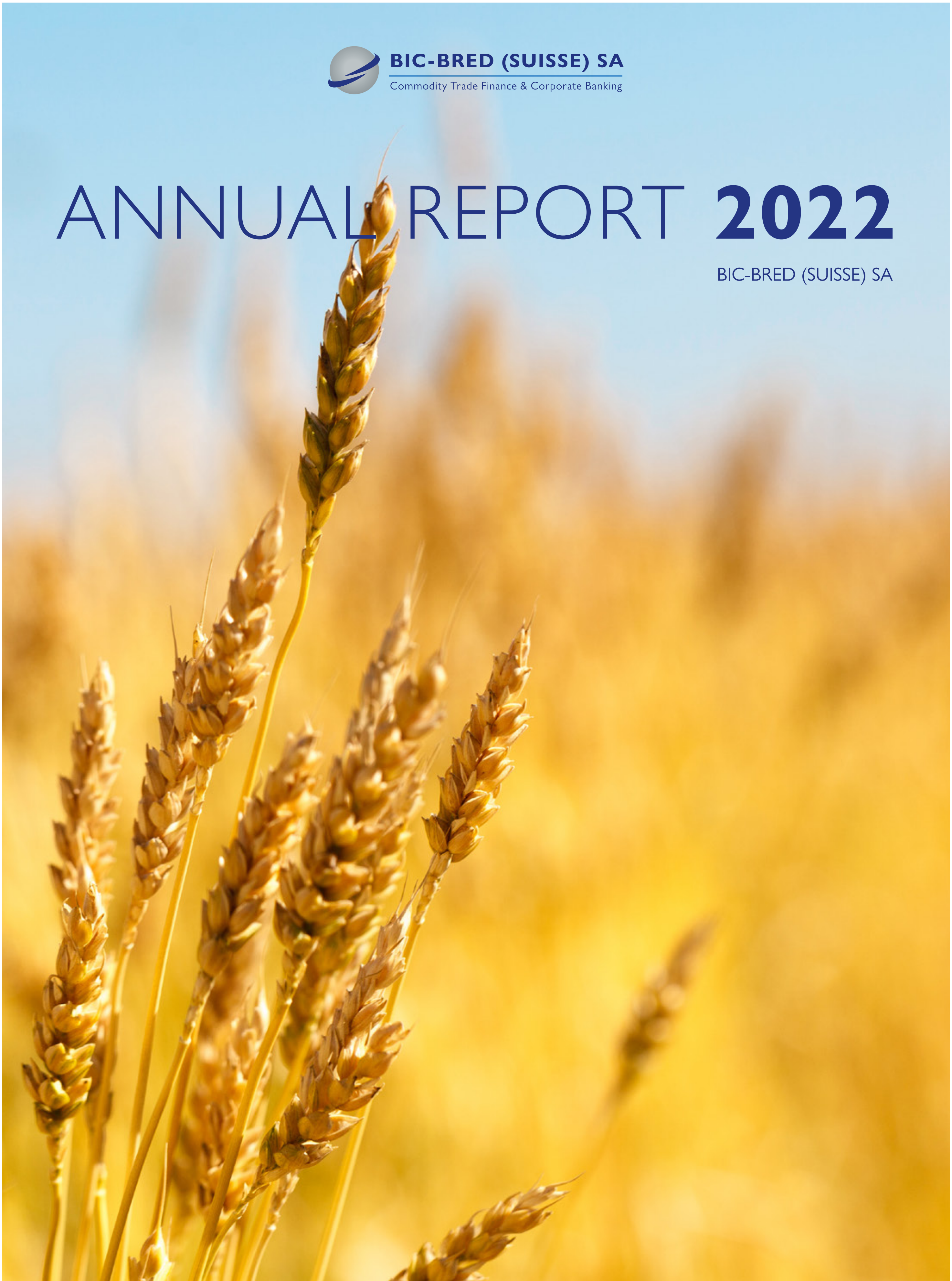
BIC-BRED (SUISSE) SA
Commodity Trade Finance & Corporate Banking

# ANNUAL REPORT **2022**

BIC-BRED (SUISSE) SA



# THE EMPLOYEES OF BIC-BRED (SUISSE) SA

# THE YEAR AT A GLANCE

NET BANKING INCOME
+36%

NET RESULT BEFORE RGBR
+59%

ROE
12.7%

ROA
1.3%

## KEY FIGURES

| **BALANCE SHEET** (in CHF thousand) | 31.12.2022 | 31.12.2021 | Change (absolute) | Change (%) |
|---|---|---|---|---|
| Balance sheet total | 1'664'015 | 1'229'654 | *434'361* | *35%* |
| Loans and advances to customers | 933'165 | 838'719 | *94'446* | *11%* |
| Amounts due in respect of customer deposits | 623'136 | 501'815 | *121'321* | *24%* |
| Equity | 169'809 | 118'292 | *51'517* | *44%* |
| of which Reserves for general banking risks (RGBR) | 36'570 | 15'053 | *21'517* | *143%* |

| **OFF-BALANCE SHEET** (in CHF thousand) | 31.12.2022 | 31.12.2021 | Change (absolute) | Change (%) |
|---|---|---|---|---|
| Off-balance sheet total | 434'748 | 467'271 | *–32'523* | *–7%* |

| **RESULTS** (in CHF thousand) | 31.12.2022 | 31.12.2021 | Change (absolute) | Change (%) |
|---|---|---|---|---|
| Net result from interest operations | 27'518 | 18'830 | *8'688* | *46%* |
| Result from commission business and services | 14'856 | 12'318 | *2'538* | *21%* |
| Result from trading activities | 811 | 551 | *260* | *47%* |
| Other result from ordinary activities | 42 | 20 | *22* | *110%* |
| Net banking income | 43'227 | 31'719 | *11'508* | *36%* |
| Operating income | 22'049 | 13'935 | *8'114* | *58%* |
| Net result before RGBR | 21'517 | 13'553 | *7'964* | *59%* |
| Change in Reserves for general banking risks | –21'517 | –13'553 | *–7'964* | *59%* |
| Net income | – | – | – | – |

| **RATIOS RELATING TO THE RESULTS** (%) | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Equity/Balance sheet total | 10.2% | 9.6% |
| Operating result to equity | 13.0% | 11.8% |
| Net result before Reserves for general banking risks on equity (ROE) | 12.7% | 11.5% |
| Net result before Reserves for general banking risks on assets (ROA) | 1.3% | 1.1% |
| Cost/income ratio | 48.1% | 56.2% |

| **LIQUIDITY AND EQUITY RATIOS** (%) | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Liquidity coverage ratio (LCR) | 121.4% | 139.0% |
| Net Stable Funding Ratio (NSFR) | 122.8% | 130.3% |
| Total equity ratio | 16.5% | 14.3% |

| **HEADCOUNT** | 31.12.2022 | 31.12.2021 | Change (absolute) | Change (%) |
|---|---|---|---|---|
| Full-time equivalents | 84.1 | 70.8 | *13.3* | *19%* |
| Number of employees | 87 | 73 | *14* | *19%* |

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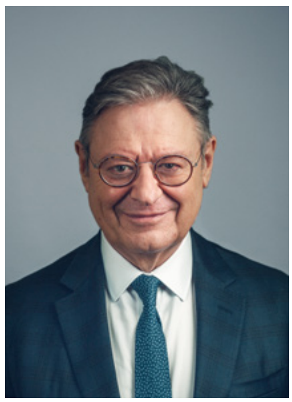
PART 1

# 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

The future is bright. Once again. Like last year, and like two years ago.

That said, the international situation, the geopolitical context and climate concerns, generating uncertainty or concerns for some, should make us cautious.

Satisfaction nevertheless continues to prevail at BIC-BRED (Suisse) SA.

As in 2021, our bank's 2022 results demonstrate solid reasons to appreciate the relevance of our strategy.

We now have a significant portfolio on the Geneva market in the various commodities segments, making us a leading player in trade finance and in the sustainability of best practices.

Our net banking income increased by +36%, which drove growth in operating income of +58% and a rise in net income before reserves for general banking risks of +59%. Our bank thus now posts very high profitability ratios, with economic and financial rates of return well above market standards. The bank's operational efficiency has also improved, with a cost/income ratio now below 50%.

In 2022, new customers gave us their trust. We finalised many partnerships with multilateral institutions. We are aware of our responsibility and contribute to guaranteeing food security in West Africa.

The opening of our Dubai branch was also a highlight of 2022. The prospects for development in this region, a crosspoint for investors from around the world, are encouraging.

The gradual exit from the health crisis enabled us to relaunch training initiatives for our teams after this period during which human ties had naturally thinned as a result of remote working.

In particular, we worked on cohesion and reflection to strengthen the sharing of values and corporate dynamics.

It is thanks to these values and dynamics that our bank has become a benchmark in the world of commodities and in the Swiss ecosystem that is closely connected to it.

Our strategy is becoming more refined each year. Optimisation is key. We never move away from our values or our core business. More than ever, we take into consideration societal and environmental changes.

This strategy involves the necessary strengthening of our bank's means for action in terms of digital investment and in the recruitment efforts that are essential to guarantee quality service to customers. We maintain our strong desire to develop the human aspect together with technology.

2023 will undoubtedly see the results of our synergies with our parent company, BRED Group, whose solidity and success are a major asset on which we can rely to sustain our development.

More customers, reliable partners, financing offers, teams that contribute their expertise, shared values… Let's continue to give ourselves the means to achieve our ambitions!

Yours sincerely,

**Stève Gentili,**
Chairman of the Board of Directors

**Emmanuel Lemoigne,**
Chief Executive Officer

# A fully-owned subsidiary of BRED Banque Populaire, BIC-BRED (Suisse) SA

supports
the development
of its clients operating
in energy, agriculture
and metals commodities.

**PART 2**

# GROUP AND SHAREHOLDER STRUCTURE

PART 2

# GROUP AND SHAREHOLDER STRUCTURE

## 2.1 THE BPCE GROUP

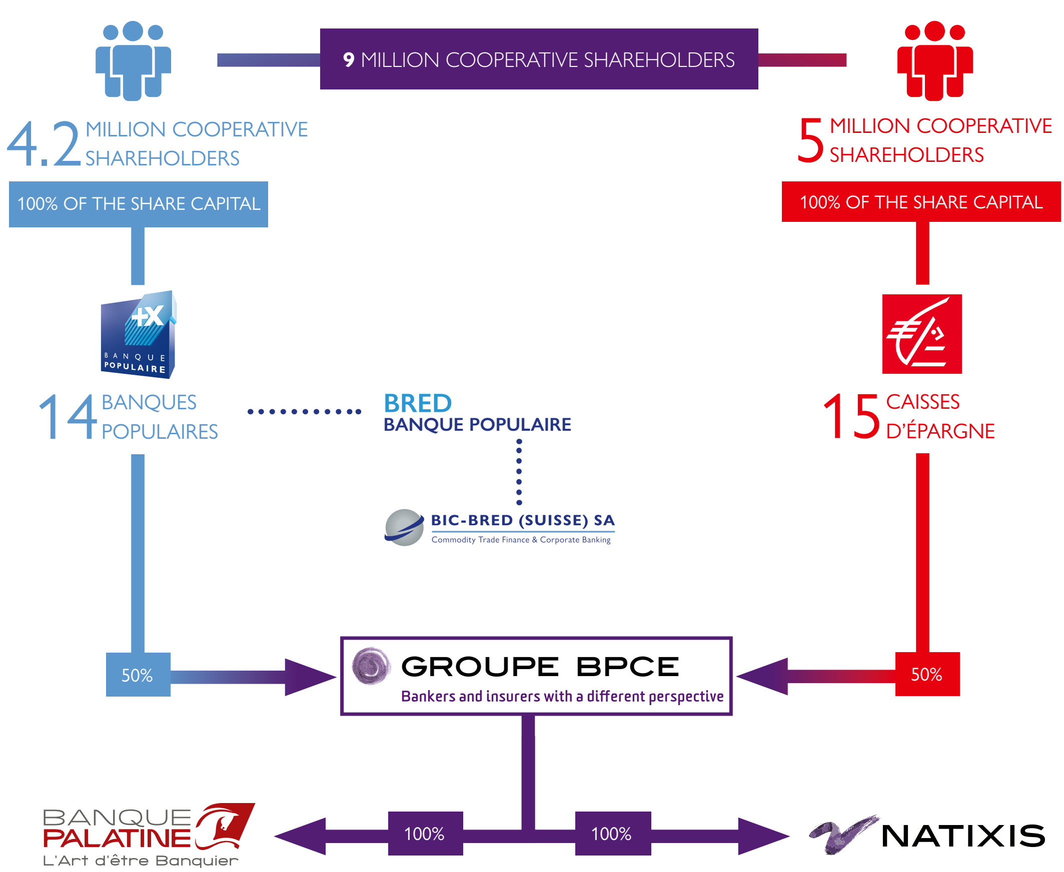
### HISTORY

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 the second largest banking group in France and finances more than 20% of the French economy.

### STRUCTURE

Figure 1 **THE BPCE GROUP'S STRUCTURE CHART AT 31 DECEMBER 2022**



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 35 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**
**Personal insurance**
**Non-life insurance**

| ASSET AND WEALTH MANAGEMENT | CORPORATE & INVESTMENT BANKING | PAYMENTS |
| --- | --- | --- |
| NATIXIS | NATIXIS | NATIXIS |
| **Asset management**<br>**Wealth management** | **Strategic advice**<br>**Financing**<br>**Capital markets**<br>**Global Trade** | **Payment solutions** |

## KEY FIGURES

BPCE Group, the only European non-listed systemic financial institution, posted solid revenues in 2022. Most of its earnings were allocated to reserves, thereby further strengthening its equity.

Table 1 **THE BPCE GROUP'S KEY FIGURES AT 31 DECEMBER 2022**

| in billions of euros | **2022** | **2021** | **Change** (absolute) | **Change** (%) |
|---|---|---|---|---|
| Net banking income | 25.7 | 25.7 | *0.0* | *0%* |
| Gross operating income | 7.6 | 7.9 | *–0.3* | *–3.8%* |
| Net income, group share | 4.0 | 4.0 | *0.0* | *0%* |
| CET1 ratio | 15.1% | 15.8% | *–0.7%* | *–4.4%* |

## EXTERNAL RATINGS

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

Table 2 **THE BPCE GROUP'S EXTERNAL RATINGS AT 31 DECEMBER 2022**

| | **Fitch ratings** | **Moody's** | **Standard & Poor's** |
|---|---|---|---|
| Long-term rating | AA– | A1 | A |
| Short-term rating | F1+ | P-1 | A-1 |
| Date of last report | 19/10/2022 | 09/09/2022 | 12/10/2022 |

## 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

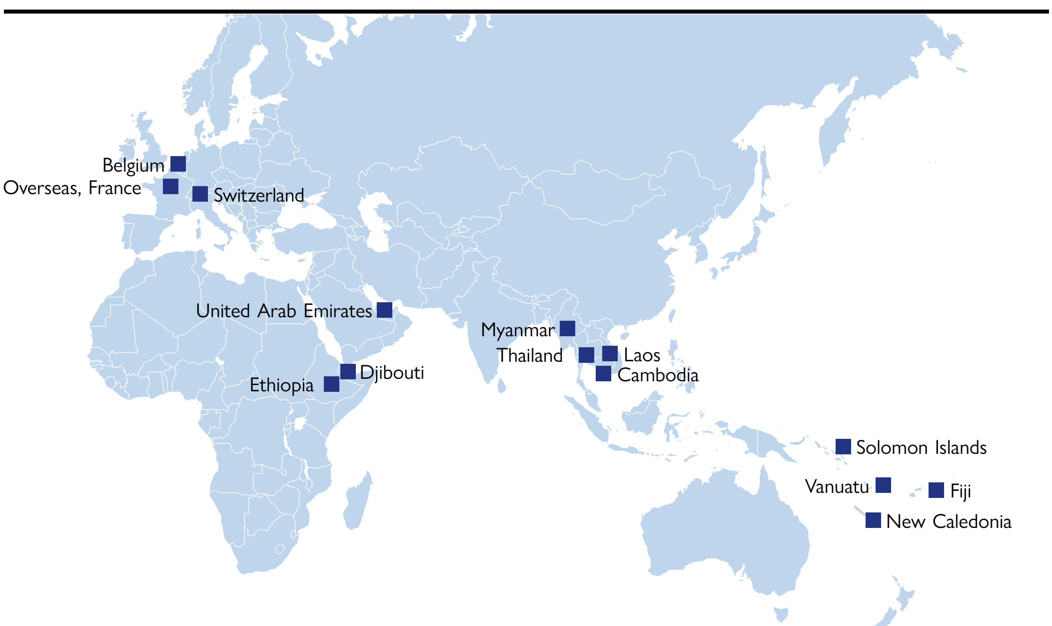
With 6,300 employees, 30% of which outside France, the BRED Group offers its 1.3 million customers the following diversified activities: retail banking, large corporate and institutional banking, private banking, asset management, trading desk, insurance and international trade finance.

### BRED GROUP LOCATIONS

The BRED Group is established in:

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

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



## KEY FIGURES

The BRED Group recorded excellent performances in 2022, with constant growth in net banking income and net income since 2012.

Table 3 **THE BRED GROUP'S KEY FIGURES AT 31 DECEMBER 2022**

| in millions of euros | **2022** | **2021** | **Change** (absolute) | **Change** (%) |
|---|---|---|---|---|
| Net banking income | 1'637 | 1'456 | *181* | *12.4%* |
| Gross operating income | 751 | 653 | *98* | *14.9%* |
| Net income, group share | 507 | 412 | *95* | *23%* |
| CET1 ratio | 15.7% | 16.5% | *–0.8%* | *–4.8%* |

## SIGNIFICANT EVENTS IN 2022

**BRED at the arrival of the Route du Rhum**

Armel Le Cléac'h, skipper of the *Maxi Banque Populaire XI*, finished 7th in the Route du Rhum 2022, the most prestigious transatlantic race. Upon his arrival in Guadeloupe, he was warmly welcomed by BRED employees and customers who shared key moments together. Ten of the employees were able to follow the last miles of the race on the water.

**Three awards for BRED's Trading desk**

BRED, thanks to its trading desk, was recognised as the best bank for placing the short-term debt of major European issuers with global investors.

It received three awards:

- Best European Money Market Dealer
- Best NEU CP Money Market Dealer
- Best Corporate Money Market Dealer

**ESG performance**

BRED obtained an A1 rating for the quality of its ESG (Environmental, Social, Governance) performance by Moody's ESG Solutions. This A1 rating reflects BRED's desire to incorporate ESG criteria into its strategy, operations and risk management.

**Best Private Bank in France in 2022**

After a first award in 2021, BRED Banque Privée was voted Best Private Bank in France in the "*Banque Privée affiliée*" category in 2022. This Golden Trophy, awarded at the *Sommet du patrimoine et de la performance* summit, is a huge success for BRED's private banking business, recognised by its peers. For the Private Banking and Wealth Management teams, this was recognition of professionalism combining expertise, relationship quality and striving for excellence. For the bank, this 1st place also rewarded its dynamic offering, the quality of its partnerships, its open architecture for a global vision of the market and its growth trajectory.

**The 10-year anniversary of Bred Bank Fiji**

Following its establishment ten years ago, BRED Bank Fiji has experienced strong growth in its business over the past three years. 2022 was particularly successful: net income increased by 700%, reaching a historical level of FJD20.1 million (Fijian dollars). For Thierry Charras-Gillot, CEO of BRED Bank Fiji: “The bank will continue to reinvest its profits in the country. We recently spent more than a million dollars on the installation of automatic deposit machines, in the Lautoka branch, to then roll them out to the entire network of branches”. The opening of three branches in the west of the country – two branches in the Suva region and two in Nasinu and Labasa – will further strengthen the presence of BRED Bank Fiji. The 18-storey building of the FHL Tower, where the new head office will be set up in 2023, will be renamed “BRED Bank Tower”. A strong symbol!

**Offer the people of Djibouti a high value-added service**

Banque pour le Commerce et l’Industrie – Mer Rouge (BCIMR) is a universal bank that plays a major role in financing Djibouti’s economy, representing around 25% of the local banking market. It is the country’s leading bank for infrastructure projects and large companies. BCIMR is deploying the BRED Group’s remote banking strategy with the opening of its first 100%-advisory branch. It is also continuing its digital transformation to best serve its customers. This is therefore a free access and secure area for day-to-day banking transactions, and dedicated advisors to meet its customers’ needs in terms of life and business plans.

## 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 and international trade 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 increase in its staff, the Bank moved to more spacious premises located on Boulevard du Théâtre in Geneva.

In order to support its growth, in 2022, BIC-BRED (Suisse) SA carried out a capital increase for a total amount of CHF30,000,000. This capital increase, subscribed for in full by Banque Internationale de Commerce-BRED SA, Paris, raised the Bank's share capital from CHF103,073,800 to CHF133,073,800.

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 2022

**Opening of the Dubai branch**

(see 4.4 DUBAI BRANCH – BIC-BRED (SUISSE) SA DIFC BRANCH)

The Bank established a presence in the United Arab Emirates through a branch located in the Dubai International Financial Center (DIFC) to benefit from the region's dynamic international trade activity. On 5 July 2022, the local regulator, the Dubai Financial Services Authority (DFSA), granted a Category 4 banking licence to the BIC-BRED (Suisse) SA DIFC Branch.

This new entity enables 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.

**"Corporate Culture" Seminar**

(see 5.5 VALUES AND CORPORATE CULTURE)

On 25 and 26 October 2022, a seminar on corporate culture was hosted by Mr Grégoire Gatbois of Gemm Conseil. The aim was to contribute to promoting this topic and to define a cultural framework for managerial practices within the Bank. Around 20 employees met to discuss the company's values and principles. In a productive and friendly atmosphere, the active contribution of the participants led to the emergence of five major values, with their principles of conduct, that we wish to develop within the bank.

**Managerial support programme**

The investment in team training and the continuous upgrading of employee qualifications prepare for the bank's future.

Following the health crisis, which suspended our on-site training activities, 2022 marked the opportunity to return to these sessions. A manager support plan was put in place over several months with the help of an external consultant. Around 20 of our managers thus started to work in groups and individually on cross-business topics during monthly workshops. This project will continue in 2023 with the continuity of the workshops, a dedicated seminar, coaching sessions and conferences by inspiring leaders.

PART 3

# CORPORATE GOVERNANCE

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# 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 2022, the Board of Directors had nine members, three of whom were independent[1].

### 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.

**1** 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 deputy Vice-Chairman of the Board of Directors of BRED Banque Populaire and Chairman of the Board of Directors of 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 has been Chairman of the Supervisory Board of BPCE, and director of COFACE, THALES and VEOLIA.

### 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 director of BRED Banque Populaire, BRED Gestion, BIC-BRED Paris and the BRED Foundation.

### 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., Groupe CIC (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. He is also CEO of COFIBRED (Compagnie Financière de la BRED) and a member of the Supervisory Board of PREPAR VIE.

### 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 Banque Franco Lao, BRED Vanuatu 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 2022, these committees had the following members:

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

### DUTIES AND REMIT

**Audit Committee**

The main roles of the Audit Committee, which met four times in 2022, 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: Franck Nater, Christelle Lefebvre, Emmanuel Lemoigne, Anne-Ly Zumbino and François Monnier, 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 Retail and Corporate Banking (2005-2009), and from 2009 to 2015, was Executive Director and member of the executive committee of the BRED Group, Paris, for the Global Customers Bank.

### 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.

### CHRISTELLE LEFEBVRE

**a French national and Swiss resident**

Role

Corporate Secretary since January 2023

Education

A graduate of HEC Paris, she holds a Master's degree in international law and taxation (*Université de Paris*) and an attorney certificate.

Career experience

Christelle began her career at a law firm in the Arthur Andersen network. She then spent 20 years in the BNP Paribas Group in Paris, London and Geneva, in structuring, development, risk management and oversight of regulatory projects.

She joined BIC-BRED (Suisse) SA in October 2020 as Head of Financial, Legal and IT Risks before being appointed Corporate Secretary in December 2022.

PART 4

# BUSINESS ACTIVITIES

PART 4

# 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 CHIEF EXECUTIVE OFFICER AND HEAD OF SALES

2022 was of course marked by the war in Ukraine that began at the end of February, generating a shock on the commodity market and a temporary surge in prices that were already at a high level at the end of 2021.

Brent thus rose from USD80 per barrel at the beginning of 2022 to USD120 in March before falling back with erratic movements to below USD80 at the end of 2022.

Wheat, of which Ukraine and Russia are the world's largest exporters (around 40% of world exports) followed the same trend, with a surge in prices in February (almost doubling from the end of 2021) followed by a return to normal with the implementation of the Ukrainian corridor during the summer.

Non-ferrous metals have been less sensitive to the war and were mainly impacted by the zero-Covid policy in China, which significantly slowed exports to the "factory of the world". The end of this Chinese policy in October 2022 marked a slow but steady recovery in non-ferrous metal prices.

Lastly, the rise of steel, after an episode of euphoria linked to the prospects of a recovery in Europe before the beginning of the war, suffered a sudden halt with the recessionary outlook in Europe and the United States, which contributed to a rapid drop of more than 30% in prices starting in the summer of 2022.

In this context, BIC-BRED (Suisse) SA initially focused on reducing its loans and commitments in Ukraine to zero (already started as a precaution in December 2021) and unwinding all its financing transactions in connection with Russian producers, mainly in metals and oil. This active management of loans and commitments was implemented correctly and without any major delays throughout the first half of 2022. This decline in our operations once again confirmed the self-liquidating and short-term nature of the business model of commodity trade finance.

At the same time, the surge in prices led to an increased use of our credit lines, allowing us to more than offset the discontinuation of our business in Ukraine and Russia by ensuring strong growth in our net banking income.

Traders in all commodities took advantage of the high price volatility, enabling most of them to achieve historical financial performances, in particular in the energy and fertilizer sectors.

The interest rate hikes implemented by the central banks to combat the inflation linked to the surge in commodities prices will represent a new challenge for our trader clients, who will have to manage significantly higher financing costs, which is likely to have an impact on their profitability.

Nevertheless, their ability to adapt to external constraints and take advantage of market volatility, which is set to remain high as long as the war in Ukraine persists, should allow them to offset these additional costs.

In this context, BIC-BRED (Suisse) SA will continue to support its clients by maintaining a high level of stringency with respect to the level of risks incurred.

## 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**

The transactions financed generally have the following characteristics:

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

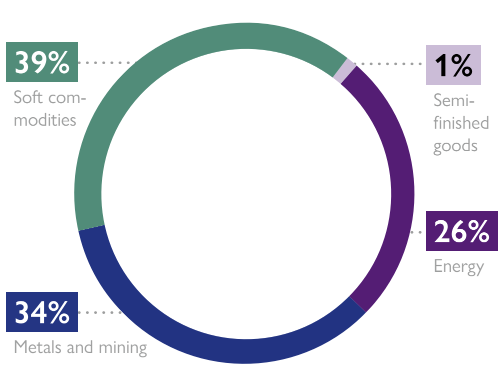
| | |
|---|---|
| **Transactional** | The approach is described as transactional in opposition to the term "corporate financing".<br>Each transaction is financed independently of the others, with sureties and features specific to each one.<br>Each financing stage is structured with a specific combination 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 products and services in different sectors:

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

Figure 5 **BREAKDOWN OF THE NUMBER OF CLIENTS BY SECTOR AS AT 31 DECEMBER 2022**




## CLIENT PORTFOLIO

The Bank's client portfolio is composed of around 140 international trading groups, of all sizes, i.e. an increase of 20% from 31 December 2022.

While the majority of the portfolio (60%) 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 (25%), 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 five-fold increase in authorised lines to CHF3.9 billion at 31 December 2022.

## 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:
Ilario Cirieco,
Xuan Uong-Nguyen,
Thomas Didier
and Martin Allier,
Relationship Managers for
Energy clients.

### SIGNIFICANT EVENTS IN 2022

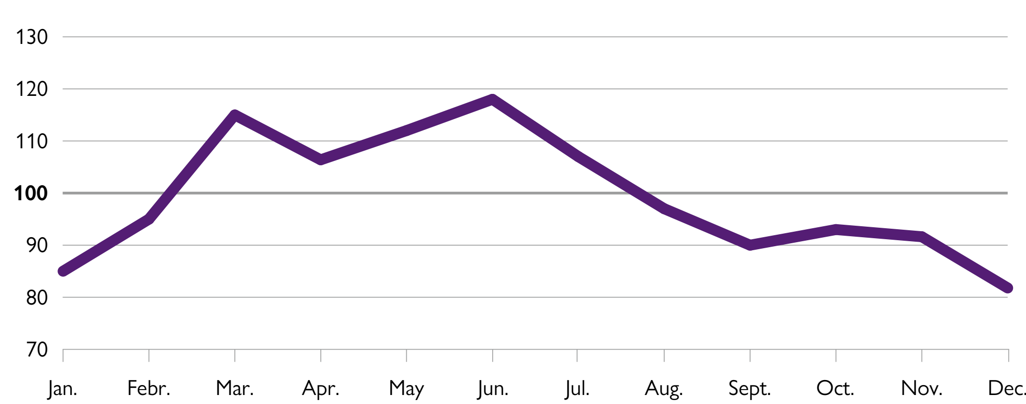
After a year in 2021 that was characterised by a strong post-Covid recovery in economic activity, 2022 was marked by Russia's invasion of Ukraine.

This was followed by a series of sanctions, embargoes and capping of prices of Russian oil imports at the same time as the oil-consuming nations (driven by the US) provided a coordinated response to control prices through a massive release of strategic stocks.

In parallel, inflationary pressure and recession fears started to weigh on the global economy, while Chinese demand remained weak overall due to the country's strict zero-Covid policy.

The price of Brent therefore fluctuated over the year between USD76/bbl and USD133/bbl, with an average of USD100/bbl (versus USD69/bbl in 2021) in a market environment that remained extremely volatile.

Figure 6 **MONTHLY CHANGE IN THE AVERAGE OIL PRICE IN 2022 (USD/BBL)**




**Source:** BP Statistical Review

## IMPLICATIONS FOR OUR CLIENTS

Many energy traders were required to urgently adapt their business model in 2022.

Indeed, Russia represented more than 12% of the volume of oil sold internationally. It was therefore an important source of supply for our clients. The latter once again demonstrated their agility by redirecting their sources of supply from North and South America and the Middle East.

## THE BANK'S ACTIVITY

The high volatility combined with still very high price levels led the bank to show flexibility in terms of its trade policy as well. It therefore adapted its strategy by refocusing on players having an activity focused on geographical areas outside the sanctions zone.

This was reflected in the ongoing development of the client portfolio while continuing to diversify the underlying assets financed. LPG gained significant market share.

This growth was achieved by continuing to pay particular attention to the quality of the borrowers as well as to the various collateral received in order to better manage the risks associated with our business.

This was done in two ways: on the one hand, by initiating business relationships with new clients having an established and recognised position and, on the other hand, by supporting our existing clients in the transition of their business.

Thus, the volume of credit authorisations granted by the bank's Energy Department increased by USD500 million over the 2022 period to nearly USD1,300 million at the end of the year, while the level of loans and commitments increased by more than 16% over the year.

## 4.1.2 METALS & MINING

From left to right: Arthur Goldman, Emmanuel Nicod, Aude Rieger and Pierre-Paul Briguet, Relationship Managers for Metals clients.

Metal traders faced an extreme year in 2022, both in terms of prices and volatility, due to the war in Ukraine and its direct consequences on the cost of energy, leading to inflation fears and very sharp interest rate hikes. As one problem never comes without others, they also had to face a major crisis on the London Metal Exchange (LME) as well as lower Chinese consumption, a consequence of Beijing's strict pandemic policy.

The success of its trading clients depends heavily on their ability to anticipate market movements, but also on the will and ability of their banking partners to continually adapt to a constantly changing world. BIC-BRED (Suisse) SA intends to make every effort to navigate these turbulent waters and remain a privileged partner of its clients in order to best meet their needs and to reassure its credit authorities to guarantee liquidity.

Thanks to the high diversification of the portfolio in the metals sector and our marketing efforts, we were able to record strong growth once again in 2022. Currently, two-thirds of clients are active in base metals and the remaining third in steel and minerals.

Taking advantage of the post-Covid opening up of borders, we were able to meet more with our clients in Switzerland and abroad, to carry out our due diligence visits of foundries, metallurgy plants and warehouses in the "Copper belt" in Africa, Morocco and Georgia, in particular, as well as participate in conferences.

### THE COPPER BELT

A little more than 20% of our base metals customers regularly source in Africa: in DRC, Zambia and South Africa. The Bank is setting up a wide variety of financing structures that can begin with the pre-financing phase, followed by land transit and port storage. Currently, this financing is mainly focused on the export of copper concentrates, refined copper in the form of copper cathodes, anodes or blisters, as well as various "minor metals".

In order to better understand the risks and operational challenges to better serve our clients, we believe it is important to make on-site visits to meet our traders' counterparties as well as the logistics operators.

From the DRC to Zambia, in the direction of the loading ports, the crossing of the first border to N'dola takes us quickly into the atmosphere of this famous "*Copper belt*": exit from the DRC through N'dola, crossing of the border, followed by checkpoints and tolls to the loading ports. It takes three days for truckers to leave the DRC and 15 days to enter it. There is currently only one road, a second road is under construction and will save valuable time.

The risk of road transit is generally very well managed, very strict standards are applied during road transport, trucks are monitored by GPS and depending on the cargo transported, an armed guard is organised.

Our visit of a mine and a foundry in Zambia allowed us to follow the copper ore industry until its transformation into concentrates and then into copper anodes, which we can see above, pending transport to a maritime port. Note the high environmental and social targets of this mining group, with 80% of the electricity used in its Zambian operations already coming from renewable energy in 2020.

Copper anodes awaiting loading in Kansanshi (Zambia).

**Photo on the left**
Slowing at the Kasumbalesa border point (DRC/Zambia).

**Photo on the right**
Copper Mine in Kansanshi (Zambia).

## THE STEEL SECTOR

The first part of 2022 was very favourable to most active steel traders, which benefited from the upward trend in prices. This was due to the post-Covid effects and overstorage in anticipation of a possible reduction in supply following the war in Ukraine. Russia and Ukraine account for around 20% of steel exports to Europe and 15% worldwide, but also 70% of imports into Europe of semi-finished steel products (slabs and billets).

BIC-BRED (Suisse) SA is being increasingly solicited to provide support for transactions destined for the African continent, for example to Morocco, where steel demand is growing. It was in this context that we visited the port facilities at the port of Casablanca. We met with local banking partners as well as major players in the Moroccan steel industry and visited some factories. All in the aim of strengthening our knowledge of this market in order to better serve our clients.

Thanks to its expertise and network of correspondent banks, the Bank is able to support its clients in this country for the import in particular of scrap metal and semi-finished steel products.

**Photo on the left** Steel billets stored at the docks in Casablanca, the country's second largest port.

**Photo on the right** Rolling mill for the manufacture of concrete reinforcing bars from steel billets.

## 4.1.3 SOFT COMMODITIES

### NEW RELATIONSHIPS

In 2022, we continued to increase our portfolio (+15% growth in the number of customers), mainly in the sectors that we wish to develop (notably sugar and cotton). Given the situation in Ukraine, we had to suspend or reduce the support to certain clients mainly active in grains. Thus, at the end of 2022, the size of our active portfolio remained broadly stable compared to 2021.

### PARTNERSHIPS WITH MULTILATERAL INSTITUTIONS

Among our other areas of development in 2022, we continued to roll out partnerships with multilateral institutions such as IFC, FMO and PROPARCO (see 5.3 PARTNERSHIPS WITH MULTILATERAL INSTITUTIONS). This enabled us to offer our clients additional financing capacities, particularly in a context of rising prices and a tense geopolitical environment, as well as to contribute to a strengthening of food security in Africa.

### A DIVERSIFIED PORTFOLIO

The structure of our portfolio remained diversified in 2022 with around a quarter of the approved lines of credit dedicated to the financing of grain, fertilizer and coffee/cacao trade, respectively.

Our desire to develop certain sectors in which we still have little presence (cotton and sugar) remains intact.

The share of fertilizers rose sharply in 2022 with the increase in authorised limits for this sector, making it possible

From left to right: Jérôme Hayoz, Corinne Bertrand-Guigui, Michael Jackisch, Sandrine Cazin and Elias Aguilar, Relationship Managers for Soft Commodity clients.

to cope with a sharp increase in prices in 2021 and the first half of 2022.

Geographically, we are mainly exposed to Africa and Latin America.

The share of our exposure to the Black Sea decreased in 2022. We note that several of our clients who have historically been active in this region were able to redeploy themselves to other origins, which we supported. The seasonal nature of our clients' financing needs is illustrated by larger drawdowns in the last calendar quarter.

Figure 7 **APPROVED LIMITS BY TYPE OF SOFT COMMODITY**

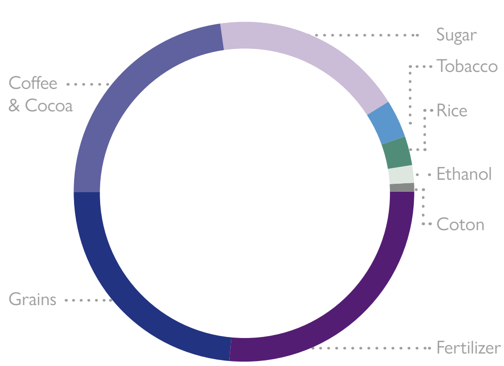
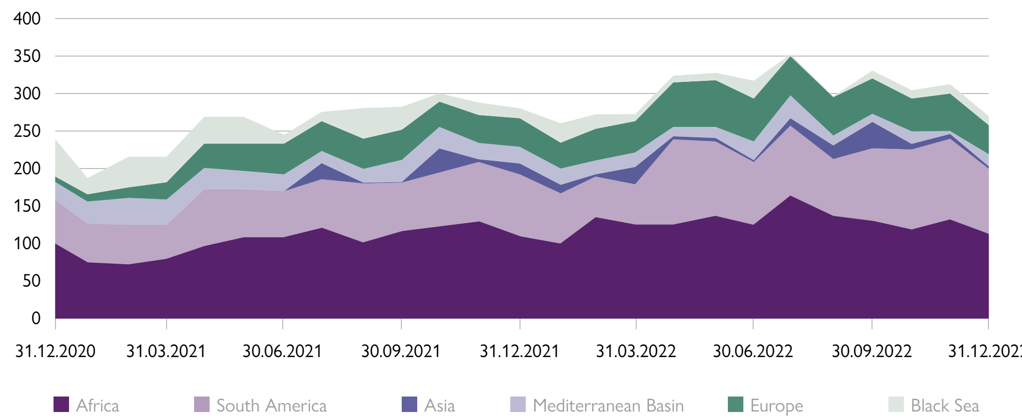


Figure 8 **CHANGE IN EXPOSURES BY REGION IN SOFT COMMODITIES** (in millions of CHF)

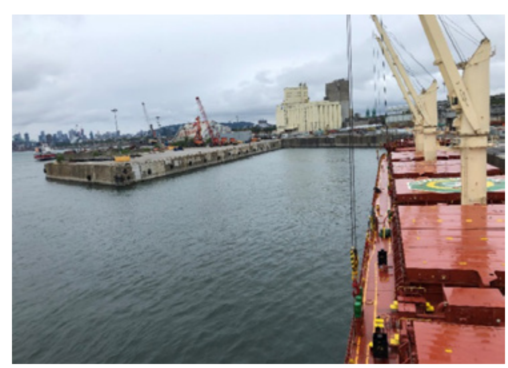



## KNOWLEDGE OF OUR CLIENTS AND THEIR ENVIRONMENT

In order to understand our clients' environment and support our development in 2022 and 2023, our teams notably visited Macedonia, Morocco, Angola and Canada.

**Photo on the left:** Unloading of a bulk carrier in Jorf Lasfar (Morocco).

**Photo on the right:** Bulk carrier equipped with its own loading/unloading cranes at the port of Montreal, Canada.



## OBJECTIVES AND CHALLENGES FOR 2023

In 2023, we plan to continue the sector diversification (especially in sugar) and geographical diversification of the portfolio and maintain regular visits to our clients and their main country of activity in order to better understand their issues. Support for the development of our clients, which is managed by our Dubai branch, is part of this process of regional diversification and greater proximity to clients present or active in the Middle East.

Thanks to the deepening of existing relationships, we also aim to increase the financing of larger unit-sized transactions (particularly in grains and fertilizers), with the more secure structuring of these transactions offsetting the individual exposure.

Lastly, after two years of rise in the main soft commodity prices, we will be attentive to changes in prices and the structure of the markets as well as their consequences on the profitability of our clients' activity in markets that are now rather bearish and in some cases in backwardation.

**Photo on the left:**
Archimedes screw used to discharge a grain ship.

**Photo on the right:**
Silos at the Port of Montreal (Canada).

## 4.2 BANKING RELATIONSHIPS AND SERVICES

From left to right: Abdoulaye Diallo, Mai Phuong Nguyen, Pierre Bouchaud, Nicolas Schraen and Frédéric Pham, Relationship Managers of Financial Institutions and Corporates

COVID, embargo, war in Ukraine, inflation, etc. Managing the operating cycle is more than ever a true challenge for all our trading clients.

Securing international commodity flows is therefore becoming increasingly difficult and complex for both clients and their respective banks.

BIC-BRED (Suisse) SA continues to pursue its reasoned banking coverage policy in its historical development regions in order to closely monitor the needs of its customers and prospects.

Thus, in addition to the opening of a branch in Dubai (see 4.4 DUBAI BRANCH – BIC-BRED (SWITZERLAND) SA DIFC BRANCH) making it easier to access the Indian subcontinent and the Gulf countries, the Bank is expanding its banking coverage, notably in Africa, which remains one of its major growth areas.

The scarcity of certain commodities generated by the geopolitical instability automatically contributes to maintaining an uncertain global economic environment, thus favouring the rise in prices of most commodities in 2022 overall and the growing needs of our trading clients in terms of supporting and monitoring their transactions, starting from the financing phase.

In 2022, banking transactions (confirmations and discounting of letters of credit, avalised drafts, documentary remittances) were logically up 18% in value terms, compared to 2021, already up significantly all sectors combined, *i.e.* metals, oil and agricultural products.

### COVERAGE OF BANKING RISK IN 2022

Appetite, as well as the need to hedge financial risks (currencies, countries, interest rates, etc.) and therefore the securitisation of receivables in general, are constantly increasing.

The optimisation of cash flow and working capital requirements (WCR) also encourages our clients to systematise the discounts on their receivables materialised in letters of credit confirmed by the Bank or in drafts avalised by bank counterparties acceptable to the Bank, despite the particularly high cost of liquidity over the past year.

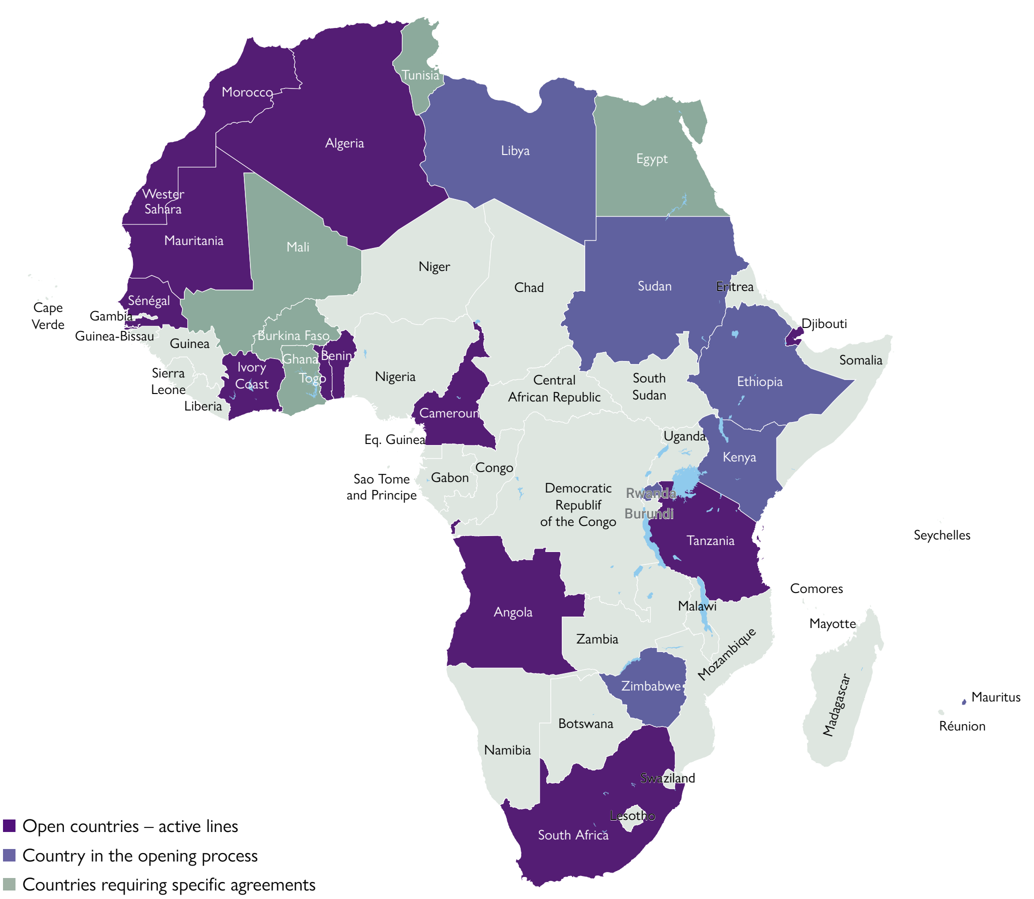
The bank is also developing its banking partnerships with European banks covering areas in which it is not present or in which it has little or no appetite. Through the secondary market, our clients benefit from increased support for their flows.

### DEVELOPMENT OF RISK SHARING

In addition to the constant support provided by the parent company BRED Banque Populaire, the Bank also continued to expand its own portfolio of institutional partners in order to increase its coverage and service capabilities and thus extend its business and area of intervention for its clients.

The negotiations initiated in 2021 with multilaterals such as the IFC and the FMO (see 5.3 PARTENARIATS WITH MULTILATERAL INSTITUTIONS) resulted in and enabled transactions in particularly proven and high political or financial risk areas in 2022.

Figure 9 **SCOPE OF THE BANKING CORRESPONDENT NETWORK IN AFRICA**



## 4.3 MARKET ACTIVITIES

**Daniel Aidan,**
Head of Capital Markets
– BRED

From the outset, BIC-BRED (Suisse) SA introduced the wide range of products and services provided by BRED's trading desk to its clients and its partner banks and institutional clients.

2022 was marked by a strong collaboration between BRED's trading desk and our clients in four areas.

The first concerns the management of interest rate risk to help our trading firm clients to counter the extraordinary rise in rates that took place in 2022.

The Fed raised its rates seven times in 2022, bringing the SOFR from 0.05% at the beginning of the year to 4.3% at the end of the year. Many traders representing all commodity sectors have protected all or part of their financial debt against rising rates, thus limiting the impact of these increases on their cost of financing.

We also supported our clients with the use of the new SOFR rate (rules, uses, specificities), replacing Libor, which will be permanently discontinued mid-2023.

The second priority concerns help with liquidity management for our partner banks, with the drafting of issuance programmes and the full support for these banks in issues of short-term paper. In 2023, BRED was awarded best European bank for the distribution of short-term paper, and the partner banks of BIC-BRED (Suisse) SA can take benefit from this know-how, now recognised by this highly sought-after distinction.

The third area concerns the management of our partner banks' ratios. In addition to liquidity, banks are subject to numerous complex ratios to be optimised. The BRED and its trading desk have therefore helped many banks optimise their ratios through market products.

The fourth area concerns repurchase agreements with banks, both in Switzerland, France and, of course, around the new location in Dubai, i.e. in the Gulf States. These repurchase agreements provide liquidity to our banking partners. The BRED trading desk is a counterparty of choice for these securitised refinancing arrangements.

In 2023, the focus will be on developing the clientele (dealers and banks) in the Gulf zone.

## 4.4 DUBAI BRANCH – BIC-BRED (SUISSE) SA DIFC BRANCH

In July 2022, BIC-BRED (Suisse) SA obtained approval from the DFSA to open its first branch in the Dubai International Financial Centre (DIFC) in Dubai, one of the world's leading financial centres.

With a Category 4 license, the BIC-BRED (Suisse) SA DIFC Branch has the mission to further expand our bank's commodity trader portfolio and develop new banking relationships in the Gulf region and the Indian subcontinent. As the BRED Group's first footprint in the Middle East, our Dubai branch also aims to be a vector of strong synergies between the various BRED Group entities around the world.

The choice of a new development in Dubai is the result of reflections initiated during the health crisis over the medium-term development prospects for our bank and the growth drivers in our core commodity trade finance business. Dubai was the logical choice in meeting two criteria:

**Dubai: An international trade hub**
In just a few years, it is clear that the United Arab Emirates (UAE), and mainly the Emirate of Dubai, has established itself as an essential trade hub ideally located between Europe, the Middle East, Africa and Asia-Pacific and the base of a strong logistics network.

A genuine ecosystem of international trade is now prospering, driven by a wide variety of trading players in all sectors of activity, particularly soft commodities trading. We also note the Dubai Multi Commodities Centre (DMCC) free zone dedicated to commodities trade among other things. It is one of the pillars of the UAE's strategy, which aims to strengthen its position as a global trade hub. Operating since 2002 on a strategic initiative by the government, the DMCC, which benefits from solid supervision, housed more than 22,000 companies in 2023 (+23% in 2022) in the various branches of international trade and is now becoming an obvious choice for companies active in Africa – MENA – Asia.

From left to right: Paul Guéry, Sunaina Pahuja, Yassine El Halaissi, Nadia Syed and Marie-Laure Constans.

**DIFC: an international financial centre**

For setting up our branch, we selected the DIFC – the largest financial complex in the region and one of the world's leading financial centres, with a robust regulatory infrastructure administered by the independent regulator Dubai Financial Services Authority (DFSA) and an effective legal framework based on common law. Since its launch in 2004, the DIFC has continued to grow steadily and now hosts most of the major global banks, asset and wealth management companies, but has also established itself in the innovation and fintech sectors.

From left to right: Yassine El Halaissi (Senior Executive Officer – BIC-BRED (Suisse) DIFC branch), Emmanuel Lemoigne (CEO of BIC-BRED (Suisse) SA), Olivier Klein (CEO of BRED Group), Arif Amiri (CEO of DIFC Authority), Ahmed Al Aulaqi (VP Banks & Capital Markets – DIFC) and Paul Guery (Head of Trade Finance Dubai – BIC-BRED (Suisse) DIFC Branch)

**BIC-BRED (Switzerland) SA DIFC Branch: an ambitious strategy**

The health and geopolitical crises had unprecedented repercussions on the commodity markets, with a surge in global prices, particularly for commodities such as petroleum products and agricultural commodities, highlighting the strategic challenges of food and energy security for nations. Against this backdrop of high volatility and uncertainty around the world, our Dubai branch aims to help secure the supply of commodities around the world – a strategy that is true to that of our headquarters in Geneva, which draws on the expertise of our local transactional finance team to advise traders located in the region.

In line with our business model, our presence in Dubai also aims to strengthen the proximity with our existing clients, teams and transactional flows, which are essential to ensure optimal processing quality and relevant internal controls.

At the same time, we benefit from the ideal location of the UAE to expand our banking coverage, a strategic complement to our financing offering, in new areas such as the Indian subcontinent, where we now have a robust set-up in India and the ambition to continue this development in Bangladesh and Pakistan this year. Moreover, we plan to set up new banking and multilateral partnerships in the Gulf region, which is seeing strong growth, thus positioning BIC-BRED (Suisse) SA as a new regional player in international trade.


Exterior views of
Al Fattan Currency House
located in the DIFC,
Dubai.

PARTIE 5

# REVIEW OF 2022

PART 5

# REVIEW OF 2022

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

## 5.1 THE MAJOR TURBULENCE ON THE COMMODITIES MARKETS

By Philippe Chalmin, 17 March 2023

2022 was a year of turmoil and uncertainty for the raw materials and commodities markets, between the geopolitical and health crises and their energy, food and ultimately economic repercussions. On average, the CyclOpe indicator was up 26% in 2022 compared to 2021, but excluding energy and precious metals the increase was only 9%. The sharpest increase – as could be expected – came from natural gas, electricity, coal and lithium, followed – but by far – by wheat, nickel and oil. The most notable declines were iron ore, precious metals and industrial commodities. 2022 was, above all, the year of energy and cereals crises, and of a reversal of the economic climate both in advanced countries and in China and in many emerging countries, as well as the year of inflationary shock, which was even stronger because unexpected.

The forecast exercise for 2023 is all the more uncertain as two major unknowns remain surrounding Ukraine and China.

### REVERSALS OF TREND AND VOLATILITY

On the raw materials and commodity markets, 2022 was a year of extreme volatility, but for many products ended at levels equivalent to or even lower than those of January. In reality, two major shocks came one after the other, with the second gradually cancelling out the effects of the first.

Russia's invasion of Ukraine was the first shock, and the first week of March was marked by skyrocketing global prices pretty much across the board: natural gas of course (but tensions were already rising in the autumn of 2021), oil, which came close to USD140 a barrel, but also cereals, on fears of a total closure of the Black Sea, and then most minerals and metals, sometimes even in a frantic climate, like in the case of the price of nickel, which for a few hours in Asia exceeded USD100,000 per tonne. The initial sanctions put in place by Western countries added another factor to the nervousness of the markets. However, quite quickly, the impact of the war in Ukraine was limited to a few products, the most important for Europe and Asia being natural gas (and also in its liquefied form, LNG). Russia played the gas weapon and the announcement at the end of August of the "technical" closure of Nordstream I pushed gas prices in Europe above EUR300 per MWh (equivalent to USD500 per barrel of oil). The shock was identical in the LNG market as Europe desperately sought to buy available cargoes to rebuild its inventories. In Europe, this gas crisis affects the electricity market, with spot prices often exceeding EUR1,000/MWh. If the coal market benefited from this improvement (and a transfer of demand), with a doubling of prices, this was not the case for oil. Initially, OPEC+ (with Russia) managed a return to normal market fundamentals rather well, but it could not curb the drop in prices to below USD100 per barrel for Brent at the end of the year, bearing in mind that, from the beginning of the summer, Russian oil was benefiting

Chinese and Indian buyers, who were paying for it at a discount of USD20 or USD30 per barrel.

The invasion of Ukraine and the Russian occupation of much of the coast of the Black Sea also had a major impact on the cereals market at a time it was already experiencing tensions due to the surge in Chinese imports in 2021. Of course, Ukraine had almost completed a record campaign of wheat exports, but there were still large tonnages of maize and then the war disrupted seeding and harvests in parts of Ukraine. However, the establishment of a grain corridor from August onwards, the prospect of good harvests from Russia to Australia gradually pushed global grain prices downwards.

The general downward trend on the markets from the end of spring was also caused by the slowdown and then stagnation of the Chinese economy following the strict implementation of the zero-Covid policy. Having started in China, the global economic slowdown will soon hit all advanced economies in the midst of an inflationary shock. The consequence was the decrease in demand for industrial raw materials: the price of iron ore fell by a half; non-ferrous metals lost 20% to 30% from their March peaks; container freight rates plummeted 70% from somewhat unsustainable levels. Moreover, the strength of the dollar certainly had a negative effect on listed markets, for the most part in dollars. At the end of 2022, most global prices had returned to their levels at the beginning of the year, with the exception of a few “electrical” metals such as lithium (the price of which doubled over the year). Thanks to a mild start to the European winter, natural gas even returned to its pre-war level at the end of December.

More than usual, the notion of annual averages must therefore be put into perspective, as we witnessed a real reversal between a first half of the year dominated by Ukraine and a second half of the year by China and the fears of recession. Beyond, we must of course distinguish between energy, agricultural and industrial raw materials.

## AN ATYPICAL ENERGY CRISIS

Like in 2021, natural gas was the seed of the worst energy crisis that the world has experienced since the oil shocks of the seventies. On average, natural gas cost USD41 mbtu (million British thermal unit) in Europe on the TTF in 2022. In Asia, the JKM (Japan Korea Marker) for LNG was USD34. Converted into oil equivalent (multiplication by six), this is equivalent to USD200 to USD240 per barrel. At the extreme, at the end of August, we even saw it rise to USD70 per mbtu (over USD400 per barrel). In an already tense market, the war in Ukraine triggered a first surge in prices in Europe (from EUR75 to EUR227 at its highest level in March). As European supplies were ultimately not affected, the fever dropped to below EUR100 per MWh in the spring (as a reminder, the average price of gas on the TTF between 2017 and 2021 was EUR21!) During the summer, tensions continued to rise as Russian pipelines were shut down for “technical” reasons and the market peaked at EUR339 on 26 August! Subsequently, the fact that European stocks were virtually at full capacity and that autumn was particularly mild, apart from a cold wave in early December, favoured a drop in prices, which, as we saw, ended the year at roughly their January levels. On the "global" market (the LNG market), the trend was more or less identical, with prices boosted by European purchases (a quarter of world imports) and if tensions were slightly less severe than in Europe, this was thanks to the sharp decrease in Chinese purchases. We also note the doubling of US prices (but only to USD7 mbtu) linked to competition on LNG exports.

The gas crisis has had two major consequences, one global and the other European. At the global level, it is the increase in the price of private fertilisers, in particular of Russian ammonia: over two years, ammonia rose from USD200 to USD1,500 per tonne to finish the year at around USD1,000. At the European level, it was the correlation between gas and electricity prices, with prices exceeding EUR1,000 per MWh at certain times and an average increase of 154% in the European base price. Lastly, coal also benefited from a postponement of demand in Asia as well as in Europe, with prices exceeding USD400 per tonne at certain times, compared with around USD50 in 2019-2020.

Paradoxically, of all fossil fuels, it was oil that remained the most "reasonable". Admittedly, prices came close to USD140 per barrel in the panic that followed the invasion of Ukraine, but thereafter, and especially from the beginning of the summer, prices declined continuously, to end the year at around USD80. In fact, a double market was gradually set up, with Russian oil (Urals oil in particular) trading at USD20 to USD30 per barrel below Brent. Measures taken by the G7 to cap the price of Russian oil at USD60 practically served only to endorse an existing situation. Only tensions on oil products persisted, particularly diesel in Europe and the United States.

Beyond its geopolitical aspect, it is an energy transition crisis. The emphasis on renewable energies, inherently intermittent at the moment, the major place given to electricity in Europe by refusing the nuclear alternative in some countries has increased dependence on natural gas and even – to a lesser extent – coal. The crisis that will continue in 2023 could be an opportunity for starting anew and deepening new technologies.

### A FOOD CRISIS?

In 2021, it was the importance of Chinese purchases that led to the rise in grain prices, and cereals in particular. With the closure of the Ukrainian ports, tensions increased by notch in 2022. Curiously, it was the wheat market that was the most affected. However, Ukraine, which is only the fifth largest exporter in the world, had almost completed its export campaign (at record levels) and what remained to be exported (20 Mt of cereals) was three-quarters corn. But Ukraine's image as the "bread basket" of the world dominated minds, and the tensions were thus concentrated around wheat, with prices exceeding USD12 the bushel in Chicago, and EUR400 per tonne in Paris. Of course, the bill for importing countries was increased by a further USD100 per tonne. On average, in 2022 they paid twice as much for their wheat as in 2020. However, it may have seemed exaggerated to talk about a global food crisis – like the United Nations does. This is especially true as the outlook for the 2022/2023 campaign is good, even excellent, for countries such as Russia and Australia. The opening of a grain "corridor" allowed Ukraine to return to export (initially mainly for corn!) and at the end of the year wheat had returned to USD8 per bushel and EUR300 per tonne. Corn followed wheat, whereas it should have preceded it in view of the problems in Ukraine. But the relative decline in Chinese imports (–10%) also played a role. At the end of the year, the price differential between corn and wheat, which was close to USD4 per bushel, was just USD1.

The war in Ukraine has also exacerbated an already tense situation in the area of vegetable oils. In 2021, the drought in Canada affected rapeseed. In 2022, in addition to Ukrainian sunflower, attention turned to palm oil with the export embargo decision decided by the Indonesian government. All oils and then oilseeds soared in the spring. However, with Indonesia removing its embargo (on the contrary the country had problems selling its stockpiles!) and the good crop prospects, the market reversed and the prices of palm oil and rapeseed oil dropped by a half.

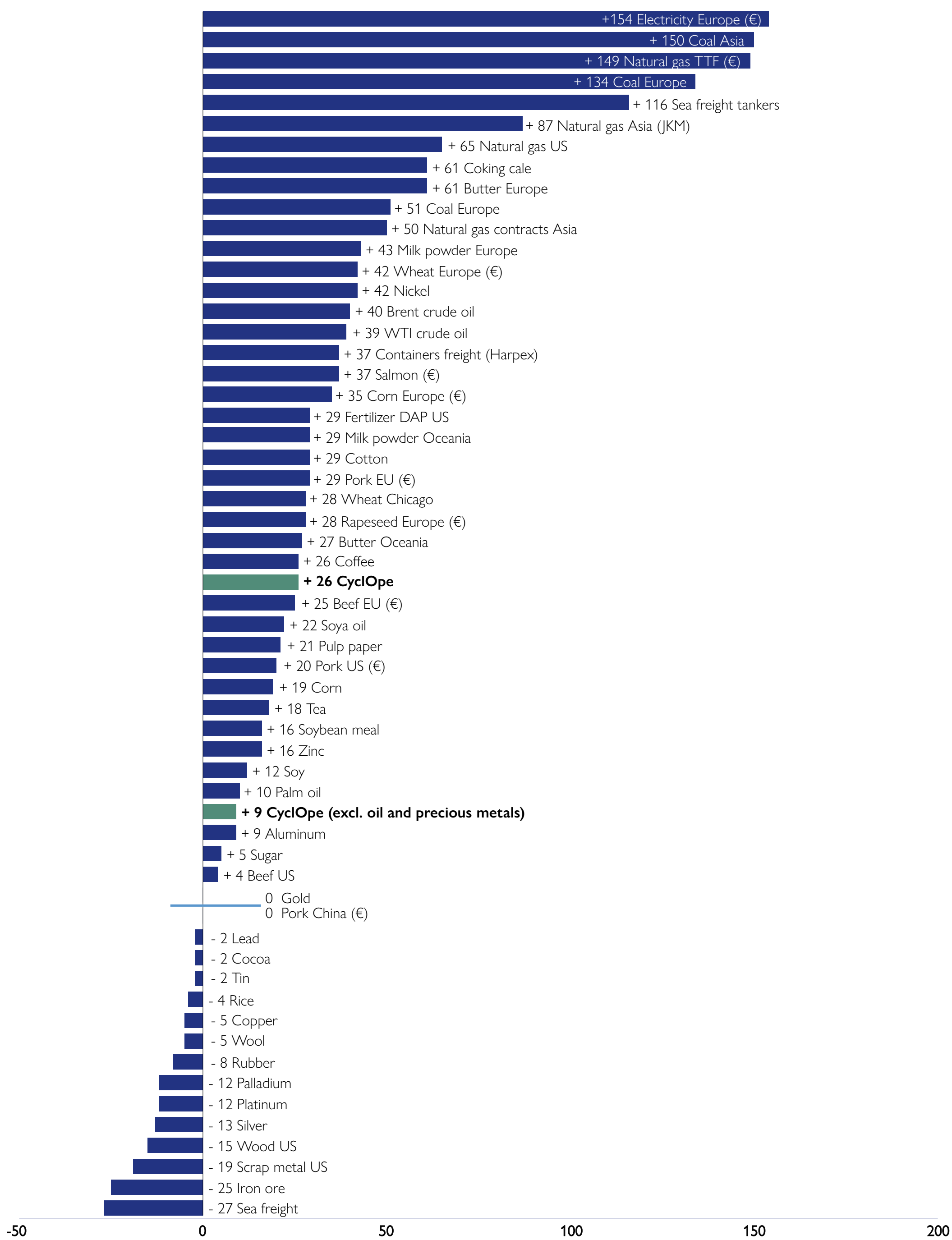
The other food markets experienced a calmer environment, coffee was down, once the impact of the freeze in Brazil in July 2021 was taken into account, more stable for cocoa and sugar, tighter for dairy products, with an average increase of 19.6% across all products combined (source: FAO) and meats (+10.4%).

It is not a question of minimising the reality of food poverty – the primary consequence of poverty in itself – that nearly one billion human beings on the planet suffer from. But the hunger that affects around 250 million people is primarily due to the wars and poor governance from Congo to Afghanistan, from Yemen to Sudan. Unfortunately, the easing of global prices at the end of the year will not change this sad fact. On the producer side, the increase in agricultural prices must also be put into the perspective of that of fertilizers, which will affect the 2023 season.

### INDUSTRIAL REVERSALS

Early in the morning on 8 March 2022 in Asia, the tonne of nickel reached an extraordinary level of USD101,365. We now know that this was a "squeeze", the main actor – and victim – of which was the main producer of stainless steel in China. But the nickel craze is a good illustration of the tensions that seized the metal markets in the wake of Russia's invasion of Ukraine: copper went back above USD10,000 per tonne, tin went up to USD50,000 and aluminium to USD3,500. In reality, however, the war in Ukraine had little direct impact on the metal markets, except for nickel, and titanium and palladium, as well as semi-finished steel and iron products (thinking about the fighting in the Marioupol steel complex).

Figure 10 **CHANGE IN PRICES ON THE MAIN COMMODITY MARKETS IN 2022 (2022 average over 2021 as a percentage) IN DOLLARS, UNLESS SPECIFIED OTHERWISE**



But the Ukrainian impact quickly faded as the global economic slowdown (and the continuation of the maritime freight logistics crisis for containers) continued until the summer. In the spring of 2022, the reversal was almost general, whether for non-ferrous metals, iron ore, iron and steel, agricultural commodities such as cotton, or forestry such as wood, at least in the United States. A few products were exceptional: this is notably the case for lithium, supported by demand for electric batteries (while the cobalt market experienced a massive downturn) and paper pulp in particular. Throughout the autumn, the Chinese situation was the major uncertainty on the markets, although the level of Chinese imports over the year remained roughly stable (–2% for iron ore and +8% for copper in the first eleven months of the year).

Extreme market volatility played in favour of the major international trading companies, which for the most part posted record results in 2022.

### WHAT IS THE OUTLOOK FOR 2023?

At the end of the first quarter of 2023, uncertainties continue to dominate the forecasting exercise for the rest of the year. Admittedly, the first weeks of the year were marked by a fairly general easing of prices, whether natural gas to below EUR50 per MWh in Europe, oil just above USD70 per barrel of Brent, wheat (at EUR265 per tonne at the beginning of March) and many metals, starting with cobalt and lithium. However, this market movement also reflects economic and even banking concerns (certified in other sectors). In North America, like in Europe and Japan, an episode of recession seems likely. China – in its post-Covid phase – seems to be starting a recovery, which the new management team around Xi Jinping is counting on, without excessive optimism. We must also assume that the war in Ukraine and its train of sanctions will continue at least until 2024.

On the markets, the energy crisis is expected to persist, primarily around natural gas. Assuming that Europe will have to deprive itself of most Russian gas, pressure will remain strong in the LNG market, especially as Asian buyers are mostly covered by long-term oil-linked contracts. Europe is buying on the spot market at higher prices, which will barely fall below USD30/mbtu in 2023 (i.e. USD180 per barrel of oil equivalent). In fact, apart from the reopening of a liquefaction terminal in the United States, there will be no significant increase in LNG capacity in 2023, nor for regasification units. With European inventory rebuilding needs ahead of winter 2023/2024, TTF prices are set to once again exceed EUR100 per MWh. This will continue to have a direct impact on electricity prices in Europe, as it is unlikely that there will be any major developments in the formation of electricity prices.

With regard to oil, the outlook is more reassuring with Brent prices hovering around USD80 a barrel, below during the first half of the year and slightly higher in the last months if demand picks up. The price of Russian oil will be lower, around USD60, allowing ships to find the necessary insurance cover. This will also be accompanied by an increase in the flow of petroleum products of “new” origins, with Europe in particular having to replace Russian diesel that it can no longer import since 5 February 2023.

Industrial commodities will see their fate linked to that of China. The increases recorded at the end of December on the announcement of the end of the zero-Covid policy and China’s gradual reopening were very premature. The economic gloom that will prevail at least in the first half of the year will have consequences for demand even if the improvement in the situation of maritime transport has a positive effect on value chains. Overall, forecasts, brought to average prices, can only be negative. However, for some products for which prices were particularly low at the end of the year, such as cotton and palm oil, as well as certain metals, a rebound should not be ruled out towards the end of 2023 if the economic environment is favourable.

The Chinese question will be equally important for agricultural products. In 2022, Chinese imports fell from the record levels seen in 2021 (between –7% and –40% in tonnage). What will happen in 2023? How will China’s agricultural and food policies evolve in stormy health periods? Maintaining Chinese import levels, roughly equivalent to what they were in 2022 in 2023 and taking account of a good weather outlook with the gradual waning of La Niña, the outlook is rather on the downside. The risks of a so-called global food crisis touted in 2022 would no longer be relevant in 2023. But of course the situation in the Black Sea can have a major impact on the availability of cereals.

Overall, the CyclOpe index of the world’s major commodities (which does not include natural gas, iron and steel) is expected to fall 15% on average in 2023 compared to the 2022 average (by 8% if we exclude oil and precious metals). This is of course on an average basis, and over the course of the year, starting from fairly low levels, there will certainly be price increases in the autumn for both energy and industrial commodities. It is also true, but in the longer term, that the weakness of production investment will be felt both in the segments of minerals and metals and energy. Will there be a “super cycle” is another matter. The tensions of 2022 at least had the merit of reminding us of the importance of commodity resources to fuel more virtuous growth. The notion of sovereignty has returned to the for among political concerns, whether energy, industrial or food sovereignty. Markets may have blindness as a flaw, but they also have the merit of hitting where it hurts.

2023 could be calmer than 2022. But from Ukraine to China, from Brazil to Nigeria, so many unforeseen events could upset our forecasting exercises that these may appear futile, or at the least be a source of debate and reflections.

# 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.

## 5.2 CREDIT POLICY AND PORTFOLIO

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

**Anne-Ly Zumbino,** Chief Risk Officer

In many respects, 2022 will most likely remain one of the most significant years for the banking sector in commodities financing.

The war at the borders of Europe that started in February 2022, in addition to its human desolation, caused major disruptions and at times the sudden halt of supplies of raw materials from Ukraine and Russia. After a post-Covid year in 2021, during which supply and demand balances were far from normalised, this event continued to exacerbate tensions on the prices of various commodities.

For agricultural commodities, energy, minerals and metals, with economies dependent on Ukrainian wheat or Russian energy to name only these two examples, a widespread spike in prices was observed with levels sometimes requiring unprecedented market intervention (e.g. nickel). This rise in prices, also fuelled by the interlinking between the various materials (high gas prices can slow metal production and increase the cost of fertilizers) continued mainly until mid-year, before declining in the second half of 2022. Over this period, the measures taken by the central banks to contain inflation by increasing the cost of credit, the resulting drop in demand for certain products, and the capacities to adapt or the political and economic choices of different consumer countries helped to rebalance the markets and somewhat reduce the pressure on the general level of prices.

These events had a major impact in 2022 on the business profile and financial profile of our clients. Driven by price volatility and depending on the sector, large traders for the most part recorded exceptional profitability, improved solvency and liquidity over the past two years. Others, however, suffered from sluggish demand in the second half of the year, but remained strong. It should be noted that, given their size, their exposure to market risks and the quality of their hedges, the Financial Stability Board is paying particular attention to the weight of commodity traders in the global financial system.

In this context of high prices, extreme volatility, and heightened geopolitical risks, and aware of its role as a provider of financing capacities vital to the supply of essential commodities to the world's economies, the challenges for BIC-BRED (Suisse) SA in its credit activity were the following in 2022:

- Be able to support our customers with an increase in credit lines to cover their financing and hedging needs on cargoes at higher prices,
- Adapt the financing arrangement where necessary to minimise credit risks in vulnerable situations (price risk, country risk, foreign exchange risk, weakened credit profile, etc.),
- Secure commitments already made in coordination with our clients, depending on changes in risks and the geopolitical environment. As such, BIC-BRED (Suisse) SA did not suffer any defaults on the financing it had made in war countries and no longer has exposure to these countries to date.

The agility of our expertise allows us to adapt our credit system, which is based on a well-anchored credit policy and approach and a clear guideline: the preservation of the quality of our assets.

Below, as a reminder, are the main principles of our credit policy and approach, which has been supplemented by a new indicator on the quality of "transactional risk".

## 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.

### The fundamental pillars of the credit approach

Four pillars govern the Bank's credit approach:

Table 5 **THE FUNDAMENTAL PILLARS OF THE CREDIT APPROACH**

| | The following is necessary: |
|---|---|
| **Know Your Customer** | ▪ Selection of prospects based on knowledge of market participants and cross-referencing;<br>▪ In-depth knowledge of clients and their transactions based on due diligence/KYC and analysis of beneficial owners, managers, partners, client positioning, purpose and calibration of commitments, source of repayment, etc.<br>▪ An adequate financial and credit profile, based on an analysis of the financial statements, |
| **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.<br>▪ It also ensures that price risk issues are adequately covered (hedging or cash margin).<br>▪ 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.<br>▪ Transactions may also be secured by taking out a credit insurance policy or by a risk-sharing agreement with a bank. |
| **Transactional quality** | ▪ Once the lines have been set up, a new criterion has been put in place to assess the level of "transactional risk" on the use of facilities. Are analysed: the complexity of the transactions in the operational monitoring, the proper functioning of transactions according to the lines in force, the nature of the settlement (refinancing, or direct repayment by the third-party buyer), volume aspects, etc. The analysis of the transactional quality is thus decisive in the decision-making process to renew or adjust the credit facility. |
| **Dividing the risks** | The Bank seeks to divide nominal amounts per transaction and sets specific limits. |

### Recommended best practices

As a stakeholder in STSA's work since 2021, which made it possible to issue a series of recommendations aimed at standardising best practices in trade finance, BIC-BRED (Suisse) SA promotes the widest dissemination of these practices in the sector.

Some examples are presented below:

Table 6 **EXTRACT FROM THE STSA RECOMMENDED BEST PRACTICES**

| | |
|---|---|
| **Inland Finance** | ▪ Pay direct to known supplier and monitor receipt at destination within expected time frame.<br>▪ 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.<br>▪ 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.<br>▪ Periodic reconciliation with reconfirmation directly to/from warehouse.<br>▪ Consider to alternate Inspection Companies or to mandate a one-off 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.

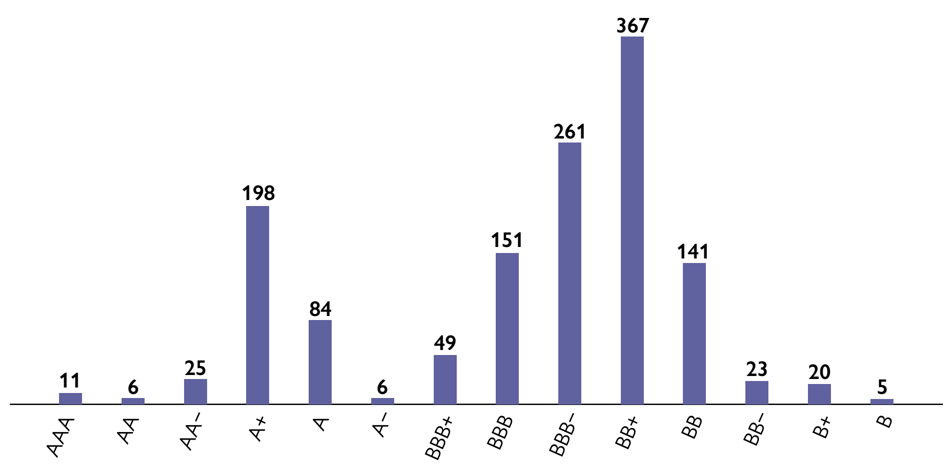
As at 31 December 2022, its clients were therefore mostly made up of trading companies registered in Switzerland (57% of net amounts due from customers) or in Europe (28%).

With the opening of the Dubai branch and the development of the portfolio in the Energy sector, client loans and commitments in the United Arab Emirates accounted for 7% of net amounts due from customers at 31 December 2022 compared with 2% at 31 December 2021.

In 2022, average gross loans and commitments 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 2022:

Figure 11 **LOANS AND COMMITMENTS AT 31 DECEMBER 2022 BY INTERNAL RATING** (in millions de CHF)




At 31 December 2022, existing non-performing loans were fully provisioned. A write-off was made on one of these loans at the end of 2022, as the bank exhausted all its recourse. A new non-performing loan of CHF100,000 on a UK debtor was recorded and fully provisioned.

## 5.3 PARTNERSHIPS WITH MULTILATERAL INSTITUTIONS

2022 marked the implementation of several partnership agreements with multilateral institutions. These agreements are very dear to us in several respects.

- They allow us to increase the volume of financing granted to a client without derogating from our credit policy and risk appetite.
- They create a real operational cooperation around the client's transactions. We manage and monitor the transactions and share financing with the institution.
- They promote the import of essential commodities in countries that face difficulties in financing large-scale transactions.
- They demonstrate that, if needed, partnerships between the private sector and multilateral institutions can be a source of daily improvement for countries in transition.

### PARTNERSHIPS SET UP IN 2022

**1. FMO – BIC-BRED (Suisse) SA – SUCAFINA**

FMO

Entrepreneurial Development Bank

FMO, a Dutch development finance company, is a development bank based in The Hague.

FMO took a risk participation in a facility arranged by BIC-BRED (Suisse) SA made available to SUCAFINA, one of the world leaders in coffee trading, active throughout the sector's value chain.

The purpose of the financing is to make advance payments to its operating companies and third-party suppliers in the countries of origin (mainly East Africa and Colombia) for the purchase, storage and transit of green coffee grains.

Through this intervention, SUCAFINA is able to expand its origination activities in Africa and Colombia and provide direct support to smallholder farmers.

**2. IFC (World Bank) – BIC-BRED (Suisse) SA – AGROCOMPANIES**

IFC | International Finance Corporation WORLD BANK GROUP

*Creating Markets, Creating Opportunities*

In order to strengthen food security in West and Central Africa in a context of a growing global food crisis, IFC, BIC-BRED (Suisse) SA and Agro Companies International SA announced a partnership to support the financing of grain imports into Côte d'Ivoire, Cameroon, Ghana, and other African countries.

As part of this partnership, IFC invested USD20 million – through risk participation – in a USD60 million financing facility structured by BIC-BRED (Suisse) SA in favour of Agro Companies International SA, a group of Swiss companies active in cereals trading.

This financing allows Agro Companies International SA to purchase wheat, corn and feed grains from international suppliers, and to distribute these products to buyers in West and Central Africa, mainly local mills.

Africa is heavily dependent on wheat and other grain imports. Between 2018 and 2020, 44% of the wheat imported by the continent came from Russia and Ukraine. The fallout from the war in Ukraine and disruptions in wheat supply chains highlighted the need to increase the financing of grain trade to ensure food security on the continent.

### 3. PROPARCO – BIC-BRED (Suisse) SA

To support trade finance with Africa, PROPARCO took a risk participation in a financing facility granted by BIC-BRED (Suisse) SA to the TOUTON trading and transformation group.

This partnership supports BIC-BRED (Suisse) SA in the financing it provides to TOUTON, a major player in international trade in tropical agricultural commodities (cocoa, semi-finished cocoa products, coffee, spices and vanilla) which employs most of its employees on the African continent.

International trade financing is an important tool for economic activity in Africa, especially for SMEs. This new risk-sharing tool allows us to respond to SDGs[2] 8 and 10 ("decent work" and "reduced inequalities").

In addition, in order to meet the growing demand for grain and oilseed imports into several countries in West Africa and Central Africa, PROPARCO and BIC-BRED (Suisse) SA signed a partnership in the form of a risk participation in a financing facility granted to a company specialising in the international trade of common wheat for milling in Sub-Saharan Africa.

This partnership supports BIC-BRED (Suisse) SA in the financing it grants to this company, which will thus be able to increase its capacity to purchase cereals and oilseeds from its suppliers and finance receivables issued to its customers in West Africa and Central Africa.

2 Sustainable Development Goals, resulting from the 2030 Agenda for Sustainable Development adopted by the members of the United Nations in 2015.

## 5.4 DIGITISATION IN COMMODITY TRADE FINANCING

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

Interview with Souleïma Baddi (CEO of Komgo SA) and Franck Nater (Deputy General Manager of BIC-BRED (Suisse) SA)

**Franck Nater,** Deputy General Manager and Chief Operating Officer BIC-BRED (Switzerland) SA

**Souleïma Baddi,** CEO Komgo SA

komgo
Powering Trade Networks

**FRANCK NATER:** WHAT IS KOMGO?

**SOULEÏMA BADDI:** Komgo is a fintech that was created in 2018 by the international trade industry, which is currently owned by 24 shareholders, which are international banks and corporates. It offers the most widely adopted multi-bank solution in the market to date, enabling companies to accelerate and secure the processing of international trade transactions. It is a robust and agile infrastructure capable of digitising all large-scale trades.

**FRANCK NATER:** HOW, WHY AND BY WHO WAS THE COMPANY CREATED?

**SOULEÏMA BADDI:** Over the last 15 years there has been a sharp increase in the cost of international trade, whether in commodity trading or in traditional trade. These costs came mainly from an increase in operational risk, compliance issues and a whole set of controls and measures that the industry as a whole had to bear in order to better manage these risks. Hence a need for security and efficiency.

**FRANCK NATER:** WHO WAS AT THE INITIATIVE OF THIS PROJECT?

**SOULEÏMA BADDI:** First, the banking sector was more sensitive to this need than corporates in general. The first investors were therefore banks and a few large companies. But with less sense of urgency than the banks that had to bear operational and compliance risks as a priority.

However, customers who needed bank support for transaction financing quickly joined the banks and subsequently became the drivers of the transformation.

**FRANCK NATER:** FOR WHOM IS THE KOMGO PLATFORM INTENDED?

**SOULEÏMA BADDI:** It is aimed at all international trading participants who want to digitise and secure all their trading with their banks: companies of all sizes, multinationals that are major issuers of guarantees, and financial institutions, banks and insurance companies.

With the digitisation of processes having shown significant efficiency gains and cost reductions, the digital transformation is now at the heart of companies' strategy, and changes in legal frameworks and the interoperability of platforms have become priority issues.

**FRANCK NATER:** WHY CHOOSE GENEVA?

**SOULEÏMA BADDI:** Because Geneva is the capital of commodity trading. The first employees were former bankers active in Geneva in trade finance. By joining Komgo, they helped solve the problems they themselves had faced. Choosing Geneva, which is THE hub, has made it possible to find the first customers and qualified staff who understood the profession and the problems related to this business.

**FRANCK NATER:** WHAT SOLUTIONS DOES KOMGO PROPOSE AND CAN YOU DESCRIBE THEM IN A FEW WORDS?

**SOULEÏMA BADDI:** Komgo is the network that allows, by connecting to it, interaction with the bank, or with customers, or even between customers and soon between banks. On this network it is possible to exchange information and data in a structured manner, to ask for financing, issue instruments such as off-balance sheet commitments (L/C or guarantees), monitor stocks, monitor lines of credit, discount invoices, etc.

It is therefore a whole set of modules that enable the execution of all transactions related to commodity trade finance and international trade, while securing exchanges between the various parties involved in the transaction. Unlike an email exchange, the solution proposed by Komgo makes it possible to authenticate the documents exchanged.

There is also a portal for exchanging all the documents necessary for KYC procedures, sent by customers to banks, but also between customers, in a structured and reliable manner.

Komgo could also allow for a more flexible but secure development of bank-to-corporate exchanges. Unlike Swift, for which 99% of business consists of processing payment flows, Komgo would be an alternative with high added value to process information and documentation between banks and corporates.

Finally, Komgo supports its customers in the integration between their information systems and the platform, a key step in high added value by enabling players to take advantage of all the benefits promised by digitisation.

**FRANCK NATER:** IN WHAT WAY IS DIGITISATION A SOURCE OF PROGRESS?

**SOULEÏMA BADDI:** Why should we work completely disconnected from what we do in our personal lives, including the intensive use of our smartphones? Digital processing of time-consuming tasks without added value is of course progress. Asking qualified employees to deal with this type of task is of no interest and is a waste of resources, producing a shortfall of attractiveness in our business. In addition, receiving information via an e-mail or paper transmission system to then be transferred to another system creates a waste of time which can also lead to significant operational risk.

**FRANCK NATER:** HOW DOES KOMGO MANAGE OPERATIONAL RESILIENCE?

**SOULEÏMA BADDI:** There are rules, certifications and market practices in the tech world with which Komgo is fully compliant. Komgo will always keep in line with these rules and standards if they change. But is paper safer? Not sure. In our business or in our private lives, we have all been faced with the loss of a document. We also note that most players who were on physical servers a decade ago have now moved to the cloud. Looking back over the last more than ten years, this sector has shown its resilience despite the crises it has experienced.

**FRANCK NATER:** WHY IS THERE SUCH LITTLE USE OF E-DOCUMENTS?

**SOULEÏMA BADDI:** With regard to the use of electronic documents in international trade, their adoption remains very anecdotal due to numerous obstacles, notably the lack of institutional harmonisation. It is therefore important for legislation to evolve rapidly and to recognise the same legal value in electronic documents as paper. The Model of Law on Electronic Transferable Records (MLETR) of the United Nations Commission on International Trade Law (UNCITRAL) will play a fundamental role in this regard. It will then be important to be able to support the day-to-day implementation of this law with companies.

It is not a technology problem, but rather a question of supporting change and encouraging players in the trade sector in general. Some governments are trying to push the subject, particularly with the application of the MLETR standard, based on the idea that if the legal framework is clearer, players, and mainly financial players, will tend more to adopt e-documents.

Komgo's strategy is to continue to increase the added value and development of the platform by adding digital documents as soon as the regulatory framework allows users to benefit from guarantees equivalent to those of paper documents. Although digitisation and innovation in companies have few technical obstacles, the challenges to overcome are also linked to driving change. In addition, it is important that regulators quickly become familiar with these new tools to enable the industry to reduce its operational risks, which will reduce regulatory capital requirements.

**FRANCK NATER:** CAN YOU TELL US WHAT TRANSACTION VOLUMES ARE PROCESSED MONTHLY?

**SOULEÏMA BADDI:** Volumes are very significant. There are approximately:

- an equivalent of USD6 billion in daily transactions,
- 3,000 daily connections,
- 20,000 transactions processed monthly,
- 10,000 documents authenticated monthly.

**FRANCK NATER:** WHAT HINDERS THE USE OF KOMGO?

**SOULEÏMA BADDI:** Starting to use a new platform or new software is a time investment for a company. And this investment is also money because it means human resources that are no longer dedicated to carrying out the business. At the basic level, it is therefore a cost.

Komgo therefore has to be able to show future users that its use will provide a return on investment that is worthwhile.

This return on investment is mainly the increase in the number of transactions that this will generate, i.e. additional business. Furthermore, the use of the platform enhances the security of operations.

At the outset, many potential users gave the argument that they had always worked by email or post and were happy with that. The COVID-19 pandemic was a powerful catalyst for the digitisation of international trade, highlighting the need for digital solutions to maintain the continuity of trade: people's view of digital tools have totally changed. Digitisation is now even part of the "tool box" of the good trader or good banker.

Large corporates are very demanding and very responsive. It is in their DNA, they are able to make decisions quickly and see the benefits. Banks are slower, mainly due to their decision-making process and because they often have platforms already in place.

**FRANCK NATER:** IF YOU NEEDED TO CONVINCE A HESITANT USER, WHAT WOULD YOU SAY TO THEM?

**SOULEÏMA BADDI:** I would actually show them the benefits of using the platform: benefits in terms of cost reduction, faster transaction processing time. Improving the quality of customer service is also a key advantage. It is also necessary to take the time to speak to people at several levels (business, legal, IT and the decision-makers of course) in order to demonstrate, with the sharing of customer experiences, the benefits of Komgo. This pooling of experience and knowledge benefits the entire community and facilitates the adoption of the solution, minimising the burden. Komgo is currently the largest multi-bank digitisation platform in international trade. It was created by sector players, for sector players. The more numerous we will be, the more secure and efficient global trade will be.

THE 5 VALUES OF BIC-BRED (SUISSE) SA

Responsible
Ambition
Agile
Expertise
Mutual
Consideration
Effective
Cohesion
Pragmatic
Integrity

## 5.5 CORPORATE VALUES AND CULTURE

After 6 years of strong growth – both in its activity and its workforce – in 2022 BIC-BRED (Suisse) SA wanted to formalise the values that characterise its identity.

### 5.5.1 CORPORATE CULTURE

In this context, a questionnaire on corporate values and culture, both general and specific to the bank, was sent to all employees in order to solicit their contribution and their participation in this project.

In response to the feedback from this survey, around twenty employees – representing all the Bank's departments – met during a two-day off-site seminar. The objective was to define the common values that drive them in exercising their profession and which characterise their individual and collective behaviour.

Supported by Grégoire Gatbois from the company GEMM Conseil, employees participated in various series of workshops in sub-groups before sharing the results obtained.

This collaborative work highlighted the fundamental aspects of the bank's corporate culture and gathered a broad consensus while taking into account everyone's contribution.

From this global reflection, five strong values emerged which were then presented to the General Management at the end of this seminar. These values guide employees day-to-day in their actions and relationships, internally and externally with the Bank's various stakeholders.

Corporate Culture seminar on 25 and 26 October 2022.

### 5.5.2 THE FIVE VALUES OF BIC-BRED (SUISSE) SA

#### RESPONSIBLE AMBITION

BIC-BRED (Suisse) SA aims to implement its commercial development strategy through a demanding process. With a long-term approach and adapting to a constantly changing environment, BIC-BRED (Suisse) SA favours responsible risk management while anticipating the challenges and needs of the future.

#### AGILE EXPERTISE

To meet the commercial, operational and risk management challenges of its commodities trade finance activity, BIC-BRED (Suisse) SA relies on the high level of expertise of its teams, whose experience and professionalism make its strength.

*We maintain, share and develop this expertise for the benefit of our customers and partners so as to always offer the most appropriate solutions.*

#### MUTUAL CONSIDERATION

Within BIC-BRED (Suisse) SA, particular attention is paid to respectful communication, based on active listening while giving importance to the other person's voice. It promotes diversity, enhances differences and focuses on both the individual and the collective.

#### EFFECTIVE COHESION

BIC-BRED (Suisse) SA is committed to creating a harmonious working environment and maintaining efficient relationships with its partners.

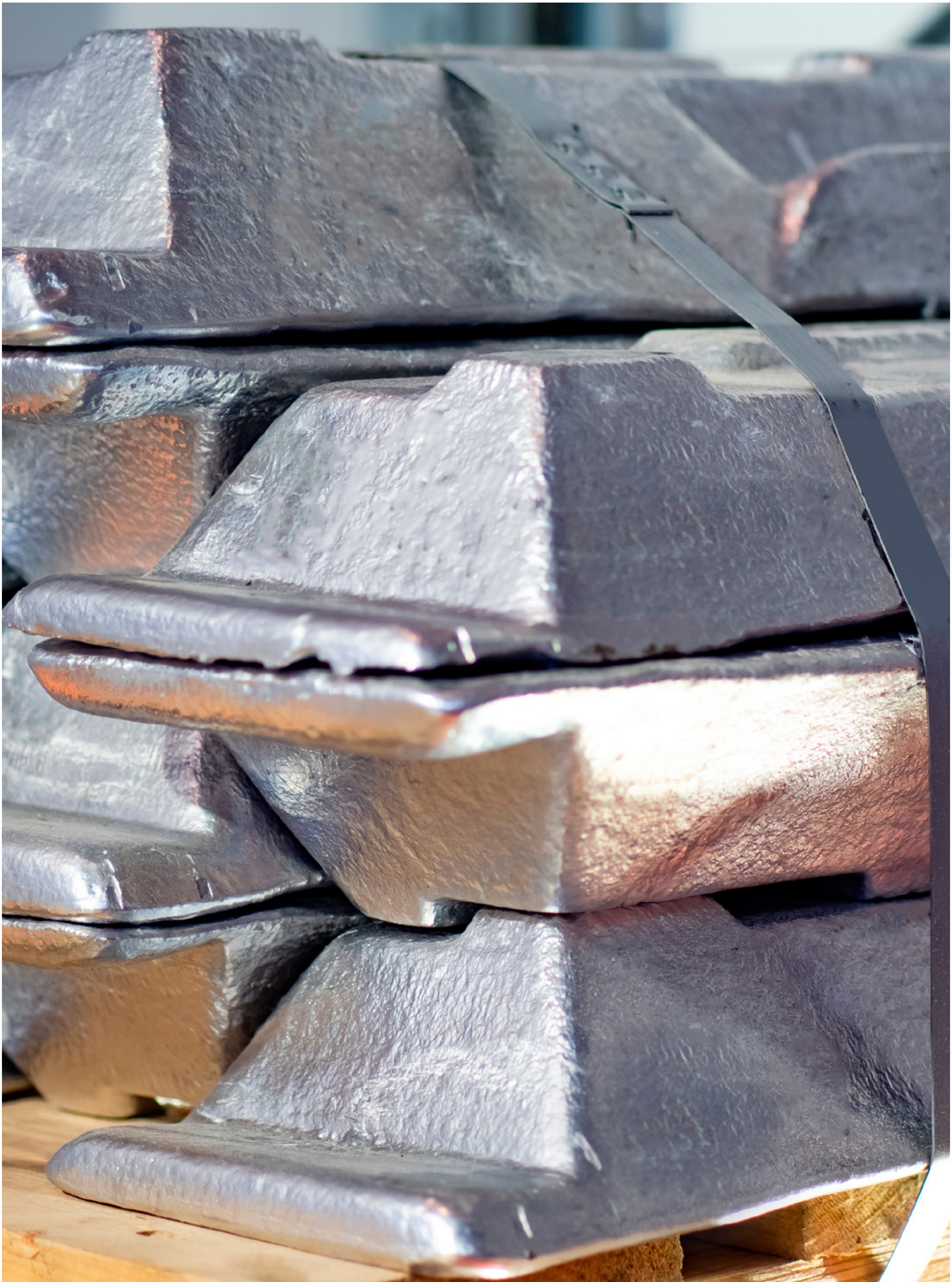
*We contribute to collective decisions and combine our talents to achieve the goals.*

#### PRAGMATIC INTEGRITY

As a commodity trade finance bank, BIC-BRED (Suisse) SA assumes its responsibilities conscientiously and with pragmatism. It acts in a pro-active and preventive manner in the conduct of its activities.

BIC-BRED (Suisse) SA follows an ethical and engaged approach.

Respect for these values is an essential part of the day-to-day life of BIC-BRED (Suisse) SA employees.



PARTIE 6

# FINANCIAL DATA

PART 6

# FINANCIAL DATA

BIC-BRED (Suisse) SA continued its strong growth and posted excellent results in 2022. Banking income reached a record level of CHF43.2 million, up 36%. Net income before allocation to the reserves for general banking risks was CHF21.5 million, up 59%.

**Delphine Bourgès,**
Head of Finance

## LETTER FROM THE HEAD OF FINANCE

While the COVID-19 page had barely just turned and a calm 2022 was on the horizon, Russia's invasion of Ukraine in February 2022 exacerbated geopolitical tensions and significantly impacted the commodities market. Faced with the challenges encountered during the year, BIC-BRED (Suisse) SA demonstrated its ability to adapt while maintaining its commitment to providing high-quality financial services to its customers.

In 2022, thanks to a high level of commodity prices and the acquisition of new customers, the Bank saw a sharp increase in financing requests and an increase in its market share. This resulted in a 36% increase in Banking Income to CHF43.2 million.

This strong growth enabled the Bank to create 13 new jobs in 2022 (i.e. a 19% increase in the total headcount), invest in its future growth with the opening of a branch in Dubai and significantly improve its cost/income ratio (48%).

Like last year, all the net income of CHF21.5 million was allocated to the Reserve for general banking risks. We remind you that this attribution is entirely optional and conservative. This allocation, accompanied by a capital increase of CHF30 million fully subscribed by BRED Group, strengthened the Bank's equity, ending the year with a comfortable solvency ratio (16.5%) and an excellent ROE (12.7%).

Its robust financial health and conservative management allow BIC-BRED (Suisse) SA to ensure its financial sustainability and to become a long-term partner for commodity traders.

Following this brief introduction, we are pleased to let you discover our 2022 financial statements, supplemented by their financial analysis.

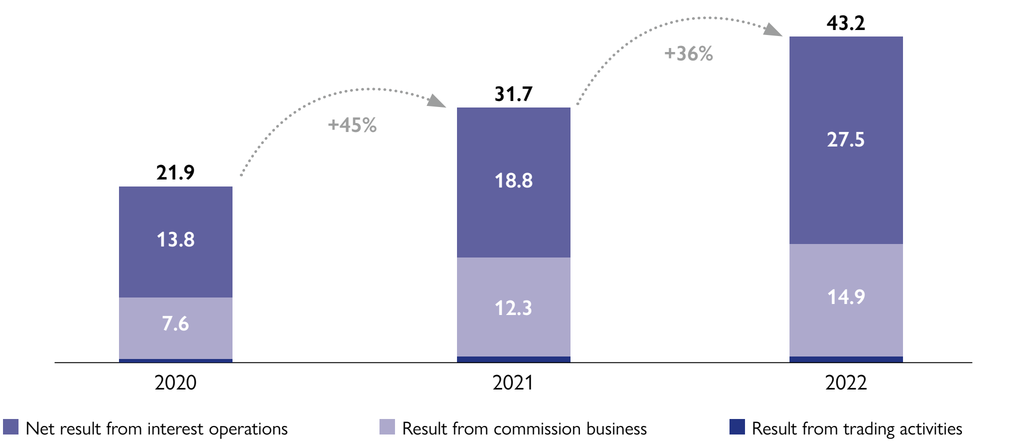
## 6.1 FINANCIAL ANALYSIS

### 6.1.1 CONTINUOUS STRONG GROWTH IN RESULTS

#### STRONG GROWTH IN NET BANKING INCOME

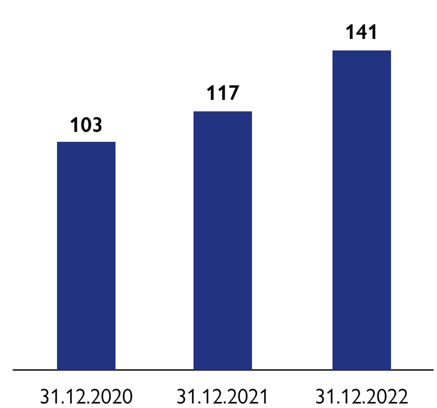
BIC-BRED (Suisse) SA ended 2022 with banking income up 36% at CHF43.2 million.

Figure 12 **NET BANKING INCOME (in CHF million)**



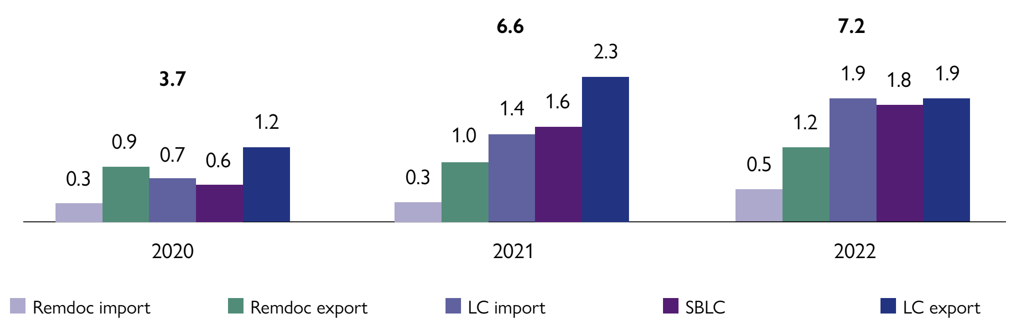

This increase can be explained in part by the net income from interest transactions, up 46% to CHF27.5 million, reflecting the growth in outstanding credit linked to the high level of commodities prices, a 21% expansion in the customer portfolio and high use of credit lines.

Figure 13 **NUMBER OF ACTIVE CLIENT GROUPS**



In addition, fee and commission income rose 21% to CHF14.9 million, thanks to the increase in the number and size of documentary transactions, for which the volume processed during the financial year amounted to CHF7.2 billion at end-December 2022, compared with CHF6.6 billion at the end of 2021. In particular, import documentary remittance volumes and import letters of credit increased by 40% and 34%, respectively, in 2022.

Figure 14 **CUMULATIVE AMOUNT OF TRANSACTIONS (in CHF billion)**

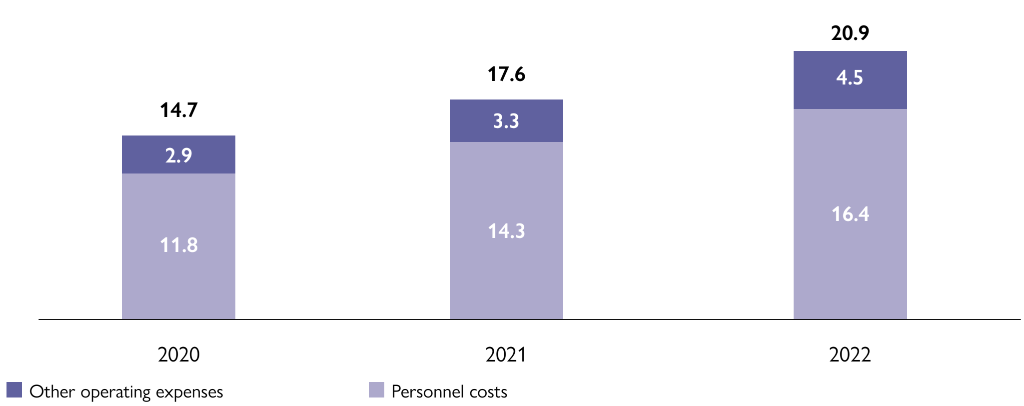



The result from trading activities amounted to CHF881 thousand (+47%) thanks to the increase in the number of foreign exchange transactions on behalf of clients (forex forwards and interest rate swaps).

## COST CONTROL

Total operating expenses rose 19% to CHF20.9 million.

Figure 15 **OPERATING EXPENSES (in CHF million)**



The increase in operating expenses is mainly due to recruitments carried out in 2022 in order to strengthen the teams involved in processing transactions as well as the development of the Dubai branch.

The Bank increased its headcount by 13.3 FTEs to support its growth, from 70.8 FTE at 31 December 2021 to 84.1 FTE at 31 December 2022.

This less rapid increase in expenses than in income enabled the Bank to improve its cost/income ratio by 8.1 percentage points, bringing it to the excellent level of 48.1% at the end of 2022.

Figure 16 **HEADCOUNT** (in FTE)

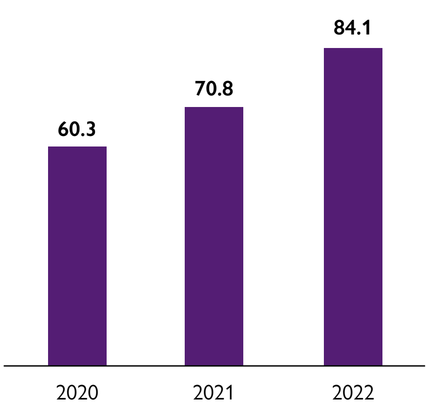
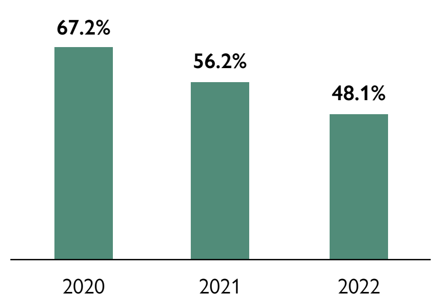



Figure 17 **COST-TO-INCOME RATIO**



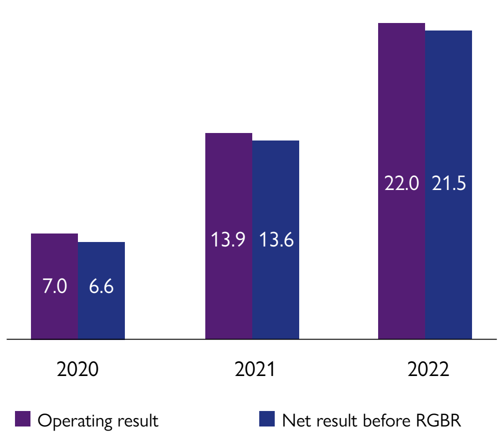

## OPERATING RESULT AND NET RESULT

For its eighth financial year, the Bank achieved operating income of CHF22 million.

Net income before allocation to the reserves for general banking risks amounted to CHF21.5 million, up 59% compared to last year.

In 2022, 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 CHF21.5 million.

Figure 18 **OPERATING RESULT AND NET RESULT** (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 appropriation brings the total amount of reserves for general banking risks recorded in equity to CHF36.6 million at 31 December 2022. The excellent 2022 results enabled the Bank to significantly improve all of its return and profitability ratios.[3]

Figure 20 **ROE**

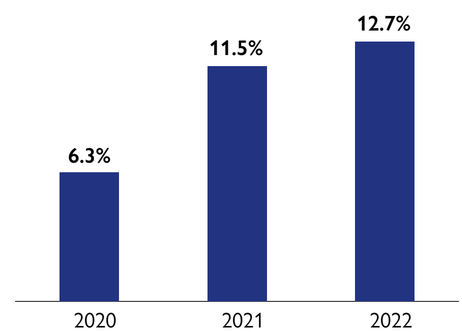



Figure 21 **ROA**

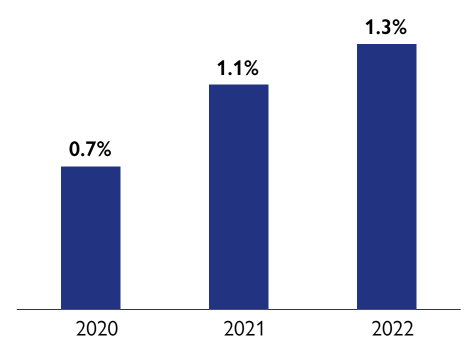



Figure 19 **PROFITABILITY RATIO**

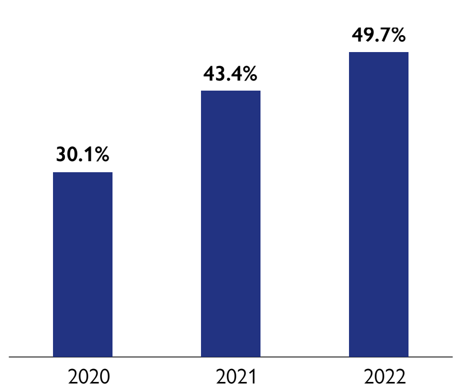
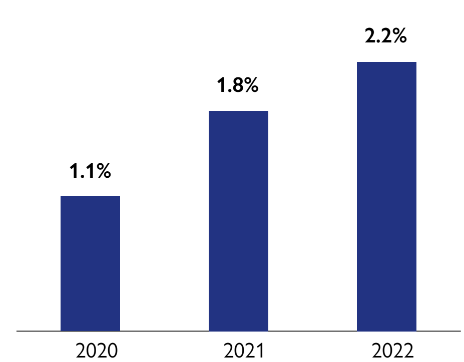



Figure 22 **RORWA**



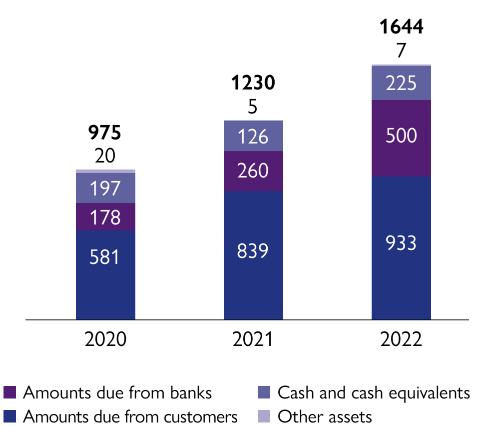

**3** The ratios are calculated on the basis of the net result before allocation to the reserve for general banking risks in order to reflect the Bank's true profitability:
– ROE = Net result before allocation to Reserves for general banking risks/Equity
– ROA = Net result before allocation to Reserves for general banking risks/Assets
– Profitability ratio = Net result before allocation to Reserves for general banking risks/NBI.
- RoRWA = Net result before allocation to the average RGBR/RWA for the period.

## 6.1.2 FOCUS ON BALANCE SHEET AND OFF-BALANCE SHEET ITEMS

### CONSTANT INCREASE IN BALANCE SHEET ASSETS

The size of the balance sheet assets increased by CHF434 million in 2022, reaching a total of 1.7 billion at the end of the year (+35%).

Figure 23 **ASSETS (in CHF million)**




This increase was due on the one hand to the increase in amounts due from banks, and on the other to the increase in amounts due from customers, which totalled CHF933 million at 31 December 2022, up CHF94 million (+11%).

At 31 December 2022, 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 (95%). 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.

Figure 24 **BREAKDOWN OF AMOUNTS DUE FROM CUSTOMERS BY COMMODITY AT 31 DECEMBER 2022**

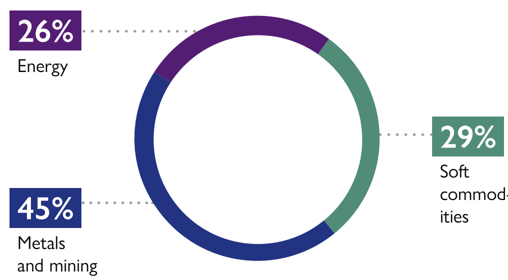
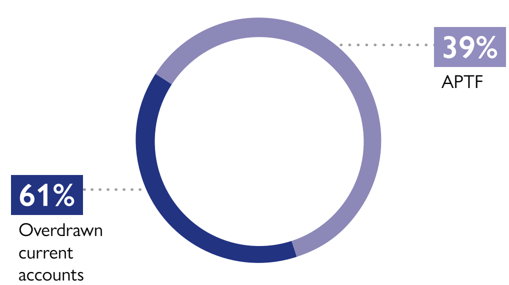



Figure 25 **BREAKDOWN OF AMOUNTS DUE FROM CUSTOMERS BY COMMODITY AT 31 DECEMBER 2022**



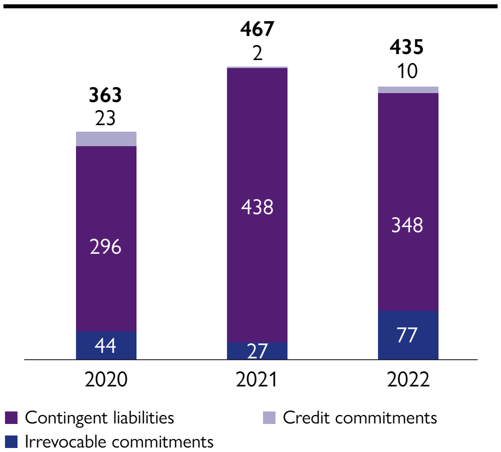

A new value adjustment for an amount of CHF100,000 was made on a non-performing loan identified during the financial year.

All non-performing loans (CHF16.6 million) are fully provisioned. They mainly correspond to old loans granted before the Bank became a subsidiary, excluding the international trade finance activity.

DECREASE IN OFF-BALANCE SHEET ITEMS

The size of the off-balance sheet decreased by 7% in 2022 to CHF435 million at the end of the year.

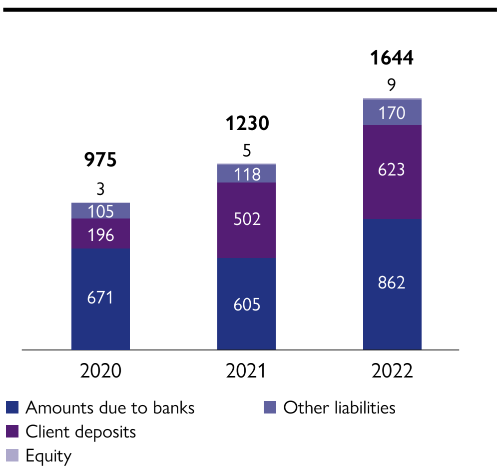
Figure 26 **OFF-BALANCE SHEET ITEMS** (in CHF million)




## 6.1.3 A COMFORTABLE LIQUIDITY PROFILE

On the liabilities side, foreign funds (i.e. liabilities excluding shareholders' equity) increased by CHF383 million (+34%) from the end of 2021, to CHF1.5 billion.

Figure 27 **LIABILITIES** (in CHF million)




Note that the CHF30 million capital increase raises the balance sheet total. As a result, the Bank's share capital increased from CHF103 million to CHF133 million.

NEW CUSTOMER DEPOSITS

The Bank pursued its strategy of collecting customer deposits in 2022. This resulted in significant growth in deposits to CHF623 million (+24%), representing 42% of foreign funds. At 31 December 2022, term deposits accounted for 60% of total customer deposits, mainly in dollars (79%).

Due to the favourable trend in the volume of customer deposits at the end of 2022, the Bank managed to finance 67% of its amounts due from customers through customer deposits, compared with only 60% at the end of 2021.

BANK REFINANCING

Commitments to banks increased by 43% to CHF862 million at 31 December 2022.

The Bank is mainly refinanced by the BRED Group, which alone accounted for 55% of foreign funds and 95% of amounts due to banks at 31 December 2022. This multi-currency line is drawn mainly in dollars to finance customer receivables.

In order to comply with the NSFR regulation, the Bank changed the profile of its bank refinancing in 2021 in order to extend its maturity (CHF230 million at over 5 years). Please refer to note 17 to the financial statements for more details.

Figure 28 **MATURITY OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEET AT 31 DECEMBER 2022**
**(in CHF million)**

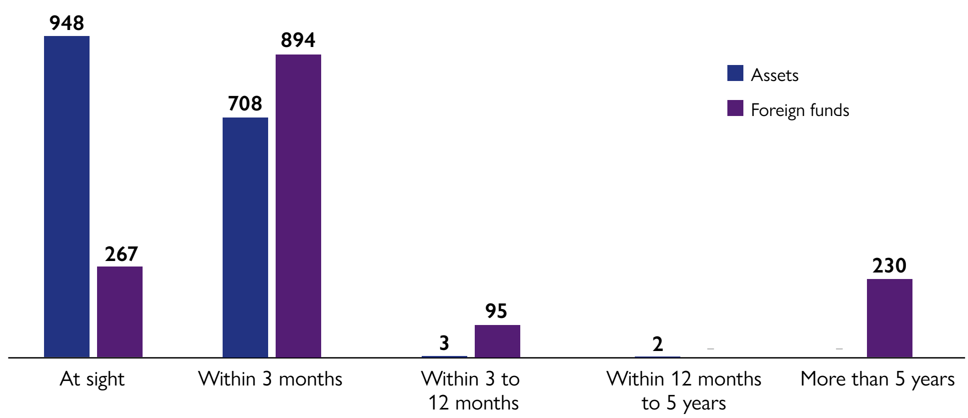
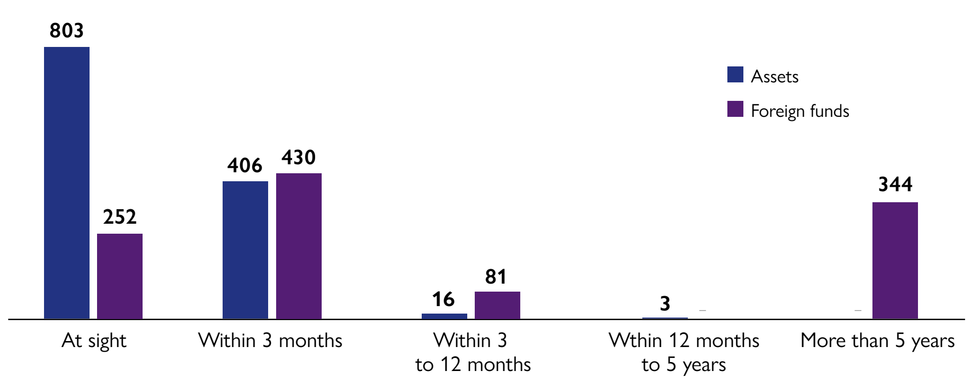



Figure 29 **MATURITY OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEET AT 31 DECEMBER 2021**
**(in CHF million)**




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 | 31.12.2022 |
|---|---|
| Assets with a maturity of less than 3 months | 1'656 |
| – Liabilities with a maturity of less than 3 months | –1'161 |
| Liquidity gap | –495 |
| Equity | 170 |
| **Liquidity Gap/Equity** | –292% |

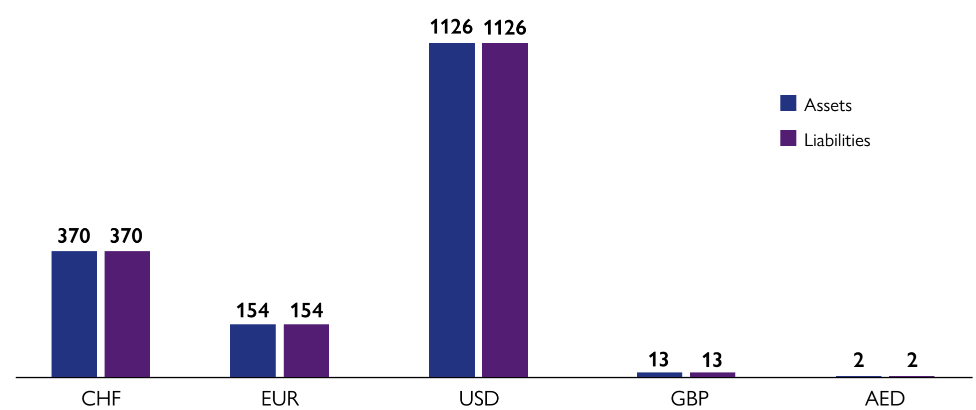
## THE BALANCE OF CURRENCIES BETWEEN ASSETS AND LIABILITIES

Due to its activity, most of the Bank's balance sheet is in US dollars (68%).

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.

Please refer to note 21 to the financial statements for more details.

Figure 30 **BREAKDOWN OF ASSETS AND LIABILITIES BY CURRENCY AT 31 DECEMBER 2022**
**(in CHF million)**




## 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 120%, 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 31 **LCR**

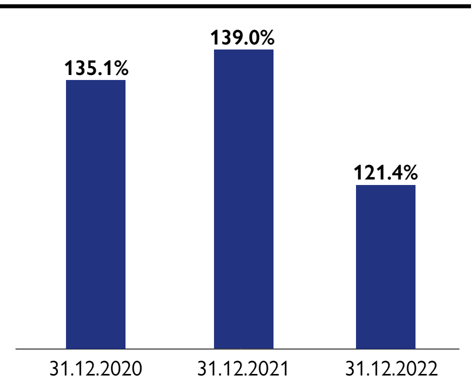
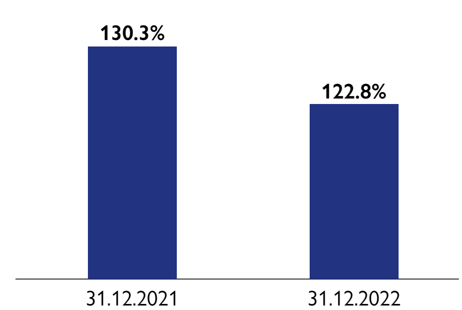



Figure 32 **NSFR**



### 6.1.4 A SOLID LEVEL OF SOLVENCY

The increase in risk-weighted assets (RWA) between 2021 and 2022 was 23%. Over the same period, the Bank supported this growth by increasing its capital (capital increase and allocation to reserves).

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

| In CHF million | 31.12.2020 | 31.12.2021 | 31.12.2022 |
|---|---|---|---|
| Eligible capital | 104.7 | 116.5 | 165.4 |
| *Of which common equity tier 1 capital (CET1)* | 104.7 | 116.5 | 165.4 |
| Risk-weighted assets (RWAs) | 605.8 | 812.6 | 1002.2 |

At the end of 2022, the solvency ratio rose to 16.5%, a comfortable level compared to the regulatory requirement of 10.5%, thus reflecting the solidity of the Bank's solvency.

At 31 December 2022, the leverage ratio stood at 9.4%, well above the regulatory requirement of 3%.

Figure 33 **SOLVENCY RATIO**

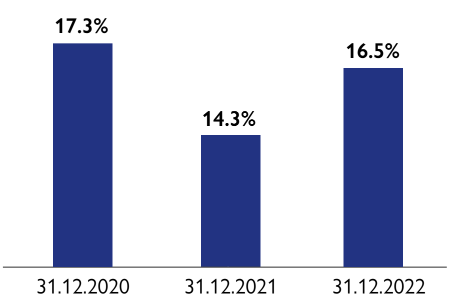
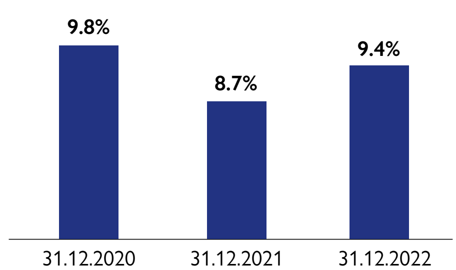



Figure 34 **LEVERAGE RATIO**




BIC-BRED (Suisse) SA has the privilege of being a wholly-owned subsidiary of BRED/BPCE Group, with excellent external ratings (see 2.1BPCE GROUP) and by 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 2022.

## 6.3 2022 FINANCIAL STATEMENTS

### BALANCE SHEET

in thousands of CHF

| ASSETS | Notes | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| Cash and cash equivalents | | 224'562 | 126'034 |
| Amounts due from banks | 15 | 499'609 | 259'874 |
| Amounts due from customers | 6 | 933'165 | 838'719 |
| Positive replacement values of derivative financial instruments | 7 | 782 | 26 |
| Financial investments | 8 | 2'466 | 2'596 |
| Accrued income and prepaid expenses | | 2'108 | 1'378 |
| Tangible fixed assets | 9 | 1'193 | 936 |
| Other assets | 10 | 130 | 91 |
| **Total assets** | | **1'664'015** | **1'229'654** |

| LIABILITIES | | | |
|---|---|---|---|
| Amounts due to banks | 15 | 862'146 | 605'061 |
| Amounts due in respect of customer deposits | 15 | 623'136 | 501'815 |
| Negative replacement values of derivative financial instruments | 7 | 746 | 20 |
| Accrued expenses and deferred income | | 8'147 | 4'446 |
| Other liabilities | 10 | 31 | 20 |
| Sub-total of foreign funds | | **1'494'206** | **1'111'362** |
| Reserves for general banking risks | 13 | 36'570 | 15'053 |
| Bank's capital | 14.16 | 133'074 | 103'074 |
| Statutory retained earnings reserve | | 165 | 165 |
| Profit/loss carried forward | | – | – |
| Profit/loss (result of the period) | | – | – |
| Total equity | | **169'809** | **118'292** |
| **Total liabilities** | | **1'664'015** | **1'229'654** |
| | | | |
| Total subordinated liabilities | | – | – |
| *– of which subject to mandatory conversion and/or debt waiver* | 15 | – | – |

| OFF-BALANCE SHEET TRANSACTIONS | | | |
|---|---|---|---|
| Contingent liabilities | 6.22 | 348'238 | 438'357 |
| Irrevocable commitments | 6 | 76'878 | 26'762 |
| Credit commitments | 6.23 | 9'632 | 2'152 |

## INCOME STATEMENT

in thousands of CHF

| RESULT FROM INTEREST OPERATIONS | Notes | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| Interest and discount income | 25 | 46'856 | 18'263 |
| Interest and dividend income from trading portfolios | | – | – |
| Interest and dividend income from financial investments | | 98 | 553 |
| Interest expense | 25 | –19'336 | –463 |
| **Gross result from interest operations** | | **27'618** | **18'353** |
| Changes in value adjustments for default risks and losses from interest operations | 6.13 | –100 | 477 |
| **Subtotal net result from interest operations** | | **27'518** | **18'830** |
| | | | |
| **RESULT FROM COMMISSION BUSINESS AND SERVICES** | | | |
| Commission income from securities trading and investment activities | | – | – |
| Commission income from lending activities | | 14'820 | 12'484 |
| Commission income from other services | | 3'754 | 3'097 |
| Commission expense | | –3'718 | –3'263 |
| **Subtotal result from commission business and services** | | **14'856** | **12'318** |
| | | | |
| **RESULT FROM TRADING ACTIVITIES AND THE FAIR VALUE OPTION** | 24 | 811 | 551 |
| | | | |
| **OTHER RESULT FROM ORDINARY ACTIVITIES** | | | |
| Other ordinary income | | 42 | 20 |
| Other ordinary expenses | | – | – |
| **Subtotal other result from ordinary activities** | | **42** | **20** |
| | | | |
| **OPERATING EXPENSES** | | | |
| Personnel expenses | 26 | –16'360 | –14'274 |
| Other operating expenses | 27 | –4'500 | –3'290 |
| **Subtotal operating expenses** | | **–20'860** | **–17'564** |
| | | | |
| **Gross income** | | **22'367** | **14'155** |
| | | | |
| Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets | | –318 | –220 |
| | | | |
| **Operating result** | | **22'049** | **13'935** |
| | | | |
| Extraordinary income | 28 | 1 | 30 |
| Extraordinary expenses | 28 | – | – |
| Changes in reserves for general banking risks | 13 | –21'517 | –13'553 |
| Taxes | 29 | –533 | –412 |
| | | | |
| **PROFIT** (result of the period) | | **–** | **–** |

## STATEMENT OF CHANGES IN EQUITY

in thousands of CHF

| | Bank's capital | Retained earnings reserve | Reserves for general banking risks | Profit/loss carried forward | Result of the period | Total |
|---|---|---|---|---|---|---|
| **Equity as at 31.12.2021** | **103'074** | 165 | 15'053 | **–** | **–** | **118'292** |
| Capital increase/decrease | 30'000 | – | – | – | – | 30'000 |
| Allocation of 2021 result | – | – | – | – | – | – |
| Other allocations to (transfers from) the reserves for general banking risks | – | – | 21'517 | – | – | 21'517 |
| Profit (result of the period) | – | – | – | – | – | – |
| **Equity as at 31.12.2022** | **133'074** | **165** | **36'570** | **–** | **–** | **169'809** |

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

### I. Business name, legal form and domicile

Banque Internationale de Commerce – BRED (Switzerland) SA obtained authorisation to operate 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 and established a location in Dubai this year through a branch. Banque Internationale de Commerce – BRED (Suisse) SA DIFC Branch obtained its banking license on 5 July 2022.

The Bank is 100% owned by Banque Internationale de Commerce-BRED SA, Paris, (the registered address) whose capital is 99.99% owned by Compagnie Financière de la BRED SA (COFIBRED), 100% owned by BRED-Banque Populaire (the Group).

BRED Banque Populaire holds 4.95% of BPCE's capital.

### II. Headcount

As at 31 December 2022, the Bank employed 84.1 full-time equivalent employees, versus 70.8 at 31 December 2021.

### 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:

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| USD | 0.9220 | 0.9161 |
| EUR | 0.9844 | 1.0358 |
| GBP | 1.1148 | 1.2356 |

### V. Treatment of interest

Past due interest and related commissions are not recorded as interest income. Interest and commissions that have expired for more than 90 days and remain unpaid are considered as such. For current account credits, interest and commissions are considered to be overdue when the credit limit has been exceeded for more than 90 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 tests 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 observes such signs, the Bank determines the recoverable value 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 of the Bank.

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). Classification in the healthy WL is achieved either by decision of a credit committee, or automatically when certain criteria have been fulfilled.
- 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. Assessment of the counterparty's rating takes place on an annual basis and is carried out within the BPCE group.

In the event of extreme market events, the Bank examines the situation continuously in order to be able to instantly react to a worsening 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 thousands of CHF

## 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 | | – | 255'982 | 688'796 | 944'778 |
| **Total loans and bills of exchange** (**before** netting with value adjustments) | **31.12.2022** | **–** | **255'982** | **688'796** | **944'778** |
| | 31.12.2021 | – | 322'016 | 531'542 | 853'558 |
| **Total loans and bills of exchange** (**after** netting with value adjustments) | **31.12.2022** | | **255'982** | **677'183** | **933'165** |
| | 31.12.2021 | – | 322'016 | 516'703 | 838'719 |

| **OFF BALANCE SHEET** | | | | | |
|---|---|---|---|---|---|
| Contingent liabilities | | – | 56'860 | 291'378 | 348'238 |
| Irrevocable commitments | | – | 15'849 | 61'029 | 76'878 |
| Credit commitments | | – | 6'089 | 3'543 | 9'632 |
| **Off-balance sheet total at** | **31.12.2022** | **–** | **78'798** | **355'950** | **434'748** |
| | 31.12.2021 | – | 151'668 | 315'603 | 467'271 |

| | | Gross debt amount | Estimated liquidation value of collateral | Net debt amount | Individual value adjustments |
|---|---|---|---|---|---|
| **Total impaired receivables** | **31.12.2022** | **16'592** | **–** | **16'592** | **16'592** |
| | 31.12.2021 | 19'786 | – | 19'786 | 19'786 |

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

in thousands of CHF

### 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 | | 782 | 746 | 53'933 |
| **Total before netting agreements** | **31.12.2022** | **782** | **746** | **53'933** |
| *– of which determined using a valuation model* | | – | – | – |
| Total before netting agreements | 31.12.2021 | 26 | 20 | 25'819 |
| *– of which determined using a valuation model* | | – | – | – |

| | | Positive replacement values (cumulative) | Negative replacement values (cumulative) |
|---|---|---|---|
| Total after netting agreements | **31.12.2022** | **782** | **746** |
| | 31.12.2021 | 26 | 20 |

| **BREAKDOWN BY COUNTERPARTY** | | Central clearing houses | Banks and securities dealers | Other customers |
|---|---|---|---|---|
| Positive replacement values (after netting agreements) | **31.12.2022** | **–** | **111** | **671** |

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

in thousands of CHF

## 8. FINANCIAL INVESTMENTS

| | Book value | | Fair value | |
|---|---|---|---|---|
| **BREAKDOWN OF FINANCIAL INVESTMENTS** | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Debt securities | 2'466 | 2'596 | 2'332 | 2'627 |
| *– of which intended to be held to maturity* | *2'466* | *2'596* | *2'332* | *2'627* |
| *– of which not intended to be held to maturity (available for sale)* | – | – | – | – |
| Equity securities | – | – | – | – |
| *– of which qualified participations* | – | – | – | – |
| Precious metals | – | – | – | – |
| Real estate | – | – | – | – |
| **Total** | **2'466** | **2'596** | **2'332** | **2'627** |
| *– of which securities eligible for repo transactions in accordance with liquidity requirements* | – | – | – | – |

| **BREAKDOWN OF COUNTERPARTIES BY MOODY'S RATING CATEGORY** | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Aaa-Aa3 | – | – |
| A1-A3 | – | – |
| Baa1-Baa3 | – | – |
| Ba1-Ba2 | – | – |
| Ba3 | – | – |
| B1-B3 | – | – |
| Caa1-C | – | – |
| Unrated | 2'466 | 2'596 |
| **Total debt securities** | **2'466** | **2'596** |

in thousands of CHF

## 9. TANGIBLE FIXED ASSETS

| | Acquisition cost | Accumulated depreciation | Book value at 31.12.2021 | Additions | Disposals | Depreciation | Book value at 31.12.2022 |
|---|---|---|---|---|---|---|---|
| Acquired software | 1’395 | –734 | 661 | 507 | – | –161 | 1’007 |
| Other tangible fixed assets | 744 | –469 | 275 | 81 | –15 | –15 | 186 |
| **Total tangible fixed assets** | **2’139** | **–1’203** | **936** | **588** | **–15** | **–316** | **1’193** |

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 CHF6.4 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 | 889 | 912 | 912 | 912 | 912 | 1’900 | 6’437 |

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.

in thousands of CHF

## 10. BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES

| | Other assets | | Other liabilities | |
|---|---|---|---|---|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Indirect taxes | – | – | 31 | 20 |
| Expenses to be recovered | 12 | – | – | – |
| Coupons | 87 | 91 | – | – |
| Other debtors | 31 | – | – | – |
| Total | 130 | 91 | 31 | 20 |

## 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 2022 (same as 2021).

## 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 | |
|---|---|---|---|---|---|---|---|
| | 31.12.2022 | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2021 |
| Pension plans without overfunding/ underfunding | – | – | – | – | – | 1’424 | 1’391 |
| Total | – | – | – | – | – | 1’424 | 1’391 |

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 2022, 82 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 2022.

The Bank had no pension commitments towards the pension scheme as at 31 December 2022.

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

in thousands of CHF

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

| | Position at 31.12.2021 | Use in conformity with designated purpose | Reclassifications | Exchange rate differences | Past due interest, recoveries | New creations charged to income | Releases to income | Position at 31.12.2022 |
|---|---|---|---|---|---|---|---|---|
| Other provisions | – | – | – | – | – | – | – | – |
| **Total provisions** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Reserves for general banking risks** | **15'053** | **–** | **–** | **–** | **–** | **21'517** | **–** | **36'570** |
| **Value adjustments for default and country risks** | **19'786** | **–3'550** | **–** | **256** | **–** | **100** | **–** | **16'592** |
| *– of which, value adjustments for default risks in respect of impaired loans/receivables* | *19'786* | *–3'550* | – | *256* | – | *100* | – | *16'592* |

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

In 2022, a new value adjustment for a total amount of CHF100,000 was made on a non-performing loan identified during the financial year.

### 14. PRESENTATION OF THE BANK'S CAPITAL

| | 31.12.2022 | | | 31.12.2021 | | |
|---|---|---|---|---|---|---|
| | 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 | 1'330'740 | 133'074 | 100 | 1'030'740 | 103'074 |
| *– of which paid up* | *100* | *1'330'740* | *133'074* | *100* | *1'030'740* | *103'074* |
| **Total bank's capital** | **100** | **1'330'740** | **133'074** | **100** | **1'030'740** | **103'074** |

In 2022, the Bank carried out a capital increase in the amount of CHF30 million fully subscribed by its sole shareholder, Banque Internationale de Commerce – BRED, Paris.

in thousands of CHF

## 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 | |
|---|---|---|---|---|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Holders of qualified participations | 372’763 | 125’673 | 817’022 | 562’950 |
| Affiliated companies[1] | 1’983 | 4’338 | 64’576 | 74’431 |
| Transactions with members of governing bodies | – | – | – | – |
| **Total** | **374’746** | **130’011** | **881’598** | **637’381** |

1 Amounts due to affiliated companies include a CHF44.8 million commitment to COFACE RE, a wholly owned subsidiary of COFACE, a company accounted for using the equity method by BPCE Group.

### OTHER OFF-BALANCE SHEET TRANSACTIONS WITH RELATED PARTIES

As at 31 December 2022, the off-balance sheet statement contained a guarantee for Banque du Léman (an affiliated company) of CHF5.9 million (2021: CHF6.2 million).

## 16. DISCLOSURE OF HOLDERS OF SIGNIFICANT PARTICIPATIONS

| HOLDERS OF SIGNIFICANT PARTICIPATIONS AND GROUPS OF HOLDERS OF PARTICIPATIONS WITH POOLED VOTING RIGHTS | 31.12.2022 | | 31.12.2021 | |
|---|---|---|---|---|
| | 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 thousands of CHF

## 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 | | 224’562 | – | – | – | – | – | – | 224’562 |
| Amounts due from banks | | 152’956 | – | 343’978 | 2’675 | – | – | – | 499’609 |
| Amounts due from customers | | – | 569’489 | 363’624 | 16 | 36 | – | – | 933’165 |
| Positive replacement values of derivative financial instruments | | 782 | – | – | – | – | – | – | 782 |
| Financial investments | | – | – | – | – | 2’466 | – | – | 2’466 |
| **Total** | **31.12.2022** | **378’300** | **569’489** | **707’602** | **2’691** | **2’502** | **–** | **–** | **1’660’584** |
| | 31.12.2021 | 260’833 | 542’288 | 405’550 | 15’966 | 2’612 | – | – | 1’227’249 |

| **FOREIGN FUNDS/FINANCIAL INSTRUMENTS** | | Sight | Cancellable | within 3 months | within 3 to 12 months | within 12 months to 5 years | after 5 years | No maturity | Total |
|---|---|---|---|---|---|---|---|---|---|
| Amounts due to banks | | 15’664 | – | 555’982 | 60’000 | – | 230’500 | – | 862’146 |
| Amounts due in respect of customer deposits | | 250’308 | – | 338’306 | 34’522 | – | – | – | 623’136 |
| Negative replacement values of derivative financial instruments | | 746 | – | – | – | – | – | – | 746 |
| **Total** | **31.12.2022** | **266’718** | **–** | **894’288** | **94’522** | **–** | **230’500** | **–** | **1’486’028** |
| | 31.12.2021 | 252’315 | – | 429’823 | 81’220 | – | 343’538 | – | 1’106’896 |

in thousands of CHF

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

| | 31.12.2022 | | 31.12.2021 | |
|---|---|---|---|---|
| **ASSETS** | Switzerland | Foreign | Switzerland | Foreign |
| Cash and cash equivalents | 224’562 | – | 126’034 | – |
| Amounts due from banks | 6’285 | 493’324 | 7’301 | 252’574 |
| Amounts due from customers | 509’079 | 424’086 | 520’000 | 318’719 |
| Positive replacement values of derivative financial instruments | 608 | 174 | 2 | 24 |
| Financial investments | – | 2’466 | – | 2’596 |
| Accrued income and prepaid expenses | 948 | 1’160 | 914 | 463 |
| Tangible fixed assets | 1’128 | 65 | 936 | – |
| Intangible assets | – | – | – | – |
| Other assets | – | 130 | – | 91 |
| Total | 742’610 | 921’405 | 655’187 | 574’467 |

| **LIABILITIES** | | | | |
|---|---|---|---|---|
| Amounts due to banks | 14’309 | 847’837 | 15’500 | 589’561 |
| Amounts due in respect of customer deposits | 501’920 | 121’216 | 426’897 | 74’918 |
| Negative replacement values of derivative financial instruments | 40 | 707 | 20 | 0 |
| Accrued expenses and deferred income | 6’549 | 1’597 | 3’740 | 706 |
| Other liabilities | 31 | – | 20 | – |
| Reserves for general banking risks | 36’570 | – | 15’053 | – |
| Bank’s capital | 133’074 | – | 103’074 | – |
| Statutory retained earnings reserve | 165 | – | 165 | – |
| Profit carried forward | – | – | – | – |
| Profit/loss (result of the period) | – | – | – | – |
| Total | 692’658 | 971’357 | 564’469 | 665’185 |

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

in thousands of CHF

### 19. ASSETS BY COUNTRY IN ACCORDANCE WITH THE DOMICILE PRINCIPLE

Assets by country are presented on the basis of the client's domicile, before carrying forward risk.

| | 31.12.2022 | | 31.12.2021 | |
|---|---|---|---|---|
| | Absolute | Share as % | Absolute | Share as % |
| **SWITZERLAND** | 742'610 | 44.63% | 655'187 | 53.28% |
| **EUROPE** | | | | |
| Belgium | 20'489 | 1.23% | 16'759 | 1.36% |
| Cyprus | 3'232 | 0.19% | 3'130 | 0.25% |
| Spain | 1 | 0.00% | – | 0.00% |
| France | 411'587 | 24.73% | 166'546 | 13.54% |
| Germany | 406 | 0.02% | 61 | 0.00% |
| Italy | 1'330 | 0.08% | 8'112 | 0.66% |
| Estonia | 7'134 | 0.43% | 5'575 | 0.45% |
| Luxembourg | 37'424 | 2.25% | 44'696 | 3.63% |
| Netherlands | – | 0.00% | – | 0.00% |
| Ireland | 1 | 0.00% | 1 | 0.00% |
| United Kingdom | 153'983 | 9.25% | 75'408 | 6.13% |
| Jersey | 168 | 0.01% | 8'009 | 0.65% |
| **MIDDLE EAST** | | | | |
| United Arab Emirates | 78'245 | 4.70% | 35'859 | 2.92% |
| Lebanon | – | 0.00% | 5'922 | 0.48% |
| Turkey | – | 0.00% | 356 | 0.03% |
| **NORTH AMERICA** | | | | |
| United States | 16'134 | 0.97% | 26'080 | 2.12% |
| Canada | – | 0.00% | 8'487 | 0.69% |
| Bermuda | 30 | 0.00% | – | 0.00% |
| Panama | – | 0.00% | 158 | 0.01% |
| **AFRICA** | | | | |
| Benin | 21'333 | 1.28% | 10'565 | 0.86% |
| Burkina Faso | 6'026 | 0.36% | 25'369 | 2.06% |
| Côte d'Ivoire | 7'943 | 0.48% | 2'918 | 0.24% |
| Egypt | – | 0.00% | 26'089 | 2.12% |
| Mali | – | 0.00% | 659 | 0.05% |
| Morocco | 15'787 | 0.95% | 3'654 | 0.30% |
| Algeria | – | 0.00% | 2'945 | 0.24% |
| Mauritius | 6'887 | 0.41% | – | 0.00% |
| Senegal | 8'301 | 0.50% | 5'237 | 0.43% |

in thousands of CH

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

| | 31.12.2022 | | 31.12.2021 | |
|---|---|---|---|---|
| | Absolute | Share as % | Absolute | Share as % |
| **ASIA** | | | | |
| China | 48'160 | 2.89% | 13'923 | 1.13% |
| Hong Kong | 12 | 0.00% | 8'413 | 0.68% |
| Singapore | 76'792 | 4.61% | 69'536 | 5.65% |
| **TOTAL ASSETS** | **1'664'015** | **100%** | **1'229'654** | **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 any security (pledged cash and insurer/bank guarantees).

| **NET FOREIGN EXPOSURE** | 31.12.2022 | | 31.12.2021 | |
|---|---|---|---|---|
| External rating of countries according to **Moody's** | Absolute | Share as % | Absolute | Share as % |
| Aaa-Aa3 | 805'440 | 91.36% | 575'344 | 90.00% |
| A1-A3 | 30'492 | 3.46% | 16'963 | 2.65% |
| Baa1-Baa3 | 9'748 | 1.11% | 8'112 | 1.27% |
| Ba1-Ba2 | 22'245 | 2.52% | 11'791 | 1.84% |
| Ba3 | 11'781 | 1.34% | 4'078 | 0.64% |
| B1-B3 | – | 0.00% | 19'707 | 3.08% |
| Caa1-C | – | 0.00% | 1'881 | 0.29% |
| Unrated | 1'865 | 0.21% | 1'400 | 0.22% |
| Total | 881'571 | 100% | 639'275 | 100% |

in thousands of CHF

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

| | 31.12.2022 | | | | | |
|---|---|---|---|---|---|---|
| **ASSETS** | **CHF** | **EUR** | **USD** | **GBP** | **Other** | **Total** |
| Cash and cash equivalents | 224'562 | – | – | – | – | 224'562 |
| Amounts due from banks | 143'597 | 63'650 | 286'815 | 4'071 | 1'476 | 499'609 |
| Amounts due from customers | 63 | 87'165 | 837'514 | 8'423 | – | 933'165 |
| Positive replacement values of derivative financial instruments | – | – | 776 | – | 6 | 782 |
| Financial investments | – | 2'466 | – | – | – | 2'466 |
| Accrued income and prepaid expenses | 732 | 46 | 1'183 | 4 | 143 | 2'108 |
| Tangible fixed assets | 1'193 | – | – | – | – | 1'193 |
| Other assets | – | 87 | – | – | 43 | 130 |
| **Total assets shown in balance sheet** | **370'147** | **153'414** | **1'126'288** | **12'498** | **1'668** | **1'664'015** |
| Delivery entitlements from spot exchange, forward forex and forex options transactions | – | – | – | – | – | – |
| **Total assets** | **370'147** | **153'414** | **1'126'288** | **12'498** | **1'668** | **1'664'015** |

| **LIABILITIES** | | | | | | |
|---|---|---|---|---|---|---|
| Amounts due to banks | 190'000 | 63'514 | 599'505 | 7'621 | 1'506 | 862'146 |
| Amounts due in respect of customer deposits | 3'913 | 89'398 | 524'917 | 4'905 | 3 | 623'136 |
| Negative replacement values of derivative financial instruments | – | 746 | – | – | – | 746 |
| Accrued expenses and deferred income | 5'900 | 646 | 1'439 | 5 | 157 | 8'147 |
| Other liabilities | 31 | – | – | – | – | 31 |
| Reserves for general banking risks | 36'570 | – | – | – | – | 36'570 |
| Bank's capital | 133'074 | – | – | – | – | 133'074 |
| Statutory retained earnings reserve | 165 | – | – | – | – | 165 |
| Profit/loss carried forward | – | – | – | – | – | – |
| Profit/loss (result of the period) | – | – | – | – | – | – |
| **Total liabilities shown in the balance sheet** | **369'653** | **154'304** | **1'125'861** | **12'531** | **1'666** | **1'664'015** |
| Delivery obligations from spot exchange, forex forwards and forex options transactions | – | – | – | – | – | – |
| **Total liabilities** | **369'653** | **154'304** | **1'125'861** | **12'531** | **1'666** | **1'664'015** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **NET POSITION PER CURRENCY** | 494 | –890 | 427 | –33 | 2 | – |

in thousands of CHF

## 22. BREAKDOWN AND EXPLANATION OF CONTINGENT ASSETS AND LIABILITIES

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Guarantees to secure credits and similar | – | – |
| Irrevocable commitments arising from documentary letters of credit | 328'612 | 426'193 |
| Other contingent liabilities | 19'626 | 12'164 |
| **Total contingent liabilities** | **348'238** | **438'357** |
| | | |
| Contingent assets arising from tax losses carried forward | – | – |
| **Total contingent assets** | **–** | **–** |

## 23. BREAKDOWN OF CREDIT COMMITMENTS

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Commitments resulting from deferred payments | 9'632 | 2'152 |
| Commitments by acceptance | – | – |
| Other loans by commitment | – | – |
| **Total loans by commitment** | **9'632** | **2'152** |

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

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Foreign currencies | 811 | 551 |
| **Total result from trading activities** | **811** | **551** |

The Bank does not use the fair value option.

## 25. DISCLOSURE OF NEGATIVE INTEREST

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Negative interest on assets | 66 | 551 |
| Negative interest on liabilities | 571 | 1'216 |

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 thousands of CHF

### 26. BREAKDOWN OF PERSONNEL EXPENSES

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Salaries | 13'695 | 11'953 |
| *– of which expenses relating to share-based compensation and alternative forms of variable compensation* | – | – |
| Social insurance benefits | 2'444 | 2'168 |
| Other personnel expenses | 221 | 153 |
| **Total personnel expenses** | **16'360** | **14'274** |

### 27. BREAKDOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Office space expenses | 1'152 | 975 |
| Expenses for information and communications technology | 921 | 599 |
| Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses | 34 | 17 |
| Fees of audit firm (art. 961a ch. 2 of the Swiss Code of Obligations) | 122 | 297 |
| *– of which for financial and regulatory audits* | *122* | *297* |
| *– of which for other services* | – | – |
| Other operating expenses | 2'271 | 1'402 |
| **Total general and administrative expenses** | **4'500** | **3'290** |

### 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

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Non-recurring non-operating gains | 1 | 30 |
| **Total extraordinary income** | **1** | **30** |

| | | |
|---|---|---|
| Non-recurring non-operating expenses | – | – |
| **Total extraordinary expenses** | **–** | **–** |

in thousands of CHF

## 29. PRESENTATION OF CURRENT TAXES

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Expense for the current tax on capital for the year | 532 | 412 |
| Adjustment of the tax expense for the previous year | 1 | – |
| **Total tax expense** | **533** | **412** |

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 2022 income to the reserve for general banking risks.

The average tax rate for 2022 based on the Bank's operating income was 2.41%.

## PROPOSED DISTRIBUTION OF EARNINGS

in thousands of CHF

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Profit/loss | – | – |
| +/- Profit/loss carried forward from the previous financial year | – | – |
| **Profit/loss on the balance sheet** | **–** | **–** |
| | | |
| Allocation to the statutory retained earnings reserve | – | – |
| **Profit/loss carried forward to the new financial year** | **–** | **–** |

PART 7

# REGULATORY DISCLOSURES

PART 7

# 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 "2022 Pillar III Report" published by the BPCE Group for further information.

Table 8 **KEY REGULATORY FIGURES (KM1)**

| | **ELIGIBLE CAPITAL** (in CHF thousand) | **31.12.2022** | **31.12.2021** |
|---|---|---|---|
| **1** | Common Equity Tier 1 capital (CET1) | 165'482 | 116'510 |
| **2** | Tier 1 capital (T1) | 165'482 | 116'510 |
| **3** | Total capital | 165'482 | 116'510 |
| | **RISK-WEIGHTED ASSETS** (RWAs) (in CHF thousand) | | |
| **4** | Risk-Weighted Assets (RWA) | 1'002'245 | 812'563 |
| **4a** | Minimum capital requirements | 80'180 | 65'005 |
| | **RISK-BASED CAPITAL RATIOS** (% of RWAs) | | |
| **5** | CET1 ratio (%) | 16.51% | 14.34% |
| **6** | Tier 1 ratio (%) | 16.51% | 14.34% |
| **7** | Total capital ratio (%) | 16.51% | 14.34% |
| | **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% | 6.34% |

| | **TARGET CAPITAL RATIOS UNDER APPENDIX 8 TO THE CAO** (% of RWAs) | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| 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) | 1'766'824 | 1'333'127 |
| 14 | Basel III leverage ratio (Tier 1 capital as a % of the total commitment) | 9.37% | 8.74% |

| | **LIQUIDITY COVERAGE RATIO** (LCR)[4] | Q4 2022 | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 |
|---|---|---|---|---|---|---|
| 15 | LCR numerator: sum of HQLAs (in CHF thousand) | 214'696 | 224'564 | 174'034 | 123'759 | 127'913 |
| 16 | LCR denominator: net sum of cash outflows (in CHF thousand) | 179'442 | 166'356 | 125'398 | 93'593 | 97'495 |
| 17 | Liquidity coverage ratio (LCR) (%) | 119.65% | 134.99% | 138.79% | 132.23% | 131.20% |

| | **FUNDING RATIO** (NSFR) | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| 18 | Available Stable Funding (in CHF thousand) | 698'603 | 695'005 |
| 19 | Required Stable Funding (in CHF thousand) | 568'778 | 533'478 |
| 20 | NSFR (as a %) | 122.83% | 130.28% |

4 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.

**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.

**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.

**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.

**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.

**French-Swiss Chamber of Commerce and Industry (CCI)**
The French-Swiss CCI is an association governed by the local public utility law that includes French companies listed in Switzerland and Swiss companies that have commercial relations with France. It therefore makes it possible to create links and synergies in this Franco-Swiss business community.

**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.

**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.

**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).

**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 37(h) of the Banking Act relating to self-regulation.

**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.

## THE EMPLOYEES OF BIC-BRED (SUISSE) SA (CONTINUED)


## IMPRESSUM

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