credit europe bank

Credit
Europe Bank
(Suisse) SA

# Annual Report 2022

# Content

# Statement from our Chairperson & CEO

Throughout 2022, global economic activity has experienced a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth slowed from 6.0 percent in 2021 to 3.2 percent in 2022 and forecasted to be 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. Growth is projected to remain at below-trend rates in 2023 and 2024.

During the last quarter, the headline inflation has begun to decline mainly due to the easing of energy and food prices. The decline in energy prices partly reflects the impact of a warm winter in Europe, which helped to preserve gas storage levels, as well as lower energy consumption in many countries. However, goods price inflation has started declining in most countries, due to the gradual return of normal demand for goods post-pandemic and the easing of global supply chain bottlenecks. Core inflation (excluding food and energy) continues to be driven by strong service price increases and cost pressures from tight labour markets.




## Despite the fact that commodity trading activities slowed down in general during the last quarter of 2022, the Bank successfully increased its cash and non-cash loans.

**11.7**
billion – CHF
**Trade Finance Volume**

Commodities were a trade that many astute macro investors were positioning into at the end of 2020, as a tried-and-true inflation hedge. Then, the Russia/Ukraine conflict came in and kicked prices up, and brought massively accelerated inflationary pressures along with it. At the end of year 2022, however, energy prices in particular have moderated back to levels seen at the end of 2021.

This volatility in global commodity prices has, of course been impacted by the meteoric rise in the strength of the US Dollar, which has been one of the best-performing assets of the entire thanks to the Federal Reserve's more aggressive hiking policy than many other central banks.

Concerns about economic growth are rising for many economies, the question is not if there will be an economic slowdown, but how deep and how long it will be. Since recessions are measured in real terms, the hurdle rate to avoid a recession is especially high when inflation is elevated. Moreover, should the upside inflation risks mentioned earlier persist in 2023; it would imply that larger-scale demand destruction will be required to achieve aggregate disinflation.

The Bank has expanded its Trade Finance operations, both in terms of experienced staff members and migration of the core banking system that is tailor-made for trade finance operations in 2022. As a result of these, the Bank had a record year by reaching out its clients and generating USD 11.7 billion Trade Finance Volume in 2022, and surpassed its previous record in 2021 (USD 10.8 billion) by 8%. The total assets continued to increase compared to 2021 and reached to CHF 664 million at the end of 2022. The Amount Due from banks surged to CHF 225 million with more than 30% increase compared to 2021 thanks to discounted LC operations rose in 2022. Despite the fact that commodity trading activities slowed down in general during the last quarter of 2022, the Bank successfully increased its cash and non-cash loans, including discounted LCs, from CHF 777 million to CHF 813 million. Regarding the liquidity, the Bank followed very conservative approach while funding its growth through diversified funding sources and successfully monitored its LCR and NSFR requirements.

As a consequence of successful Trade Finance operations, and with the support of forex trading income, the Bank has attained a record profit CHF 13.7 million income before tax as of December 31, 2022. With the policy of maintaining solid equity base and by classifying other provisions for general banking risks, the total Tier 1 Equity reached to CHF 125 million and had CAR of 25.6% at the end of 2022.

We would like to thank our clients and correspondents for their confidence, to express our sincere gratitude to our shareholders and board members, to the management and all the staff for their continuous dedication and teamwork that brought the success in the challenging time and environment.

Chairperson **Eric W. Fiechter**

Chief Executive Officer **Levent Karaca**

# CEB at a glance

# Who we are

**Agile in responding to challenges and changes, we are experts in selected markets and products. The success of our customers is our own success.**

1990

## History

Credit Europe Bank (Suisse) SA, "the Bank", is a bank incorporated under laws of Switzerland in 1990 and operates all of its activities through its headquarters in Geneva, Switzerland. The Bank is fully owned by Credit Europe Bank NV, the Netherlands and under the consolidated supervision of the Dutch Parent Bank.

Credit Europe Bank N.V. (CEB) is a public limited company with a full banking license, established in 1994 in the Netherlands. The bank is headquartered in Amsterdam and has approximately 1,100 employees in seven countries. It operates 27 branches, 57 ATMs, and around 8,200 point-of-sale terminals. More than 900,000 retail and corporate customers around the world entrust their financial affairs to CEB.

## Our vision & mission

- Our vision is to be the preferred bank in our core markets.
- Our mission is to provide financial services that create value for customers.

## Our core values

### Dynamism

With our passion and energy, we are agile in responding to challenges and changes. Our "can do" attitude enables us to focus on delivering solutions and meeting the expectations of our stakeholders.

### Diversity

We promote diversity as one of the main aspects of our corporate culture. Our diversified background and footprint in different regions allows us to view matters relevant to our stakeholders from different perspectives.

### Expertise

We are experts in selected markets and products, enabling us to deliver solutions tailored to the needs of our customers.

## Our base values

### Customer Focus

The success of our customers is our own success. Therefore, we take all our decisions with our customers in mind.

### Professionalism

Our professionalism embraces and stimulates the necessary staff skills, qualifications, knowledge, and diversity. Our colleagues undertake their tasks with competence and integrity, and it is through teamwork that we achieve our goals.

### Integrity

Our culture of integrity generates trust and confidence through ethical behavior and compliance with laws, regulations, and guidelines.

### Transparency

Transparency is a vital best practice in our products and services, accounting standards, and management decision-making.



# What we do

**Our target is to be a boutique trade finance bank in the most trade finance friendly hub by providing easy access to finance product platforms.**

## Bank business model and strategy

We as a Swiss bank, licensed by and under the supervision of FINMA, Banking Supervision Authority in Switzerland and under consolidated supervision of our Parent Bank, thus, DNB, Banking Supervision Authority in the Netherlands, we are committed to comply with both regulations. The above facts are coupled with our strong presence in emerging economies has allowed us to build up specific experience and expertise that make us distinct from other banks.

This unique identity is captured in our three core values: dynamism, diversity, and expertise. It is adherence to these values that enables us to meet the challenges of today's increasingly volatile, uncertain, and complex world.

With dynamism in our DNA since the bank's inception, we are particularly well equipped to deal with the increasingly rapid and substantial changes the banking sector is currently facing, especially in emerging economies.

We serve clients doing international trade finance and continue to increase our concentration in structured trade and commodity finance transactions. We also provide access to our Treasury platform and propose tailor made financial products for the corporate entities.

## Risk management

Continual focus on risk awareness is an integral part of Credit Europe Bank Group culture. The risk appetite of CEB is established in conjunction with the Parent Bank and our business plan, and is aligned with its vision and mission statements. The risk appetite of CEB is defined at the consolidated level and applies to all its subsidiaries and branch offices, with the main principles set by the Management and approved by the Board of Directors. This risk appetite is then translated into policies and procedures that define practices to ensure adherence to risk limits during the Bank's day-to-day activities.


# Corporate governance

## Board of directors

**Eric W. Fiechter** Chairperson
**Otto Bruderer** Vice-Chairperson
**Murat Özyeğin** Member of the Board
**E. Murat Başbay** Member of the Board
**Senol Aloglu** Member of the Board *(Effective from January 2023)*
**Hector de Beaufort** Member of the Board *(Served untill end of 2022)*
**Fevzi Bozer** Member of the Board *(Served untill end of 2022)*

## The management

**Levent Karaca** Chief Executive Officer
**Y. Aykut Çimir** Deputy Chief Executive Officer
**M. Bulent Ilgün** Deputy Chief Executive Officer,
*Responsible for Treasury and Financial Institutions*

# Information about the board of directors

**Eric W. Fiechter**
Chairperson
*(Independent)*

Mr. Fiechter who was born in 1949, graduated from the Geneva Law School in 1973 and, after one year of postgraduate research at the University of Basle, he obtained his master degree from New York University in 1975. He was admitted to the Geneva Bar in 1977, after having practiced law for one year in New York at Serko & Simon and at what has become Fox Horan & Camerini, LLP. He practiced under the banner of Secretan Troyanov from 1979 until 2011. He practiced in the "Banking and Finance", "Corporate and Commercial" and "Trust and Private Clients" groups of Secretan Troyanov and thereafter worked with Des Gouttes & Associés out of Geneva as well. Since September 1993, he has been Board Member of Credit Europe Bank (Suisse) SA.

**Dr. Otto Bruderer**
Vice-Chairperson
*(Independent)*

Mr. Bruderer was born in 1952. After completing his studies in economics and law in 1978, he earned his doctorate from the HSG in 1980. He then started his career at the UBS in Zurich in the corporate finance department where he worked for three years before becoming assistant of the board's director. After another two years Dr. Otto Bruderer went to New York where he was responsible for UBS Securities in the corporate finance department again. When he came back to Switzerland in 1987, he stayed loyal to the UBS and acted as Manager of M&A Europe for five years. Since September 1993, he has been Board Member of Credit Europe Bank (Suisse) SA.

**Murat Özyeğin**
Member of the Board

Born in 1976, Mr. Özyeğin joined Fiba Group in 2003. He is the Head of Strategic Planning & Business Development of Fiba Group, Executive Board Member of Fina and Fiba Holding and Chairman of all Fiba Group's non-banking businesses. Additionally, he is Chairman of the Board of Endeavor Turkey, Executive Board Member of Hüsnü M. Özyeğin Foundation, Turkish Industry & Business Association (TUSIAD), Member of the Board of Trustees of Özyeğin University and World Wildlife Fund, Member of Global Relations Forum and Member of Global Advisory Council of Harvard University. Since May 2019, he has been Board Member of Credit Europe Bank (Suisse) SA.

**E. Murat Basbay**
Member of the Board

Mr. Başbay was born in 1968 and holds a BSc degree in business administration from Bosphorus University in Istanbul. He began his career in 1992 at Arthur Andersen Worldwide and worked in Istanbul and Dubai offices. In 1997, he joined the founding team of Credit Europe Bank in Russia. In 1999, he joined the management team of Credit Europe Bank NV in the Netherlands and he took an active role in the expansion of the Bank as CFO and member of the Managing Board. Mr. Başbay returned to Russia in 2005 as CEO. Under his leadership, the Russian subsidiary of Credit Europe Bank N.V. grew substantially. As of June 2010 he became CEO of Credit Europe Group till end of 2021 and currently, he works as advisor to CEB NV's credit committee. Since May 2011, he has been Board Member of Credit Europe Bank (Suisse) SA.

**Senol Aloglu**
Member of the Board
*(Effective from January 2023)*

A graduate in business administration from Bogazici University, Istanbul, and having an MBA from UvA Business School, Amsterdam, Senol Aloglu started his banking career in Turkey in 1987 and joined the Fiba Group in 1991. He worked in banking and leasing operations of Fiba Group until his appointment in 2000 to CEB as Country Manager for the Dutch Operations. In 2005, he was appointed as a Managing Board member and with effect from 1 January 2022 he took over the CEO role in Amsterdam's office. Mr. Aloglu, who is a Dutch national, is responsible for corporate governance, corporate banking, bank relations, treasury, retail banking, human resources, and internal audit in the Netherlands.

**Hector de Beaufort**
Member of the Board
*(Served untill end of 2022)*

Hector de Beaufort holds master's degrees in law from Utrecht University, the Netherlands, and from the University of Pennsylvania, USA. He has been a senior corporate partner at the leading international law firm Clifford Chance in the Netherlands since 2000. Prior to this, he was partner at Stibbe in the Netherlands and worked as a lawyer at Hughes Hubbard Reed in the USA. He has broad international experience in business law and corporate governance and has specific knowledge of corporate finance and capital market transactions. Mr. de Beaufort is the chief legal officer at Pon Holdings B.V. and holds several board memberships in various companies, including Optiver Holding B.V. A Dutch national, Mr. de Beaufort has been an independent member of CEB NV's Supervisory Board since February 2011 and its chairperson since January 2012. Since October 2021, he has been Board Member of Credit Europe Bank (Suisse) SA.

**Fevzi Bozer**
Member of the Board
*(Served untill end of 2022)*

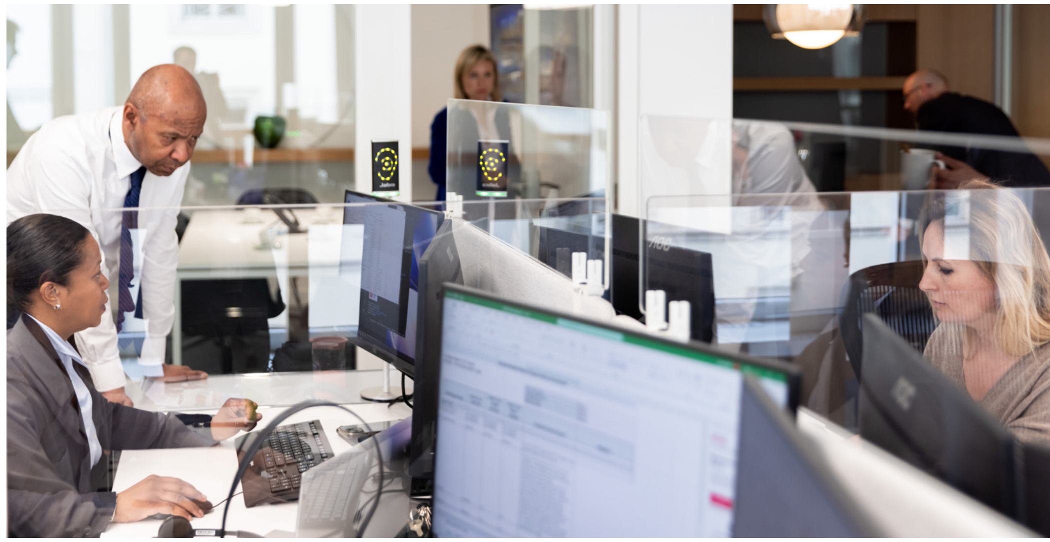
Mr. Bozer who was born in 1955, holds a BA degree in Business Administration from Indiana University and an MBA degree from Roosevelt University. He started his banking career in 1984 at Citi Bank. He joined Finansbank as branch manager in 1988 and then appointed as the General Manager of Finansbank (Credit Europe Bank) Suisse S.A. between 1991 and 1993. Then Mr. Bozer served as the General Manager of Finansbank A.Ş. between 1995-1999. Since the 2nd of half 1999, he has been the Executive Board Member of Fiba Group's international Banks and Fiba Holding A.Ş. Since July 2002, he has been Board Member of Credit Europe Bank (Suisse) SA.

# Information about the management

Mr. Karaca was born in 1970 in Turkey. He has a Major in Finance from Marmara University in Istanbul, School of Political Science and Economics department in French. He began his career in Istanbul with Finansbank AS, worked for Banque de Bosphore in Paris, France and in 2000 he joined Credit Europe Bank NV. From 2000 till 2006, he worked with the Belgian branch of the bank, responsible for the set-up of the corporate - as well as retail division of such branch. In 2006, he moved to Russia to work as Head of the Corporate Banking division and member of the management team.

He returned to Amsterdam in 2010 to become Division Director Corporate Banking responsible for the corporate banking activities of the bank on consolidated level. Mr. Karaca was the Managing Board Member of Credit Europe Bank NV responsible for Corporate Banking and Legal (2012 – 2019). Since March 2019, he has been the CEO of the Credit Europe Bank (Suisse) SA.





### Mr. Yavuz Aykut CIMIR
Deputy Chief Executive Officer

Yavuz Aykut Cimir was born in 1966 in Turkey. He has a Major in Finance from the Bosphorus University, Business Administration in Istanbul. His career started off in auditing with Ernst & Young, Istanbul Office (1988 – 1993), and in New York Office (for 1 year) and became Senior Auditor. Afterwards, he joined Fiba Holding A.S. as Group Head – Internal Audit and Financial Coordination in 1993 and worked till 1996. He has been with the Credit Europe Bank (Suisse) SA since August 1996. He has been appointed as the Deputy of CEO in April 2010.

### Mr. Mehmet Bulent ILGUN
Deputy Chief Executive Officer, Responsible for Treasury and Financial Institutions

Mr. Ilgun was born in 1975 and has a Major in Economics from Bilkent University in Ankara, Turkey. He served as senior dealer in treasury at Finans Invest A.S. in Istanbul followed by 10 years at Credit Europe Bank in Moscow where he served as a deputy CEO and Head of Treasury. For four years, he was also a member of the Management Board Credit Europe Bank in Russia. He has been Head of Rates and FX trading for Russia operations and Head of Treasury at Deutsche Bank AG since July 2010.

He was responsible for Deutsche Bank's industry leading local rates and fx business in Russia and CIS region. In 2015, he was appointed as Co-Head of Markets, Russia & CIS responsible for the debt, derivatives, structuring, fixed income as well as debt capital markets, sales trading, local structuring trading and research. In 2016, he re-joined CEB group as the Deputy CEO responsible for Treasury, Private Banking and Financial Institutions of the Credit Europe Bank (Suisse) SA.

# Financial and non-financial review

# Financial highlights & review

## Financial highlights

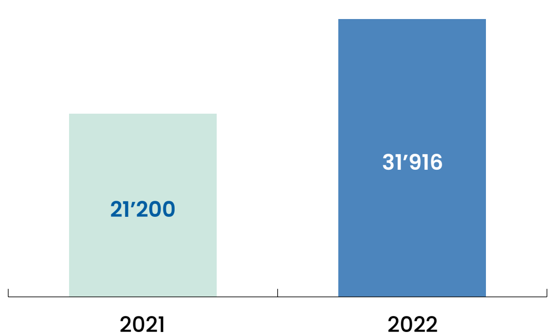
Amount expressed in Swiss Francs – thousands

| | 31.12.2022 | 31.12.2021 | 2022 vs 2021 Change |
|---|---|---|---|
| Receivables from Banks | 224'575 | 171'566 | 31% |
| Receivables from Customers | 253'786 | 308'484 | -18% |
| Total Assets | 663'555 | 613'802 | 8% |
| Bank Borrowings | 137'300 | 165'924 | -17% |
| Customer Deposits | 358'030 | 274'968 | 30% |
| Capital Base | 125'636 | 120'626 | 4% |
| Trade Finance Volume (USD - millions) | 11'710.03 | 10'866.09 | 8% |
| BIS (%) | 25.61% | 26.15% | |
| Operating Income * | 31'919 | 21'200 | 51% |
| Operating Expense | 17'543 | 13'626 | 29% |
| Operating Profit * | 14'373 | 7'574 | 90% |
| Net Income | 11'762 | 5'817 | 102% |

** Before "Changes in value adjustments for default risks and losses from interest operations"*

### Total Revenue (without provisions)

Amount expressed in Swiss Francs – thousands

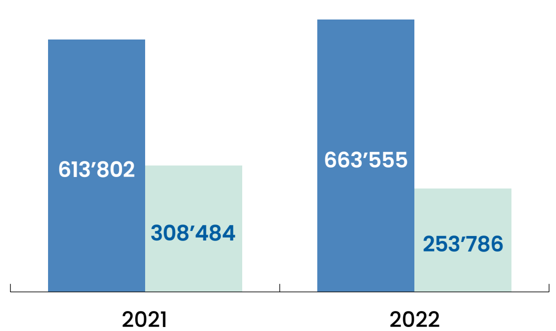



### Total Asset & Loans to Customer

Amount expressed in Swiss Francs – thousands

Total Asset

Loans to Customers



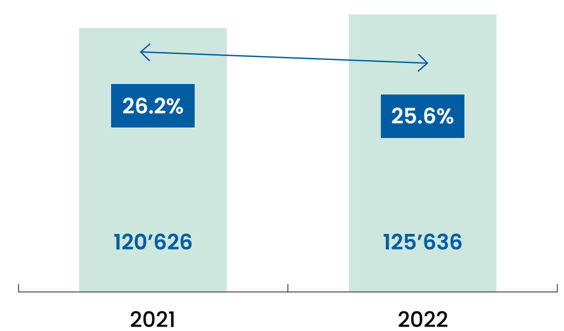

## Financial review

The Bank had an outstanding performance in 2022 in terms of its business volumes in Trade Finance as well as Treasury activities despite the fact that Russian-Ukrainian crises effected negatively the trade finance business as well as volatility in commodity prices and rising inflation pressures effected negatively the trade finance business. Thanks to its diversified trade finance portfolio and its efficiency in manoeuvring, the trade finance volume reached to its historically record with USD 11.7 billion in 2022 (2021: USD 10.8 billion).

### Capital Base & Solvency Ratio

Capital Base (ths Chf)

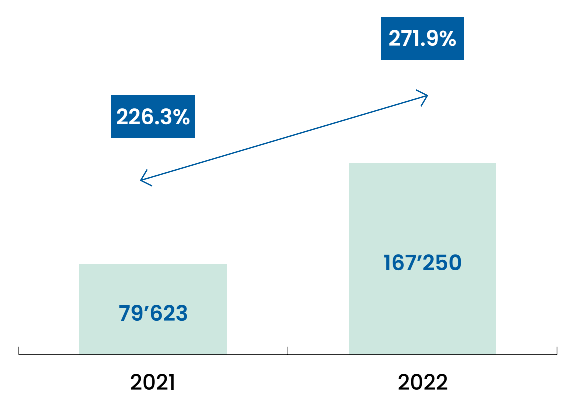
Solvency Ratio (%)




### Liquidity Coverage Ratio (LCR)

Average High Quality Liquid Assets (HQLA) (ths Chf)

Average LCR (%)




The Total Assets increased by 8% compared to the previous year and realized as CHF 664 million after deduction of country risk provision amounting to CHF 24 million. The increase in Total Assets was driven by the Receivables from Banks due to the surge in the discounted letter of credits. The Bank has maintained its diversified funding sources consisting of customer deposits, bi-lateral arrangements and money market instruments. Nevertheless, the Customer Deposits increased significantly as a result of the business models implemented and trust built in the Bank by its clients.

The Total Operating Income outperformed by reaching CHF 32 million in 2022. It corresponded to 51% increase compared to previous year. The Operational Expenses rose in line with the growth, whereas the increase in expenses was limited and well below the growth rate of the operating Income. Thus, the Operating Profit reached to CHF 14.3 million and the Net Income surpassed the year before by reaching CHF 11.8 million in 2022. The Bank has decided to distribute dividend from its Net Income in the amount of CHF 5.5 million.

It is worth mentioning the Bank's prudent provisioning policy in terms of Reserves for general banking risks and Country risk. Those Reserves are different from the "Specific Provisions" (please refer to notes 2.8 and 3.9 in the audit report). The Bank allocates Reserves for general banking risks from its operating income throughout the years and accordingly, total Reserves for general banking risk has reached to CHF 72 million as of December 31, 2022. As it is considered as Tier I capital (after deduction of income tax effect - 14%), the Bank has strengthened its Capital Base at CHF 125.6 million and the BIS ratio at 25.6% in 2022.

It is also important to underline that the Bank has very conservative country risk provisioning policy for the countries below investment grade for which the Bank has outstanding exposure. Accordingly, the Provision on the country risk was CHF 24.5 million at the end of 2022. It can be also considered as additional capital buffer although it is not taken into account in capital base calculation.

# Presentation of the Eligible Regulatory Capital, as well as Capital Adequacy & Leverage Ratio and Liquidity Ratios

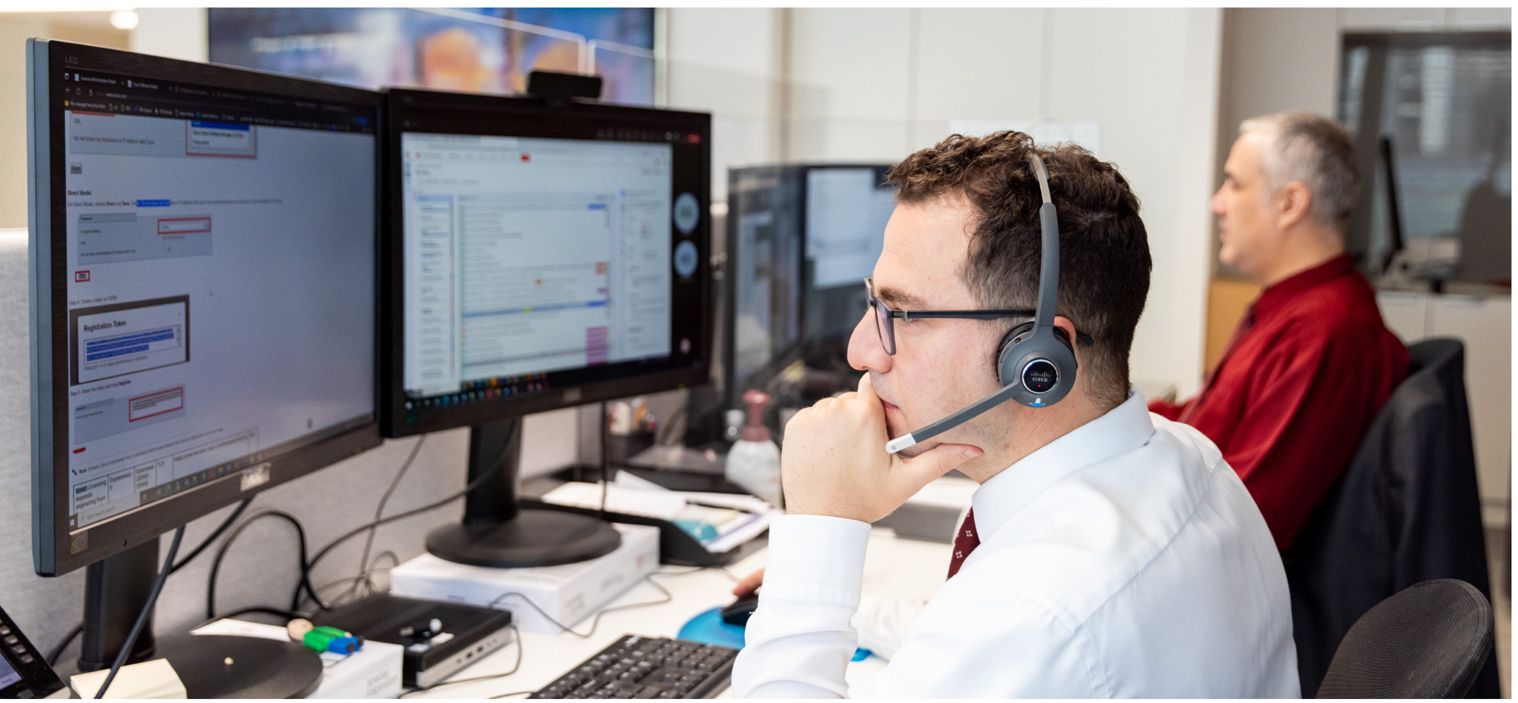
Based on the circular 2016/1 "Disclosure-Banks" margin no. 12 & 13, we used the exemption option of disclosure requirement as our Parent Company (Credit Europe Bank NV) publishes comparable information at a group level therefore the Bank only discloses Table KM1 annually under Annex 2 of the same circular.



## Capital Adequacy & Leverage Ratio

| | Available capital (amounts) | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| 1 | Common Equity Tier 1 (CET1) | 125'636 | 120'626 |
| 1a | Fully loaded ECL accounting model CET1 | - | - |
| 2 | Tier 1 | 125'636 | 120'626 |
| 2a | Fully loaded ECL accounting model Tier 1 | - | - |
| 3 | Total capital | 125'636 | 120'626 |
| 3a | Fully loaded ECL accounting model Total capital | - | - |
| | **Risk-weighted assets (amounts)** | | |
| 4 | Total risk-weighted assets (RWA) | 490'525 | 461'267 |
| 4a | "Minimum capital requirements (CHF)" | 39'242 | 36'901 |
| | **Risk-based capital ratios (as a percentage % of RWA)** | | |
| 5 | CET1 ratio (%) | 25,61% | 26,15% |
| 5a | Fully loaded ECL accounting model Common Equity Tier 1 (%) | - | - |
| 6 | T1 ratio (%) | 25,61% | 26,15% |
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | - | - |
| 7 | Total capital ratio (%) | 25,61% | 26,15% |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | - | - |
| | **Additional CET1 requirements (buffers) as a percentage of RWA** | | - |
| 8 | Capital conservation buffer requirement according to Basel minimum requirements (%) | 2,500% | 2,500% |
| 9 | Countercyclical buffer requirement according to Basel minimum requirements (%) | - | - |
| 10 | Bank G-SIB and/or D-SIB additional requirements | - | - |
| 11 | Total of bank CET1 specific buffer requirements according to Basel minimum requirements (%) | 2,500% | 2,500% |
| 12 | CET1 available after meeting the bank's minimum capital requirements (%) | 17,613% | 18,151% |
| | **Target capital ratios according to Annex 8 of the Capital Adequacy Ordinance (CAO) (% of RWA)** | | |
| 12a | Capital conservation buffer according to CAO, Annex 8 (%) | 2,500% | 2,500% |
| 12b | Countercyclical capital buffer according to CAO, Art. 44 and Art. 44a (%) | - | - |
| 12c | CET1 capital target (%) according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a | 7,00% | 7,00% |
| 12d | T1 capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a | 8,50% | 8,50% |
| 12e | Total capital target according to CAO, Annex 8 + contercyclical buffer according to CAO, Art. 44 and 44a | 10,50% | 10,50% |
| | **Basel III Leverage Ratio** | | |
| 13 | Total Basel III leverage ratio exposure measure (CHF) | 741'661 | 714'987 |
| 14 | Basel IIII Leverage Ratio | 16,94% | 16,87% |
| 14a | Fully loaded ECL accounting model Basel III leverage ratio (%) | - | - |

| Minimum Capital Requirements | Approach used | 31.12.22 | Approach used | 31.12.21 |
|---|---|---|---|---|
| **Credit risk** | SA-BIS | 35'061 | SA-BIS | 33'360 |
| *of which price risk from the equity securities in the banking book* | | | | |
| Non counterparty related risk | SA-BIS | 476 | SA-BIS | 257 |
| **Market risk** | Standardized approach | 216 | Standardized approach | 448 |
| *of which interest-rate instruments (general and specific market risk)* | | *145* | | *74* |
| *of which equity shares* | | – | | *358* |
| *of which foreign currencies and precious metals* | | *71* | | *17* |
| *of which commodities* | | - | | - |
| **Operational risk** | Basic indicator approach | 3'489 | Basic indicator approach | 2'836 |
| **Total Minimum Capital Requirements** | | **39'242** | | **36'901** |





# Liquidity Coverage Ratio (LCR)

The Bank has implemented its Liquidity Policy as an integral part of the asset and liability management process in order to mitigate the liquidity risk. The Bank monitors its Liquidity Coverage Ratio (LCR) closely and has kept LCR ratio always significantly above 100% that is the legal minimum requirement for Banks in 2022.

| Liquidity Coverage Ratio (LCR) | Q4'2022 | Q3'2022 | Q2'2022 | Q1'2022 | Q4'2021 |
|---|---|---|---|---|---|
| Total High Quality Liquid Assets (HQLA) | 189'752 | 213'985 | 115'956 | 149'307 | 102'725 |
| Net cash outflow | 56'276 | 74'992 | 40'017 | 74'719 | 39'228 |
| Short-term Liquidity Coverage Ratio, LCR (in %) | 337% | 285% | 290% | 200% | 262% |

# Net Stable Funding Ratio (NSFR)

Net Stable Funding Ratio (NSFR) is the second liquidity risk measurement tool within Basel III. It is a long-term structural ratio and provides the Bank incentives to use stable sources of funding while implementing the strategy. The Bank monitors its NSFR closely and has kept maintained NSFR ratio always above 100% that is the legal minimum requirement for Banks starting from 1st of July, 2021.

| Net Stable Funding Ratio (NSFR) | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Available Stable Refinancing | 337'735 | 281'221 |
| Required Stable Refinancing | 183'006 | 232'342 |
| Net Stable Funding Ratio, NSFR (in %) | 185% | 121% |

# Non-financial review

## Healthy and stable bank

As CEB Group, we continuously enhance our risk and capital management capabilities through detailed assessments and monitoring. Having a strong capital base and maintaining the Bank's risk appetite within its risk profile is one of the main pillars of CEB Group's strategy. Through detailed budgeting and internal capital adequacy assessment processes in accordance with its three years business plan considering worst case scenarios, CEB Group ensures that it holds enough capital buffer to cover its material risks while keeping a healthy balance sheet and profitable business over the next three years. The Bank maintained its strong capital ratios throughout the years and as of December 31, 2022, our common equity tier 1 (CET1) ratio, which represents our CET1 capital as a percentage of our risk-weighted assets, stood at 25.6%. In addition, with a 1:6 capital to asset leverage, the Bank has a very low leverage ratio. On the asset side, improving asset quality remains as one of the key points of attention for the Bank. In terms of asset quality, we are dedicated to have a low percentage of the non-performing loan (NPL) ratio. In this regard, CEB applies a Non-Performing Exposure (NPE) strategy where realistic and sufficiently ambitious NPL reduction targets and the operation plan to achieve these targets are defined.  On the liability side, the Bank has a stable, and diversified funding base.

## Compliance

The Bank endeavors to maintain a company culture and business strategy whereby CEB Group's core and base values and standards of professional conduct are maintained at every business level and within all its activities. These standards include national and international regulations (Swiss and European legislation for the Bank), regulations issued by the relevant local supervisory authorities, generally accepted business standards, and CEB's own internal standards, including ethical principles. CEB ensures adherence to its integrity, ethical standards and its compliance risks are identified and managed in a timely manner, covering anti-money laundering, anti-terrorist financing, sanctions and restrive measures, customer tax integrity, anti-bribery, anti-corruption and anti-fraud.

## Effective financial risk management

Continual focus on risk awareness is an integral part of the Bank's culture. The risk appetite of the Bank is established in conjunction with the Bank's business plan and is aligned with its vision and mission statements. The risk appetite of the Bank is defined at the consolidated level and applies to all its subsidiaries and branch offices. This risk appetite is then translated into policies and procedures that define practices to ensure adherence to risk limits during the Bank's day-to-day activities.



Given the risk appetite statement, the Management, in cooperation with the relevant committees and functions, select the key risk indicators (KRIs) and corresponding risk tolerance levels to be monitored. These KRIs are an integral part of the Bank's operating processes, risk management, and internal control framework and ultimately reported periodically to the Management and  Board of Directors and reviewed by the relevant committees.

## ESG strategy

CEB Group has elevated its sustainability efforts to further integrate sustainability into its operational processes and business activities. Toward the end of 2021, a dedicated sustainability officer was hired to streamline sustainability governance and develop the capacity to complete sustainability reporting in line with international standards. The Sustainability Committee has been reorganized at CEB NV level to include interdisciplinary project teams focusing on the most material ESG topics, such as climate change, ESG risk assessment, disclosure, and diversity and inclusion. Chaired by the Group CEO, it was restructured to include members from each key business function, ensuring an interdisciplinary approach and effective communication of ESG-related updates within the Group. The Sustainability Committee approved the Sustainability Policy in 2022. The Policy outlines the Group's approach to implementing environmental, social and governance (ESG) components into its business operations and conducting business by adopting a 'people, planet and profit-oriented approach.

CEB Group continues to pursue its four-year action plan 2021-2024, as submitted to De Nederlandsche Bank  (based on the European Central Bank (ECB) Expectations), that includes the implementation of comprehensive assessment and management risks, as well as disclosure of climate related and environmental risks.

The Policy outlines the Group's approach to implementing environmental, social and governance (ESG) components into its business operations and conducting business by adopting a 'people, planet and profit'-oriented approach. In the direction of adopting a sector-specific approach to tailor its ESG approach, CEB Group developed the following sector-specific policies and business plans:

- Fossil Fuel Policy
  Initially discussed as a Coal Policy, the Policy was soon updated to include the Oil & Gas sector and renamed the Fossil Fuel Policy. Together with a phase-out timeline targeted to the end of 2024 for thermal coal direct financing, this Policy also includes certain risk appetite limits and prohibited activities with regards to the fossil fuel industry for which CEB will no longer provide direct financing. Additionally, regarding trade financing activities for metallurgical coal, CEB will follow the technological advances in low carbon alternatives (e.g., electrification of steel production) and revisit the timing of a total exit from coal.

- Marine Finance Business Plan
  The Bank updated its Marine Finance business plan, inter alia, an ESG-risk acceptance criteria with regard to the financed vessels' energy efficiency and carbon emissions intensity parameters. These acceptance criteria were set in line with the International Maritime Organization's (IMO) upcoming regulations containing the Energy Efficiency Existing Ship Index (EEXI) and the Carbon Intensity Indicator (CII). CEB has proactively adopted the thresholds set by the upcoming regulation as of July 2022 and is committed to no longer financing new vessels that have low carbon emissions performance.

- Commercial Real Estate (CRE)
  Similar to the Marine Finance Business Plan, CEB Group also updated its CRE Business plan, inter alia, to include ESG-risk acceptance criteria. Since buildings are currently responsible for around 39% of global energy-related carbon emissions, 28% of which arise from operational emissions (energy consumption), CEB Group determined an energy performance threshold, as per the Energy Performance Certificate (EPC) of the building, and will no longer provide financing to new CRE clients who are unable to meet the established thresholds.

  Furthermore, our Parent Bank took a decisive step and became a Member of the Partnership for Carbon 41 Accounting Financials (PCAF) in 2022. CEB Group has committed to monitoring and disclosing its financed emissions, along with its operational carbon footprint, in the upcoming period.

## Value-adding and responsible products

### Corporate Banking and anti-fraud

The products and services offered by the Corporate Banking Division can be listed as Structured Trade Commodity Finance and medium to long-term Project Finance in Geneva.

Being one of the major business lines of the Bank, trade finance is well positioned to support customers' transactions flows across the globe. In all corporate banking activities, "product responsibility" means CEB's direct or indirect position and value creation with respect to the following criteria:

- ESG risk governance
- Ensuring Tax integrity
- Implementing strong AML measures
- Combating corruption terrorism financing
- Sensitivity for National and international sanctions

The Bank's strict compliance with best practices in the above-mentioned criteria is not only important for alignment with the requirements of national and international regulators but also for the Bank's own ethical approach to legal, social, and environmental issues. CEB's Integrity Risk Appetite Statement, 'KYC Policies' and 'ESG Risk Assessment Framework' documents clearly address the Bank's position with respect to the above-mentioned criteria in detail. Compliance in these areas entails CEB following strict customer due diligence (CDD), transaction due diligence (TDD) and ESG risk-assessment procedures within the frame of its activities. All CDD and ESG procedures conducted for new and existing clients of the Bank must be in line with its clearly determined policies on the above-mentioned criteria, such as sustainability, social responsibility, tax integrity, AML, corruption and PEPs, terrorist financing, and sanctions. As per well-established TDD procedures, each and every transaction intermediated by CEB for its clients is also checked and filtered within the frame of the above-mentioned policies.



# Business activities

## Trade Finance and Corporate Banking

**Year 2022 was driven by an unprecedented market volatility which underscored the fragilities of the industrial supply chain. The Russian invasion of Ukraine profoundly altered the fundamentals to all commodity compartments in the agricultural, energy and mining markets.**

Global agricultural supply chain was disrupted as the Black Sea accounts for 30% of global wheat production, 20% of corn and 50% of sunflower. Commodity traders needed to create new trade optionalities (routes, storages) to cope with sanctions. The disruptions of the maritime supply chain also led the freight market under strong pressure during the year.

The monetary tightening implemented by the various central banks to cool down the inflationary environment should continue to prevail in 2023, albeit at a more moderate pace and which already has a direct impact on the funding of our clients.

To face all these challenges, the Bank relies on a team of highly experienced trade commodity finance professionals connected to the market and who provide access to a full range of trade finance tools such as export and import letters of credits, documentary collections, guarantees, stand by letter of credit.

The Bank has also been equipped with the necessary tools to follow the latest technological trends and to invest continuously in further digitalisation. We see our trade finance banking software, developed in-house, as one of our core enablers to remain a consistent player in the Trade Finance market. This infrastructure allows us to easily adapt to the changing demands of the market. Our new banking tool provides smooth, quick and safe handling of transactions. We also closely monitor the progress on digital trade finance platforms based on blockchain techniques. We remain prepared so that we can adapt our way of working as soon as these are ready for daily use.

The global energy transition through the decarbonization and electrification combined with the vital need for energy security will continue to push the demand for commodity markets while supply will remain constraint and the inventories low.

**We formed a diversified front office team that are coming from different financial institutions and bringing us experience in different commodity groups and markets.**

Looking ahead in this extraordinarily challenging environment, we remain confident that our values and long-term views namely:

- Our dedication to customer-oriented marketing strategy, company-specific service approach and perspective that consider clients' needs as priority.
- Our belief that trade increase over the coming years will be shaped by a push need for more inclusive and sustainable trade practices.

These are perfectly aligned with the orientation of the markets for the next coming years and will allow the Bank to constantly improve its tools and solutions designed to support companies in building a resilient fair business flow contributing positively to the economic growth.

## Financial institutions

Financial Institutions (FI) department is responsible for all aspects of the Bank's relationships with financial institutions (including non-banking financial institutions) across the globe. The team specializes in relationship management, business origination, limits management, due diligence, wholesale funding and secondary market syndications.

Over the years, the Bank has created an extensive worldwide network of FI counterparts both in developed and emerging countries that enables the execution of commodity and trade finance and treasury transactions.

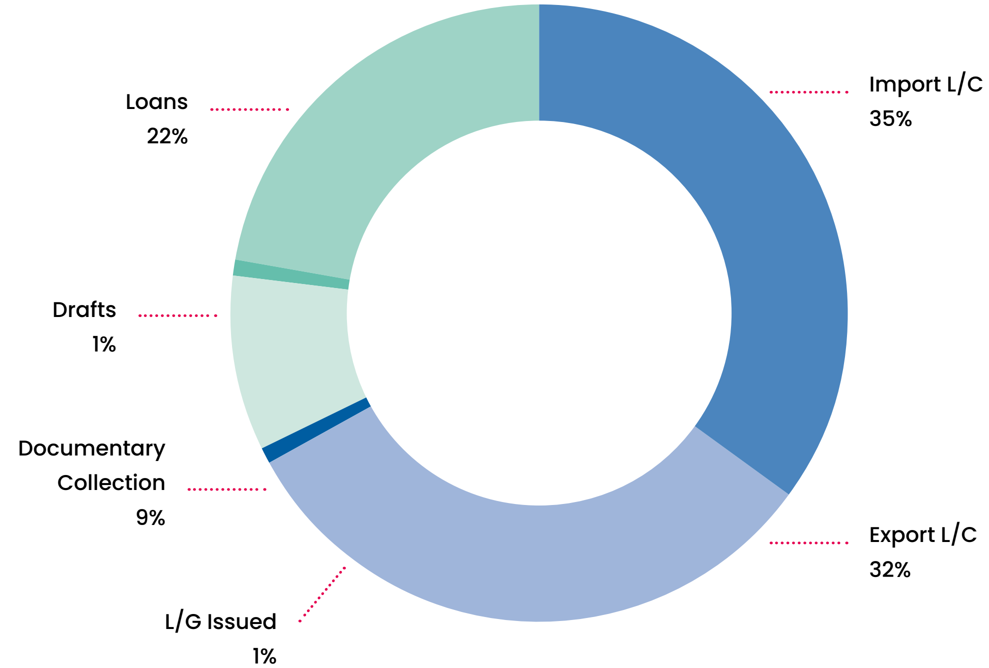
## Treasury

The Treasury department is mainly responsible for the asset and liability management of the Bank within risk management guidelines and principles. In addition, thanks to their in-depth market knowledge and client-oriented focus, the Treasury provides financial products for institutional clients enabling them to effectively manage their capital and treasury.

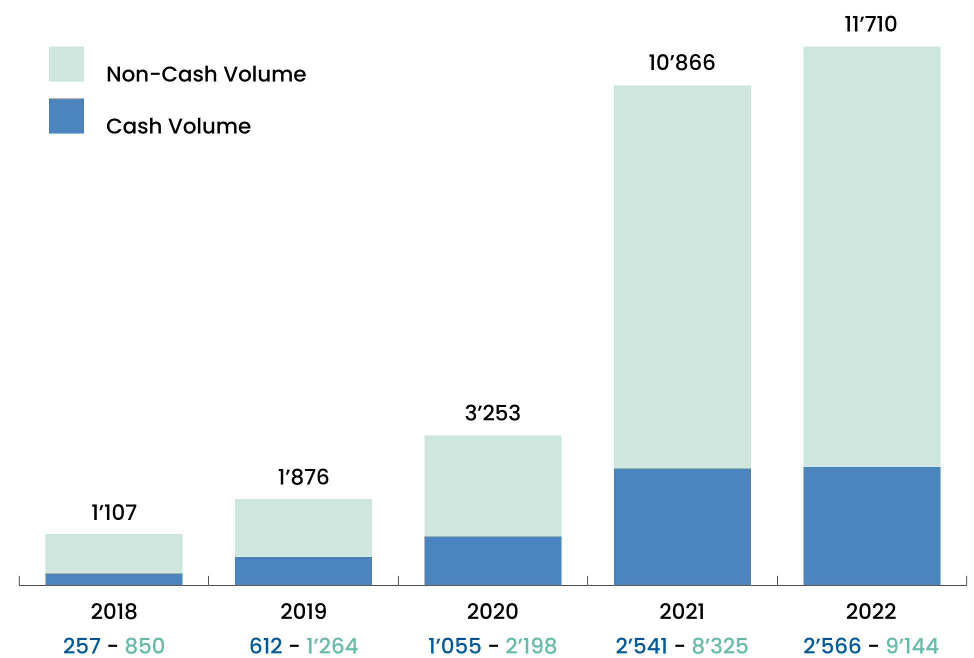
Treasury by using up-to-date technology performs its business by installing the efficient risk management techniques, taking into account global market trends, regulations and other risk factors.

**To face all these challenges, CEB relies on a team of highly experienced trade commodity finance professionals connected to the market.**

## Trade finance volume per product 2022




## Trade finance volume in millions USD



# Auditors' report 2022

**KPMG AG**
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**Report of the Statutory Auditor to the General Meeting of Credit Europe Bank (Suisse) SA, Geneva**

## Report on the Audit of the Financial Statements

**Opinion**

We have audited the financial statements of Credit Europe Bank (Suisse) SA (the Company), which comprise the balance sheet as at 31.12.2022, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 36 to 55) comply with Swiss law and the Company's articles of incorporation.

**Basis for Opinion**

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

**Board of Directors' Responsibilities for the Financial Statements**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





## Report on Other Legal and Regulatory Requirements

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

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

KPMG SA

| | |
|---|---|
| Philippe Ruedin<br>Licensed Audit Expert<br>Auditor in Charge | Roman Pradervand |

Geneva, 18th April 2023

Amount expressed in Swiss Francs thousands unless otherwise stated

# Balance Sheet as at 31 December

| Assets | 31.12.2022 | 31.12.2021 | Notes |
|---|---|---|---|
| Liquid assets | 100'324 | 80'212 | |
| Amounts due from banks | 224'575 | 171'566 | |
| Amounts due from customers | 253'786 | 308'484 | 3.2 |
| Trading portfolio assets | 36'196 | 3'156 | 3.3 |
| Positive replacement values of derivative financial instruments | 18'967 | 23'138 | 3.4 |
| Financial investments | 21'119 | 21'132 | 3.5 |
| Accrued income and prepaid expenses | 2'456 | 2'305 | |
| Tangible fixed assets | 5'951 | 3'212 | 3.6 |
| Other assets | 181 | 597 | 3.7 |
| **Total assets** | **663'555** | **613'802** | |

| Liabilities and shareholders' equity | | | |
|---|---|---|---|
| Amounts due to banks | 137'300 | 165'924 | |
| Liabilities from securities financing transactions | - | 18'305 | 3.1 |
| Amounts due in respect of customer deposits | 358'030 | 274'968 | |
| Negative replacement values of derivative financial instruments | 18'307 | 20'194 | 3.4 |
| Accrued expenses and deferred income | 7'490 | 2'131 | |
| Other liabilities | 783 | 948 | 3.7 |
| Provisions * | 390 | 383 | 3.9 |
| Reserves for general banking risks * | 72'270 | 73'726 | 3.9 |
| Share capital | 35'000 | 35'000 | 3.10 |
| Statutory retained earnings reserve | 11'509 | 11'509 | |
| Profit carried forward | 10'714 | 4'897 | |
| Profit for the year | 11'762 | 5'817 | |
| **Total liabilities and shareholders' equity** | **663'555** | **613'802** | |

| Off-balance sheet transactions | | | |
|---|---|---|---|
| Contingent liabilities | 405'199 | 379'813 | 3.2, 4.1 |
| Irrevocable commitments | 456 | 4'569 | 3.2 |
| | **405'655** | **384'382** | |





# Income Statement for the year ended 31 December

| | 31.12.2022 | 31.12.2021 | Notes |
|---|---|---|---|
| **Result from interest operations** | | | |
| Interest and discount income | 24'246 | 18'753 | |
| Interest and dividend income from trading portfolios | 47 | 67 | |
| Interest and dividend income from financial investments | 271 | (230) | |
| Interest expense | (9'818) | (8'646) | |
| **Gross result from interest operations** | **14'746** | **9'944** | |
| Changes in value adjustments for default risks and losses from interest operations | (1'452) | 2'783 | 3.9 |
| **Subtotal net result of interest operations** | **13'294** | **12'727** | |
| **Result from commission business and services** | | | |
| Commission income from securities trading and investment activities | 292 | 375 | |
| Commission income from lending activities | 12'169 | 9'718 | |
| Commission income from other services | 364 | 226 | |
| Commission expense | (244) | (266) | |
| **Subtotal results from commission business and services** | **12'581** | **10'053** | |
| **Result from trading activities and the fair value option** | **4'655** | **1'130** | 5.2 |
| **Other result from ordinary activities** | | | |
| Other ordinary income | 21 | 97 | |
| Other ordinary expenses | (87) | (24) | |
| **Subtotal other result from ordinary activities** | **(66)** | **73** | |
| **Operating expenses** | | | |
| Personnel expenses | (12'393) | (9'463) | 5.3 |
| General and administrative expenses | (5'150) | (4'163) | 5.4 |
| **Subtotal operating expenses** | **(17'543)** | **(13'626)** | |
| **Gross income** | **12'921** | **10'357** | |
| Value adjustments on participations and depreciation and amortisation of tangible fixed and intangibles assets | (702) | (584) | |
| Changes to provisions and other value adjustments, and losses | – | – | |
| **Operating result** | **12'219** | **9'773** | |
| Extraordinary income | 2 | 4 | 5.5 |
| Change in reserves for general banking risks | 1'456 | (2'783) | 5.5 |
| Taxes | (1'915) | (1'177) | 5.6 |
| **Profit for the year** | **11'762** | **5'817** | |

Amount expressed in Swiss Francs thousands unless otherwise stated

# Cash-flow Statement for the year ended 31 December

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Source of funds** | **Use of funds** | **Source of funds** | **Use of funds** |
| **Cash flow from operating activities (internal financing)** | | | | |
| Profit for the year | 11'762 | – | 5'817 | – |
| Change in reserves for general banking risks | – | 1'456 | 73'726 | – |
| Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets | 702 | – | 584 | – |
| Provisions and other value adjustments | 7 | – | – | 71'019 |
| Change in value adjustments for default risks and losses | 1'450 | – | 5'559 | – |
| Accrued income and prepaid expenses | – | 151 | 367 | – |
| Accrued expenses and deferred income | 5'359 | – | 619 | – |
| Dividend paid during the year | – | – | – | – |
| **Subtotal** | **19'280** | **1'607** | **86'672** | **71'019** |
| **Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets** | | | | |
| Other tangible fixed assets | – | 3'441 | – | 135 |
| **Subtotal** | **–** | **3'441** | **–** | **135** |
| **Cash flows from banking operations Medium and long-term business (> 1 year)** | | | | |
| Amounts due to banks | – | 11'373 | 31'059 | – |
| Other liabilities | – | 165 | 31 | – |
| Amounts due from customers | 26'424 | – | 23'040 | – |
| Financial investments | 13 | – | – | 8'021 |
| Other accounts receivable | 416 | – | 512 | – |
| **Short-term business** | | | | |
| Amounts due to banks | – | 17'251 | – | 15'396 |
| Liabilities from securities financing transactions | – | 18'305 | 7'019 | – |
| Amounts due in respect of customer deposits | 83'062 | – | 142'968 | – |
| Negative replacement values of derivative financial instruments | – | 1'887 | 15'960 | – |
| Amounts due from banks | – | 53'915 | – | 55'512 |
| Amounts due from securities financing transactions | – | – | – | – |
| Amounts due from customers | 27'730 | – | – | 82'605 |
| Trading portfolio assets | – | 33'040 | 1'154 | 2'890 |
| Positive replacement values of derivative financial instruments | 4'171 | – | – | 21'619 |
| Financial investments | – | – | – | – |
| **Liquidity** | | | | |
| Liquid assets | – | 20'112 | – | 50'064 |
| **Subtotal** | **141'816** | **156'048** | **220'589** | **236'107** |
| **Total** | **161'096** | **161'096** | **307'261** | **307'261** |






# Statement of changes in equity for the year ended 31 December

| | Share capital | Statutory retained earnings reserve | Profit carried forward | Reserves for general banking risks | Profit for the year | Total |
|---|---|---|---|---|---|---|
| **Equity at 31 December 2021** | **35'000** | **11'509** | **4'897** | **73'726** | **5'817** | **130'949** |
| Transfer of income to retained earnings | – | – | 5'817 | – | (5'817) | – |
| Other allocations to (transfers from) the reserves for general banking risks * | – | – | – | (1'456) | – | (1'456) |
| Net income for the year | – | – | – | – | 11'762 | 11'762 |
| **Equity at 31 December 2022** | **35'000** | **11'509** | **10'714** | **72'270** | **11'762** | **141'255** |

# Notes to the Financial Statements 31 December 2022

## 1. Business Activities

Credit Europe Bank (Suisse) SA is a bank incorporated under laws of Switzerland and performs all of its activities through its headquarters in Geneva.

The Bank started its operations in 1990 and has activities on trade and corporate finance as well as treasury operations.

The Bank has no branches or representative offices at the end of 2022. As at December 31, 2022, the Bank had 57.4 full-time equivalent employees (2021: 51.5).

The Bank has outsourced in accordance with FINMA Circ. 18/03 its IT systems with its Parent Bank (Credit Europe Bank NV) in the Netherlands since October 2022. Previously, the Bank has outsourced its IT systems and back office operations with a third party in Switzerland from October 2007 to October 2022.

## 2. Significant accounting and valuation principles

The Bank's bookkeeping and accounting and valuation principles are in accordance with the Swiss Code of Obligations, the Swiss Banking Act and its related ordinance, as well as with the statutory provisions and directives issued by the FINMA. The financial statements are presented in accordance with FINMA Accounting Ordinance and FINMA Circular 2020/1 Accounting Banks. The accompanying reliable assessment statutory single-entity financial statements present the economic situation of the Bank such that third party can form a reliable opinion. The financial statements are allowed to include hidden reserves.

### 2.1. General valuation principles

The financial statements are prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. Therefore the financial statements are prepared using the going concern basis of accounting.

The disclosed balance sheet items are valued individually.

### 2.2. Revenue and expense recognition

Interest income and expense are recorded on accrual basis. Certain types of trade finance commissions (such as commitment, confirmation and letter of credit opening) are recorded on accrual basis and all other commissions are recognized as income and expense when they are collected or paid. Asset related negative interest is debited to "Interest and discount income". The interest component of the Bank's own currency swaps is recorded under interest income or expenses.





### 2.3. Changes to accounting and valuation principles

No change in accounting principles during the year.

### 2.4. Financial instruments

#### 2.4.1. Liquid assets, amounts due from banks and amounts due from customers

These items are reported in the balance sheet at their nominal value, less individual valuation adjustments for any impaired receivables.

#### 2.4.2. Securities financing transactions

The term securities financing transactions includes repurchase and reverse repurchase transactions, securities lending and securities borrowing. Repurchase transactions (repos) are recorded as cash deposits with own securities as collateral. Reverse-repurchase transactions (reverse repos) are treated as receivables against collateral in the form of securities. The exchanged cash amount are recorded at nominal value on the balance sheet. Securities lending transactions are treated as repos if they are subject to daily margining and secured by cash. Securities received and delivered are not recognised or derecognised in the balance sheet until the economic control of the contractual rights comprised in the securities is transferred.

#### 2.4.3. Amounts due to banks and amount due in respect of customers deposits

These items are recognised at their nominal value.

#### 2.4.4. Trading portfolio assets

Securities held for trading purposes are securities, which were either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists. After initial recognition, trading securities are valued at fair value based on quoted bid prices. All related realized and unrealised gains or losses are recognized in Results from trading activities and the fair value option. The cost of financing of such securities is recorded as interest expense.

#### 2.4.5. Financial investments

Investment securities with fixed or determinable payments and fixed maturity where Management has both the intent and the ability to hold to maturity are classified as financial investments. In addition, long term debt instruments such as participations in securitisations, which are not held for short term gain, but not necessarily until maturity, are classified as financial investments. The management determines the appropriate classification of its investments at the time of purchase.

Financial investments intended to be held to maturity are valued based on the acquisition cost principle with the agio/disagio (premium/discount) accrued/deferred over the residual term to maturity (accrual method). The agio/disagio is accrued/deferred over the residual term to maturity via the "Financial investments". Value adjustment for default risk are recorded immediately under "Changes in value adjustments for default risk and losses from interest operations".

If held-to-maturity financial statements are sold or reimbursed early, the realised gains and losses, which correspond to the interest component, are accrued/deferred over the residual term to maturity of the transaction via the captions "Other assets" or "Other liabilities".

Financial investments intended not to be held to maturity are valued at the lower of cost and market value, gains and losses are recognized in other ordinary income or other ordinary expense.

Interest earned whilst holding financial securities is reported as interest and dividend income from financial investments.

#### 2.4.6. Positive and negative replacement values of derivative financial instruments

Derivative instruments include foreign exchange contracts such as swaps, options and forwards, securities options, interest swaps. The derivative instruments also includes clients' positions that are covered with counterparts in the market.

The valuation is done according to the fair value and the positive and negative replacement value is recorded in the corresponding caption. The fair value is based on market prices and option pricing models.

Amount expressed in Swiss Francs thousands unless otherwise stated

The realised result from trading operations and the unrealised result from valuation relating to trading operations are recorded via the caption "Result from trading operations and use of the fair value option".

### 2.4.7. Tangible fixed assets

The fixed assets are stated at cost less accumulated depreciation over the estimated operating life, except for paintings.

Depreciation is computed using the straight-line method, commencing within the month of assets are in use with the following rates:

| | |
|---|---|
| Furniture and fixtures | 20 % |
| IT equipment | 20 to 33.3 % |
| Leasehold improvements | over the term of the lease |
| Paintings | not subject to depreciation, but subject to regular impairment reviews |

The carrying values of each tangible fixed assets are reviewed for impairment periodically. If the asset is impaired, the book value is reduced to match the recoverable value and the impairment is recorded via the caption "Value adjustments on participations and amortisation of tangible fixed assets and intangible assets".

Realised gains from the sale of tangible fixed assets are recorded via the caption "Extraordinary income" and realised losses are recorded via the caption "Extraordinary expense".

### 2.4.8. Provisions

In accordance with ordinary banking practice, other provisions are made in terms of risks existing at the balance sheet date.

Legal and factual obligations are valued regularly. If an outflow of resources is likely and can be reliably estimated, a provision must be created.

Provisions are released via the income statement if they are no longer needed and cannot be used for other similar purposes at the same time.

Country risk provisions related to the off-balance-sheet positions are presented in Provisions.

### 2.4.9. Taxes

Current income taxes are recurring, usually annual, taxes on profit and capital. Transaction-related taxes are not included in current taxes. Liabilities from current income and capital tax are disclosed via the caption "Accrued liabilities and deferred income". Expense due to income and capital tax is disclose in the income statement via the caption "Taxes".

### 2.4.10. Pension benefit obligations

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

The economic impact of pension plans are 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 are carried on the balance sheet under "Provisions", while benefits are recognized under "Other assets". Changes from the corresponding value in the previous financial year are recognized for the pension fund under "Personnel expenses". The same accounting method applies to adjusted contributions for the period.

The Bank has entered into a defined contribution pension plan with Allianz Switzerland for its employees.







### 2.4.11. Off-balance sheet transactions

Off-balance-sheet transactions are valued at nominal value. "Irrevocable commitments arising from documentary letters of credit are recorded in the position "Contingent liabilities".

## 2.5. Treatment of translation differences of foreign currencies

Gains and losses arising from foreign currency transactions are reflected in the statement of income as realised during the course of the period at the respective daily exchange rate. Foreign currency assets and liabilities have been translated into Swiss Franc equivalents at year-end foreign currency rates. Tangible fixed assets are valued using the historical exchange rates. The price gain or loss resulting from the currency translation is recorded via the caption "Result from trading operations and use of fair value option".

The year-end foreign currency rates for major currencies used for the translation into Swiss Franc are as follows:

| | 2022 | 2021 |
|---|---|---|
| USD / CHF | 0.9203 | 0.9142 |
| EUR / CHF | 0.9843 | 1.0353 |

## 2.6. Treatment of past-due interest

Past-due interest and the corresponding commissions are not included as interest income. Such transactions are interests and commissions that are over 90 days past due and not yet paid. Over 90 days, no accrued interest and commission is recorded in "Interest and discount income" until there is no more past-due interest longer than 90 days.

Past-due interest is not cancelled retroactively. The liabilities from the accumulated interest up to the expiry of the 90-day term (due unpaid interest and accumulated accrued interest) are written down via the caption "Change in value adjustments for default risks and losses from interest operations".

## 2.7. Recording of transactions

Transactions are entered into the balance sheet following the value date accounting principle.

## 2.8. Risk management, market risks, credit risk and other risks

The Board of Directors has conducted an analysis of the main risks incurred by the Bank. This analysis is based on data and risk management tools developed by the Bank and taking into consideration the risks to which the Bank is exposed. During this risk analysis, the Board of Directors have taken into consideration the existing internal control system to manage and reduce the risks.

Risk control is based on limits set for the various categories of risks to which the Bank is exposed. The necessity for value corrections and provisions resulting from current risk evaluation is taken into account each time the situation occurs.

Credit risks are valued and controlled by the Credits Department. In addition, the Bank has implemented the Group credit internal rating system based on the qualitative and quantitative criteria of the counterparty.

Credit risk is the risk that a client or counterparty to a financial asset fails to meet its contractual obligations and causes the Bank to incur a financial losses. It arises from the amounts due from customers, amounts due from banks and financial investments. Credit risk includes counterparty risks, country risks and sector risks. The Bank has established Risk Management Framework and Risk Appetite Framework for Risk Management in which the controls implemented by the Bank are described. Country risk and sector risk are monitored through limit based controls. The Board of Directors approves regularly country limits and sector limits by taking into consideration the capital base in order to control these exposures.

Regarding counterparty risk, the Bank monitors its credit risk for commercial credit risks, the Bank mitigates these credit risks through careful diversification, by being highly selective on the quality of the borrowers, by requiring tangible guarantees and by means of adequate and appropriate limits, and by ensuring appropriate documentation is in place. The recovery capabilities of borrowers and debtor's creditworthiness is assessed according to an internal risk rating evaluation (scaled from 1 to 21, 1 standing for very high credit quality) based on credit analysis performed by the Credits Department.

Amount expressed in Swiss Francs thousands unless otherwise stated

The Bank maintains a list for Non-Performing Loans and Sub-standard Loans, in which risky loans are carefully followed up.

### Loan provisioning on the methods used to identify default risks

Loans and other receivables are classified and monitored as indicated below according to their recovery capabilities and debtor's creditworthiness:

| Type of loans and other receivables | Credit quality level |
|---|---|
| Standard Loans | Internal rating from 1 to 16 |
| Sub-standard Loans * | Internal rating from 17 to 21 |
| Non-Performing Loans (NPLs) ** | Subject to individual assessment |

** Sub-standard Loans include performing forborne loans and loans of customers who are rated between 17 and 21 according to the internal rating.*
*Observation of negative trend in debtors' payment capability or cash flow positions, delays in principal and/or interest payments of more than 30 days after the due date, suffered credit quality deterioration revision of repayments terms.*

*** Limited means of recovery, being overdue more than 90 days are some of the indicators of the NPL status, other signs/criteria should also be closely monitored; such as the debtor has been placed in bankruptcy or similar protection.*

All significant exposures, including sub-standard loans and NPLs are subject to individual assessment. The commercial portfolio is reviewed every quarter based on the significance and impairment criteria. A limited review is conducted over the loans with signs of impairment on a monthly basis.

Individual assessment is performed on commercial loan portfolio with significant exposures including sub-standard loans and nonperforming loans (please refer to note 3.2).

### Measurement of required value adjustments for loans

Impaired loan, defined as loan for which it is unlikely that the debtor will be able to fulfil his future obligations, are valued on an individual basis and the impairment is covered by individual valuation adjustment. A loan is considered impaired when there are conclusive signs that future contractual payments of principal and/or interest are unlikely.

A principle or interest overdue by more than 90 days after its respective due date is considered non-performing, if the necessary collaterals are not in place and there is objective evidence that the Bank will not be able to collect all amounts. Such loans are considered impaired and an allowance is established, which is classified as value adjustments and provisions.

Impairment in value corresponds to the difference between the book value of the loan and the amount which the Bank can expect to recover, with due consideration for the counterparty risk and the net proceeds from the realization of any collateral held. These individually assessed value adjustments are directly deducted from the corresponding asset.

When a loan is considered totally or partially uncollectible, a write-off is made by charging against previously established provisions and the principal amount of the loan.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and negotiating new loans conditions. Once the terms have been renegotiated, the loan is no longer considered as past due.

Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. These loans continue to be subject to an individual impairment assessment.

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 other solvency criteria have been met. Recoveries of loans with provisions and written off in earlier periods are recorded changes in value adjustments for default risk and losses from interest operations.

### Valuation of collateral for loans, in particular key criteria for the calculation of the current market value and the lending value

The Bank tries to mitigate credit risk by obtaining collateral when possible. Note 3.1 describes the "Amounts due from customers", "Contingent liabilities", "Irrevocable commitments" and "Commitment credits" which are covered by collateral, and where the nature of collateral are classified as "mortgage collateral" and "other collateral".

Collateral values are periodically controlled by types of security and latest value, with any shortfalls identified in weekly exception reports created automatically by the Bank's system. The financial standing of borrowers is also regularly reviewed and updated throughout the year based on appropriate documents and regular communication with the clients. The Bank also performs regular monitoring on any exposures existing beyond their maturity date, regular monitoring of any overdue payments of interests and regular review on overdrafts arising which are not covered by approved credit lines.

An immediate corrective action is taken by the Bank if any issues are identified.

The Bank has defined a list of collaterals together with related values to be taken based on the Internal Business Rules. The lending values are calculated in accordance with those pre-defined percentages, in case secured loans are granted.

When a commercial loan granted as unsecured becomes impaired, the Bank performs an individual assessment of impairment based on the net value of collaterals according to the type of assets pledged during the collection process:

- Mortgage on real estate (depending on the amount and degree of the mortgage),
- Pledge of goods,
- Assignment of receivables, if any.

Regarding the estimation of the provision, the analysis on the recoverable amount is performed by the Credits Department and then is submitted to the Management for final decision. The detailed Forbearance and NPL List including the detail of provisions are presented to the Board of Directors every quarter.

For mortgage collateral, the Bank defines the market value of collaterals based on appraisal report obtained from independent and recognized experts selected by the Bank.

The Bank's approach to the management of country risk follows the guidelines of the Swiss Bankers' Association. The identification and evaluation of risks are under the responsibility of the Financial Control and Risk Management Department. Provisions for country risk are made for positions where the ultimate risk is in countries with ratings below A3 grades according to the Moody's rating agency, and also on the basis of maturity split and type of counterparty (e.g. bank, non-bank). Country risk provisions related to the balance-sheet positions are directly deducted from the corresponding asset and related to the off balance-sheet positions are presented in Provisions.

The interest rate risk on operations on both the balance sheet and off-balance-sheet are identified and controlled by the Asset Liability Management Committee of the Bank.

The measurement of Interest rate Risk of the Banking Book (IRRBB) is based on outcomes of both economic value performed under six regulatory interest rate shock scenarios and earning-based measurement according to regulatory shocks assuming instantaneous parallel upward and downward shift.

Amount expressed in Swiss Francs thousands unless otherwise stated

The following indicators have been performed:

- Economic value of equity (EVE) sensitivity: a value-based interest rate risk measurement that evaluates the impact of interest rates movements in the net present value of the interest rate sensitive instruments over their remaining life assuming a run-off balance sheet.
- Net interest income sensitivity (NII): an earnings-based interest rate risk measurement to evaluate the changes in expected future profitability within one-year time horizon resulting from interest rate movements.

For other market risks related to trading operations, financial investments as well as foreign exchange activities, the Bank has set up its own limits as per the business rules. The controls are performed on a daily basis.

The liquidity risk is controlled in accordance with the legal requirements. The short-term and long-term liquidity monitoring are made via the Liquidity Coverage Ratio and Net Stable Funding Ratio respectively. The Bank respects on a permanent basis liquidity demand and maintains sufficient liquid assets with respect to the maturities of assets and liabilities.

The operational risks are mainly related with the organisational issues including electronic data processing, transaction processing, fraud, human resources and securing the assets of the Bank. The Bank has policies and procedures regarding the operational risks, which are reviewed and approved by the Board of Directors.

The Compliance Department controls legal and compliance risks in coordination with the legal counsel. The Bank has internal rules and regulations for due diligence and anti-money laundering as required by the relevant laws and regulations. All legal cases and contractual agreements are under the supervision of the legal counsel.

### 2.9. Business policy regarding the use of derivative financial instruments and hedge accounting

Derivative instruments include foreign exchange contracts such as swaps, options and forwards, securities options, interest swaps. The gross replacement value of derivative contracts reflects the market value of all unsettled trades at the year-end. The positive replacement value is included in the caption “positive replacement values of derivative financial instruments” whereas the negative replacement value is represented in “negative replacement values of derivative financial instruments”.

The derivative instruments also contains positions with clients per their demands that are covered with counterparts in the market. Derivative financial instruments are also used by the Bank for own treasury risk management purposes, mainly to cover against interest rate and foreign currency risks.

The Bank does not apply hedge accounting.

### 2.10. Material events occurred after the balance sheet date

No significant event that could have an impact on the 2022 annual accounts has occurred after the closing date.





# 3. Information concerning the balance sheet

## 3.1. Breakdown of securities financing transactions (assets and liabilities)

| | 2022 | 2021 |
|---|---|---|
| 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 | – | 21’132 |
| *– of which, those with unrestricted right to resell or pledge* | *–* | *21’132* |

## 3.2. Presentation of collateral for loans / receivables and off–balance sheet transactions, as well as impaired loans / receivables

| | | TYPE OF COLLATERAL | | | |
|---|---|---|---|---|---|
| Loans (before netting with value adjustments) | | Secured by mortgage | Other collateral | Unsecured | Total |
| Amounts due from customers | | – | 34'486 | 241'945 | 276'431 |
| **Total loans (before netting with value adjustments)** | **2022 *** | **–** | **34'486** | **241'945** | **276'431** |
| | **2021 *** | **–** | **24'108** | **306'478** | **330'586** |
| **Total loans (after netting with value adjustments)** | **2022** | **–** | **34'486** | **219'300** | **253'786** |
| | **2021** | **–** | **24'108** | **284'376** | **308'484** |

| Off-balance-sheet | | | | | |
|---|---|---|---|---|---|
| Contingent liabilities | | – | 130'949 | 274'250 | 405'199 |
| Irrevocable commitments | | – | – | 456 | 456 |
| **Total off-balance-sheet as of** | **2022** | **–** | **130'949** | **274'706** | **405'655** |
| | **2021** | **–** | **102'176** | **282'206** | **384'382** |

** The Country risk reserve provision amounting to CHF 22’645 was gross-up. (2021: CHF 22’102)*

| Impaired loans / receivable | | Gross debt amount | Estimated liquidation value of collateral | Net debt amount | Individual value adjustments |
|---|---|---|---|---|---|
| **Total impaired loans / receivables** | **2022** | – | – | – | – |
| | **2021** | **2’440** | **2’440** | **–** | **–** |

The specific provision for impaired loans and receivables is directly deducted from the corresponding asset.

Amount expressed in Swiss Francs thousands unless otherwise stated

## 3.3. Breakdown of trading portfolios and other financial instruments at fair value assets and liabilities)

| Assets | 2022 | 2021 |
|---|---|---|
| **Trading portfolio assets** | | |
| Debt and money market securities / transactions | 36'196 | 916 |
| – *of which, listed* | *36'196* | *916* |
| Equity interests | - | 2'240 |
| **Total trading portfolio assets** | **36'196** | **3'156** |
| **Total assets** | **36'196** | **3'156** |
| – *of which, determined using a valuation model* | – | – |
| – *of which, securities eligible for repo transactions in accordance with liquidity requirements* | – | – |

## 3.4. Presentation of derivative financial instruments (assets and liabilities)

| | | TRADING INSTRUMENTS | | |
|---|---|---|---|---|
| | | Positive replacement values | Negative replacement values | Contract volume |
| **Interest rate instruments** | | | | |
| – Swaps | | 118 | 118 | 2'953 |
| **Foreign exchange / precious metals** | | | | |
| – Forwards | | 897 | 869 | 40'309 |
| – Swaps | | 6'700 | 6'102 | 305'451 |
| – Options (OTC) | | 928 | 919 | 35'292 |
| **Other** | | | | |
| – Swaps | | 265 | 240 | 14'204 |
| – Options (OTC) | | 10'059 | 10'059 | 82'964 |
| **Total before netting agreements** | 2022 | **18'967** | **18'307** | **481'173** |
| – *of which, determined using a valuation model* | | 10'987 | 10'978 | 118'256 |
| **Total before netting agreements** | 2021 | **23'138** | **20'194** | **789'279** |
| – *of which, determined using a valuation model* | | – | – | – |

The Bank does not apply netting on financials to derivative financial instruments.

| Breakdown by counterparty | | Central clearing houses | Banks and securities dealers | Other customers | Total |
|---|---|---|---|---|---|
| **Positive replacement values** | 2022 | – | 6'460 | 12'507 | 18'967 |
| | 2021 | – | 2'846 | 20'292 | 23'138 |





## 3.5. Financial investments

| | BOOK VALUE | | FAIR VALUE | |
|---|---|---|---|---|
| Breakdown by financial investments | 2022 | 2021 | 2022 | 2021 |
| Debt instruments | 21'119 | 21'132 | 17'092 | 21'099 |
| – *of which intended to be held to maturity* | *21'119* | *21'132* | *17'092* | *21'099* |
| **Total** | **21'119** | **21'132** | **17'092** | **21'099** |
| – *of which, securities eligible for repo transactions in accordance with liquidity requirements* | *21'119* | *21'132* | *17'092* | *21'099* |

| Breakdown of counterparties by S&P rating | 2022 | 2021 |
|---|---|---|
| AA- | 21'119 | 21'132 |
| **Total** | **21'119** | **21'132** |

## 3.6. Presentation of tangible fixed assets

| | END OF 2021 | | | 2022 | | END OF 2022 |
|---|---|---|---|---|---|---|
| | Aquisition cost | Accumulated depreciation | Book value | Additions | Depreciation | Book value |
| Proprietary or separately acquired software | 1'855 | (1'634) | 221 | 3'417 | (328) | 3'310 |
| Leasehold improvements | 2'486 | (321) | 2'165 | 8 | (277) | 1'896 |
| Other tangible fixed assets | 1'712 | (886) | 826 | 16 | (97) | 745 |
| **Total tangible fixed assets** | **6'053** | **(2'841)** | **3'212** | **3'441** | **(702)** | **5'951** |

| Operating leases | | within 1 year | from 1 to 3 years | from 3 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| **Future lease payments** | 2022 | 18 | 21 | 5 | – | 44 |
| | 2021 | 28 | 26 | 6 | – | 60 |

– *Of which, may be terminated within one year: CHF 8 (2021: none)*

## 3.7. Breakdown of other assets and other liabilities

| | OTHER ASSETS | | OTHER LIABILITIES | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Indirect taxes | 8 | 15 | 452 | 75 |
| Interest components of financial investments intended to be held to maturity but sold before maturity | – | 506 | 1 | 745 |
| Other | 173 | 76 | 331 | 128 |
| **Total** | **181** | **597** | **784** | **948** |

## 3.8. Employees' benefits

The company has signed an affiliated contract with the collective foundation Allianz in Zurich, a collective pension fund applying the legal requirements on employees' benefits (LPP) in Switzerland. The Pension Fund is based on the principle of defined contributions. It is contributed to by the employer (60%) and the employees (40%) based on the contributions fixed in the pension plan rules.

The plan covers between the minimum salary of CHF 21.5 up to a maximum amount of CHF 150. As of December 31, 2022, 59 employees are covered (2021: 52 employees).

The employer's contributions are recognized in the profit and loss account as current charges for the period amounting to CHF 659 (2021: CHF 491).

### Employer's contributions reserve

There is no employer's contributions reserve.

### Economical advantage / liability and pension plan costs

Each year the Bank must determine if the degree of coverage or the particular situation of the Pension Fund presents an economic advantage or obligation from the Bank's point of view.

As of December 31, 2022, the Bank held no liabilities towards the Pension Fund. The coverage ratio of the Pension Fund scheme is 100% which is due to full reinsurance of the pension fund. There is no economic benefit or obligation resulting from the pension plan.

| Presentation of the economic benefit / obligation and the pension expenses | CONTRIBUTIONS PAID FOR THE REPORTING PERIOD | PENSION EXPENSES IN PERSONNEL EXPENSES | |
|---|---|---|---|
| | 2022 | 2022 | 2021 |
| Pension plans without overfunding / underfunding | 666 | 659 | 491 |
| **Total** | **666** | **659** | **491** |





Amount expressed in Swiss Francs thousands unless otherwise stated

## 3.9. Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

| | Balance at end of 2021 | Reclassifi-cations | Past due interest, recoveries | New creations charged to income statement | Releases to income | Balance at end of 2022 |
|---|---|---|---|---|---|---|
| Provisions for default risks | 383 | - | - | 7 | - | 390 |
| Other provisions | - | - | - | - | - | - |
| **Total provisions** | **383** | **-** | **-** | **7** | **-** | **390** |
| **Reserves for general banking risks** | **73'726** | **-** | **-** | **-** | **(1'456)** | **72'270** |
| **Value adjustments for default and country risks** | **22'675** | **-** | **(717)** | **1'742** | **426** | **24'126** |
| – *of which, value adjustments for default risks in respect of impaired loans / receivables* | *-* | *4* | *(717)* | *287* | *426* | *-* |
| – *of which, value adjustments for country risks* | *22'675* | *(4)* | *-* | *1'455* | *-* | *24'126* |

As at December 31, 2022 "Provisions for default risks" only consist of country risk provisions related to off –balance sheet positions (please see note 2.8 for more details).

No taxation has been made on reserves for general banking risks.

The "New creations charged to income" consists of country risk and specific provisions. The country risk of CHF 1.5 million based on the Country Risk Reserve Policy of the Bank (it is not a specific provision or an impairment on the assets and please see note 2.8 for further details) has been charged to income. This line also includes loss amounting to CHF 267 related to sale of one of the impaired loan, which has been fully written-off in 2022. Additional amount of value adjustments for default risk of CHF 426 is related to a reversal of accrual regarding the Bank's possible claims. The "Past due interest, recoveries" consists of two collections from the previously written-off NPLs amounting to CHF 709.

As at December 31, 2022, in application of the country risk policy mentioned in note 2.8, the Bank has the following country risk reserves:

| | 2022 | 2021 |
|---|---|---|
| Turkey | 14'455 | 17'849 |
| Other | 10'060 | 5'209 |
| **Total** | **24'515** | **23'058** |

Amount expressed in Swiss Francs thousands unless otherwise stated

## 3.10. Share capital

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Total par value | No. of shares (unit) | Capital eligible for dividend | Total par value | No. of shares (unit) | Capital eligible for dividend |
| Share capital | 1 | 35'000 | 35'000 | 1 | 35'000 | 35'000 |
| – *of which, paid up* | *1* | *35'000* | *35'000* | *1* | *35'000* | *35'000* |
| **Total Bank's capital** | **1** | **35'000** | **35'000** | **1** | **35'000** | **35'000** |

## 3.11. Disclosure of amounts due from / to related parties

| | AMOUNTS DUE FROM | | AMOUNTS DUE TO | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Holders of qualified participations | 3 | 4'006 | 50'145 | 31'103 |
| Linked companies | 12'662 | 23'929 | 45'348 | 63'379 |

All balance sheet and off-balance-sheet transactions with related parties have been granted in an arm's length basis (please see note 4.2 for details regarding fiduciary transactions with group companies and linked companies).

## 3.12. Disclosure of holders of significant participations

Holders of significant participations and groups of holders of participations with pooled voting rights.

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| With voting rights: | Type of shares | Nominal value | Percentage of equity | Nominal value | Percentage of equity |
| Credit Europe Bank N.V. Nominal | | 35'000 | 100% | 35'000 | 100% |
| Main shareholders' of Credit Europe Bank N.V. | | | in % | | in % |
| Credit Europe Group N.V. | | | 100.00 | | 100.00 |
| – *Of which: Fina Holding A.S.* | | | *89.31* | | *89.31* |
| *Fiba Holding A.S* | | | *9.40* | | *9.40* |
| Fiba Holding A.S. | | | | | |
| – *Of which: Hüsnü M. Özyeğin* | | | *99.86* | | *99.99* |







## 3.13. Disclosure of composition of share capital

The Bank's equity is composed of 35'000 ordinary shares with a nominal value of CHF 1'000 each, which are entirely paid up. There is no specific restriction or corresponding reserve on these shares. Statutory retained earnings reserves are only distributable if they exceed 50% of the share capital. As at 31 December 2022, the amount of non-distributable reserves amounted to CHF 11.5 million (2021: CHF 11.5 million).

## 3.14. Presentation of the maturity structure of financial instruments

| Assets / financial instruments | At sight | Cancellable | within 3 months | within 3 and 12 months | within 12 months and 5 years | after 5 years | Total |
|---|---|---|---|---|---|---|---|
| Liquid assets | 100'324 | - | - | - | - | - | 100'324 |
| Amounts due from banks | 71'862 | - | 50'747 | 101'966 | - | - | 224'575 |
| Amounts due from customers | - | 5'422 | 215'476 | 1'145 | 29'511 | 2'232 | 253'786 |
| Trading portfolio assets | - | - | - | 36'196 | - | - | 36'196 |
| Positive replacement values of derivative financial instruments | - | - | 8'022 | 3'613 | 7'332 | - | 18'967 |
| Financial investments | - | - | - | - | 5'028 | 16'091 | 21'119 |
| **Total** | **172'186** | **5'422** | **274'245** | **142'920** | **41'871** | **18'323** | **654'967** |
| **Previous period** | **151'721** | **4'382** | **343'848** | **27'521** | **39'263** | **40'953** | **607'688** |

| Debt capital / financial instruments | At sight | Cancellable | within 3 months | within 3 and 12 months | within 12 months and 5 years | after 5 years | Total |
|---|---|---|---|---|---|---|---|
| Amounts due to banks | 48 | - | 88'037 | 29'529 | 19'686 | - | 137'300 |
| Liabilities from securities financing transactions | - | - | - | - | - | - | - |
| Amounts due in respect of customer deposits | 173'473 | - | 184'557 | - | - | - | 358'030 |
| Negative replacement values of derivative financial instruments | - | - | 7'395 | 3'580 | 7'332 | - | 18'307 |
| **Total** | **173'521** | **-** | **279'989** | **33'109** | **27'018** | **-** | **513'637** |
| **Previous period** | **199'288** | **-** | **249'044** | **-** | **31'059** | **-** | **479'391** |

Amount expressed in Swiss Francs thousands unless otherwise stated

## 3.15. Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Assets | DOMESTIC | FOREIGN | DOMESTIC | FOREIGN |
| Liquid assets | 100'324 | - | 80'212 | - |
| Amounts due from banks | 26'652 | 197'923 | 42'143 | 129'423 |
| Amounts due from customers | 105'024 | 148'762 | 159'523 | 148'961 |
| Trading portfolio assets | - | 36'196 | 313 | 2'843 |
| Positive replacement values of derivative financial instruments | 1'978 | 16'989 | 1'192 | 21'946 |
| Financial investments | 21'119 | - | 21'132 | - |
| Accrued income and prepaid expenses | 1'103 | 1'353 | 2'305 | - |
| Tangible fixed assets | 5'951 | - | 3'212 | - |
| Other assets | 181 | - | 597 | - |
| **Total assets** | **262'332** | **401'223** | **310'629** | **303'173** |

| Liabilities | | | | |
|---|---|---|---|---|
| Amounts due to banks | - | 137'300 | - | 165'924 |
| Liabilities from securities financing transactions | - | - | - | 18'305 |
| Amounts due in respect of customer deposits | 195'174 | 162'856 | 93'153 | 181'815 |
| Negative replacement values of derivative financial instruments | 1'015 | 17'292 | 255 | 19'939 |
| Accrued expenses and deferred income | 3'014 | 4'476 | 2'131 | - |
| Other liabilities | 783 | - | 948 | - |
| Provisions | 390 | - | 383 | - |
| Reserves for general banking risks | 72'270 | - | 73'726 | - |
| Share capital | 35'000 | - | 35'000 | - |
| Statutory retained earnings reserve | 11'509 | - | 11'509 | - |
| Profit carried forward | 10'714 | - | 4'897 | - |
| Profit for the year | 11'762 | - | 5'817 | - |
| **Total liabilities** | **341'631** | **321'924** | **227'819** | **385'983** |







## 3.16. Breakdown of total assets by country or group of countries (domicile principle)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Assets | ABSOLUTE | % | ABSOLUTE | % |
| Switzerland | 262'331 | 39.5% | 310'629 | 50.6% |
| Rest of Europe | 218'724 | 33.0% | 205'976 | 33.6% |
| North America | 71'086 | 10.7% | 60'940 | 9.9% |
| Asia | 45'302 | 6.8% | 36'257 | 5.9% |
| Africa | 66'112 | 10.0% | - | 0.0% |
| **Total assets** | **663'555** | **100.0%** | **613'802** | **100.0%** |

## 3.17. Breakdown of total assets by credit rating of country groups (risk domicile view)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Moody's | ABSOLUTE | % | ABSOLUTE | % |
| Aaa | 133'894 | 31.8% | 97'662 | 30.1% |
| Aa1 to Aa3 | 66'118 | 15.7% | 93'259 | 28.7% |
| A1 to A3 | 14'549 | 3.5% | 23'444 | 7.2% |
| Baa1 to Baa3 | 23'555 | 5.6% | 7'770 | 2.4% |
| Ba1 to B3 | 180'424 | 42.9% | 102'629 | 31.6% |
| Not rated | 2'174 | 0.5% | - | 0.0% |
| | **420'714** | **100.0%** | **324'764** | **100.0%** |

Amount expressed in Swiss Francs thousands unless otherwise stated

### 3.18. Presentation of assets and liabilities broken down by the most significant currencies for the Bank

| Assets | CHF | EUR | USD | TRY | GBP | Others | Total |
|---|---|---|---|---|---|---|---|
| Liquid assets | 100'256 | 35 | 29 | - | 4 | - | **100'324** |
| Amounts due from banks | 24'055 | 11'985 | 188'490 | 18 | 15 | 12 | **224'575** |
| Amounts due from customers | 71 | 68'265 | 185'446 | 4 | - | - | **253'786** |
| Trading portfolio assets | - | - | 36'196 | - | - | - | **36'196** |
| Positive replacement values of derivative financial instruments | 18'967 | - | - | - | - | - | **18'967** |
| Financial investments | 21'119 | - | - | - | - | - | **21'119** |
| Accrued income and prepaid expenses | 344 | 910 | 1'202 | - | - | - | **2'456** |
| Tangible fixed assets | 5'951 | - | - | - | - | - | **5'951** |
| Other assets | 9 | 126 | 46 | - | - | - | **181** |
| **Total assets shown in balance sheet** | **170'772** | **81'321** | **411'409** | **22** | **19** | **12** | **663'555** |
| Delivery entitlements from spot exchange, forward forex and forex options transactions | 44'033 | 181'220 | 139'882 | 7'185 | 7'421 | 1'331 | **381'072** |
| **Total assets** | **214'805** | **262'541** | **551'291** | **7'207** | **7'440** | **1'343** | **1'044'627** |
| **Liabilities** | | | | | | | |
| Amounts due to banks | 1'848 | 59'057 | 75'560 | - | 835 | - | **137'300** |
| Liabilities from securities financing transactions | - | - | - | - | - | - | **-** |
| Amounts due in respect of customer deposits | 12'819 | 74'343 | 268'402 | 19 | 2'429 | 18 | **358'030** |
| Negative replacement values of derivative financial instruments | 18'307 | - | - | - | - | - | **18'307** |
| Accrued expenses and deferred income | 2'740 | 998 | 3'752 | - | - | - | **7'490** |
| Other liabilities | 674 | - | 108 | 1 | - | - | **783** |
| Provisions | 390 | - | - | - | - | - | **390** |
| Reserves for general banking risks | 72'270 | - | - | - | - | - | **72'270** |
| Share capital | 35'000 | - | - | - | - | - | **35'000** |
| Statutory retained earnings reserve | 11'509 | - | - | - | - | - | **11'509** |
| Profit carried forward | 10'714 | - | - | - | - | - | **10'714** |
| Profit for the year | 11'762 | - | - | - | - | - | **11'762** |
| **Total liabilities** | **178'033** | **134'398** | **347'822** | **20** | **3'264** | **18** | **663'555** |
| Delivery obligations from spot exchange, forward forex and forex options transactions | 12'258 | 149'844 | 205'060 | 7'145 | 4'177 | 1'314 | **379'798** |
| **Total liabilities** | **190'291** | **284'242** | **552'882** | **7'165** | **7'441** | **1'332** | **1'043'353** |
| **Net position per currency** | **24'514** | **-21'701** | **-1'591** | **42** | **-1** | **11** | **1'274** |
| **Effect of country risk provision classification** | **-24'125** | **21'736** | **2'388** | **1** | **-** | **-** | **-** |
| **Net position per currency before the effect of country risk provision classification** | **389** | **35** | **797** | **43** | **-1** | **11** | **1'274** |

(*) All option positions are back-to-back and presented in notional, except for trading option positions, which are delta weighted.
For the presentation purposes the currency effect of country risk provisions related to the balance sheet positions are directly deducted from the corresponding assets and related currencies (please see note 2.8 for more details).





# 4. Information concerning off-balance sheet transactions

### 4.1. Breakdown of contingent liabilities and contingent assets

| Contingent liabilities | 2022 | 2021 |
|---|---|---|
| Guarantees to secure credits and similar | 14'319 | 13'384 |
| Irrevocable commitments arising from documentary letters of credit | 390'880 | 366'429 |
| **Total contingent liabilities** | **405'199** | **379'813** |

### 4.2. Breakdown of fiduciary transactions

| | 2022 | 2021 |
|---|---|---|
| Fiduciary deposits with third-party companies | 92 | - |
| Fiduciary investments with group companies and linked companies | 24'278 | 28'265 |
| **Total fiduciary transactions** | **24'370** | **28'265** |

# 5. Information concerning the Income statement

### 5.1. Analysis of interest income and expense

Interest income and interest expense from forex swap transactions was CHF 1.6 million (2021: CHF 3.2 million) and CHF 4 million (2021: CHF 5.8 million) respectively.

### 5.2. Securities and precious metals held for trading purposes

| | 2022 | 2021 |
|---|---|---|
| Trading results for own account | 3'115 | 164 |
| Trading for the account of customers | 1'540 | 966 |
| **Total trading results** | **4'655** | **1'130** |

| Analysis by underlying risk and based on the use of the fair value option | 2022 | 2021 |
|---|---|---|
| Interest rate instruments and equity securities (incl. funds) | (727) | (141) |
| Foreign currencies | 5'382 | 1'271 |
| **Total result from trading activities** | **4'655** | **1'130** |

The Bank does not apply the fair value option.

Amount expressed in Swiss Francs thousands unless otherwise stated

### 5.3. Breakdown of personnel expenses

| | 2022 | 2021 |
|---|---|---|
| Salaries (meeting attendance fees and fixed compensation to members of the Bank's governing bodies, salaries and benefits) | 10'109 | 7'885 |
| Social insurance benefits | 1'666 | 1'316 |
| Other personnel expenses | 618 | 262 |
| **Total personnel expenses** | **12'393** | **9'463** |

### 5.4. Breakdown of general and administrative expenses

| | 2022 | 2021 |
|---|---|---|
| Office space expenses | 788 | 789 |
| Expenses for information technology and communications technology | 1'403 | 1'351 |
| Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses | 600 | 423 |
| Fees of audit firm(s) (Art. 961a no. 2 CO) | 214 | 201 |
| – *of which, for financial and regulatory audits* | 191 | 185 |
| – *of which, for other services* | 23 | 16 |
| Other operating expenses | 2'145 | 1'399 |
| **Total general and administrative expenses** | **5'150** | **4'163** |

### 5.5. 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

The Bank has decreased CHF 1'457 from its Reserves for general banking risks (please see note 3.9 for more details). In addition, sale of the fixed asset income was CHF 2 (2021: CHF 4).

### 5.6. Presentation of current taxes, deferred taxes, and disclosure of tax rate

| | 2022 | 2021 |
|---|---|---|
| Current year tax expenses | (1'915) | (1'177) |
| **Total tax expenses** | **(1'915)** | **(1'177)** |
| Effective tax rate | 14% | 14% |

As at 31 December 2022, there were no losses carried forward (2021: none).





# Proposed Appropriation of Retained Earnings 31 December 2022

## Board of Directors' Proposed Appropriation of Retained Earnings as at December 31, 2022.

| Available profit carried forward | 2022 |
|---|---|
| Profit carried forward at the beginning of the year | 10'714'148 |
| **Profit carried forward after dividend distribution** | **10'714'148** |
| Profit for the year | 11'761'679 |
| **Available profit carried forward** | **22'475'827** |

| Proposition for distribution by the General Meeting of Shareholders | |
|---|---|
| Dividend proposed | 5'500'000 |
| To be transferred to the statutory retained earnings reserve | 588'084 |
| To be carried forward | 16'387'743 |
| **Total** | **22'475'827** |

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