BIC-BRED (SUISSE) SA
Commodity Trade Finance & Corporate Banking

ANNUAL REPORT **2021**

BIC-BRED (SUISSE) SA

THE YEAR AT A GLANCE

KEY FIGURES

NET BANKING INCOME
+45%

NET RESULT BEFORE RESERVES FOR GENERAL BANKING RISKS
+106%

ROE
11.5%

ROA
1.1%

BALANCE SHEET (in CHF thousand)	**31.12.2021**	**31.12.2020**	**Change (absolute)**	**Change (%)**
Balance sheet total	1,229,654	974,814	*254,840*	*26%*
Amounts due from customers	838,719	580,850	*257,869*	*44%*
Amounts due in respect of customer deposits	501,815	196,206	*305,609*	*156%*
Equity	118,292	104,739	*13,553*	*13%*
of which Reserves for general banking risks (RGBR)	15,053	1,500	*13,553*	*904%*

OFF-BALANCE SHEET (in CHF thousand)			**Change (absolute)**	**Change (%)**
Off-balance sheet total	467,271	362,900	*104,371*	*29%*

RESULTS (in CHF thousand)			**Change (absolute)**	**Change (%)**
Net result from interest operations	18,830	13,827	*5,003*	*36%*
Result from commission business and services	12,318	7,621	*4,697*	*62%*
Result from trading activities	551	400	*151*	*38%*
Other result from ordinary activities	20	20	–	*0%*
Net banking income	**31,719**	**21,868**	***9,851***	***45%***
Operating result	13,935	6,991	*6,944*	*99%*
Net result before RGBR	**13,553**	**6,581**	***6,972***	***106%***
Change in RGBR	–13,553	–1,500	*–12,053*	*804%*
Net result	–	5,081	*–5,081*	*–100%*

RATIOS RELATING TO THE RESULTS (%)		
Equity/Balance sheet total	9.6%	10.7%
Operating result to equity	11.8%	6.7%
Net result before RGBR on equity (ROE)	**11.5%**	**6.3%**
Net result before RGBR on assets (ROA)	**1.1%**	**0.7%**
Cost/income ratio	56.2%	67.2%

LIQUIDITY AND EQUITY RATIOS (%)		
Liquidity coverage ratio (LCR)	139.0%	135.1%
Net Stable Funding Ratio (NSFR)	130.3%	–
Total equity ratio	14.3%	17.3%

HEADCOUNT			**Change (absolute)**	**Change (%)**
Full-time equivalents	70.8	60.3	*10.5*	*17%*
Number of employees	73	63	*10*	*16%*

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LETTER FROM THE CHAIRMAN AND THE CEO

PART 1

LETTER FROM THE CHAIRMAN AND THE CEO

Stève Gentili,
Chairman of the Board
of Directors

Emmanuel Lemoigne,
Chief Executive Officer

At the time we write, the international situation calls for caution, and we have little heart to rejoice. However, we believe it is reasonable, and even necessary, to extend the positive message we sent out last year. In this period of uncertainty in the wake of the global health crisis, we remain resolutely optimistic. The exceptional quality of our 2021 results and the vitality of our company are reasons for satisfaction and definite reassurance.

Taking advantage of a particularly buoyant economic environment for commodities, our teams, in keeping their composure, were able to adapt and cultivate the same professional approach, enabling our bank to continue its development without hindrance.

With banking income that exceeded CHF 31 million, on growth of 45%, and operating income that doubled, 2021 marks an additional step anchoring us in the Geneva banking community dedicated to commodity trade finance.

In 2021, we initiated new commercial relationships with commodity traders and actively participated, under the aegis of professional organisations, in joint workshops with our counterparts to review best practices in trade finance techniques. The application of these financing standards is the best guarantee of sustainability for all players in this sector, whether banks or trading companies.

On a more institutional level, and with the unfailing support of professional banking associations, we launched initiatives to raise awareness among the cantonal and federal political authorities in order to warn them of the negative impacts of the new liquidity regulations and the application of the Net Stable Funding Ratio (NSFR) for banks financing commodity trade.

Lastly, we strengthened our bank's resources by continuing to invest in digital and technology, with the aim of adding more agility and security to our information system. These investments were combined with a new effort to recruit talent to continue to link the two key factors in the banking world: talents and technology.

In 2022, we will remain true to our entrepreneurial values based on trust in people, ethics and a long-term vision of our development, keeping a close watch on the major challenges facing humanity.

There are numerous challenges! In particular, those related to population growth, with an impact on basic needs leading to a significant increase in demand for commodities. Climate change and the issue of water management also pose a challenge in terms of protecting the planet and for many agricultural commodity-producing countries.

In 2022, we will continue to focus on Africa, a continent that concentrates significant needs in terms of both imports and exports of agricultural commodities. We will rigorously ensure that we maintain our level of requirements for the entities financed in terms of compliance with environmental and social rules.

On this basis, and in line with the cooperation agreement that we are currently finalising with the International Finance Corporation (IFC, a member of the World Bank), we will continue our policy of partnering with multilateral institutions in order to offer new financing capacities to our clients.

2022 will also be the year of new geographical expansion for our bank with the opening of a branch in Dubai in the United Arab Emirates. This entity will strengthen our close relationship with our existing clients in this area. The dynamism of Dubai will also bring us closer to a large number of commodity traders and enable us to develop our banking relationships in the Gulf and the Indian subcontinent. We will endeavour to promote all aspects of our finance offering as well as all aspects of our capital market activities with the support of BRED, our parent company.

By addressing these new challenges, we hope once again to fulfil our ambitions and those of the BRED Group, by deploying our know-how, and by enhancing the reputation and strength of our brand to serve our customers and partners.

Stève Gentili,
Chairman of the Board of Directors

Emmanuel Lemoigne,
Chief Executive Officer

PART 2

GROUP AND SHAREHOLDER STRUCTURE

PART 2

GROUP AND SHAREHOLDER STRUCTURE

2.1 THE BPCE GROUP

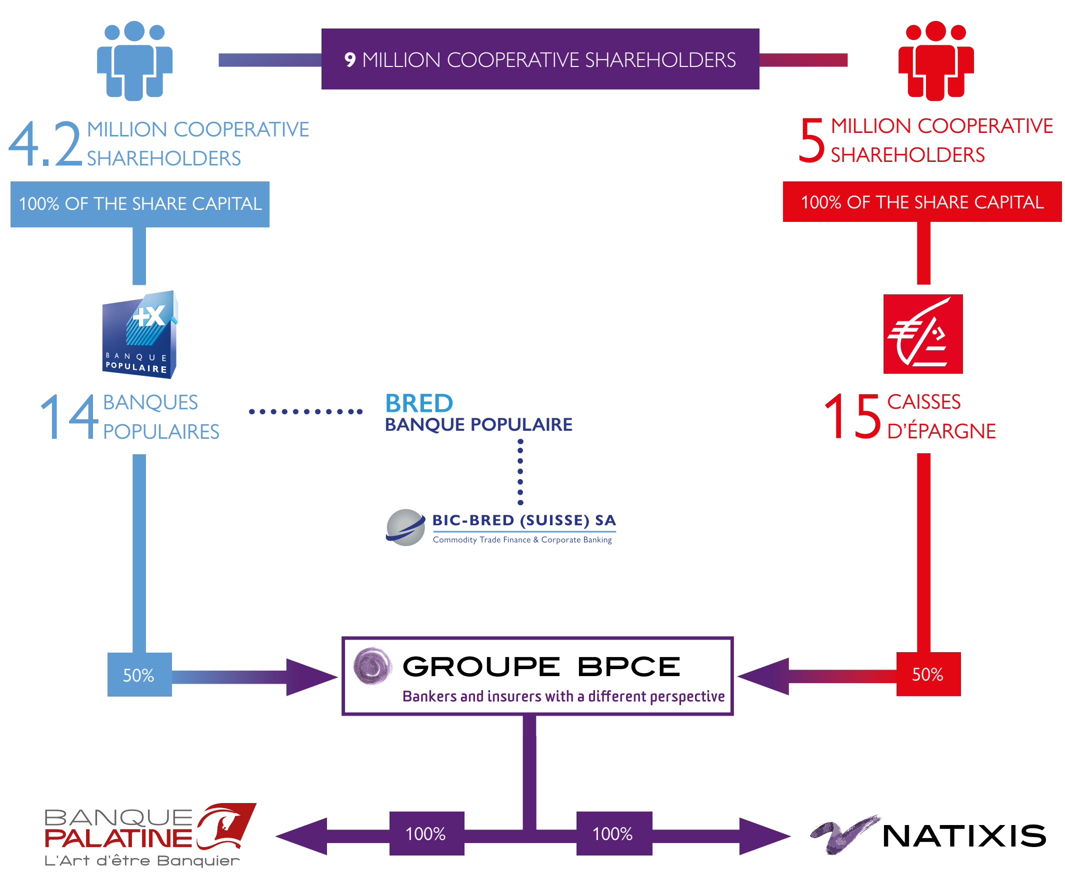
HISTORY

The BPCE Group was created in 2009 as the result of a merger between two major cooperative networks: Banque Populaire and Caisse d'Épargne.

In the space of a decade, it became one of the largest banking groups in Europe. It is now the second largest banking group in France, with 22% of market share[1].

STRUCTURE

Figure 1 **THE BPCE GROUP'S STRUCTURE CHART AT 31 DECEMBER 2021**



1 Source: Banque de France, based on customer loans in 2021

More than 9 million cooperative shareholders own all the cooperative shares comprising the capital of the Banques Populaires and Caisses d'Epargne banks. Their representatives form the Boards of Directors of the Banque Populaire banks and the Steering and Supervisory Boards of the Caisses d'Epargne banks.

The 14 Banque Populaire banks (including BRED) and the 15 Caisses d'Epargne banks hold 100% of the capital of BPCE, the Group's corporate centre.

In particular, the corporate centre is responsible for representing affiliates before the supervisory authorities, organising deposit guarantees, approving senior management and ensuring the proper functioning of the Group's institutions. It also determines the Group's strategic guidelines, coordinates its commercial policy and guarantees its liquidity and solvency. As a holding company, BPCE operates as the head of the group. It holds and manages the stakes in the subsidiaries.

BUSINESS ACTIVITIES

With 100,000 employees, the BPCE Group operates in more than 40 countries and serves 36 million customers: individuals, professionals, businesses, investors and local authorities.

It offers a full range of banking and insurance services. It also carries out global asset management, wholesale banking and payment activities with Natixis.

Figure 2 **THE 4 MAJOR BUSINESS LINES OF BPCE GROUP**

RETAIL BANKING, FINANCIAL SOLUTIONS AND EXPERTISE, INSURANCE

BANQUE POPULAIRE – CAISSE D'EPARGNE – BANQUE PALATINE – ONEY

Banking and financial services
Advisory and specialised financing

Insurance

ASSET & WEALTH MANAGEMENT

NATIXIS

Asset management
Wealth management

CORPORATE & INVESTMENT BANKING

NATIXIS

Strategic advice
Financing
Capital markets
Global Trade

PAYMENTS

NATIXIS

Payment solutions

KEY FIGURES

BPCE Group, the only European non-listed systemic financial institution, posted strong revenue growth in 2021. Most of its earnings were placed in reserve, thereby further strengthening its capital base.

Table 1 **THE BPCE GROUP'S KEY FIGURES AT 31 DECEMBER 2021**

in billions of euros	**2021**	**2020**	**Change** (absolute)	**Change** (%)
Net banking income	25.7	22.5	*3.2*	*14.2%*
Gross operating income	7.9	5.9	*2.0*	*33.9%*
Net income, group share	4.0	1.6	*2.4*	*150.0%*
CET1 ratio	15.8%	16.0%	*–0.2%*	*–1.3%*

EXTERNAL RATINGS

Thanks to these solid fundamentals, the BPCE Group benefits from good-quality external financial ratings.

Table 2 **THE BPCE GROUP'S KEY FIGURES AT 31 DECEMBER 2021**

	Fitch ratings	**Moody's**	**Standard & Poor's**
Long-term rating	A+	A1	A
Short-term rating	F1	P-1	A-1
Date of last report	17.11.2021	09.08.2021	03.12.2021

2024 strategic plan

On 8 July 2021, the BPCE Group unveiled its development plan, called "BPCE 2024", through which it aims to become the leader in banking, insurance and asset management in serving all customers.

Its motto is "More United, More Useful, More Robust".

- More United, because the BPCE Group, a cooperative, multi-brand and entrepreneurial institution, is strengthening its ability to act collectively through greater simplicity, more joint initiatives, and more shared investments,
- More Useful, because the BPCE Group, thanks to its unique cooperative banking model, provides concrete answers to the major social issues of concern to its cooperative shareholders, customers, employees, and partners,
- More Robust, because the BPCE Group is ready to seize every opportunity for growth by drawing on the wealth of expertise of its multi-company, multi-brand business model, notably in targeted areas.

The bid to acquire Natixis

In February 2021, as part of the preparation of its strategic plan, the BPCE Group announced it had submitted a simplified public tender offer for Natixis shares, followed by a possible squeeze-out.

On 13 July 2021, at the close of the takeover bid, BPCE announced that it held 91.90% of Natixis's share capital and voting rights. In accordance with the opinion of the French Financial Markets Authority (AMF), on 21 July 2021 BPCE carried out the mandatory squeeze-out, acquiring all the Natixis shares that had not been tendered to the bid.

The delisting of Natixis made the Group Europe's No. 1 unlisted banking group and further strengthened its universal cooperative banking model, while giving it increased strategic leeway.

2.2 THE BRED GROUP

HISTORY

In 1919, merchants, manufacturers and tradesmen came together at an event held by Louis-Alexandre Dagot, the Chairman of the *Union Commerciale et Industrielle de Vincennes* (Vincennes Trade and Industrial Union) to create one of the first cooperative banks.

STRUCTURE

The BRED Group is a member of the BPCE Group.

BRED Banque Populaire SA is the parent company of the BRED Group. It is owned by its 200,000 cooperative shareholders.

BUSINESS ACTIVITIES

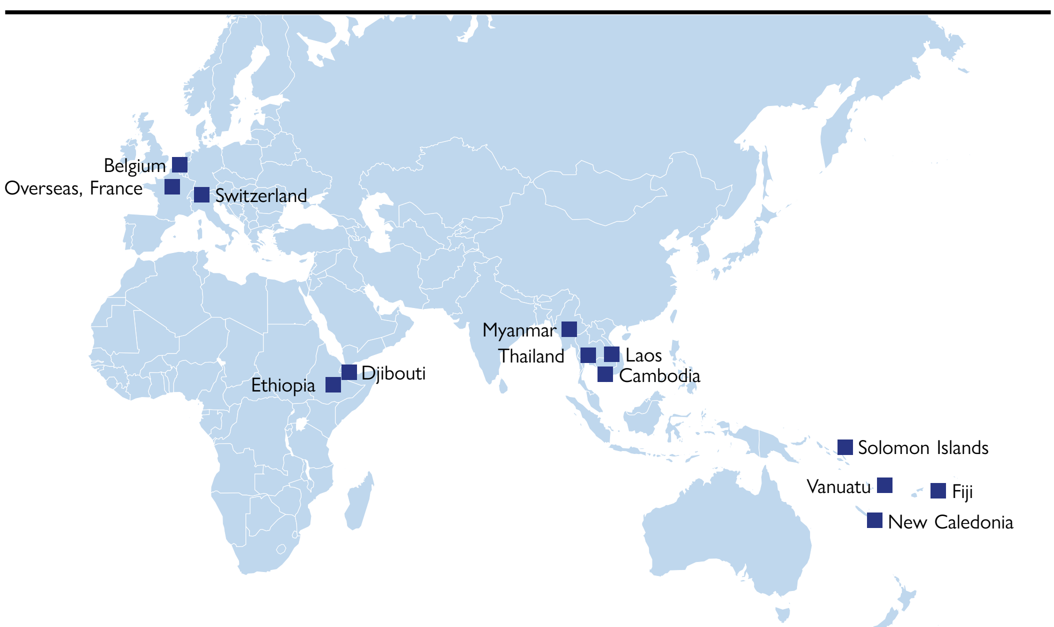
With 6,300 employees, 30% of which outside France, the BRED Group offers its 1.3 million customers the following diversified activities: retail banking, large corporate and institutional banking, private banking, asset management, trading desk, insurance and international trade finance.

BRED GROUP LOCATIONS

The BRED Group has establishments in:

- Europe: France, the French overseas departments and territories, Belgium and Switzerland;
- Asia: Laos, Cambodia, Thailand and Myanmar;
- Africa: Djibouti and Ethiopia;
- Oceania: New Caledonia, Vanuatu, Fiji and the Solomon Islands.

Figure 3 **THE BRED GROUP'S LOCATIONS ABROAD**



KEY FIGURES

Following a strong and steady increase in NBI since 2012, the BRED Group posted historical results in 2021.

Table 3 **THE BRED GROUP'S KEY FIGURES AT 31 DECEMBER 2021**

in millions of euros	2021	2020	Change (absolute)	Change (%)
Net banking income	1,456	1,283	*173*	*13.5%*
Gross operating income	653	513	*140*	*27.3%*
Net income, group share	412	270	*142*	*52.6%*
CET1 ratio	16.5%	17.3%	*–0.8%*	*–4.6%*

SIGNIFICANT EVENTS IN 2021

NextGenerationEU

BRED is one of the 5 French banks and the 39 European banks to have been selected by the European Commission as a primary dealer for placing its debt issues in connection with the NextGenerationEU plan.

It also places short-term debt of Austria, Ireland, Belgium, the Netherlands and Estonia.

Main partner of the *Transat Jacques Vabre*

The BRED Group is the main partner of the 15th Transat Jacques Vabre sailing race, which for the first time connects two of the Group's emblematic regions: Normandy and Martinique.

This wonderful human adventure, shared by BRED's teams, the companies, customers and skippers, is a demonstration of the values of the sailing world that BRED shares: team spirit, agility and pugnacity. BRED partnered with 150 SMEs in the construction of the trimaran. This transatlantic event was a significant moment shared with BRED's clients in the starting village. They were able to discover and support its actions in favour of children, integration, the accessibility of sport and equal opportunities.

2.3 BIC-BRED (SUISSE) SA

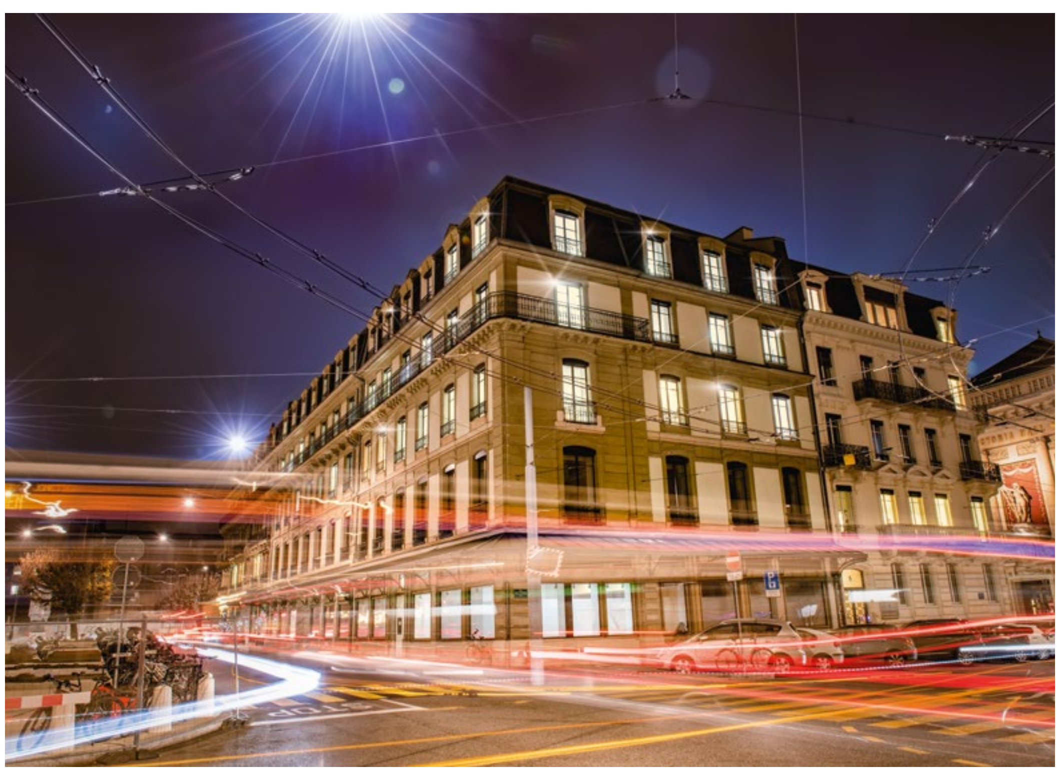
HISTORY

In 1991, the BRED Group, through Banque Internationale de Commerce – BRED SA in Paris, created a branch dedicated to financing commodities trading in Geneva. Its business focused mainly on the Mediterranean countries and Central and Eastern Europe. The branch was also present in Istanbul through a representative office.

In 2015, Banque Internationale de Commerce – BRED SA, Paris created a limited company in Geneva to which it transferred all the branch's assets and liabilities. The subsidiary Banque Internationale de Commerce – BRED (Suisse) SA ("BIC-BRED (Suisse) SA") was born, with its registered office at Place de Longemalle in Geneva. In the same year, it obtained a banking licence from the Swiss Financial Market Supervisory Authority (FINMA).

In 2019, to cope with the growth of its staff, the Bank moved to more spacious premises located on Boulevard du Théâtre in Geneva.

In order to support its growth, in 2020, BIC-BRED (Suisse) SA carried out a capital increase for a total amount of CHF 25,000,000. This capital increase, subscribed for in full by Banque Internationale de Commerce – BRED SA, Paris, raised the Bank's share capital from CHF 78,073,800 to CHF 103,073,800.



The Bank's headquarters on the Boulevard du Théâtre in Geneva.

STRUCTURE

BIC-BRED (Suisse) SA is wholly owned by Banque Internationale de Commerce – BRED SA, Paris, 99.99% of which is owned by Compagnie Financière de la BRED SA (COFIBRED), itself wholly owned by BRED-Banque Populaire.

SIGNIFICANT EVENTS IN 2021

Recommended best practices

In 2021, following losses in the trade finance sector due to significant fraud and bankruptcy events, ten Swiss-based banks, including BIC-BRED (Suisse) SA, federated by the Swiss Trading & Shipping Association (STSA), contributed to the creation of a document summarising the recommended best practices in commodity trade finance.

The optional implementation of these recommendations by each bank and ongoing regular discussions on these issues of common interest are seen as important tools to reduce credit losses in the future and to ensure the sustainability of commodity trade finance activities. Please refer to Section 5.4 Credit policy and portfolio of this report for more details.

Project to open a branch in Dubai

The Bank wishes to establish a presence in Dubai through a branch located in the Dubai International Financial Center (DIFC) to benefit from the region's dynamic international trade activity.

This new entity will enable the Bank to provide close service to its UAE-based clients, to develop its client portfolio in a selective manner, to open up new relationships with banks in the region and to offer the products of the BRED trading desk locally.

A category 4 banking licence application was submitted at the end of 2021 to the local regulator, the Dubai Financial Services Authority (DFSA). In April 2022, the Bank received the in principle approval from the DFSA, allowing it to initiate the process of creating the structure.

PART 3

CORPORATE GOVERNANCE

PART 3

CORPORATE GOVERNANCE

The Bank's guidance, supervision and control is carried out by the Board of Directors, supported by its committees. The Bank's general management is carried out by the Executive Board.

3.1 BOARD OF DIRECTORS

MEMBERS OF THE BOARD OF DIRECTORS

The members of the Board of Directors are appointed by the shareholders at a General Meeting for a renewable term of five years.

As at 31 December 2021, the Board of Directors had nine members, three of whom were independent[2]. In 2021, Maylis Coupet was appointed a member of the Board of Directors, replacing Jean-Paul Julia.

DUTIES AND REMIT

The Board of Directors is responsible for the Bank's supervision and control. It has ultimate responsibility for supervising the conduct of the Bank's affairs and for overseeing the work of the Executive Board. It ensures, in particular, that the Executive Board complies with laws, the articles of association, regulations and instructions.

The Board of Directors is responsible for establishing an appropriate business organisation and issues the rules and regulations required to achieve this. It enacts the rules required to manage the Bank, to supervise such management and to determine the powers granted to the administrative and management bodies. It approves organisational rules.

2 Members of the Board of Directors are deemed to be independent if:
- They do not hold another position within the institution and have not held one for the last two years;
- They have not held the position of auditor responsible for the institution within the auditing firm in the last two years;
- They do not have a business relationship with the institution that, as a result of its nature or scope, creates a conflict of interest; and
- They do not own a qualifying shareholding in the institution or represent an owner of such a shareholding.

STÈVE GENTILI

a French national and resident

Role
Chairman of the Board

Education
Holder of a bachelor's degree in IT and Management and a graduate of the *Collège des Sciences Sociales et Économiques*.

Career experience
Stève Gentili was previously the Chief Executive Officer of an agri-food company and Chairman and Chief Executive officer of an inter-sector business organisation.

As well as acting as Chairman of the Board of Directors of BRED Banque Populaire and COFIBRED (Compagnie Financière de la BRED), he is a director of various BRED Group entities and a member of PREPAR VIE's Supervisory Board.

He served as Chairman of BPCE's Supervisory Board, and as a director of COFACE, THALES and VEOLIA.

He is currently the Chairman of the Board of Directors of Natixis Institutions Jour and PRAMEX International.

LOUIS HABIB-DELONCLE

a French national and Swiss resident

Role
Vice-Chairman of the Board, independent member

Education
Graduate of the *Institut d'Études Politiques de Paris* and holder of a master's degree in international law from the *Université de Paris 1*.

Career experience
Louis Habib-Deloncle began his career as CEO of United Commercial Agencies in Paris (1977–1980).

He was then appointed a director and Chief Executive Officer of Insurance Services Overseas (1980–1985).

From 1985 to 2000 he was founding Chairman of Unistrat P.A.R.I.S and, from 1984 to 2009, he was founding Chairman of HDA, which became Assurances, Finances et Développement.

From 1990 to 2007 he was Chairman of the Management Board of Eurexim Holding and, from 1994 to 2000, he was Chairman and Chief Executive Officer of Unistrat Assurances, Paris.

He was part of the ICISA's Solvency II working group from 2009 to 2013 and has been a member of AIDA's credit insurance/guarantee group since 2009.

Between 2003 and 2014, he was Chairman of Garant, a company based in Vienna and Geneva, which specialises in credit insurance and in insuring political risks for companies and banks that offer *Trade* and *Export Finance* solutions.

HERVÉ CATALA

a French national and resident

Role
Member of the Board, independent member

Education
Holder of a master's degree in public law

Career experience
Hervé Catala has spent his entire career at Banque Indosuez and Crédit Agricole Corporate and Investment Bank.

After a few years working firstly in Paris in the Commitment Management Division, then as a Senior Banker in the European Large Corporates Division, in 1987 he joined the French Regions Division as Head of the Nancy and then Lille branches and then, finally, the Rhône-Alpes region, before assuming national responsibility in 1994.

He was appointed CEO of Crédit Foncier de Monaco in 1999, then of Indosuez Wealth Management in 2007.

In 2011, he joined the Crédit Agricole group's Swiss team as the *Senior Country Officer* and was appointed CEO of Crédit Agricole Indosuez Switzerland, a position that he held until 2016, when he joined the Executive Board of the Crédit Agricole SA group's Premium Client Solutions Division and the Executive Board of Crédit Agricole *Corporate and Investment Bank.*

MAYLIS COUPET

a French national and resident

Role
Member of the Board

Education
Graduate of *École Nationale de la Statistique et de l'Administration Économique*

Career experience
In 2009, Maylis Coupet began her career as an economist at the French Treasury Department, and was then put in charge of the European negotiations over Solvency II. She then joined the French Inspectorate General of Finance.

Between 2010 and 2014, she headed the financial markets office of the French Treasury Department.

In 2014, she joined Société Générale as Lead Inspector.

In 2017, she became a banking advisor in charge of a portfolio of large corporates and intermediate-sized companies at Societe Generale.

In 2021, Maylis Coupet was appointed Head of Corporate & Investment Banking at BRED.

JEAN-LUC DECORNOY

a French national and Swiss resident

Role
Member of the Board

Education
Graduate of the *École Supérieure des Sciences Économiques et Commerciales de Paris* and chartered accountant.

Career experience
From 1995 to 2002, Jean-Luc Decornoy was a member of the Regional Board of the Versailles *Compagnie Régionale des Commissaires aux Comptes* or CRCC (regional association of statutory auditors).

He then held the position of Vice-Chairman, then Chairman, of the *Appel Public à l'Épargne* or APE (public offering) department of the national association of statutory auditors, the *Compagnie Nationale des Commissaires aux Comptes* (CNCC).

From 2001 to 2013, he held the position of Chairman of KPMG France, and was a member of the European Board and the Global Board of KPMG and, from 2008 to 2013, he was Chairman of KPMG's Global Audit Committee.

He has been a director of BIC-BRED Paris since 2014.

JEAN-PIERRE FOURÈS

a French national and resident

Role
Member of the Board

Education
He holds a bachelor's degree in public law and is a graduate of the *École Supérieure de Journalisme*, the *École Nationale Supérieure de Police* and the *Institut des Hautes Études de la Défense Nationale.*

Career experience
Jean-Pierre Fourès currently holds the position of co-CEO of SEC Sari. He is also a director of BRED Banque Populaire, BRED Gestion, BIC-BRED Paris and the BRED Foundation, as well as of the Sainte Marie Hospital Foundation and Rougier SA.

OLIVIER KLEIN

a French national and resident

Role
Member of the Board

Education
Graduate of the *École Nationale de la Statistique et de l'Administration Économique* and of the post-graduate finance programme at HEC Paris.

Career experience
Olivier Klein began his career at BFCE Natexis (1985), where he held the position of Regional Director (1993–1996), amongst others.

He then became a member of the Executive Committee and Head of Sales and Development at B.R.A., part of the CIC Group (1996–1997).

From 1998 to 2000, he replaced the Chairman of the Executive Board of the Caisse d'Épargne Caisse de Picardie Group.

From 2000 to 2007, he chaired the Management Board of Caisse d'Épargne Ile-de-France Ouest, and the Caisse d'Épargne Group's National Retail Banking Committee.

From February 2007 to April 2010, he held the position of CEO of Caisse d'Épargne Caisse Rhône-Alpes and, from April 2010 to September 2012, he was Chief Executive Officer of the BPCE Group.

Since September 2012, he has been Chief Executive Officer of BRED Banque Populaire, Paris.

STÉPHANE MANGIAVACCA

a French national and resident

Role
Member of the Board

Education
Degree in Civil Engineering in 1999

Career experience
Stéphane Mangiavacca began his career at the French Economic and Financial Mission in China in 1999–2000.

In 2001, he joined the Group Audit Department of Banque Fédérale des Banques Populaires (now BPCE) and in 2006 he was appointed Head of Quantitative Audit.

He then joined BRED in 2009, and was appointed to the Executive Committee in 2012 as Chief Risk Officer. His responsibilities were then extended to Compliance and Permanent Control.

Since January 2020, he has been Head of International at the BRED Group.

From 2020 to 2021, he was Chief Executive Officer of BIC-BRED Paris.

He is currently Chairman of the Board of Directors of BRED Bank Fiji and BCI Mer Rouge.

JEAN-PIERRE VETTOVAGLIA

a Swiss national and French resident

Role
Member of the Board, independent member

Education
He studied law at the universities of Lausanne, Rome and Geneva.

Career experience
Jean-Pierre Vettovaglia passed the competitive examination for entry to the diplomatic service in 1969.

During his diplomatic career he held the positions of secretary, minister, delegate and expert, working at the Swiss Embassy in Ghana (1971–1974), India and Nepal (1974–1977), Yugoslavia (1977–1981) and the Permanent Mission of Switzerland to the international organisations in Geneva (1983–1988).

He was then Ambassador in Vienna (1988–1993), Romania (1993–1996) and Paris (2000–2007).

He twice served as mediator in Mauritania and the Democratic Republic of the Congo. He also had the opportunity to conduct electoral missions in Africa.

He was a director of BIC-BRED Paris until 30 May 2016.

He has worked as an international consultant since 2007.

He is a lecturer at various universities, in Lyon (Jean Moulin III) and in Hauts de France. He received the *Prix Turgot de la Francophonie* award for a trilogy devoted to the "Prevention of crises and the promotion of peace".

He is a columnist covering international affairs for *Q Magazine.*

3.2 COMMITTEES AND DELEGATION OF AUTHORITY

The Board of Directors has set up two committees to assist it in carrying out its duties:
1. The Audit Committee;
2. The Board Credit Committee.

The Board of Directors remains responsible for the tasks delegated to these committees.

MEMBERS OF THE BOARD OF DIRECTORS' COMMITTEES

At 31 December 2021, these committees had the following members:

Committees	Members
Audit Committee	Louis Habib-Deloncle (Chairman) Jean-Luc Decornoy Stéphane Mangiavacca Jean-Pierre Vettovaglia Hervé Catala
Board Credit Committee	Stéphane Mangiavacca (Chairman) Olivier Klein Stève Gentili

DUTIES AND REMIT

Audit Committee

The main roles of the Audit Committee, which met four times in 2021, are to monitor and assess the integrity of the financial statements, the internal control system, the effectiveness of the external auditor and their cooperation with internal audit processes. It is also responsible for assessing the internal audit processes.

Board Credit Committee

The purpose of the Board Credit Committee is to review and validate loan applications for an amount exceeding 10% of the Bank's equity capital.

3.3 EXECUTIVE BOARD

From left to right: François Monnier, Franck Nater, Anne-LyZumbino, Emmanuel Lemoigne, members of the Executive Board.

MEMBERS OF THE EXECUTIVE BOARD

General management is carried out by the Executive Board, which is appointed by the Board of Directors.

DUTIES AND REMIT

The Executive Board is responsible for day-to-day management and for ensuring that the Bank is appropriately structured, and reports to the Board of Directors. It is tasked with making sure that the Bank's business is conducted properly, using all the means at its disposal.

It regularly reports to the Board of Directors on developments in the Bank's operations. It oversees the correct and faithful implementation of all the decisions made by the Board of Directors.

EMMANUEL LEMOIGNE

a French national and Swiss resident

Role

Chief Executive Officer since 2015

Education

Technical university diploma in the management of companies and administrations, diploma from the *École Supérieure de Commerce d'Amiens* (ISAM), post-graduate diploma from the *Institut Technique de Banque* and diploma from the *Centre d'Études Supérieures de Banque*.

Career experience

Emmanuel Lemoigne has spent his entire career at BRED, first as Group Manager and Sales Manager in the *Retail Banking Division* (1991–2001), then as Head of Distribution in the *Corporate Banking Division* (2001–2005).

He also held the position of *Regional Manager* in the *Retail and Corporate Banking Division* (2005–2009) and, from 2009 to 2015, he was an Executive Director and a member of the BRED Group's Executive Committee, in charge of Wholesale Banking.

FRANÇOIS MONNIER

a Swiss national and French resident

Role

Deputy Chief Executive Officer and Head of Sales since 2015.

Education

Graduate of the *Institut Supérieur de Gestion*.

Career experience

François Monnier began his career with Compagnie Bancaire (1988–1994).

He then worked as a business account manager at Crédit National (1994–1998), which became Natixis a few years later.

From 1998 to 2001, he was Natixis's *Chief Representative* in Indonesia then, when he returned to France, he held the position of *Group Head of Metals, Paris*, then Group *Head of Soft Commodities*, Paris, within Natixis's Trade department (2001–2009). He joined BNP Paribas (Suisse) in 2009 and, in 2012, became *Group Head, Energy and Metals*, within the *Energy and Commodity Finance Division.*

FRANCK NATER

a Swiss national and French resident

Role

Deputy Chief Executive Officer and Chief Operating Officer since 2015.

Education

Graduate of the *Université de Paris* in sociology and public relations.

Career experience

Franck Nater started his career at B.A.I.I., Paris, as an *Account Officer* (1989–1991).

He worked for Bank Brussel Lambert (Suisse) as *Team Head in the L/C Department* (1991–1995).

From 1995 to 1999, he held the position of *Relationship Manager, Commodity Trade Finance*, at Crédit Lyonnais (Suisse), then joined BNP Paribas (Suisse), successively holding the positions of *Relationship Manager, Commodity Trade Finance*, *Team Head Collateral Officer, Commodity Trade Finance*, *Deputy Head Collateral Officer, CIB, Energy Commodity Financing*, and *Head of Transaction Management, CIB, Energy Commodity Financing*, from 1999 to 2015.

ANNE-LY ZUMBINO

a Swiss national and French resident

Role

Chief Risk Officer since 2020.

Education

A graduate of the *Institut Commercial de Nancy*, with a Master's degree in Accounting and Financial Science and Techniques from the University of Nancy.

Career experience

Anne-Ly Zumbino worked in credit for 15 years at BNP Paribas in Paris and then in Geneva. She covered the corporate banking and specialised financing sector in the United States, then the commodities sector from 2003.

She joined BIC-BRED (Suisse) SA in August 2015 to structure and manage the Commitments and Credit Department.

PART 4

BUSINESS ACTIVITIES

BUSINESS ACTIVITIES

From its base at the heart of Geneva, one of the world's leading market places for commodity trading, BIC-BRED (Suisse) SA is pursuing its development strategy centred on commodity trade finance through its vast range of financing and service solutions.

François Monnier, Deputy Chief Executive Officer and Head of Sales

MESSAGE FROM THE DEPUTY CEO AND HEAD OF SALES

"After a year in 2020 marked by COVID-19, which significantly impacted the international trading market, 2021 was the year of all extremes.

The widespread rise in almost all commodity prices – oil (+68%), natural gas (+75%), copper (+51%), nickel (+34%), fertiliser (+81%), wheat (+25%) – was accompanied by the three to fourfold increase in container freight prices, a disorganisation of marine traffic and a scarcity of bank lending following the many frauds in 2020.

These events are the result of various factors accumulating over the same period:

- massive stimulus plans in developed countries to boost the post-COVID economic machine;
- the drop in stocks of commodities and spare parts during the lockdowns, requiring rapid replenishment;
- a disorganisation of container transport favouring some very profitable routes (China – US – Europe) at the expense of other routes, creating supply chain bottlenecks;
- a frenzy of spending in developed countries after the lockdowns, as evidenced by the growth figures in 2021, fuelling demand for manufactured goods well above current production capacity and inventories.

Against this backdrop, the commodity traders demonstrated their ability to cope with the logistics (freight management), finance (financing of products at historically high prices) and technical (highly volatile price risk control) challenges, making their role in the international trade value chain essential.

BIC-BRED (Suisse) SA had to deal with a sharp increase in customer financing requests both in number and value, with significant growth in the customer portfolio (+14%). At the end of 2021, the portfolio stood at around 120 customers, within the average of Swiss banks active on this market, thereby making the bank a recognised player in commodity finance.

2022 looks set to be promising, with prices still very high and the need for commodities still at their zenith in the context of a global economic recovery. BIC-BRED (Suisse) SA will accompany its customers to support them in this complex environment but full of opportunities".

4.1 INTERNATIONAL TRADE FINANCE

FINANCING SOLUTIONS

The Bank offers solutions such as:

- Pre-financing on behalf of traders for producers, for goods in the production or extraction stages;
- Financing of goods during the transport stages (by sea, rail, etc.);
- Financing of goods during short-term periods of storage or for accumulation or processing in producing countries (inland or at a port) until they are distributed in the countries where they are to be consumed;
- Financing of outstanding receivables, secured by credit insurance or letters of credit, or payable by banking channels;
- Financing of hedging solutions for price and forex risks on a spot or forward basis for various types of currencies.

It thus covers the different stages of the supply chain:

Figure 4 **LOGISTICS CHAIN**

Prepayment	**Transit**	**Port storage**	**Floating**	**Banking risk**
Performance risk	Logistics risk	Logistics risk	Logistics risk	Payment risk

The transactions financed generally have the following characteristics:

Table 4 **CHARACTERISTICS OF THE MAIN TRANSACTIONS FINANCED**

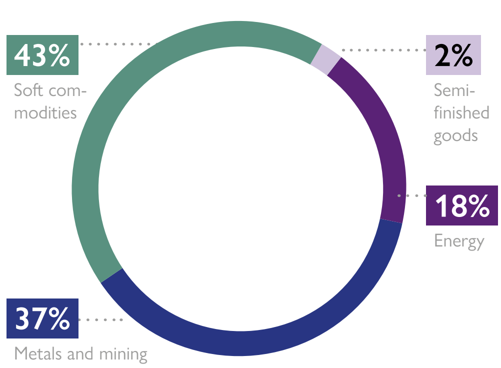
Transactional	The approach is described as transactional in opposition to the term "corporate financing". Each transaction is financed independently of the others, with sureties and features specific to each one. Each financing stage is structured with a specific combination of guarantees and maturities.
Self-liquidating	The proceeds from the sale of the goods are used to repay the credit.
Short term	The duration of the operations financed is usually between 30 and 180 days.

SECTORS

The Bank offers this range of services in different sectors:

- Energy;
- Metals and mining;
- Soft commodities;
- Semi-finished products.

Figure 5 **BREAKDOWN OF THE NUMBER OF CLIENTS BY SECTOR AS AT 31 DECEMBER 2021**



CLIENT PORTFOLIO

The Bank's client portfolio is composed of around 120 international trading groups, of all sizes.

While the majority of the portfolio (68%) consists of groups domiciled in Switzerland, the Bank addresses the needs of its clients without any geographical restrictions (except for those imposed by international rules) and also finances companies domiciled abroad, particularly in Europe (18%), Asia (7%) and the Middle East (5%).

Since 2017, the size of the client portfolio has increased significantly, reflecting the dynamic commercial activity, as illustrated by the 3.5x increase in authorised lines to CHF 2.7 billion at 31 December 2021.

The level of use of the lines has increased steadily, and reached CHF 1.1 billion at the end of 2021 due both to the portfolio growth and rise in commodity prices.

TRANSACTION MANAGEMENT

BIC-BRED (Suisse) SA is a niche player that makes flexibility and speed of execution its priority, which it achieves through the professionalism of its teams.

Different teams play a key role in the management of transactions:

- The team of Relationship Managers
  This team identifies client needs, then structures and sets up credit facilities. Some managers are dedicated to banking relationships. They set up bank coverage capacities in emerging markets in order to secure exports payable by bank instruments.

- The team of Account Officers
  This team is responsible for the smooth running of operations. It assesses and validates each new financing application. It is responsible for setting up each transaction, which it monitors until it is settled.

- The documentary credit team
  These employees process and monitor documentary transactions for imports and exports. They are responsible for the proper execution of client instructions: they check the accuracy and consistency of transactions, as well as compliance with internal and international rules governing documentary instruments.

In order to ensure optimal quality of transaction processing, special attention is paid to rigour, continuous training, the implementation of IT tools dedicated to trade finance and the systematic use of the 4-eyes principle within each team.

4.1.1 ENERGY

From left to right: Thomas Didier, Xuan Uong-Nguyen and Ilario Cirieco, Relationship Managers for Energy clients

2021 was characterised by soaring oil and gas prices.

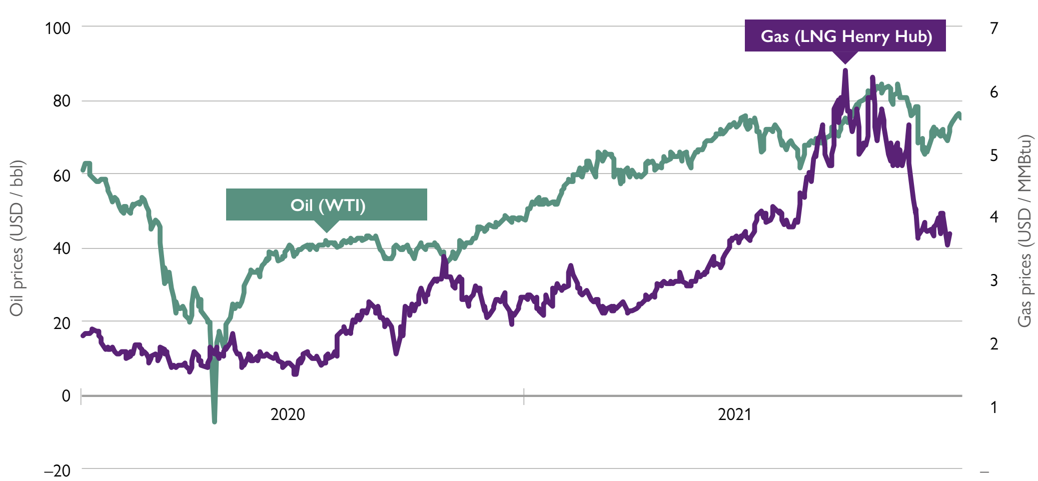
There were many simultaneous reasons for this rise:

- Shortage of investment and labour in oil exploration and production
- China's decision to block Australia's coal imports;
- Announcement of the end of the production of Europe's largest natural gas field in Groningen;
- Change in the destination of liquefied natural gas exports from the United States to China and other Asian countries, to the detriment of Europe, with the former willing to pay higher prices.

During 2021, BIC-BRED (Suisse) SA helped energy traders meet their growing financing needs.

The Bank's portfolio of energy product traders is extremely diverse, ranging from trading in crude oil to refined products (diesel, gasoline, naphtha, bitumen) and liquefied petroleum gas (LPG).

Figure 6 **CHANGE IN OIL AND GAS PRICES**



CRUDE OIL

The Bank continued to finance this activity, which is essential for the functioning of the global economy.

Crude oil producing countries must be able to export it to foreign refineries so that it can be processed into refined and petrochemical products.

FUELS

The Bank offers financing solutions to traders who export the fuel produced by refineries to the countries where end-consumers are located.

LIQUEFIED PETROLEUM GAS (LPG)

The Bank is involved in propane and butane gas transactions in the form of LPG coming from North Africa, the Middle East and the United States.

This gas is sold to private consumers in the Caribbean, Oceania and Africa, where people still commonly use these energy sources, especially for cooking. It is also sold in Asia, where it is one of the basic components of the petrochemical industry.

BITUMEN

The Bank finances bitumen deliveries purchased at US and European refineries. It is used for the construction of road infrastructure in Africa, a continent that is facing the challenge of strong growth in urbanisation due to its changing demographics.

BASE OIL

This oil derivative is the main ingredient in lubricants and motor oils. It helps reduce the volatility of mixtures and thereby improves their stability, increasing the efficiency of lubricating applications. Base oil has other properties as it defines the degree of viscosity of a lubricant, which must be sufficiently fluid to reach the various components of a car, but also thick enough to guarantee protection against friction between the metal parts of the vehicle. It also reduces the sulphur content of lubricants.

Here again, the Bank supports its customers by offering solutions to enable them to finance the export of this good from producer countries to end-users.

4.1.2 METALS & MINING

From left to right: Aude Rieger, Pierre-Paul Briguet (Department Head) and Arthur Goldman, Relationship Managers for Metals clients

2021, characterised by an overheating logistics market and very high volatility of metal prices, was a test for the traders. The logistics problems extended the storage periods in ports and led to significant renegotiations of contracts.

BIC-BRED (Suisse) SA was responsive during this unusual year, notably in adjusting the size and financing terms of the authorised lines when needed. The success of its trading clients will depend heavily on their ability to anticipate market movements and adapt to these fluctuations, but also on the ability of their banking partners to adapt to a changing world. BIC-BRED (Suisse) SA intends to make every effort to remain a preferred partner of its metals and mining clients. The Bank has significantly expanded its portfolio in this sector, which currently consists of around 50 traders of various sizes, active in base metals (48%), steel (35%) and ores and alloys (17%).

BASE METALS

The Bank finances a wide range of transactions in base metals, including copper, aluminium, zinc, lead and nickel, in their various forms (concentrates and refined).

Their financing may begin ex-mining or foundry in the major producing regions such as Latin America, Africa, Russia or Indonesia, and then continue during the road or rail transport stage up to the port of export, as well as the shipping stage right up to the place of processing or consumption. This transaction financing is repaid by the end-buyer's payment, which can be made up to 120–180 days after the start of the financing.

The Bank strives to offer tailored solutions to its clients. For example, it has set up pre-financing for supply contracts signed with African foundries for periods longer than one year.

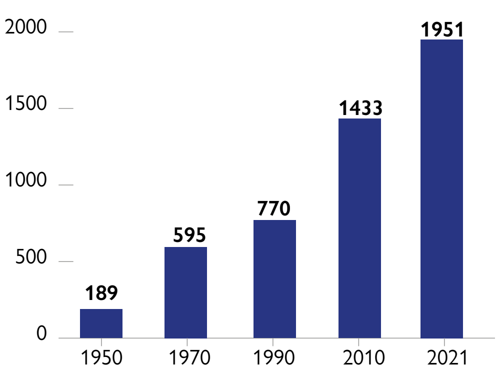
Base metals are used by many industries, including construction and automotive. They play a key role in the energy transition. Copper, in particular, is used in electric vehicles, wind turbines, photovoltaic solar technologies and batteries. For example, 40 kg is needed for a hybrid vehicle and about 80 kg for an electric vehicle.

STEEL

Steel is an essential engineering and construction material. It is used in construction, automotive, food conservation, communication, energy and health.

Global steel production is up sharply. It increased more than 10-fold between 1950 and 2021, from 189 million to 1,951 million tonnes.

Figure 7 **GLOBAL STEEL PRODUCTION SINCE 1950**
(in millions of tonnes)



Source: Worldsteel Association

2021 was exceptional for many traders operating in non-ferrous metals. They benefited from a significant gap between supply and demand during a catch-up phase of the post COVID-19 economy, which saw the prices of certain steel products jump by nearly 100%. In this particular context, the traders fulfilled their pivotal role in the supply chain, helping supply to meet demand.

BIC-BRED (Suisse) SA is active in the financing of steel. It finances a wide variety of steel products, from the raw materials needed for the manufacture of steel (iron ore and scrap), semi-finished, long and flat products (rolled coil, billets, iron bars, machine wire, etc.).

For example, this could be financing scrap iron from the UK destined for Europe or Turkey, coils from Asia sent to Egypt, Algeria or Morocco, steel plates produced in South Korea intended for Indonesia.

ORES AND ALLOYS

In just a few years, the iron ore market has moved from a fixed-price system to market-indexed prices, facilitating financing, significantly reducing the risk of default and allowing producers and consumers adequate cash flow planning.

To cope with the very high volatility of iron ore prices, the Bank supported its clients by offering tailored financing solutions, notably to cover this price risk through a tripartite agreement with a broker. The Bank also set up temporary pre-hedge facilities allowing producers to set a price before production and delivery, over varying periods of time.

4.1.3 SOFT COMMODITIES

From left to right: Jérôme Hayoz, Sandrine Cazin, Michael Jackisch (Department Head) and Paul Guéry, Relationship Managers for Agricultural products clients

In 2021, BIC-BRED (Suisse) SA continued to support its clients trading agricultural products, notably by credit line extensions, required by the rise in the prices of many agricultural products (see two examples below).

The Bank also set up partnerships with multilateral institutions (IFC, FMO). As from the first half of 2022, it will make its transaction structuring and monitoring expertise available to them, with the aim to co-finance transactions in soft commodities from or to developing countries.

At the same time, the Bank pursued its strategy of consolidating sector portfolios, which already positions it as an expert in certain soft commodities. Therefore, while the portfolios of grain and coffee traders were already largely mature, the portfolio of fertiliser traders was increased in 2021. It now includes most major traders, as well as a few niche and new players.

In addition, in 2021, a few historical relationships of BIC-BRED Paris were taken over by Geneva as part of the centralisation of the international trading activity at BIC-BRED (Suisse) SA, which contributed to strengthening the client portfolio.

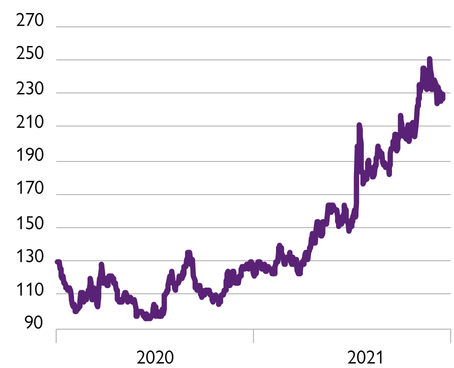
BIC-BRED (Suisse) SA also continues to develop financing for other agricultural commodities in order to diversify its financing in terms of price trends, seasonality, geographical and weather risks, and therefore credit risk. New relationships are being developed, notably in the tropical products sector, which will provide the Bank with considerable geographical diversification in a changing geopolitical context.

IMPACT OF WEATHER EVENTS

In agriculture, weather events remain fundamental, especially when they compound long-term trends, growing cycles or specific logistics contexts, as illustrated in 2021 by the trend in the price of arabica coffee.

Several nights of freezing temperatures in important coffee areas in Brazil, particularly in July 2021, will have a significant impact on the 2022–2023 harvest of the No. 1 coffee-exporting country. The reduction in global production expected as a result of these frosts will be even sharper due to the fact that this harvest in Brazil will follow an already lower 2021–2022 yield due to the biennial cycle of coffee plants.

Figure 8 **CHANGE IN THE PRICE OF ARABICA COFFEE (ICE NY)** (in US cents/Lb)



Source: Bloomberg

As early as mid-July, the markets anticipated a significant deficit in the production of arabica coffee, and its prices rose sharply, exceeding the symbolic level of 200 US cents/Lb.

In the short term, due to COVID-19, the difficulty of access to containers makes the logistics of coffee exports from producer countries to consumption/processing countries more difficult and expensive. This is also true for other agricultural commodities such as cocoa and cotton. In the long term, global warming will have a significant impact on coffee production in some producing countries.

IMPACT OF LOCAL POLICIES

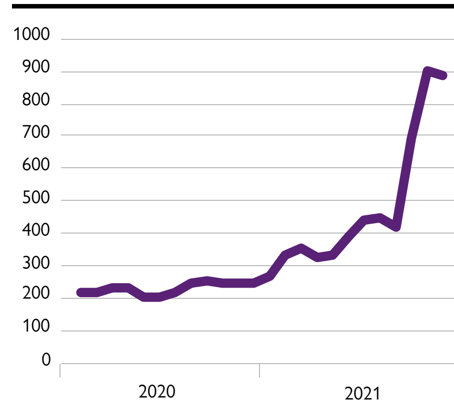
In agricultural matters, local policies influence global demand, supply and prices.

The fertiliser market saw a sharp rise in prices in early 2021, followed by a surge at the end of the year, caused by certain national policies.

On the one hand, India wanted to make up for its delay in importing fertilisers due to COVID-19 in 2020, and increased the number of bids from its State-owned companies, pushing prices higher. The expectation and then announcement of restrictions on fertiliser exports by China reinforced this upward trend.

On the other hand, high gas prices led to a halt in the production of nitrogen fertilisers in several countries dependent on gas imports, leading to a further unbalancing of global supply and demand for nitrogen fertilisers.

Figure 9 **CHANGE IN THE PRICE OF UREA** (in USD/MT)



Source: Indexmundi

4.2 BANKING RELATIONSHIPS AND SERVICES

From left to right: Romain Lakraa, Mai Phuong Nguyen and Yassine El Halaissi (Department Head), Relationship Managers for Financial Institutions and *Corporates*

A VAST NETWORK OF CORRESPONDENT BANKS

In support of its trade finance activity, the Bank is gradually growing its network of banking correspondents. It also benefits from the BRED Group's powerful network of correspondent banks, which covers more than 150 countries worldwide and comprises more than 500 banks on five continents.

This vast network of correspondents enables it to meet the need to secure its clients' international transactions, by providing them with the ability to cover banking risk on a wide selection of foreign banks located in China, South East Asia, Africa and the Middle East.

With more than 80 banks located in 23 African countries, the Bank and the BRED Group form a recognised banking group with a wide range of African banks that is a leading player on these markets. Africa remains a strategic continent and banking coverage was expanded accordingly in 2021, with the addition of Ghana and Nigeria, with the aim of securing the flow of metal and wheat exports to these countries.

Elsewhere, the Bank expanded its banking coverage to Jordan, India and Vietnam, which are strategic importers of wheat and fertilisers.

Furthermore, in a context of rising commodity prices in 2021, the credit envelopes of correspondent banks were increased in the historic areas of West Africa (Senegal, Cote d'Ivoire, Burkina Faso, Benin, etc.), Egypt and China.

COVERAGE OF BANKING RISK IN 2021

In 2021, the number of banking transactions (confirmations and discounting of letters of credit/avalised drafts) was up 28%. The majority of these transactions were carried out on behalf of clients active in the metals sector (48%) and agricultural products (40%).

The coverage of BIC-BRED (Suisse) SA's banking risk has historically been concentrated on the African continent, particularly for agricultural commodity traders.

2021 was marked by a significant increase in banking transactions in Asia, where 40% of banking transactions were realised, generally in China and in the metals sector. To meet this demand, the Bank strengthened its system of coverage in China.

DEVELOPMENT OF RISK SHARING

The Bank is expanding its portfolio of partners in order to increase its banking coverage capacities and expand its coverage areas.

BIC-BRED (Suisse) SA is an active member of trade finance programmes set up by multilaterals such as IFC and Asian Development Bank. Alongside the development of its banking coverage, the Bank aims to increase the financing capacities of its customers through the participation of multilaterals in its credit facilities. The participation of leading partners in its financing strengthens the Bank's positioning and recognises its expertise in transaction financing. To this end, BIC-BRED (Suisse) SA is in advanced discussions with several multilaterals, including the International Finance Corporation (World Bank Group) and the Dutch Development Bank (FMO).

Figure 10 **SCOPE OF THE BANKING CORRESPONDENT NETWORK IN AFRICA**

4.3 CORPORATE FINANCE AND BUSINESS SERVICES

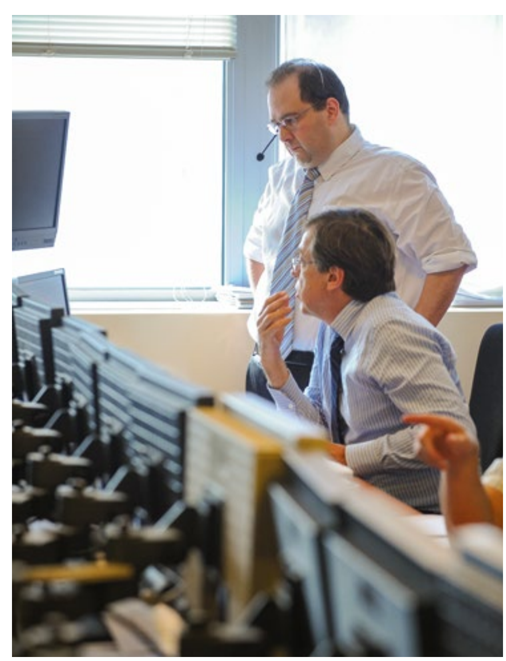
The Bank offers bespoke financing solutions to exporter clients and provides a wide range of banking services:

- Credit facilities to finance working capital requirements or investments, in bilateral or syndicated form, in cash or through signed commitments;
- Issuing of guarantees: advance payment guarantees, tender guarantees and performance guarantees;
- International trading transactions: documentary collections, letters of credit, SBLCs or advance market commitments;
- Export financing solutions backed by insurance and/or banking coverage for Swiss companies exporting to Asia and Africa, in various sectors, particularly:
  - Chemicals and pharmaceuticals;
  - Machines, electronics and precision devices;
  - Agri-food.

4.4 MARKET PRODUCTS

Working in collaboration with BRED's trading floor, the Bank offers:

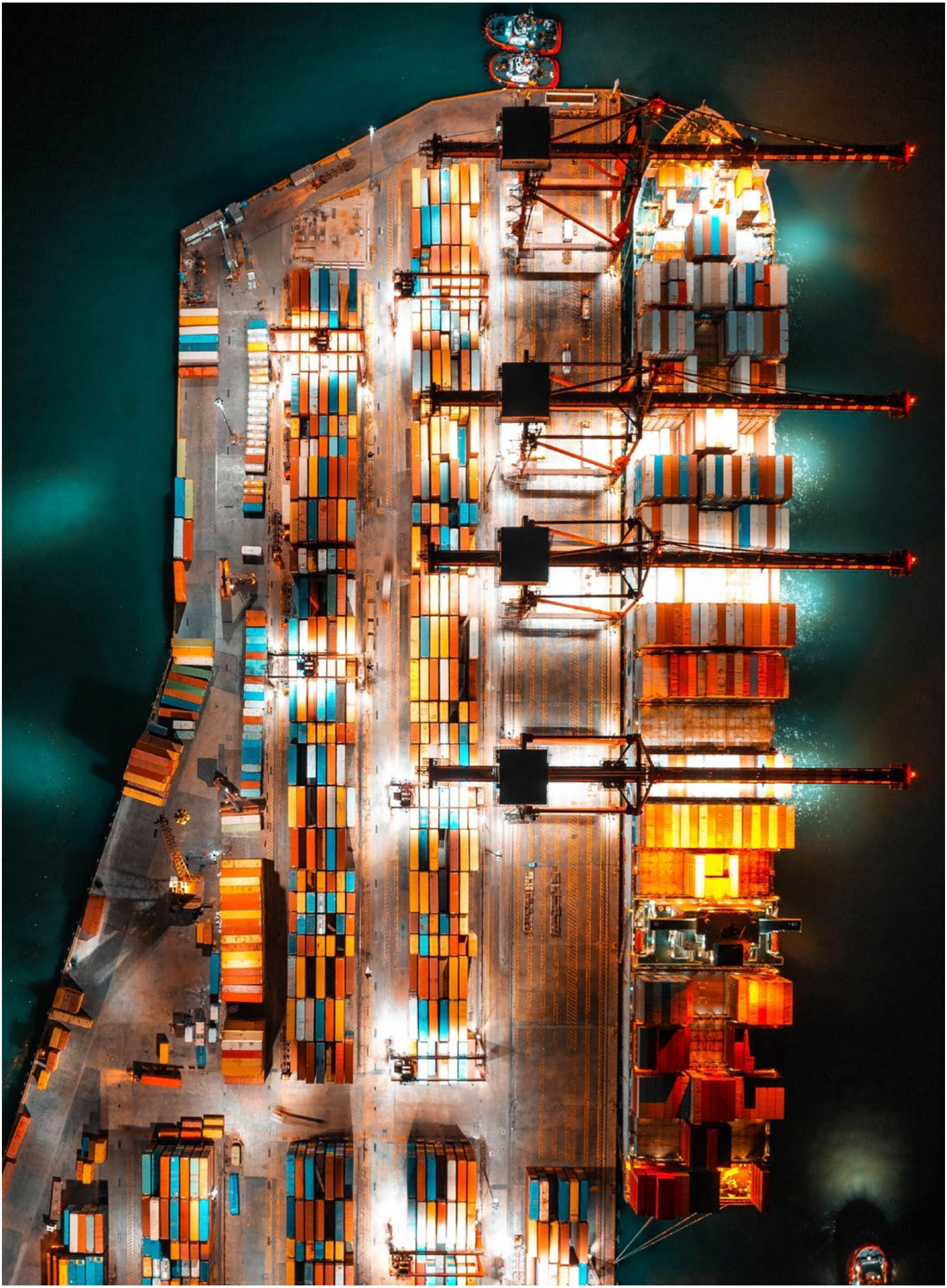
- Spot exchange rates;
- A wide range of currency and interest rate risk hedging products: foreign exchange forwards, foreign exchange swaps, interest rate swaps, etc.;
- Investment solutions for banks: investment in short-term securities through BRED's money market instrument paper distribution service;
- A services offering for institutional investors and financial institutions: repurchase agreements, issuing of market instruments, etc.



BRED Trading room

The bank is active in commodity trade finance.

The range of services covers every type of loan and documentary collection, as well as guarantees, export finance and discounting transactions.



PART 5

REVIEW OF 2021

REVIEW OF 2021

5.1 GLOBAL ECONOMIC ENVIRONMENT

2021, THE GLOBAL ECONOMIC RECOVERY[3]

A lacklustre recovery

In 2021, global economic activity returned to growth thanks to massive government support, the rapid rollout of COVID-19 vaccines and the efficiency of public health measures taken to limit the transmission of the virus.

After a 3.1% decline in 2020, global GDP picked up again, and recorded growth of 5.9% in 2021.

However, this recovery is both incomplete and uneven. Incomplete because demand remains below its pre-pandemic level. Uneven because the growth deficit is larger for emerging market economies than for advanced economies, reflecting differences in the health situation, public policies and the sectoral breakdown.

Supply tensions

The rapid return of global demand came up against supply disruptions, compounded by the health restrictions. Supplier delivery times have increased, particularly in Europe and North America, and inventories have fallen sharply in many sectors. The waves of infections led to the closure of major ports such as Shenzhen and Ningbo in China, creating disruptions in maritime transport. Electronic chip plants were also closed because of the pandemic, which hampered the production of certain goods such as automobile parts and components.

Table 5 **GDP GROWTH IN 2021**

	2021	2020	Change (in %)
Global	5.9%	–3.1%	*9.0%*
Advanced economies	5.0%	–4.5%	*9.5%*
Eurozone	5.2%	–6.3%	*11.5%*
United States	5.6%	–3.4%	*9.0%*
Switzerland	3.5%	–2.4%	*5.9%*
Emerging markets and developing economies	6.5%	–2.1%	*8.6%*
China	8.1%	2.3%	*5.8%*
Russia	4.5%	–3.0%	*7.5%*
Latin America	6.8%	–7.0%	*13.8%*
Sub-Saharan Africa	4.0%	–1.7%	*5.7%*

Source: IMF and SECO

3 **Sources**:
- The OECD's economic outlook, December 2021
- Bloomberg

Figure 11 **CONTAINER TRAFFIC**
(Q4 2019 index = 100)

Source: OECD

Other major economic disruptions were caused by climate disasters. Large-scale forest fires (Siberia, California and Turkey), major heat waves and droughts (western parts of North America), extreme cold and destructive floods (Germany, Belgium and western Canada) affected 2021. Hurricane Ida was one of the most expensive storms in US history, significantly limiting oil and gas production and transportation for several weeks.

Shortages have been felt in the labour market. These are the result of changes in the location of activities, as well as evolutions of the range of required skills, due, in particular, to the sudden shift of consumption from services to goods and the growing weight of online sales.

The pandemic also accelerated the exit from the labour force of some people who chose to retire early. This was seen especially in Latin America, the United States, Turkey and Israel.

Rise in commodity prices

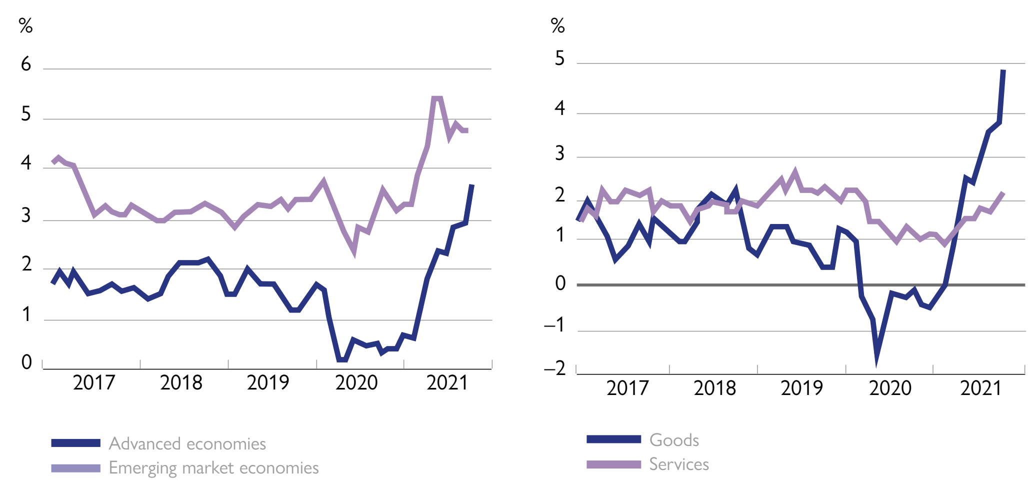
These supply constraints contributed to driving up commodity prices, thereby denting the recovery. Energy prices in particular (oil, coal and gas) soared, directly impacting households. See section 5.2 Economic environment for commodities for further details on this subject.

Higher inflation concentrated on goods

In 2021, headline inflation rose significantly in most countries, such as the United States, the United Kingdom, Germany and Canada. This inflation trend can be explained both by the higher commodity prices and a shift in demand from services to durable goods.

In the eurozone, however, as demand for durable goods did not increase as sharply, the inflation of these goods was relatively limited.

Figure 12 **INFLATION TRENDS**



Source: OECD

A very favourable market environment

2021 was a good year for the financial markets, buoyed by the recovery and stimulated by the liquidity injections of central banks, as well as the unprecedented support of government stimulus plans.

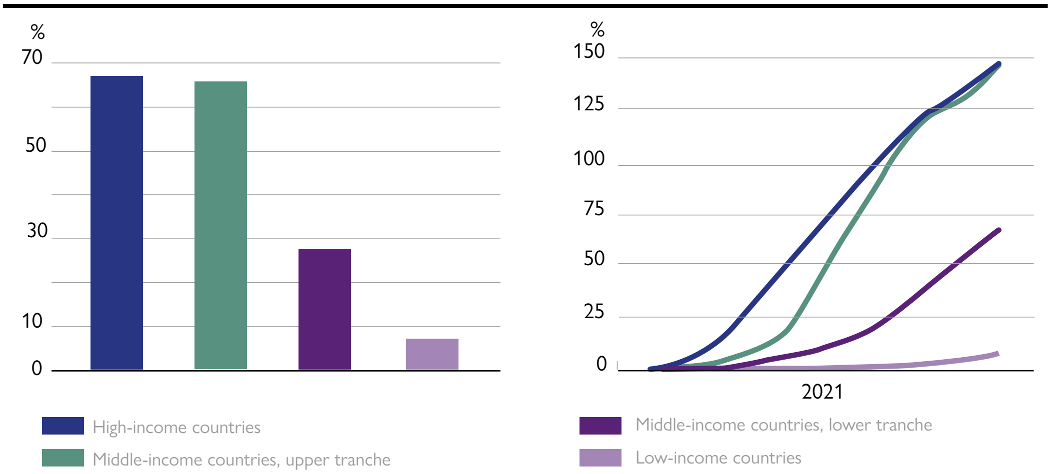
The major stock markets recorded virtually uninterrupted gains over the year, like in New York, where the S&P 500 is at historical levels, with a gain of 27%. The CAC 40 index added nearly 30%, the largest increase among the main market indices and its best performance since 1999. In Switzerland, the SMI finished the year up 20%, driven by the flagship stocks of Nestlé, Novartis and Roche.

2022, THE TRANSITION FROM A HEALTH CRISIS TO A GEOPOLITICAL CRISIS[4]

Hopes for an end to the health crisis

Most advanced economies are moving closer to full vaccination, mitigating the threat of new waves of hospitalisations. However, in many emerging and developing economies, vaccination rates remain low, exposing populations to the risk of a resurgence of the pandemic. In 2022 and 2023, the supply of vaccines in these countries should improve and allow for an acceleration of vaccination rollouts.

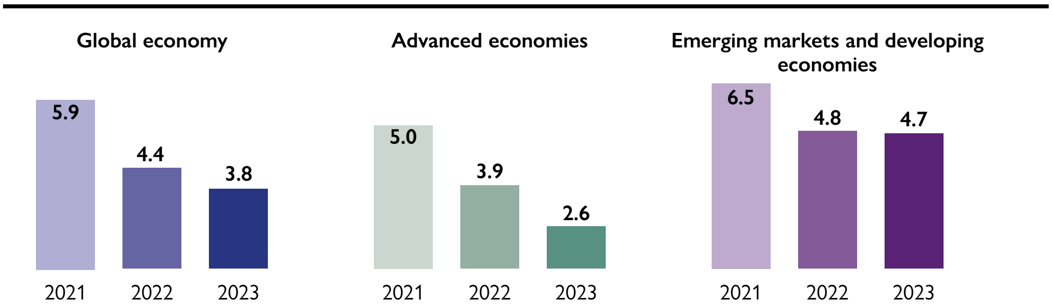
Figure 13 **PERCENT OF THE POPULATION FULLY VACCINATED** (left) **AND VACCINE DOSES PER 100 PEOPLE** (right)



Source: OECD

As a result, unless new variants emerge, the impact of COVID-19 on the global economy is expected to gradually diminish in the years to come. In this context, at the end of 2021, the International Monetary Fund forecast global GDP growth of around 4.4% in 2022, followed by 3.8% in 2023. However, these forecasts were made prior to the start of the Russia-Ukraine conflict.

Figure 14 **IMF GROWTH FORECASTS FOR 2022 AND 2023**



4 **Sources:**
- *IMF World Economic Outlook Update*, January 2022
- IMF Staff Statement on the Economic Impact of War in Ukraine, March 2022
- Economic forecasts of the Swiss Federal Government's Expert Group, SECO, December 2021

The switch to a geopolitical crisis

The invasion of Ukraine came at a delicate time for the global economy, which was just beginning to recover from the effects of the pandemic.

While the situation remains unpredictable, the conflict is already having economic consequences. As financial markets collapse, oil, gas, wheat and some metals such as nickel and palladium have been soaring.

Inflation, which has thus far has been temporary, is becoming sustainable. A prolonged crisis could lead to stagflation, a combination of high inflation and weak economic growth. The effects of these price shocks will be felt worldwide, especially by households in situations of precarity, for whom food and fuel account for a high proportion of spending. Governments will try to provide support to the most vulnerable households by endeavouring to counter the rising cost of living.

Inflation fears are pushing investors towards traditional safe havens. Gold has thus pushed through the USD 2,000 mark. The euro has weakened against the Swiss franc, and has reached parity. It has also weakened against the dollar, due partly to Europe's geographical proximity to the conflict, but especially because of the region's great dependence on Russian energy resources. The race for independence has returned to the forefront of the scene and is positioned as a crucial issue for States for the next decade.

There is uncertainty as to the reactions of the central banks, which will keep a close watch on how rising international prices will fuel domestic inflation, in order to appropriately dose the measures they will take to deal with it.

The challenges ahead

As the health threat wanes and geopolitical tensions intensify (notably between Russia and Ukraine, but also between China and Taiwan), many challenges await governments, which will have to make difficult decisions in the short to medium term in response to the threats of war, inflation, climate change, food security and the deepening debt.

5.2 ECONOMIC ENVIRONMENT FOR COMMODITIES

Philippe Chalmin, historian and economist specialised in commodities markets, founder of the commodity research institute CyclOpe

It is very difficult in spring 2022 to write about the situation of the global commodity markets, with the uncertainties hovering over many markets after Russia's invasion of Ukraine on 23 February. A wave of panic blew over the energy markets – as one would have expected – starting with natural gas of course, followed by oil and coal in its wake. But tensions have also been high for cereals, with the Black Sea blocked, and then also for many ores and metals, especially for those for which the Russian region in the broadest sense (Belarus and Kazakhstan) is an important producer. From potash to nickel, palladium and titanium, markets became increasingly jittery due to the prospect of Western sanctions.

However, it should be noted that this situation of war came in a context marked by an almost general surge in commodity prices in 2021. Ukraine's invasion and the ensuing destruction and paralysis of economic activity and trade were in many cases the final event exposing tensions that have been at work for several quarters, and we can only understand the most recent events of 2022 in light of a second reading of the entire period following the COVID-19 pandemic shock in 2020.

AN EXCEPTIONAL YEAR ON THE MARKETS IN 2021

On an annual average, the CyclOpe commodity price index rose 49% in 2021, and 40% excluding oil and precious metals. The biggest increases seen in the CyclOpe index were palm oil (+97%) and tin (+89%). However, in the energy sector, this ignores natural gas (+397% in Europe and +280% for LNG in Asia) and coal (+136% in Europe and +127% in Asia). Among metals and industrial products, we can cite steel (+50% to +170% depending on the market) and fertilisers, not to mention the wild fluctuations in lumber on the North American market.

In the exuberance that marked 2021, it is almost just easier to list products that were not part of it. This was primarily the case for precious metals, which suffered from low interest rates and the automotive crisis. Gold (+2%) only stagnated, remaining well below the almost mythical bar of USD 2,000 per ounce. This was also the case for cocoa (+2%). And the only product that saw its price fall in 2021 was pigmeat on the Chinese market and, by contagion, on the markets most sensitive to the Chinese market such as that of the European Union.

But in reality, 2021 was mainly a year of extreme volatility, with waves that followed on after another, and very sharp declines at the end of the year, at least for some markets.

The first wave in the first months of 2021 affected metals such as copper, agricultural products such as corn and soy, marine freight (in its dry bulk component), and for a few weeks natural gas in Asia. There were also months of high tensions for iron and steel as well as, more anecdotally, lumber in the United States. This movement, supported by the strength of the economic recovery both in China and in advanced countries, peaked at the beginning of the summer. At that time, many analysts made the assumption of a true commodities "supercycle".

During the summer, there was a clear, even abrupt break, such as the reversal of the iron ore market starting in August. A few climate events drew out the tensions for coffee, with freezes in Brazil, and for durum wheat and rapeseed with the drought in Canada. In the autumn came a new wave led by natural gas, which drove the entire energy sector, with coal, electricity in Europe, fertilisers and even oil. New metals such as tin, nickel, aluminium and lithium made the headlines. All in all, between the beginning and the end of the year, the increase in prices as measured by the CyclOpe index was 36%.

But looking back, 2021 can be read through the prism of three crises: logistics, energy and agriculture.

THE BIG LOGISTICS BREAKDOWN

Container freight costs, particularly from Asia to Europe and North America, quadrupled over the year, with some even higher peaks. The rebound in Western demand came up against congestion at ports and a lack of ships, with a part of the fleet waiting off the ports of China and North America. In reality, the entire supply chain ended up saturated, from truck drivers to dockers and ship crews. This resulted in, on top of the higher rates charged, longer deadlines and, in some regions, a real shortage of containers. This has, of course, affected manufactured goods, as well as semi-products and a number of commodities. Over the past few years, containerised transport had seen huge growth at the expense of more conventional vessels: coffee, cocoa, rice in bags, metals, cotton, wool… were increasingly being shipped in containers. Delivery times have increased everywhere, and the availability of products has been felt, especially on less strategic lines such as those serving Africa and South America. This situation, while it made the fortune of the shipowners (which had suffered significantly from 2015 to 2020 and used their cash to invest in port logistics), has highlighted the weakness of increasingly globalalised value chains. At the beginning of 2022, there were no signs of improvement. While the conflict in Ukraine has had little influence, COVID-related tensions in China continue to cause concern.

This logistical breakdown in any case contributed to instilling a feeling of shortage throughout 2021, which has undoubtedly weighed on the overall mood of the markets.

Lastly, one sector experienced exceptional conditions, namely that of LNG carriers. But this is the consequence of another crisis, that of energy.

AN ATYPICAL ENERGY CRISIS

In the past, it was the oil market that triggered the major energy crises that the world experienced in 1974, 1980 and 2008. In 2021, oil slowly climbed back up from the previous year's collapse. OPEC+ (with Russia and its allies), despite the geopolitical uncertainties, was able to maintain its cohesion and, from the summer onwards, to manage a gradual increase in production, which little by little reduced excess stocks. The oil price rose slowly as the year progressed, from USD 50–80 per barrel, although far from the peaks seen at the beginning of the previous decade.

But some of this increase was linked to the real surge in natural gas prices. It was indeed gas that was the determining factor in the 2021 energy shock. Whether in Europe or Asia, gas prices have quadrupled on average, and the increase is even more spectacular compared to the low recorded in May 2020 (from the trough of USD 1.50/MBtu to a high of USD 40). This is the result of climate, economic and geopolitical factors: climate first, with the drought that affected China's hydroelectric production and the disruption of wind production in Northern Europe (lack of wind!); economic, with the recovery in concentrated demand, with the focus on the energy transition, on electricity and therefore on the transition energy that natural gas has become; and lastly, geopolitical, with the tensions between Europe and Russia, at that time limited to the completion of the Nordstream II pipeline. At the same time, LNG prices in Asia hit highs, like gas prices on the European market. The soaring gas prices drove up electricity prices as well in Europe and increased use of coal, with China seeking new suppliers following a de facto embargo on Australian coal. At the end of the year, natural gas, which, in energy equivalent, became twice as costly as oil, played a domino effect on the price of oil. The impact of this crisis was exacerbated by the fact that it occurred at a crucial time of an energy transition that the pandemic had accelerated. The emphasis on renewable energy (in Europe, but also in China), intermittent by nature, at least with respect to the first generation (wind and solar), the shift to electricity for many uses, particularly transport, revealed the fragility of poorly controlled and anticipated energy mixes.

The energy transition has also highlighted new dependencies on what can be called "electric metals": not only the classic components of batteries such as lithium and cobalt, but also rare earths and, especially, copper and to a lesser extent nickel. A number of metals such as aluminium and zinc also suffered from rising electricity prices and even difficulties in supplying energy.

All this is of course to be viewed more broadly in the context of the tensions affecting the industrial sectors, such as semiconductors (and upstream of tin), but also for the construction, wood and steel sectors.

Lastly, the energy crisis had consequences for several agricultural markets through biofuels and upstream of agriculture for fertilisers (ammonia and urea produced from natural gas).

AN AGRICULTURAL CRISIS

In 2021, according to the CyclOpe index, world food prices increased by one third on average compared to 2020. The FAO index is at a ten-year high, bringing us back to the crisis of 2007–2012. For once, the reason is not climate-related, and, on the contrary, global agricultural production has remained close to all-time highs. There may have been some accidents, from droughts in Canada and Argentina to summer frosts in Brazil, but no major shock comparable to the disruption of El Niño in 2007. Rising agricultural prices are not climate-related. This is, above all, related to China.

While up to now China had been a determining factor in the industrial commodity markets (mining, forestry and agricultural), it weighed little in the food equation, with the exception of soybean, dairy products and, of course, pork. In 2021, it also became the world's largest importer of cereals, for example by increasing its purchases of maize by 152%. Chinese purchases drove the rise in grain and oilseed prices at the beginning and end of the year. They were also behind dairy products and a number of meats. Only one product escaped Chinese appetite, at least in terms of imports. This was pigmeat: it seems that China has turned the page of African swine fever; domestic prices have fallen sharply, imports have declined, causing the drop in prices in the most dependent markets, such as Europe.

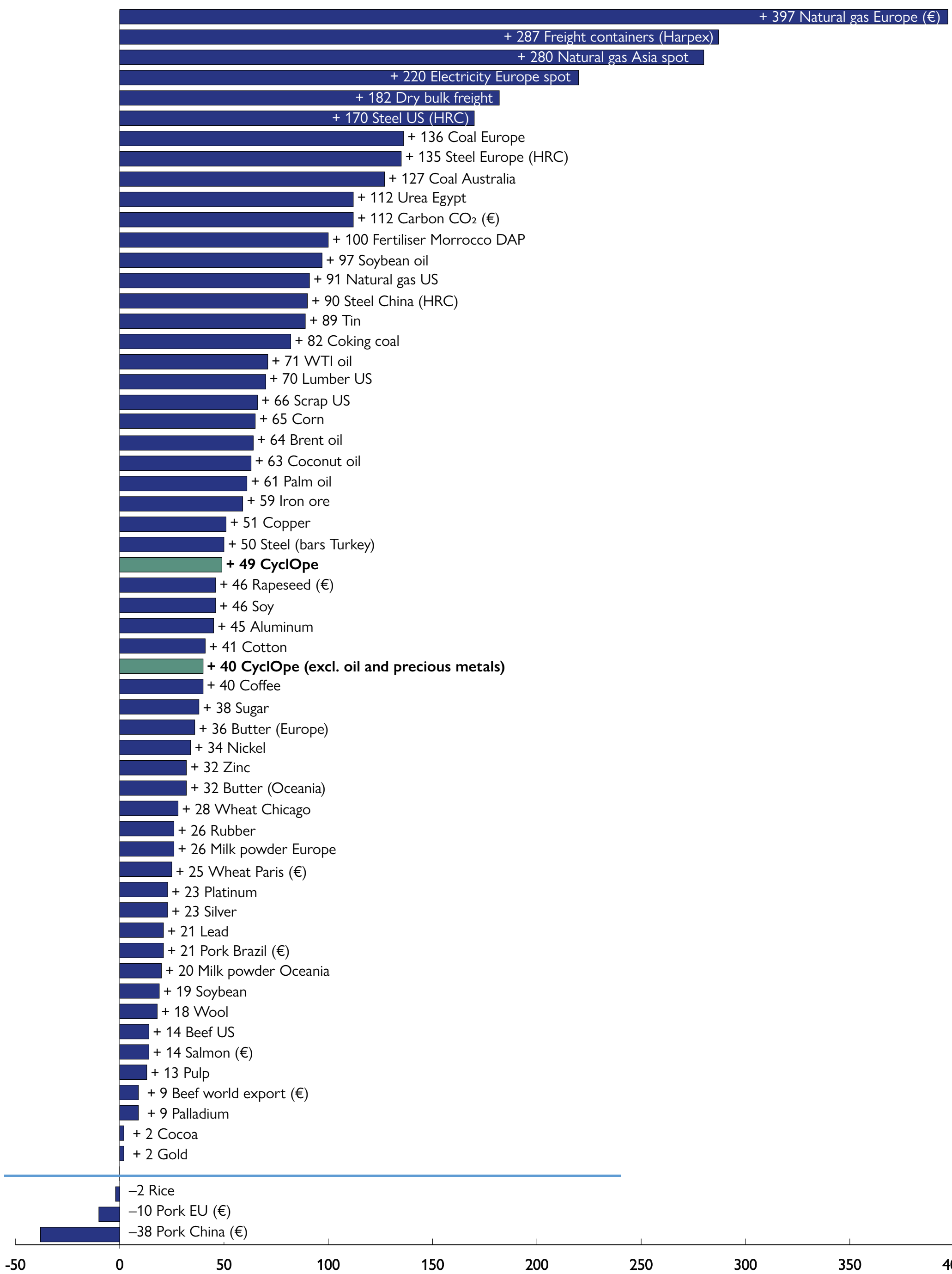
The rise in food prices only had a limited impact on consumer prices, but at the general public level it has contributed to a psychosis of shortage, from bread to pasta or coffee. For the main importing countries (Algeria, Egypt, Nigeria, Indonesia, etc.) the bill was able to be financed by the increase in revenues related to oil and especially gas. But for the poorest countries, the risk of social instability has become a reality.

FIRE IN UKRAINE

That was the environment when, at the end of 2021, the situation began to deteriorate between Ukraine and Russia, up to mid-February, when Vladimir Putin decided to invade his neighbour and thus begin a war that is ongoing at the time we write. Taking place in the above-mentioned context of tensions, this war has exacerbated the energy crisis and the pressure on metals and minerals, above all, triggered a real agricultural crisis.

On the energy front, natural gas was of course the first to react, followed by electricity, fertilisers, coal and oil as well (which in March almost reached USD 140 per barrel of Brent). Metal markets were affected by potential sanctions on Russian exports of palladium, titanium or aluminium. At the beginning of March, nickel even exceeded a price per tonne of USD 100,000 after a short-squeeze affected a Chinese industrial company. However, agriculture perhaps experienced the greatest – and the least

Figure 15 **CHANGE IN PRICES IN 2021 (2021 average on 2020 in pourcentage), CERCLE CYCLOPE**



predictable – tensions. The closure of the Black Sea ports triggered a sharp rise in grain prices. But there are even greater worries for the 2022 harvest, both in terms of Ukrainian production and the impact of higher fertiliser prices.

Gas, oil, nickel, fertilisers, grains, sunflower – the outlook remained difficult for all these markets at the end of March in the aftermath of the conflict.

POSITIVE IMPACT ON INTERNATIONAL TRADE

As usual, tensions, price increases and above all increased volatility supported the activity of global trading companies. Most of them posted excellent results in 2021, in energy and metals, but even more so in agricultural products, particularly in the grain sector. In times of crisis, traders more than ever play the role of the necessary intermediaries able to manage both price volatility and counterparty risks. The major flows of global commodity trade will be subject to significant changes due to the new fractures between democracies and despotism. More than ever, the international trade activity will find its purpose.

Philippe Chalmin,
15 March 2022

5.3 SWISS REGULATORY ENVIRONMENT

Swiss banking regulations are constantly undergoing revisions.

2021 was marked by the implementation of the Net Stable Funding Ratio (NSFR). In this section, we review this regulatory change, which particularly impacted BIC-BRED (Suisse) SA and the other banks active in commodity trade financing.

Christelle Lefebvre, Head of Financial, IT and Legal Risks and Anne-Ly Zumbino, Chief Risk Officer.

2021, YEAR OF THE IMPLEMENTATION OF THE NSFR

With the 2007–2008 financial crisis having revealed the criticality of liquidity issues for banks, in recent years the Basel Committee has introduced new rules aimed at regulating the liquidity of financial institutions.

These rules are based on two ratios under which banks must comply with a minimum level:

- The first is the LCR (Liquidity Coverage Ratio), which focuses on short-term liquidity (30-day horizon), and which has been applicable in Switzerland since 1 January 2019;
- The second is the NSFR (Net Stable Funding Ratio), which relates to 1-year liquidity, and which came into force in Switzerland on 1 July 2021.

THE OBJECTIVE OF THE NSFR

The NSFR aims to ensure that banks do not finance activities that commit their liquidity over the medium term with resources only available in the short term. This practice, called maturity transformation, exposes them to the risk of non-renewal of short-term resources (for example, in the event of stress on the interbank market).

The ratio consists of:

- Estimating at any time the amount of liquidity used by the bank (with the assets recorded on its balance sheet) maturing beyond one year (this amount is referred to as the “Required Stable Funding”); and
- Requiring the bank to refinance itself, in a consistent proportion, with debt maturing in excess of one year (this amount is referred to as the “Available Stable Funding”).

Hence the formula summarising the corresponding requirements:

$$\frac{\text{Available stable funding}}{\text{Required stable funding}} \geq 100\%$$

THE DIFFICULTIES POSED BY THE NSFR IN SWITZERLAND

The difficulties posed by the NSFR relate to the way in which certain categories of activities are handled for the purposes of the calculation, which is not in line with the economic and financial realities of these activities. This is particularly the case for commodity trade financing in the implementation of the ratio in Switzerland.

The receivables held by banks on their customers when financing their trading activities are taken into account in a manner deemed inadequate by the industry.

Historically, the financing of commodity trading, characterised by short-term transactions, was logically refinanced by banks, mostly with short-term loans, in order to align the maturity of the liabilities with those of the corresponding assets.

However, the Swiss provisions relating to the NSFR introduced an asymmetrical treatment of short-term assets and liabilities in the calculation of the ratio:

- Trade receivables with a maturity of less than 6 months are assigned a uniform weighting of 50% (i.e. they create Required Stable Funding equal to 50% of their amount),
- While loans with a maturity of less than 6 months count for 0 (i.e. they do not create Available Stable Funding).

As a result, to comply with the minimum ratio of 100%, banks can no longer finance 30-day customer transactions with 30-day borrowing (which would be logical in terms of liquidity) and are forced to refinance more often with a maturity of more than 1 year.

NEGATIVE IMPACTS FOR SWISS BANKS AND THEIR CLIENTS

The cost

Interest rates applicable to borrowings with maturity of over one year are generally higher than those applicable to short-term borrowings. And when banks' refinancing costs rise, they have no choice but to pass on all or part of this additional cost to their customers, by making lending conditions more expensive.

Our clients have understood this well, hence their support for our actions discussed below. Given that, in the current context of rising rates and a steepening curve (i.e. an increase in the spread between short- and medium-term rates), there is a threat that this financial impact will become increasingly significant.

The increase in interest rate risk

By forcing banks to decorrelate the maturity of their liabilities from that of their assets, the regulations create an interest rate risk for them: the reference rates of loans and borrowings, due to their respective maturities, are no longer identical, exposing the bank to the financial uncertainties caused by the change in the differential.

Competition

Swiss rules on NSFR are different from those in force in the European Union (EU). The EU, taking into account the specific characteristics of these transactions, has in fact provided for a special provision for trade finance transactions with a maturity of less than 6 months (that is, the majority of the transactions carried out by banks active in this sector). The corresponding customer receivables only require Required Stable Funding of up to 10% of their amount (versus 50% in Switzerland).

As a result, since July 2021, Swiss banks specialising in the financing of commodity trading have been penalised compared to their European competitors (which benefit from requirements five times lower), leading to a distortion of competition to the detriment of Swiss banks, which are still leaders in this sector.

ACTIONS TO RAISE AWARENESS ON THIS MATTER

In 2020, we took initiatives to raise awareness and to warn of the negative impacts of regulations on the sector as a whole:

- With the regulatory authorities, in order to explain the difficulties posed by the text,
- With our peers, Swiss banks active in the sector, in order to unite our interests,
- With our clients, commodity trading companies, impacted by the risk of a rise in prices and/or a reduction in the financing offer.

We received the support and were able to count on the valuable help of professional associations, in particular the STSA and the Association of Foreign Banks in Switzerland (AFBS).

Thanks to them, we were able to present our arguments to the cantonal and federal political authorities.

The objective is to ensure that a modification is made to the Swiss Liquidity Ordinance granting trade financing transactions with a maturity of less than 6 months a weighting of 10%. It would align their NSFR treatment with both their economic reality and the regime applicable in the EU. We therefore made a proposal for an amendment to this effect.

In June 2021, a parliamentary question covering this proposal was submitted by Christian Lüscher. The Federal Council's reply of 18 August 2021 defends the continuation of the current provisions by questioning the effective maturity of the operations and the sovereign decision of the banks (no obligation) regarding their renewal. Arguments that are unanimously and firmly rejected by market participants.

The industry, through the voice of its associations and on an individual basis, reiterated its concerns and the request for amendment of the text in the consultation on the Liquidity Ordinance (special provisions applicable to systemic banks) closed in January 2022.

EARLY 2022: FIRST REVIEW AND OUTLOOK

Six months after the NSFR came into force, BIC-BRED (Suisse) SA drew up an initial balance sheet. With the support of BRED Group, its shareholder, the Bank changed the profile of its bank debt in order to comply with the requirements of the ratio. However, the constraints (daily management of a ratio whose fundamentals are not aligned with the economic reality of the transactions), the extra cost of refinancing and the increase in interest rate risk are very real. As is the competitive disadvantage compared to European competitors. It is therefore important to continue in 2022 the actions initiated in 2021 in order to obtain an appropriate and equitable NSFR treatment for commodity trade financing activities in the interest of the entire Swiss ecosystem linked to this important sector of the national economy.

5.4 CREDIT POLICY AND PORTFOLIO

After the set of frauds that marked commodity finance activities in 2020, 2021 reflected a new banking environment characterised by the withdrawal of several major players.

Thus, in a volatile market environment exacerbated by the tensions caused by the health crisis, commodity trading companies had to navigate between economic recovery, epidemic resurgence, higher demand and logistics problems. They adapted and generally showed good financial health. At the same time, the scarcity of funding sources and rising commodity prices increased their financing needs.

In this context, BIC-BRED (Suisse) SA continued to develop its credit portfolio in line with its credit policy, the main principles of which are outlined below.

CREDIT POLICY

The Bank's activity is focused on financing the real economy. It ensures that its clients provide added value to their sector's economic value chain, under adequate compliance conditions. These entities demonstrate their ability to organise logistics related to the transport of goods, to manage aspects of price risk hedging or to meet specific needs, such as inventory carry or credit insurance.

These counterparties, which may be of any size, have a profile that can be described as:

- Pure traders
  They are active in trading but do not own fixed assets. Their financing approach is purely transactional.
- Integrated Traders
  They use their own infrastructure or those of their group. They are financed using a transactional approach.
- Wholesale traders
  They are structured more like corporates. They benefit from broader funding sources due to the large volumes traded, such as revolving credit facilities (RCFs) or bond issues.

The Bank also holds commitments to banks issuing export payment instruments. It confirms and/or discounts various banking instruments (drafts and letters of credit), mainly in favour of its commercial clients.

Stève-Eric Mensah,
Head of the Credit and Commitments Department

THE FUNDAMENTAL PILLARS OF THE CREDIT APPROACH

Three pillars govern the Bank's credit approach:

Table 6 **THE THREE PILLARS OF THE CREDIT APPROACH**

Know Your Customer	The following is necessary: • Selection of prospects based on knowledge of market participants and cross-referencing; • In-depth knowledge of customers and their transactions based on due diligence/KYC and analysis of beneficial owners, managers, partners, client positioning, financial statements, purpose and calibration of commitments, source of repayment, etc.
Security of transactions	• The security of transactions requires, above all, a very good understanding of the flows to be financed. In particular, the Bank is responsible for financing physical flows of goods and obtaining evidence of the lien over the financed goods, while keeping as much control as possible during the financing phase. • It also ensures that price risk issues are adequately covered (*hedging* or cash *margin*). • In some cases, the security of transactions may be reinforced by obtaining guarantees, physical controls or taking of real security interests rendered enforceable and executable under local law. • Transactions may also be secured by taking out a credit insurance policy or by a risk-sharing agreement with a bank.
Dividing the risks	The Bank seeks to divide nominal amounts per transaction and sets specific limits.

RECOMMENDED BEST PRACTICES

BIC-BRED (Suisse) SA took part in the STSA's work in 2021, which resulted in a series of recommendations aimed at standardising best practices in trade finance. Some examples are presented below:

Table 7 **EXTRACT FROM THE STSA RECOMMENDED BEST PRACTICES.**

Inland Finance	• Pay direct to known supplier and monitor receipt at destination within expected time frame • Banks to perform random checks on RWBs in case of receipt of dispatch list
Voyage / BL Finance	• BL should be to order of the financing bank, subject to market and transaction specificities • Banks shall perform random checks to confirm the genuine nature of Bills of Lading (IMB or similar).
Inventory Finance	• Documents (WR, HC etc.) to be received directly from the warehouse with long run objective to verify genuineness of such documents via electronic platforms • Periodic reconciliation with reconfirmation directly to/from warehouse • Consider to alternate Inspection Companies or to mandate a oneoff inspection from a different surveyor
Receivable Stage	• Over a certain threshold (to be determined by each bank) banks should notify assignment directly to end buyers as an industry standard practice

CREDIT PORTFOLIO

When it comes to granting loans, the Bank focuses on clients with which it is able to develop an uncommitted and relatively close transactional relationship.

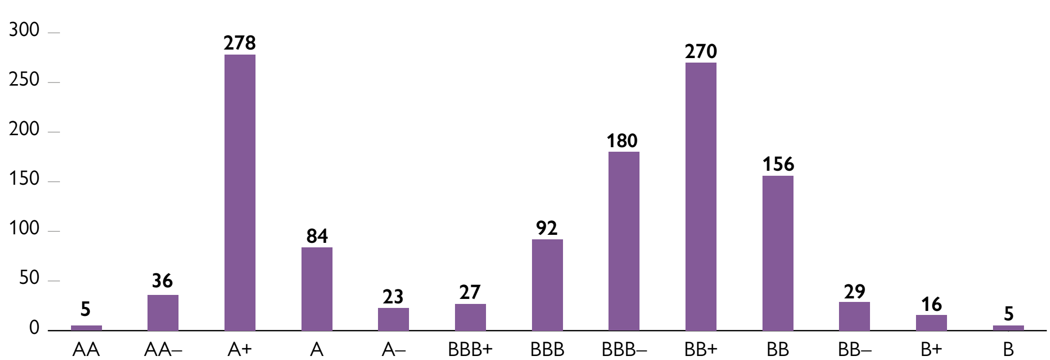
As at 31 December 2021, its clients were therefore mostly made up of trading companies registered in Switzerland (62% of amounts due from customers) or in Europe (20%).

In 2021, average gross outstandings on the balance sheet and off-balance sheet were broken down in a balanced manner across the various types of commodities.

The Bank targets clients with sound financial positions, as shown in the chart showing the breakdown of loans by internal rating as at 31 December 2021.

Provisions have been recognised for the full amount of impaired loans since the end of 2018. No new value adjustments have been recorded since.

Figure 16 **BREAKDOWN OF NET CLIENT LOANS AND COMMITMENTS, ON AND OFF-BALANCE SHEET, BY INTERNAL RATING** (in CHF million)



5.5 TECHNOLOGICAL AND DIGITAL DEVELOPMENTS

Adrien Burnier, Head of IT, and Franck Nater, Deputy Chief Executive Officer and Chief Operating Officer

Since 2017, BIC-BRED (Suisse) SA has undertaken a transformation of its information system, with the following objectives:

- Guarantee the continuity of services;
- A level of security in line with the best standards;
- Financial predictability and scalability of the information system;
- Interoperability of the solutions used in the information system for gains in efficiency, security and productivity.

Taking into account the size of the company and the commodities financing activity, supporting clients and motivating the teams were the key motivations behind the Bank's reflections. These challenges have been met by capitalising on the existing system and by entrusting what can be to trustworthy providers. The bank's software strategy is based on standard market solutions for office automation needs and specialised commodity finance solutions.

This strategy has four main pillars:
1. Agility and stability of the core banking system;
2. Digitisation of flows;
3. Security and control of operations;
4. IT security.

AGILITY AND STABILITY OF THE CORE BANKING SYSTEM

The Bank has chosen to shift from a universal core banking system that manages all activities and flows to a strictly accounting core banking solution combined with satellite software components based on an interoperability principle. This choice allows for greater flexibility for changes, better control of costs, speed of use and, above all, to benefit from the best solutions on the market.

For example, since August 2021, the Bank has been working with MITech to install the documentary credit processing solution "CREDOC 5G".

This solution, based on business knowledge that MITech has mastered for more than 30 years, has a technical architecture that facilitates interoperability with existing solutions and great flexibility of configuration to meet the specific characteristics of the business lines.

DIGITISATION OF FLOWS

The processing and validation of internal communication flows are a source of loss of efficiency and an increase in operational risks.

To remedy this, in 2019 the Bank initiated the digitisation of part of its internal communication flows. To date, 90% of flows and internal validations are digitised using an electronic document management solution.

This tool, which relies on a standard market solution, required no specific development and was fully configured internally with a strong involvement of end-users. This ensures that the tool is quickly mastered by employees with significant efficiency and security gains.

The Bank uses the Konsole application, a secure communication solution between the client and the Bank. This solution from the company Komgo, developed in Geneva, enables the life cycle of all commodities financing tools to be managed.

SECURITY AND CONTROL OF OPERATIONS

In order to strengthen the security and control of financed transactions, the Bank is working with Geneva-based CommoSwiss on the Vanilla solution.

This new solution allows the Bank to monitor and manage economic risks for each commodity finance transaction.

IT SECURITY

Security first starts with raising employee awareness and training on IT risks and best practices. Belonging to a banking group also provides a framework for security and organisational measures and enables the pooling of resources and skills. Finally, the security tool is regularly tested in order to identify its vulnerabilities and continuously improve the stability and resilience of the information system.

In conclusion, the future remains a permanent challenge. Continuing to secure and improve processes and listening to customer needs are the drivers for meeting this challenge. In an activity such as global trade finance, supported by a very manual and complex means of payment, the Bank has launched a major project to digitise and automate processes. In order to successfully support this development, the Bank will continue to draw on its internal expertise as well as that of recognised experts in the years to come.

PART 6

FINANCIAL DATA

PART 6

FINANCIAL DATA

BIC-BRED (Suisse) SA continued its strong growth and posted excellent results in 2021. Banking income reached a record level of CHF 31,7 million, up 45%. Net income before allocation to the reserves for general banking risks was CHF 13,5 million, up 106%.

Delphine Bourgès,
Head of Finance

LETTER FROM THE HEAD OF FINANCE

“In 2021, BIC-BRED (Suisse) SA continued its commercial expansion, benefiting from the rise in commodity prices and increased demand from traders for financing.

Efficient customer support and rigorous management of credit risk enabled the Bank to significantly increase banking income (+45%) with no credit losses to report.

To support this growth, close to a dozen new employees strengthened the teams, bringing the number of full-time employees to 70.8 (+17%). Operating expenses were under control and grew less than banking income (+19%), allowing the Bank to significantly improve its cost/income ratio (56.2%).

This strong increase in income led to a doubling of the net result before allocation to the general banking risk reserve.

Conservatively, this result was fully allocated to the reserves for general banking risks, bringing the solvency ratio to 14.3%. This optional allocation, by strengthening the Bank’s capital, enhances its financial solidity and demonstrates the Bank’s goal to remain part of the Swiss banking landscape for the long term.

We are pleased to present to you our 2021 financial statements, along with a financial analysis that we hope will provide the reader with enhanced insight”.

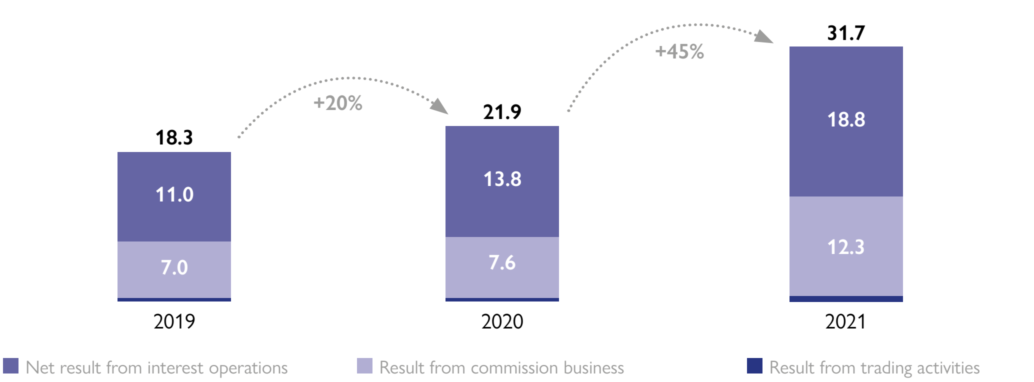
6.1 FINANCIAL ANALYSIS

6.1.1 STRONG GROWTH IN RESULTS

STRONG RISE IN NET BANKING INCOME

BIC-BRED (Suisse) SA ended 2021 with banking income of CHF 31.7 million, up 45%.

Figure 17 **NET BANKING INCOME (in CHF million)**



This change can be explained in part by the net income from interest transactions, up 36% to CHF 18.8 million, reflecting the growth in outstanding credit linked to the increase in commodity prices, a 14% expansion in the customer portfolio and sustained use of credit lines.

Figure 18 **CHANGE IN AVERAGE COMMODITY PRICES IN 2021 COMPARED TO 2020**

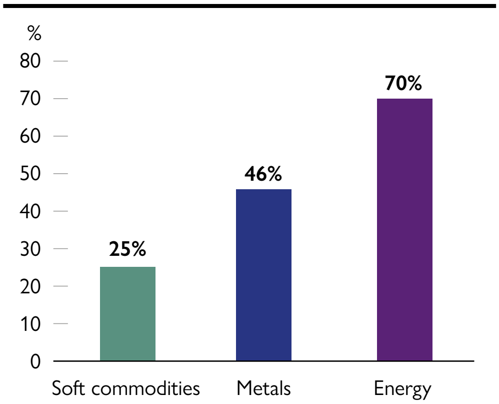
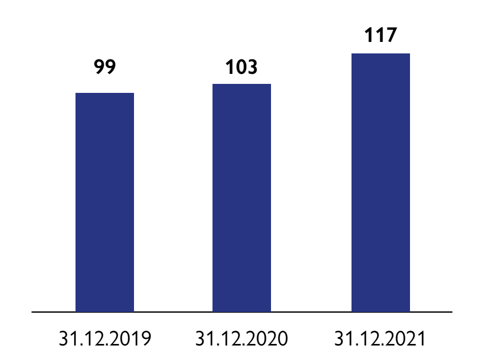
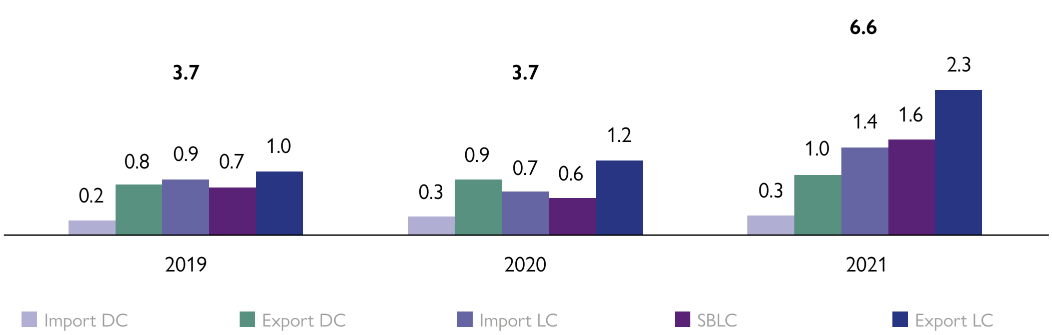


Figure 19 **NUMBER OF ACTIVE CLIENT GROUPS**



In addition, fee and commission income rose 62% to CHF 12,3 million, thanks to the increase in the number and size of documentary transactions, for which the volume processed during the financial year amounted to CHF 6,6 billion at end-December 2021, compared with CHF 3,7 billion at the end of 2020. In particular, the volume of import, export and stand-by letters of credit increased by 94%, 92% and 155% respectively in 2021.

Figure 20 **DOCUMENTARY TRANSACTION VOLUMES** (in billions of CHF)

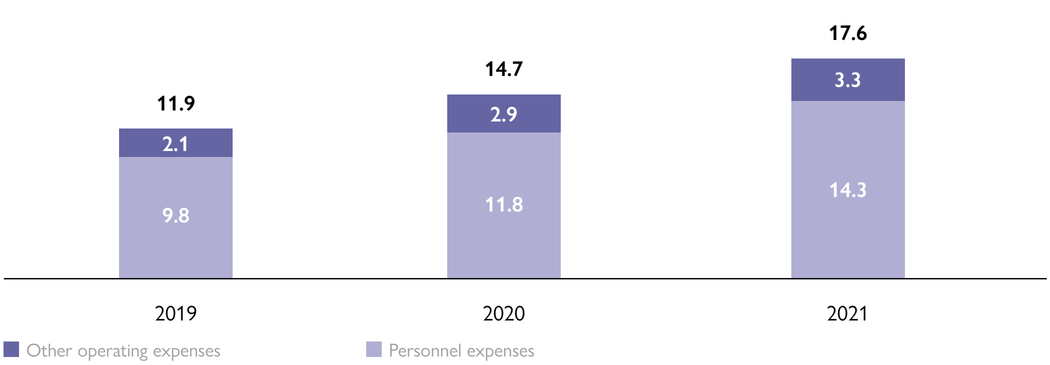


The result from trading activities amounted to CHF 551k (+38%) thanks to the increase in the number of foreign exchange transactions on behalf of clients (forex forwards and interest rate swaps).

COST CONTROL

Total operating expenses rose 19% to CHF 17.6 million.

Figure 21 **OPERATING EXPENSES** (in CHF million)



The increase in operating expenses is mainly due to recruitments carried out in 2021 in order to strengthen the teams involved in processing transactions.

The Bank increased its headcount by 10.5 FTEs to support its growth, from 60.3 FTE at 31 December 2020 to 70.8 FTE at 31 December 2021.

This less rapid increase in expenses than in income enabled the Bank to improve its cost/income ratio by 11 percentage points, bringing it to 56.2% at the end of 2021.

Figure 22 **HEADCOUNT** (FTE)

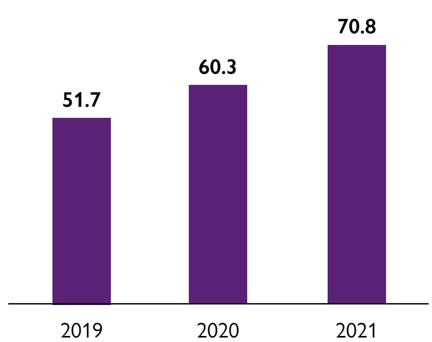
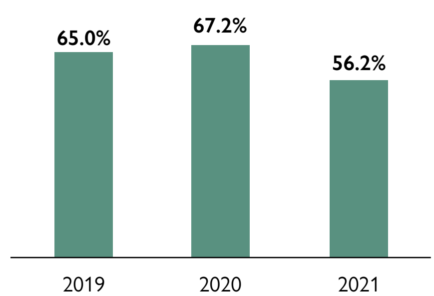


Figure 23 **COST-TO-INCOME RATIO**



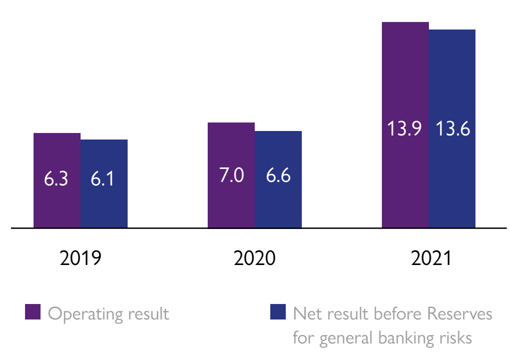
OPERATING RESULT AND NET RESULT

Despite the particular economic and health conditions, for its seventh financial year, the Bank succeeded in doubling its operating income, to CHF 13,9 million.

Net income before allocation to the reserves for general banking risks amounted to CHF 13.6 million, up 106% compared to last year.

In 2021, the Bank made a conservative and optional choice to allocate all of its income to its reserves for general banking risks, thereby strengthening its capital by CHF 13.6 million.

Figure 24 **OPERATING RESULT AND NET RESULT BEFORE RESERVES FOR GENERAL BANKING RISKS** (in CHF million)



Reserves for general banking risks are reserves that are established as a precaution to cover the Bank's underlying business risks. These are in no way specific provisions booked in the context of a doubtful loan or a dispute, but optional provisions intended to strengthen the Bank's ability to absorb potential economic shocks in the future. The reserves thus set aside strengthen the Bank's capital and may be taken back freely.

This new allocation brings the total amount of reserves for general banking risks recorded in equity to CHF 15,1 million at 31 December 2021.

The excellent 2021 results enabled the Bank to significantly improve all of its return and profitability ratios.

The ratios are calculated on the basis of the net result before allocation to the reserve for general banking risks in order to reflect the Bank's true profitability:

- ROE = Net result before allocation to Reserves for general banking risks/ Equity
- ROA = Net result before allocation to Reserves for general banking risks/ Assets
- Profitability ratio = Net result before allocation to Reserves for general banking risks/NBI.

Figure 25 **ROE**

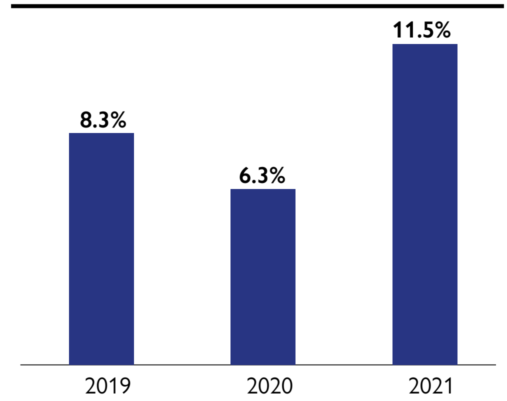


Figure 26 **ROA**

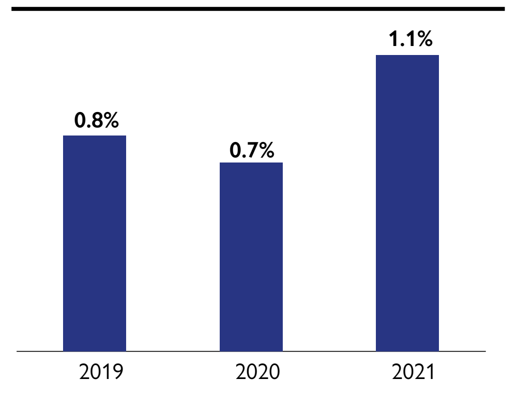
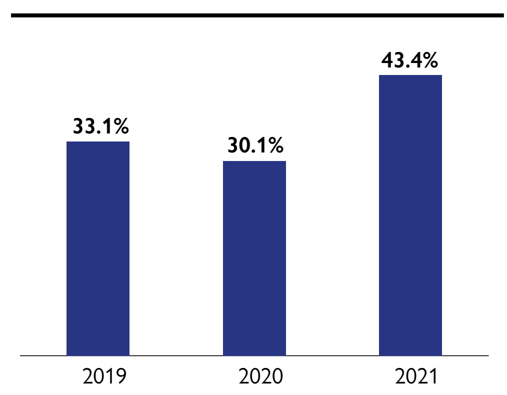


Figure 27 **PROFITABILITY RATIO**

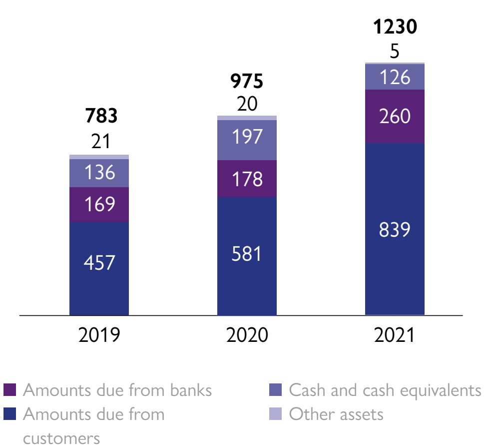


6.1.2 GROWTH OF THE BALANCE SHEET AND OFF-BALANCE SHEET

ASSET EXCEEDED THE CHF BILLION THRESHOLD

The size of the balance sheet assets increased by CHF 255 million in 2021, reaching a total of 1.2 billion at the end of the year (+26%).

Figure 28 **ASSETS (in CHF million)**

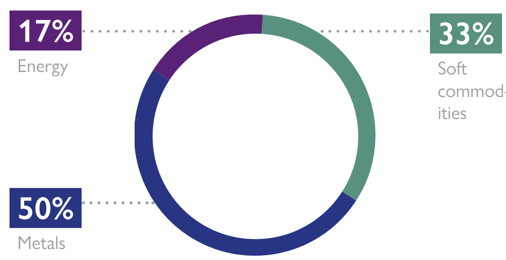


This increase was due to the increase in amounts due from customers, which amounted to CHF 839 million at 31 December 2021, up CHF 258 million (+44%).

At 31 December 2021, amounts due from customers consisted for two-thirds of current accounts with overdrafts and for one-third of fixed-term advances and loans, granted to commodity traders, mainly in dollars (93%). Half of amounts due from customers correspond to financing for clients active in metals and minerals trading, one-third agricultural products and the rest energy.

The Bank has not had to report any new value adjustments since 2017, demonstrating the quality and resilience of the loan portfolio.

Figure 29 **BREAKDOWN OF AMOUNTS DUE FROM CUSTOMERS BY COMMODITY AT 31 DECEMBER 2021**

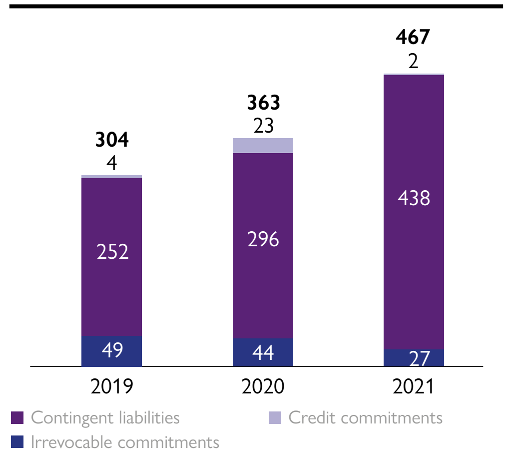


All non-performing loans (CHF 19.8 million) are fully provisioned. They mainly correspond to old loans granted before the Bank's became a subsidiary, excluding the international trade finance activity.

GROWTH IN OFF-BALANCE SHEET ITEMS

The size of the off-balance sheet increased by 29% in 2021, totalling CHF 467 million at the end of the year, thanks mainly to the favourable trend in volume of import documentary credit transactions.

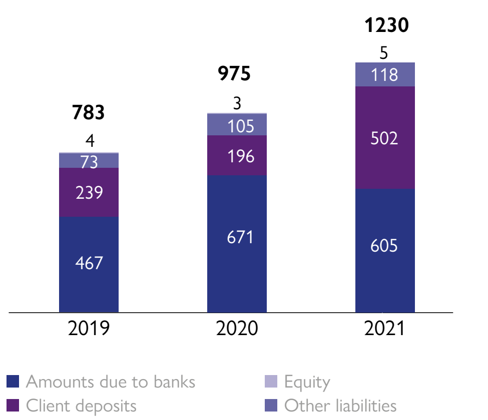
Figure 30 **OFF-BALANCE SHEET ITEMS (in CHF million)**



6.1.3 A COMFORTABLE LIQUIDITY PROFILE

On the liabilities side, foreign funds (i.e. liabilities excluding shareholders' equity) increased by CHF 241 million (+28%) from the end of 2020, to CHF 1.1 billion.

Figure 31 **LIABILITIES** (in CHF million)



NEW CUSTOMER DEPOSITS

The Bank pursued its strategy of collecting customer deposits in 2021. This resulted in significant growth in deposits to CHF 502 million (+156%), representing 45% of foreign funds, compared with 23% at the end of 2020. At 31 December 2021, half of them consisted of demand deposits and the other half term deposits, mainly in dollars (80%).

Due to the favourable trend in the volume of customer deposits at the end of 2021, the Bank managed to finance more than half of its amounts due from customers through customer deposits, compared with only one-third at the end of 2020.

BANK REFINANCING

Commitments to banks decreased by 10% to CHF 605 million at 31 December 2021.

The Bank is mainly refinanced by the BRED Group, which alone accounted for 51% of foreign funds and 93% of amounts due to banks at 31 December 2021. This multi-currency line is drawn mainly in dollars to finance customer receivables.

In order to comply with the NSFR regulation (see 5.3 Swiss regulatory environment), the Bank changed the profile of its bank refinancing in 2021 in order to extend its maturity (CHF 344 million at over 5 years). Please refer to note 17 to the financial statements for more details.

Figure 32 **MATURITY OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEET AT 31 DECEMBER 2021** (in CHF million)

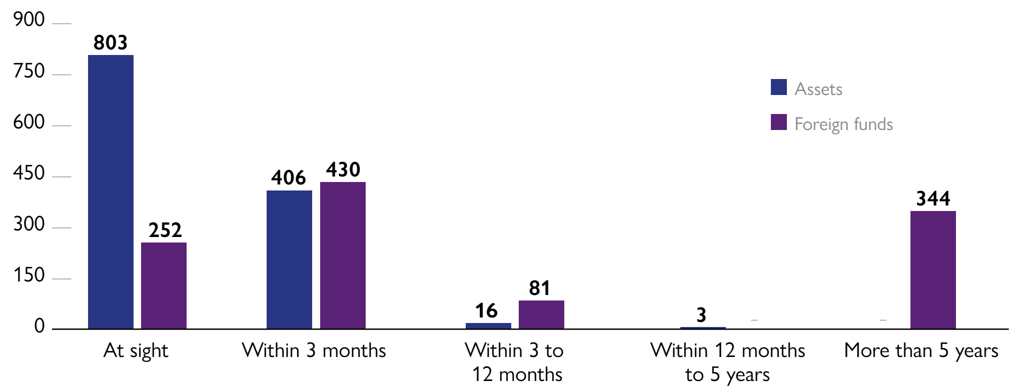
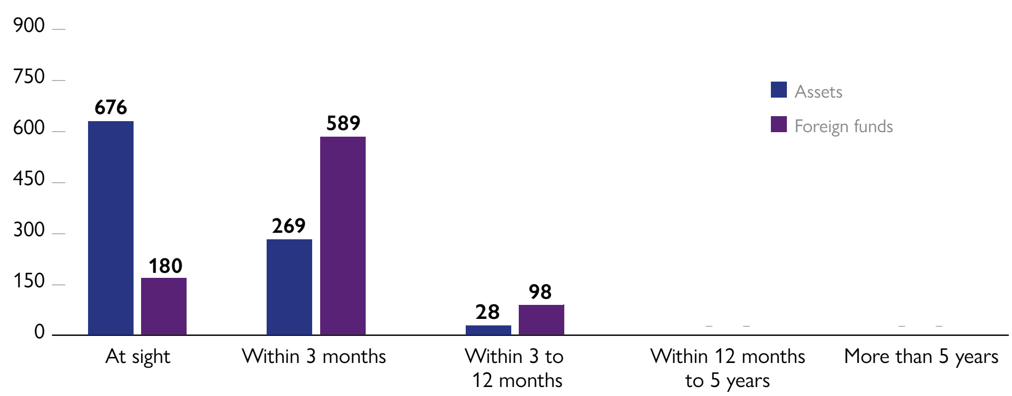


Figure 33 **MATURITY OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEET AT 31 DECEMBER 2020** (in CHF million)



This longer maturity of liabilities compared to assets results in a negative liquidity gap, which demonstrates the Bank's ability to honour its short-term commitments.

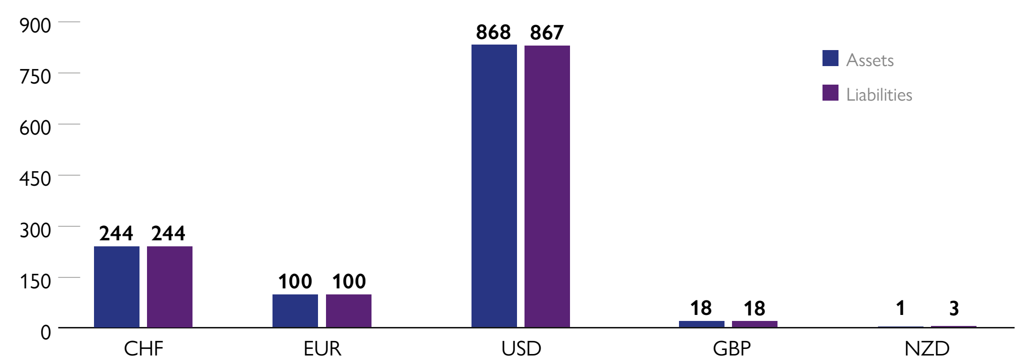
In CHF million	31.12.2021
Assets with a maturity of less than 3 months	1,209
– Liabilities with a maturity of less than 3 months	–682
Liquidity gap	–527
Equity	118
Liquidity Gap/Equity	**–446%**

THE BALANCE OF CURRENCIES BETWEEN ASSETS AND LIABILITIES

Due to its activity, most of the Bank's balance sheet is in US dollars (71%).

In order to limit foreign exchange risk, the Bank's strategy consists of balancing assets and liabilities denominated in the same currency. Foreign exchange positions resulting from the balance sheet are systematically hedged. Access to a comfortable customer deposit base and BRED refinancing enable the Bank to achieve this balance.

Figure 34 **BREAKDOWN OF ASSETS AND LIABILITIES BY CURRENCY AT 31 DECEMBER 2021**
(in CHF million)



Please refer to Note 21 of the financial statements for more details.

COMFORTABLE LIQUIDITY RATIOS

Liquidity risk is monitored daily by the Treasury/ALM Department. In-depth management of the LCR and NSFR makes it possible to maintain these ratios at around 130%, thereby ensuring that a safety buffer is maintained in relation to the minimum regulatory thresholds of 100%, while optimising the cost of regulatory refinancing.

Figure 35 **LCR**

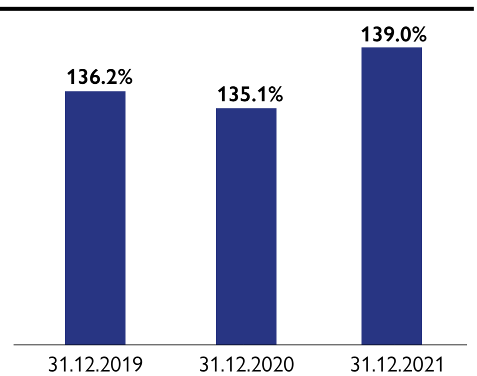
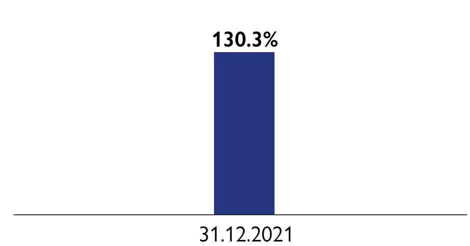


Figure 36 **NSFR**



6.1.4 A SOLID LEVEL OF SOLVENCY

The very good results of the year were, conservatively and optionally, allocated in full to the reserves for general banking risks, strengthening regulatory capital by CHF 11.8[5] million (+11%), bringing them to CHF 116.5 million at 31 December 2021.

Tableau 8 **EXTRACT FROM SWISS NATIONAL BANK STATISTICS**

In CHF million	31.12.2019	31.12.2020	31.12.2021
Eligible capital	98.2	104.7	116.5
Of which common equity tier 1 capital (CET1)	73.2	104.7	116.5
Risk-weighted assets (RWAs)	499.0	605.8	812.6

The 34% increase in risk-weighted assets (RWA) was due to the increase in amounts due from customers (+44%) and off-balance sheet assets (+29%).

Despite this rapid increase in RWA, at the end of 2021, the solvency ratio stood at 14.3%, a comfortable level compared to the regulatory requirement of 10.5%, thus reflecting the solidity of the Bank's solvency.

At 31 December 2021, the leverage ratio stood at 8.7%, well above the regulatory requirement of 3%.

Figure 37 **SOLVENCY RATIO**

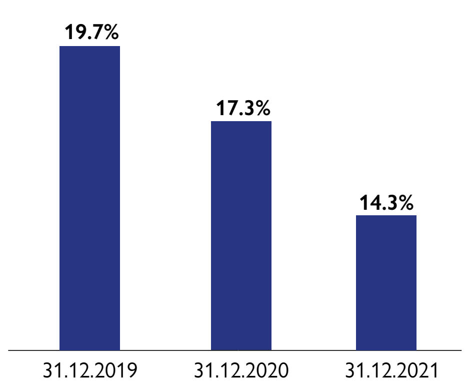
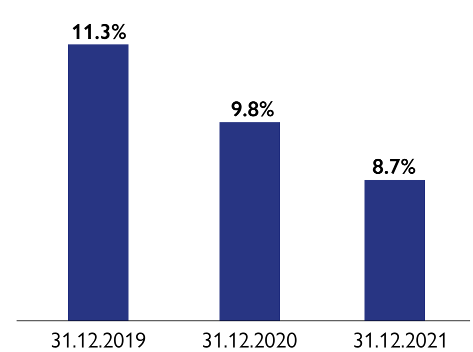


Figure 38 **LEVERAGE RATIO**



BIC-BRED (Suisse) SA has the privilege of being a wholly-owned subsidiary of Groupe BRED/BPCE, with excellent external ratings (see 2.1 Groupe BPCE) and for which it is supported both in terms of funding and solvency.

6.2 AUDIT OPINION

Regarding to the audit opinion, please refer to the French official version of the Annual Report 2021.

5 This change corresponds to the result allocated to the reserve for general banking risks, less corresponding deferred taxes.

6.3 2021 FINANCIAL STATEMENTS

BALANCE SHEET

In CHF thousand

ASSETS	*Notes*	31.12.2021	31.12.2020
Cash and cash equivalents		126,034	196,728
Amounts due from banks	*15*	259,874	177,650
Amounts due from customers	*6*	838,719	580,850
Positive replacement values of derivative financial instruments	*7*	26	524
Financial investments	*8*	2,596	17,682
Accrued income and prepaid expenses		1,378	834
Tangible fixed assets	*9*	936	481
Other assets	*10*	91	65
Total assets		**1,229,654**	**974,814**

LIABILITIES			
Amounts due to banks	*15*	605,061	670,767
Amounts due in respect of customer deposits	*15*	501,815	196,206
Negative replacement values of derivative financial instruments	*7*	20	503
Accrued expenses and deferred income		4,446	2,569
Other liabilities	*10*	20	30
Sub-total of foreign funds		**1,111,362**	**870,075**
Reserves for general banking risks	*13*	15,053	1,500
Bank's capital	*14.16*	103,074	103,074
Statutory retained earnings reserve		165	–
Profit/loss carried forward		–	–4,916
Profit/loss (result of the period)		–	5,081
Total equity		**118,292**	**104,739**
Total liabilities		**1,229,654**	**974,814**

Total subordinated liabilities		–	–
– of which subject to mandatory conversion and/or debt waiver	15	–	–

OFF-BALANCE SHEET TRANSACTIONS			
Contingent liabilities	*6.22*	438,357	296,086
Irrevocable commitments	*6*	26,762	44,135
Credit commitments	*6.23*	2,152	22,679

INCOME STATEMENT

In CHF thousand

RESULT FROM INTEREST OPERATIONS	Notes	31.12.2021	31.12.2020
Interest and discount income	25	18,263	14,838
Interest and dividend income from trading portfolios		–	–
Interest and dividend income from financial investments		553	542
Interest expense	25	–463	–1,553
Gross result from interest operations		**18,353**	**13,827**
Changes in value adjustments for default risks and losses from interest operations	6.13	477	–
Subtotal net result from interest operations		**18,830**	**13,827**

RESULT FROM COMMISSION BUSINESS AND SERVICES			
Commission income from securities trading and investment activities		–	–
Commission income from lending activities		12,484	7,191
Commission income from other services		3,097	2,373
Commission expense		–3,263	–1,943
Subtotal result from commission business and services		**12,318**	**7,621**

RESULT FROM TRADING ACTIVITIES AND THE FAIR VALUE OPTION	24	551	400

OTHER RESULT FROM ORDINARY ACTIVITIES			
Other ordinary income		20	20
Other ordinary expenses		–	–
Subtotal other result from ordinary activities		**20**	**20**

OPERATING EXPENSES			
Personnel expenses	26	–14,274	–11,777
Other operating expenses	27	–3,290	–2,928
Subtotal operating expenses		**–17,564**	**–14,705**

Gross income		**14,155**	**7,163**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		–220	–172
Operating result		**13,935**	**6,991**
Extraordinary income	28	30	17
Extraordinary expenses	28	–	–
Changes in reserves for general banking risks	13	–13,553	–1,500
Taxes	29	–412	–427
PROFIT (result of the period)		**–**	**5,081**

STATEMENT OF CHANGES IN EQUITY

In CHF thousand

	Bank's capital	Retained earnings reserve	Reserves for general banking risks	Profit/loss carried forward	Result of the period	Total
Equity as at 31.12.2020	**103,074**	**–**	**1,500**	**–4,916**	**5,081**	**104,739**
Capital increase/decrease	–	–	–	–	–	–
Allocation of 2020 result	–	165	–	4,916	–5,081	–
Other allocations to (transfers from) the reserves for general banking risks	–	–	13,553	–	–	13,553
Profit (result of the period)	–	–	–	–	–	–
Equity as at 31.12.2021	**103,074**	**165**	**15,053**	**–**	**–**	**118,292**

1. THE BANK'S BUSINESS NAME, LEGAL FORM AND DOMICILE

I. Business name, legal form and domicile

Banque Internationale de Commerce – BRED (Suisse) SA was granted authorisation to carry out a banking activity in Switzerland on 21 September 2015. It took over the activities of the Geneva branch of Banque Internationale de Commerce – BRED Paris through a qualified capital increase with effect from 28 February 2015.

The Bank is headquartered in Geneva.

The Bank is wholly owned by Banque Internationale de Commerce – BRED SA, Paris (the Headquarters), whose shares are 99.99% owned by Compagnie Financière de la BRED SA (COFIBRED), which is itself wholly owned by BRED – Banque Populaire (the Group).

BRED Banque Populaire has a 4.95% interest in BPCE.

II. Headcount

As at 31 December 2021, the Bank employed 70.8 full-time equivalent employees, versus 60.3 at 31 December 2020.

III. Business activities

The Bank is active in international trade finance and, more specifically, in commodity finance (oil and oil derivatives, metals and ores, soft commodities, fertilisers, and raw materials, or materials that have undergone limited processing).

It provides its clients with a full range of services linked to this activity, such as lending based on the disbursement of funds or the issue of banking instruments by letter of commitment, hedging products provided through the Group's trading floor and other, similar transactions.

2. PRINCIPLES GOVERNING THE PREPARATION OF THE FINANCIAL STATEMENTS

I. Principles governing the preparation of the financial statements

The accounting, recognition and valuation principles are in keeping with the Swiss Code of Obligations (CO), the Banking Act (BA) and its ordinance (BO), the Swiss Financial Market Supervisory Authority (FINMA) Ordinance on accounts (OEPC-FINMA) and the accounting rules for Banks, securities traders and financial groups and conglomerates defined by FINMA Circular 2020/1. The reliable assessment statutory single-entity financial statements present the Bank's economic position in such a way that third parties are able form an informed opinion thereof. The annual financial statements may contain hidden reserves.

The figures in the notes have been rounded for publication purposes.

II. General valuation principles

The financial statements have been prepared on the assumption that the Bank is a going concern. The items in the balance sheet have been recorded on a going concern basis.

The assets contain items that the company may hold as a result of past events, from which it expects a flow of economic benefits, and whose value may be estimated with a sufficient degree of reliability. If it is not possible to reliably estimate the value of an asset, it becomes a contingent receivable, which is commented on in the notes.

Debts arising from past events that are likely to lead to an outflow of economic benefits from the company and whose value may be estimated with a sufficient degree of reliability are recorded on the liability side of the balance sheet. If it is not possible to reliably estimate the value of a liability, it becomes a contingent commitment, which is commented on in the notes.

The items presented in the balance sheet are valued individually.

III. Recording of transactions

Transactions are recorded in the balance sheet on the date on which they are entered into.

IV. Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates in force on the balance sheet date. Tangible fixed assets and intangible assets are translated at historical exchange rates. The foreign exchange gain or loss resulting from the translation of items into foreign currencies is recognised in "Result from trading activities and the fair value option".

Income and expenses denominated in foreign currencies are translated at the exchange rate in force on the date on which they are recognised.

The main foreign currencies were translated into Swiss Francs on the closing date at the following rates:

	31.12.2021	31.12.2020
USD	0.9161	0.8832
EUR	1.0358	1.0856
GBP	1.2356	1.2012

V. Treatment of interest

Past due interest and related commissions are not recorded as interest income. Interest and commissions that are more than ninety days overdue fall into this category. In the case of current account credit facilities used, interest and commissions are considered past due where the credit facility limit has been exceeded for more than ninety days. From then on, future interest and commissions accruing may no longer be credited to the income statement item "Interest and discount income" until no overdue interest has been outstanding for longer than ninety days.

A retroactive cancellation of interest income is not expressly prescribed. Receivables arising from interest accrued up to the expiry of the ninety day period (due and unpaid interest and accrued interest) are to be written off via the item "Changes in value adjustments for default risks and losses from interest operations".

3. VALUATION PRINCIPLES

I. Cash and cash equivalents

Cash and cash equivalents are recognised at their nominal value.

II. Amounts due from banks and amounts due from customers

Amounts due from banks and amounts due from customers are recognised at their nominal value, less any necessary value adjustments.

III. Positive and negative replacement values of derivative financial instruments

Financial instruments are measured at their fair value and their positive or negative replacement values are presented in the corresponding balance sheet items. The fair value is based on market prices.

The result realised from trading transactions and the unrealised valuation result from trading activities is recognised in "Result from trading activities and the fair value option".

IV. Tangible fixed assets

Investments in tangible fixed assets that are used for more than one accounting period are carried on the balance sheet at their acquisition cost and depreciated on a straight-line basis over their foreseeable lifetime.

Tangible fixed assets are depreciated on a straight-line basis through "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets", in accordance with their useful life, estimated on a conservative basis. The estimated useful life may be summarised as follows:

- Fixtures: 5 years;
- IT software purchased: 3 to 5 years;
- Office equipment and furniture: 3 years.

The Bank test whether, on the balance sheet date, the value of any tangible fixed asset is impaired. This test is to be based on indications reflecting a possible impairment of individual assets. If it notes such signs, the Bank determines the recoverable amount of each asset. An asset is impaired if its book value exceeds its recoverable amount.

If the assessment reveals a change in the asset's useful life or an impairment the Bank depreciates the residual book value in accordance with a plan based on the new useful life or recognises an unplanned depreciation charge.

Where an impairment exists, the book value is to be reduced to reflect the recoverable amount and the impairment loss is recognised on the debit side in "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets".

Gains made from the sale of tangible fixed assets are recognised in "Extraordinary income", and the losses made in "Extraordinary expenses".

V. Financial investments

Financial investments consist of securities acquired for medium- and long-term investment purposes and equity securities intended neither for trading nor for permanent investment.

Held-to-maturity interest-bearing securities (marketable securities) are measured at their acquisition value, taking into account any premiums or discounts (rate components) accrued over time (*accrual method*). The gains and losses resulting from a sale or an early redemption are recorded proportionally until the original maturity date. Changes in value linked to the risk of default are recorded in "Changes in value adjustments for default risks and losses from interest operations".

VI. Amounts due to banks and amounts due in respect of customer deposits

These items are recognised at their nominal value.

VII. Provisions

In line with the precautionary principle, provisions may be recognised for any potential or proven risks of losses on the balance sheet date linked to a balance sheet commitment. These risks are regularly reviewed by the Executive Board. If a provision seems necessary, it is recognised in the income statement.

VIII. Reserves for general banking risks

Reserves for general banking risks are reserves that are established as a precaution to cover the Bank's business risks.

Reserves for general banking risks are not taxable up to the set threshold.

IX. Pension benefit obligations

Employees are insured with a collective pension foundation. The pension plans are organised, managed and funded in accordance with the law, the foundation's articles of association and the pension regulations in force. The Bank's five pension plans are defined contribution schemes.

The Bank bears the costs of the professional pensions of employees and their survivors in accordance with the law. The employer contributions to pension plans are recorded in "Personnel expenses".

The Bank assesses whether, on the balance sheet date, it has any economic benefits or commitments outstanding with pension plan providers.

The economic benefits of the pension plans (including the employer contribution reserve the use of which has not been waived) are carried in the balance sheet in "Other assets" and the economic commitments in "Provisions". Value adjustments relating to economic benefits/commitments in respect of the previous period are recorded in "Personnel expenses" in the income statement.

X. Equity capital

Equity capital consists of the share capital, the statutory reserves from retained earnings, general banking risk reserves, retained earnings and the earnings of the period.

XI. Taxes

Current income taxes consist of recurring taxes, generally paid annually, on income and capital. They do not include transaction taxes.

Liabilities from current income taxes and capital taxes are recognised in "Accrued expenses and deferred income" in the income statement.

Current income taxes on income and capital are recognised in "Taxes" in the income statement.

XII. Off-balance sheet transactions

Contingent liabilities and irrevocable commitments as well as credit commitments are recorded off-balance sheet at their nominal value.

XIII. Structure of the notes

The notes follow the structure set out by FINMA in Circular 2020/1 Accounting – Banks. Items that are not relevant to the Bank are not included in the notes.

4. RISK MANAGEMENT

I. Introduction

The Bank's risk policy is based on the general policy of the Group to which it belongs. Risks are monitored using a system approved by the Board of Directors.

The members of the Board of Directors and the Executive Board are regularly informed about the Bank's position, the condition of its portfolio, its income and the related risks.

The Bank is exposed to several categories of risks: credit and counterparty risks, financial risks, operational risks and other types of risk. One of the Bank's key responsibilities is the monitoring, identification, measurement and management of these risks.

II. Credit risks

II.i Client credit risks

FOUNDATIONS OF THE LENDING SYSTEM

The same credit risk management is applied whether the credit risks involve exposure to companies, banks or financial institutions, and is structured along several lines:

- Carrying out specific, detailed analysis each year for every credit application in accordance with clearly established preconditions;
- Assigning a rating to the counterparty based on an internal assessment grid;
- Collegiate decision-making by credit committees based on the credit analysis produced by the sales teams and separate analysis carried out by the Credit Risk Department;
- Risk division principles dictated by compliance with regulatory limits and the establishing of thresholds based on sector, counterparty type and country risk;
- Procedures describing these components of the lending process and the lending policy.

MONITORING OF LOANS

The loans that are granted are closely monitored at various levels, particularly covering:

- The legal (or other) documentation required;
- Compliance with the limits granted and their terms (due dates, specific conditions, etc.);
- The indirect risks that may be encountered in connection with certain transactional operations (see below).

This monitoring is carried out by departments that are independent of the Sales Division. These are mainly the Credit, Commitments and Credit Risk departments.

For loans based on a self-liquidating transactional approach, i.e. the financing of commodities reimbursed using their sale proceeds, the Bank has a specific department, the Collateral Management Department, which closely monitors the status of the underlying asset being financed (commodity stored in a port or in transit with a marketable security, etc.). The Bank also carries out due diligence checks on the entities with which its clients work and that may have an impact on lending, such as brokers and warehousekeepers.

Credit monitoring is also carried out through portfolio reviews.

RISK MITIGATION MEASURES

The credit risk mitigation measures that are currently applied are:

- Pledged cash;
- Guarantees received from BRED or Groupe BREDentities;
- Guarantees issued by other financial institutions or insurance companies with good external ratings (i.e. at least investment grade) for which credit approval has been arranged to allow the risk to be transferred to these entities, and provided that the guarantees meet the conditions set out in Circular 2017/7 Credit risk – Banks, Margin Nos. 281 to 296.

These measures are grouped together under "Other security" in note 6.

VALUATION OF COLLATERAL

When carrying on its international trade finance activity, the Bank usually grants collateral-based loans, i.e. loans based on documents proving the existence of commodities (such as bills of lading or warehousing certificates) or receivables. This collateral is not considered "security" as it does not enable credit risk to be formally reduced and does not always have an indisputable legal value. Notwithstanding these points, in practice, collateral is the main way in which loans are repaid if a debtor defaults and is therefore a major component of risk management.

Collateral is periodically revalued by the Collateral Management Department.

IDENTIFICATION OF NON-PERFORMING LOAN RECEIVABLES

Loan receivables are non-performing if any of the following payments has not been received in full more than 90 days after the due date:

- Payment of interest;
- Payment of fees;
- Repayment of principal.

The basic debt itself is deemed to be non-performing if an interest, fee and/or reimbursement payment linked to it is non-performing. Loans/receivables to debtors in liquidation are always considered to be non-performing.

IDENTIFICATION OF IMPAIRED LOANS/ RECEIVABLES AND VALUE ADJUSTMENTS

Loans/receivables in respect of which the debtor will unlikely be able to fulfil its future obligations are deemed to be impaired.

If the total impaired loans/receivables exceed the amount that is likely to be received after analysis of the hedging and collateral, a specific provision equal to the difference between the book value and the probable realisable value (or the liquidation value) must be recognised.

The liquidation value is calculated as follows:

- Fair value of the collateral that must be liquidated after deduction of the estimated selling costs or
- Value of the expected cash flows discounted by applying the rate of return before default and by using reasonable and justified assumptions and projections or
- Observable market value of the loan if that is a reliable indicator of the estimated recoverable amount.

MONITORING OF DISTRESSED LOANS

The Bank has a specific system for monitoring distressed loans involving committees, procedures, etc.

An identification system is also in place so that the following can be appropriately monitored:

- Sensitive transactions: identification of transactions that present a higher recovery risk but for which recovery is not considered to be problematic and that do not result in the assessment of the client being changed ("one-off account incident");
- Loans presenting a high risk despite there being no proven risk event. These loans are included in the performing loan watchlist (WL). Loans are added to the performing loan WL either as a result of a decision by a credit committee or automatically because certain criteria have been met.
- Non-performing loans, which are included in the doubtful loan WL.

II.ii Counterparty risk in interbank operations

In respect of interbank transactions, the Bank never enters into a business relationship without carrying out a detailed assessment of the default risk. Compliance with limits is regularly monitored by the credit risk function. Counterparty ratings are reviewed on an annual basis within the BPCE group.

If extreme market events occur, the Bank continuously assesses the situation so that it can instantly respond to an increase in risk.

III. Market risks

INTEREST RATE RISKS

Interest rate risk arises as a result of the Bank's exposure to an adverse fluctuation in interest rates, based on its on- and off-balance sheet positions. A sharp rise or fall in interest rates, depending on the balance sheet and off-balance sheet structure, may lead to a loss of income, or even a negative interest margin.

In view of the Bank's activity, interest rate risks are mainly caused by the following active and passive items: amounts due from and amounts due to banks and customers.

FOREIGN EXCHANGE RISKS

The Bank may be exposed to a foreign exchange risk with regard to its income given that its income statement is in CHF and its main source of income is in USD and, to a lesser degree, EUR.

Foreign exchange positions resulting from the Bank's balance sheet are systematically hedged. The strategy consists of balancing assets and liabilities denominated in the same currency. The Bank is therefore not exposed to significant foreign exchange risk.

LIQUIDITY RISKS

The Treasury Department verifies compliance with limits and objectives. It monitors liquid assets, the financing position and concentration risks.

The Bank's approach to liquidity management aims to generate a solid liquidity position that ensures that the Bank is always able to meet its payment obligations on time.

Regular checks are carried out on all major cash flows and on the availability of top tier collateral that may be used to provide additional liquidity.

IV. Operational risks

GENERAL PRINCIPLES AND ASSESSMENT

Operational risks are defined as risks of direct or indirect losses arising from an inadequacy or malfunction attributable to procedures, human involvement, systems or external events.

Operational and compliance risks are assessed with regard to direct financial losses and the consequences that would result from a loss of client confidence. The primary aim of operational risk management is to strengthen the institution's reputation in the eyes of clients, shareholders and the regulator.

Operational risks are measured based on losses resulting from normal and extreme situations. Within the Risk Division, a database of incidents having led to losses is managed. For risk management purposes, it breaks down the loss events into different risk groups and determines measures to reduce the potential losses. It regularly reports on the results of its controls to the Executive Board.

BUSINESS CONTINUITY PROCESS

With regard to business continuity processes, measures are taken to reduce damage. The business continuity plan also helps to ensure operational security in the event of either internal or external disasters.

The key controls are documented in line with uniform principles. All the Bank's departments conduct annual assessments of their internal control processes to measure their operational effectiveness. The Business Continuity Management Plan is tested once a year. The observations made during this test are noted in the internal control report produced for the Executive Board. The improvements suggested in the report are validated by the Bank's management bodies.

V. Other risks

There are other risks related to the Bank's activities.

- Compliance risks: the risk of non-compliance of a counterparty or its transactions is managed by a dedicated department responsible for ensuring that all applicable regulations (mainly Swiss, the EU, US) are complied with in the areas of sanctions, anti-money laundering and combating the financing of terrorism.
- Risks related to employee corruption and lack of ethics: they are addressed specifically within the Risk Division.
- Legal risks are seen as risks related to loss resulting from insufficient documentation (missing document, poorly written clause, lack of knowledge of the texts, etc.) or incorrect application of the law. They are monitored by independent lawyers under the supervision of a dedicated in-house lawyer at the Bank to ensure that the Bank's requirements are complied with in this area.

More generally, all risks (IT, HR, etc.) are monitored at the operational level through the deployment of level 1 controls and hierarchical controls and are also covered by level 2 controls performed by the Risk Department. These level 2 controls may either relate to level 1 controls or be carried out independently to address specific issues. Most of these controls are subject to reports, the results of which are communicated on a quarterly basis both internally and to the parent company.

Finally, the aspects related to mandatory or recommended training necessary to prevent and manage risks are also subject to double monitoring: in the operational departments and in the risk departments in charge of the area.

VI. Policy on the use of derivative financial instruments and hedge accounting

The Bank does not use hedge accounting. Derivative financial instruments are used to manage risk and are principally used to hedge against interest rate and foreign exchange risks and, under certain conditions, to reduce credit risks, including those relating to future transactions. Hedging transactions are always entered into with external counterparties. The Bank uses BRED's trading floor for its derivatives activity.

5. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date.

In CHF thousand

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

		Type of collateral			
LOANS AND BILLS OF EXCHANGE		Secured by mortgage	Other security	Unsecured	Total
Amounts due from customers		–	322,016	531,542	853,558
Total loans and bills of exchange (**before** netting with value adjustments)	**31.12.2021**	**–**	**322,016**	**531,542**	**853,558**
	31.12.2020	–	142,702	452,902	595,604
Total loans and bills of exchange (**after** netting with value adjustments)	**31.12.2021**	**–**	**322,016**	**516,703**	**838,719**
	31.12.2020	–	142,702	438,148	580,850

OFF BALANCE SHEET					
Contingent liabilities		–	136,770	301,587	438,357
Irrevocable commitments		–	12,746	14,016	26,762
Credit commitments		–	2,152	–	2,152
Off-balance sheet total at	**31.12.2021**	**–**	**151,668**	**315,603**	**467,271**
	31.12.2020	–	88,789	274,111	362,900

		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Total impaired receivables	**31.12.2021**	**19,786**	**–**	**19,786**	**19,786**
	31.12.2020	19,523	–	19,523	19,523

In CHF thousand

7. PRESENTATION OF DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS AND LIABILITIES)

		Trading instruments		
FOREIGN EXCHANGE/PRECIOUS METALS		Positive replacement values	Negative replacement values	Contract volume
Forward contracts		26	20	25,819
Total before netting agreements	**31.12.2021**	**26**	**20**	**25,819**
– of which determined using a valuation model		–	–	–
Total before netting agreements	31.12.2020	524	503	40,422
– of which determined using a valuation model		–	–	–

		Positive replacement values (cumulative)	Negative replacement values (cumulative)
Total after netting agreements	**31.12.2021**	**26**	**20**
	31.12.2020	524	503

BREAKDOWN BY COUNTERPARTY		Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	**31.12.2021**	**–**	**24**	**2**

The Bank does not hold any hedging instruments and does not enter into any positive or negative replacement value netting agreements.

In CHF thousand

8. FINANCIAL INVESTMENTS

	Book value		Fair value	
BREAKDOWN OF FINANCIAL INVESTMENTS	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Debt securities	2,596	17,682	2,627	18,196
– of which intended to be held to maturity	*2,596*	*17,682*	*2,627*	*18,196*
– of which not intended to be held to maturity (available for sale)	–	–	–	–
Equity securities	–	–	–	–
– of which qualified participations	–	–	–	–
Precious metals	–	–	–	–
Real estate	–	–	–	–
Total	2,596	17,682	2,627	18,196
– of which securities eligible for repo transactions in accordance with liquidity requirements	–	–	–	–

BREAKDOWN OF COUNTERPARTIES BY MOODY'S RATING CATEGORY	31.12.2021	31.12.2020
Aaa-Aa3	–	17,682
A1-A3	–	–
Baa1-Baa3	–	–
Ba1-Ba2	–	–
Ba3	–	–
B1-B3	–	–
Caa1-C	–	–
Unrated	2,596	–
Total debt securities	2,596	17,682

In CHF thousand

9. TANGIBLE FIXED ASSETS

	Acquisition cost	Accumulated depreciation	Book value at 31.12.2020	Additions	Disposals	Depreciation	Book value at 31.12.2021
Acquired software	887	–640	247	508	–	–94	661
Other tangible fixed assets	576	–342	234	172	–4	–127	275
Total tangible fixed assets	**1,463**	**–982**	**481**	**680**	**–4**	**–221**	**936**

Depreciation is calculated on a straight-line basis based on their estimated useful life, subject to the following maximum periods:
- 5 years for plant and fixtures and fittings;
- 3 to 5 years for software;
- 3 years for office equipment and furniture.

OPERATING LEASE COMMITMENTS, NOT CARRIED ON THE BALANCE SHEET, ACCORDING TO DUE DATE

On 1 October 2019, the Bank entered into a lease over business premises in Geneva for an initial term of 10 years and 4 months, i.e. until 31 January 2030. This lease generates future rent expenditure totalling CHF 7.3 million:

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years[1]	Total
Operating lease commitments	834	889	912	912	912	2,813	7,272

1 From 1 December 2025, the basic rent corresponding to the annual rent for the sixth year is deemed to be indexed to the official Swiss consumer price index (ISPC). As this indexing cannot be known in advance, the amount of the rent for years 6 to 10 is based on the annual rent for 2025.

DETAILS ON THE INDIVIDUAL ITEMS IN THE NOTES TO ANNUAL FINANCIAL STATEMENTS (continued)

In CHF thousand

10. BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES

	Other assets		Other liabilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Indirect taxes	–	–	20	30
Coupons	91	65	–	–
Total	91	65	20	30

11. DISCLOSURE OF ASSETS PLEDGED OR ASSIGNED TO SECURE OWN COMMITMENTS AND OF ASSETS UNDER RESERVATION OF OWNERSHIP

No assets pledged, assigned or subject to a retention of title as at 31 December 2021 (same as 2020).

12. ECONOMIC SITUATION OF OWN PENSION SCHEMES

PRESENTATION OF THE ECONOMIC BENEFIT/OBLIGATION AND THE PENSION EXPENSES

	Overfunding/ underfunding	Economic interest of the bank/ financial group		Change in economic interest versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses	
	31.12.2021	31.12.2021	31.12.2020	31.12.2021	31.12.2021	31.12.2021	31.12.2020
Pension plans without overfunding/ underfunding	–	–	–	–	–	1,391	1,340
Total	–	–	–	–	–	1,391	1,340

Banque Internationale de Commerce BRED (Suisse) SA signed an affiliation agreement with the collective foundation AXA Fondation LPP Suisse romande, Winterthur, on 1 January 2016, which, at the very least, complies with the law regarding professional pension schemes in Switzerland. The pension schemes are classified in accordance with Swiss standards on defined contribution schemes.

There are five pension plans:
- choice of three basic plans for all employees, except for those on the Executive Board;
- two plans for the Executive Board (one covering fixed salaries and one covering bonuses).

As at 31 December 2021, 71 employees were insured.

The accounts of the collective foundation, AXA Fondation LPP Suisse romande, Winterthur apply the measures for professional pension plans set out in Swiss standard GAAP RPC.

There were no employer contribution reserves in 2021.

The Bank had no pension commitments towards the pension scheme as at 31 December 2021.

13. PRESENTATION OF VALUE ADJUSTMENTS AND PROVISIONS, RESERVES FOR GENERAL BANKING RISKS

	Position at 31.12.2020	Use in conformity with designated purpose	Reclassifications	Exchange rate dfferences	Past due interest, recoveries	New creations charged to income	Releases to income	Position at 31.12.2021
Other provisions	–	–	–	–	–	–	–	–
Total provisions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reserves for general banking risks	**1,500**	**–**	**–**	**–**	**–**	**13,553**	**–**	**15,053**
Value adjustments for default and country risks	**19,523**	**–**	**–**	**740**	**–**	**–**	**–477**	**19,786**
– of which, value adjustments for default risks in respect of impaired loans/ receivables	*19,523*	*–*	*–*	*740*	*–*	*–*	*–477*	*19,786*

Provisions have been recognised for the full amount of impaired loans since the end of 2018.

In 2021:
– No new value adjustments were recorded.
– The Bank recovered CHF 477k on an impaired receivable.

14. PRESENTATION OF THE BANK'S CAPITAL

	31.12.2021			31.12.2020		
	Par value (in CHF)	Number of shares	Capital eligible for dividend (in CHF thousand)	Par value (in CHF)	Number of shares	Capital eligible for dividend (in CHF thousand)
Share capital	100	1,030,740	103,074	100	1,030,740	103,074
– of which paid up	*100*	*1,030,740*	*103,074*	*100*	*1,030,740*	*103,074*
Total bank's capital	**100**	**1,030,740**	**103,074**	**100**	**1,030,740**	**103,074**

In CHF thousand

15. DISCLOSURE OF AMOUNTS DUE FROM/TO RELATED PARTIES

Transactions with related parties, on and off the balance sheet, are entered into on market terms.

	Amounts due from		Amounts due to	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Holders of qualified participations	125,673	123,226	562,950	628,293
Linked companies[1]	4,338	3,612	74,431	44,712
Transactions with members of governing bodies	–	–	–	–
Total	**130,011**	**126,838**	**637,381**	**673,005**

1 Amounts due to linked companies include a CHF 51.8 million commitment towards COFACE RE, a wholly owned subsidiary of COFACE, a company consolidated using the equity method by the BPCE Group.

OTHER OFF-BALANCE SHEET TRANSACTIONS WITH RELATED PARTIES

As at 31 December 2021, the off-balance sheet statement contained a guarantee for Banque du Léman (a related company) of CHF 6.2 million (2020: CHF 6.5 million).

16. DISCLOSURE OF HOLDERS OF SIGNIFICANT PARTICIPATIONS

HOLDERS OF SIGNIFICANT PARTICIPATIONS AND GROUPS OF HOLDERS OF PARTICIPATIONS WITH POOLED VOTING RIGHTS	31.12.2021		31.12.2020	
	Nominal	% of equity	Nominal	% of equity
Banque Internationale de Commerce – BRED (with voting right)	100	100%	100	100%

The Bank is wholly-owned by Banque Internationale de Commerce – BRED, a subsidiary 99.99%-owned by Compagnie Financière de la BRED (COFIBRED), which is a wholly-owned subsidiary of BRED Banque Populaire.

RIGHTS AND RESTRICTIONS LINKED TO THE BANK'S CAPITAL

All shares are fully paid up.

To be able to exercise their voting rights and the rights attached to shares, holders of registered shares must be recognised by the Board of Directors and be registered on the shareholder register. Consent may be withheld if shareholders do not declare that they have purchased the shares in their own name and on their own behalf, or if the voting rights of a registered shareholder exceed 5% of the total number of registered shares in issue.

These are the only restrictions on shareholder voting rights.

In CHF thousand

17. PRESENTATION OF THE MATURITY STRUCTURE OF FINANCIAL INSTRUMENTS

		Sight	Cancellable	Due					
ASSETS/FINANCIAL INSTRUMENTS				within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years	No maturity	Total
Cash and cash equivalents		126,034	–	–	–	–	–	–	126,034
Amounts due from banks		134,773	–	118,424	6,677	–	–	–	259,874
Amounts due from customers		–	542,288	287,126	9,289	16	–	–	838,719
Positive replacement values of derivative financial instruments		26	–	–	–	–	–	–	26
Financial investments		–	–	–	–	2,596	–	–	2,596
Total	**31.12.2021**	**260,833**	**542,288**	**405,550**	**15,966**	2,612	–	**–**	**1,227,249**
	31.12.2020	321,446	354,218	269,272	28,498	–	–	–	973,434
FOREIGN FUNDS/FINANCIAL INSTRUMENTS									
Amounts due to banks		21,515	–	185,427	54,581	–	343,538	–	605,061
Amounts due in respect of customer deposits		230,780	–	244,396	26,639	–	–	–	501,815
Negative replacement values of derivative financial instruments		20	–	–	–	–	–	–	20
Total	**31.12.2021**	**252,315**	**–**	**429,823**	**81,220**	**–**	**343,538**	**–**	**1,106,896**
	31.12.2020	180,539	–	588,482	98,455	–	–	–	867,476

In CHF thousand

18. PRESENTATION OF ASSETS AND LIABILITIES BY DOMESTIC AND FOREIGN ORIGIN IN ACCORDANCE WITH THE DOMICILE PRINCIPLE

	31.12.2021		31.12.2020	
ASSETS	Switzerland	Foreign	Switzerland	Foreign
Cash and cash equivalents	126,034	–	196,728	–
Amounts due from banks	7,301	252,574	2,217	175,433
Amounts due from customers	520,000	318,719	304,690	276,160
Positive replacement values of derivative financial instruments	2	24	495	29
Financial investments	–	2,596	–	17,682
Accrued income and prepaid expenses	914	463	300	534
Tangible fixed assets	936	–	481	–
Intangible assets	–	–	–	–
Other assets	–	91	–	65
Total	**655,187**	**574,467**	**504,911**	**469,903**

LIABILITIES				
Amounts due to banks	15,500	589,561	1,770	668,997
Amounts due in respect of customer deposits	426,897	74,918	113,268	82,938
Negative replacement values of derivative financial instruments	20	–	1	502
Accrued expenses and deferred income	3,741	706	2,438	131
Other liabilities	20	–	30	–
Reserves for general banking risks	15,053	–	1,500	–
Bank’s capital	103,074	–	103,074	–
Statutory retained earnings reserve	164	–	–	–
Profit carried forward	–	–	–4,916	–
Profit/loss (result of the period)	–	–	5,081	–
Total	**564,469**	**665,185**	**222,246**	**752,568**

In CHF thousand

19. ASSETS BY COUNTRY IN ACCORDANCE WITH THE DOMICILE PRINCIPLE

Assets by country are presented on the basis of the client's domicile, before credit mitigation.

	31.12.2021		31.12.2020	
	Absolute	Share as %	Absolute	Share as %
SWITZERLAND	655,187	53.28%	504,911	51.80%
EUROPE				
Belgium	16,759	1.36%	2,311	0.24%
Cyprus	3,130	0.25%	3,387	0.35%
Spain	–	0.00%	2	0.00%
France	166,546	13.54%	148,222	15.21%
Germany	61	0.00%	–	0.00%
Italy	8,112	0.66%	–	0.00%
Estonia	5,575	0.45%	–	0.00%
Luxembourg	44,696	3.63%	32,751	3.36%
Netherlands	–	0.00%	8,251	0.85%
Ireland	1	0.00%	–	0.00%
United Kingdom	75,408	6.13%	57,026	5.85%
Jersey	8,009	0.65%	2,511	0.26%
MIDDLE EAST				
United Arab Emirates	35,859	2.92%	47,884	4.91%
Lebanon	5,922	0.48%	–	0.00%
Turkey	356	0.03%	1,551	0.16%
NORTH AMERICA				
United States	26,080	2.12%	36,385	3.73%
Canada	8,487	0.69%	16,329	1.68%
Panama	158	0.01%	26	0.00%
AFRICA				
Benin	10,565	0.86%	–	0.00%
Burkina Faso	25,369	2.06%	6,597	0.68%
Ivory Coast	2,918	0.24%	–	0.00%
Egypt	26,089	2.12%	8,356	0.86%
Mali	659	0.05%	2,778	0.28%
Morocco	3,654	0.30%	4,813	0.49%
Algeria	2,945	0.24%	–	0.00%
Mauritius	–	0.00%	2,452	0.25%
Senegal	5,237	0.43%	6,749	0.69%

In CHF thousand

19. ASSETS BY COUNTRY IN ACCORDANCE WITH THE DOMICILE PRINCIPLE (continued)

	31.12.2021		31.12.2020	
	Absolute	Share as %	Absolute	Share as %
ASIA				
China	13,923	1.13%	1,298	0.13%
Hong Kong	8,413	0.68%	–	0.00%
Singapore	69,536	5.65%	80,224	8.23%
TOTAL ASSETS	**1,229,654**	**100%**	**974,814**	**100%**

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

Assets by external rating are presented according to the domicile of the risk, after taking into account credit mitigation (pledged cash and insurer/bank guarantees).

NET FOREIGN EXPOSURE	31.12.2021		31.12.2020	
External rating of countries according to **Moody's**	Absolute	Share as %	Absolute	Share as %
Aaa-Aa3	575,344	90.00%	400,476	96.62%
A1-A3	16,963	2.65%	649	0.16%
Baa1-Baa3	8,112	1.27%	888	0.21%
Ba1-Ba2	11,791	1.84%	2,406	0.58%
Ba3	4,078	0.64%	3,374	0.81%
B1-B3	19,707	3.08%	6,682	1.61%
Caa1-C	1,881	0.29%	–	0.00%
Unrated	1,400	0.22%	–	0.00%
Total	639,275	100.00%	414,476	100.00%

In CHF thousand

21. PRESENTATION OF ASSETS AND LIABILITIES BROKEN DOWN BY THE MOST SIGNIFICANT CURRENCIES FOR THE BANK

	31.12.2021					
ASSETS	CHF	EUR	USD	GBP	Other	Total
Cash and cash equivalents	126,034	–	–	–	–	126,034
Amounts due from banks	116,340	58,846	83,832	855	1	259,874
Amounts due from customers	30	38,521	783,082	17,086	–	838,719
Positive replacement values of derivative financial instruments	–	7	19	–	–	26
Financial investments	–	2,596	–	–	–	2,596
Accrued income and prepaid expenses	674	14	689	1	–	1,378
Tangible fixed assets	936	–	–	–	–	936
Other assets	–	91	–	–	–	91
Total assets shown in balance sheet	**244,014**	**100,075**	**867,622**	**17,942**	**1**	**1,229,654**
Delivery entitlements from spot exchange, forward forex and forex options transactions	–	–	–	–	–	–
Total assets	**244,014**	**100,075**	**867,622**	**17,942**	**1**	**1,229,654**

LIABILITIES						
Amounts due to banks	120,000	5,196	465,953	13,912	–	605,061
Amounts due in respect of customer deposits	2,402	94,450	400,985	3,975	3	501,815
Negative replacement values of derivative financial instruments	–	17	3	–	–	20
Accrued expenses and deferred income	3,696	440	301	10	–	4,447
Other liabilities	20	–	–	–	–	20
Reserves for general banking risks	15,053	–	–	–	–	15,053
Bank's capital	103,074	–	–	–	–	103,074
	164	–	–	–	–	164
Profit/loss carried forward	–	–	–	–	–	–
Profit/loss (result of the period)	–	–	–	–	–	–
Total liabilities shown in the balance sheet	**244,409**	**100,103**	**867,242**	**17,897**	**3**	**1,229,654**
Delivery obligations from spot exchange, forex forwards and forex options transactions	–	–	–	–	–	–
Total liabilities	**244,409**	**100,103**	**867,242**	**17,897**	**3**	**1,229,654**

NET POSITION PER CURRENCY	**–395**	**–28**	**380**	**45**	**–2**	**–**

DETAILS ON THE INDIVIDUAL ITEMS IN THE NOTES TO ANNUAL FINANCIAL STATEMENTS (continued)

In CHF thousand

22. BREAKDOWN AND EXPLANATION OF CONTINGENT ASSETS AND LIABILITIES

	31.12.2021	31.12.2020
Guarantees to secure credits and similar	–	–
Irrevocable commitments arising from documentary letters of credit	426,193	281,346
Other contingent liabilities	12,164	14,740
Total contingent liabilities	**438,357**	**296,086**
Contingent assets arising from tax losses carried forward	–	–
Total contingent assets	**–**	**–**

23. BREAKDOWN OF CREDIT COMMITMENTS

	31.12.2021	31.12.2020
Commitments resulting from deferred payments	2,152	22,679
Commitments by acceptance	–	–
Other loans by commitment	–	–
Total loans by commitment	**2,152**	**22,679**

24. BREAKDOWN OF THE RESULT FROM TRADING ACTIVITIES AND THE FAIR VALUE OPTION

	31.12.2021	31.12.2020
Foreign currencies	551	400
Total result from trading activities	**551**	**400**

The Bank does not use the fair value option.

25. DISCLOSURE OF NEGATIVE INTEREST

	31.12.2021	31.12.2020
Negative interest on assets	551	677
Negative interest on liabilities	1,216	986

The negative interest on asset is presented as a deduction from interest and discount income, and the negative interest on liabilities as a deduction from interest expense.

DETAILS ON THE INDIVIDUAL ITEMS IN THE NOTES TO ANNUAL FINANCIAL STATEMENTS (continued)

In CHF thousand

26. BREAKDOWN OF PERSONNEL EXPENSES

	31.12.2021	31.12.2020
Salaries	11,953	9,451
– of which expenses relating to share-based compensation and alternative forms of variable compensation	–	–
Social insurance benefits	2,168	2,171
Other personnel expenses	153	155
Total personnel expenses	**14,274**	**11,777**

27. BREAKDOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

	31.12.2021	31.12.2020
Office space expenses	975	955
Expenses for information and communications technology	599	519
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	17	17
Fees of audit firm (art. 961a ch. 2 of the Swiss Code of Obligations)	297	90
– of which for financial and regulatory audits	*297*	*90*
– of which for other services	–	–
Other operating expenses	1,402	1,347
Total general and administrative expenses	**3,290**	**2,928**

28. 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

	31.12.2021	31.12.2020
Non-recurring non-operating gains	30	17
Total extraordinary income	**30**	**17**
Non-recurring non-operating expenses	–	–
Total extraordinary expenses	**–**	**–**

The extraordinary income of 2021 corresponds to a capital gain of CHF 30 thousand on the sale of a company car.

DETAILS ON THE INDIVIDUAL ITEMS IN THE NOTES TO ANNUAL FINANCIAL STATEMENTS (continued)

In CHF thousand

29. PRESENTATION OF CURRENT TAXES

	31.12.2021	31.12.2020
Expense for the current tax on capital for the year	412	429
Adjustment of the tax expense for the previous year	–	–2
Total tax expense	**412**	**427**

The tax expense corresponds solely to the capital tax (approximately 0.40%) insofar as the Bank made the conservative and optional choice to allocate all of its 2021 income to the reserve for general banking risks.

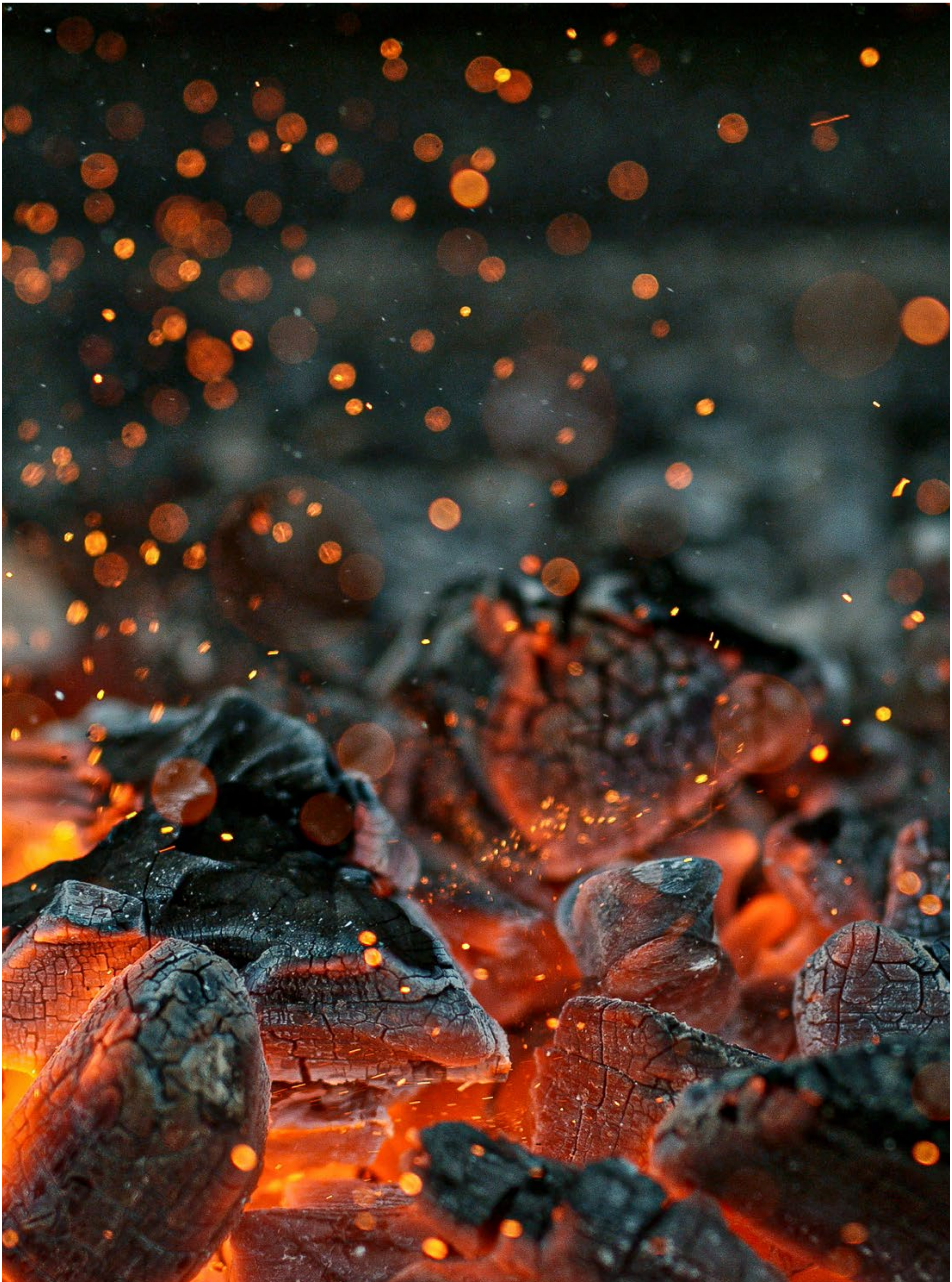
The average tax rate for 2021 based on the Bank's operating income was 2.96%.

PROPOSED DISTRIBUTION OF EARNINGS

In CHF thousand

	31.12.2021	31.12.2020
Profit/loss	–	5,081
+/– Profit/loss carried forward from the previous financial year	–	–4,916
Profit/loss on the balance sheet	**–**	**165**

Allocation to the statutory retained earnings reserve	–	165
Profit/loss carried forward to the new financial year	**–**	**–**



PART 7

REGULATORY DISCLOSURES

REGULATORY DISCLOSURES

The information set out below was prepared in accordance with the requirements of FINMA Circular 2016/1 "Regulatory Disclosures".

Banks under foreign ownership are subject to reduced publication requirements if comparable information is published at group level outside Switzerland.

Please refer to the "2021 Pillar III Report" published by the BPCE Group for further information.

Table 9 **KEY REGULATORY FIGURES (KM1)**

	ELIGIBLE CAPITAL (in CHF thousand)	**31.12.2021**	**31.12.2020**
1	Common Equity Tier 1 capital (CET 1)	116,510	104,738
2	Tier 1 capital (T1)	116,510	104,738
3	Total capital	116,510	104,738
	RISK-WEIGHTED ASSETS (RWAs) (in CHF thousand)		
4	RWAs[6]	812,563	605,757
4a	Minimum capital requirements	65,005	48,461
	RISK-BASED CAPITAL RATIOS (% of RWAs)		
5	CET1 ratio (%)	14.34%	17.29%
6	Tier 1 ratio (%)	14.34%	17.29%
7	Total capital ratio (%)	14.34%	17.29%
	CET1 CAPITAL BUFFER REQUIREMENTS (% of RWAs)		
8	Capital buffer under the minimum Basel standard (%)	2.50%	2.50%
9	Countercyclical capital buffers (art. 44a of the Swiss Capital Adequacy Ordinance – CAO) under the minimum Basel standard (%)	0.00%	0.00%
10	Additional capital buffer for international or national systemic risk (%)	0.00%	0.00%
11	Total capital buffer requirements under the minimum Basel standard (CET1 quality, %)	2.50%	2.50%
12	CET1 capital available to cover the capital buffer requirements under the minimum Basel standard (after deduction of CET1 capital allocated to covering the minimum requirements and, where applicable, to covering the TLAC requirements) (%)	6.34%	9.29%

6 The 34% increase in risk-weighted assets (RWA) was due to the increase in amounts due from customers (+44%) and off-balance sheet items (+29%).

	TARGET CAPITAL RATIOS UNDER APPENDIX 8 TO THE CAO (% of RWAs)	31.12.2021	31.12.2020
12a	Capital buffer under appendix 8 CAO (%)	2.50%	2.50%
12b	Countercyclical capital buffers (art. 44 and 44a CAO) (%)	0.00%	0.00%
12c	Target CET1 ratio (%) under appendix 8 to the CAO plus the countercyclical capital buffers under art. 44 and 44a CAO	7.00%	7.00%
12d	Target T1 ratio (%) under appendix 8 to the CAO plus the countercyclical capital buffers under art. 44 and 44a CAO	8.50%	8.50%
12e	Target total capital ratio (%) under appendix 8 to the CAO plus the countercyclical capital buffers under art. 44 and 44a CAO	10.50%	10.50%

	BASEL III LEVERAGE RATIO		
13	Total commitment (in CHF thousand)	1,333,127	1,063,944
14	Basel III leverage ratio (Tier 1 capital as a % of the total commitment)	8.74%	9.84%

	LIQUIDITY COVERAGE RATIO (LCR)[7]	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
15	LCR numerator: sum of HQLAs (in CHF thousand)	127,913	128,999	294,324	243,041	226,846
16	LCR denominator: net sum of cash outflows (in CHF thousand)	97,495	103,243	178,496	179,823	174,697
17	Liquidity coverage ratio (LCR) (%)	131.20%	124.95%	164.89%	135.16%	129.85%

	FUNDING RATIO (NSFR)	31.12.2021
18	Available Stable Funding (in CHF thousand)	695,005
19	Required Stable Funding (in CHF thousand)	533,478
20	NSFR (as a %)	130.28%

7 The LCR's numerator and denominator figures correspond to the average values for each of the last four quarters.

8 PARTNERSHIPS

BIC-BRED (Suisse) SA is a member of several umbrella associations and organisations active on the financial markets.

Swiss Trading and Shipping Association
The STSA is the main professional association for the trading and shipping of goods in Switzerland.

Fondation Genève Place Financière
The FGPF is the umbrella association for the financial sector and its main objective is to promote the development and advancement of the sector.

Geneva Chamber of Commerce and Industry (CCIG)
The purpose of the CCIG is to ensure a strong economy, conducive to local businesses a long-term sustainment of their activities.

Cercle CyclOpe
Cercle CyclOpe is a research company specialising in the analysis of global commodity markets. It is also a global network of around fifty experts on these markets.

Swiss-African Business Circle
The SABC is the main association promoting business contacts and links between Switzerland and Africa. It provides an important network and platform dedicated to the exchange of expertise, experience, projects and ideas.

EsiSuisse
The purpose of EsiSuisse is to implement, in the event of forced liquidation or protective measures imposed against a bank or securities house, the provisions of Article 37h of the Banking Act relating to self-regulation.

Agence Pour la Coopération et le Développement (ABPCD)
The ABPCD helps to improve banking systems and financial organisations, serving economies and developing private sector financing.

Forum Francophone des Affaires (FFA)
The FFA aims to strengthen dialogue between the economic and political worlds through events and meetings (heads of State and governments, ministers).

Swiss Bankers Association
The SBA is the umbrella association of the Swiss financial centre. Its main objective is to create optimal framework conditions for banks in Switzerland.

Association of Foreign Banks in Switzerland
The AFBS represents foreign banks in Switzerland with the federal government, the SBA and other players in the financial centre.

IMPRESSUM

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