



BANQUE DE COMMERCE ET DE PLACEMENTS

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## INTERVIEW WITH OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER



Chairman

NACI SIGIN Chief Executive Oficer As BCP closes another year of solid results and earnings, the Chairman of the Board of Directors, Dr. Alain Bruno Lévy, and Chief Executive Officer, Mr. Naci Sigin, share their global vision of the Bank's operating environment, results, and strategy.

## How would you describe the Bank's operating environment and results in 2019?

The year 2019 was marked by a persistently uncertain geopolitical environment and rising trade barriers, which have taken a toll on global trade flows and market confidence. It was a challenging environment for BCP and the banking sector in general. Despite these hurdles, we were able to achieve the same strong level of business volumes as in the previous year. In particular, we concentrated more on the energy sector, with a special focus on the Mediterranean and Black Sea regions. This enabled us to maintain our documentary credit business volumes at CHF 28.1 billion, which was similar to 2018. Even though our Total Income decreased due to tighter margins inherent to energy transactions, BCP still achieved a satisfactory economic profitability (declared net profit + voluntary reserves) for the year, which amounted to CHF 38.5 million and was in line with 2018 economic profit. We achieved this while maintaining a robust capital base with a 14% Tier 1 capital adequacy ratio, and strong efficiency ratios (in particular a 54% cost-income ratio, which is much lower than the Swiss banking sector average of 70%).

## How did you adapt to this rocky environment in 2019?

In both Wealth Management and Commodity Trade Finance, we pursued a careful strategy and reinforced our business and repositioning in many regions, and in particular CIS, Middle East, and Eastern European countries. We adopted a cautious approach by being selective in our choice of clients and transactions. Prudence did indeed prevail during the year. Thanks to this strategy, the Bank managed to successfully protect its asset quality. In addition, as strict adherence with Swiss and international laws and regulations are part of BCP's DNA, the Bank continued to reinforce and adapt its framework to the constant flow of new laws and regulations (such as the Swiss Financial Services Act and Financial Institutions Act, CDB rules combating money laundering, specific regulations applicable in Luxembourg or Dubai, and international regulations on data protection or transaction safety).

First and foremost, we consider ourselves as solution providers. Thanks to our size, we have a clear and efficient decision-making process, which is a great help for our clients who need quick answers for their transactions. Clients particularly appreciate our ability to make swift decisions about their financing needs, based on transparent risk management rules.

At the same time, we reorganized our business and reinforced our teams to further improve our service quality and risk management. We continued to invest in our IT infrastructure and human resources to prepare for the future. Adhering to our customer-oriented business approach while offering world-class service remained our priority.

Our adaptability and agility were key to overcoming the complex 2019 business environment, and enabled us to maintain business volumes at similar levels to the previous year.

## Can you tell us more about this customer-oriented approach and what characterizes BCP?

First and foremost, we consider ourselves as solution providers. Thanks to our size, we have a clear and efficient decision-making process, which is a great help for our clients who need quick answers for their transactions. Customers particularly appreciate our ability to make swift decisions about their financing needs, based on transparent risk management rules. Indeed, for stakeholders in commodity supply chains, for whom time is of the essence, proactivity is a real added value. This goes with long-term customer support and high-quality service, which are the hallmarks of BCP. From our Wealth Management unit, which operates in open architecture and prioritizes tailor-made, advice-driven solutions, to the 360° sectoral know-how and global reach of our Commodity Trade Finance department, our customer-centric business approach is key to supporting our clients' needs. Moreover, as we are headquartered in Geneva, BCP is solidly anchored to Switzerland and benefits from a stable regulatory environment and an independent corporate governance system.

#### In terms of core businesses, how do you see BCP evolving in the future?

One of our main plans for the future is to further develop our business in our two core activities, while leveraging the strong synergies between these areas and further reinforcing our reputation for excellent service. In particular, with more than 56 years' experience in Commodity Trade Finance in very specific regions, we have gained a high level of expertise and knowledge of emerging markets. This is a key asset to help us expand our wealth management activity. In a highly competitive environment, we are conscious of the strong advantage this constitutes for our clientele, and we are willing to further capitalize on this core element of differentiation.

A second pillar of our evolution is to continue integrating various environmental, social, and governance (ESG) criteria in our credit analysis process. Moving forward, identifying key ESG elements will become an important part of financing decisions.

### Looking ahead, what is the outlook for 2020?

Many geopolitical uncertainties have continued to spill over into 2020, and will have an impact on the economy. We are currently witnessing the start of the Coronavirus (COVID-19) pandemic, the full impact of which is yet unknown. But it has already significantly affected trade flows and financial markets. As this unprecedented crisis emerges, we can reasonably expect all sectors to be affected going forward. This environment will most certainly place great pressure on the bank's earnings in 2020. At our level, we have successfully demonstrated in the past BCP's resilience in the face of various adverse operating conditions and market shocks. We remain committed to supporting our stakeholders diligently in those disrupted times. We are confident in the ability of our highly experienced staff to successfully weather those difficulties and achieve our 2020 business objectives, thanks to our consistent strategy focused on operational efficiency, agility, commercial effectiveness, and strong risk management. This prudent but customer-driven and dynamic approach is the cornerstone of our strategy, which should enable us to continue to grow our business and increase market penetration.

## BCP AT A GLANCE

BCP was established in 1963 as a Swiss bank and segments its activities into two well-established core businesses: Commodity Trade Finance and Wealth Management. These are reinforced by our expert Treasury. BCP enjoys a solid reputation as a high-quality service provider in all of these banking fields. The Bank serves an evergrowing number of customers and banks across the globe, with a wide range of innovative, tailor-made and value-added products and services. Founded under Swiss Banking Law and Regulations, BCP is supervised by FINMA, the Swiss financial markets supervisory authority. Headquartered in Geneva, BCP also operates branches in Luxembourg and Dubai.

## FOUR KEY PILLARS

## **DEEP EXPERTISE**

## **A SPECIALIST BANK**

BCP is a specialist bank with a high level of expertise in Commodity Trade Finance and Wealth Management, reinforced by expert services in Treasury and financial products.

## **AN EXPERT BANK**

Our driving force is the collective skills and expertise of our employees within our highly specialized business pillars. In terms of geography, BCP offers key expertise in emerging markets' operations and products.

## **SOLID FINANCIALS**

## **STRONG CAPITALIZATION**

BCP's Tier 1 capital ratio, which has been above 15% on average since 2004, far exceeds the minimum requirement of 10.5% set by FINMA for category 5 banks.

### SOLID CAPITAL ADEQUACY RATIO

BCP'S financial soundness is reflected in its solid Tier 1 capital ratio at the end of 2019.

## **INVESTMENT GRADE RATING**

BCP is rated BBB- (stable) by Fitch.

## **HIGH REGULATION**

## **A SWISS BANK**

BCP is supervised by FINMA, the Swiss financial markets supervisory authority. We deploy the same high standards of risk governance and service quality in both of our branches, which are also strongly regulated by the CSSF in Luxembourg and the DFSA in Dubai DIFC.

## STRICT RISK MANAGEMENT

Risk management is very important to BCP. This has enabled the Bank to maintain financial stability and soundness over the years, even during economic and geopolitical disruption.

## **STRONG DNA**

## **MEDIUM-SIZED**

BCP's human scale and efficient organization facilitates fast and flexible decision-making based on transparent risk limits.

### **CUSTOMER-FOCUSED**

With highly skilled staff throughout the whole service chain, BCP's experts apply a customer-centric and business solution-focused approach.

### **HIGH-QUALITY SERVICES**

We are proud to offer high-quality, tailor-made services based on our extensive experience and solid network, particularly in emerging markets.

## TWO CORE BUSINESSES:

## **COMMODITY TRADE FINANCE (CTF)**

With trade finance as its traditional core activity, BCP offers specialized expertise and high-quality services, managed by a team of experienced senior staff.

## WEALTH MANAGEMENT (WM)

With an open architecture approach, BCP has a tradition of excellence in portfolio management and high efficiency in transactional services for high-net-worth individuals.



## REINFORCED BY EXPERT SERVICES IN:

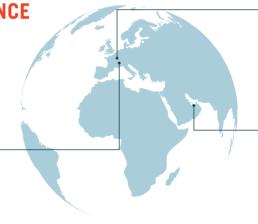
## TREASURY AND FINANCIAL PRODUCTS

In addition to the Bank's asset, liability and liquidity management, BCP's Treasury department supports the Bank's core activities. Treasury offers the Bank's customers financial products enabling them to effectively manage their treasury and capital. The department accommodates both WM, and CTF customers' requirements and finds long-term solutions in order to optimize their funding requirements, interest rates and foreign exchange exposures, as well as structured products, derivatives and risk management needs.

## GEOGRAPHICAL PRESENCE IN THREE LOCATIONS

## Switzerland

Headquartered in Geneva, BCP offers the safety of a highly regulated environment and the expertise of a Bank located at the center of international exchanges.

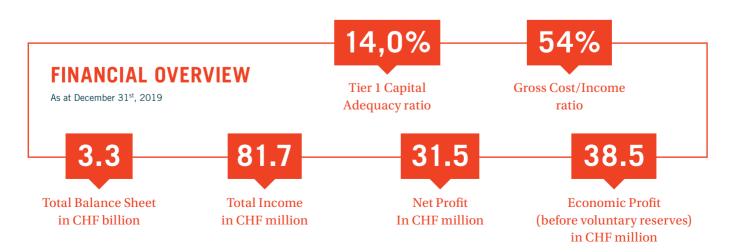


## Luxembourg

In the heart of the Eurozone's premier private banking center, the Branch provides clients with the full range of Treasury and Asset Management services.

## Dubai

Through its DIFC Branch, with a category 1 license granted by DFSA, BCP is the only Swiss Bank offering fully-fledged local Trade Finance and Wealth Management transactional capabilities.





## COMMODITY TRADE FINANCE

# **2 AREAS OF EXPERTISE**



WEALTH MANAGEMENT

- Personalized approach to commodity trade finance, through a full range of financing schemes:
  - Structured trade finance
  - Documentary instruments
  - Syndications
- Access to a wide range of treasury services specifically designated for CTF customers
- Seamless service through a network of more than 1000 active bank relationships around the world

## WITH A LARGE ARRAY OF SERVICES

- Customized asset management services:
  - Portfolio management
  - Extended or transaction-by-transaction advisory services
  - Custody services
- High expertise in emerging markets fixed-income securities
- Secured lending (Lombard loans, guarantees and fully covered L/Cs)
- General banking services for wealth management clients

# COMMODITY TRADE FINANCE

Customized solutions and long-term commitment to clients

Since its foundation in 1963, BCP has gained extensive experience in Commodity Trade Finance. As a leading player in this sector, we have developed a unique approach based on our 360° sectoral know-how, global reach, long-term commitment to customers, and highquality service at every stage.

**PIERRE GALTIE** Head of Commodity Trade Finance



CHF billion total documentary credit volumes for the year 2019

With a history of almost 60 years in trade finance, driven by a team of highly experienced professionals, BCP has become a leading player in international Commodity Trade Finance (CTF). As a multi-commodity solution provider, our expertise ranges primarily from energy products such as oil and its derivatives, to ferrous and non-ferrous metals, grains, oleaginous seeds, and other soft commodities such as rice, sugar, coffee, or cocoa.

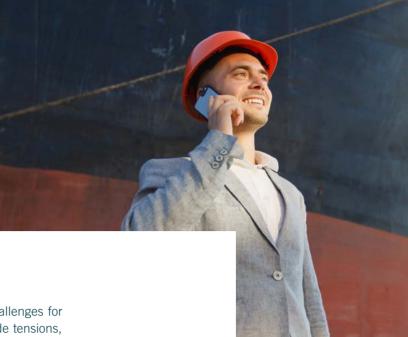
As a specialized Trade Finance bank, BCP provides a full spectrum of services and financing to companies engaged in international trade and manufacturers exporting products across borders.

We pride ourselves on our reputation as a high-quality service provider. BCP's primary mission is to offer customers personalized, long-term support with their businesses, at every stage of their development and transactions.

BCP's Commodity Trade Finance Department stands out for its special focus on delivering fast, accurate, and high value-added services based on transparent regulatory and risk limits, to local and international customers.

The Bank offers fully integrated services, ranging from structured trade finance to documentary instruments and syndications. We also provide tailor-made Treasury services specifically designed to protect clients' transactions. BCP's Commodity Trade Finance customers also benefit from the in-depth knowhow of our International Department, which manages relations in over 100 countries, confident that BCP will assist them to carefully manage risks.

BCP's CTF services operate from two strategic trade finance hubs: Geneva and Dubai. BCP Dubai has been located in the Dubai International Financial Center (DIFC) for over ten years, and is subject to the same development strategy and commercial policy as Geneva. This means that BCP Dubai's well-diversified commodity trading clientele, notably present in the Middle East and Asia, have access to the same products and services offered through our Swiss Head-Office.



The trading environment in 2019 was dominated by many challenges for commodity supply chain stakeholders, including US/China trade tensions, Brexit, and the Middle East crisis. Together, these factors led to a lack of visibility and paved the way for increased volatility.

As a result, BCP adopted proactive but prudent measures to continue developing our market franchise based on our 360° approach to business. The CTF department further reinforced its customer base, while maintaining a diversified customer profile and underlying commodities, along with a continuous international reach. Consequently, although commodity markets contracted, BCP's integrated model and expertise enabled the Bank to achieve a robust business turnover in line with the previous year. This meant that the total documentary credit volumes recorded in 2019 amounted to CHF 28.1 billion, which was equivalent to 2018 levels.

The solid overall result achieved in this segment of activity once again shows the efficiency of our business model. The cornerstones of this model are a client-centric approach, a fast decision-making process conducted by a team of highly experienced professionals, and careful risk management.

Looking ahead, the fear of a rapid spread of Coronavirus has heightened the atmosphere of uncertainty that already prevailed in the commodity market. Nevertheless, BCP remains confident of its capacity to carefully progress throughout 2020. Thanks to BCP's proven resilience in challenging markets, we intend to pursue our strategy of optimizing internal skills and processes, and developing a stable and high-performing customer base, while adhering to the core values that set BCP's CTF franchise apart from the rest of the industry.

# WEALTH MANAGEMENT

High-quality services and deep expertise in emerging markets



BCP provides state-of-the-art Wealth Management services built on decades of experience. Our distinctive business model is based on a genuinely individual approach to Wealth Management, combining an extensive knowledge of financial investments with an in-depth understanding of client needs, not only in developed markets but also in emerging markets.

**FRANÇOIS GAUTIER** Head of Wealth Management Since it was founded in 1963, BCP has been offering tailor-made services in portfolio management, high transactional efficiency, and other banking services. What sets BCP apart is its renowned, top-quality service and high level of expertise in emerging regions.

Thanks to these two unique elements of our DNA, we are able to expand our clients' financial horizons to emerging markets and offer unparalleled service to customers from both developed and developing regions.

We focus on carefully chosen regions where we have developed a deep knowledge of the financial behavior and preferences of the local clientele. In these areas, the Bank has an excellent knowledge of cross-border and taxation rules, enabling BCP Relationship Managers to offer customers sophisticated, customized advice.

Our open-architecture products and services enable us to invest in a particularly broad range of securities and investment products across the globe.

Customer interests are paramount at BCP: clients can choose to invest with or without the Bank's advice, or opt to give a mandate to the Bank to help manage their portfolio.

The Bank specializes in emerging markets fixed-income securities and manages a top-performing fund in this asset class. We also offer a wide range of investments and excellent foreign exchange services through our Treasury Department, and we can grant secured loans on request.



Annual performance of the BCP Emerging Markets Fixed-Income fund achieved in 2019, in USD. (source Bloomberg)



BCP investment service clients can enjoy transactional services in several countries, thanks to our International Department's very wide network.

Our other services include fully covered facilities, guarantees, letters of credit and family office services.

As clients and their businesses become increasingly mobile, BCP offers the convenience of choosing between two of the world's leading financial centers: Geneva and Dubai DIFC.

In 2019, we decided to reposition the strategy of our Luxembourg branch and consolidate our private banking activities in Geneva and Dubai. The objective was to focus our resources and expertise, and to better serve our Wealth Management clientele from these two locations. Our Dubai DIFC branch offers the same full range of Wealth Management products and services as our Geneva headquarters. This includes the ability to book clients locally, grant credits, and make deposits. In addition to complying with DFSA regulations, our Dubai entity operates to the same stringent Swiss standards as those applied in Geneva.

2019 was marked by favorable market conditions overall, which enabled almost all asset classes to achieve positive returns. This translated into good performance for our Wealth Management clientele, and in particular our discretionary mandate portfolios. It was also a year of intense activity in terms of trading volumes, particularly in fixed-income securities.

Going forward, 2020 promises to be dominated by periods of high volatility due to various uncertainties (the evolution of the Coronavirus pandemic, the outcome of the US elections, etc.).

These challenges will require us to use our full spectrum of expertise to support and advise our clients. In addition, we intend to continue to adapt our framework to new regulations affecting wealth managers and their customers. In particular, we will work towards finalizing the documentation and process linked to the new Financial Services Act.

## FINANCIAL PERFORMANCE

Despite the strong performance of financial markets, which were largely boosted by accommodating central bank policies, world economic growth eased in 2019.

The shadow of the US-China trade dispute, uncertainty about the effects of Brexit, low business investment, and weaker GDP growth in the USA, the Eurozone and China all contributed to a global slowdown in trading activity. The prices of most commodities financed by the Bank decreased. This was reflected by lower average crude oil prices (WTI), which were 12% below 2018 prices. With regard to currencies, the USD/CHF average exchange rate recovered slightly compared to the previous year, while the Euro weakened against the Swiss franc. The foreign exchange impact on our results was therefore marginal.

In this unfavourable context for commodity trade finance business, Total income declined by 18% compared to the previous year to CHF 81.7 million. Likewise, the Operating result was also adversely affected and closed at CHF 30.8 million, which represented a decrease of 38% compared to the previous year.

At the end of the year 2019, after fiscal adjustments, BCP Net profit reached CHF 31.5 mio, similar to the CHF 31.6 mio published the previous year. This result was achieved after the allocation of new voluntary reserves for general banking risks totaling CHF 7.0 million. Hence, the economic profit (declared net profit + voluntary reserves) for the year amounted to CHF 38.5 mio, in line with 2018 economic profit.

Net result from interest operations amounted to CHF 35.0 million and was practically in line with last year. This good performance was explained by lower Change in value adjustments for default risks and losses from interest operations (-CHF 5.9 million) and sound trade finance activity which generated higher net interest earnings on customer lending. On the other hand, net interest on money market placements and borrowings continued to be hit by the persistent low or negative interest rates environment and cost of liquidity remained particularly high.



The Result from commissions fell sharply by CHF 19.2 million (-28%) to CHF 47.2 million, despite very high documentary credit volumes of 28.1 billion, which reached the same level as 2018. The sustained business activity of the Bank was unfortunately not well rewarded in terms of revenue streams. This was due to very high pressure on margins, lower average prices for commodities, and the repositioning of the Bank in certain markets. On a more positive note, commissions from wealth management activities benefited from excellent financial markets and were globally in line with the previous year.

Result from trading activities recorded a net loss of CHF 1.3 million and continued to suffer from important cost of forex swaps, as the interest rate differential between USD and CHF remained very high. Regarding nostro securities portfolios, after difficult bond market conditions at the end of last year, most bond prices recovered this year which enabled the Bank to generate strong profits on the securities trading. Positions in short term portfolio also bounced back and consequently, Other result from ordinary activities at CHF 0.8 million were some CHF 1.6 million above last year.

## The Bank continued to closely monitor its operating expenses, which showed a well contained growth of only 0.8% compared to last year.

Personnel expenses at CHF 36.8 million increased by CHF 0.6 million (+2%), essentially due to higher headcount (average number of employees grew from 155.8 in 2018 to 160.7 in 2019) and the annual salaries increase. General and administrative expenses at CHF 12.3 million continued to decline (-2%) despite heavy financial burden incurred by technological infrastructure improvements and regulatory requirements.

Although the cost/income ratio (excluding the impact of Change in value adjustments for default risks and losses from interest operations) rose from 43% to 54% this year, this figure still reflects the efficient cost structure of the Bank.

The Return on Shareholders' Funds (including Reserves for general banking risks) slightly declined to 7.4%. form 8.1% in 2018.

The Total balance sheet declined by CHF 0.3 billion (-9%) compared to the previous year to CHF 3.3 billion. Liquid assets and amounts due from banks declined by CHF 167.3 million and CHF 266.6 million respectively, whereas customer lending grew by CHF 74.9 million (+4%) to close at approximately CHF 1.9 billion at the end of the year. On the liabilities side, customer deposits decreased by CHF 193.1 million and bank deposits fell by CHF 154.6 million. The shareholders' funds base (comprising Shareholders' equity and Reserves for general banking risks, which qualify as Tier I capital) improved by CHF 28.5 million (+6%) to CHF 536.0 million. The capital adequacy ratio (CET1 ratio as per Basel III rules) slightly declined from 14.8% to 14.0 %, but it was still largely above the minimum levels required by FINMA (10.5%).

Total retained earnings available for appropriation amounted to CHF 98.3 million and it was decided on March 19, 2020 at the Ordinary General Meeting of the Shareholders to distribute a dividend of CHF 10.0 million to the shareholders and appropriate the balance to the Bank's equity.





## C O R P O R A T E G O V E R N A N C E

BCP's corporate governance framework consists of its corporate bodies, listed in points (i) to (iv) below, and internal regulations, which define the respective functions and authority of the governing bodies as well as other corporate governance rules, in line with Swiss banking laws and regulations, and international best practice standards.

### (I) GENERAL ASSEMBLY OF SHAREHOLDERS:

- 69.33% Borak SA
- 30.67% Yapi Kredi Bankasi (81.79% owned jointly by the Koç Group of Turkey and UniCredit S.p.A through Koç Financial Services)

The Shareholders elect Board members on an annual basis and approve required resolutions at the General Assembly of Shareholders, such as the consolidated financial statements and capital increases.

## (II) BOARD OF DIRECTORS

The Board of Directors is responsible for the overall strategic direction, supervision and control of the Bank, and appoints members of the General Management.

As the body exercising the highest authority, supervision and control, the Board of Directors' responsibility to regulate, establish, maintain, supervise and regularly validate the Bank's internal control system commensurate with its size, complexity, structure and risk profile.

The Board of Directors meets at least four times a year, in principle once every quarter, and may validly take decisions if a majority of its members are present. The decisions are taken by an absolute majority of the members present. On an exceptional basis, the Board may also take decisions by circular letter, in which case decisions may only be taken unanimously by the members who have expressed their opinion within the allotted time limit, provided that the latter represent an absolute majority of all the members of the Board. Each member has the option to request that a Board meeting be held to deal with the subject. Decisions taken through circular letters must be recorded in minutes and added to the minutes of the next Board of Directors' meeting.

## (III) COMMITTEES ESTABLISHED BY DELEGATION OF THE BOARD OF DIRECTORS:

The Board of Directors may establish committees to second it or entrust tasks to certain of its members. The Board of Directors has established a Board Credit Committee and an Audit & Risk Committee. Tasks and powers delegated to committees or individuals, as well as the corresponding duties with respect to information, coordination and reporting, are regulated by the Board of Directors. In all cases, the Board of Directors remains collectively responsible for the delegated tasks.



## (III.A.) BOARD CREDIT COMMITTEE:

The Board Credit Committee comprises the two following members of the Board of Directors who have the powers and responsibilities to grant loans in accordance with BCP's internal regulations:

- Paul Baszanger Chairman
- Daniel Habegger Member

The Board Credit Committee's decisions are taken unanimously and are formally communicated to the Board of Directors at the following ordinary meeting.

## (III.B.) AUDIT & RISK COMMITTEE:

The Audit & Risk Committee comprises the two following members of the Board of Directors:

- Alfred Gremli Chairman
- Mehmet Ali Karamehmet Member

The Board of Directors has established an Internal Audit function which reports directly to the Audit & Risk Committee.

The Audit & Risk Committee approves Internal Audit's annual risk assessments, audit objectives and programs. It examines Internal Audit's reports and takes any necessary action required by the circumstances. The Audit & Risk Committee also assesses the integrity of the financial statements, the internal control system relating to the establishment of financial reports, the effectiveness of the Bank's auditors and their cooperation with the internal audit function, as well as internal control systems not related to the establishment of financial reports, in particular those of legal and compliance, risk control and internal audit function. The Audit & Risk Committee discusses and assesses the global risk management framework, the bank's capital and liquidity planning and ensures that the risk strategies are in line with the defined risk tolerance and risk limits. The Audit & Risk Committee keeps the Board of Directors regularly informed about its activities, findings and corrective measures taken, if any.

## THE BOARD OF DIRECTORS OF BCP IS COMPOSED OF SIX MEMBERS:



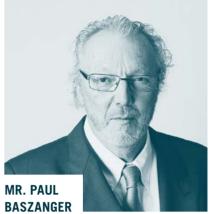
DR. ALAIN BRUNO LÉVY Chairman (Independent)

After graduating in law with a Doctor Degree from the University of Freiburg, Dr. Lévy was admitted to the Bar in Geneva in 1983. He started his career in 1976 within the legal department of the Swiss Federal Banking Commission (supervisory authority of the financial sector, before FINMA). He then joined Junod, Muhlstein, Lévy & Puder (Geneva) law firm, becoming a partner in 1984 and teaching law at Freiburg University. Dr. Lévy served as Secretary to the Board of Directors of BCP from 1997 until 2010 when he was made a Member of the Board of Directors and, in March 2014, appointed Chairman.



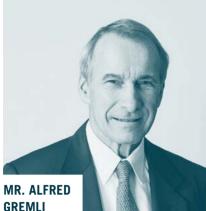
Vice Chairman (Represents Yapi Kredi)

After graduating from the Faculty of Political Sciences, Public Administration at Istanbul University in 1987. Erhan Adali began his professional career at Garanti Bankasi as an Internal Auditor. After serving in various positions, Mr. Adali worked as the Corporate Branch Manager, Commercial Banking Regional Manager and Coordinator in SME Banking Marketing between 1997 and 2005. He worked as the CEO of Garanti Pension and Life Company from 2005 to 2012 and continued to serve as Executive Vice President of Credits at Garanti Bank until 2015. He served as a member of Board of Garanti Leasing and Garanti Mortgage in 2015-2017. Mr. Adali has been Assistant General Manager in charge of Corporate and Commercial Banking and a Member of the Executive Committee of Yapi Kredi Bank since March 2018. He is also a Member of the Board of Directors of Yapi Kredi Factoring, Yapi Kredi Leasing, Yapi Kredi Bank Azerbaijan and Yapi Kredi Bank Malta, Mr. Adali has been a Member of the Board of Directors of BCP since March 2019.



Vice Chairman (Independent)

After graduating in law from the University of Geneva, Mr. Baszanger started his career with Crédit Suisse, Geneva in 1970 where he gained his first professional experience, continuing with Banque de Paris et des Pays-Bas, Geneva in 1974, and Crédit Commercial de France (Suisse), Geneva in 1980 where he served as Deputy Manager. He became head of the commercial and credit activities at Bank Brussel Lambert (Suisse), Geneva in 1985. He was then appointed CEO of ING Belgium, Geneva Branch in 2001, a position he held until his retirement in 2011. Mr. Baszanger was appointed Member of the Board of Directors of BCP in July 2013 and has served as Vice Chairman since March 2014.



Member (Independent)

Mr. Gremli started his professional training with Credit Suisse (CS) in the early 1960's after completing his education in Zurich. He was in training in Lausanne, New York and San Francisco before opening CS offices in Singapore and Tehran in the 1970's. Upon his return to Switzerland, he became Head of Commercial Banking for the Middle East. In 1983, he completed the Senior Executive Program at Stanford University. In 1992, he became a Member of the Executive Board of CS with area responsibility for the Middle East and Asia. Following his retirement in 2004, he served CS as a Senior Advisor until 2009. Mr. Gremli became a Member of the Board of Directors of BCP in March 2007, and also acts as Chairman of the Audit Committee since 2014.



Member (Represents Karamehmet Family)

Mr. Karamehmet graduated from the European University in Geneva. He has worked in various departments of BCP between 1998 and 2003, acquiring valuable banking experience. Since then, he has held several management positions within the Cukurova Group. Mr. Karamehmet was appointed Member of the Board of Directors of BCP in 2003, and also serves as a Member of the Audit Committee.



Member (Independent)

After completing his Swiss Banking Apprenticeship, later complemented by the School of English Studies. UK. and the Swiss Finance Institute, Mr. Habegger began his career at Banque de Paris et des Pays Bas, Geneva in the letters of credit department in 1976. He then joined Gatoil in 1983, before pursuing his career at United Overseas Bank in 1985 and BNP Paribas, Geneva in 2001 where he served as Team Head and Member of Management within the Commodity Trade Finance Departments. In addition to Europe, his geographical exposure includes mainly Russia and the CIS countries, the Middle East and Africa as well as India and the US. In 2015, Mr. Habegger founded Trafinco, a Swiss consultancy company specializing in trade finance and commodities. Mr. Habegger has been a Member of the Board of Directors of BCP since March 2016.

#### (IV) GENERAL MANAGEMENT

The General Management is responsible for the operational management of the Bank's business which reflects the business strategy approved by the Board of Directors, for managing the day-to-day business, the operational revenue and risk management, and for developing and maintaining effective internal processes and the necessary technological infrastructure.

#### THE GENERAL MANAGEMENT OF BCP IS COMPOSED OF SIX MEMBERS:



Chief Executive Officer

Mr. Sigin has been Chief Executive Officer of BCP since May 2009. He began his career in 1985 at Interbank A.S., Istanbul and joined Yapi Kredi Bank (BCP's 31% shareholder) in 1991 as Vice-President in Treasury. Mr. Sigin worked for Yapi Kredi for 13 years, heading its Treasury as an Executive Vice President until March 1999 when he was promoted to CEO of the Bank. He served as Yapi Kredi's CEO for 5 years until December 2004, acting simultaneously as Chairman and board member in many of the bank's subsidiaries. Accordingly, Mr. Sigin held the position of Vice Chairman of BCP's Board of Directors from February 2003 to October 2004. From December 2004, he acted as financial advisor to several holding groups until May 2009 when he was appointed BCP's CEO. Mr. Sigin holds a BS/BA degree from the University of Central Florida, USA and an MBA from the Bosphorus University, Istanbul.



CFO, Financial Control, Operations & IT

Mr. Garcia obtained his Degree in Economics at the University of Geneva in 1987 and started his professional path at Trade Development Bank (American Express) as financial analyst. He continued his career at Lloyds Bank in Geneva, where he mainly served as Head of Financial Control for 14 years, developing in-depth command of accounting, management information systems, financial reporting and budgeting. In 2004, he joined BCP as Head of the Financial Control division and, in October 2014. he was appointed CFO, including the supervision of Financial Control, Banking Operations and Information Technology divisions. Mr. Garcia has been a member of General Management since March 2016.



Commodity Trade Finance

After graduating from Paris Dauphine University in Corporate Finance, Mr. Galtié started his career at Banque Paribas in 1988 in the Sultanate of Oman, before joining the EMEA International Banking Department in Paris in 1990. He served as Vice President, Commodities and Trade Finance from 1992 to 1997. He was then appointed successively Director in 1997 and Managing Director in 2004 in the Commodities Finance group of BNP Paribas Switzerland where he held various business development and management functions with a prime focus in Eastern Europe, CIS countries, and the Middle East. He served as Head of BNP Paribas Switzerland Commodities Coverage from 2015 to 2016. In December 2016. Mr. Galtié joined Natixis to open and head its representative office in Switzerland. Mr. Galtié was appointed to head BCP's Commodity Trade Finance Department in April 2019 and has been a member of General Management since July 2019.



Wealth Management

Mr. Gautier gained his first experience with Bankers Trust International. London in mergers and acquisitions. He then held various positions in private banking and wealth management with United Overseas Bank, Geneva, Union Bancaire Privée, Geneva and Banque de Dépôts et de Gestion, Lausanne. He was CEO of Banque de Dépôts et de Gestion from 2000 to 2010, and joined BCP to head up its Wealth Management Department in 2010. He holds an engineering degree from the EPFL in Lausanne and an M.B.A. from INSEAD. Mr. Gautier is a former president of the Association Vaudoise des Banques, a former council member of Fondation Genève Place Financière, and a member of the strategic advisory board of EPFL. He has been a member of General Management since October 2014.



Credit

Mr. Rodo joined BCP's Trade Finance Department in 2000 as Vice President in charge of clients involved in major sectors of international trade and was promoted to First Vice President soon afterwards. Prior to BCP, he acquired his extensive experience in trade finance with United Overseas Bank and Crédit Lyonnais from 1986 to 2000, and Bank Paribas (Suisse) SA in the Documentary Credits Division from 1984 to 1986. Mr. Rodo was appointed to head up BCP's Trade Finance activities in 2012. He completed a banking apprenticeship in 1980 with BNP (Suisse) S.A. Mr. Rodo has been a member of General Management since October 2014.



Mr. Zimmermann graduated in economics from the University of Geneva with a Bachelor Degree in 1998 and became Swiss chartered accountant in 2005. He started his professional career in 2000 with KPMG in Geneva where he gained a significant experience in banking audit, notably in the fields of wealth management, credits (trade finance, corporate credits and lombards) and market activities. He continued his professional path at Compagnie Bancaire Helvétique (CBH) in Geneva where he was in charge of the bank's risk management from 2012 to 2015. In 2015, he joined BCP as Head of the Risk Management Department. He has been a member of General Management since July 2019.

## R I S K M A N A G E M E N T

Risk management within banks has recently undergone various changes in terms of organization and principles. Like all major Swiss financial institutions which have adapted to this new set of regulatory requirements, BCP has further strengthened its risk management organization over the past years while continuously reinforcing its methods, controls and guidelines.

## **RISK CULTURE**

BCP's risk culture is based on the following principles:

- The Bank develops a prudent approach, taking on risks only if they are in line with its risk strategy and the size of its business activity
- The Bank establishes clear risk tolerance criteria that set out the limits acceptable by the Bank
- The Bank aims at reducing its exposure to operational risks
- The Bank puts in place a strict segregation of tasks
- The Bank actively monitors risks and establishes resilient risk controls

Risk Management follows 6 main risks which are detailed in the Notes to the 2019 financial statements.





Risk Management and Control follows 6 main risks

## **RISK GOVERNANCE**

Achieving efficient risk management and control is possible by having a strong and functional risk governance. The Bank's risk governance framework rests on 3 lines of defense.

The first line of defense is made up of the front-office (the business functions), whose role is to maintain effective processes, while managing risks on a daily basis through business controls and documented procedures.

**The second line of defense** is represented by the independent control bodies (risk control, internal control and compliance), that report directly to the Board of Directors.

The third line of defense is the internal audit function which the Bank has outsourced to a well-known audit firm.

The Bank's governance is strengthened by various committees at Board and General Management level and a set of internal policies and directives that are reviewed and approved by the General Management and Board of Directors, in accordance with their level of authority.

The Board of Directors decides on the Bank's risk principles, risk strategy, risk appetite and risk policies. It is supported in its decisions by the Board Credit Committee, which is responsible for credit-related decisions, and the Audit & Risk Committee, which is responsible for overseeing the financial statements and financial reporting and taking care of audit matters. The General Management implements the risk framework and controls the Bank's risk profile. It delegates some of its competencies and responsibilities to several committees depending on the final risk. Finally, the Heads of Departments are responsible for the controls in their respective divisions.

## **RISK MANAGEMENT DEPARTMENT**

The Risk Management Department's main objective is preserving the Bank's reputation and its financial strength.

It achieves this by being independent from the business-related functions and by continuously improving its principles, methods and the internal control system. To fulfill this objective, Risk Management relies on a series of relevant indicators for monitoring the Bank's risk profile and establishing appropriate reporting on a regular basis to the Board of Directors, the General Management and their respective committees.

# AUDITOR'S REPORT & FINANCIAL STATEMENT

2019





KPMG SA Financial Services Esplanade de Pont-Rouge 6 CH-1212 Grand-Lancy CH-1211 Genève 26

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Report of the Statutory Auditor to the General Meeting of Shareholders of

#### Banque de Commerce et de Placements SA, Geneva

#### **Report of the Statutory Auditor on the Financial Statements**

As statutory auditor, we have audited the accompanying financial statements of Banque de Commerce et de Placements SA, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 34 to 55) for the year ended 31 December 2019.

#### 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 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 2019 comply with Swiss law and the company's articles of incorporation.

PMG AG is a subsidiary of KPMG Holding AG, which is a member of the KPMG stwork of independent firms affiliated with KPMG International Cooperative ("KPMG ternational"), solvis legial entity, and in fairs reserved.



#### Other Matter

We draw attention to the fact that this auditor's report supersedes the report issued as of 11 February 2020 and relates to the financial statements for the year ended 31 December 2019 as amended by the Board of Directors. The amendments to the financial statements are described in a note to the financial statements entitled "Subsequent amendment to the financial statements".

#### **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.

Zoé Souclier

Licensed Audit Expert

KPMG SA

van Mermod Licensed Audit Expert Auditor in Charge

Geneva, 27 February 2020

#### Enclosure:

- Financial statements (balance sheet, income statement, statement of changes in equity and notes)
- Proposed appropriation of available earnings

## **BALANCE SHEET**

| ASSETS  | 31.12.2019 | 31.12.2018 | NOTES |
|---|------------|------------|-------|
| Liquid assets   | 343 419    | 510 720    |       |
| Amounts due from banks  | 725 642    | 992 281    |       |
| Amounts due from securities financing transactions              | -          | -          |       |
| Amounts due from customers                                      | 1 882 363  | 1 807 422  | 1.2.  |
| Trading portfolio assets  | 11 922     | 17 879     | 1.3.  |
| Positive replacement values of derivative financial instruments | 5 524      | 3 562      | 1.4.  |
| Financial investments   | 306 489    | 287 126    | 1.5.  |
| Accrued income and prepaid expenses                             | 14 323     | 9 212      |       |
| Tangible fixed assets   | 3 794      | 3 904      | 1.6.  |
| Other assets  | 1 005      | 792        | 1.7.  |
| Total assets  | 3 294 481  | 3 632 898  |       |
| Total subordinated claims                                       | -          | -          |       |
| LIABILITIES   |            |            |       |
| Amounts due to banks  | 1 538 721  | 1 693 347  |       |
| Liabilities from securities financing transactions              | 133 179    | 138 625    |       |
| Amounts due in respect of customer deposits                     | 1 055 189  | 1 248 326  |       |
| Negative replacement values of derivative financial instruments | 3 993      | 3 879      | 1.4.  |
| Accrued expenses and deferred income                            | 26 102     | 23 296     |       |
| Other liabilities   | 1 343      | 500        | 1.7.  |
| Provisions  | -          | 17 504     |       |
| Reserves for general banking risks                              | 235 000    | 228 000    | 1.9.  |
| Bank's capital  | 75 000     | 75 000     | 1.10. |
| Statutory retained earnings reserve                             | 20 654     | 18 449     |       |
| Voluntary retained earnings reserve                             | 106 966    | 96 589     |       |
| Profit carried forward  | 66 801     | 57 784     |       |
| Profit/loss (result of the period)                              | 31 533     | 31 599     |       |
| Total liabilities   | 3 294 481  | 3 632 898  |       |
| Total subordinated liabilities                                  | -          | _          |       |

## **OFF-BALANCE SHEET TRANSACTIONS**

| Contingent liabilities  | 1 930 747 | 1 361 305 | 2.1. |
|-------------------------|-----------|-----------|------|
| Irrevocable commitments | 34 797    | 27 049    |      |
| Credit commitments      | 96 177    | 90 996    | 2.2. |

## **INCOME STATEMENT**

|  | 2019    | 2018    | NOTES  |
|--|---------|---------|--------|
| Result from interest operations:   |         |         |        |
| Interest and discount income   | 74 451  | 67 982  |        |
| Interest and dividend income from trading portfolios   | 634     | 776     |        |
| Interest and dividend income from financial investments  | 9 735   | 8 734   |        |
| Interest expense   | -41 354 | -28 017 |        |
| Gross result from interest operations  | 43 466  | 49 475  |        |
| Change in value adjustments for default risks and losses from interest operations                                    | -8 466  | -14 407 |        |
| Subtotal net result from interest operations   | 35 000  | 35 068  |        |
| Result from commission business and services:  |         |         |        |
| Commission income from securities trading and investment activities  | 4 969   | 5 055   |        |
| Commission income from lending activities  | 26 088  | 33 536  |        |
| Commission income from other services  | 17 805  | 29 408  |        |
| Commission expense   | -1 671  | -1 580  |        |
| Subtotal result from commission business and services  | 47 191  | 66 419  |        |
| Result from trading activities and the fair value option   | -1 337  | -1 012  | 3.1.   |
| Other result from ordinary activities:   |         |         |        |
| Result from the disposal of financial investments  | -12     | 261     |        |
| Result from real estate  | 9       | 11      |        |
| Other ordinary results   | 797     | -1 124  |        |
| Subtotal other result from ordinary activities   | 794     | -852    |        |
| Operating expenses:  |         |         |        |
| Personnel expenses   | -36 765 | -36 120 | 3.3.   |
| General and administrative expenses  | -12 250 | -12 485 | 3.4.   |
| Subtotal operating expenses  | -49 015 | -48 605 | 0.11   |
|  |         |         |        |
| Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets | -1 742  | -1 615  |        |
| Changes to provisions and other value adjustments, and losses  | -122    | -41     |        |
| Operating result   | 30 769  | 49 362  |        |
| Extraordinary income   | 17 615  | 135     | 3.5.1. |
| Extraordinary expenses   |         | -1 546  | 3.5.2. |
| Changes in reserves for general banking risks  | -7 000  | -7 000  | 3.5.3. |
| Taxes  | -9 851  | -9 352  | 3.7.   |
|  |         |         |        |

## **PROPOSAL FOR APPROPRIATION OF PROFIT**

|   | 31.12.2019 | 31.12.2018 |
|---|------------|------------|
| Retained earnings available for appropriation:    |            |            |
| Profit / loss (result of the period)              | 31 533     | 31 599     |
| Profit carried forward from previous year         | 66 801     | 57 784     |
| Distributable profit                              | 98 334     | 89 383     |
| Proposal for appropriation of profit:             |            |            |
| Allocation to statutory retained earnings reserve | 2 202      | 2 205      |
| Allocation to voluntary retained earnings reserve | 10 000     | 10 377     |
| Dividend proposed                                 | 10 000     | 10 000     |
| New amount carried forward                        | 76 132     | 66 801     |
| Distributable profit                              | 98 334     | 89 383     |

## **STATEMENT OF CHANGES IN EQUITY**

|  | Bank's<br>capital | Statutory<br>retained<br>earnings<br>reserves | Voluntary<br>retained earnings<br>reserves and<br>profit/loss<br>carried forward | Reserves<br>for general<br>banking<br>risks | Result<br>of the<br>period | TOTAL   |
|--|-------------------|---|--|---|----------------------------|---------|
| Equity at 01.01.2019   | 75 000            | 18 449  | 154 373  | 228 000                                     | 31 599                     | 507 421 |
| Dividends and other distributions  | -                 | -   | -  | -   | -10 000                    | -10 000 |
| Other allocations to (transfers from) the reserves for general banking risks | -                 | -   | -  | 7 000                                       | -                          | 7 000   |
| Other allocations to (transfers from) other reserves                         | -                 | 2 205   | 19 394   | -   | -21 599                    |         |
| Profit/loss (result of the period)   | -                 | -   | -  | -   | 31 533                     | 31 533  |
| Equity at 31.12.2019   | 75 000            | 20 654  | 173 767  | 235 000                                     | 31 533                     | 535 954 |

# NOTES TO THE 2019 FINANCIAL STATEMENTS

#### NAME, LEGAL FORM AND DOMICILE OF THE BANK

Banque de Commerce et de Placements SA, Geneva is a public limited company incorporated under the laws of Switzerland and a licensed bank under the supervision of the Swiss Financial Market Supervisory Authority FINMA. It performs the majority of its activity through its headquarter in Geneva. The Bank has branches in Luxembourg and Dubai.

As at 31st December 2019, Banque de Commerce et de Placements had 160.7 full-time equivalent employees (2018:155.8), of which 5 in Luxembourg and 16 in Dubai.

## **BUSINESS ACTIVITIES**

The Bank offers its commercial and private clients, and financial institutions, the full range of services of a universal Swiss bank. It specializes in three main business activities: short-term commercial transactions, mainly related to international commodity trade finance, wealth management and treasury.

The granting of commercial and documentary credits to its clients represents a very important part of the Bank's activity. Other services offered by the Bank include discretionary asset management, fiduciary operations, fund transfers as well as trading in securities, foreign exchange and derivative products for the account of its clients.

The Bank undertakes, for its own account, trading in bonds and equities as well as in foreign exchange and other derivative financial instruments. Most of its inter-bank transactions are short term.

### **ACCOUNTING AND VALUATION POLICIES**

#### **GENERAL PRINCIPLES**

The Bank's bookkeeping and accounting and valuation principles are in accordance with the Swiss Code of Obligations, the Swiss Federal Law on Banks and its relative Implementing Ordinance, as well as with the statutory provisions and directives issued by the Swiss Financial Market Supervisory Authority FINMA.

These statutory single entity financial statements as at 31<sup>st</sup> December 2019 are established in conformity with the Directives of the FINMA circular 2015/1 Accounting-Banks, using the reliable assessment principle (Banking Ordinance art. 25 para.1 let. a). The Bank has adopted these new accounting requirements since the 1<sup>st</sup> of January 2015.

Assets and liabilities and off-balance sheet transactions which are recorded under the same heading are valued individually.

#### **RECORDING OF TRANSACTIONS**

All transactions are reflected in the books at trade date. Unsettled spot transactions are recorded in the balance sheet according to the trade date accounting principle.

#### CONVERSION OF FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated into Swiss francs at the exchange rates on the balance sheet closing date. Income and expenses in foreign currencies are converted at the exchange rates prevailing at the date they are booked. Exchange gains and losses resulting from conversion into Swiss Francs of positions and operations denominated in foreign currencies are booked to "Result from trading activities and the fair value option". The branches use Swiss Francs as their functional currency.

Exchange rates used for the conversion into Swiss Francs of the main foreign currencies on the year-end balance sheet closing date were as follows:

|     | 31.12.2019 | 31.12.2018 |
|-----|------------|------------|
| USD | 0.9719     | 0.9809     |
| EUR | 1.0883     | 1.1244     |

#### LIQUID ASSETS, AMOUNTS DUE FROM BANKS AND AMOUNTS DUE FROM CUSTOMERS

These items are recognized at their nominal value or at cost value, less any necessary individual valuation adjustment.

Impaired loans, defined as loans for which it is unlikely that the debtor will be able to fulfill his future obligations, are valued on an individual basis and the depreciation is covered by individual valuation adjustments equivalent to the part of the amounts which are not secured by collaterals. The individual valuation adjustments are directly deducted from the related caption.

#### SECURITIES FINANCING TRANSACTIONS

Securities sold subject to a repurchase agreement (repos) remain in the balance sheet under "Trading portfolio assets" or "Financial investments", as long as the Bank maintains the economic ownership of the rights relating to the transferred securities. Cash amounts received relating to the sale of these securities or received as collateral for these loans are included in the balance sheet under "Liabilities from securities financing transactions".

Securities received subject to a reverse-repurchase agreement (reverse repos) are only brought on balance sheet if the Bank acquires the power to have use of the contractual rights attached to the securities transferred. Cash amounts paid relating to such transactions are reported under "Amounts due from securities financing transactions".

#### **TRADING PORTFOLIO ASSETS**

The Bank's trading portfolio assets are valued at fair value. Profits and losses on prices are booked to "Result from trading activities and the fair value option".

#### **REPLACEMENT VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS**

The replacement value corresponds to the market value of derivative financial instruments (see Derivative financial instrument section) outstanding on balancesheet date arising from customer or proprietary transactions.

#### FINANCIAL INVESTMENTS

The Bank's financial investments are classified into three categories: "long-term", "short-term" and "other" financial investments.

Positions in the "long-term" portfolio (comprised exclusively of bonds) are intended to be held until maturity. They are booked at their acquisition cost. The difference between the nominal value and the acquisition cost is spread over the period remaining to maturity and booked to interest and dividend income on financial investments.

Positions in the "short-term" portfolio (comprised exclusively of bonds) are valued at the lower of cost or market value.

"Other financial investments" may comprise real estate, securities or commodities resulting from credit activities and are valued at the lower of cost or market value.

Depreciations in value due to insolvency, as well as any subsequent recoveries in value, are booked to "Other ordinary expenses" or "Other ordinary income".

#### **TANGIBLE FIXED ASSETS**

Investments in fixed assets, which are used for more than one accounting period, are recorded in the balance sheet at acquisition cost, less cumulative depreciation and any other losses in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the different types of assets. The principal types are as follows:

| Building installations        | 8 years |
|-------------------------------|---------|
| IT hardware and software      | 5 years |
| Furniture, machines, vehicles | 5 years |

#### AMOUNTS DUE IN RESPECT OF CUSTOMER DEPOSITS

Fiduciary deposits placed with the Bank's branches abroad are included in "Amounts due in respect of customer deposits" in the balance sheet.

#### PROVISIONS

In respect to the principle of prudence, provisions can be created for all existing or latent risks of losses as of balance sheet date. These risks are periodically reviewed by the Management. If provisions are considered necessary, they are booked to the profit and loss account when the risks are identified.

#### **RESERVES FOR GENERAL BANKING RISKS**

Reserves for general banking risks are reserves constituted out of prudence with the objective of covering latent banking risks. Reserves for general banking risks have not been taxed.

They are considered as Common Equity Tier 1 (CET1) according to article 21 of the Swiss Capital Adequacy Ordinance (CAO).

#### PENSION FUND LIABILITIES

Pension benefit obligations are all plans, schemes and arrangements that provide benefits for retirement, death or disability.

The economic impact of pension plans is deemed to be either an economic benefit (excess coverage) or an obligation (funding shortfall). In the case of excess coverage, an economic benefit arises if there is a potential positive effect on future cash flows and if it is permissible and intended to either use the surplus or lower the employer's contributions. Future economic benefits are always capitalized when recognition criteria are satisfied. In the case of a funding shortfall, an economic obligation exists if the conditions for creating a provision are met.

Determining the economic impact of the pension plan is based on the financial situation of the pension funds at its latest annual financial reporting date but not more than 12 months ago.

Pension benefit obligations (if any) are carried on the balance sheet under "Provisions", while benefits (if any) are recognized under "Other assets". Changes from the corresponding value in the previous financial year are recognized for each pension fund under "Personnel expenses". The same accounting method applies to adjusted contributions for the period.

#### CONTINGENT LIABILITIES, IRREVOCABLE COMMITMENTS, CONTINGENT LIABILITIES FOR CALLS AND MARGINS

These transactions are recorded as offbalance sheet items at their nominal value. Provisions for any identified risks are booked to the profit and loss account.

#### DERIVATIVE FINANCIAL INSTRUMENTS

All derivative financial instruments are recorded at fair value and the gross replacement values of these contracts reflect the market values of all the open positions as of the balance sheet date. Positive and negative replacement values are recorded on the balance sheet.

Derivatives transactions for the Bank's own account are limited to trading operations only and related profits and losses are booked to "Result from trading activities and the fair value option".

#### TAXES

In accordance with the tax rules which apply to it, the Bank determines and books current taxes due on the profits realized during the accounting period and on the taxable own funds at the end of the period, after taking into account any possible losses carried forward.

Deferred tax is provided for latent tax risks.

Provisions for direct current taxes are booked to liabilities in the balance sheet under "Accrued expenses and deferred income". Provisions for deferred taxes are booked to liabilities in the balance sheet under "Provisions".

### **MANAGEMENT OF RISKS**

#### **DEFAULT RISKS**

Default or credit risks represent the danger of a loss which the Bank would incur should a counterparty fail to meet its legal obligations. The Bank's credit policy covers all exposure which may entail losses if the counterparties are unable to reimburse part or all of their indebtedness towards the Bank.

The Bank mitigates credit risks, in particular through due attention to their diversification, by being highly selective on the quality of the borrowers, by requiring tangible guarantees and by applying defined margins. The quality of the clients is assessed according to standard, clearly defined and objective solvency criteria, which are applicable to all customers. Furthermore, the assessment also takes into account specific guarantees inherent to trade finance business in terms of documentation and risk coverage.

The Bank ensures that efficient supervision of default risks is maintained during entire loan periods through regular communication with the clients. Collateral values are periodically controlled by types of security. The financial standing of borrowers is also regularly reviewed and updated throughout the year based on appropriate documents. Limits and loans are granted according to the client's capacity to service the debt and the value of the pledged collateral held by the Bank.

#### **MARKET RISKS**

Market risks represent the danger of losses occurring as a result of fluctuations in the value of a position caused by changes in prices of securities, commodities, derivative financial instruments and in interest or exchange rates.

In its trading and financial investment portfolios, the Bank limits its exposure to market risks through investments in good quality securities.

The respect of limits established for proprietary trading operations is monitored on a daily basis.

Interest rate risks arising from both on- and off-balance sheet operations are managed and supervised centrally by the ALM (Assets and Liabilities Management) Committee of the Bank, which meets on a weekly basis.

#### **COUNTRY RISKS**

Country risks represent the danger of losses occurring as a result of economic and/ or political changes in foreign countries.

The Bank has defined a Country Risk Policy, which takes into account types of transactions, their maturities and the ratings of countries (according to Fitch and Moody's) which may present a risk for transactions. Provisions are constituted based on these criteria.

Country risk exposure may be offset through collateral such as guarantees, country risk insurance and pledged assets provided that the collateral itself is duly assigned and pledged and not subject to a higher country risk. The Bank applies the directives issued by the Swiss Bankers Association with respect to country risks.

#### LIQUIDITY RISKS

Liquidity risks are controlled in accordance with the relative legal provisions. The negotiability of the Bank's proprietary positions is regularly supervised.

#### **OPERATIONAL RISKS & INTERNAL CONTROL**

Operational risks are defined as risks of direct or indirect loss resulting from an inadequacy or failure due to procedures, human factors, systems or external events. Internal rules and regulations on organization and related controls enable the limitation of such risks. Internal control systems are regularly verified by the Bank's Internal Auditors who report their findings directly to the Board's Audit Committee.

#### **COMPLIANCE AND LEGAL RISKS**

The Bank's Compliance department controls the Bank's adherence to existing statutory regulations as well as to due diligence obligations incumbent on banks. The Bank's Compliance department also reviews new legislation being developed by the supervisory authorities, the Government, Parliament or various self-regulatory bodies and ensures that the Bank's internal directives are adapted to any new legislation or regulations.

## METHOD USED FOR IDENTIFYING DEFAULT RISK AND DETERMINING THE NEED FOR VALUE ADJUSTMENTS

A loan is considered doubtful, when it becomes unlikely that the counterparty will meet its legal obligations. In such a case, the Board of Directors, the General Management and/or the Sensitive/Slow Loans Committee decides whether a value adjustment should be recorded on a case-by-case basis, taking into account the sureties.

A loan is no longer considered impaired if capital and interest in arrears are repaid, the servicing of the debt has resumed normally, additional tangible guarantees have been obtained for a value in excess of the existing unsecured debt and/or other solvency criteria have been met.

The Bank may also constitute value adjustments and provisions for other debts presenting an increased risk.

## METHOD USED FOR THE VALUATION OF COLLATERAL

For trade finance credit activities, the collateral's values accepted as a pledge are analyzed on case-by-case basis and mostly depends on the nature and tradability (market value) of the sureties. Collateral values are periodically controlled.

For wealth management, the credit activities are essentially limited to Lombard loans and the collateral's value accepted as a pledge is a percentage of the market value of the assets held by client. The percentage varies according to the nature, currency, solvency and tradability of the assets.

### POLICY ON THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS, INCLUDING EXPLANATIONS RELATING TO THE USE OF HEDGE ACCOUNTING

The Bank undertakes, for its own and customer accounts, trading in derivative financial instruments, which may comprise Forward exchange operations (most of the derivatives trading activity), Options, Credit Linked Notes (CLN), Forward Rate Agreements (FRA), Interest Rate Swaps (IRS), Cross Currency Swaps (CCS), Interest Rate Futures (IRF) and diverse structured products.

Although the Bank does not apply hedge accounting, it may use derivative financial instruments to manage its exposure to foreign exchange and interest rate risks. Profits and losses on these transactions are booked to "Result from trading activities and the fair value option".

### SUBSEQUENT AMENDMENT TO THE FINANCIAL STATEMENTS

The Bank subsequently amended the balance sheet as of 31<sup>st</sup> December 2019 and related notes. Following a late clarification about the list of central giro institutions (central clearing offices) recognized by FINMA (as per FINMA circular 2015/01), an amount of CHF 1'957'203 initially included under "Liquid assets" was reclassified under "Amounts due from Banks".

### MATERIAL EVENTS OCCURED AFTER THE BALANCE SHEET DATE

None.

#### NOTES TO THE 2019 FINANCIAL STATEMENTS

## **1. INFORMATION ON THE BALANCE SHEET**

## **1.1. BREAKDOWN OF SECURITIES FINANCING TRANSACTIONS** (ASSETS AND LIABILITIES)

|   | 31.12.2019 | 31.12.2018 |
|---|------------|------------|
| Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions (*)  | -          | _          |
| Book value of obligations resulting from cash collateral received in connection with securities lending and repurchase transactions (*)   | 133 179    | 138 625    |
| Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements  | 147 208    | 149 612    |
| <ul> <li>with unrestricted rights to resell or pledge</li> </ul>  | -          | -          |
| Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge | -          | -          |
| <ul> <li>of which, repledged securities</li> </ul>  | -          | -          |
| <ul> <li>of which, resold securities</li> </ul>   | -          | -          |

(\*) Before netting agreements

## **1.2. PRESENTATION OF COLLATERAL FOR LOANS / RECEIVABLES AND OFF-BALANCE SHEET TRANSACTIONS, AS WELL AS IMPAIRED LOANS / RECEIVABLES**

| 1.2.1. LOANS/RECEIVABLES  |            | Secured by<br>mortgage | Other collateral | Unsecured | TOTAL     |
|---|------------|------------------------|------------------|-----------|-----------|
| Amounts due from customers<br>(before netting with value adjustments) |            | -                      | 326 929          | 1 604 119 | 1 931 048 |
| Total loans (before netting with value adjustments)                   | 31.12.2019 | -                      | 326 929          | 1 604 119 | 1 931 048 |
|   | 31.12.2018 | -                      | 420 905          | 1 436 240 | 1 857 145 |
| Total loans (after netting with value adjustments)                    | 31.12.2019 | -                      | 326 929          | 1 555 434 | 1 882 363 |
|   | 31.12.2018 | -                      | 420 905          | 1 386 517 | 1 807 422 |

#### **1.2.2. OFF-BALANCE SHEET**

| Contingent lighilities               |            |   | 481 133 | 1 440 614 | 1 020 747 |
|--------------------------------------|------------|---|---------|-----------|-----------|
| Contingent liabilities               |            | - | 401 133 | 1 449 614 | 1 930 747 |
| Irrevocable commitments              |            | - | -       | 34 797    | 34 797    |
| Credit commitments                   |            | - | -       | 96 177    | 96 177    |
| Total off-balance sheet transactions | 31.12.2019 | - | 481 133 | 1 580 587 | 2 061 720 |
|                                      | 31.12.2018 | - | 360 205 | 1 119 145 | 1 479 350 |

| 1.2.3. IMPAIRED LOANS |            | Gross debt<br>amount | Estimated<br>liquidation<br>value of<br>collateral | Net debt<br>amount | Individual<br>value<br>adjustments |
|-----------------------|------------|----------------------|--|--------------------|------------------------------------|
| Total impaired loans  | 31.12.2019 | 54 430               | -  | 54 430             | 48 685                             |
|                       | 31.12.2018 | 67 419               | -  | 67 419             | 57 820                             |

Impaired loans decreased compared to last year, mainly due to debt write-offs.

## **1.3. BREAKDOWN OF TRADING PORTFOLIOS AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE (ASSETS)**

|   | 31.12.2019 | 31.12.2018 |
|---|------------|------------|
| Trading portfolio assets  |            |            |
| Debt securities, money market securities/transactions   | 11 922     | 17 879     |
| – of which, listed  | 11 174     | 17 879     |
| Equity securities   | -          | -          |
| Precious metals and commodities   | -          | -          |
| Other trading portfolio assets  | -          | -          |
| Subtotal trading portfolio assets   | 11 922     | 17 879     |
| Other financial investments at fair value   |            |            |
| Debt securities   | -          | -          |
| Structured products   | -          | -          |
| Other   | -          | -          |
| Subtotal other financial investments at fair value  | -          | -          |
| Total trading portfolios and other financial instruments (assets)                               | 11 922     | 17 879     |
| – of which, determined using a valuation model  | -          | -          |
| - of which, securities eligible for repo transactions in accordance with liquidity requirements | -          | -          |

## **1.4. PRESENTATION OF DERIVATIVE FINANCIAL INSTRUMENTS**

|   |            | TRADI                             | NG INSTRUME                       | INTS               | HEDGI                             | NG INSTRUMEN                      | TS                 |
|---|------------|-----------------------------------|-----------------------------------|--------------------|-----------------------------------|-----------------------------------|--------------------|
| 1.4.1. DERIVATIVE FINANCIAL INSTRU          | IMENTS     | Positive<br>replacement<br>values | Negative<br>replacement<br>values | Contract<br>volume | Positive<br>replacement<br>values | Negative<br>replacement<br>values | Contract<br>volume |
| Interest rate instruments                   |            | ·                                 |                                   |                    |                                   |                                   |                    |
| Interest Rate Futures (IRF)                 |            | 15                                | -                                 | -                  | -                                 | -                                 | -                  |
| Foreign exchange/precious metals            |            |                                   |                                   |                    |                                   |                                   |                    |
| Forward contracts                           |            | 3 584                             | 2 068                             | 1 037 390          | -                                 | -                                 | -                  |
| Options (OTC)                               |            | 1 925                             | 1 925                             | 85 735             | -                                 | -                                 | -                  |
| Total before netting agreements             | 31.12.2019 | 5 524                             | 3 993                             | 1 123 125          | -                                 | -                                 | -                  |
| – of which, determined using a valuation mo | del        | -                                 | -                                 | -                  | -                                 | -                                 | -                  |
| Total before netting agreements             | 31.12.2018 | 3 562                             | 3 879                             | 729 894            | -                                 | -                                 | -                  |
| – of which, determined using a valuation mo | del        | -                                 | -                                 | -                  | -                                 |                                   | -                  |

|                                  |            | Positive n              | eplacement values<br>(cumulative) | Negative re        | blacement values<br>(cumulative) |
|----------------------------------|------------|-------------------------|-----------------------------------|--------------------|----------------------------------|
| Total after netting agreements   | 31.12.2019 |                         | 5 524                             |                    | 3 993                            |
|                                  | 31.12.2018 |                         | 3 562                             |                    | 3 879                            |
| 1.4.2. BREAKDOWN BY COUNTERPARTY |            | Central clearing houses | Banks and securities dealers      | Other<br>customers | Total<br>customers               |
| Positive replacement values      | 31.12.2019 | -                       | 3 277                             | 2 247              | 5 524                            |
| (after netting agreements)       | 31.12.2018 | -                       | 2 324                             | 1 238              | 3 562                            |

## **1.5. FINANCIAL INVESTMENTS**

|   | BOOK VA    | LUE        | FAIR VALUE |            |  |
|---|------------|------------|------------|------------|--|
| 1.5.1. BREAKDOWN BY FINANCIAL INVESTMENTS   | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |  |
| Debt securities   | 306 325    | 286 940    | 312 747    | 286 599    |  |
| - of which, intended to be held until maturity  | 237 529    | 235 739    | 243 320    | 235 331    |  |
| - of which, not intended to be held until maturity (available for sale)   | 68 796     | 51 201     | 69 427     | 51 268     |  |
| Equity securities   | -          | -          | -          | -          |  |
| - of which, qualified participations  | -          | -          | -          | -          |  |
| Precious metals   | -          | -          | -          | -          |  |
| Real estate   | 163        | 186        | 163        | 186        |  |
| Total financial investments   | 306 489    | 287 126    | 312 910    | 286 785    |  |
| <ul> <li>of which, securities eligible for repo transactions in accordance<br/>with liquidity requirements</li> </ul> | 9 953      | 12 189     | 9 939      | 12 195     |  |

|   | BOOK VALUE |            |  |
|---|------------|------------|--|
| 1.5.2. BREAKDOWN OF COUNTERPARTIES RATING | 31.12.2019 | 31.12.2018 |  |
| AAA to AA-                                | 64 241     | 84 001     |  |
| A+ to A-                                  | 102 691    | 75 222     |  |
| BBB+ to BBB-                              | 42 055     | 32 745     |  |
| BB+ to B-                                 | 97 338     | 94 906     |  |
| Without rating                            | -          | 66         |  |
| Total debt instruments                    | 306 325    | 286 940    |  |

Rating for debt instruments according to Fitch/Standard & Poors rating classes.

## **1.6. PRESENTATION OF TANGIBLE FIXED ASSETS**

|   |                     |                          |                       | 2019                   |           |           |              |           |                          |
|---|---------------------|--------------------------|-----------------------|------------------------|-----------|-----------|--------------|-----------|--------------------------|
| 1.6.1. TANGIBLE FIXED<br>ASSETS             | Acquisition<br>cost | Accumulated depreciation | Book value 31.12.2018 | Reclas-<br>sifications | Additions | Disposals | Depreciation | Reversals | Book value<br>31.12.2019 |
| Bank building                               | -                   | -                        | -                     | -                      | -         | -         | -            | -         | -                        |
| Other real estate                           | -                   | -                        | -                     | -                      | -         | -         | -            | -         | -                        |
| Proprietary or separately acquired software | 15 613              | -12 770                  | 2 843                 | -                      | 1 220     | -         | -1 259       | -         | 2 804                    |
| Other tangible fixed assets                 | 14 796              | -13 735                  | 1 061                 | -                      | 412       | -         | -483         | -         | 990                      |
| Total tangible fixed assets                 | 30 409              | -26 505                  | 3 904                 | -                      | 1 632     | -         | -1 742       | -         | 3 794                    |

| 1.6.2. OPERATING LEASES               |            | within 1 year | from 1 to 3 years | from 1 to 5 years | > 5 years | Total  |
|---------------------------------------|------------|---------------|-------------------|-------------------|-----------|--------|
| Future lease payments (office rental) | 31.12.2019 | 254           | 7 544             | -                 | -         | 7 798  |
|                                       | 31.12.2018 | 105           | 425               | 10 131            | -         | 10 661 |

These office rental contracts can be terminated within one year.

### **1.7. BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES**

|   | OTHER AS   | SETS       | OTHER LIABILITIES |            |  |
|---|------------|------------|-------------------|------------|--|
|   | 31.12.2019 | 31.12.2018 | 31.12.2019        | 31.12.2018 |  |
| Rent guarantee deposit                  | 316        | 284        | -                 | -          |  |
| Withholding taxes, stamp duties and VAT | 272        | 233        | 304               | 198        |  |
| Others                                  | 417        | 275        | 1 039             | 302        |  |
| Total                                   | 1 005      | 792        | 1 343             | 500        |  |

### **1.8. DISCLOSURE ON THE ECONOMIC SITUATION OF OWN PENSION SCHEMES**

#### **1.8.1. GENERAL INFORMATION**

The Bank provides occupational pension provision to its employees through the intermediary of an independent and autonomous Pension Fund institution which is subject to the legal requirements governing occupational pension provision (LPP) in Switzerland.

The Bank conforms with Swiss GAAP RPC 16. The Pension Fund is based on the principle of defined contributions. The Pension Fund is funded by both the employer and the employees according to the contributions defined in the rules of the Pension Fund.

The Bank's contributions are booked in the year's operating expenses and are an integral part of its personnel expenses. At 31<sup>st</sup> December 2019 the Bank held no reserves for contributions and had no liabilities towards the Pension Fund.

On 31<sup>st</sup> December 2019, the Fund had 171 members (162 in 2018), of which 142 in activity (135 in 2018) and 29 pensioners (27 in 2018). Employees of Luxembourg and Dubai branches are not members of the Bank's Pension Fund in Switzerland.

On the basis of not yet audited financial statements as at  $31^{st}$  December 2019, the governing body of the Pension Fund estimates the coverage ratio according to article 44 of OPP 2 (Ordinance on Pension Funds) at approx. 107.1% (99.3% at 31.12.2018).

| 1.8.2. PRESENTATION OF THE<br>Economic benefit / obligation | Overfunding/<br>underfunding<br>estimate | Economic interest |            | Change<br>in economic<br>versus | Contribution paid | Pension expenses included<br>in personnel expenses |            |
|---|--|-------------------|------------|---------------------------------|-------------------|--|------------|
| AND THE PENSION EXPENSES                                    | 31.12.2019                               | 31.12.2019        | 31.12.2018 | previous year                   | 31.12.2019        | 31.12.2019   | 31.12.2018 |
| Pension plans without overfunding /<br>underfunding         | -  | -                 | -          | -                               | -                 | -  |            |
| Pension plans with overfunding                              | 5 755                                    | -                 | -          | -                               | -                 | -3 221   | 3 078      |
| Pension plans with underfunding                             | -  | -                 | -          | -                               | -                 | -  | -          |
| Total   | 5 755                                    | -                 | -          | -                               | -                 | -3 221   | 3 078      |

## 1.9. VALUATION ADJUSTMENTS AND PROVISIONS, RESERVES FOR GENERAL BANKING RISKS, AND CHANGES THEREIN DURING THE CURRENT YEAR

|  | Balance at 31.12.2018 | Use in<br>conformity<br>with<br>designated<br>purpose | Reclassifi–<br>cations | Currency<br>differences | Past due<br>interest,<br>recoveries | New<br>creations<br>charged to<br>income | Releases<br>to income | Balance at<br>31.12.19 |
|--|-----------------------|---|------------------------|-------------------------|-------------------------------------|--|-----------------------|------------------------|
| Provisions for deferred taxes              | 17 504                | -   | -                      | -                       | -                                   | -  | -17 504               | -                      |
| Provisions for pension benefit obligations | -                     | -   | -                      | -                       | -                                   | -  | -                     | -                      |
| Provisions for default risks               | -                     | -   | -                      | -                       | -                                   | -  | -                     | -                      |
| Provisions for other business risks        | -                     | -   | -                      | -                       | -                                   | -  | -                     | -                      |
| Provisions for restructuring               | -                     | -   | -                      | -                       | -                                   | -  | -                     | -                      |
| Other provisions                           | -                     | -   | -                      | -                       | -                                   | -  | -                     | -                      |
| Total provisions                           | 17 504                | -   | -                      | -                       | -                                   | -  | -17 504               | -                      |
| Reserves for general banking risks         | 228 000               | -   | -                      | -                       | -                                   | 7 000                                    | -                     | 235 000                |
| Reserves for general banking risks have no | ot been taxed.        |   |                        |                         |                                     |  |                       |                        |
| Value adjustments for default              | 50 605                | 17 252  |                        | 471                     |                                     | 8 5 6 0                                  | 102                   | 50 452                 |

| and country risks  | 59 605 | -17 353 | - | -471 | - | 8 569 | 103 | 50 453 |
|--|--------|---------|---|------|---|-------|-----|--------|
| <ul> <li>of which, value adjustments for default risk<br/>in respect of impaired loans/ receivables</li> </ul> | 57 820 | -17 353 | - | -454 | - | 8 569 | 103 | 48 685 |
| <ul> <li>of which, value adjustments for latent risks</li> </ul>   | 1 785  | -       | - | -17  | - | -     |     | 1 768  |

Value adjustements for default and country risks are related to commercial credit activities.

## **1.10. BANK'S CAPITAL**

|                                      | 31.12.2019         |                            |                                  | 31.12.2018             |                            |                                  |  |
|--------------------------------------|--------------------|----------------------------|----------------------------------|------------------------|----------------------------|----------------------------------|--|
|                                      | Total par<br>value | Number of shares<br>(unit) | Capital eligible<br>for dividend | Total nominal<br>value | Number of shares<br>(unit) | Capital eligible<br>for dividend |  |
| Total Bank's capital (bearer shares) | 75 000             | 75 000                     | 75 000                           | 75 000                 | 75 000                     | 75 000                           |  |
| – of which, paid up                  | 75 000             | 75 000                     | 75 000                           | 75 000                 | 75 000                     | 75 000                           |  |

The Bank did not hold own equity securities during the reporting period and had no contingent liabilities for the sale or purchase of own equity securities.

## 1.11. AMOUNTS DUE FROM / TO RELATED PARTIES

|   | AMOUNTS D  | JE FROM    | AMOUNTS DUE TO |            |  |
|---|------------|------------|----------------|------------|--|
|   | 31.12.2019 | 31.12.2018 | 31.12.2019     | 31.12.2018 |  |
| Holders of qualified participations                 | 25 737     | 20 472     | 30 032         | 1 295      |  |
| Group companies                                     | -          | -          |                | -          |  |
| Linked companies                                    | 21 011     | 30 101     | 103            | 78         |  |
| Transactions with members of governing bodies       | -          | 14         | 585            | 914        |  |
| Other related parties                               | -          | -          | -              | -          |  |
| Total amounts due from / to related parties         | 46 748     | 50 587     | 30 720         | 2 287      |  |
| Off-balance sheet transactions with related parties | 8 550      | 13 440     | 17 671         | 22 960     |  |

The pricing and conditions applied by the Bank to the various types of operations with its related parties are in line with the market.

## **1.12. HOLDERS OF SIGNIFICANT PARTICIPATIONS**

|   | 31.12.2          | 019                     | 31.12.2018          |                         |  |
|---|------------------|-------------------------|---------------------|-------------------------|--|
| HOLDERS OF SIGNIFICANT PARTICIPATIONS<br>WITH VOTING RIGHTS   | At nominal value | Percentage<br>of equity | At nominal<br>value | Percentage<br>of equity |  |
| BORAK SA<br>(100% owned by the Karamehmet family)   | 52 000           | 69.33%                  | 52 000              | 69.33%                  |  |
| YAPI VE KREDI BANKASI SA<br>(81.8% owned jointly by Koç Group and<br>UniCredit Bank through Koç Financial Services) | 23 000           | 30.67%                  | 23 000              | 30.67%                  |  |

## **1.13. DISCLOSURE ON OWN SHARES AND COMPOSITION OF EQUITY CAPITAL**

The Bank does not hold ordinary own shares.

The Bank's equity is composed of 75'000 ordinary bearer shares with a nominal value of CHF 1'000 each, which are entirely paid up.

Statutory retained earnings reserves are only distributable if they exceed 50% of the share capital. As at  $31^{st}$  December 2019, the amount of non distributable reserves amounted to CHF 20.7 Mio.

## **1.14. MATURITY STRUCTURE OF FINANCIAL INSTRUMENTS**

| 1.14.1. ASSETS / F                           | 14.1. ASSETS / FINANCIAL INSTRUMENTS |          |             |                    |                          | DUE                               |                  |                |           |
|--|--------------------------------------|----------|-------------|--------------------|--------------------------|-----------------------------------|------------------|----------------|-----------|
|  |                                      | At sight | Cancellable | within 3<br>months | within 3 to<br>12 months | within 12<br>months to<br>5 years | after<br>5 years | No<br>maturity | Total     |
| Liquid assets                                |                                      | 343 419  | -           | -                  | -                        | -                                 | -                | -              | 343 419   |
| Amounts due from ba                          | anks                                 | 197 419  | -           | 350 026            | 178 197                  | -                                 | -                | -              | 725 642   |
| Amounts due from se<br>financing transaction |                                      | -        | -           | -                  | -                        | -                                 | -                | -              | -         |
| Amounts due from c                           | ustomers                             | -        | 683 958     | 1 183 922          | 14 425                   | 58                                | -                | -              | 1 882 363 |
| Trading portfolio asse                       | ets                                  | 11 922   | -           | -                  | -                        | -                                 | -                | -              | 11 922    |
| Positive replacement derivative financial in |                                      | 5 524    | -           | -                  | -                        | -                                 | -                | -              | 5 524     |
| Financial investment                         | S                                    | -        | -           | 28 677             | 57 200                   | 196 025                           | 24 424           | 163            | 306 489   |
| Total  | 31.12.2019                           | 558 284  | 683 958     | 1 562 625          | 249 822                  | 196 083                           | 24 424           | 163            | 3 275 359 |
|  | 31.12.2018                           | 903 316  | 949 751     | 1 352 428          | 185 103                  | 205 236                           | 23 156           | -              | 3 618 990 |

## 1.14.2. DEBT CAPITAL / FINANCIAL INSTRUMENTS

|  | 31.12.2018 | 1 465 508 | 6 576  | 1 164 162 | 399 292 | 48 639 | - | - | 3 084 177 |
|--|------------|-----------|--------|-----------|---------|--------|---|---|-----------|
| Total  | 31.12.2019 | 877 983   | 47 454 | 1 294 654 | 472 867 | 38 124 | - | - | 2 731 082 |
| Negative replacement<br>derivative financial i |            | 3 993     | -      | -         | -       | -      | - | - | 3 993     |
| Amounts due in resp<br>of customer deposits    |            | 531 463   | 47 454 | 458 285   | 9 020   | 8 967  | - | - | 1 055 189 |
| Liabilities from secu<br>financing transaction |            | -         | -      | 60 668    | 72 511  | -      | - | - | 133 179   |
| Amounts due to ban                             | ks         | 342 527   | -      | 775 701   | 391 336 | 29 157 | - | - | 1 538 721 |

## **1.15. ASSETS AND LIABILITIES BY DOMESTIC AND FOREIGN ORIGIN IN ACCORDANCE WITH THE DOMICILE PRINCIPLE**

|   | 31.12.2  | 019       | 31.12.2018 |           |
|---|----------|-----------|------------|-----------|
| ASSETS  | DOMESTIC | FOREIGN   | DOMESTIC   | FOREIGN   |
| Liquid assets   | 33 186   | 310 233   | 264 267    | 246 453   |
| Amounts due from banks  | 40 814   | 684 828   | 300 197    | 692 084   |
| Amounts due from securities financing transactions              | -        | -         | -          | -         |
| Amounts due from customers                                      | 732 515  | 1 149 848 | 551 506    | 1 255 916 |
| Trading portfolio assets  | 3 804    | 8 1 1 8   | 1 693      | 16 186    |
| Positive replacement values of derivative financial instruments | 5 431    | 93        | 3 562      | -         |
| Financial investments   | 12 901   | 293 588   | 8 022      | 279 104   |
| Accrued income and prepaid expenses                             | 11 911   | 2 412     | 6 518      | 2 694     |
| Tangible fixed assets   | 3 648    | 146       | 3 697      | 207       |
| Other assets  | 600      | 405       | 453        | 339       |
| Total assets  | 844 810  | 2 449 671 | 1 139 915  | 2 492 983 |
|   |          | 1 401 004 | 042 501    | 1 440 750 |
|   |          |           |            |           |
| Amounts due to banks  | 47 457   | 1 491 264 | 243 591    | 1 449 756 |
| Liabilities from securities financing transactions              | -        | 133 179   | -          | 138 625   |
| Amounts due in respect of customer deposits                     | 195 438  | 859 751   | 229 477    | 1 018 849 |
| Negative replacement values of derivative financial instruments | 3 934    | 59        | 3 120      | 759       |
| Accrued expenses and deferred income                            | 22 423   | 3 679     | 19 323     | 3 973     |
| Other liabilities   | 1 223    | 120       | 332        | 168       |
| Provisions  | -        | -         | 17 504     | -         |
| Reserves for general banking risks                              | 235 000  | -         | 228 000    | -         |
| Bank's capital  | 75 000   | -         | 75 000     | -         |
| Statutory retained earnings reserve                             | 20 654   | -         | 18 449     | -         |
| Voluntary retained earnings reserve                             | 105 000  | 1 966     | 95 000     | 1 589     |
| Profit carried forward  | 19 500   | 47 301    | 11 195     | 46 589    |
| Profit/loss (result of the period)                              | 26 954   | 4 579     | 30 510     | 1 089     |
| Total liabilities   | 752 583  | 2 541 898 | 971 501    | 2 661 397 |

|                | 31.12.20  | 31.12.2019 |           | 18     |  |
|----------------|-----------|------------|-----------|--------|--|
|                | Absolute  | in %       | Absolute  | in %   |  |
| Europe         | 870 280   | 26,4%      | 904 911   | 24,9%  |  |
| Switzerland    | 844 810   | 25,6%      | 1 139 915 | 31,4%  |  |
| Turkey         | 258 090   | 7,8%       | 254 390   | 7,0%   |  |
| North America  | 141 495   | 4,3%       | 275 149   | 7,6%   |  |
| South America  | 6 278     | 0,2%       | 7 270     | 0,2%   |  |
| Caribbean area | 151 613   | 4,6%       | 245 807   | 6,8%   |  |
| Africa         | 203 318   | 6,2%       | 252 962   | 7,0%   |  |
| Middle East    | 467 329   | 14,2%      | 273 665   | 7,5%   |  |
| Asia           | 342 313   | 10,4%      | 270 070   | 7,4%   |  |
| Oceania        | 8 955     | 0,3%       | 8 759     | 0,2%   |  |
| Total assets   | 3 294 481 | 100,0%     | 3 632 898 | 100,0% |  |

### **1.16. BREAKDOWN OF TOTAL ASSETS BY COUNTRY / GROUP OF COUNTRIES** (DOMICILE PRINCIPLE)

## **1.17. BREAKDOWN OF TOTAL ASSETS BY CREDIT RATING OF COUNTRY GROUPS** (RISK DOMICILE VIEW)

|                                 | NET FOREIGN EXPOSURE<br>31.12.2019 |        | NET FOREIGN EXPOSURE<br>31.12.2018 |        |
|---------------------------------|------------------------------------|--------|------------------------------------|--------|
| FITCH (LONG-TERM RATING SCALE)  | Absolute                           | in %   | Absolute                           | in %   |
| AAA                             | 676 395                            | 27,7%  | 674 286                            | 27,0%  |
| AA+ AA-                         | 651 727                            | 26,6%  | 525 586                            | 21,1%  |
| A+ A-                           | 86 899                             | 3,5%   | 137 693                            | 5,5%   |
| BBB+ BBB-                       | 127 235                            | 5,2%   | 147 169                            | 5,9%   |
| BB+ BB-                         | 449 186                            | 18,3%  | 436 075                            | 17,5%  |
| B+ B-                           | 204 020                            | 8,3%   | 252 270                            | 10,2%  |
| CCC+ D- & not rated             | 254 209                            | 10,4%  | 319 904                            | 12,8%  |
| Total assets (foreign exposure) | 2 449 671                          | 100,0% | 2 492 983                          | 100,0% |

The Bank does not use an internal rating system to manage country risk.

## 1.18. ASSETS AND LIABILITIES BROKEN DOWN BY THE MOST SIGNIFICANT CURRENCIES FOR THE BANK

| ASSETS   | CHF     | EUR     | USD       | OTHERS  | TOTAL     |
|--|---------|---------|-----------|---------|-----------|
| Liquid assets  | 32 732  | 310 599 | 73        | 15      | 343 419   |
| Amounts due from banks   | 25 221  | 226 519 | 354 801   | 119 101 | 725 642   |
| Amounts due from securities financing transactions                                     | -       | -       | -         | -       | -         |
| Amounts due from customers   | 12 687  | 243 949 | 1 625 220 | 507     | 1 882 363 |
| Trading portfolio assets   | -       | 1 108   | 7 674     | 3 140   | 11 922    |
| Positive replacement values of derivative financial instruments                        | 5 524   | -       | -         | -       | 5 524     |
| Financial investments  | 12 904  | 42 132  | 202 715   | 48 738  | 306 489   |
| Accrued income and prepaid expenses  | 12 231  | 309     | 1 680     | 103     | 14 323    |
| Tangible fixed assets  | 3 794   | -       | -         | -       | 3 794     |
| Other assets   | 728     | 204     | 26        | 47      | 1 005     |
| Total assets shown in the balance sheet  | 105 821 | 824 820 | 2 192 189 | 171 651 | 3 294 481 |
| Delivery entitlements from spot exchange, forward forex and forex options transactions | 582 769 | 129 044 | 202 867   | 148 346 | 1 063 025 |
| Total assets   | 688 590 | 953 864 | 2 395 056 | 319 997 | 4 357 506 |

| LIABILITIES  | CHF     | EUR     | USD       | OTHERS  | TOTAL     |
|--|---------|---------|-----------|---------|-----------|
| Amounts due to banks   | 81 518  | 282 883 | 1 005 340 | 168 980 | 1 538 721 |
| Liabilities from securities financing transactions                                       | -       | -       | 133 179   | -       | 133 179   |
| Amounts due in respect of customer deposits  | 42 373  | 227 700 | 756 082   | 29 034  | 1 055 189 |
| Negative replacement values of derivative financial instruments                          | 3 993   | -       | -         | -       | 3 993     |
| Accrued expenses and deferred income   | 17 536  | 161     | 8 252     | 153     | 26 102    |
| Other liabilities  | 1 071   | 259     | 13        | -       | 1 343     |
| Provisions   | -       | -       | -         | -       | -         |
| Reserves for general banking risks   | 235 000 | -       | -         | -       | 235 000   |
| Bank's capital   | 75 000  | -       | -         | -       | 75 000    |
| Statutory retained earnings reserve  | 20 654  | -       | -         | -       | 20 654    |
| Voluntary retained earnings reserve  | 106 966 | -       | -         | -       | 106 966   |
| Profit carried forward   | 66 801  | -       | -         | -       | 66 801    |
| Profit for the year  | 31 533  | -       | -         | -       | 31 533    |
| Total liabilities shown in the balance sheet   | 682 445 | 511 003 | 1 902 866 | 198 167 | 3 294 481 |
| Delivery obligations from spot exchange,<br>forward forex and forex options transactions | -       | 441 420 | 499 350   | 120 908 | 1 061 678 |
| Total liabilities  | 682 445 | 952 423 | 2 402 216 | 319 075 | 4 356 159 |
| Net position by currency   | 6 145   | 1 441   | -7 160    | 922     | 1 347     |

#### NOTES TO THE 2019 FINANCIAL STATEMENTS

## **2. INFORMATION ON OFF-BALANCE SHEET TRANSACTIONS**

## 2.1. BREAKDOWN OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

| 31.12.2019 | 31.12.2018                    |
|------------|-------------------------------|
| 481 134    | 360 205                       |
| 7 368      | 18 054                        |
| 1 442 245  | 983 046                       |
| -          | -                             |
| 1 930 747  | 1 361 305                     |
|            | 481 134<br>7 368<br>1 442 245 |

#### **2.1.2. CONTINGENT ASSETS**

| Contingent assets arising from tax losses carried forward | - | - |
|---|---|---|
| Other contingent assets                                   | - | - |
| Total contingent assets                                   | - | - |

## 2.2. BREAKDOWN OF CREDIT COMMITMENTS

| CREDIT COMMITMENTS                         | 31.12.2019 | 31.12.2018 |
|--|------------|------------|
| Commitments arising from deferred payments | 96 177     | 90 996     |
| Commitments arising from acceptances       | -          | -          |
| Other credit commitments                   | -          | -          |
| Total credit commitments                   | 96 177     | 90 996     |

## 2.3. BREAKDOWN OF FIDUCIARY TRANSACTIONS

| FIDUCIARY TRANSACTIONS  | 31.12.2019 | 31.12.2018 |
|---|------------|------------|
| Fiduciary deposits with third-party companies                   | 9 179      | 17 064     |
| Fiduciary investments with group companies and linked companies | -          | -          |
| Fiduciary loans   | -          | -          |
| Other fiduciary financial transactions                          | -          | -          |
| Total fiduciary transactions                                    | 9 179      | 17 064     |

## **3. INFORMATION ON THE INCOME STATEMENT**

## **3.1. BREAKDOWN OF THE RESULT FROM TRADING ACTIVITIES AND THE FAIR VALUE OPTION**

| 3.1.1. BREAKDOWN BY BUSINESS AREA  | 2019   | 2018   |
|--|--------|--------|
| Trading results for own account  | -1 789 | -2 106 |
| Trading for the account of customers   | 452    | 1 094  |
| Total result from trading activities   | -1 337 | -1 012 |
| 3.1.2. BREAKDOWN BY UNDERLYING RISK AND BASED ON THE USE<br>OF THE FAIR VALUE OPTION |        |        |
| Foreign exchange   | -2 855 | 345    |
| Interest rate instruments  | -247   | -345   |
| Securities   | 1 765  | -1 012 |
| Commodities/precious metals  | -      | -      |
| Total result from trading activities   | -1 337 | -1 012 |
| – of which, from fair value option   | -      | _      |

## **3.2. DISCLOSURE OF MATERIAL REFINANCING INCOME IN THE ITEM** *INTEREST AND DISCOUNT INCOME* **AS WELL AS MATERIAL NEGATIVE INTEREST**

The item Interest and discount income comprise negative interest amounting to CHF 3.1 Mio in 2019 (CHF 6.5 Mio in 2018).

## **3.3. BREAKDOWN OF PERSONNEL EXPENSES**

| PERSONNEL EXPENSES                   | 2019   | 2018   |
|--------------------------------------|--------|--------|
| Salaries                             | 29 206 | 29 049 |
| Social insurance benefits            | 2 962  | 2 830  |
| Contributions to staff pension funds | 3 435  | 3 275  |
| Other personnel expenses             | 1 162  | 966    |
| Total personnel expenses             | 36 765 | 36 120 |

## **3.4. BREAKDOWN OF GENERAL AND ADMINISTRATIVE EXPENSES**

| GENERAL AND ADMINISTRATIVE EXPENSES                               | 2019   | 2018   |
|---|--------|--------|
| Office space expenses   | 3 140  | 3 104  |
| Expenses for information technology and communications technology | 4 564  | 4 349  |
| Expenses for vehicles, equipment, furniture and other fixtures    | 83     | 99     |
| Fees of audit firm(s) (Art. 961a no. 2 CO)                        | 488    | 443    |
| - of which, for financial and regulatory audits                   | 488    | 443    |
| – of which, for other services                                    | -      | -      |
| Other operating expenses  | 3 975  | 4 490  |
| Total general and administrative expenses                         | 12 250 | 12 485 |

## 3.5. EXPLANATIONS REGARDING MATERIAL LOSSES, EXTRAORDINARY INCOME AND EXPENSES, AS WELL AS MATERIAL RELEASES OF HIDDEN RESERVES, RESERVES FOR GENERAL BANKING RISKS, AND VALUE ADJUSTMENTS AND PROVISIONS NO LONGER REQUIRED

| 3.5.1. EXTRAORDINARY INCOME  | 2019   | 2018   |
|--|--------|--------|
| Release of provision for latent deferred taxes                             | 17 504 | -      |
| Other extraordinary income   | 111    | 135    |
| Total extraordinary income   | 17 615 | 135    |
| 3.5.2. EXTRAORDINARY EXPENSES  |        |        |
| Expenses regarding credit restructuring not relating to the current period | -      | -1 546 |
| Total extraordinary expenses   | -      | -1 546 |
| 3.5.3. CHANGE IN RESERVES FOR GENERAL BANKING RISKS                        |        |        |
| Allocation to reserves for general banking risks                           | -7 000 | -7 000 |
| Withdrawals from the reserves for general banking risks                    | -      | -      |
|  |        |        |

## 3.6. OPERATING RESULT BROKEN DOWN ACCORDING TO DOMESTIC AND FOREIGN ORIGIN, ACCORDING TO THE PRINCIPLE OF PERMANENT ESTABLISHMENT

|   | 2019     |         | 2018     |         |
|---|----------|---------|----------|---------|
|   | DOMESTIC | FOREIGN | DOMESTIC | FOREIGN |
| Interest income   | 75 083   | 9 737   | 70 723   | 6 769   |
| Interest expense  | -38 598  | -2 756  | -27 306  | -711    |
| Gross result from interest operations   | 36 485   | 6 981   | 43 417   | 6 058   |
| Change in value adjustments for default risks and losses from interest operations | -8 466   | -       | -12 759  | -1 648  |
| Subtotal net result from interest operations                                      | 28 019   | 6 981   | 30 658   | 4 410   |
| Commission income from securities trading and investment activities               | 3 745    | 1 224   | 3 945    | 1 110   |
| Commission income from lending activities   | 25 138   | 950     | 32 623   | 913     |
| Commission income from other services   | 16 483   | 1 322   | 28 242   | 1 166   |
| Commission expense  | -1 480   | -191    | -1 438   | -142    |
| Subtotal result from commission business and services                             | 43 886   | 3 305   | 63 372   | 3 047   |
| Result from trading activities  | -2 278   | 941     | -1 393   | 381     |
| Result from the disposal of financial investments                                 | -46      | 34      | -2       | 263     |
| Result from real estate   | 9        | -       | 11       | -       |
| Other ordinary results  | 620      | 177     | -827     | -297    |
| Subtotal other result from ordinary activities                                    | 583      | 211     | -818     | -34     |
| Personnel expenses  | -32 852  | -3 913  | -32 113  | -4 007  |
| General and administrative expenses   | -9 444   | -2 806  | -9 952   | -2 533  |
| Subtotal operating expenses   | -42 296  | -6 719  | -42 065  | -6 540  |
| Depreciation and amortisation of tangible fixed assets                            | -1 623   | -119    | -1 470   | -145    |
| Changes to provisions and other value adjustments, and losses                     | -102     | -20     | -14      | -27     |
| Operating result  | 26 189   | 4 580   | 48 270   | 1 092   |

## **3.7. PRESENTATION OF CURRENT AND DEFERRED TAXES WITH INDICATION OF THE TAX RATE**

|  | 2019   | 2018    |
|--|--------|---------|
| Current taxes  | -9 851 | -10 929 |
| Deferred taxes   | -      | 1 577   |
| Total taxes  | -9 851 | -9 352  |
| Average tax rate weighted on the basis of the operating result | 32,0%  | 22.1%   |

As at 31<sup>st</sup> December 2019, there were no losses carried forward (2018: none).





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