



ANNUAL REPORT 2018



BANQUE DE COMMERCE ET DE PLACEMENTS

CONTENT

2

INTERVIEW WITH
THE CHAIRMAN AND
THE CHIEF EXECUTIVE
OFFICER

6

BCP AT A GLANCE

8

2 AREAS
OF EXPERTISE

10

COMMODITY
TRADE FINANCE

14

WEALTH
MANAGEMENT

18

FINANCIAL
PERFORMANCE

22

CORPORATE
GOVERNANCE

28

RISK
MANAGEMENT

30

AUDITOR'S REPORT
& FINANCIAL
STATEMENTS

56

DIRECTORY

INTERVIEW WITH THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

BCP's Chairman of the Board of Directors, Dr. Alain Bruno Levy, and Chief Executive Officer, Mr. Naci Sigin, provide an overview of 2018, discuss their global vision of the Bank's specificities and strategy, and share their outlook for the coming year.



ALAIN BRUNO LÉVY
Chairman

NACI SIGIN
Chief Executive Officer

How would you describe BCP's operating environment in 2018?

In 2018, the whole world was navigating a highly unpredictable geopolitical context. Over the year, significant levels of uncertainty in the global trade environment resulted in a declining appetite for business risk and decreasing demand for commodities. Both these factors considerably impacted markets and trade flows; this was mirrored by a contraction in commodity prices, notably with a sharp fall in oil prices at the end of the year.

How did BCP perform against these challenges?

Despite an uncertain and precarious operating environment, our institution, with its usual resilience, financial soundness and experience, managed to move forward and achieve satisfactory financial results, in line with its yearly objectives. This was made possible thanks to our strong vigilance, prudence and agility – the current bywords of our profession. This, together with even greater cooperation among our business units, meant we closed the year in a strong position.

What were the financial highlights of the past year?

In terms of financial results for 2018, BCP's total income of CHF 99.6 million increased by 9.6% compared to the previous year. Thanks to well-controlled total operating expenses, the Bank was once again able to achieve a low cost-income ratio which amounted to 43% (excluding the impact of Change in value adjustments for default risks and losses from interest operations) at the end of the year 2018. BCP closed 2018 with a declared net profit of CHF 31.6 million, 7.8% higher than the CHF 29.3 million achieved in 2017, after adding CHF 7 million to the Bank's reserves for general banking risks out of the year's profit. Without the voluntary addition of this amount into the Bank's prudential reserves, BCP's economic profit would have been CHF 38.6 million. In addition, BCP's Tier 1 capital adequacy ratio is at 14.8%, a number well above the minimum requirement set by Swiss regulators for Category 5 banks, to which BCP belongs.

What characterizes BCP in the banking universe?

What makes BCP unique is its extensive knowledge of commodity trade finance built up over 50 years. This is coupled with in-depth expertise in emerging markets. Commodity trade finance has been our traditional core business activity since 1963. Given this, BCP has developed a distinctive approach that sets us apart from other actors in international trade finance as well as the wealth management landscape.

The Bank differentiates itself in Commodity Trade Finance operations through proven ability and specific know-how gained over the years relating to the financial, logistical and technical instruments needed to operate in countries difficult to penetrate - a key advantage in an increasingly complex trade environment.

Thanks to its long-standing presence in these zones, our Bank holds deep and specialized knowledge of the specificities of emerging economies. In our Wealth Management Department, our longstanding experience enables us to understand the specific needs of High Net Worth Individuals from fast-growth regions and to efficiently guide clients willing to reap the benefits of investments in emerging markets.

What is also an important part of BCP's DNA in all its activities is a long-term commitment to customers and a strong entrepreneurial spirit. We draw upon this keen sense of entrepreneurship to help our customers develop and flourish.

In terms of strategy, how has the Bank evolved in recent years?

In the past few years, the core elements of our strategy have focused on institutionalizing BCP by upholding high levels of proactivity and timely responses to customer demands, developing the high-quality services of our experienced staff, while cautiously diversifying our sources of income.

In Commodity Trade Finance, the Bank has consolidated its position in its existing markets whilst further expanding and diversifying its product profile in particular into energy products (LNG, LPG, and petrochemicals) and base metals. This has been accompanied by a diversification of our customer base with carefully selected, well-established counterparties.

In Wealth Management, we leveraged synergies between our two main business pillars to capitalize on our knowledge of those emerging regions where our Bank is present. This enabled us to enhance our focus on the markets in which we have deep expertise. In parallel, we continue to ensure the Bank's conformity with a rapidly changing regulatory environment and continue to prioritize security of customer assets above all.

Has the Bank undergone any changes in its internal organization or processes?

BCP is solidly anchored to a tradition of Swiss banking excellence and has always been committed to serving its customers with a proactive, flexible and high-quality level of service coupled with rigorous risk management policies. In recent years, to support the growth of our business operations, we have reinforced our corporate governance and risk management framework. Furthermore, BCP, like other Swiss banking institutions, continues to adapt its financial controls and guidelines, as well as its internal organization, to meet the new regulatory requirements enacted by our supervisory authorities.

To further accompany the expansion of our business and prepare for the future, we have also strongly invested in IT and human resources in recent years, and managed to do so with contained expenses, thanks to well-balanced cost control measures.

Looking ahead, what is the outlook for 2019 and where will your focus lie?

Looking ahead to 2019, there are remaining uncertainties ahead of us: continuing geopolitical instability, markets' unpredictability, and a contracting demand of commodities in developing countries.

We, however, intend to pursue in 2019 our strategy of expansion and diversification in our core activities together with an efficient cost and risk management approach. True to its mission of long-term commitment to customers, BCP has indeed always proven its ability to successfully weather difficulties and achieve sustainable good results, even in challenging environments.

We therefore remain fully confident in BCP's capacity, thanks to a consistent and prudent strategy, sound financial base, recognized expertise and experienced staff, to maintain a solid financial performance going forward.

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 and International banking services. BCP enjoys a solid reputation as a high-quality service provider in all of these banking fields. The Bank serves an ever-growing 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.

3 KEY PILLARS:

HUMAN RESOURCES

HIGH DEGREE OF EXPERTISE IN VERY SPECIALIZED MARKETS

160 employees with an average seniority of nearly 20 years within the banking industry. BCP is proud of its human capital, comprising seasoned professionals, reinforced by recently recruited young bankers.

DIVERSITY

At Management Committee level, one third of the staff are women; BCP boasts a multi-cultural, multi-lingual staff.

FINANCIAL SOLIDITY

BCP'S FINANCIAL SOUNDNESS is reflected in its solid Tier 1 capital ratio at the end of 2018.

BCP'S STRONG CAPITALIZATION far exceeds the minimum requirement of 10.5% set by FINMA (Swiss regulatory authority) for category 5 banks.

STRONG DNA

STABILITY

Driven by a stable management and Board of Directors, BCP offers its customers a sustainable framework.

PROACTIVITY AND FAST EXECUTION

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

HIGH QUALITY SERVICES

BCP is proud to offer tailor-made high-quality services based on its long-dated experience and solid network in emerging markets.

2 CORE BUSINESSES:

COMMODITY TRADE FINANCE

With Trade Finance as its traditional core activity, BCP offers in-depth specialized expertise together with high-quality services.

WEALTH MANAGEMENT

Organized in open architecture, 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

In addition to playing a major role in the Bank's asset, liability and liquidity management, BCP's Treasury Department supports the Bank's core activities. It provides tailor-made services to institutional, corporate and individual clients wishing to hedge positions, optimize transactions or seek investment opportunities on the interest rate, foreign exchange and capital markets.

INTERNATIONAL

To support its Commodity Trade Finance customers, BCP has developed an extensive network of more than 1000 active bank relationships around the globe. Long-standing relationships and specialized knowledge are the backbone of the International Department.

GEOGRAPHICAL PRESENCE IN 3 LOCATION:

Luxembourg

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

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.

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.

FINANCIAL OVERVIEW

As at December 31st, 2018

14,8%

Tier 1 Capital Adequacy ratio

43%

Gross Cost/Income ratio

3.6

Total Balance Sheet in CHF billion

99.6

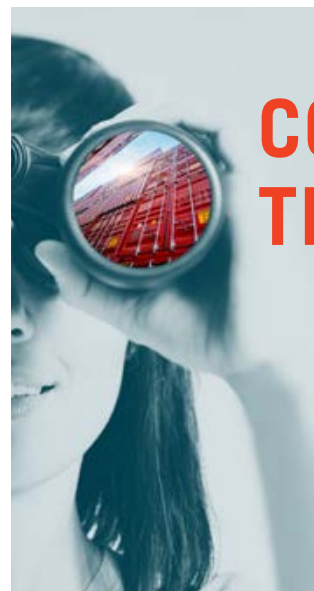
Total Income in CHF million

31.6

Net Profit In CHF million

38.6

Economic Profit (before voluntary reserves) in CHF million



COMMODITY TRADE FINANCE

- 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

2 AREAS OF EXPERTISE

WITH A LARGE ARRAY OF SERVICES



WEALTH MANAGEMENT

- 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

A close-up, low-angle shot of a woman's face as she looks through binoculars. The binoculars are held up to her eyes, and the lens shows a clear view of a tall stack of red shipping containers. The woman has dark hair and is smiling slightly. The background is a soft, out-of-focus blue sky.

COMMODITY TRADE FINANCE

Customized solutions and long-term
commitment to clients

Since its foundation, BCP has been resolutely directed towards international trade, with an emphasis on commodities financing. As a leading player in the sector, BCP has a high degree of expertise in oil and its derivatives, coal, cereals and oleaginous products, as well as steel/ base metals and other products governed by organized markets in which the Bank also has a solid experience.

YVAN RODO
Head of Commodity Trade Finance

28.1

CHF billion total
documentary credit volumes
for the year 2018

With a history of more than fifty years in commodity trade finance and a team of highly experienced specialized professionals, BCP has always prided itself on being a Trade Finance bank. BCP's Commodity Trade Finance (CTF) Department provides a full spectrum of services and financing to companies engaged in international trade and to manufacturers exporting their production across borders.

Along with its high-quality services, BCP's primary mission is a long-term commitment to its customers: we facilitate their unique commercial activities at all stages of business development.

BCP's Commodity Trade Finance Department differentiates itself through a particular focus on delivering fast, accurate and high value-added services based on transparent regulatory and risk limits, to local and international customers.

In this respect, the Bank offers fully-integrated services ranging from structured trade finance, documentary instruments to syndications, as well as tailor-made Treasury services specifically designed to protect clients' transactions. BCP's Commodity Trade Finance customers also take advantage of the in-depth know-how of the International Department which manages relations in over 100 countries, confident that BCP will assist them in prudently managing risk.

BCP's CTF services operate from two strategic trade finance hubs: Geneva and Dubai. Located in Dubai International Financial Center since more than ten years and subject to the same development strategy and commercial policy as Geneva, BCP Dubai offers its well-diversified commodity trading clientele, notably present in Singapore and the UAE, an access to the same products and services as the one offered through the Bank's Swiss head office.



The trade environment in 2018 was marked by the economic slowdown in China, global political tensions, as well as trade wars amongst major economies, all of which weighed heavily on commodity prices and markets. Successfully navigating this challenging background, BCP reasserted its status of a fully-fledged international trade finance bank.

During the year, increased geopolitical tensions have led the CTF Department to undertake repositioning and adjustments to minimize risks. In parallel, the CTF team maintained its strategy of development and increased its market share in various sectors such as base metals, petrochemicals and natural gas. Hence, the total documentary credit volumes recorded in 2018 amounted to CHF 28.1 billion, up CHF 2.7 billion compared to the previous year.

The satisfactory overall result achieved in this segment of activity once again shows the Bank's ability to adapt in all circumstances, thanks to its agility, high expertise, and careful risk management.

Looking ahead, despite the darkening prospects of a slowing global economy, softening international trade and manufacturing activity, as well as ongoing elevated trade tensions, BCP remains confident in its capacity to carefully pursue its development strategy in 2019. Hence, the CTF Department intends to continue expanding and diversifying its commodity trade finance portfolio both in terms of geographies, products and customers, within a well-balanced risk management structure. The cautious monitoring of all underlying risks, as well as close compliance with all regulatory requirements will remain a priority, as will our enduring commitment to serving customers with our renowned levels of high-quality service.

WEALTH MANAGEMENT

High-quality services and deep expertise
in emerging markets



BCP provides state-of-the-art Wealth Management services that combine excellence in portfolio management, high transactional efficiency and other banking services. BCP holds specific expertise in a number of emerging countries in terms of clientele, asset management and taxation.

FRANÇOIS GAUTIER
Head of Wealth Management

Since it was founded in 1963, BCP has provided expert, tailor-made Wealth Management services. We offer our clientele a quality of service that represents the hallmark of Swiss banking excellence.



BCP’s customer focus is concentrated in a number of well-chosen geographic zones where the Bank has developed a deep knowledge of the financial habits and preferences of a local clientele. In these regions, the Bank excels at cross-border and taxation rules, enabling BCP Relationship Managers to offer sophisticated and customized advice.

BCP’s open architecture products and services enable the Bank to invest in a particularly large 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 has specific expertise in emerging markets fixed-income securities and manages a top performing fund in this asset class. BCP also offers a wide range of investments and excellent foreign exchange services through its Treasury Department, and grants secured loans on request.

Clients of BCP investment services may also enjoy transactional services in several countries, thanks to the very wide network of the Bank’s International Department. The Bank also offers other credit services, such as fully covered facilities, guarantees and letters of credit.

In a world where clients and their businesses are increasingly more mobile, BCP offers the convenience of choosing from three of the world’s leading financial centers: Geneva, Luxembourg and Dubai DIFC.

BCP’s branches each offer the same full range of Wealth Management products and services found in the Geneva Headquarters. This includes the ability to book clients locally, grant credits and make deposits. In addition to complying with CSSF and DFSA regulations, our Luxembourg and Dubai entities operate to the same stringent Swiss standards as those applied in Geneva.

2018 was a year of intense activity, primarily due to volatile financial markets. This required us to dedicate extra time to support our clientele in this challenging environment. The year was characterized by a steady flow of regulatory requirements as the Wealth Management Department prepared for the introduction of the Financial Services Act (FinSA). Our Relationship Managers, in addition to their usual development work, increased efforts to achieve a higher level of focus and expertise in countries serviced by BCP. In Luxembourg, the emphasis was on further strengthening documentation and procedures, whilst in Dubai, efforts were concentrated on business development. The overall results of the Wealth Management Department were satisfactory during the year, particularly in terms of revenues.

Looking towards the future, 2019 promises another flurry of activity. Wealth Management Relationship Managers intend to intensify their strategy of development against the backdrop of a still uncertain geopolitical and economic context, and continuing volatility in financial markets. In parallel, the Wealth Management Department will continue to implement the documentation, client classification and procedures linked to FinSA, ahead of the deadline on January 1st, 2020.

8.47%
PER ANNUM

Average annual return of the BCP
Emerging Markets Fixed-Income fund
over the past 3 years, in USD.
(source Bloomberg)

FINANCIAL PERFORMANCE

Despite a turbulent year, characterised in particular by volatile financial markets and the ongoing trade conflict between the USA and China, the Bank delivered a strong financial performance in 2018.

In the USA, the Federal Reserve continued to pursue its policy of rising interest rates, putting additional pressure on commodities financing costs. Closer to home, the European Central Bank opted to end its quantitative easing programme, and the Eurozone witnessed a slowdown in economic growth. Similarly, China and other emerging markets grew during the year at slower pace. In this unstable climate, the prices of most commodities financed by the Bank rose on average, and remained highly volatile. Despite higher annual average prices (+30%), oil prices (WTI) closed 24% down from the end of last year after a marked drop in the last quarter. In currencies, the Euro continued to strengthen on average against the Swiss franc, whilst the USD/CHF average exchange rate slightly declined compared to the previous year. The combined opposing impacts of these major currencies resulted in just a moderate net positive effect on our income streams.

In these challenging conditions, the Bank reported a sound performance, shown in a Net profit of CHF 31.6 million, exceeding the previous year by CHF 2.3 million (+8%). This solid result for 2018 was achieved even after the allocation of new voluntary reserves for general banking risks totalling CHF 7.0 million, and after taxes of CHF 9.4 million.

**NET PROFIT OF
CHF 31.6 MILLION**

+8% compared to 2017

Total income reached CHF 99.6 million and exceeded the previous year by CHF 8.7 million (+10%). However, if we exclude the impact of Change in value adjustments & losses (CHF 14.4 million in 2018 and CHF 36.3 million in 2017), the Bank's adjusted Total income would have amounted to CHF 114.0 million and been 10% below last year, mostly due to a slow last quarter.

Lower Change in value adjustments for default risks and losses from interest operations (CHF 21.9 million) also largely impacted the Net result from interest operations, which jumped from CHF 6.9 million in 2017 to CHF 35.1 million this year. Apart from these one-off items, the Gross result from interest operations showed a growth of 15% compared to last year, as a result of higher net interest generated on money market transactions, partially offset by lower net interest from customer lending and financial investments, reflecting high pressure on interest margins and lower yields on the securities portfolios.

Commissions, which fell by CHF 12.1 million (-15%), mainly suffered from lower fees from letters of credit, financing and securities transactions. Nevertheless, the Bank's activity remained very high in 2018 as documentary credit volumes hit a new record in BCP's history, at 28.1 billion, some 10% above last year. The positive impact of increased volumes, also aided by sustained commodities average prices, was unfortunately more than offset by the effects of disappointing performance from financial markets and shrinking margins in the highly competitive commodities trade finance business.

The successive rises of USD interest rates further amplified the cost of swaps in 2018, strongly and adversely affecting our forex revenues. In addition, difficult bond market conditions did not help profits generated by our securities trading and short term portfolios. In this difficult context, Result from trading activities and Other result from ordinary activities recorded net losses of CHF 1.0 million and CHF 0.9 million respectively.



Despite growing business volumes and increased regulatory constraints, the Bank continued to demonstrate its ability to closely control its operating expenses, which moderately grew by 3% compared to last year, to CHF 48.6 million.

Personnel expenses at CHF 36.1 million increased by CHF 2.1 million, essentially due to the growth of the Bank's headcount (average number of employees grew from 151.8 in 2017 to 157.0 in 2018) and to the increase in annual salaries. General and administrative expenses were well contained and declined by CHF 0.6 million compared to last year.

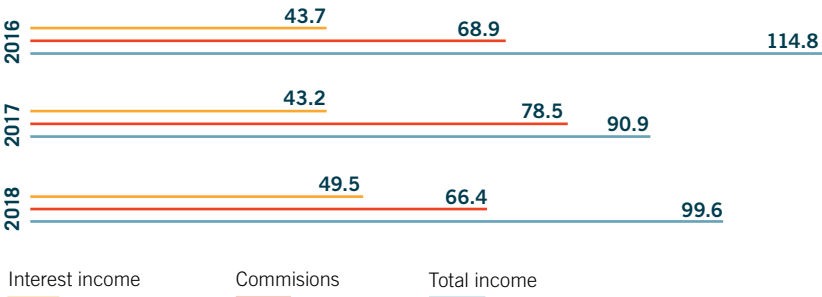
The cost/income ratio (excluding the impact of Change in value adjustments for default risks and losses from interest operations) slightly grew to 43% this year, but remained largely below levels of the Swiss banking industry. The Return on Shareholders' Funds at 8.1% slightly declined compared to 2017.

The Total balance sheet decreased by CHF 1.6 billion (-31%) to CHF 3.6 billion compared to the end of 2017. The shareholders' funds base (comprising Shareholders' equity and Reserves for general banking risks, which qualify as Tier I capital) continued to strengthen to CHF 507.4 million, exceeding the half billion mark for the first time. The capital adequacy ratio (CET1 ratio as per Basel III rules) slightly declined from 15.7% to 14.8 %, but still remained largely above the minimum levels required by FINMA.

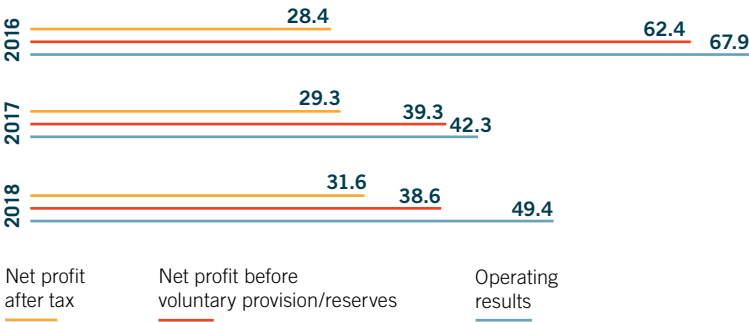
Total retained earnings available for appropriation amounted to CHF 89.4 million and it was decided on March 11, 2019 at the Ordinary General Meeting of the Shareholders to distribute a dividend of CHF 10.0 million to the shareholders and appropriate the balance to the Bank's equity.



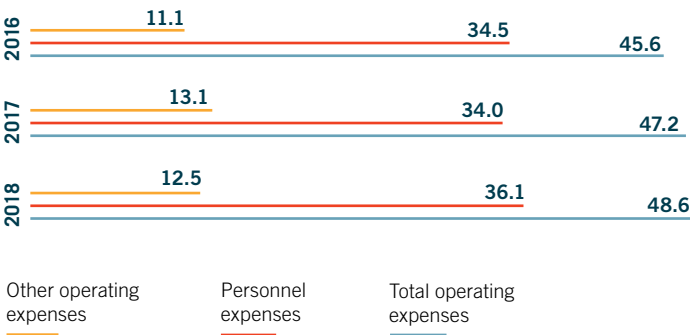
INCOME
CHF million



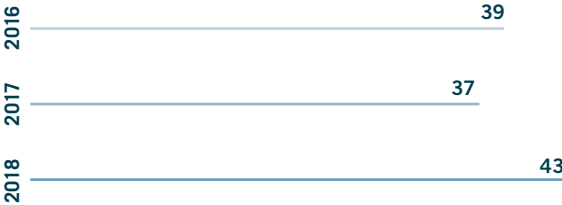
NET PROFIT
CHF million



EXPENSES
CHF million



COST/INCOME RATIO
Percent



CORPORATE GOVERNANCE

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 and 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 AND RISK COMMITTEE:

The Audit and 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 and Risk Committee.

The Audit and 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 and 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 and 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 and 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 (Indépendant)

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.



MR. GÖKHAN ERÜN

Vice Chairman (Represents Yapi Kredi)

Mr. Erün graduated from Yeditepe University in Business Administration. He began his banking career at Garanti Bank Treasury Department in 1994. Between 1999 and 2004, Mr. Erün served as the Senior Vice President of Commercial Marketing and Sales Department. He became the Chief Executive Officer of Garanti Pension and Life in 2004, and was then appointed as Executive Vice President of Garanti Bank in September 2005. In September 2015, Mr. Erün became the Deputy Chief Executive Officer of Garanti Bank, in charge of Corporate Banking Coordination, Treasury, Treasury Marketing and Financial Solutions, Derivatives, Cash Management and Transaction Banking, and Financial Institutions. He also held positions in the Boards of various Garanti Bank subsidiaries. Since January 2018, Mr. Erün pursues his career as Yapi Kredi's Executive Director and Chief Executive Officer. He is also the CEO of Koç Financial Services and holds positions in the Boards of various Yapi Kredi Group subsidiaries. Mr. Erün has been appointed Vice Chairman of BCP's Board of Directors in March 2018.



MR. PAUL BASZANGER

Vice Chairman (Independent)

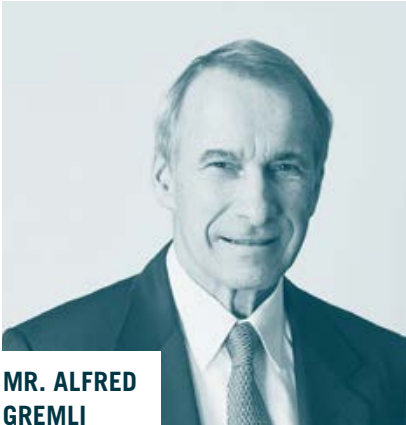
After graduating in law from the University of Geneva, Mr. Baszanger started his career with Crédit Suisse, Geneva in 1970 where he gained his first professional experience, continuing with Banque de Paris et des Pays-Bas, Geneva in 1974, and Crédit Commercial de France (Suisse), Geneva in 1980 where 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.



MR. DANIEL HABEGGER

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 Trafenco, 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.



MR. ALFRED GREMLI

Member (Independent)

Mr. Gremlı 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. Gremlı became a Member of the Board of Directors of BCP in March 2007, and also acts as Chairman of the Audit Committee since 2014.



MR. MEHMET ALI KARAMEHMET

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.

(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.



**MR. NACI
SIGIN**

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.



**MR. YVAN
RODO**

Senior Vice President
Commodity Trade Finance

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. GILLES
GARCIA**

Senior Vice President,
Chief Financial Officer, Operations and IT

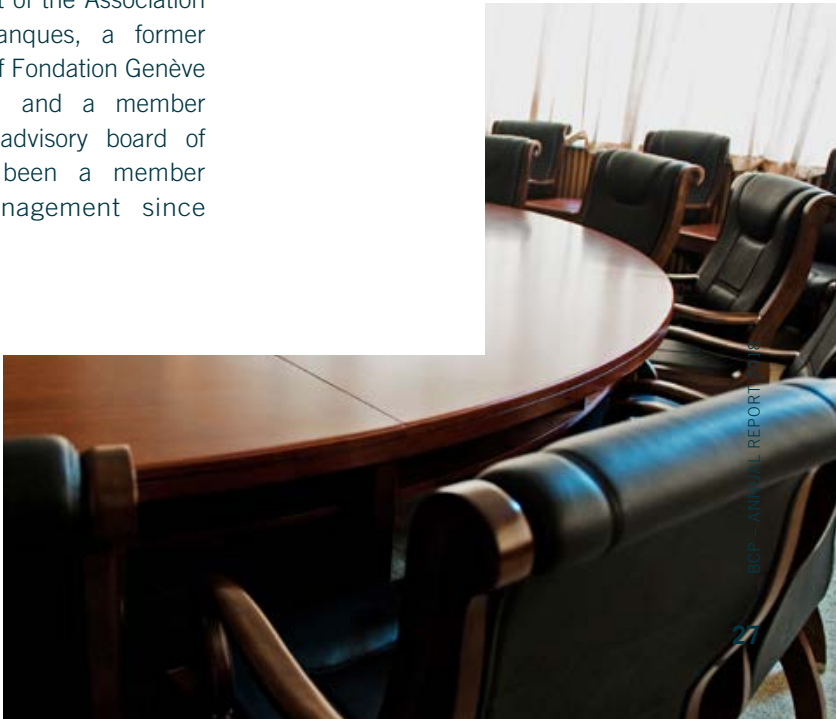
Mr. Garcia obtained his Degree in Economics at the University of Geneva in 1987 and started his professional path at Trade Development Bank (American Express) as financial analyst. He continued his career at Lloyds Bank in Geneva, where he mainly served as Head of Financial Control for 14 years, developing 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.



**MR. FRANÇOIS
GAUTIER**

Senior Vice President
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.



RISK MANAGEMENT

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 and Control follows 6 main risks which are detailed in the Notes to the 2018 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 and 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

2018





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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 2018.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

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EXPERTTruist Certified Company



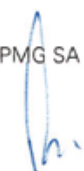
Banque de Commerce et de Placements SA, Geneva
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders

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.

KPMG SA


Philippe Ruedin
Licensed Audit Expert
Auditor in Charge



Zoé Souclier
Licensed Audit Expert

Geneva, 15 February 2019

BALANCE SHEET

ASSETS	31.12.2018	31.12.2017
Liquid assets	510 720	2 194 836
Amounts due from banks	992 281	1 100 174
Amounts due from securities financing transactions	-	-
Amounts due from customers	1 807 422	1 700 382
Trading portfolio assets	17 879	13 678
Positive replacement values of derivative financial instruments	3 562	5 843
Financial investments	287 126	249 674
Accrued income and prepaid expenses	9 212	7 094
Tangible fixed assets	3 904	3 588
Other assets	792	663
Total assets	3 632 898	5 275 932
Total subordinated claims	-	-
LIABILITIES		
Amounts due to banks	1 693 347	3 038 764
Liabilities from securities financing transactions	138 625	123 991
Amounts due in respect of customer deposits	1 248 326	1 593 152
Negative replacement values of derivative financial instruments	3 879	4 358
Accrued expenses and deferred income	23 296	16 944
Other liabilities	500	794
Provisions	17 504	19 108
Reserves for general banking risks	228 000	221 000
Bank's capital	75 000	75 000
Statutory retained earnings reserve	18 449	16 357
Voluntary retained earnings reserve	96 589	91 158
Profit carried forward	57 784	45 983
Profit/loss (result of the period)	31 599	29 323
Total liabilities	3 632 898	5 275 932
Total subordinated liabilities	-	-
OFF-BALANCE SHEET TRANSACTIONS		
Contingent liabilities	1 361 305	1 192 972
Irrevocable commitments	27 049	52 415
Credit commitments	90 996	100 007

INCOME STATEMENT

	2018	2017
Result from interest operations:		
Interest and discount income	67 982	54 413
Interest and dividend income from trading portfolios	776	365
Interest and dividend income from financial investments	8 734	6 853
Interest expense	-28 017	-18 467
Gross result from interest operations	49 475	43 164
Change in value adjustments for default risks and losses from interest operations	-14 407	-36 300
Subtotal net result from interest operations	35 068	6 864
Result from commission business and services:		
Commission income from securities trading and investment activities	5 055	5 730
Commission income from lending activities	33 536	38 141
Commission income from other services	29 408	37 040
Commission expense	-1 580	-2 392
Subtotal result from commission business and services	66 419	78 519
Result from trading activities and the fair value option	-1 012	4 874
Other result from ordinary activities:		
Result from the disposal of financial investments	261	465
Result from real estate	11	-30
Other ordinary results	-1 124	238
Subtotal other result from ordinary activities	-852	673
Operating expenses:		
Personnel expenses	-36 120	-34 026
General and administrative expenses	-12 485	-13 130
Subtotal operating expenses	-48 605	-47 156
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-1 615	-1 427
Changes to provisions and other value adjustments, and losses	-41	-11
Operating result	49 362	42 336
Extraordinary income	135	70
Extraordinary expenses	-1 546	-
Changes in reserves for general banking risks	-7 000	-10 000
Taxes	-9 352	-3 083
Profit/loss (result of the period)	31 599	29 323

PROPOSAL FOR APPROPRIATION OF PROFIT

	31.12.2018	31.12.2017
Retained earnings available for appropriation:		
Profit / loss (result of the period)	31 599	29 323
Profit carried forward from previous year	57 784	45 983
Distributable profit	89 383	75 306
Proposal for appropriation of profit:		
Allocation to statutory retained earnings reserve	2 205	2 091
Allocation to voluntary retained earnings reserve	10 377	5 431
Dividend proposed	10 000	10 000
New amount carried forward	66 801	57 784
Distributable profit	89 383	75 306

STATEMENT OF CHANGES IN EQUITY

	Bank's capital	Statutory retained earnings reserves	Voluntary retained earnings reserves and profit/loss carried forward	Reserves for general banking risks	Result of the period	TOTAL
Equity at 01.01.2018	75 000	16 358	137 141	221 000	29 323	478 822
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	-	2 091	17 232	-	-19 323	-
Profit/loss (result of the period)	-	-	-	-	31 599	31 599
Equity at 31.12.2018	75 000	18 449	154 373	228 000	31 599	507 421

NOTES TO THE 2018 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 2018, Banque de Commerce et de Placements had 155.8 full-time equivalent employees (2017:157.6), of which 7 in Luxembourg and 17 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 four main business activities: short-term commercial transactions, mainly related to international commodity trade finance, wealth management, treasury and correspondent banking.

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 31st December 2018 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 1st 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:

	31.12.2018	31.12.2017
USD	0.9809	0.9750
EUR	1.1244	1.1681

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 balance-sheet 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 off-balance 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 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”.

MATERIAL EVENTS OCCURED AFTER THE BALANCE SHEET DATE

None.

1. INFORMATION ON THE BALANCE SHEET

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

	31.12.2018	31.12.2017
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 (*)	138 625	123 991
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	149 612	134 703
– with unrestricted rights to resell or pledge	-	-
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 replended	-	-
– of which, replended securities	-	-
– of which, resold securities	-	-

(*) 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 mortgage	Other collateral	Unsecured	TOTAL
Amounts due from customers (before netting with value adjustments)		-	420 905	1 436 240	1 857 145
Total loans (before netting with value adjustments)	31.12.2018	-	420 905	1 436 240	1 857 145
	31.12.2017	-	420 690	1 324 300	1 744 990
Total loans (after netting with value adjustments)	31.12.2018	-	420 905	1 386 517	1 807 422
	31.12.2017	-	420 690	1 279 692	1 700 382

1.2.2. OFF-BALANCE SHEET

Contingent liabilities	-	360 205	1 001 100	1 361 305	
Irrevocable commitments	-	-	27 049	27 049	
Credit commitments	-	-	90 996	90 996	
Total off-balance sheet transactions	31.12.2018	-	360 205	1 119 145	1 479 350
	31.12.2017	-	153 319	1 192 075	1 345 394

1.2.3. IMPAIRED LOANS

		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Total impaired loans	31.12.2018	67 419	-	67 419	57 820
	31.12.2017	56 675	-	56 675	44 608

Impaired loans increased compared to last year, mainly due to two new doubtful lending cases.

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

	31.12.2018	31.12.2017
Trading portfolio assets		
Debt securities, money market securities/transactions	17 879	13 678
– of which, listed	17 879	13 678
Equity securities	-	-
Precious metals and commodities	-	-
Other trading portfolio assets	-	-
Subtotal trading portfolio assets	17 879	13 678
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)	17 879	13 678
– 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

1.4.1. DERIVATIVE FINANCIAL INSTRUMENTS

	TRADING INSTRUMENTS			HEDGING INSTRUMENTS		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments						
Interest Rate Futures (IRF)	-	30	-	-	-	-
Foreign exchange/precious metals						
Forward contracts	2 186	2 479	678 894	-	-	-
Options (OTC)	1 376	1 370	51 000	-	-	-
Total before netting agreements	31.12.2018	3 562	3 879	729 894	-	-
– of which, determined using a valuation model	-	-	-	-	-	-
Total before netting agreements	31.12.2017	5 843	4 358	717 976	-	-
– of which, determined using a valuation model	-	-	-	-	-	-

	Positive replacement values (cumulative)		Negative replacement values (cumulative)	
Total after netting agreements	31.12.2018	3 562	3 879	
	31.12.2017	5 843	4 358	

1.4.2. BREAKDOWN BY COUNTERPARTY

		Central clearing houses	Banks and securities dealers	Other customers	Total customers
Positive replacement values (after netting agreements)	31.12.2018	-	2 324	1 238	3 562
	31.12.2017	-	3 914	1 929	5 843

1.5. FINANCIAL INVESTMENTS

1.5.1. BREAKDOWN BY FINANCIAL INVESTMENTS	BOOK VALUE		FAIR VALUE	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Debt securities	286 940	249 674	286 599	251 532
– of which, intended to be held until maturity	235 739	201 971	235 331	203 446
– of which, not intended to be held until maturity (available for sale)	51 201	47 703	51 268	48 086
Equity securities	-	-	-	-
– of which, qualified participations	-	-	-	-
Precious metals	-	-	-	-
Real estate	186	-	186	-
Total financial investments	287 126	249 674	286 785	251 532
– of which, securities eligible for repo transactions in accordance with liquidity requirements	12 189	20 553	12 195	20 641

1.5.2. BREAKDOWN OF COUNTERPARTIES RATING	BOOK VALUE	
	31.12.2018	31.12.2017
AAA to AA-	84 001	55 804
A+ to A-	75 222	69 712
BBB+ to BBB-	32 745	32 779
BB+ to B-	94 906	90 586
Without rating	66	793
Total debt instruments	286 940	249 674

Rating for debt instruments according to Fitch rating classes.

1.6. PRESENTATION OF TANGIBLE FIXED ASSETS

1.6.1. TANGIBLE FIXED ASSETS	Acquisition cost	Accumulated depreciation	Book value 31.12.2017	2018					Book value 31.12.2018
				Reclas-sifications	Additions	Disposals	Depreciation	Reversals	
Bank building	-	-	-	-	-	-	-	-	-
Other real estate	-	-	-	-	-	-	-	-	-
Proprietary or separately acquired software	14 310	-11 672	2 638	-	1 303	-	-1 098	-	2 843
Other tangible fixed assets	14 168	-13 218	950	-	628	-	-517	-	1 061
Total tangible fixed assets	28 478	-24 890	3 588	-	1 931	-	-1 615	-	3 904

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)	31.12.2018	105	425	10 131	-	10 661
	31.12.2017	35	665	12 599	-	13 299

These office rental contracts can be terminated within one year.

1.7. BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES

	OTHER ASSETS		OTHER LIABILITIES	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Rent guarantee deposit	284	284	-	-
Withholding taxes, stamp duties and VAT	233	286	198	228
Others	275	93	302	566
Total	792	663	500	794

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 31st December 2018 the Bank held no reserves for contributions and had no liabilities towards the Pension Fund.

On 31st December 2018, the Fund had 162 members (160 in 2017), of which 135 in activity (134 in 2017) and 27 pensioners (26 in 2017). 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 31st December 2018, the governing body of the Pension Fund estimates the coverage ratio according to article 44 of OPP 2 (Ordinance on Pension Funds) at approx. 99.3% (108.5% at 31.12.2017).

1.8.2. PRESENTATION OF THE ECONOMIC BENEFIT / OBLIGATION AND THE PENSION EXPENSES	Overfunding/ underfunding estimate	Economic interest of the Bank		Change in economic versus previous year	Contribution paid	Pension expenses included in personnel expenses	
	31.12.2018	31.12.2018	31.12.2017		31.12.2018	31.12.2018	31.12.2017
Pension plans without overfunding / underfunding	-	-	-	-	-	-	-
Pension plans with overfunding	-	-	-	-	-	3 078	2 997
Pension plans with underfunding	517	-	-	-	-	-	-
Total	517	-	-	-	-	3 078	2 997

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

	Balance at 31.12.2017	Use in conformity with designated purpose	Reclassifi- cations	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at 31.12.18
Provisions for deferred taxes	19 081	-	-	-	-	-	-1 577	17 504
Provisions for pension benefit obligations	-	-	-	-	-	-	-	-
Provisions for default risks	-	-	-	-	-	-	-	-
Provisions for other business risks	-	-	-	-	-	-	-	-
Provisions for restructuring	-	-	-	-	-	-	-	-
Other provisions	27	- 27	-	-	-	-	-	-
Total provisions	19 108	- 27	-	-	-	-	-1 577	17 504

Reserves for general banking risks	221 000	-	-	-	-	7 000	-	228 000
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Reserves for general banking risks have not been taxed.

Value adjustments for default and country risks	44 608	-367	-	187	-662	15 839	-	59 605
– of which, value adjustments for default risk in respect of impaired loans/ receivables	44 608	-367	-	187	-662	14 054	-	57 820
– of which, value adjustments for latent risks	-	-	-	-	-	1 785	-	1 785

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

1.10. BANK’S CAPITAL

	31.12.2018			31.12.2017		
	Total par value	Number of shares (unit)	Capital eligible for dividend	Total nominal value	Number of shares (unit)	Capital eligible 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 DUE FROM		AMOUNTS DUE TO	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Holders of qualified participations	20 472	88 148	1 295	2 365
Group companies	-	-	-	-
Linked companies	30 101	57 342	78	180
Transactions with members of governing bodies	14	44	914	509
Other related parties	-	-	-	-
Total amounts due from / to related parties	50 587	145 534	2 287	3 054
Off-balance sheet transactions with related parties	13 440	4 688	22 960	36 904

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

	31.12.2018		31.12.2017	
HOLDERS OF SIGNIFICANT PARTICIPATIONS WITH VOTING RIGHTS	At nominal value	Percentage of equity	At nominal value	Percentage of equity
BORAK SA (100% owned by the Karamehmet family)	52 000	69.33%	52 000	69.33%
YAPI VE KREDİ BANKASI SA (81.8% owned jointly by Koç Group and 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. Bank legal capital and retained earnings reserves are only distributable if together they exceed 50% of the share capital. As at 31 December 2018, the amount of non distributable reserves amounted to CHF 18.4 Mio.

1.14. MATURITY STRUCTURE OF FINANCIAL INSTRUMENTS

1.14.1. ASSETS / FINANCIAL INSTRUMENTS			DUE					Total
	At sight	Cancellable	within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years	No maturity	
Liquid assets	510 720	-	-	-	-	-	-	510 720
Amounts due from banks	370 969	-	497 591	123 721	-	-	-	992 281
Amounts due from securities financing transactions	-	-	-	-	-	-	-	-
Amounts due from customers	-	949 751	822 730	34 754	187	-	-	1 807 422
Trading portfolio assets	17 879	-	-	-	-	-	-	17 879
Positive replacement values of derivative financial instruments	3 562	-	-	-	-	-	-	3 562
Financial investments	186	-	32 107	26 628	205 049	23 156	-	287 126
Total	31.12.2018	903 316	949 751	1 352 428	185 103	205 236	23 156	- 3 618 990
	31.12.2017	2 682 346	1 480 487	645 076	262 139	176 153	18 386	- 5 264 587

1.14.2. DEBT CAPITAL / FINANCIAL INSTRUMENTS

Amounts due to banks	528 141	-	920 884	237 642	6 680	-	-	1 693 347
Liabilities from securities financing transactions	-	-	51 908	86 717	-	-	-	138 625
Amounts due in respect of customer deposits	933 488	6 576	191 370	74 933	41 959	-	-	1 248 326
Negative replacement values of derivative financial instruments	3 879	-	-	-	-	-	-	3 879
Total	31.12.2018	1 465 508	6 576	1 164 162	399 292	48 639	-	- 3 084 177
	31.12.2017	3 150 967	14 714	1 219 836	285 650	89 098	-	- 4 760 265

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

ASSETS	31.12.2018		31.12.2017	
	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN
Liquid assets	264 267	246 453	636 828	1 558 008
Amounts due from banks	300 197	692 084	160 298	939 876
Amounts due from securities financing transactions	-	-	-	-
Amounts due from customers	551 506	1 255 916	536 590	1 163 792
Trading portfolio assets	1 693	16 186	-	13 678
Positive replacement values of derivative financial instruments	3 562	-	5 569	274
Financial investments	8 022	279 104	5 853	243 821
Accrued income and prepaid expenses	6 518	2 694	4 216	2 878
Tangible fixed assets	3 697	207	3 313	275
Other assets	453	339	359	304
Total assets	1 139 915	2 492 983	1 353 026	3 922 906
LIABILITIES				
Amounts due to banks	243 591	1 449 756	88 780	2 949 984
Liabilities from securities financing transactions	-	138 625	-	123 991
Amounts due in respect of customer deposits	229 477	1 018 849	208 282	1 384 870
Negative replacement values of derivative financial instruments	3 120	759	4 357	1
Accrued expenses and deferred income	19 323	3 973	13 559	3 385
Other liabilities	332	168	186	608
Provisions	17 504	-	19 081	27
Reserves for general banking risks	228 000	-	221 000	-
Bank's capital	75 000	-	75 000	-
Statutory retained earnings reserve	18 449	-	16 357	-
Voluntary retained earnings reserve	95 000	1 589	90 000	1 158
Profit carried forward	11 195	46 589	6 822	39 161
Profit/loss (result of the period)	30 510	1 089	21 465	7 858
Total liabilities	971 501	2 661 397	764 889	4 511 043

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

	31.12.2018		31.12.2017	
	Absolute	in %	Absolute	in %
Europe	904 911	24.9%	2 160 577	41.0%
Switzerland	1 139 915	31.4%	1 353 026	25.6%
Turkey	254 390	7.0%	335 367	6.4%
North America	275 149	7.6%	271 374	5.1%
South America	7 270	0.2%	8 185	0.2%
Caribbean area	245 807	6.8%	171 302	3.2%
Africa	252 962	7.0%	157 635	3.0%
Middle East	273 665	7.5%	333 308	6.3%
Asia	270 070	7.4%	475 592	9.0%
Oceania	8 759	0.2%	9 566	0.2%
Total assets	3 632 898	100.0%	5 275 932	100.0%

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

FITCH (LONG-TERM RATING SCALE)	NET FOREIGN EXPOSURE 31.12.2018		NET FOREIGN EXPOSURE 31.12.2017	
	Absolute	in %	Absolute	in %
AAA	674 286	27.1%	2 058 997	52.5%
AA+ AA-	525 586	21.1%	289 401	7.4%
A+ A-	137 693	5.5%	180 527	4.6%
BBB+ BBB-	147 169	5.9%	243 350	6.2%
BB+ BB-	436 075	17.5%	373 959	9.5%
B+ B-	252 270	10.1%	143 953	3.7%
CCC+ D- & not rated	319 904	12.8%	632 719	16.1%
Total assets (foreign exposure)	2 492 983	100.0%	3 922 906	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	263 929	246 682	93	16	510 720
Amounts due from banks	261 952	260 850	298 362	171 117	992 281
Amounts due from securities financing transactions	-	-	-	-	-
Amounts due from customers	13 868	301 747	1 483 326	8 481	1 807 422
Trading portfolio assets	-	2 716	12 185	2 978	17 879
Positive replacement values of derivative financial instruments	3 562	-	-	-	3 562
Financial investments	5 879	41 294	195 752	44 201	287 126
Accrued income and prepaid expenses	6 004	399	2 584	225	9 212
Tangible fixed assets	3 904	-	-	-	3 904
Other assets	472	270	5	45	792
Total assets shown in the balance sheet	559 570	853 958	1 992 307	227 063	3 632 898
Delivery entitlements from spot exchange, forward forex and forex options transactions	108 168	430 368	417 925	221 846	1 178 307
Total assets	667 738	1 284 326	2 410 232	448 909	4 811 205

LIABILITIES	CHF	EUR	USD	OTHERS	TOTAL
Amounts due to banks	71 647	538 693	765 662	317 345	1 693 347
Liabilities from securities financing transactions	-	-	133 032	5 593	138 625
Amounts due in respect of customer deposits	37 005	337 894	842 566	30 861	1 248 326
Negative replacement values of derivative financial instruments	3 864	11	4	-	3 879
Accrued expenses and deferred income	15 414	141	7 504	237	23 296
Other liabilities	430	61	9	-	500
Provisions	17 504	-	-	-	17 504
Reserves for general banking risks	228 000	-	-	-	228 000
Bank's capital	75 000	-	-	-	75 000
Statutory retained earnings reserve	18 449	-	-	-	18 449
Voluntary retained earnings reserve	96 589	-	-	-	96 589
Profit carried forward	57 784	-	-	-	57 784
Profit for the year	31 599	-	-	-	31 599
Total liabilities shown in the balance sheet	653 285	876 800	1 748 777	354 036	3 632 898
Delivery obligations from spot exchange, forward forex and forex options transactions	3 139	407 081	673 582	94 951	1 178 753
Total liabilities	656 424	1 283 881	2 422 359	448 987	4 811 651

Net position by currency	11 314	445	-12 127	-78	-446
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2. INFORMATION ON OFF-BALANCE SHEET TRANSACTIONS

2.1. BREAKDOWN OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

2.1.1. CONTINGENT LIABILITIES	31.12.2018	31.12.2017
Guarantees to secure credits and similar	360 205	219 954
Performance guarantees and similar	18 054	19 574
Irrevocable commitments arising from documentary letters of credit	983 046	953 444
Other contingent liabilities	-	-
Total contingent liabilities	1 361 305	1 192 972

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	31.12.2018	31.12.2017
Commitments arising from deferred payments	90 996	100 007
Commitments arising from acceptances	-	-
Other credit commitments	-	-
Total credit commitments	90 996	100 007

2.3. BREAKDOWN OF FIDUCIARY TRANSACTIONS

FIDUCIARY TRANSACTIONS	31.12.2018	31.12.2017
Fiduciary deposits with third-party companies	17 064	17 452
Fiduciary investments with group companies and linked companies	-	-
Fiduciary loans	-	7 313
Other fiduciary financial transactions	-	-
Total fiduciary transactions	17 064	24 765

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	2018	2017
Trading results for own account	-2 106	3 901
Trading for the account of customers	1 094	973
Total result from trading activities	-1 012	4 874

3.1.2. BREAKDOWN BY UNDERLYING RISK AND BASED ON THE USE OF THE FAIR VALUE OPTION

Foreign exchange	345	4 162
Interest rate instruments	-345	60
Securities	-1 012	652
Commodities/precious metals	-	-
Total result from trading activities	-1 012	4 874
– of which, from fair value option	-	-

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

The item **Interest and discount income** comprised negative interest amounting to CHF 6.5 Mio in 2018 (CHF 5.8 Mio in 2017).

3.3. BREAKDOWN OF PERSONNEL EXPENSES

PERSONNEL EXPENSES	2018	2017
Salaries	29 049	27 296
Social insurance benefits	2 830	2 653
Contributions to staff pension funds	3 275	3 156
Other personnel expenses	966	921
Total personnel expenses	36 120	34 026

3.4. BREAKDOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

GENERAL AND ADMINISTRATIVE EXPENSES	2018	2017
Office space expenses	3 104	3 084
Expenses for information technology and communications technology	4 349	4 228
Expenses for vehicles, equipment, furniture and other fixtures	99	79
Fees of audit firm(s) (Art. 961a no. 2 CO)	443	399
– of which, for financial and regulatory audits	443	399
– of which, for other services	-	-
Other operating expenses	4 490	5 340
Total general and administrative expenses	12 485	13 130

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	2018	2017
Other extraordinary income	135	70
Total extraordinary income	135	70

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	-10 000
Withdrawals from the reserves for general banking risks	-	-
Total change in reserves for general banking risks	-7 000	-10 000

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

	2018		2017	
	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN
Interest income	70 723	6 769	53 575	8 056
Interest expense	-27 306	-711	-18 117	-350
Gross result from interest operations	43 417	6 058	35 458	7 706
Change in value adjustments for default risks and losses from interest operations	-12 759	-1 648	-36 300	-
Subtotal net result from interest operations	30 658	4 410	-842	7 706
Commission income from securities trading and investment activities	3 945	1 110	4 644	1 086
Commission income from lending activities	32 623	913	36 481	1 660
Commission income from other services	28 242	1 166	34 575	2 465
Commission expense	-1 438	-142	-2 386	-6
Subtotal result from commission business and services	63 372	3 047	73 314	5 205
Result from trading activities	-1 393	381	3 869	1 005
Result from the disposal of financial investments	-2	263	317	148
Result from real estate	11	-	-30	-
Other ordinary results	-827	-297	116	122
Subtotal other result from ordinary activities	-818	-34	403	270
Personnel expenses	-32 113	-4 007	-30 337	-3 689
General and administrative expenses	-9 952	-2 533	-10 848	-2 282
Subtotal operating expenses	-42 065	-6 540	-41 185	-5 971
Depreciation and amortisation of tangible fixed assets	-1 470	-145	-1 274	-153
Changes to provisions and other value adjustments, and losses	-14	-27	-6	-5
Operating result	48 270	1 092	34 279	8 057

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

	2018	2017
Current taxes	-10 929	-8 155
Deferred taxes	1 577	5 072
Total taxes	-9 352	-3 083
Average tax rate weighted on the basis of the operating result	22.1%	19.3%

As at 31st December 2018, there were no losses carried forward (2017: none).



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