Credit Europe Bank (Suisse) SA

Annual Report 2016

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Chairman's Statement

The global economy which faced unexpected developments and periods of volatility on the global scene in 2016 will be remembered for Brexit, elections in the US and the Italian referendum. Nevertheless developed and emerging countries managed having at least a moderate pace of growth. Unemployment rates in most countries were stabilized, interest rates remained at historic lows and reflation has started taking place in the US. The Turkish Economy witnessed a sharp slowdown in the third quarter of 2016 as a result of political and economic turmoil. However, the strong external demand and fiscal policy stimulus supported surging consumption and drove the economy's upturn in the last quarter of 2016.

On the other hand, the macro-political environment became increasingly uncertain, posed by the impact of current and potential geopolitical tension.

A string of important events are coming up in the euro area over the next year, which is leaving space for further potential political changes and challenges in 2017. The possible impacts of these political events on the economy will need to be watched closely. We are expecting another challenging year.

The Bank has continued its conservative approach in 2016 in line with its low risk policy as the volatility in the markets and political tensions around the World have been high. The total assets increased to CHF 611 million and corresponded to an increase of 4.6% at the end of 2016 compared to previous year. Due from customers reached to CHF 307 million for the same period from CHF 298 million in 2015. In accordance with the low risk appetite and focusing on the liquidity, the liquid assets increased to CHF 60 million.

The Bank renewed its club loan deal with the participation of 9 banks amounting to EUR 66.5 million in December 2016 for one year. Our high deposit base and access to money market help the Bank to maintain its diversified source of funding.

The Bank realised CHF 9.6 million gross profit in 2016 after allocating specific and country reserves. The Bank allocated CHF 2.8 million to the general reserves from its current year income for 2016. Accordingly, the net income realized was CHF 4.8 million.

The appropriation of the retained earnings proposed by the Board of Directors as at December 31, 2016, is as follows:

Available profit carried forward in CHF

Profit carried forward at the beginning of the year	14,939,579
Dividend paid during the year	(10,000,000)
Transferred to the statutory retained earnings reserve	(825,000)
Profit carried forward after dividend distribution	**4,114,579**
Profit for the year	4,775,531
Available profit carried forward	**8,890,110**

Proposition for distribution by the General Meeting of Shareholders

To be carried forward	8,890,110
Total to be carried forward	**8,890,110**

Taking this opportunity, I would like to thank the Management and the Staff for their dedication and teamwork without which these results could not have been achieved.

Geneva April 6, 2017

Chairman
Eric Fiechter

Board of Directors

Eric Fiechter	Chairman
Otto Bruderer	Vice-Chairman
Hüsnü M. Özyeğin	Member of the Board
Fevzi Bozer	Member of the Board
Murat Başbay	Member of the Board
Fritz Deiters	Member of the Board

Audit and Risk Group

Eric Fiechter	Chairman
Fritz Deiters	Member of the Board

Due to the requirements of the Dutch regulators in charge of the parent company, the Board composition of the Swiss bank had to be changed, and the only two independent directors, who are also not members of the credit committee, accepted to be designated to perform the audit tasks assigned to Board members, one of them being the Chairman. According to FINMA circular 08/24, no audit committee is required.

The Management

H. Oktay Gümrükçü	Chief Executive Officer
Y. Aykut Cimir	Deputy Chief Executive Officer
Bulent Ilgun	Deputy Chief Executive Officer, *Responsible from Private Banking, Treasury and Financial Institutions*

Contact Details

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History

Credit Europe Bank (Suisse) SA (formerly Finansbank (Suisse) SA), "**the Bank**", was acquired by Finansbank AŞ Turkey in 1990 as the first non-Turkish subsidiary of FIBA Group. Due to the sale of Finansbank A.S. in August 2006, FIBA Group Banks were re-branded into Credit Europe Bank.

The Bank is fully owned by Credit Europe Bank NV, the Nederlands and under the consolidated supervision of the Dutch Parent Bank.

Activities

The Bank is active in three main business lines:

- Trade Finance and Corporate Banking
- Private Banking
- Treasury Activities

The Bank has focused on Trade Finance activities for the last 3 years and will continue to increase its concentration in handling more structured trade and commodity finance transactions.

Private Banking activities would be still the second major business line contributing the gross profit of the Bank.

The asset growth that would be achieved in accordance with the business plan will be financed by diversified funding sources such as club loans, bi-lateral agreements, re-purchase (repo) transactions and money market borrowings. In connection with the increased activities, the Bank has already renewed its club deal facility amounting to EUR 66.5 million with a one year maturity. The deal was successfully subscribed with the participation of many reputable banks around the world.

In terms of capital planning for the new three years considering the stress scenario assumptions, the Bank is well capitalized to implement its business plan for the future.

The Bank has outsourced its operational activities and IT core banking software to a well-known name, Crédit Agricole (Suisse) SA, who has resilient experiences in supplying operational services to third parties since October 2007.

A second Deputy CEO, Mr. Bulent Ilgun has been employed in July 2016, responsible from Treasury, Private Banking and Financial Institutions and he has been assigned as part of the Management (please refer to Page 5)
.
There is no other assignment change at Management level and no significant mandates given to the third parties other than the outsourced operations mentioned above.

The Bank does not have any research or development activities.

The number of full-time positions was 55 on average for 2016.

Risk Management

The Bank has defined the risks, set out the measures and implementation of risk mitigation factors, monitoring tools, review and reporting procedures in its Master Directive for Risk Management. The Directive covers all related risks under major captions as credit risk, market risk and operational risk. There are specific policy and procedures issued by the Bank for each caption to manage the related risks such as Credit Policy, Country Limits, Sector Limits, Trading and Investment limits as well as Operational Risk and New Product policies. Besides, the Bank has implemented an Internal Control System Framework in order to achieve effective internal control.

The Bank has a conservative risk approach and defined its risk appetite as “low” and has designed its risk management approach with 3 lines of defense consisted of: 1st line of defense carried out by business line Management, 2nd line of defense performed by the control functions and 3rd line of defense represented by Internal Audit. The risk management is under the supervision of Audit and Risk Group and the Board of Directors and the risk assessments and risk evolutions are monitored regularly and closely by the Management, Audit and Risk Group and the Board of Directors.

Extraordinary Events

The Bank did not have any extraordinary events occurred subsequently except the closure of Istanbul Representation Office by February 29, 2016.

Financials Highlights CHF - thousands	31.12.2016	31.12.2015	2016-2015 Change
Receivables from Banks	93,951	119,778	-22%
Receivables from Customers	306,779	298,484	3%
Total Assets	611,280	584,222	5%
Bank Borrowings	76,065	84,355	-10%
Customer Deposits	282,824	256,500	10%
Shareholders' Equity	133,473	140,693	-5%
Assets Under Custody (USD - millions)	986.86	1,244.99	-21%
Trade Finance Volume (USD - millions)	1,096.45	859.05	28%
BIS (%)	27.70%	30.35%	
Operating Income	25,950	25,858	0%
Operating Expense	16,387	14,618	12%
Operating Profit	9,563	11,240	-15%
Net Income	4,776	3,646	31%

Financial Review

The Bank has increased its focus on the trade and corporate finance activities in 2016 and the volume reached to USD 1.1 billion in 2016 (in 2015 – USD 859 million). Private banking activities remained one of the main business lines and total assets under custody amounted to almost USD 1 billion at the end of 2016.

The receivables from customers as of December 31, 2016 were CHF 307 million and total net assets realized as CHF 611 million for the same period after deduction of country risk provision. The Bank has maintained its diversified funding sources with the renewal of syndication facility amounting to EUR 66.5 million in December 2016 for one year with the participations of 9 banks. In addition to bank borrowings, the Bank has kept its strong customer demand deposits in 2016 at a sustained level above CHF 200 million as was the case in previous years.

The Gross result from interest operations increased significantly and reached to CHF 21.9 million in 2016 (in 2015 – CHF 15.7 million). As the Bank has preferred to have a conservative approach in profit and loss throughout the years, additional country reserve of CHF 1.1 million has been set and total country reserve amount has reached to CHF 26.1 million. Thanks to trade and corporate finance activities as well as private banking operations, the net commission income increased by 24% in 2016 and reached to CHF 5.1 million.

The operational costs increased as a result of the business growth and regulatory requirements in the banking sector. Accordingly, the gross profit in 2016 realized as CHF 9. 2 million and the net income was 4.8 million after allocating CHF 2.8 million to other provisions regarding general banking risks.

The Bank maintained its strong capital base at CHF 133 million and the BIS ratio at 27.70% in 2016.

Information on Regulatory Capital

CHF - thousands

	2016	2015
Minimum capital based on risk-based requirements	38,543	37,092
Eligible capital	133,473	140,693
of which common equity Tier 1 (CET1)	53,524	58,747
of which core capital (T1)	53,524	58,747
Risk-weighted assets (RWA)	481,786	463,645
CET1 ratio (common equity Tier 1 in % of RWA)	11.1%	12.7%
Core capital ratio (core capital in % of RWA)	11.1%	12.7%
Total capital ratio (in % of RWA)	27.7%	30.3%
Countercyclical capital buffer (in % of RWA)	0.0%	0.0%
CET1 target ratio (in %) pursuant to Annex 8 to the CAO plus countercyclical capital buffer	7.0%	7.0%
T1 target ratio (in %) pursuant to Annex 8 to the CAO plus countercyclical capital buffer	8.5%	8.5%
Total capital target ratio (in %) pursuant to Annex 8 to the CAO plus countercyclical capital buffer	10.5%	10.5%
Basel III leverage ratio (core capital in % of total exposure)	8.2%	9.4%
Total exposure	653,688	628,307

Information on 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 above 70% that is the legal minimum requirement for Banks in 2016.

CHF - thousands

	2016	2015
Short-term liquidity ratio, LCR (in %) in Q4	152%	158%
LCR numerator: Total high quality liquid assets	54,786	29,503
LCR denominator: Total net inflows of funds	36,045	18,722
Short-term liquidity ratio, LCR (in %) in Q3	150%	158%
LCR numerator: Total high quality liquid assets	35,166	29,761
LCR denominator: Total net inflows of funds	23,394	18,787
Short-term liquidity ratio, LCR (in %) in Q2	154%	174%
LCR numerator: Total high quality liquid assets	29,706	29,273
LCR denominator: Total net inflows of funds	19,351	16,831
Short-term liquidity ratio, LCR (in %) in Q1	139%	153%
LCR numerator: Total high quality liquid assets	26,682	21,224
LCR denominator: Total net inflows of funds	19,198	13,847

Corporate Banking & Trade Finance

The Bank renders diverse corporate and commercial banking products; ranging from cash/non-cash loans to foreign trade finance to its customers through its specialized sales and operations staff. As a result of our tailor-made approach, credit products are formulated to accommodate specific needs of each and every client.

The Bank has decided to focus on more trade finance activities in different geographies with the additional Relationship Managers.

Thanks to this customer-oriented sales and marketing strategy, company-specific service approach and perspective that consider clients as long-term business partners, last year the Bank has realized a trade finance volume of 1.1 billion USD.

Seeing customer relations as the basis for long-lasting partnerships and opting to stand by its customers under all circumstances, the Bank aims to further solidify its business relationships with its existing clients via innovative products and cash/non-cash loan facilities in 2017 while broadening its corporate segment activities through new customer acquisitions.

Private Banking

In 2016, the Bank successfully fulfilled its objective of further enhancing ongoing relationships with its current client base while keeping intact its aim of attracting more customers into private banking client portfolio. In order to reach its goal, the Bank makes available to its high-net-worth clients a wide range of wealth management services via diversified investment products.

The Bank provided private banking services to its clients whose total assets were above USD 1.1 billion in average during 2016.

On the field of Private Banking, our main goal will continue to increase product ranges to be served to our clients through our dedicated services. In order for us to facilitate this goal, we continue to closely follow financial markets and regularly monitor and analyze both national and international macroeconomic developments.

International Relations

As a result of its experience in global financial markets as well as strong and deep-rooted relationships, the Bank has a dynamic and flexible structure that can quickly adapt to the changing global conditions when it comes to creating, borrowing and serving the clients' needs on the international front.

Observing the fast changing nature of the financial environment, we maintained our conservative approach with regards to allocating limits to the banks while we continued to focus on building strong working relationships with the banks who are counterparties for trade finance transactions of our exporting and importing clients.

On the other hand, CEB Suisse has successfully achieved to complete a one-year club loan facility amounting to 66.5 million EUR in December 2016. This facility is going to be used for the pre-export financing requirements of our exporting clients.

Treasury

The Treasury Department manages the liquidity of the Bank within risk management guidelines and principles, and conducts investments in high quality fixed income securities as part of this strategy. Besides prudent treasury management, the in-depth market knowledge and client focus of the team provides tailor-made investment solutions for client's needs.

During 2016, the Bank kept a close watch on the developments in the international markets, assessing the risk parameters within the framework of the principles of prudence and profitability and focused its attention on product diversification in order to respond in the best way possible to its clients' needs in today's rapidly changing markets.

In addition, Treasury Department conducts its business by employing the most current risk management techniques, taking into account global market developments and other risk factors. The innovative and prudent approach adopted by the Treasury Department paid back in generating high and stable income.

Auditors’ Report & Financial Statements