

dreyfus
BANQUIERS
1813

Annual Report 2020

Your wealth, our responsibility.

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Five-year summary

in million CHF	2020	2019	2018	2017	2016
Tier 1 capital	569.3	550.8	542.2	525.6	508.3
Balance sheet total	2 622.5	2 364.7	2 542.7	2 545.6	2 518.4
Net interest income	12.2	23.4	21.3	18.7	19.7
Net income from commission business and services	92.0	89.4	91.4	91.9	90.7
Profit from trading	9.9	8.8	9.9	10.0	10.1
Other ordinary profit	14.7	1.7	-1.3	1.4	0.5
Net revenues	128.8	123.3	121.3	122.0	121.0
Operating expenses	-82.8	-90.8	-77.0	-74.4	-75.4
Changes to provisions and other value adjustments, and losses	-1.9	-0.9	-2.0	-0.7	-1.0
Operating result	44.1	31.6	42.3	46.9	44.6
Profit	30.6	28.9	29.5	27.1	31.0
Number of staff (the number of full-time positions on annual average)	206	207	203	199	203
Tier 1 capital / Balance sheet total (in %)	21.7	23.3	21.3	20.6	20.2
Profit / Core capital (in %)	5.4	5.3	5.4	5.2	6.1
Operating expenses / Net revenues (in %)	64.3	73.6	63.5	61.0	62.3
Profit / staff (in CHF)	148 544	139 614	145 321	136 251	152 718

Board of Directors and Management

As of General Meeting of March 15, 2021

Board of Directors

Andreas Guth, Chairman
Alexis Blum,
Deputy Chairman
Pierre Dreyfus,
Deputy Chairman

Otto E. Bargezi
Corina Eichenberger-Walther
Dr. Christian Katz
Pierre Poncet
Dr. Rudolf Roth-Olum
Bernard Soguel-dit-Picard
François Voss

Dr. Sebastian Burckhardt,
Secretary of the Board of
Directors

Audit and Risk Committee

Dr. Rudolf Roth-Olum,
Chairman
Otto E. Bargezi
Pierre Dreyfus
Andreas Guth

Remuneration and Nomination Committee

Andreas Guth, Chairman
Alexis Blum
Pierre Dreyfus
Corina Eichenberger-Walther

Internal Auditor

Stefan Merz, Internal Auditor

External Auditors

KPMG Ltd

Management

Executive Committee

Stefan Knöpfel,
Chief Executive Officer
Dr. Theodor Lang,
Deputy Chief Executive
Officer

Michael Fringeli
Dr. Beat Lehmann
Richard Mayr
Dr. Daniel Witschi
Nicolas Wyss

Managing Directors

Dieter Minelli

Executive Directors

Andres Angst
Marius Baumann
Thierry Bloch
Jacques Buchs
Markus Dändliker
Stéphane Fiechter
Roger Glaus
Amos Gutermann
Matthias Loetscher
Clarisse Lyssy
Rolf Meister
René Michel
Dominik Schneider
Guido Schneider
Beat Staub
Olivier Wohlhauser

Directors

Beat Angst
Silvio Bächtiger
Yann Barth
François Beck
Stephan Bernet
Philippe Blum
Oliver Born
Fabrice Bourquin
Philippe Burnier
Francescantonio Candio
Marino Cavallo
Didier Chabloz
David Couso
Tobias Crettenand
Van Trung Dam
Hans-Kaspar Denzler
Sven Dreher
Roland Erne
Markus Flückiger
Thomas Frei
Björn Fricker
Hubert Frund
Daniel Gisler
Nicole Gouëlle
Christoph Gudemann
Manuel Guth
Rudolf Gygas
Roland Henz
David Jermann
Urs Kaufmann
Thomas Krüsi
Rebecca Lang

Adrian Lehmann
Manuel Lüthi
Daniel Meier
Dr. Philippe Meyer
Lukas Müller
Lionel Oeuvray
Andrea Piccardo
Rui Ramires
Nico Ramstein
Manuel Roth
Daniel Schärer
Bernard Schultz
Philippe Tardy
Eric Zurbuchen
Philipp Zwicky

Representation Israel

Nir Mendelovitz

Members of the Board of Directors

Andreas Guth (1955), lic. rer. pol., executive Chairman since 19 March 2002. Chairman of the Remuneration and Nomination Committee, member of the Audit and Risk Committee.

Joined the Bank in 1979. 1991–2002 Chief Executive Officer and 1996–2002 Delegate of the Board of Directors.

Education: Studies in Economics at the University of Basel.

Additional activities and mandates: Chairman of the Board of Directors of Dreyfus Söhne & Cie Mandata AG, Basel; member of the Board of Directors of Terrain- und Finanzgesellschaft Basel AG; Committee member of the Association of Swiss Asset and Wealth Management Banks (VAV); member of the SIX Regulatory Board.

Alexis Blum (1953), DEA, executive Deputy Chairman since 19 March 2001. Member of the Remuneration and Nomination Committee.

Joined the Bank in 1983.

Education: Studies in Mathematical Economics and Maîtrise ès lettres from the University of Paris.

Additional activities and mandates: Chairman of the Board of Directors of Terrain- und Finanzgesellschaft Basel AG; member of the Board of Directors of Dege Holding AG, Basel.

Pierre Dreyfus (1949), ingénieur, executive Deputy Chairman since 19 March 2002. Member of the Remuneration and Nomination Committee, member of the Audit and Risk Committee.

Joined the Bank in 1992.

Education: Ecole Spéciale des Travaux Publics, Paris, and MBA INSEAD Fontainebleau.

Otto Bargezi (1941), lic. rer. pol., executive member of the Board of Directors since 25 March 2014. Member of the Audit and Risk Committee.

Joined the Bank in 1964. Member of the Executive Committee from 1991–2002; Chief Executive Officer from 2002–2014 and Delegate of the Board of Directors 1996–2014.

Education: Graduate studies at the Institut Universitaire de Hautes Études Internationales, Geneva.

Additional activities and mandates: Member of the Board of Directors of Dreyfus Söhne & Cie Mandata AG, Basel; member of the Board of Directors of Terrain- und Finanzgesellschaft Basel AG, Basel.

Corina Eichenberger-Walther (1954), lic. iur; Advocate and Mediator.

Joined the Bank as independent member of the Board of Directors on 19 March 2013. Member of the Remuneration and Nomination Committee.

Education: Law degree from the University of Basel, followed by bar exams. Mediation diploma specialising in economics, environment and management.

Additional activities: Counsel at Liatowitsch & Partner law firm, Basel.

FDP member of the Swiss National Council from 2007–2019; member of the Security Policy Committee NC and the Control Committee NC; Member of various boards of directors and foundation boards.

Dr. Christian Katz (1967)

Joined the Bank as independent member of the Board of Directors on 18 March 2019.

Education: Studies in Economics at the University of St. Gallen (HSG).

Additional activities and mandates: Owner of Consulting firm Mainstrait AG; Member of various boards of directors, especially in the financial and fintech sector; 2009–2015 CEO of the Swiss Exchange SIX.

Pierre Poncet (1952), MBA.

Joined the Bank as independent member of the Board of Directors on 13 March 2014.

Education: MBA INSEAD Fontainebleau.

Additional activities and mandates: Limited Partner at Bordier & Cie, Geneva; Member of the Geneva Chamber of Commerce and Chairman from 2013–2017; member of the Board of Directors of PKB Bank, Lugano; member of the Board of Directors of Naef Holding SA, Geneva.

Dr. Rudolf Heinrich Roth-Olum (1954), lawyer, joined the Bank on 13 March 2010 as independent member of the Board of Directors. Chairman of the Audit and Risk Committee.

Education: Law degree from the Universities of Basel and Geneva followed by bar exams; Bachelor in Business Management.

Additional activities: Owner of RothBoard-Advisory RBA GmbH; counsel at Kendris Ltd.

Bernard Soguel-dit-Picard (1944), executive member of the Board of Directors since 13 March 2017. Joined the Bank in 1961.

Between 1967 and 1971 worked in a US brokerage firm.

Education: US stock broker licence of the New York Stock Exchange.

François Voss (1930), Docteur en droit, joined the Bank as member of the Board of Directors on 19 March 2002.

Education: Diploma from the Institut d'études politiques de Paris; Diploma from the Institut des hautes études internationales.

Additional activities and mandates: Special advisor to the Lazard Group; Chairman of the Board of Directors of Objectif Patrimoine Croissance, Paris.

Dr. Sebastian Burckhardt (1954), M.C.J., joined the Bank as Secretary of the Board of Directors on 15 March 2005 (non-member).

Additional activities: Lawyer and notary; partner at Vischer AG, Zurich/ Basel.

Members of the Executive Committee

Stefan Knöpfel (1960), Chief Executive Officer since 1 April 2014. Chief Risk Officer.

Joined the Bank as Head of Trading in 2002; member of the Executive Committee since 2004; 2006–2014 Deputy Chief Executive Officer. Previously member of the Executive Committee of BNP Paribas Private Bank (Suisse) SA, Geneva.

Education: Executive BBA from the Graduate School of Business Administration, Zurich.

Additional activities and mandates: Member of the Board of the Association of Basel Banks.

Dr. Theodor Lang (1973), Deputy Chief Executive Officer since 13 March 2017. Chief Compliance Officer.

Joined the Bank in 2012 as Head of Legal & Risk; member of the Executive Committee since 2014. Previously partner, branch manager and Head of Legal & Compliance at Schweizerische Treuhandgesellschaft AG, Basel.

Education: Law degree from the Universities of Basel and Lausanne followed by bar exams.

Michael Fringeli (1968), member of the Executive Committee since 1 January 2021. Head of Investment Advisory & Client support.

Joined the Bank in 1986 and was Deputy Head of Clients & Investments 2018–2020.

Education: Certified International Investment Analyst CIIA, Certified International Wealth Manager CIWM.

Dr. Beat Lehmann (1960), member of the Executive Committee since 19 March 2002. Head of IT.

Joined the Bank in 1998 as Head of Internal Audit. Previously Head of Finance at Aquametro AG, Therwil.

Education: Studies in Economics at the University of Basel.

Richard Mayr (1964), lic. rer. pol., member of the Executive Committee since 1 January 2010. Head of Services & Administration.

Joined the Bank in 1989. Head of Clients and Investments 1999–2014.

Education: Studies in Economics at the University of Basel.

Dr. Daniel Witschi (1962), member of the Executive Committee since 19 March 2013. Head of Clients & Investments.

Joined the Bank in 2001 and held posts of Chief Economist and CIO.

Previously Head of Global Economic & Financial Market Research at UBS Brinson in Basel, Zurich and Chicago.

Education: Studies in Economics at the University of Basel, CFA Chartered Financial Analyst.

Nicolas Wyss (1973), Business Economist FH, member of the Executive Committee since 1 July 2020. Head of Trading, external asset managers and offices.

Joined the Bank in 2018. Previously in a lead position at UBS (Switzerland) AG.

Education: University of Applied Sciences and Arts Basel, Executive Programme INSEAD Fontainebleau.

Management report

The year 2020 will go down in history books worldwide as the year of the Covid-19 pandemic. It was marked by an unprecedented level of government and parliamentary interventions, but also often by local and regional particularities. The major geopolitical challenges – climate change, global power struggles, disputes about political systems, and digitalisation – emerged without any clear winners. Conversely, there seem to be many losers.

Our company, now in its 207th year, was able to benefit from the fact that banks were slightly less affected by major lockdown restrictions during this turbulent year. At the same time, however, we have not issued any loans as part of the Covid measures implemented by the federal government. Following the sudden slump in the first quarter, the financial markets crucial to our business recovered surprisingly quickly, thanks to the strong intervention by central banks. Over the last few quarters, it has become apparent that some sectors of the global economy, such as life sciences and technology companies, were benefiting from the new conditions. These companies' share prices rose, sometimes sharply, on all major markets, which we believe has further increased the risks.

Our company saw a 5.85% increase in profits for 2020, much to our pleasure and pride. A few factors contributed to this. We did make a CHF 16.6 mil-

lion profit from the sale of part of the long-term financial investment in Euroclear shares, which figured in our books at a very low acquisition price. A substantial part of this investment has been retained. Both commission and trading income benefited from volatile stock and currency markets in the year under review. On the other hand net interest income fell by CHF 11 million due to continued negative interest rates and the non-recurring special dividend payment by SIX in 2019.

All this resulted in a 4.5% increase in net revenues, at CHF 128.8 million, representing a shift from the very stable figures of previous years.

We subsequently made a contribution to the employer-sponsored welfare fund, which together with the bank had contributed to the pension fund the previous year to finance an adjustment of the technical interest rate. In addition, we increased the reserves for general banking risks to the current level of CHF 23.3 million (see also Table 16 on page 30).

Receivables from both banks and securities financing business (repos) increased at the end of 2020, due to a CHF 187 million rise in liquidity held by our clients. The balance sheet total increased to CHF 2,622.5 million, which is however still lower than at the end of 2015.

Core capital (Tier 1) rose to CHF 569.3 million, or 21.7% of total assets, at the end of 2020, which is impressive in the banking sector. The regulatory common equity ratio is as high as 33.9%. The leverage ratio of 21% and liquidity coverage ratio of 447% in the fourth quarter also show that our bank is among the best capitalised and most liquid banks in Switzerland.

On a full-time equivalent basis, the average number of employees was 206 this year (previous year: 207). All showed a real commitment and increasing specialist knowledge, for which we are extremely grateful. It should be noted here that gender pay gap analysis was successfully completed and reviewed by PwC, as required by law.

Given the focused and stable business model and low employee turnover rate, the Board of Directors believes business risks to be limited. Counterparties are regularly monitored, and generally highly rated; market risks are diversified as far as possible and interest-rate risks are limited by managing duration. The Board of Directors has assessed the main risks. However, the increasingly stringent regulatory environment brings with it considerable cost and significant operational risks.

Our annual contribution to the Isaac Dreyfus-Bernheim Foundation, set up for the bank's 200th an-

niversary, was CHF 1.4 million (previous year: CHF 1.0 million).

The past year was a particular challenge for all employees, in particular senior management and the Board of Directors, and one which will continue to have a profound effect on our operations this year. Our bank has also been able to successfully navigate the organisational challenges posed by the pandemic, thanks to the enormous dedication and loyalty of every-one involved, and we have initiated and implemented key future-oriented measures. To this end, the Board of Directors appointed Nicolas Wyss and Michael Fringeli as members of the Executive Committee from July 1, 2020 and January 1, 2021, respectively. We strongly believe that we are therefore best prepared to face both the challenges and opportunities of the coming years. We would like to express our sincere thanks and appreciation to all concerned.

Balance sheet

Assets

in CHF	31.12.2020		31.12.2019	
Liquid assets	670 733 753		761 260 882	
Amounts due from banks	199 683 373		94 224 855	
<i>Value adjustments</i>	-2 200 000	197 483 373	-2 100 000	92 124 855
Amounts due from securities financing transactions	346 593 500		122 315 000	
Amounts due from customers	434 263 993		429 291 228	
<i>Value adjustments</i>	-1 700 000	432 563 993	-1 600 000	427 691 228
Mortgage loans	77 571 300		38 907 900	
Trading portfolio assets	62 002 023		58 178 947	
Positive replacement values of derivative financial instruments	4 318 820		6 485 062	
Financial investments	823 992 327		843 103 979	
<i>Value adjustments</i>	-1 300 000	822 692 327	-1 400 000	841 703 979
Accrued income and prepaid expenses	4 297 407		11 069 674	
Participations	550 000		550 000	
Tangible fixed assets	2 002 000		2 002 000	
Other assets	1 737 641		2 370 206	
Total assets	2 622 546 137		2 364 659 733	
Total subordinated claims	0		0	

Liabilities

in CHF	31.12.2020	31.12.2019
Amounts due to banks	119 335 820	66 953 960
Liabilities from securities financing transactions	0	0
Amounts due in respect of customer deposits	1 876 964 250	1 689 654 215
Trading portfolio liabilities	0	0
Negative replacement values of derivative financial instruments	4 162 899	6 317 848
Accrued expenses and deferred income	1 797 208	2 093 524
Other liabilities	2 661 697	3 086 700
Provisions	28 700 000	26 900 000
Reserves for general banking risks	23 300 000	16 300 000
Bank's capital	30 000 000	30 000 000
Statutory retained earnings reserve	71 090 000	69 400 000
Voluntary retained earnings reserves	432 000 000	423 000 000
Profit carried forward	1 921 381	2 032 434
Profit	30 612 882	28 921 052
Total liabilities	2 622 546 137	2 364 659 733
Total subordinated liabilities	0	0

Off-balance-sheet transactions

in CHF	31.12.2020	31.12.2019
Contingent liabilities	59 010 421	58 820 830
Irrevocable commitments	78 615 213	91 380 300
Obligations to pay up shares and make further contributions	0	0
Credit commitments	0	0

Income statement

in CHF	2020	2019
Result from interest operations		
Interest and discount income	3 838 689	7 925 322
Interest and dividend income from financial investments	7 900 485	15 683 686
Interest expense	596 620	-418 335
Gross result from interest operations	12 335 794	23 190 673
Changes in value adjustments for default risks and losses from interest operations	-100 000	200 000
Subtotal net result from interest operations	12 235 794	23 390 673
Result from commission business and services		
Commission income from securities trading and investment activities	91 987 960	89 228 302
Commission Income from other services	1 348 300	1 371 485
Commission expense	-1 326 844	-1 155 715
Subtotal result from commission business and services	92 009 416	89 444 072
Result from trading activities and the fair value option	9 889 566	8 803 206
Other result from ordinary activities		
Result from the disposal of financial investments	16 597 362	1 180 973
Income from participations	200 000	0
Other ordinary income	1 158 582	1 148 266
Other ordinary expenses	-3 279 654	-676 791
Subtotal other result from ordinary activities	14 676 290	1 652 448
Operating expenses		
Personnel expenses	-69 211 063	-78 420 400
General and administrative expenses	-13 655 025	-12 370 500
Subtotal operating expenses	-82 866 088	-90 790 900
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	0	0
Changes to provisions and other value adjustments, and losses	-1 876 694	-900 000
Operating result	44 068 284	31 599 499

Appropriation of profit

Profit

in CHF	2020	2019
Operational result	44 068 284	31 599 499
Extraordinary income	0	71 310
Extraordinary expenses	0	0
Changes in reserves for general banking risks	-7 000 000	2 000 000
Taxes	-6 455 402	-4 749 757
Profit	30 612 882	28 921 052

Appropriation of profit

in CHF	2020	2019
Profit	30 612 882	28 921 052
Profit carried forward	1 921 381	2 032 434
Profit carried to the balance sheet	32 534 263	30 953 486
The board of directors proposes to the General Meeting the appropriation of the profit as follows:		
Allocation to statutory retained earnings reserve	-1 770 000	-1 690 000
Allocation to voluntary retained earnings reserves	-10 000 000	-9 000 000
Distributions relating to share capital	-16 200 000	-15 600 000
Other appropriations of profit	-2 911 300	-2 742 105
Profit carried forward	1 652 963	1 921 381

Statement of changes in equity

	Bank's capital	Retained earnings reserve	Reserves for general banking risks	Voluntary retained earnings reserves and profit carried forward	Profit	Total
in 1000 CHF						
Equity at beginning of reporting year (before appropriation of profit)	30 000	69 400	16 300	425 033	28 921	569 654
Dividends and other appropriations of profit					-18 342	-18 342
Allocations to the reserves for general banking risks			7 000			7 000
Allocations to reserves		1 690		8 889	-10 579	0
Profit					30 613	30 613
Equity at the end of reporting year (before appropriation of profit)	30 000	71 090	23 300	433 922	30 613	588 925

Eligible capital and exposure measure

in 1000 CHF	Reporting year	Prior year
Eligible capital	569 263	550 761
Exposure measure	2 685 651	2 434 175
Leverage ratio (Basel III) LERA (in %)	21	23

Liquidity coverage ratio (LCR)

in 1000 CHF	Average of end of month value 1st quarter	Average of end of month value 2nd quarter	Average of end of month value 3rd quarter	Average of end of month value 4th quarter	Average of end of month value 4th quarter Prior year
Stock of high quality liquid assets (HQLA)	870 941	953 484	952 728	862 971	973 295
Total net cash outflows	231 400	211 367	199 817	193 229	263 975
Liquidity coverage ratio LCR (in %)	376	451	477	447	369

Disclosure of own resources

(partial disclosure)

in 1000 CHF	Reporting year	Prior year	
Common Equity Tier 1 capital (CET1)	569 263	550 761	
Additional Tier 1 capital (AT1)	0	0	
Tier 1 capital (T1)	569 263	550 761	
Tier 2 capital (T2)	0	0	
Eligible common equity	569 263	550 761	
Sum of the risk-weighted positions	1 680 200	1 535 963	
	Approach applied		
Credit risk	International approach (SA-BIS)	103 794	93 088
thereof price risk concerning stocks in the banking book		3 090	1 847
Non-counterparty risks		160	160
Market risk	De-minimis-approach	12 530	11 382
thereof on			
interest instruments		0	0
stocks		0	0
foreign currencies and precious metals		12 530	11 382
commodities		0	0
Operational risk	Basic indicator approach	17 932	18 247
Required common equity		134 416	122 877
Eligible / required capital (in %)		424	448

in 1000 CHF	Reporting year	Prior year
Regulatory common equity ratios		
CET1-ratio	33.88%	35.86%
T1-ratio	33.88%	35.86%
Ratio in respect to the regulatory common equity	33.88%	35.86%
CET1-Buffer requirements (as per the Basel minimum standards)		
Capital buffer	2.50%	2.50%
Anti-cyclical buffer	0.00%	0.00%
Overall buffer requirements	2.50%	2.50%
CET1 available to meet the buffer requirements	25.88%	27.86%
Common equity target ratio for CET1	7.40%	7.45%
Target (category 4-bank)	7.40%	7.40%
Anti-cyclical common equity buffer	0.00%	0.05%
Common equity target ratio for T1	9.00%	9.05%
Target (category 4-bank)	9.00%	9.00%
Anti-cyclical common equity buffer	0.00%	0.05%
Target for regulatory common equity	11.20%	11.25%
Capital buffer	3.20%	3.20%
Anti-cyclical common equity buffer	0.00%	0.05%
Minimum capital	8.00%	8.00%
Target (category 4-bank)	11.20%	11.20%
Available regulatory common equity	33.88%	35.86%

Other disclosure

(partial disclosure)

Overview of risk-weighted exposures

in 1000 CHF	risk-weighted exposures Reporting year	risk-weighted exposures Prior year	minimum capital Reporting year
Credit risk*	1 299 425	1 165 600	103 954
Market risk	156 625	142 275	12 530
Operational risk	224 150	228 088	17 932
Total	1 680 200	1 535 963	134 416

* incl. non-counterparty risks

Credit risk: credit quality of assets

in 1000 CHF	Gross carrying values of		Value adjustments and depreciation	Net values
	defaulted exposures	non-defaulted exposures		
Loans (excluding debt securities)	0	1 161 964	5 200	1 156 764
Debt securities	0	684 048	0	684 048
Off-balance-sheet transactions	0	137 625	0	137 625
Total	0	1 983 637	5 200	1 978 437

Credit risk: overview of mitigation techniques

in 1000 CHF	unsecured exposures carrying amount	secured exposures actual collateralized amount	exposures secured with financial guarantees or credit derivatives
Receivables (including debt securities)	1 015 403	830 609	0
Off-balance-sheet transactions	3 356	134 269	0
Total	1 018 759	964 878	0
thereof defaulted	0	0	0

Notes to the financial statements

1. Business name, legal form and domicile

Dreyfus Sons & Co. Ltd, Banquiers, was founded in Basel by Isaac Dreyfus-Bernheim in the year 1813. Since then the Bank has been located in Basel and has no branches elsewhere. We have inaugurated five representative offices in the recent past: the first one in Lausanne in 2011, then in Delémont in 2012 and subsequently in Zurich, Lugano and Tel Aviv in 2013. Although the Bank became a company limited by shares in the year 1942, its principal business activities are carried on in the traditional private banking style, that is, the individual and comprehensive management of assets entrusted to it. This includes the administration of family organizations, corporations, foundations and trusts. The Bank's equity is a multiple of the legal requirement and is mainly invested in the money and capital markets.

In order to enable the Bank to advise its clients by closely following financial markets it also trades – within appropriate limits – in securities, foreign

exchange and precious metals as principal and as agent. As a rule, advances are granted only within the scope of assets under administration, i.e. to customers holding qualitatively and quantitatively adequate securities as coverage. The Bank engages only exceptionally in mortgage lending and similar business.

The organizational structure of Dreyfus Sons & Co. Ltd, Banquiers, is comparable to the one of a typical private bank. We have an Audit and Risk Committee under the chairmanship of Dr. Rudolf Roth-Olum, who is an independent member of the Board of Directors. Further members are Pierre Dreyfus, Otto E. Bargezi and Andreas Guth. The latter grants the continuity and two members fulfil the independence requirements.

The Bank has outsourced some of its interbank services.

2. Accounting and valuation policies

The principles of accounting, presentation and valuation are governed by the provisions of the Swiss Code of Obligations Governing Corporations, the Federal Law on Banks and Savings Banks, its Ordinances and the guidelines of the Swiss Financial Market Supervisory Authority FINMA. The existing statutory single-entity financial statements present the bank's economic position in such a way that a third party can make a reliable assessment. The most significant principles of valuation are the following:

- Transactions are shown in the balance sheet at their date of completion.
- Assets and liabilities denominated in foreign currencies are converted into Swiss Francs at rates of exchange prevailing at the balance sheet date. Exchange gains and losses arising from the conversion of currencies are booked as Result from trading activities.

- Liquid assets, Amounts due to and due from banks and customers as well as Mortgage loans are presented at nominal value. At the moment there is no need for individual provisions. General value adjustments are being made for the latent risks in the dues from customers and banks. The reckoning thereof is based on the calculated default risk according to a recognised rating agency.
- Repurchase and reverse-repurchase agreement transactions are being booked as Amounts due, respectively liabilities from securities financing transactions.
- Securities and precious metals held in Trading portfolio assets are valued at fair value at the balance sheet date and the resultant profits and losses are included in the heading Result from trading activities including interest and dividends.
- Securities shown as Financial investments are held as long term investments. Debt instruments are shown in the balance sheet at nominal value and are valued according to the accrual method of valuation: premiums, respectively discounts on purchases, on sales prior to maturity or redemptions before maturity are entered in the books as Accrued income and prepaid expenses and apportioned to accounting periods as Interest and dividend income from financial investments. Equity securities are valued at the lower of cost or market. The cost is determined by weighted averages of the purchase prices. Money market papers are shown at market value prevailing at the balance sheet date.
- Majority owned participations are presented at acquisition cost net of any operational write-downs as per individual valuation.
- As a rule, Tangible fixed assets are written off in the year of acquisition. Most of the bank buildings were purchased generations ago and therefore the value shown in the balance sheet is significantly below the fire insurance value. Maintenance and renovation costs are debited to the profit and loss account when incurred. The fixed assets are being regularly reviewed and their valuations are adjusted when needed.
- Taxes owed on income and capital as part of current earnings are booked under Accrued expenses and deferred income.
- Forward positions are valued at prices based on residual time to expiration. Derivative financial instruments held for trading purposes are valued at market prices. Transactions entered into for hedging purposes are valued by the same method as applied to the underlying instruments. Replacement values of derivative financial instruments include positions of both the Bank and of its customers.
- The accounting and valuation principles remain unchanged.

3. Risk management

The identification, management, limitation and control of risks are extensively regulated by the Board of Directors, whereas the implementation of the bank's risk policy and risk control is the responsibility of the Executive Committee. All quantifiable risks are backed by an adequate underlying capital. Measures related to risks with respect to organization, personnel and infrastructure are implemented. A comprehensive management information system (MIS) informs the Board of Directors and the Executive Committee on a daily and monthly basis.

The Bank's liquidity management is based on the regulatory provisions of the supervisory authority. Short-, medium- and long-term liquidity management is integrated into the bank-wide risk management process. The Board of Directors establishes the risk tolerance for liquidity risk and ensures that the Executive Committee implements the specifications on liquidity risk tolerance with suitable control processes. Liquidity holdings are monitored on a daily basis and reported to various departments. Risk tolerance is defined in the form of a liquidity coverage ratio (LCR) and specific early-warning indicators are monitored as accompanying measures. Regular stress tests are carried out that take account of short-term and long-term liquidity shortfalls. An emergency plan is in place and updated on a regular basis to deal with acute liquidity bottlenecks, should they arise. Counterparties are defined by an internal rating system with corresponding limits.

As the Bank only grants loans through its asset management activities, interest rate risk is insignificant. The interest rates on loans are either fixed or regularly adjusted according to Libor. Loans are

funded through client deposits on which interest paid – if any – can be reviewed at any time. Debt securities in financial investments are solely acquired to be held to final maturity. The specified collateral values and limits apply to all loan transactions. Further information on interest rate risk can be found on our website under “Publications – Interest rate risk management”.

For all risks known at balance sheet date, provisions and individual value adjustments are made. Contingent risks are covered by overall adjustments and provisions. The reckoning thereof is made according to internal rules following various methods and objectives. In the position Provisions the market risks are calculated according to the value at risk and operational risks according to the Basic indicator approach of Basel III.

The Bank is guided in its approach to operational risks by the principles outlined in the relevant regulatory provisions. It ensures that responsibilities are clearly defined, that risks are regularly identified, limited and monitored, and that an appropriate IT infrastructure is in place to safeguard the confidentiality of client data. Management of operational risks is the responsibility of managers at all levels of the hierarchy. Periodic procedural audits by internal and external auditors additionally support the proper conduct of business.

The identification, management and limitation of market risks in the trading portfolio are made on a daily basis. In general, only tradable instruments with a high degree of liquidity are used and attention is paid to a balanced diversification. Derivative financial instruments are used for transactions entered into for hedging purpose.

4. Information on the balance sheet

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Breakdown of securities financing transactions (assets and liabilities)

in 1000 CHF	Reporting year	Prior year
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	346 594	122 315
Book value of obligations from cash collateral received in connection with securities lending and repurchase business	0	0
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	0	0
thereof with unrestricted right to resell or pledge	0	0
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with unrestricted right to resell or repledge	348 154	122 520
thereof repledged or resold securities	0	0

Collateral for loans and off-balance-sheet transactions, as well as impaired loans

in 1000 CHF	secured by mortgage	other collateral	unsecured	Total
Loans				
Amounts due from customers		406 444	27 820	434 264
Mortgage loans (residential property)	77 571			77 571
Total loans (before netting with value adjustments)				
Reporting year	77 571	406 444	27 820	511 835
Prior year	38 908	418 629	10 662	468 199
Total loans (after netting with value adjustments)				
Reporting year	77 571	404 744	27 820	510 135
Prior year	38 908	417 029	10 662	466 599
Off-balance-sheet				
Contingent liabilities		59 010		59 010
Irrevocable commitments		75 259	3 356	78 615
Obligations to pay up shares and make further contributions				0
Total off-balance-sheet				
Reporting year		134 269	3 356	137 625
Prior year		146 809	3 392	150 201

There are no impaired loans.

Trading portfolio (assets and liabilities)

in 1000 CHF	Reporting year	Prior year
Assets		
Debt securities	0	0
thereof listed	0	0
Equity securities	0	10
Precious metals	62 002	58 169
Total assets	62 002	58 179
thereof securities eligible for repo transactions	0	0
Liabilities		
Debt securities	0	0
thereof listed	0	0
Equity securities	0	0
Precious metals	0	0
Total liabilities	0	0

Derivative financial instruments (assets and liabilities)

in 1000 CHF	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments						
Forward contracts incl. FRAs						
Swaps						
Futures						
Options (OTC)						
Options (exchange-traded)						
Foreign exchange / precious metals						
Forward contracts	4 318	4 162	767 374			
Futures			55 255			
Options (OTC)	1	1	1 129			
Options (exchange-traded)						
Equity securities / indices						
Forward contracts						
Futures						
Options (OTC)						
Options (exchange-traded)						
Other						
Forward contracts						
Futures						
Options (OTC)						
Options (exchange-traded)						
Total						
Reporting year	4 319	4 163	823 758			
Prior year	6 485	6 318	871 441			

The replacement values are without consideration of the netting contracts.

Breakdown by counterparty

Positive replacement values

in 1000 CHF	Central clearing houses	Banks and securities firms	Other customers	Total
Reporting year	0	3 589	730	4 319
Prior year	0	6 119	366	6 485

Financial investments

in 1000 CHF	Book value Reporting year	Book value Prior year	Fair value Reporting year	Fair value Prior year
Debt securities	684 048	691 614	707 015	715 683
thereof intended to be held to maturity	684 048	691 614	707 015	715 683
thereof not intended to be held to maturity	0	0	0	0
Equity securities	33 686	22 977	41 651	30 644
Precious metals	2 406	2 406	3 298	2 914
Money market papers	103 852	124 707	103 852	124 707
Real estate	0	0	0	0
Total	823 992	841 704	855 816	873 948
thereof securities eligible for repo transactions	344 685	382 740		

Breakdown of counterparties by rating (FINMA concordance table)

in 1000 CHF	1 & 2	3	4	5 & 6	unrated	Total
Book values of debt securities						
Reporting year	376 090	127 288	85 329	10 000	85 341	684 048
Prior year	399 740	103 900	87 344	10 000	90 630	691 614

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Participations

in 1000 CHF	Acquisition cost	Accumulated value adjustments	Book value at the end of prior year	Reporting year			Book value at the end of reporting year
				Additions	Disposals	Value adjustments	
Other participations							
with market value	0		0				0
without market value	550		550				550
Total participations	550		550				550

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Companies in which the bank holds a permanent direct or indirect significant participation

Company name and domicile	Business activity	Company capital (in 1000 CHF)	Share of capital (in %)	Share of votes (in %)	Held directly (in %)
Terrain- & Finanzgesellschaft Basel AG Basel	Financial institution	300	100	100	100
Dreyfus Söhne & Cie Mandata AG Basel	Financial institution	250	100	100	100

The participations are not significant for the assets and profit of the Bank, and therefore have not been consolidated.

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Tangible fixed assets

in 1000 CHF	Acquisition cost	Accumulated depreciations	Book value at the end of prior year	Reporting year			Book value at the end of reporting year
				Additions	Disposals	Depreciations	
Bank buildings			2 000				2 000
Other real estate			2				2
Other tangible fixed assets			0				0
Total tangible fixed assets			2 002				2 002

Most of the bank buildings were purchased generations ago.

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Intangible assets

Nil

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Other assets and other liabilities

in 1000 CHF	Other assets Reporting year	Other assets Prior year	Other liabilities Reporting year	Other liabilities Prior year
Compensation account	0	0	0	1
Other assets and liabilities	1 738	2 370	2 662	3 086
Total other assets and other liabilities	1 738	2 370	2 662	3 087

Assets pledged or assigned to secure own commitments
and of assets under reservation of ownership

in 1000 CHF	Book values Reporting year	Book values Prior year	Effective commitments Reporting year	Effective commitments Prior year
Pledged / assigned assets				
Amounts due from banks	4 733	2 977	0	129
Financial investments	275 881	274 519	13 228	7 837
Total	280 614	277 496	13 228	7 966

Liabilities relating to own pension schemes

A legally separate pension fund as well as an employer-financed foundation has been established for the employees. The employer contributions are charged to personnel expenses. On the balance sheet date, the commitments to the pension funds totalled CHF 18.8 million (prior year CHF 16.0 million). There are no further obligations or claims regarding the transfer of economic benefits.

The financial statements of the pension fund are recorded in accordance with Swiss GAAP FER 26 and show a coverage ratio of 107.2% (prior year 101.9%). As per the not yet audited statement 2020 the pension fund shows a coverage ratio of 107.6%. The employer-financed foundation has no statutory commitments.

Economic situation of own pension schemes

Employer contribution reserves

in 1000 CHF	Nominal value Reporting year *	Nominal value Prior year
Employer-financed foundation	353	353
Pension fund	0	0
Total	353	353

* basis of the financial statement 2019 employer-financed foundation and pension fund

The Bank renounces to use the employer contribution reserves.
This has neither consequences on the balance sheet nor on the profit and loss account.

Economic benefit / obligation and the pension expenses

in 1000 CHF	Surplus / Deficit Reporting year *	Economic part of the Bank		Contributions Reporting year	Welfare expenses on personnel expenses	
		Reporting year	Prior year		Reporting year	Prior year
Employer-financed foundation	15 854	0	0	0	6 000	0
Pension fund with coverage ratio	10	0	0	0	4 733	19 217
Total	15 864	0	0	0	10 733	19 217

* basis of the financial statement 2019 employer-financed foundation and pension fund

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Issued structured products

Nil

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Bonds outstanding and mandatory convertible bonds

Nil

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Value adjustments, provisions and reserves for general banking risks

in 1000 CHF	Previous year end	Use in conformity with designated purpose	Reclassifications (transfers)	Recoveries, past due interests, currency differences	New creations charged to income	Released to income	Balance at current year end
Provisions for other business risks	16 900				300		17 200
Other provisions	10 000				1 500		11 500
Total provisions	26 900	0	0	0	1 800	0	28 700
Reserves for general banking risks (taxed)	16 300				7 000		23 300
Value adjustments for default and country risks	5 100				100		5 200

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Bank's capital

	Total nominal value in 1000 CHF Reporting year	Number of shares Reporting year	Capital eligible for dividend in 1000 CHF Reporting year	Total nominal value in 1000 CHF Prior year	Number of shares Prior year	Capital eligible for dividend in 1000 CHF Prior year
Total share capital	30 000	30 000	30 000	30 000	30 000	30 000

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Participations and options on equity securities held by all executives and directors and by employees

Nil

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Amounts due from or to related parties

in 1000 CHF	Amounts due from Reporting year	Amounts due from Prior year	Amounts due to Reporting year	Amounts due to Prior year
Holders of qualified participations	155	7	128 950	146 094
Group companies	0	0	514	510
Members of governing bodies	2 733	701	14 199	13 288

There are no significant off-balance-sheet transactions.

Customary bank transactions are effected to personnel conditions.

Significant shareholders

The shares are in family ownership (descendants of the company's founder).

The following shareholders dispose of participations with more than 5% of the votes.

	Nominal value in 1000 CHF Reporting year	Percentage of equity Reporting year	Nominal value in 1000 CHF Prior year	Percentage of equity Prior year
Dege Holding Ltd, Basel	21 428	71.4	21 428	71.4
Catherine Dreyfus Soguel, Basel	4 286	14.3	4 286	14.3
Pierre Dreyfus, Basel	4 286	14.3	4 286	14.3
Total	30 000	100.0	30 000	100.0

Through the Dege Holding Ltd, Basel, the following members of the Dreyfus family as a group have a stake in the Bank: Dr. Katia Guth-Dreyfus, Basel; Andreas Guth, Basel; Nadia Guth Biasini, Basel; Tania Blum-Dreyfus, Gstaad; Alexis Blum, Basel; Dr. Cyrille Blum, Denges; Nathalie Moshnyager-Blum, Unterägeri.

Own shares

Nil

Compensations

Nil

Maturity structure of financial instruments

in 1000 CHF	at sight	at call	due within 3 months	due 3 to 12 months	due 12 months to 5 years	due after 5 years	Total
Assets / financial instruments							
Liquid assets	670 734						670 734
Amounts due from banks	85 808	31 675	30 000	50 000			197 483
Amounts due from securities financing transactions			346 594				346 594
Amounts due from customers		201 304	112 411	54 435	47 365	17 049	432 564
Mortgage loans		15 689	750	19 150	6 435	35 547	77 571
Trading portfolio assets	62 002						62 002
Positive replacement values of derivatives							
financial instruments	4 318		1				4 319
Financial investments	35 092		88 253	77 252	325 675	296 420	822 692
Total							
Reporting year	857 954	248 668	578 009	200 837	379 475	349 016	2 613 959
Prior year	916 269	193 120	376 198	153 361	364 640	345 080	2 348 668
Debt capital / financial instruments							
Amounts due to banks	116 776	2 560					119 336
Liabilities from securities financing transactions							0
Amounts due in respect of customer deposits	1 700 538	171 954		4 472			1 876 964
Negative replacement values of derivative financial instruments	4 162		1				4 163
Total							
Reporting year	1 821 476	174 514	1	4 472			2 000 463
Prior year	1 566 785	193 257	2 447	437			1 762 926

Assets and liabilities by domestic and foreign origin (domicile principle)

Assets

in 1000 CHF	Reporting year		Prior year	
	Domestic	Foreign	Domestic	Foreign
Liquid assets	670 734		747 101	14 160
Amounts due from banks	104 891	92 592	10 065	82 060
Amounts due from securities financing transactions	268 535	78 059	122 315	
Amounts due from customers	301 309	131 255	307 425	120 266
Mortgage loans	77 571		38 908	
Trading portfolio assets	61 992	10	58 160	19
Positive replacement values of derivative financial instruments	3 552	767	5 456	1 029
Financial investments	401 779	420 914	393 491	448 213
Accrued income and prepaid expenses	3 571	726	10 229	841
Participations	550		550	
Tangible fixed assets	2 002		2 002	
Other assets	1 738		2 370	
Total assets	1 898 224	724 323	1 698 072	666 588

Liabilities

in 1000 CHF	Reporting year		Prior year	
	Domestic	Foreign	Domestic	Foreign
Amounts due to banks	19 034	100 302	5 328	61 626
Liabilities from securities financing transactions				
Amounts due in respect of customer deposits	1 010 349	866 615	1 003 447	686 207
Negative replacement values of derivative financial instruments	1 835	2 328	3 416	2 902
Accrued expenses and deferred income	1 792	5	2 094	
Other liabilities	2 662		3 087	
Provisions	28 700		26 900	
Reserves for general banking risks	23 300		16 300	
Bank's capital	30 000		30 000	
Statutory retained earnings reserve	71 090		69 400	
Voluntary retained earnings reserves	432 000		423 000	
Profit carried forward	1 921		2 032	
Profit	30 613		28 921	
Total liabilities	1 653 296	969 250	1 613 925	750 735

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Assets by country or group of countries (domicile principle)

in 1000 CHF	Reporting year		Prior year	
	Absolute	Share as %	Absolute	Share as %
Switzerland	1 898 224	72.4	1 698 072	71.8
Members of B.I.S.	512 573	19.5	565 995	23.9
Other foreign countries	211 749	8.1	100 593	4.3
Total assets	2 622 546	100.0	2 364 660	100.0

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Assets by credit rating of country groups (risk domicile view)

Net foreign exposure

FINMA concordance table	Reporting year		Prior year	
	in 1000 CHF	Share as %	in 1000 CHF	Share as %
1 & 2	574 793	79.2	607 509	90.7
3	14 966	2.1	13 824	2.0
4	46 306	6.4	37 387	5.6
5 & 6	578	0.1	554	0.1
unrated	88 979	12.2	10 813	1.6
Total	725 622	100.0	670 087	100.0

Assets and liabilities by currencies

Assets

in 1000 CHF	CHF	USD	EUR	Other currencies	Total
Liquid assets	663 157	2 890	3 804	883	670 734
Amounts due from banks	103 424	22 336	21 565	50 158	197 483
Amounts due from securities financing transactions		225 588	104 983	16 023	346 594
Amounts due from customers	208 680	53 642	159 922	10 320	432 564
Mortgage loans	77 571				77 571
Trading portfolio assets				62 002	62 002
Positive replacement values of derivative financial instruments	2 938	16	1 204	161	4 319
Financial investments	576 330	124 753	105 818	15 791	822 692
Accrued income and prepaid expenses	3 956	213	128		4 297
Participations	550				550
Tangible fixed assets	2 002				2 002
Other assets	1 738				1 738
Total assets shown in the balance sheet					
Reporting year	1 640 346	429 438	397 424	155 338	2 622 546
Prior year	1 617 177	301 800	304 744	140 939	2 364 660
Delivery entitlements from forward forex and forex options transactions					
Reporting year	328 160	323 347	128 768	42 354	822 629
Prior year	352 479	348 457	102 384	64 432	867 752
Total assets					
Reporting year	1 968 506	752 785	526 192	197 692	3 445 175
Prior year	1 969 656	650 257	407 128	205 371	3 232 412

Cross rates

	Reporting year	Prior year
USD/CHF	0.8812	0.9675
EUR/CHF	1.0823	1.0860

Liabilities

in 1000 CHF	CHF	USD	EUR	Other currencies	Total
Amounts due to banks	51 473	44 232	15 648	7 983	119 336
Liabilities from securities financing transactions					0
Amounts due in respect of customer deposits	975 559	436 786	376 327	88 292	1 876 964
Negative replacement values of derivative financial instruments	2 855	9	1 147	152	4 163
Accrued expenses and deferred income	1 779		18		1 797
Other liabilities	2 662				2 662
Provisions	28 700				28 700
Reserves for general banking risks	23 300				23 300
Bank's capital	30 000				30 000
Statutory retained earnings reserve	71 090				71 090
Voluntary retained earnings reserves	432 000				432 000
Profit carried forward	1 921				1 921
Profit	30 613				30 613
<hr/>					
Total liabilities shown in the balance sheet					
Reporting year	1 651 952	481 027	393 140	96 427	2 622 546
Prior year	1 629 881	346 642	299 923	88 214	2 364 660
<hr/>					
Delivery obligations from forward forex and forex options transactions					
Reporting year	328 051	268 089	128 736	42 342	767 218
Prior year	352 380	299 940	102 356	64 413	819 089
<hr/>					
Total liabilities					
Reporting year	1 980 003	749 116	521 876	138 769	3 389 764
Prior year	1 982 261	646 582	402 279	152 627	3 183 749
<hr/>					
Net position per currency					
Reporting year	-11 497	3 669	4 316	58 923	
Prior year	-12 605	3 675	4 849	52 744	

5. Information on the off-balance-sheet transactions

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Contingent assets and liabilities

in 1000 CHF	Reporting year	Prior year
Guarantees to secure credits and similar	5 226	5 146
Other contingent liabilities	53 784	53 675
Total contingent liabilities	59 010	58 821

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Credit commitments

Nil

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Fiduciary transactions

in 1000 CHF	Reporting year	Prior year
Fiduciary investments with third banks	258 958	404 764
Total fiduciary transactions	258 958	404 764

Managed assets

in 1000 CHF	Reporting year	Prior year
Assets under discretionary asset management agreements	6 241 130	6 043 357
Other managed assets	13 138 201	13 617 155
Total managed assets ¹	19 379 331	19 660 512

- ¹ cash balances, fiduciary investments and value of total assets
The assets only held for custody purposes are not taken into account.

Development of managed assets

in 1000 CHF	Reporting year	Prior year
Total managed assets at beginning	19 660 512	16 605 512
+/- Net new money inflow or net new money outflow ²	-220 400	5 700
+/- Price development, interests, dividends and currency development ³	-60 781	3 049 300
Total managed assets at end	19 379 331	19 660 512

- ² in- and outflows of cash and securities
³ with comprehension of the charges

6. Information on the income statement

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Result from trading activities and the fair value option

in 1000 CHF	Reporting year	Prior year
Result from trading activities from:		
Interest rate instruments	0	-1
Equity securities	248	224
Foreign currencies	7 979	7 216
Precious metals and coins	1 663	1 364
Total result from trading activities	9 890	8 803

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Negative interests

in 1000 CHF	Reporting year	Prior year
Negative interests on lending business (reduction of the interest and discount income)	1 752	2 291
Negative interests on deposit business (reduction of the interest expense)	1 367	1 197

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Personnel expenses

in 1000 CHF	Reporting year	Prior year
Salaries	53 720	54 568
Social insurance benefits	15 036	8 196
Changes in book value for economic benefits and obligations arising from pension schemes	0	15 000
Other personnel expenses	455	656
Total personnel expenses	69 211	78 420

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General and administrative expenses

in 1000 CHF	Reporting year	Prior year
Office space expenses	1 567	1 700
Expenses for information and communication technology	5 823	5 538
Expenses for vehicles, equipment, furniture and other fixtures	56	67
Fees of audit firms	474	507
thereof for financial and regulatory audits	434	499
thereof for other services	40	8
Other operating expenses	5 735	4 559
Total general and administrative expenses	13 655	12 371

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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

Nil

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Revaluations of participations and tangible fixed assets up to acquisition cost at maximum

Nil

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Operation result broken down according to domestic and foreign origin

The Bank has no foreign branch.

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Taxes

	Reporting year	Prior year
Expenses for current taxes on capital and income (in 1000 CHF)	6 455	4 750
Average tax rate weighted on the basis of the operating result	14.6%	15.0%

There are no loss carried forwards that would have an impact on income taxes.

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Earnings per equity security

Nil

Report of the Statutory Auditors to the General Meeting of Dreyfus Sons & Co Ltd, Banquiers, Basel

Report of the Statutory Auditors

As statutory auditor, we have audited the financial statements of Dreyfus Sons & Co Ltd, Banquiers, Basel, which comprise the balance sheet, income statement, statement of changes in equity and notes for the year ended December 31, 2020.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2020, comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

KPMG Ltd

Erich Schärli
Licensed Audit Expert
Auditor in Charge

Adrian Walder
Licensed Audit Expert

Zurich, February 16, 2021

Dreyfus Sons & Co Ltd, Banquiers
Aeschenvorstadt 16 | P.O. Box | 4002 Basel | Switzerland
Telephone +41 61 286 66 66

Dreyfus Sons & Co Ltd, Banquiers | Delémont Office
Avenue de la Gare 19 | P.O. Box | 2800 Delémont 1 | Switzerland
Telephone +41 32 631 66 66

Dreyfus Sons & Co Ltd, Banquiers | Lausanne Office
Rue du Lion-d'Or 1 | P.O. Box | 1002 Lausanne | Switzerland
Telephone +41 21 706 66 66

Dreyfus Sons & Co Ltd, Banquiers | Lugano Office
Piazza Rezzonico 6 | 6900 Lugano | Switzerland
Telephone +41 91 640 77 99

Dreyfus Sons & Co Ltd, Banquiers | Zurich Office
St. Peterstrasse 1 | 8001 Zurich | Switzerland
Telephone +41 44 225 66 66

contact@dreyfusbank.ch | www.dreyfusbank.ch

Dreyfus Sons & Co Ltd, Banquiers | Representative Office
3 Rothschild Blvd. | Psagot Tower | 18th Floor
Tel Aviv 6688106 | Israel
Telephone +972 3 5525 666

contact@dreyfusbank.co.il