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# ANNUAL REPORT 2020



BANQUE DE COMMERCE ET DE PLACEMENTS



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DIRECTORY

# INTERVIEW WITH OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER



Dominated by the unprecedented pandemic which swept around the world, for BCP, 2020 was also a year of intense activity, which Chairman of the Board of Directors, Dr. Alain Bruno Lévy, and Chief Executive Officer, Mr. Naci Sigin, analyze before sharing their strategy and outlook for the future.

### How did the COVID-19 impact the Bank's operating environment in 2020?

The words “health crisis” and “COVID 19” undoubtedly made up the headlines all through the past year, which was a particularly challenging one for the banking and commodity trade finance industry in general. Unanimously depicted as “unprecedented”, the COVID-19 crisis generated the biggest economic contraction since World War II. Global economic indicators plummeted, reflecting the impact of widespread lockdowns, with world GDP currently projected respectively by the IMF and World Bank at -4.4% and -4.3% for the year 2020 (-5.8% and -5.4% for advanced economies). Depressed trading activity translated into world trade volumes which collapsed by -9.5% in 2020, while at the same time, the commodity sector was also severely challenged by a number of serious cases of fraud. Last but not least, liquidity fears at various points in the year combined with a lack of investor confidence, leading to significant levels of volatility on financial markets, adversely impacted all our business lines even further.

### How did BCP adapt to this sanitary and economic crisis?

During a year marked by several lockdown periods aimed at stemming the spread of the virus, our Bank maintained its business continuity at all times while taking the necessary measures to protect our customers' and employees' health. We adapted our process, remained fully operational in all our core businesses and served our customers according to our usual high-quality service standards. The various negative effects that came with the health crisis (economic and trade contraction, fraud, volatile markets) took a toll on the global banking sector, particularly on banks active in the CTF sector due to provisions in the course of 2020, and, in the aftermath of this crisis, affected the Bank's profitability as well. However, BCP remained highly active in its two core business pillars. On the CTF side, as large fraud cases engulfed most financing banks, some of them decided to downscale their CTF activity. BCP, however, while further reinforcing its framework against fraud and risks more globally, managed to cautiously pursue its core CTF activities, and overcome these challenges thanks to its strong capital base. On the Wealth Management side, our staff remained highly committed to standing alongside our customers, as volumes, particularly on the fixed income and equity markets, remained sustained.

### In the light of this crisis, has BCP chosen to refocus its strategy?

During the year 2020, we cautiously navigated the strong headwinds faced by the global trade and banking sectors. We remained true to our core strategy - consisting of staying focused on our two core business pillars - commodity trade finance and wealth management – within an enhanced risk approach. We didn't refocus our global strategy, as we are convinced that being a specialized bank in CTF and WM is our key strength. Indeed, we are generalists in terms of our wider technical knowhow, but are also experts in our knowledge of these specific areas. This high level of expertise is our primary asset. Hence, we continued to accommodate our customers and stood by their sides during this challenging period, and, in parallel, further enhanced our selectivity and risk management framework, in accordance with Swiss and international regulatory and best practice standards. In this defensive period, while some banks chose to downscale their activities and notably withdrew from the commodity trade finance sector, BCP stayed the course. While adopting enhanced measures of protection, we have, however, managed to remain cautiously agile and further gained new customers in search of a specialized bank.

### How would you describe BCP's results for the year 2020?

Like most CTF banks, the disrupted environment primarily affected the credit side of our operations, with a heightened level of non-performing loans arising from fraud. Thanks to our cautious management and accumulated reserves, we were able to make sufficient provisions to face these credit casualties, which resulted in modest profitability for the year 2020, with a declared Net Profit of CHF 5.4 million (versus CHF 31.5 million for the preceding year). Remaining vigilant while moving forward in this challenging environment, we were also able to maintain our historically robust capital base, achieving a 14% Tier 1 capital adequacy ratio, and a low cost-income ratio of 56.6%, which is well below the Swiss banking sector average (around 70%). In addition, our operational activities, even though adversely affected by credit provisions, were sustained. Despite the economic contraction, we notably managed to maintain our documentary credit business volumes at approximately CHF 28 billion, very close to the levels achieved in 2019.

### Looking ahead, what is the outlook for 2021?

Normalized from the credit provisions, our intense level of activity throughout 2020 demonstrates the Bank's resilience and is allowing us to envisage the future with confidence. As we move further into 2021, the health crisis continues to impose its pace on the worldwide economy. However, as the rest of the commodity trade finance and banking industry players, we have acquired precious experience of how to navigate this environment, which, coupled with the hope generated by widespread vaccination, are preparing the ground to stimulate economic growth on a global scale. As the world is expected to progressively settle into a new normality in the second half of the year, this should revive demand for commodities and base products, while giving new impetus to trade flows as well as restoring market confidence. The combination of these elements should further increase our business intermediation in a more predictable environment, and consequently enable us to enhance our performance and profitability in our two core businesses. In this context, we expect to pursue the development of our customer and market penetration within a prudent risk management approach, while continuing to leverage the strong synergies between our two main activities and reinforce our reputation for excellent service.

We would like to take this opportunity to extend our deepest thanks to our much-valued customers, correspondents, and staff members as well as to our Board of Directors and shareholders for their continued support and precious collaboration during the year.

We also wish to pay tribute to our late esteemed colleague Mr. Habegger who left this world prematurely. He will be remembered by all of us at BCP for his professionalism and unwavering commitment as a member of our Board of Directors until his death in June 2020.

# BCP AT A GLANCE

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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 Financial Institutions 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.

## 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 2020.

#### INVESTMENT GRADE RATING

BCP is rated BBB- 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 LINKED TO

### TREASURY

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.

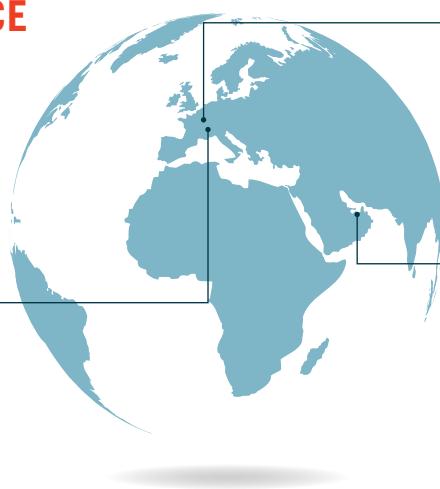
### FINANCIAL INSTITUTIONS

The Financial Institutions team manages all aspects of relations with other financial institutions enabling the execution of commodity trade finance and treasury transactions with the Bank's headquarters and foreign branches.

## 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, BCP is one of the only Swiss Bank with a category 1 license granted by DFSA, with the ability to offer 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

In 2020, the side effects of the COVID pandemic, mounting political instability, a high level of market volatility, and global economic shifts as well as unprecedented instances of fraud, significantly impacted the commodities sector. However, despite these challenges, we managed to weather the storm by continuing to strengthen our business model; we swiftly adjusted to the changing environment and remained focused on our core strategy, consisting of accommodating our clients for the long-term within high-quality standards.

**PIERRE GALTIE**

Head of Commodity Trade Finance

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Hence, as an indicator, documentary credits business volumes reached CHF 28 billion, very similar to the previous year.

Our distinguishing characteristic is the fact that we are a specialized Commodity Trade Finance Bank delivering expert tailor-made solutions within a strict and transparent risk management framework. This sets us apart from the other actors in the international trade finance landscape. Since it was founded in 1963, BCP has indeed become a leading player in Commodity Trade Finance (CTF), with a unique approach, based on 360° sector know-how, global reach, long-term commitment to customers, and high-quality service at every stage.

The Bank's core specialisation consists of the financing of international trade across a wide spectrum of products ranging from energy, soft commodities, to ferrous and non-ferrous metals.

In an industry where experience and expertise are more than ever the key words, our CTF Department stands out for its strong knowledge of the international Trade Finance industry gained over almost sixty years in the field, as well as the quality of our service, delivered in a timely manner at every transaction stage.

The operating environment in 2020 was dominated by great challenges in many areas. The COVID 19 health crisis brought in its wake a wave of restrictions for half of the world's population, and hence falling demand for commodities and significant market price volatility. In the aftermath of this forceful interruption to world trade dynamics, instances of fraud within the industry were also very starkly laid bare across a number of different commodity types throughout the year.

Nonetheless, BCP's Commodity Trade Finance Department, despite the turbulent winds brought by the change of paradigm induced by the crisis, demonstrated its strong resilience in facing these various challenges and continued accommodating its customers in a cautious yet solid manner.

First and foremost, 2020 will be remembered as an unprecedented year in commodity trade financing with more than \$7bn worth of fraud and suspicious trades exposed in less than eight months. These were due to various fraud schemes and other unlawful behaviour of a very few which led some prime lending CTF international banks to scale down their activity towards the commodity trading industry, and even in some cases to fully withdraw from this sector. However, for most of the other banks, the situation was deemed to call for 'adjusting' actions rather than withdrawal. Overall, the industry has been proactive in analysing the situation and adapting its model, which is essential bearing in mind the need to accommodate the \$12 trillion market in commodities produced, exchanged and consumed annually around the world.



Hence, the new motto commonly shared by most banks active in the CTF industry is “back to basics”, with a more rigorous approach of the transactional self-liquidating financing principles that have always constituted the foundations of trade finance.

In this context, and within strict and transparent risk management guidelines, BCP’s CTF Department remained very active. Continuing to accommodate our clients in their businesses and standing by their side was always our principal focus. With the support of BCP’s Board of Directors, the Department managed to demonstrate robust dynamics, even while operating in depressed markets. Despite lending activity which was cautiously adjusted to the various market situation moves and the new paradigm, overall the year was concluded with satisfactory business volumes. Hence, as an indicator, documentary credits business volumes reached CHF 28 billion, very similar to the previous year.

This itself was essentially due to the sustained efforts of our CTF team throughout the year in accompanying our clients with milestone transactions, offering them new products and services, and, most importantly, demonstrating in doing so that our Bank remains committed to the industry within a prudent and sustainable approach. Moreover, we managed to continue onboarding new customers in a selective manner.

In such troubled waters, adjusting the model while staying focused on our long-term objectives constitutes a source of trust for which we would like to thank our clients and various stakeholders. At the same time, CTF has continued investing in its human capital and acquired additional talents and competences during the year.

After crossing the 2020 finish line, we are proud to say that our model demonstrated great resilience and dynamics. We were able to adapt and persevere through every difficulty of this very unusual year.

Even if the road ahead of us remains challenging due to the pandemic, and other ongoing geopolitical and economic uncertainties, there is a lot to look forward to during 2021. With enthusiasm and realism, we intend to continue building BCP’s Commodity Trade Finance franchise and open new channels for further growth with our clients and business partners.









# WEALTH MANAGEMENT

High-quality services  
and unparalleled expertise  
in emerging markets

For the last fifty years, BCP has been providing state-of-the-art Wealth Management Services. 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 but also, in emerging markets. Throughout 2020, our personalized approach was very much appreciated by our clients, helping to ensure they were able to confidently navigate the disrupted financial environment.

**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 a range of 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 in 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 excellent knowledge of the financial preferences of the local clientele. In these areas, the Bank has unequalled expertise 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 independently in a broad range of securities and investment products across the globe.

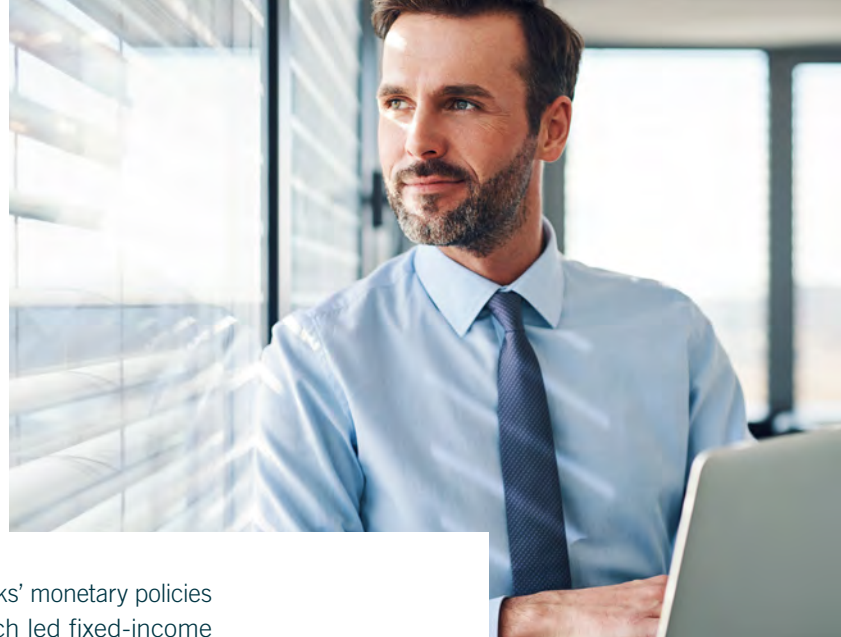
Customer interests are paramount at BCP: clients can choose to invest with or without the Bank's advice, or opt to give a mandate to the Bank to help manage their portfolio.

The Bank specializes in emerging market 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, and can also grant secured loans on request.

BCP investment service clients can enjoy transactional services in a wide range of countries, thanks to our Financial Institutions' exceptionally broad network.

Our services include a full commercial platform and family office services.

Looking back over the past year, the world was plunged into a crisis of unprecedented scale in recent history, leading to a significant shift in the structure of work, in the economy, and hence in the needs of our clients who were impacted both in their personal and professional lives. As always and without disruption, our relationship and asset managers remained fully committed, throughout 2020, to serve our customers, in the disturbed environment, with expert and tailor-made advice and investment services. We continued offering our wealth management activities from two of the world's leading financial centres, Geneva as well as Dubai DIFC, the latter operating to the same stringent Swiss standards as those applied in Geneva.



In terms of performance, to bolster the economy, the central banks' monetary policies consisted of maintaining a low interest rate environment which led fixed-income returns to slide toward poor-performing territory. Investors, even though appreciably risk averse in the uncertain and volatile context, largely turned to the equity markets, which partly reshaped asset allocations. Our Wealth Management Department, within a customer-driven approach to each specific situation, observed the same movement, while our Bank's stock market trading activity was exceptionally sustained in 2020, and more than tripled compared to the previous year.

Going forward, we expect the pandemic to continue to weigh on the worldwide economy which is set to remain subdued in the first six months of 2021. Moreover, many geopolitical uncertainties and risk factors remain. However, based on the 2020 year-end activity which showed a positive trend, we remain confident of our ability to selectively open new accounts, and further grow our business in the best interest of our customers in a satisfactory and sustainable manner. In addition, the consensus for a recovery in the second part of 2021, with the help of COVID-19 vaccines and the easing of lockdowns, dominates the headlines and should assist markets normalization. As COVID progressively retreats, we indeed expect investor confidence to be restored in a more predictable environment, which should further revive both our wealth management and asset management activities.

As in the past year, these challenges will require us to use our full spectrum of expertise to continue supporting and advising our clients adequately. Remaining by our clients' side with the advantage of operating in a stable regulatory environment in those periods dominated by many geopolitical and economic uncertainties is very much part of our Bank's DNA.

Furthermore, we intend to continue to adapt our framework to new regulations affecting wealth managers and their customers.

# FINANCIAL PERFORMANCE 2020

2020 was marked by the Covid-19 global pandemic which first had a terrible human impact and simultaneously generated unprecedented effects on almost all economies and financial markets.

The global lockdowns during the first wave in February/March triggered a sharp economic contraction, followed by a strong rebound fuelled by governments' fiscal and monetary stimulus measures, a gradual easing of lockdowns and hopes for an effective vaccine.

After the first shock, worldwide economies did not show any clear direction, with uncertainties resulting from new waves of Covid-19 pandemic (causing further, partial lockdowns) and the commencement of vaccination programmes (strengthening hopes for a rapid business recovery). The crude oil market clearly illustrated the highly volatile environment of the year, with barrel prices which briefly fell below zero for the first time in history. This extremely unstable situation brought to light fraud across the commodities trade sector and weakened a number of economic players, which directly or indirectly affected some of the Banks' counterparties. While average indices for prices of non-energy commodities slightly increased by 3%, average crude oil prices (WTI) significantly declined by more than 30% compared to last year, adversely affecting the value of the energy goods financed by the Bank and thus revenues. On the exchange rates side, USD and EUR continued to depreciate against CHF, increasing the pressure on the Bank's income streams which are mostly denominated in those currencies.



Against these exceedingly difficult conditions, the Bank reported Total income at CHF 37.8 million, a notable decline of 54% compared to last year, as it was hit by very high Change in value adjustments for default risks of CHF 47.8 million resulting from important credit losses.

Excluding the impact of Change in value adjustments for default risks, adjusted Total income actually stood at CHF 85.6 million, which was just CHF 4.5 million (-5%) below the previous year. This notable achievement demonstrates the Bank's capacity to continue to generate sound revenues, especially if we consider the downturn of most economies throughout the world.

Gross result from interest operations (which excludes the impact of Change in value adjustment for default risks) at CHF 37 million declined by CHF 6.4 million compared to last year, as a consequence of lower customer lending, overall diminished spreads and exchange rates.

Result from commissions declined by CHF 2.2 million (-5%) to CHF 45.0 million, likewise documentary credit volumes eroded by 2% compared to last year to 27.6 billion. The impact of lower prices of commodities and exchange rates against CHF unfortunately offset the effects of the strong trade finance business activity of the Bank.

After a difficult year in 2019, Result from trading activities reached CHF 2.8 million this year, essentially thanks to higher forex profits, which benefitted from buoyant trade activity and lower costs of forex swaps.

The Bank's nostro fixed-income portfolio was also subject to the very high volatility of bonds markets, but it could generate an income equivalent to last year at CHF 0.8 million (booked under Other result from ordinary activities).



In this year's context, particular attention was given to a strict control of Operating expenses which decreased by 1% compared to last year.

Personnel expenses at CHF 35.5 million declined by CHF 1.3 million (-4%), essentially due to lower variable remuneration costs, as headcount remained stable (average number of FTE employees marginally declined from 160.9 in 2019 to 160.7 in 2020). General and administrative expenses at CHF 13.0 million increased by CHF 0.7 million (+6%) as a result of high legal charges incurred by credit losses cases.

Our cost/income ratio (excluding the impact of Change in value adjustments for default risks and losses from interest operations) remained at healthy levels and just rose to 57% this year, which illustrates the efficiency of the Bank's organisation.

The Bank reported a Net profit of CHF 5.4 million after release of Reserves for general banking risks of CHF 20.0 million and taxes of CHF 2.6 million. This result was well below last year's Net profit at CHF 31.5 million. However, if we consider the pure business performance of the Bank and eliminate the impact of credit losses, voluntary reserves and other exceptional income/expenses, the adjusted net profit would have amounted to CHF 29.3 million, just CHF 2.3 million (-7%) below the 2019 adjusted net profit. The important credit losses of this year clearly masked the solid underlying economic performance of the Bank.



Total balance sheet grew by CHF 185.8 million (+6%) over the year and closed at CHF 3.5 billion. Reflecting the strong business activity, customer lending almost reached the CHF 2 billion mark and grew by 6% (+CHF 105.9 million) compared to last year. Financial investments at CHF 346.8 million increased by CHF 40.3 million, while Liquid assets at CHF 339.9 million were in line with last year. On the liabilities side, customer deposits jumped by CHF 479.6 million to CHF 1.5 billion, reflecting the more prudent business approach with higher requirements in cash collaterals. On the other hand, the bank deposits fell by CHF 271.5 million to CHF 1.3 billion. The shareholders' funds (comprising Shareholders' equity and Reserves for general banking risks, which qualify as Tier I capital) declined by CHF 24.6 million (-5%) to CHF 511.4 million.

The capital adequacy ratio (CET1 ratio as per Basel III rules) remained at 14.0% (well above the minimum levels required by FINMA at 10.5%), which also outlined the resilience of the Bank in very unfavourable conditions and the strength of its capital base.

Total retained earnings available for appropriation amounted to CHF 81.6 million. Considering the special circumstances in 2020, it was decided, on March 18, 2021 at the Ordinary General Meeting of the Shareholders, not to distribute dividends and, after allocation to legal reserves, to appropriate the balance to the Bank's equity.



14%

At 14.0%, the capital adequacy ratio remained above the 10.5% required by FINMA.



# 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 (49.9% owned by Koç Holding)

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 (until his passing away in June 2020)
- Mehmet Ali Karamehmet Member, ad interim from June 2020

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:**

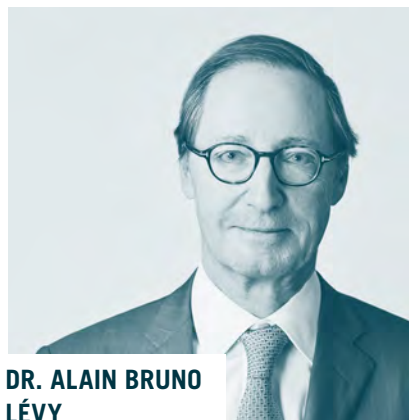
The Audit & Risk Committee comprises the two following members of the Board of Directors:

- 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)

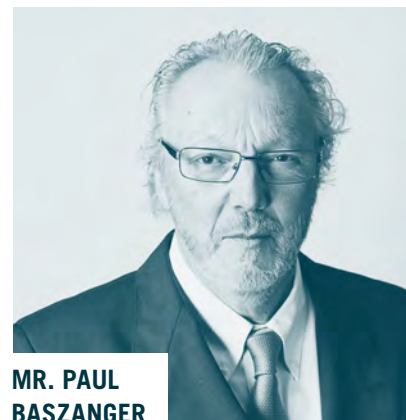
After graduating in law with a Doctor Degree from the University of Freiburg, Dr. Lévy was admitted to the Bar in Geneva in 1983. He started his career in 1976 within the legal department of the Swiss Federal Banking Commission (supervisory authority of the financial sector, before FINMA). He then joined 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.



**MR. ERHAN  
ADALI**

Vice Chairman (Represents Yapi Kredi)

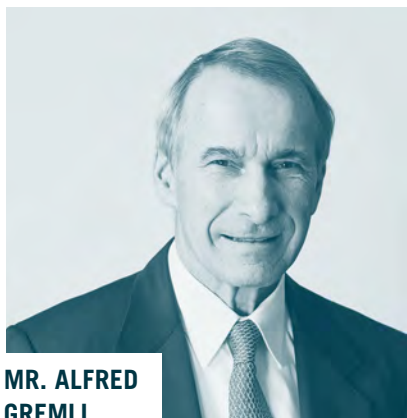
After graduating from the Faculty of Political Sciences, Public Administration at Istanbul University in 1987, Erhan Adali began his professional career at Garanti Bankasi as an Internal Auditor. After serving in various positions, Mr. Adali worked as the Corporate Branch Manager, Commercial Banking 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.



**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. ALFRED  
GREMLI**

Member (Independent)

Mr. Gremlí 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. Gremlí 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.



**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 Trafincó, 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 and until his passing away in June 2020.

#### (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:



**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. GILLES  
GARCIA**

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.



**MR. PIERRE  
GALTIE**

Commodity Trade Finance

After graduating from Paris Dauphine University in Corporate Finance, Mr. Galtie 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. Galtie joined Natixis to open and head its representative office in Switzerland. Mr. Galtie was appointed to head BCP's Commodity Trade Finance Department in April 2019 and has been a member of General Management since July 2019.





**MR. FRANÇOIS  
GAUTIER**

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.



**MRS. DORIANE  
JUAN**

Legal and Compliance

After graduating in law from the University of Neuchâtel, Mrs. Juan was admitted to the Bar in 1989. She started her career as an independent lawyer in Neuchâtel before becoming a member of Mégevand and Grosjean's law firm (Geneva) in 1990. She then served as BNP Paribas Private Bank (Switzerland) S.A. Geneva's legal advisor and Member of the Management, for 13 years. In 2004, she became legal advisor for Deutsche Bank (Suisse) SA Geneva. From 2005 to 2008, Mrs. Juan held several compliance and legal management positions within the BNP Paribas Group in Geneva. She then acted as legal advisor in the commodities trading department of Banque Cantonale de Genève, deputy member of the Management. She joined BCP as legal advisor in 2011, and was appointed Head of the Legal & Compliance Department in February 2015. She has been a member of General Management since November 2020.



**MR. CEDRIC  
ZIMMERMANN**

Risk Management

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.

# RISK MANAGEMENT

Risk management within banks has 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 2020 financial statements.



6

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 Management Department and Legal & Compliance Department), 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 fulfil 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.





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# AUDITOR'S REPORT & FINANCIAL STATEMENT

2020





**KPMG SA**  
**Financial Services**  
Esplanade de Pont-Rouge 6  
PO Box 1571  
CH-1211 Genève 26

+41 58 249 31 31  
[www.kpmg.ch](http://www.kpmg.ch)

## **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 for the year ended 31 December 2020.

#### **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 2020 comply with Swiss law and the company's articles of incorporation.





### Report on Other Legal Requirements

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

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

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

KPMG SA

Yvan Mermod  
Licensed Audit Expert  
Auditor in Charge

Zoé Souclier  
Licensed Audit Expert

Geneva, 18 February 2021

#### Enclosure:

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

## BALANCE SHEET

ASSETS	31.12.2020	31.12.2019	NOTES
Liquid assets	339 887	343 419	
Amounts due from banks	763 623	725 642	
Amounts due from securities financing transactions	-	-	
Amounts due from customers	1 988 290	1 882 363	1.2.
Trading portfolio assets	6 681	11 922	1.3.
Positive replacement values of derivative financial instruments	5 101	5 524	1.4.
Financial investments	346 770	306 489	1.5.
Accrued income and prepaid expenses	25 855	14 323	
Tangible fixed assets	3 251	3 794	1.6.
Other assets	856	1 005	1.7.
<b>Total assets</b>	<b>3 480 314</b>	<b>3 294 481</b>	
Total subordinated claims	-	-	
<b>LIABILITIES</b>			
Amounts due to banks	1 267 266	1 538 721	
Liabilities from securities financing transactions	140 640	133 179	1.1
Amounts due in respect of customer deposits	1 534 769	1 055 189	
Negative replacement values of derivative financial instruments	4 978	3 993	1.4.
Accrued expenses and deferred income	20 838	26 102	
Other liabilities	436	1 343	1.7.
Provisions	-	-	
Reserves for general banking risks	215 000	235 000	1.9.
Share capital	75 000	75 000	1.10.
Statutory retained earnings reserve	22 856	20 654	
Voluntary retained earnings reserve	116 966	106 966	
Profit carried forward	76 132	66 801	
Profit/loss (result of the period)	5 433	31 533	
<b>Total liabilities</b>	<b>3 480 314</b>	<b>3 294 481</b>	
Total subordinated liabilities	-	-	
<b>OFF-BALANCE SHEET TRANSACTIONS</b>			
Contingent liabilities	1 942 806	1 930 747	2.1.
Irrevocable commitments	34 305	34 797	
Credit commitments	248 621	96 177	2.2.

## INCOME STATEMENT

	2020	2019	NOTES
<b>Result from interest operations:</b>			
Interest and discount income	47 418	74 451	
Interest and dividend income from trading portfolios	373	634	
Interest and dividend income from financial investments	9 647	9 735	
Interest expense	-20 398	-41 354	
<b>Gross result from interest operations</b>	<b>37 040</b>	<b>43 466</b>	
Change in value adjustments for default risks and losses from interest operations	-47 804	-8 466	
<b>Subtotal net result from interest operations</b>	<b>-10 764</b>	<b>35 000</b>	
<b>Result from commission business and services:</b>			
Commission income from securities trading and investment activities	4 651	4 969	
Commission income from lending activities	21 937	26 088	
Commission income from other services	19 861	17 805	
Commission expense	-1 462	-1 671	
<b>Subtotal result from commission business and services</b>	<b>44 986</b>	<b>47 191</b>	
<b>Result from trading activities and the fair value option</b>	<b>2 840</b>	<b>-1 337</b>	3.1.
<b>Other result from ordinary activities:</b>			
Result from the disposal of financial investments	572	-12	
Result from real estate	9	9	
Other ordinary incomes	216	797	
Other ordinary expenses	-14	-	
<b>Subtotal other result from ordinary activities</b>	<b>784</b>	<b>794</b>	
<b>Operating expenses:</b>			
Personnel expenses	-35 465	-36 765	3.3.
General and administrative expenses	-13 011	-12 250	3.4.
<b>Subtotal operating expenses</b>	<b>-48 476</b>	<b>-49 015</b>	
Value adjustments on equity interests, depreciation on tangible fixed assets and amortization of intangible assets	-1 626	-1 742	
Changes to provisions and other value adjustments, and losses	-12	-122	
<b>Operating result</b>	<b>-12 269</b>	<b>30 769</b>	
Extraordinary income	689	17 615	3.5.1.
Extraordinary expenses	-373	-	3.5.2.
Changes in reserves for general banking risks	20 000	-7 000	3.5.3.
Taxes	-2 614	-9 851	3.7.
<b>Profit/loss (result of the period)</b>	<b>5 433</b>	<b>31 533</b>	



## PROPOSAL FOR APPROPRIATION OF PROFIT

	31.12.2020	31.12.2019
<b>Retained earnings available for appropriation:</b>		
Profit / loss (result of the period)	5 433	31 533
Profit carried forward from previous year	76 132	66 801
<b>Distributable profit</b>	<b>81 565</b>	<b>98 334</b>
<b>Proposal for appropriation of profit:</b>		
Allocation to statutory retained earnings reserve	272	2 202
Allocation to voluntary retained earnings reserve	-	10 000
Dividend proposed	-	10 000
New amount carried forward	81 293	76 132
<b>Distributable profit</b>	<b>81 565</b>	<b>98 334</b>

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Statutory retained earnings reserves	Voluntary retained earnings reserves and profit/loss carried forward	Reserves for general banking risks	Result of the period	Total
<b>Equity at 01.01.2020</b>	<b>75 000</b>	<b>20 654</b>	<b>173 767</b>	<b>235 000</b>	<b>31 533</b>	<b>535 954</b>
Dividends and other distributions	-	-	-	-	-10 000	-10 000
Other allocations to (transfers from) the reserves for general banking risks	-	-	-	-20 000	-	-20 000
Other allocations to (transfers from) other reserves	-	2 202	19 331	-	-21 533	-
Profit/loss (result of the period)	-	-	-	-	5 433	5 433
<b>Equity at 31.12.2020</b>	<b>75 000</b>	<b>22 856</b>	<b>193 098</b>	<b>215 000</b>	<b>5 433</b>	<b>511 387</b>

# NOTES TO THE 2020 FINANCIAL STATEMENTS

## NAME, LEGAL FORM AND DOMICILE OF THE BANK

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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 2020, Banque de Commerce et de Placements had 157.6 full-time equivalent employees (2019: 160.7), of which 7 in Luxembourg and 15 in Dubai.

## BUSINESS ACTIVITIES

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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

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### 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 related 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 2020 are established in conformity with the Directives of the FINMA circular 2020/1 Accounting-Banks and FINMA Accounting Ordinance (FINMA-AO). The financial statements are prepared using the reliable assessment principle and the incurred loss and latent default risk approaches.

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:

	31.12.2020	31.12.2019
USD	0.8849	0.9719
EUR	1.0855	1.0883

## 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 from 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 eligible Common Equity Tier 1 (CET1) according to article 21 of the Swiss Capital Adequacy Ordinance (CAO), after deduction of latent tax.

## 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

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### 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 guidelines 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**

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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**

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For trade finance credit activities, the collateral's values accepted as a pledge are analyzed on case-by-case basis and mostly depend 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**

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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".

## **MATERIAL EVENTS OCCURED AFTER THE BALANCE SHEET DATE**

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None.



## NOTES TO THE 2019 FINANCIAL STATEMENTS

## 1. INFORMATION ON THE BALANCE SHEET

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

	31.12.2020	31.12.2019
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 (*)	140 640	133 179
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	171 677	147 208
– 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 repledge	-	-
– of which, repledged 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)		-	497 503	1 512 881	2 010 384
<b>Total loans (before netting with value adjustments)</b>	<b>31.12.2020</b>	-	<b>497 503</b>	<b>1 512 881</b>	<b>2 010 384</b>
	<b>31.12.2019</b>	-	<b>326 929</b>	<b>1 604 119</b>	<b>1 931 048</b>
<b>Total loans (after netting with value adjustments)</b>	<b>31.12.2020</b>	-	<b>497 503</b>	<b>1 490 787</b>	<b>1 988 290</b>
	<b>31.12.2019</b>	-	<b>326 929</b>	<b>1 555 434</b>	<b>1 882 363</b>

## 1.2.2. OFF-BALANCE SHEET

Contingent liabilities		-	338 409	1 604 397	1 942 806
Irrevocable commitments		-	-	34 305	34 305
Credit commitments		-	-	248 621	248 621
<b>Total off-balance sheet transactions</b>	<b>31.12.2020</b>	-	<b>338 409</b>	<b>1 887 323</b>	<b>2 225 732</b>
	<b>31.12.2019</b>	-	<b>481 133</b>	<b>1 580 587</b>	<b>2 061 720</b>

## 1.2.3. IMPAIRED LOANS

		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
<b>Total impaired loans</b>	<b>31.12.2020</b>	<b>49 771</b>	<b>982</b>	<b>48 789</b>	<b>22 094</b>
	<b>31.12.2019</b>	<b>54 430</b>	<b>-</b>	<b>54 430</b>	<b>48 685</b>

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)

	31.12.2020	31.12.2019
<b>Trading portfolio assets</b>		
Debt securities, money market securities/transactions	6 681	11 922
– of which, listed	6 227	11 174
Equity securities	-	-
Precious metals and commodities	-	-
Other trading portfolio assets	-	-
<b>Subtotal trading portfolio assets</b>	<b>6 681</b>	<b>11 922</b>
<b>Other financial investments at fair value</b>		
Debt securities	-	-
Structured products	-	-
Other	-	-
<b>Subtotal other financial investments at fair value</b>	<b>-</b>	<b>-</b>
<b>Total trading portfolios and other financial instruments (assets)</b>	<b>6 681</b>	<b>11 922</b>
– 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

TRADING INSTRUMENTS				HEDGING INSTRUMENTS		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
1.4.1. DERIVATIVE FINANCIAL INSTRUMENTS						
Interest rate instruments						
Interest Rate Futures (IRF)	1	0	-	-	-	-
Foreign exchange/precious metals						
Forward contracts	2 271	2 181	783 402	-	-	-
Options (OTC)	2 829	2 797	44 647	-	-	-
Total before netting agreements	31.12.2020	5 101	4 978	828 049	-	-
– of which, determined using a valuation model	-	-	-	-	-	-
Total before netting agreements	31.12.2019	5 524	3 993	1 123 125	-	-
– of which, determined using a valuation model	-	-	-	-	-	-
	Positive replacement values (cumulative)			Negative replacement values (cumulative)		
Total after netting agreements	31.12.2020	5 101		4 978		
	31.12.2019	5 524		3 993		
1.4.2. BREAKDOWN BY COUNTERPARTY						
		Central clearing houses	Banks and securities dealers	Other customers	Total customers	
Positive replacement values (after netting agreements)	31.12.2020	-	2 830	2 271	5 101	
	31.12.2019	-	3 277	2 247	5 524	

## 1.5. FINANCIAL INVESTMENTS

1.5.1. BREAKDOWN BY FINANCIAL INVESTMENTS	BOOK VALUE		FAIR VALUE	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Debt securities	346 650	306 325	362 449	312 747
– of which, intended to be held until maturity	265 399	237 529	273 444	243 320
– of which, not intended to be held until maturity (available for sale)	81 251	68 796	89 005	69 427
Equity securities	-	-	-	-
– of which, qualified participations	-	-	-	-
Precious metals	-	-	-	-
Real estate	121	163	163	163
<b>Total financial investments</b>	<b>346 770</b>	<b>306 489</b>	<b>362 612</b>	<b>312 910</b>
– of which, securities eligible for repo transactions in accordance with liquidity requirements	7 966	9 953	7 701	9 939

1.5.2. BREAKDOWN OF COUNTERPARTIES RATING	BOOK VALUE	
	31.12.2020	31.12.2019
AAA to AA-	98 742	64 241
A+ to A-	112 770	102 691
BBB+ to BBB-	23 066	42 055
BB+ to B-	112 072	97 338
Without rating	-	-
<b>Total debt instruments</b>	<b>346 650</b>	<b>306 325</b>

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

## 1.6. PRESENTATION OF TANGIBLE FIXED ASSETS

1.6.1. TANGIBLE FIXED ASSETS	Acquisition cost	Accumulated depreciation	Book value 31.12.2019	2020					Book value 31.12.2020
				Reclas-sifications	Additions	Disposals	Depreciation	Reversals	
Bank building	-	-	-	-	-	-	-	-	-
Other real estate	-	-	-	-	-	-	-	-	-
Proprietary or separately acquired software	16 833	-14 029	2 804	-	660	-	-1 193	-	2 271
Other tangible fixed assets	15 208	-14 218	990	-	423	-	-433	-	980
<b>Total tangible fixed assets</b>	<b>32 041</b>	<b>-28 247</b>	<b>3 794</b>	<b>-</b>	<b>1 083</b>	<b>-</b>	<b>-1 626</b>	<b>-</b>	<b>3 251</b>

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)	31.12.2020	2 747	2 297	-	-	5 044
	31.12.2019	254	7 544	-	-	7 798

These office rental contracts can be terminated within one year.

## 1.7. BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES

	OTHER ASSETS		OTHER LIABILITIES	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Rent guarantee deposit	316	316	-	-
Withholding taxes, stamp duties and VAT	420	272	392	304
Others	120	417	44	1 039
<b>Total</b>	<b>856</b>	<b>1 005</b>	<b>436</b>	<b>1 343</b>

## 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 2020 the Bank held no reserves for contributions and had no liabilities towards the Pension Fund.

On 31st December 2020, the Fund had 167 members (171 in 2019), of which 137 in activity (142 in 2019) and 30 pensioners (29 in 2019). 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 2020, the governing body of the Pension Fund estimates the coverage ratio according to article 44 of OPP 2 (Ordinance on Pension Funds) at approx. 106.0% (107.1% at 31.12.2019).

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	
	31.12.2020	31.12.2020	31.12.2019		31.12.2020	31.12.2020	31.12.2019
Pension plans without overfunding / underfunding	-	-	-	-	-	-	-
Pension plans with overfunding	5 250	-	-	-	-	-3 289	-3 221
Pension plans with underfunding	-	-	-	-	-	-	-
<b>Total</b>	<b>5 250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3 289</b>	<b>-3 221</b>

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

	Balance at 31.12.2019	Use in conformity with designated purpose	Reclassifi- cations	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at 31.12.20
Provisions for deferred taxes	-	-	-	-	-	-	-	-
Provisions for pension benefit obligations	-	-	-	-	-	-	-	-
Provisions for default risks	-	-	-	-	-	-	-	-
Provisions for other business risks	-	-	-	-	-	-	-	-
Provisions for restructuring	-	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-	-
<b>Total provisions</b>	-	-	-	-	-	-	-	-
<b>Reserves for general banking risks</b>	<b>235 000</b>	-	-	-	-	-	-20 000	<b>215 000</b>

Reserves for general banking risks have not been taxed.

<b>Value adjustments for default and country risks</b>	<b>50 453</b>	<b>-74 418</b>	<b>-</b>	<b>-3 343</b>	<b>-</b>	<b>51 965</b>	<b>-2 564</b>	<b>22 094</b>
– of which, value adjustments for default risk in respect of impaired loans/ receivables	48 685	-74 418	-	-3 185	-	51 965	-954	22 094
– of which, value adjustments for latent risks	1 768	-	-	-158	-	-	-1 610	-

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

## 1.10. BANK'S CAPITAL

	31.12.2020			31.12.2019		
	Total par value	Number of shares (unit)	Capital eligible for dividend	Total nominal value	Number of shares (unit)	Capital eligible for dividend
<b>Total Bank's capital</b>	<b>75 000</b>	<b>75 000</b>	<b>75 000</b>	<b>75 000</b>	<b>75 000</b>	<b>75 000</b>
– 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Holders of qualified participations	25 561	25 737	321	30 032
Group companies	-	-	-	-
Linked companies	15 604	21 011	16	103
Transactions with members of governing bodies	-	-	627	585
Other related parties	-	-	-	-
<b>Total amounts due from / to related parties</b>	<b>41 165</b>	<b>46 748</b>	<b>964</b>	<b>30 720</b>
Off-balance sheet transactions with related parties	12 539	8 550	20 103	17 671

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

HOLDERS OF SIGNIFICANT PARTICIPATIONS WITH VOTING RIGHTS	31.12.2020		31.12.2019	
	At nominal value	Percentage of equity	At nominal value	Percentage of equity
<b>BORAK SA</b> (100% owned by the Karamehmet family)	52 000	69.33%	52 000	69.33%
<b>YAPI VE KREDİ BANKASI SA</b> (49.9% owned by Koç Holding)	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.

As at 31st December 2020, the Bank's equity was composed of 75'000 ordinary bearer shares with a nominal value of CHF 1'000 each, entirely paid up.

On 26th January 2021, the Extraordinary General Assembly unanimously approved the conversion of all Bank's capital into registered shares (same nominal value, same voting rights).

Statutory retained earnings reserves are only distributable if they exceed 50% of the share capital. As at 31 December 2020, the amount of non distributable reserves amounted to CHF 22.9 Mio.

## 1.14. MATURITY STRUCTURE OF FINANCIAL INSTRUMENTS

### 1.14.1. ASSETS / FINANCIAL INSTRUMENTS

1.14.1. ASSETS / FINANCIAL INSTRUMENTS			DUE						
	At sight	Cancellable	within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years	No maturity	Total	
Liquid assets	339 887	-	-	-	-	-	-	339 887	
Amounts due from banks	329 134	-	316 720	117 769	-	-	-	763 623	
Amounts due from securities financing transactions	-	-	-	-	-	-	-	-	
Amounts due from customers	-	688 786	1 282 776	16 626	102	-	-	1 988 290	
Trading portfolio assets	6 681	-	-	-	-	-	-	6 681	
Positive replacement values of derivative financial instruments	5 101	-	-	-	-	-	-	5 101	
Financial investments	-	-	29 415	42 462	242 578	32 194	121	346 770	
<b>Total</b>	<b>31.12.2020</b>	<b>680 803</b>	<b>688 786</b>	<b>1 628 911</b>	<b>176 857</b>	<b>242 680</b>	<b>32 194</b>	<b>121</b>	<b>3 450 352</b>
	<b>31.12.2019</b>	<b>558 284</b>	<b>683 958</b>	<b>1 562 625</b>	<b>249 822</b>	<b>196 083</b>	<b>24 424</b>	<b>163</b>	<b>3 275 359</b>

### 1.14.2. DEBT CAPITAL / FINANCIAL INSTRUMENTS

Amounts due to banks	540 495	-	500 720	223 880	2 171	-	-	1 267 266	
Liabilities from securities financing transactions	-1	-	62 772	77 869	-	-	-	140 640	
Amounts due in respect of customer deposits	919 539	41 177	554 759	14 232	5 062	-	-	1 534 769	
Negative replacement values of derivative financial instruments	4 978	-	-	-	-	-	-	4 978	
<b>Total</b>	<b>31.12.2020</b>	<b>1 465 011</b>	<b>41 177</b>	<b>1 118 251</b>	<b>315 981</b>	<b>7 233</b>	<b>-</b>	<b>-</b>	<b>2 947 653</b>
	<b>31.12.2019</b>	<b>877 983</b>	<b>47 454</b>	<b>1 294 654</b>	<b>472 867</b>	<b>38 124</b>	<b>-</b>	<b>-</b>	<b>2 731 082</b>

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

ASSETS	31.12.2020		31.12.2019	
	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN
Liquid assets	62 839	277 048	33 186	310 233
Amounts due from banks	269 148	494 475	40 814	684 828
Amounts due from securities financing transactions	-	-	-	-
Amounts due from customers	847 896	1 140 394	732 515	1 149 848
Trading portfolio assets	1 885	4 796	3 804	8 118
Positive replacement values of derivative financial instruments	3 591	1 510	5 431	93
Financial investments	20 333	326 437	12 901	293 588
Accrued income and prepaid expenses	24 097	1 758	11 911	2 412
Tangible fixed assets	3 232	19	3 648	146
Other assets	760	96	600	405
<b>Total assets</b>	<b>1 233 781</b>	<b>2 246 533</b>	<b>844 810</b>	<b>2 449 671</b>
<b>LIABILITIES</b>				
Amounts due to banks	227 705	1 039 561	47 457	1 491 264
Liabilities from securities financing transactions	0	140 640	-	133 179
Amounts due in respect of customer deposits	337 573	1 197 196	195 438	859 751
Negative replacement values of derivative financial instruments	4 692	286	3 934	59
Accrued expenses and deferred income	18 147	2 691	22 423	3 679
Other liabilities	269	167	1 223	120
Provisions	-	-	-	-
Reserves for general banking risks	215 000	-	235 000	-
Bank's capital	75 000	-	75 000	-
Statutory retained earnings reserve	22 856	-	20 654	-
Voluntary retained earnings reserve	115 000	1 966	105 000	1 966
Profit carried forward	24 252	51 880	19 500	47 301
Profit/loss (result of the period)	-1 171	6 604	26 954	4 579
<b>Total liabilities</b>	<b>1 039 323</b>	<b>2 440 991</b>	<b>752 583</b>	<b>2 541 898</b>

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

	31.12.2020		31.12.2019	
	Absolute	in %	Absolute	in %
Europe	757 770	21,8%	870 280	26,4%
Switzerland	1 233 781	35,4%	844 810	25,6%
Turkey	294 757	8,5%	258 090	7,8%
North America	127 824	3,7%	141 495	4,3%
South America	4 342	0,1%	6 278	0,2%
Caribbean area	183 612	5,3%	151 613	4,6%
Africa	257 688	7,4%	203 318	6,2%
Middle East	344 325	9,9%	467 329	14,2%
Asia	267 645	7,7%	342 313	10,4%
Oceania	8 570	0,2%	8 955	0,3%
<b>Total assets</b>	<b>3 480 314</b>	<b>100,0%</b>	<b>3 294 481</b>	<b>100,0%</b>

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

FITCH (LONG-TERM RATING SCALE)	NET FOREIGN EXPOSURE 31.12.2020		NET FOREIGN EXPOSURE 31.12.2019	
	Absolute	in %	Absolute	in %
AAA	683 166	30,4%	676 395	27,7%
AA+ AA-	751 635	33,5%	651 727	26,6%
A+ A-	26 524	1,2%	86 899	3,5%
BBB+ BBB-	56 945	2,5%	127 235	5,2%
BB+ BB-	363 630	16,2%	449 186	18,3%
B+ B-	272 015	12,1%	204 020	8,3%
CCC+ D- & not rated	92 617	4,1%	254 209	10,4%
<b>Total assets (foreign exposure)</b>	<b>2 246 533</b>	<b>100,0%</b>	<b>2 449 671</b>	<b>100,0%</b>

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	62 455	277 353	64	15	339 887
Amounts due from banks	213 821	136 805	340 906	72 091	763 623
Amounts due from securities financing transactions	-	-	-	-	-
Amounts due from customers	20 126	151 988	1 811 293	4 883	1 988 290
Trading portfolio assets	-	690	3 451	2 540	6 681
Positive replacement values of derivative financial instruments	5 101	-	-	-	5 101
Financial investments	21 562	49 065	216 524	59 619	346 770
Accrued income and prepaid expenses	23 746	298	1 800	11	25 855
Tangible fixed assets	3 251	-	-	-	3 251
Other assets	731	72	8	45	856
<b>Total assets shown in the balance sheet</b>	<b>350 793</b>	<b>616 271</b>	<b>2 374 046</b>	<b>139 204</b>	<b>3 480 314</b>
Delivery entitlements from spot exchange, forward forex and forex options transactions	305 533	223 591	155 409	118 178	802 711
<b>Total assets</b>	<b>656 326</b>	<b>839 862</b>	<b>2 529 455</b>	<b>257 382</b>	<b>4 283 025</b>

LIABILITIES	CHF	EUR	USD	OTHERS	TOTAL
Amounts due to banks	60 531	419 536	699 455	87 744	1 267 266
Liabilities from securities financing transactions	-	-	140 640	-	140 640
Amounts due in respect of customer deposits	25 704	344 874	1 098 942	65 249	1 534 769
Negative replacement values of derivative financial instruments	4 978	-	-	-	4 978
Accrued expenses and deferred income	16 219	64	4 487	68	20 838
Other liabilities	357	30	43	6	436
Provisions	-	-	-	-	-
Reserves for general banking risks	215 000	-	-	-	215 000
Bank's capital	75 000	-	-	-	75 000
Statutory retained earnings reserve	22 856	-	-	-	22 856
Voluntary retained earnings reserve	116 966	-	-	-	116 966
Profit carried forward	76 132	-	-	-	76 132
Profit for the year	5 433	-	-	-	5 433
<b>Total liabilities shown in the balance sheet</b>	<b>619 176</b>	<b>764 504</b>	<b>1 943 567</b>	<b>153 067</b>	<b>3 480 314</b>
Delivery obligations from spot exchange, forward forex and forex options transactions	38 219	74 603	585 863	104 115	802 799
<b>Total liabilities</b>	<b>657 395</b>	<b>839 107</b>	<b>2 529 430</b>	<b>257 182</b>	<b>4 283 114</b>
<b>Net position by currency</b>	<b>-1 069</b>	<b>756</b>	<b>25</b>	<b>201</b>	<b>-88</b>



NOTES TO THE 2020 FINANCIAL STATEMENTS

## 2. INFORMATION ON OFF-BALANCE SHEET TRANSACTIONS

### 2.1. BREAKDOWN OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

2.1.1. CONTINGENT LIABILITIES	31.12.2020	31.12.2019
Guarantees to secure credits and similar	577 917	481 134
Performance guarantees and similar	24 455	7 368
Irrevocable commitments arising from documentary letters of credit	1 340 434	1 442 245
Other contingent liabilities	-	-
<b>Total contingent liabilities</b>	<b>1 942 806</b>	<b>1 930 747</b>

#### 2.1.2. CONTINGENT ASSETS

Contingent assets arising from tax losses carried forward	-	-
Other contingent assets	-	-
<b>Total contingent assets</b>	<b>-</b>	<b>-</b>

### 2.2. BREAKDOWN OF CREDIT COMMITMENTS

CREDIT COMMITMENTS	31.12.2020	31.12.2019
Commitments arising from deferred payments	248 621	96 177
Commitments arising from acceptances	-	-
Other credit commitments	-	-
<b>Total credit commitments</b>	<b>248 621</b>	<b>96 177</b>

### 2.3. BREAKDOWN OF FIDUCIARY TRANSACTIONS

FIDUCIARY TRANSACTIONS	31.12.2020	31.12.2019
Fiduciary deposits with third-party companies	3 699	9 179
Fiduciary investments with group companies and linked companies	-	-
Fiduciary loans	-	-
Other fiduciary financial transactions	-	-
<b>Total fiduciary transactions</b>	<b>3 699</b>	<b>9 179</b>

## NOTES TO THE 2020 FINANCIAL STATEMENTS

## 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

	2020	2019
Trading results for own account	1 821	-1 789
Trading for the account of customers	1 019	452
<b>Total result from trading activities</b>	<b>2 840</b>	<b>-1 337</b>

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

Foreign exchange	1 884	-2 855
Interest rate instruments	-94	-247
Securities	1 050	1 765
Commodities/precious metals	-	-
<b>Total result from trading activities</b>	<b>2 840</b>	<b>-1 337</b>
– 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 3.3 Mio in 2020 (CHF 3.1 Mio in 2019).

## 3.3. BREAKDOWN OF PERSONNEL EXPENSES

PERSONNEL EXPENSES	2020	2019
Salaries	28 299	29 206
Social insurance benefits	2 969	2 962
Contributions to staff pension funds	3 438	3 435
Other personnel expenses	759	1 162
<b>Total personnel expenses</b>	<b>35 465</b>	<b>36 765</b>

### 3.4. BREAKDOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>2020</b>	<b>2019</b>
Office space expenses	3 092	3 140
Expenses for information technology and communications technology	4 548	4 564
Expenses for vehicles, equipment, furniture and other fixtures	66	83
Fees of audit firm(s) (Art. 961a no. 2 CO)	501	488
– of which, for financial and regulatory audits	501	488
– of which, for other services	-	-
Other operating expenses	4 804	3 975
<b>Total general and administrative expenses</b>	<b>13 011</b>	<b>12 250</b>

### 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

<b>3.5.1. EXTRAORDINARY INCOME</b>	<b>2020</b>	<b>2019</b>
Release of provision for latent deferred taxes	-	17 504
Other extraordinary income	689	111
<b>Total extraordinary income</b>	<b>689</b>	<b>17 615</b>

#### 3.5.2. EXTRAORDINARY EXPENSES

Other extraordinary expenses	-373	-
<b>Total extraordinary expenses</b>	<b>-373</b>	<b>-</b>

#### 3.5.3. CHANGE IN RESERVES FOR GENERAL BANKING RISKS

Allocation to reserves for general banking risks	-	-7 000
Withdrawals from the reserves for general banking risks	20 000	-
<b>Total change in reserves for general banking risks</b>	<b>20 000</b>	<b>-7 000</b>

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

	2020		2019	
	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN
Interest income	42 700	14 738	75 083	9 737
Interest expense	-14 520	-5 878	-38 598	-2 756
Gross result from interest operations	28 180	8 860	36 485	6 981
Change in value adjustments for default risks and losses from interest operations	-49 291	1 487	-8 466	-
<b>Subtotal net result from interest operations</b>	<b>-21 111</b>	<b>10 347</b>	<b>28 019</b>	<b>6 981</b>
Commission income from securities trading and investment activities	4 115	536	3 745	1 224
Commission income from lending activities	20 770	1 167	25 138	950
Commission income from other services	19 114	747	16 483	1 322
Commission expense	-1 391	-71	-1 480	-191
<b>Subtotal result from commission business and services</b>	<b>42 607</b>	<b>2 379</b>	<b>43 886</b>	<b>3 305</b>
<b>Result from trading activities</b>	<b>-2 236</b>	<b>504</b>	<b>-2 278</b>	<b>941</b>
Result from the disposal of financial investments	391	181	-46	34
Result from real estate	9	-	9	-
Other ordinary results	183	19	620	177
<b>Subtotal other result from ordinary activities</b>	<b>583</b>	<b>200</b>	<b>583</b>	<b>211</b>
Personnel expenses	-32 058	-3 406	-32 852	-3 913
General and administrative expenses	-10 172	-2 840	-9 444	-2 806
<b>Subtotal operating expenses</b>	<b>-42 230</b>	<b>-6 246</b>	<b>-42 296</b>	<b>-6 719</b>
Depreciation and amortisation of tangible fixed assets	-1 542	-84	-1 623	-119
Changes to provisions and other value adjustments, and losses	-9	-3	-102	-20
<b>Operating result</b>	<b>-19 366</b>	<b>7 097</b>	<b>26 189</b>	<b>4 580</b>

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

	2020	2019
Current taxes	-2 614	-9 851
Deferred taxes	-	-
<b>Total taxes</b>	<b>-2 614</b>	<b>-9 851</b>
Average tax rate weighted on the basis of the operating result	21,3%	32,0%

As at 31st December 2020, there were no losses carried forward (2019: none).



## DIRECTORY

### HEAD OFFICE

#### GENEVA

Rue de la Fontaine, 1  
P.O. Box 3069,  
CH-1211 Geneva 3  
T +41 58 909 19 19  
F +41 58 909 19 00  
Reuters: BCPG  
Swift: BPCPCHGG

### BRANCHES

#### LUXEMBOURG

Boulevard de la Petrusse, 140  
L-2330 Luxembourg  
T +352 40 40 22 1  
F +352 40 42 02  
Swift: BPCPLULL

#### DUBAI

DIFC, The Gate Precinct,  
Building 3, Level 7  
PO BOX 506584  
Dubai, UAE,  
Regulated by DFSA  
T +971 4 425 0800  
F +971 4 425 0186

**WWW.BCP-BANK.COM**





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