire insurance value of Bank buildings			43'318					43'318
Fire insurance value of other tangible fixed assets			18'200					18'200

5.3 Details relating to other assets and other liabilities (CHF000)

	Other assets		Other liabilities	
	2010	2009	2010	2009
Replacement values of derivative financial instruments resulting from trading operations for own account and for clients' accounts	8'495	6'781	8'434	6'686
Hedging instruments	–	–	–	121
	8'495	6'781	8'434	6'807
Compensation account	–	121	–	–
Other	363	1'623	434	833
Total	8'858	8'525	8'868	7'690

5.4 Valuation adjustments and provisions/reserves for general banking risks (CHF 000)

	Balance at 31.12.2009	Specific provisions / reversals	Change in specified purpose (new provisions)	Recoveries, doubtful inte- rest, currency transla- tion differences	New provisions charged to the income statement	Reversal of provisions credited to the income statement	Balance at 31.12.2010
Valuation adjustments and provisions for default risk (credit and country risks)	654	–	–	(75)	68	–	647
Valuation adjustments and provisions for other business risks	651	(20)	–	(54)	1333	(398)	1512
Other provisions	13'266	–	–	–	150	(4'316)	9'100
Total valuation adjustments and provisions	14'571	(20)	–	(129)	1'551	(4'714)	11'259
Less:							
Valuation adjustments directly offset against assets	(644)	–	–	75	(68)	–	(637)
Total valuation adjustments and provisions as per the balance sheet	13'927	–	–	–	–	–	10'622
Reserves for general banking	–	–	–	–	–	–	–

5.5 Share capital (CHF 000)

	2010			2009		
	Total nominal value	Number of shares	Dividend Bearing capital	Total nominal value	Number of shares	Dividend Bearing capital
Share capital	32'000	32'000	32'000	32'000	32'000	32'000

Major shareholders and groups of shareholders bound by voting agreements

	2010		2009	
	Nominal	Participation rate in%	Nominal	Participation rate in%
With voting rights : Safdié family	32'000	100	32'000	100

5.6 Statement of changes in shareholders' equity (CHF 000)

Shareholders' equity 01.01.2010

Share capital	32'000
General legal reserve	7'764
Other reserves	24'710
Retained earnings	62'464
Total shareholders' equity at 01.01.2010 (before profit distribution)	126'938
Profit 2010	512
Total shareholders' equity at 31.12.2010 (before profit distribution)	127'450
Comprised of :	
Share capital	32'000
General legal reserve	7'764
Other reserves	24'710
Retained earnings	62'976

5.7 Due from and due to related companies and loans to members of the Bank's governing bodies (CHF 000)

	2010	2009
5.7.1 Loans to members of the Bank's governing bodies	66	1

5.7.2 Group transactions as at December 31, 2010

The main transactions with Group companies are as follows :

	2010	2009
Due from banks	29'496	8'707
Due to banks	17'549	46'911
Financial instruments: Forward transactions with subsidiaries.	4'397	12'419

Transactions with Group companies are executed at market conditions.

5.8 Fiduciary transactions (CHF 000)

	2010	2009
Fiduciary deposits with :		
– Group banks	42'736	68'799
– Third party banks	228'365	412'193
Total	271'101	480'992

5.9 Net income from trading transactions (CHF 000)

	2010	2009
Income from foreign exchange, precious metals and bank notes	2'293	3'308
Trading in securities	12	35
Total	2'305	3'343

5.10 Extraordinary income/expenses (CHF 000)

Extraordinary income	2010	2009
Release of reserves	3'916	2'600
Release of unnecessary contingent provisions	798	3'322
Non-recurring and non-relevant items	355	612
Total	5'069	6'534

Extraordinary expenses	2010	2009
Abandonment of IT migration project	2'116	–
Non-recurring and non-relevant expenses	3	1
Total	2'119	1

6. FINMA CIRCULAR 08/24

The President of the Board is a Member of the Audit Committee.

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS TO THE GENERAL MEETING OF BANQUE SAFDIÉ SA, GENEVA

As statutory auditor, we have audited the accompanying financial statements of Banque Safdié SA, which comprise the balance sheet, income statement and notes (28 to 34), for the year ended 31 December 2010.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's

preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Geneva, March 28, 2011
Ernst & Young SA



Pierre Balsiger
Licensed Audit expert
(Auditor in charge)



Florence Hô
Licensed Audit expert



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