

NBK Private Bank (Switzerland) Ltd

Annual Report

2020



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LETTER FROM THE CHAIRMAN

On behalf of the Board of Directors, I would like to report the key figures of the 2020 results of NBK Banque Privée (Suisse) S.A.:

- Operating Income decreased from CHF 32.9 million to CHF 30.4 million, or -7.4%, mainly due to the decline of the US Dollar dominated revenues vs the Swiss Franc, as well as the volatility of the financial markets, which negatively affected the average assets under management;
- Operating Expenses increased from CHF 23.3 million to CHF 23.4 million, a marginal increase of 0.8%;
- Operating Result therefore decreased from CHF 9.6 million to CHF 7.0 million, a decline of 27.3%;
- Taxes decreased from CHF 2.1 million to CHF 1.2 million, or -41.8%, due to a change in the tax regime in Geneva;
- **Resulting in a Net Profit increase from CHF 5.6 million in 2019 to CHF 5.8 million in 2020.**

The above figures are highlighting the resilience embedded in the Bank's business model, particularly in such an unpredictable and volatile market environment.

The economic environment

The financial market conditions during the year 2020 defied all forecasts, predictions or expectations of any sort. In March, markets fell into chaos as the Covid-19 global pandemic stormed around the world. People were locked down, international travel was banned and the worldwide economy was put to a halt. As a result, equity markets stumbled by more than 30% entering in a cyclical bear market. Credit spreads widened hugely and safe-haven assets such as gold reached new highs.

However, investors were quickly able to see beyond the obvious crisis, deep into a better future, and an amazing market rally followed, driven by central banks' and governments' stimuli, measured in trillions of dollars. Spikes in volatility and the increased confidence in the development of an effective vaccine further encouraged investors all along until the year-end. In the US, for instance, the S&P 500 surged almost 70% since its March low to finish the year up more than 16%. The 10-year Treasury yield also fell sharply in March, close to 0.5%, to rebound to almost 1% at the end of the year. In general, the overall level of interest rates worldwide remained extremely low and stable all year long, by historical standards. The Barclays Global Aggregate Total Return Index (USD Hedged) returned 5.6%.

From the beginning to the end of the year, the US Dollar lost more than 5% against the Swiss Franc, an additional headwind for NBK Banque Privée (Suisse) S.A.

Outlook 2021

As we enter 2021, it is widely expected that the global economy will further deteriorate as Covid-19 infection rate remained high during winter in the Northern Hemisphere. However, a progressive rollout of vaccines, from different producers, means that the world economy is given a chance to heal itself back to some kind of normality by the second half. Many countries have plans to have a vast majority of their population vaccinated by mid-year and thus create enough herd immunity to move forward in a more normal way. The expected worldwide economic rebound, fueled by accommodative monetary and fiscal policies for this year and probably most of next year, combined with a still very low general level of interest rates are creating the preconditions for the continuation of a supportive environment for risky assets.

A further weakness in the relative value of the US Dollar would go on dragging down the Bank's results this year.

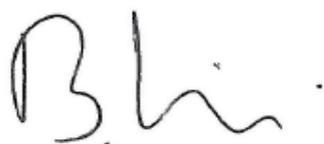
Acknowledging all stakeholders

I would like to thank our clients for their unabated trust and support during difficult times in 2020. I believe that strong relationships became even stronger in these adverse market conditions, and I am hopeful that the intrinsic quality of services provided by the Bank to our clients helped to make a difference.

As usual, year after year, we deeply value the infallible and inflexible support of NBK Group, our majority shareholder.

Finally yet importantly, my deepest thanks go to the Bank's employees and especially those from the Information Systems department in these particular circumstances. Their involvement and their flexibility in deploying "Work From Home" solutions to all, while maintaining the required and absolute level of confidentiality and security of our clients' data, allowed the Bank to operate in unforeseen conditions, flawlessly, and to keep the high level of services provided to and expected from our clients.

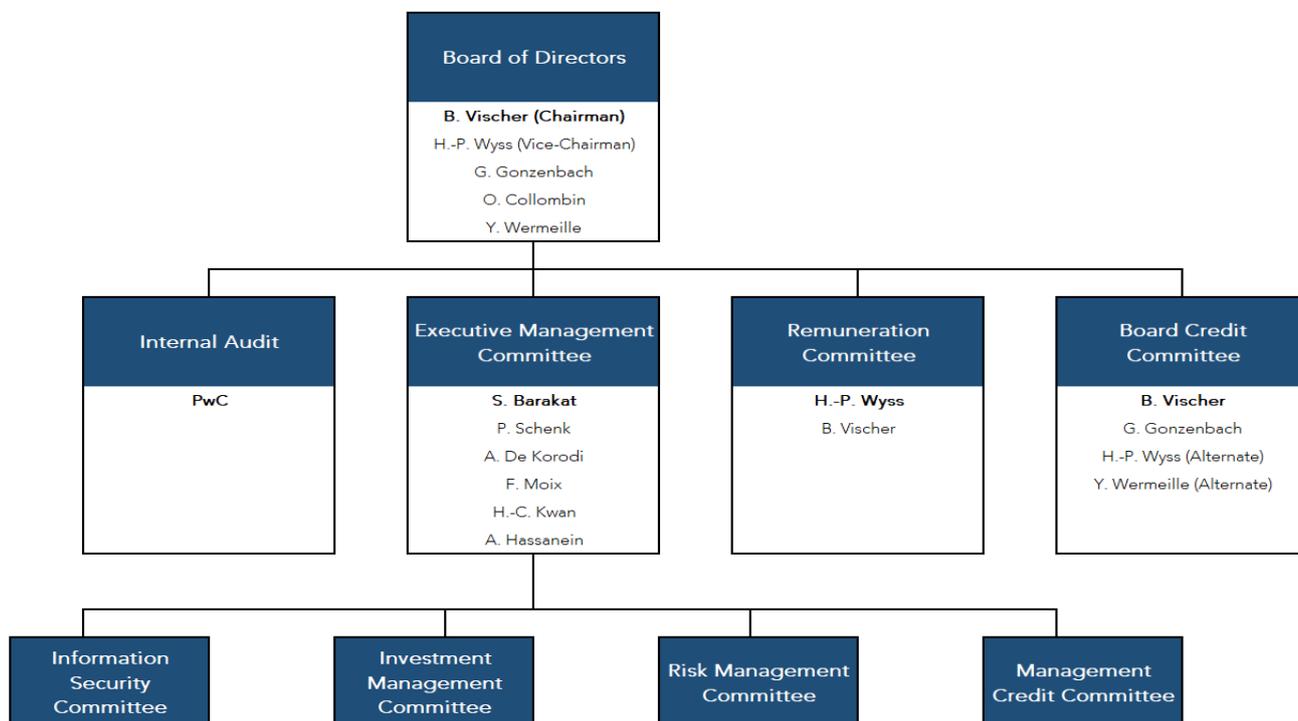
It is a vast and positive encouragement for the future development of NBK Banque Privée (Suisse) S.A.

A handwritten signature in black ink, appearing to read "B. Vischer". The signature is fluid and cursive, with a small dot at the end.

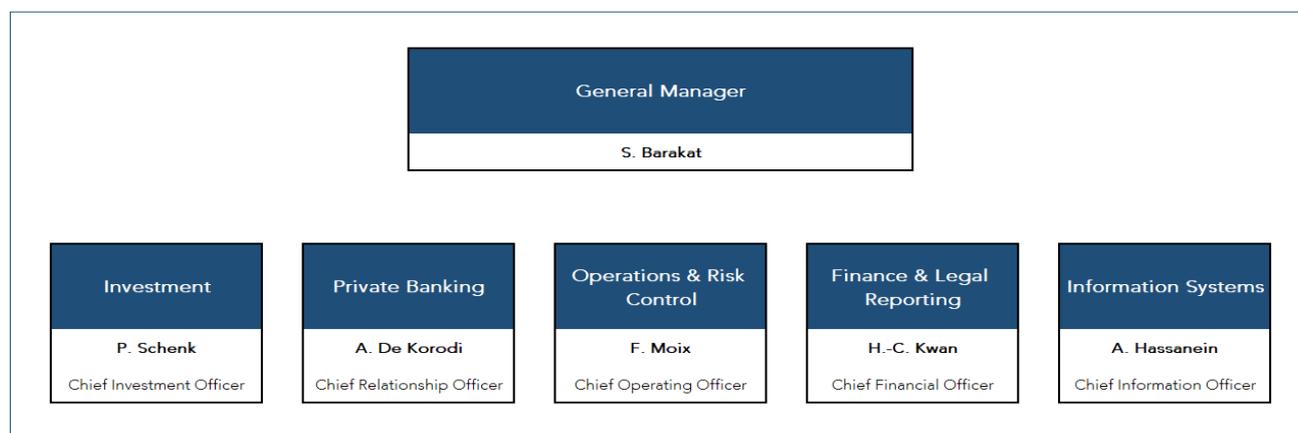
Bernard Vischer
Chairman of the Board of Directors

CORPORATE GOVERNANCE

Board of Directors & Committees



Executive Management Committee



Board of Directors

The Board of Directors is comprised of five non-executive members, chaired by Mr. Bernard Vischer. No member held a management position in any of the legally independent entities and branches that come directly or indirectly under the single management of the National Bank of Kuwait S.A.K.P. (hereinafter referred to as "NBK Group" or "The Group").

Bernard Vischer is a Swiss citizen, born in 1956. He has been a Board member since June 2002, then Vice-Chairman since June 2006, and was appointed Chairman of the Board of Directors on March 2014. He is also Head of the Board Credit Committee and a member of the Remuneration Committee.

Mr. Bernard Vischer is a Partner of Schellenberg Wittmer's Geneva office, where he heads the Private Clients Group. He advises banks, family offices and private clients in private banking matters, enterprise succession, trusts, and estate planning. He also has extensive practical experience in corporate and transactional matters, with a focus on the shipping and aviation industries.

Mr. Bernard Vischer graduated from the School of Law of the University of Geneva in 1978 before being admitted to the Swiss bar in 1980. He obtained a Master of Laws from the University of Pennsylvania in 1983. He joined Schellenberg Wittmer in 1984 and became a Partner in 1990. He was Managing Partner from 2002 to 2007.

Gerald Gonzenbach is a Swiss citizen, born in 1954. He was appointed a member of the Board of Directors on March 2015. He is also a member of the Board Credit Committee since January 2018.

Dr. Gerald Gonzenbach is the Founding and Managing Partner of Enhanced Value Advisory Ltd, a strategy related advisory firm, and Co-Founder and Executive Chairman of Clarmond Investment Solutions Ltd, a Swiss investment research group. He acted previously as CEO and Executive Vice-Chairman for Octane Holding, an alternative solutions provider for institutional clients, following an assignment as CFO of PunterSouthall Group, a diversified UK financial services group. In South Africa, he was Genbel Securities' Chief International Officer, and he held various management positions within UBS.

He was a Board member of numerous investment funds and financial services companies. He also takes an active role as ambassador for the young education related NGO group Aiducation International Schweiz.

Dr. Gerald Gonzenbach received his Master's degree and PhD in law from the University of Zurich, Switzerland, as well as an MBA from the University of Virginia, USA.

Hans-Peter Wyss is a Swiss citizen, born in 1967. He was appointed a member of the Board of Directors on April 2016. He is also Head of the Remuneration Committee.

Mr. Hans-Peter Wyss is the owner of FCS Company, an independent financial advisory firm. Previously, he was a Partner with Deloitte Assurance & Advisory, and held several positions at UBS, ZKB and Arthur Andersen. Currently, he is a Board member on a number of other companies.

Mr. Hans-Peter Wyss received his Master's degree in banking and finance from the University of Zürich, Switzerland, as well as a PWA degree in banking from Kaderschule Zürich. In addition, he is a Swiss Certified Public Accountant recognised by the Federal Audit Oversight Authority (FAOA).

Olivier Collombin is a Swiss citizen, born in 1962. He was appointed a member of the Board of Directors on January 2018.

Mr. Olivier Collombin is a multi-faceted private banker turned serial fintech entrepreneur. He was a former Capital Partner at Swiss private bank Lombard Odier & Co. until 2015. He created Planet of Finance, the largest online market and matchmaking place dedicated to wealth management.

Graduated from Geneva Business School, Mr. Olivier Collombin is also the Founder of MyFintechAdvisors, Community Factory, WorkCocoon.com, E-moovie.com and a Board member of Conser Invest, a Swiss investment advisory firm dedicated to responsible investments.

Yann Wermeille is a Swiss citizen, born in 1972. He was appointed a member of the Board of Directors on January 2018.

Mr. Yann Wermeille has been active in the financial sector in the areas of private banking, asset management, investment funds, capital markets and investment banking. He began his professional career with two banks in Zurich before moving to the Swiss Financial Market Supervisory Authority (FINMA), where he was a member of the Executive Board and in charge of the Market Division. He also co-founded an Asset Manager of collective investment schemes, as well as a Swiss SICAV, before going on to launch an active ownership fund.

Currently, he is a member of the Board of Directors of numerous companies.

Mr. Yann Wermeille obtained a DES in Criminal Law and a law degree at the University of Geneva, and is a CFA charter holder.

Executive Management Committee

Sherif Barakat is a Swiss citizen, born in 1955. He was appointed General Manager of NBK Finance S.A. in 1992, before the latter became NBK Private Bank (Switzerland) Ltd. He is a delegate of the Executive Management Committee and Management Credit Committee. He is also a member of the Investment Management Committee.

Prior to joining the Bank, Mr. Sherif Barakat was a Corporate Banker at the National Bank of Kuwait S.A.K.P., Kuwait for 7 years and a Corporate Banker at Chase Manhattan Bank, Egypt for 7 years.

Mr. Sherif Barakat holds an MBA in investment, finance and banking from the University of Wisconsin at Madison, USA.

Philippe Schenk is a Swiss citizen, born in 1961. He joined NBK Finance S.A. in 1998, currently NBK Private Bank (Switzerland) Ltd, and was appointed Head of the Investment Team in 2001 and Deputy General Manager in 2004. He is a member of the Executive Management Committee and the Management Credit Committee, as well as Head of the Investment Management Committee.

Prior to joining the Bank, Mr. Philippe Schenk was a Private Client Portfolio Manager with Credit Suisse, Geneva for 10 years, and was a Mechanical Engineer at Contraves, Zürich for 2 years.

Mr. Philippe Schenk has an Executive MBA from IMD Lausanne. He is a CFA and CAIA charter holder, and has an ESTA Aerospace Engineering degree from Ecole Supérieure des Techniques Aérospatiales in Paris and an EIG mechanical engineering degree from Ecole d'Ingénieurs de Genève.

Alex De Korodi is a Swiss citizen, born in 1966. He has been Relationship Officer since 2005 and was appointed Chief Relationship Officer in 2016. He is also a member of the Executive Management Committee.

Prior to joining the Bank, Mr. Alex De Korodi was a Senior Equity Fund Manager at HSBC Halbis Partners in London. During his career, he worked as a Proprietary Trader with Mizuho Bank in Zürich, as an Institutional Broker for Asian Equity Markets with Merrill Lynch in Zürich and with Nomura in Geneva. He started his career at Cargill International as a commodity analyst and now has over 25 years of experience in the financial and banking industry.

Mr. Alex De Korodi holds a B.A. degree in Economics from New York University (NYU), and is also a CFA charter holder and a MSTA, a UK market technician qualification.

Fabienne Moix is a Swiss citizen, born in 1977. She was appointed Chief Operating Officer on January 2010. She is a member of the Executive Management Committee and a delegate of the Risk Management Committee.

Prior to joining the Bank, Mrs. Fabienne Moix worked 8 years with Ernst & Young as Manager for financial and regulatory audits in the banking and financial industry.

Mrs. Fabienne Moix holds a Master's degree in Management, with a major in Finance, from Lausanne Business School (HEC Lausanne) and is a Swiss Certified Public Accountant.

Ha-Chun Kwan is a Swiss citizen, born in 1965. She was appointed Chief Financial Officer on July 2001. She is a member of the Executive Management Committee and the Risk Management Committee.

Prior to joining the Bank, Mrs. Ha-Chun Kwan was the Head of Accounting at Finansbank (Suisse) S.A., Geneva for 4 years. She has worked 11 years in other international banks as Financial Control Officer. She started her career at Citicorp Investment Bank and now has over 30 years of experience in the banking industry.

Mrs. Ha-Chun Kwan holds a Diplôme de l'Ecole Supérieure de Commerce de Genève.

Amrou Hassanein is a Swiss citizen, born in 1972. He joined NBK Private Bank (Switzerland) Ltd in 2002 as Head of the Information Systems department and was appointed Chief Information Officer in 2015. He is a member of the Executive Management Committee and Risk Management Committee, as well as delegate of the Information Security Committee.

He enjoys a broad expertise in Legal Contracts, Strategy, Leadership, Enterprise Business Continuity, Negotiation, Risk and Outsourcing Management. In addition to this, he is skilled in Information Systems Governance, Information Security Management, Cybersecurity and Digital Transformation.

Mr. Amrou Hassanein holds a Bachelor of Science in Computer Science from Webster University in Geneva, a Master of Advanced Studies in Information Systems Security from the University of Geneva, an Executive MBA from IMD Lausanne, and has more than 18 years of experience in Information Systems with a focus on banking and financial services industry.

To the General Meeting of
NBK Private Bank (Switzerland) Ltd, Geneva

Geneva, 22 April 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of NBK Private Bank (Switzerland) Ltd, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 12 to 46), for the year ended 31 December 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 Bank'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 31 December 2020 comply with Swiss law and the Bank'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 Bank's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Partner
(Auditor in charge)

Manager

BALANCE SHEET

Assets

In Swiss Francs	31.12.2020	31.12.2019
Liquid assets	186,669,351	155,222,451
Amounts due from banks	233,454,365	43,391,302
Amounts due from customers	318,186,189	292,233,136
Positive replacement values of derivative financial instruments	531,983	402,730
Financial investments	6,078,884	4,735,508
Accrued income and prepaid expenses	1,936,362	2,079,471
Tangible fixed assets	510,078	655,028
Other assets	37,253	37,483
Total assets	747,404,465	498,757,109
Total subordinated claims	-	-
<i>of which subject to mandatory conversion and/or debt waiver</i>	-	-

Liabilities

In Swiss Francs	31.12.2020	31.12.2019
Amounts due to banks	128,372,459	120,645,266
Amounts due in respect of customer deposits	499,046,733	267,195,046
Negative replacement values of derivative financial instruments	785,506	291,731
Accrued expenses and deferred income	21,544,370	18,874,816
Other liabilities	867,147	754,262
Provisions	2,729,655	2,729,655
Reserves for general banking risks	15,321,200	15,321,200
Bank's capital	15,000,000	15,000,000
Statutory retained earnings reserve	4,786,289	4,508,289
Profit carried forward	53,158,844	47,883,796
Profit of the period	5,792,262	5,553,048
Total liabilities	747,404,465	498,757,109
Total subordinated liabilities	45,000,000	45,000,000
<i>of which subject to mandatory conversion and/or debt waiver</i>	45,000,000	45,000,000

Off-balance-sheet transactions

In Swiss Francs	31.12.2020	31.12.2019
Contingent liabilities	269,127,690	260,528,247
Irrevocable commitments	486,000	478,000

INCOME STATEMENT

In Swiss Francs	2020	2019
Result from interest operations		
Interest and discount income	4,205,658	7,994,234
Interest and dividend income from financial investments	118,381	184,005
Interest expense	-695,594	-1,699,078
Gross result from interest operations	3,628,445	6,479,161
Changes in value adjustments for default risks and losses from interest operations	-	-
Subtotal net result from interest operations	3,628,445	6,479,161
Result from commission business and services		
Commission income from securities trading and investment activities	36,813,873	36,776,498
Commission income from lending activities	187,880	206,171
Commission income from other services	634,653	675,868
Commission expense	-11,960,441	-11,982,896
Subtotal result from commission business and services	25,675,965	25,675,641
Result from trading activities and the fair value option	1,133,342	703,443
Other result from ordinary activities		
Result from the disposal of financial investments	11,688	835
Other ordinary income	-	31,179
Other ordinary expenses	-110	-
Subtotal other result from ordinary activities	11,578	32,014
Operating expenses		
Personnel expenses	-16,549,778	-16,356,665
General and administrative expenses	-6,564,093	-6,594,393
Subtotal operating expenses	-23,113,871	-22,951,058
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets	-308,213	-284,624
Changes to provisions and other value adjustments, and losses	-27,166	-24,971
Operating result	7,000,080	9,629,606
Extraordinary income	492	334
Changes in reserves for general banking risks	-	-2,000,000
Taxes	-1,208,310	-2,076,892
Profit of the period	5,792,262	5,553,048

APPROPRIATION OF PROFIT

In Swiss Francs	2020	2019
Profit of the period	5,792,262	5,553,048
Profit carried forward	53,158,844	47,883,796
Distributable profit	58,951,106	53,436,844
Appropriation of profit:		
• Allocation to statutory retained earnings reserve	290,000	278,000
New amount carried forward	58,661,106	53,158,844

PRESENTATION OF THE CASH FLOW STATEMENT

Since the cash flow statement is voluntary in the case of reliable assessment statutory single-entity financial statements (art. 25 par. 3 BO), the Bank has abstained from presenting a cash flow statement.

PRESENTATION OF THE STATEMENT OF CHANGES IN EQUITY

In Swiss Francs	Bank's capital	Statutory retained earnings reserve	Reserves for general banking risks	Profit carried forward	Profit of the period	Total
Equity as of January 1, 2020	15,000,000	4,508,289	15,321,200	53,436,844	-	88,266,333
Dividends and other distributions	-	-	-	-	-	-
Other allocations to the reserves for general banking risks	-	-	-	-	-	-
Other allocations to the other reserves	-	278,000	-	-278,000	-	-
Profit of the period	-	-	-	-	5,792,262	5,792,262
Equity as of December 31, 2020	15,000,000	4,786,289	15,321,200	53,158,844	5,792,262	94,058,595

NOTES TO THE FINANCIAL STATEMENTS

Business name, legal form and domicile

NBK Private Bank (Switzerland) Ltd, or NBK Banque Privée (Suisse) S.A. (hereinafter referred to as "The Bank"), is a limited liability company under Swiss law.

The Bank was originally incorporated in Geneva on September 19, 1984, as NBK Finance S.A., to complement and extend the services of its parent company to a select number of sophisticated international investors. Since 1999, it operates as an independent bank with a Swiss Banking license, specializing in private banking.

The Bank is owned 85.17% by the National Bank of Kuwait S.A.K.P., Kuwait City, State of Kuwait.

The number of employees expressed in terms of full-time employees at the end of 2020 was 45.0 (44.2 at the end of 2019).

Business activities

The Bank offers wealth management, financial advisory and execution services, both to private and corporate customers, on a strictly personal and confidential basis.

Wealth management services provided to the private banking needs of ultra-high net-worth individuals include a wide range of activities and services covering a broad spectrum of global financial products, financial research, asset allocation and portfolio management and construction. The Bank's business activities are completed by services and products in money markets, foreign exchange and securities trading, as well as credit services to its private customers.

Outsourcing

The Bank is outsourcing a portion of its IT processes to a third party service provider, which is responsible for operating the production and backup servers supporting the banking software package, its maintenance and database management.

The Bank has also subcontracted securities administration, wire and fund transfers, and securities data management to specialized companies.

The Bank's outsourcing contracts comply with the requirements of the Swiss Financial Market Supervision Authority (hereinafter referred to as "FINMA"). To guarantee the confidentiality of the operations, the employees of the third party service providers are all subject to banking secrecy.

Accounting and valuation policies

General principles

The accounting and valuation principles comply with the Swiss Code of Obligations, Swiss Banking Act, Swiss Banking Ordinance and FINMA.

The financial statements are established in conformity with the FINMA Circ. 20/1 "Accounting - banks" and FINMA Accounting Ordinance, using the reliable assessment statutory single-entity financial statements.

Accounts are kept and financial reports are presented in Swiss Francs, which is the Bank's currency required for business operations.

Disclosure exemptions stated in art. 86 of the FINMA Accounting Ordinance are not considered in these financial statements.

Recording of transactions

All transactions executed at the date of the balance sheet were accounted for and evaluated according to the recognised principles. The results of these operations are included in the income statement. Spot transactions concluded but not settled at the balance sheet date are recognised, applying the trade date accounting principle.

Foreign currency translations

Assets and liabilities denominated in foreign currencies are translated into Swiss Francs at the exchange rate on the balance sheet closing date. Income and expenses are converted at the exchange rate in force on the transaction date. Exchange gains and losses resulting from the conversion into Swiss francs of positions and operations denominated in foreign currencies are booked in the income statement under "Result from trading activities and the fair value option".

The exchange rates used to convert the main foreign currencies into Swiss francs are as follows:

	<u>31.12.2020</u>	<u>31.12.2019</u>
USD	0.8833	0.9676
EUR	1.0849	1.0852

Liquid assets and amounts due from / to banks

These items are reported in the balance sheet at their nominal value less any necessary value adjustments.

At the current closing date, amounts due from banks do not contain any specific impairment.

Claims and liabilities in respect of customers

These amounts are recorded at their nominal value.

Provisions are recognised to cover known or estimated losses at the balance sheet date. Any interest and fee income, which is overdue for more than 90 days, is only booked upon payment.

Specific provisions for principal and interest are deducted from the corresponding assets.

Trading portfolio assets and trading portfolio liabilities

Securities and precious metals held for trading are measured and reported in the balance sheet at fair value. The fair value is determined either from the market price provided by a liquid and efficient market or from the price established by a valuation model.

Exceptionally, when it is not possible to establish the fair value, the valuation and recording are made according to the principle of the lower of cost or market value.

Gains and losses on portfolios held for trading are recognised in the income statement under "Result from trading activities and the fair value option".

The interest and dividend income from trading portfolios are recognised under "Interest and dividend income from trading activities".

Replacement values of derivative financial instruments

Replacement values of derivative financial instruments are calculated and accounted for in order to take into account the cost or the gain resulting from a potential counterparty delivery failure.

The positive replacement values are accounted for in the balance sheet on the assets side, and the negative replacement values on the liabilities side, for all the derivative financial instruments outstanding at balance sheet date which would result from own account or customer transactions, irrespective of the accounting treatment in the income statement.

Financial investments

Financial investments are valued according to the principle of the lower of cost or market value.

Changes in book value are recognised net via the income statement items "Other ordinary expenses" or "Other ordinary income", as appropriate.

An upwards revaluation to the historical or amortized cost at maximum is to be recognised where the fair value falls below the acquisition cost and then recovers.

Tangible fixed assets

Tangible fixed assets are stated on the balance sheet at acquisition cost less accumulated depreciation. The straight-line depreciation method is calculated based on the estimated useful life of each tangible fixed asset.

The maximum periods expected and applied to the acquisition cost of the different categories of tangible fixed assets are as follows :

Leasehold improvement costs for rental buildings	10 years
Machines and office equipment	5 years
Software, hardware and information technology materials	5 years
Vehicles	3 years

Provisions

Provisions are recognised for all foreseeable risks and unrealised losses in accordance with the principle of prudence.

Provisions for other risks are recognised in the balance sheet under "Provisions".

Reserves for general banking risks

Reserves for general banking risks cover unpredictable risks inherent in banking transactions. Taxes are deferred to the date of any dissolution, whether in part or totally.

Taxes

Taxes are calculated in accordance with relevant tax laws and are either paid or provisioned for.

Current taxes are recognised on the liabilities side of the balance sheet under "Accrued expenses and deferred income".

Derivative financial instruments

All derivative financial instruments are measured at fair value.

The Bank uses derivative financial instruments for its own account for the purpose of Assets and Liabilities Management.

The derivative financial instruments are mainly used for the account of customers. To avoid any exposure, the Bank concludes back-to-back transactions in the financial markets.

The valuation result from trading activities is recognised in the income statement under "Result from trading activities and the fair value option".

Positive and negative replacement values of derivative financial instruments are reported in the corresponding balance sheet items.

Risk Management

Business policy

The Bank, as an Asset Management company, does not expose itself to market risks on its balance sheet and off-balance-sheet positions, except in the context of investing its own funds. It does not take significant credit or interest rate risks, its credit activities being mostly limited to pledge advances ("Lombard" loans) refinanced on corresponding terms. Similarly, the Bank's policy is not to undertake significant exposures in high-risk countries. Transactions in derivative financial instruments for own purposes are very limited.

The Bank deals in the financial markets with well-known correspondents.

Risk governance structure

Risk Management is based on well-established governance processes and relies on both individual responsibility and collective oversight supported by comprehensive reporting. The objective is to ensure that all significant risks associated with the business activities of the Bank are identified, assessed, monitored and mitigated accordingly.

In order to maintain an appropriate level of risk, the control structure is organized as follows:

- Internal directives and procedures covering the important activities and describing the responsibilities and day-to-day first level controls for each function within the Bank;
- The Risk Management Committee, which is composed of employees who are independent from the activities generating the revenues;
- The internal audit function, which provides an independent assessment of the adequacy and effectiveness of the overall risk management framework.

Moreover, the Management Credit and Investment Management Committees are integrated into the Bank's risk governance structure.

Credit risk

Credit risk refers to the possibility that a financial loss could arise from the failure of client's and/or counterparty's deteriorating creditworthiness and/or inability to meet its contractual financial obligations.

Client credit risk

The Bank limits its credit risk towards private customers by granting credit facilities that are sufficiently secured by the pledge of their assets. The collateral value of the pledged assets is based on semi-automated processes defining collateral rates by asset class and category, prior to a debtor's credit worthiness and diversification of investments.

Controls are carried out through regular monitoring of credit outstandings, in terms of collateral rates, maturity date, payment of interest and overdrafts.

Professional counterparties

All counterparties are investigated thoroughly, analysed and approved independently by the Group Management International Credit Committee. The eligibility, financial health and limits of counterparties are reassessed at least once a year.

Risk is limited by fixing limits per bank counterparty, which are reviewed on a regular basis. Compliance with limits is monitored on a daily basis.

Interest rate risk

The Bank has a very limited exposure to interest rate risk. The set of positions presenting interest rate risk is a direct result of the main activities of the Bank.

The Risk Management Committee ensures that the interest rate risk remains marginal.

Market and country risk

Market risks are managed primarily by means of limits in terms of maximum positions and losses.

The Bank ensures that positions involving country risk are highly restricted.

The Investment Management and Risk Management Committees verify on a regular basis the respect of these limits.

Liquidity risk

The Bank monitors and ensures that its liquidity is always at an adequate level and compliant with the regulatory requirements pertaining to the liquidity ratios.

Operational risk

Operational risk is the risk of adverse effects for the Bank resulting from the inadequacy or failure of internal processes, people and/or information systems, or from external events due to intentional, accidental or natural causes. It includes legal, fiscal, regulatory and compliance risks.

The Risk Management Committee informs on a regular basis the Bank's governing bodies about the operational risk through a reporting system with corrective measures, if necessary.

The assessment of the control framework is reviewed and validated by the Board of Directors once a year.

Additionally, the Bank has a Business Continuity Plan (BCP). The BCP is a process that identifies possible events that might endanger the Bank's activities and which improves the Bank's ability to successfully and appropriately react to these events. The aim is primarily to protect the continuity of processes and activities, and keep the organization's critical processes (Operations, Compliance, Accounting, etc.) safe and secure in the event a specific threat occurs. The BCP is tested at least once a year, particularly with regards to its implementation, effectiveness, and up-to-date information.

Compliance and legal risks

The Compliance department monitors the compliance and adherence by the Bank to its contractual agreements and the international and Swiss banking regulatory provisions, as well as the adaptation of the internal directives to new legislative and regulatory provisions.

Handling of legal cases is entrusted to external legal counselors.

Compliance ensures appropriate training of the Bank's employees on all relevant subjects.

Subsequent events

There was no event after the end of the reporting period capable of affecting the financial statements as of December 31, 2020.

Information on the balance sheet

Presentation of collateral for loans and off-balance-sheet transactions

In thousands of Swiss Francs	Type of collateral			
	Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	-	312,507	5,679	318,186
Mortgage loans	-	-	-	-
Total loans (before netting with value adjustments)				
2020	-	312,507	5,679	318,186
2019	-	285,152	9,137	294,289
Total loans (after netting with value adjustments)				
2020	-	312,507	5,679	318,186
2019	-	285,152	7,081	292,233
Off-balance-sheet				
Contingent liabilities	-	268,872	256	269,128
Irrevocable commitments	-	486	-	486
Total off-balance-sheet				
2020	-	269,358	256	269,614
2019*	-	260,390	616	261,006

*Restatement 2019 - Reclassification of certain contingent liabilities from "Other collateral" into "Unsecured"

Presentation of impaired loans

In thousands of Swiss Francs	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Total impaired loans				
2020	-	-	-	-
2019	2,063	7	2,056	2,056

Presentation of derivative financial instruments (assets and liabilities)

In thousands of Swiss Francs	TRADING INSTRUMENTS			HEDGING INSTRUMENTS		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Foreign exchange / precious metals						
Forward contracts	460	446	27,830	-	-	-
Currency swaps	57	60	16,784	15	280	45,814
Options (OTC)	-	-	-	-	-	-
Total before netting agreements						
2020	517	506	44,614	15	280	45,814
<i>of which, determined using a valuation model</i>	-	-	-	-	-	-
2019	300	292	50,376	103	-	4,822
<i>of which, determined using a valuation model</i>	-	-	-	-	-	-

In thousands of Swiss Francs	Positive replacement values (cumulative)	Negative replacement values (cumulative)
Total after netting agreements		
2020	532	786
2019	403	292

Breakdown by counterparty

In thousands of Swiss Francs	Central clearing houses	Banks and securities firms	Other customers
Positive replacement values (after netting agreements)	-	532	-

Breakdown of financial investments

In thousands of Swiss Francs	Book value		Fair value	
	2020	2019	2020	2019
Debt securities	1,738	1,904	1,806	1,948
<i>of which, not intended to be held to maturity (available for sale)</i>	1,738	1,904	1,806	1,948
Equity investment funds	1,899	2,080	2,421	2,801
Alternative investment funds	2,442	752	2,565	766
Total	6,079	4,736	6,792	5,515
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	-	-	-	-

Breakdown of counterparties by rating

In thousands of Swiss Francs	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
	Debt securities: book values	-	-	1,738	-	-

The above mentioned ratings have been issued by the rating agency Standard & Poor's (S&P).

Presentation of tangible fixed assets

In thousands of Swiss Francs	2020							
	Acquisition cost	Accumulated depreciation	Book value as at 31.12.2019	Additions	Disposals	Depreciation	Reversals	Book value as at 31.12.2020
Leasehold improvements	1,669	-1,380	289	-	-	-119	-	170
Other tangible fixed assets	2,770	-2,404	366	163	-	-189	-	340
Total tangible fixed assets	4,439	-3,784	655	163	-	-308	-	510

Breakdown of other assets and other liabilities

In thousands of Swiss Francs	Other assets		Other liabilities	
	2020	2019	2020	2019
Compensation account	-	3	7	-
Indirect taxes	37	34	859	722
Other	-	-	1	32
Total	37	37	867	754

Disclosures of the economic position of own pension schemes

The Bank concluded an affiliation agreement for the pension plans of its employees with an independent and semi-autonomous pension plan institution, which applies and fulfills all the legal requirements governing professional retirement benefits in Switzerland.

The contribution to the pension funds scheme is based on the defined contribution principle, which consists in a savings contribution and a risk contribution. Contributions are divided between the employer and the insured employees on the basis of premiums fixed in the pension plan regulations.

Furthermore, the Bank concluded a complementary pension plan with individual choice of investment strategy for employees having a salary exceeding CHF 129'060. The cost of the complementary pension plan is solely financed by the employer based on the complementary pension plan regulations.

The organization, administration and financing of the pension funds are in conformity with legal provisions, the articles of the foundation and the pension plan regulations in force.

The contributions of the Bank are entirely recorded in the income statement under "Personnel expenses". The commitments to the reserves for future contributions are not carried on the balance sheet.

An annual assessment is conducted to determine the financial solidity, the degree of coverage and any special circumstances prevailing in both pension plans. The outcome is to determine whether there is any potential surplus or shortfall between each pension fund's assets and employee benefits. This assessment is reached based on each pension fund's annual financial statements as of December 31, 2019, as well as additional information transmitted by the pension plan institution on the evolution of the financial situation over 2020.

According to the preliminary information received by the pension plan institution, the projected degree of coverage of the primary pension plan as of December 31, 2020, was evaluated at 114.9% (31.12.2019: 116.6%).

The complementary pension plan is compliant with article 1e of the pension plan ordinance on occupational retirement, survivors' and disability pension plan (OPP 2), stating that the funding coverage should always be at least 100%. No employer contribution reserve is deemed necessary.

As of December 31, 2020, the employer contribution reserves (ECR) amounted to CHF 459'878 (31.12.2019: CHF 459'878), which cannot be returned to the employer.

Presentation of the economic benefit / obligation and the pension expenses

In thousands of Swiss Francs	Overfunding / underfunding at 31.12.2020	Economic interest of the Bank		Change in economic interest (economic benefit / obligation) versus 2019	Contributions paid for 2020	Pension expenses in personnel expenses	
		2020	2019			2020	2019
Pension plans without overfunding / underfunding	100.00%	-	-	-	531	531	533
Pension plans with overfunding	114.90%	-	-	-	753	753	756

Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during 2020

In thousands of Swiss Francs	Balance at 31.12.2019	Use in conformity with designated purpose	Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at 31.12.2020
Provisions for deferred taxes	-	-	-	-	-	-	-	-
Provisions for pension benefit obligations	-	-	-	-	-	-	-	-
Provisions for default risks	-	-	-	-	-	-	-	-
Provisions for other business risks	-	-	-	-	-	-	-	-
Provisions for restructuring	-	-	-	-	-	-	-	-
Other provisions	2,730	-	-	-	-	-	-	2,730
Total provisions	2,730	-	-	-	-	-	-	2,730
Reserves for general banking risks	15,321	-	-	-	-	-	-	15,321
Value adjustments for default and country risks	2,056	2,056	-	-	-	-	-	-
<i>of which, value adjustments for default risks in respect of impaired loans / receivables</i>	2,056	2,056	-	-	-	-	-	-
<i>of which, value adjustments for latent risks</i>	-	-	-	-	-	-	-	-

The reserves for general banking risks have not been taxed to date, as taxes are deferred until dissolution, whether in part or totally.

Employee participation schemes

The Bank offers an incentive and retention scheme to selected employees and members of the Executive Management Committee (participants). Through this scheme, part of the bonuses are paid in shares, which are deferred and are subject to a claw back provision defined in the participant plan during the four subsequent years (lock-up period).

All decisions to be taken by the Bank under the plan are left at the complete discretion of the Board of Directors, upon proposal of the Remuneration Committee.

At maturity of the lock-up period, each share granted will be entitled to receive a performance premium. The performance premium can be either converted into shares at the then current book value of the respective year, or paid in cash.

After the lock-up period, the participants have the right to sell to the Bank any shares at any time at the then current book value.

The valuation of equity securities are calculated at the grant price for shares under lock-up period and at the book value based on the statutory financial statements as of December 31, 2020, for shares after lock-up period.

During the financial year 2020, deferred bonuses in relation to this participation scheme of CHF 878'000 (2019: CHF 986'000) were booked in the personnel expenses.

The performance premium is deferred for one to four years and recorded through personnel expenses. As of December 31, 2020, the Bank has recorded CHF 1'166'000 (31.12.2019: CHF 1'094'000).

	Number of Equity securities (in '000)		Value of Equity securities (in '000 CHF)	
	2020	2019	2020	2019
Members of executive bodies	1,191	1,060	7,232	6,008
Employees	1,033	865	6,180	4,800
Total	2,224	1,925	13,412	10,808

Disclosure of amounts due from / to related parties

In thousands of Swiss Francs	Amounts due from		Amounts due to	
	2020	2019	2020	2019
Holders of qualified participations	35,517	3,091	121,570	109,945
Group companies	-	-	-	-
Linked companies	33,875	13,999	7,638	55
Transactions with members of governing bodies	19,927	11,374	11,935	14,994
Other related parties	-	-	-	-
Total	89,319	28,464	141,143	124,994

In thousands of Swiss Francs	Contingent assets		Contingent liabilities	
	2020	2019	2020	2019
Holders of qualified participations	200,097	200,107	6,377	8,595
Group companies	-	-	-	-
Linked companies*	-	-	7,657	6,349
Transactions with members of governing bodies	14,843	19,745	-	-
Other related parties	-	-	-	-
Total	214,940	219,852	14,034	14,944

*Restatement 2019 - Misclassification of contingent assets from linked companies, for which the Bank is not a contracting party

Holders of qualified participations and linked companies:

Amounts "due from and due to" represent the interbank business concluded with the NBK Group. Contingent assets and liabilities are composed of guarantees received in favor of the Bank and guarantees issued in favor of the Group.

Transactions with members of governing bodies:

Transactions with members of governing bodies include members of governing bodies of the Bank and members of governing bodies of its ultimate parent company. Amounts in "contingent assets" are primarily in connection with investments' commitments.

All transactions are concluded in the framework of the Bank's activities and are performed at the prevailing market values for each transaction date.

Disclosure of holders of significant participations

	2020		2019	
	Nominal (in CHF)	% of equity	Nominal (in CHF)	% of equity
Holders of significant participations and groups of holders of participations with pooled voting rights				
With voting rights:				
National Bank of Kuwait S.A.K.P., State of Kuwait	12,775,680	85.17%	-	-
NBK Overseas (Netherlands) BV, the Netherlands	-	-	13,074,930	87.17%
Schellenberg Wittmer Ltd, Switzerland	2,224,320	14.83%	1,925,070	12.83%

Since October 2020, the National Bank of Kuwait S.A.K.P. is the direct holder of NBK Private Bank (Switzerland) Ltd.

Schellenberg Wittmer Ltd holds the fiduciary ownership of the shares in NBK Private Bank (Switzerland) Ltd, acting as nominee in accordance with the provisions of the Bank's Long Term Equity Plan.

Presentation of the maturity structure of financial instruments

In thousands of Swiss Francs	At sight	Cancell-able	Due				No maturity	Total
			within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years		
Assets / financial instruments								
Liquid assets	186,669	-	-	-	-	-	-	186,669
Amounts due from banks	199,005	-	34,449	-	-	-	-	233,454
Amounts due from customers	-	243,978	33,420	20,029	20,759	-	-	318,186
Positive replacement values of derivative financial instruments	532	-	-	-	-	-	-	532
Financial investments	4,341	-	-	-	1,738	-	-	6,079
Total assets / financial instruments								
2020	390,547	243,978	67,869	20,029	22,497	-	-	744,920
2019*	201,848	188,539	86,069	14,192	5,337	-	-	495,985
Debt capital / financial instruments								
Amounts due to banks	31,980	-	18,504	15,222	17,666	45,000	-	128,372
Amounts due in respect of customer deposits	499,047	-	-	-	-	-	-	499,047
Negative replacement values of derivative financial instruments	786	-	-	-	-	-	-	786
Total debt capital / financial instruments								
2020	531,813	-	18,504	15,222	17,666	45,000	-	628,205
2019*	281,834	-	48,298	13,000	-	45,000	-	388,132

*Restatement 2019 - Equity securities, respectively the subordinated loan of CHF 45'000'000.00, to be reported in full under "At sight", respectively "Due after 5 years"

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

In thousands of Swiss Francs	2020		2019	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	186,669	-	128,177	27,045
Amounts due from banks	60,282	173,172	13,491	29,900
Amounts due from customers	8,611	309,575	6,683	285,550
Positive replacement values of derivative financial instruments	517	15	-	403
Financial investments	-	6,079	-	4,736
Accrued income and prepaid expenses	1,920	17	2,061	19
Tangible fixed assets	510	-	655	-
Other assets	37	-	37	-
Total assets	258,546	488,858	151,104	347,653
Liabilities				
Amounts due to banks	310	128,062	2,164	118,481
Amounts due in respect of customer deposits	578	498,469	1,940	265,255
Negative replacement values of derivative financial instruments	-	786	292	-
Accrued expenses and deferred income	21,544	-	18,875	-
Other liabilities	867	-	754	-
Provisions	2,730	-	2,730	-
Reserves for general banking risks	15,321	-	15,321	-
Bank's capital	15,000	-	15,000	-
Statutory retained earnings reserve	4,786	-	4,508	-
Profit carried forward	53,159	-	47,884	-
Profit of the period	5,792	-	5,553	-
Total liabilities	120,087	627,317	115,021	383,736

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

	2020		2019	
	Absolute (in '000 CHF)	Share as %	Absolute (in '000 CHF)	Share as %
Europe	361,509	48.4%	260,243	52.2%
<i>Switzerland</i>	258,546	34.6%	151,104	30.3%
<i>Other European countries</i>	102,963	13.8%	109,139	21.9%
Middle East	279,147	37.3%	198,494	39.8%
America	99,923	13.4%	35,671	7.2%
Asia / Oceania	1,263	0.2%	184	0.0%
Africa	5,562	0.7%	4,165	0.8%
Total assets	747,404	100.0%	498,757	100.0%

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

			Net foreign exposure 31.12.2020		Net foreign exposure 31.12.2019	
			In CHF	Share as %	In CHF	Share as %
Bank's own country rating	Standard & Poor's (S&P)	Internal rating				
Prime	AAA	1	157,937	32.3%	109,518	31.5%
High grade	AA+, AA, AA-	2	244,449	50.0%	161,697	46.5%
Upper medium	A+, A, A-	3	41,682	8.5%	64,563	18.6%
Lower medium	BBB+, BBB, BBB-	4	36,368	7.5%	109	0.0%
Non-investment grade	BB+, BB, BB-	5	8,305	1.7%	11,340	3.3%
Highly speculative	B+, B, B-	6	-	0.0%	-	0.0%
Substantial risks / In default	CCC+ to D	7	117	0.0%	426	0.1%
Total			488,858	100.0%	347,653	100.0%

The Bank uses its own internal rating system for country risk. The above table shows the correspondence with Standard & Poor's (S&P) ratings.

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

In thousands of Swiss Francs	CHF	EUR	USD	Other	Total
Assets					
Liquid assets	186,481	142	19	27	186,669
Amounts due from banks	2,049	34,314	141,407	55,684	233,454
Amounts due from customers	34,196	35,747	184,335	63,908	318,186
Positive replacement values of derivative financial instruments	532	-	-	-	532
Financial investments	-	-	6,079	-	6,079
Accrued income and prepaid expenses	1,465	53	201	218	1,937
Tangible fixed assets	510	-	-	-	510
Other assets	37	-	-	-	37
Total assets shown in balance sheet	225,270	70,256	332,041	119,837	747,404
Delivery entitlements from spot exchange, forward forex and forex options transactions	6,296	14,104	61,847	8,412	90,659
Total assets	231,566	84,360	393,888	128,249	838,063
Liabilities					
Amounts due to banks	57,637	9,455	27,822	33,458	128,372
Amounts due in respect of customer deposits	15,232	60,652	337,722	85,441	499,047
Negative replacement values of derivative financial instruments	786	-	-	-	786
Accrued expenses and deferred income	21,211	11	311	11	21,544
Other liabilities	867	-	-	-	867
Provisions	2,730	-	-	-	2,730
Reserves for general banking risks	15,321	-	-	-	15,321
Bank's capital	15,000	-	-	-	15,000
Statutory retained earnings reserve	4,786	-	-	-	4,786
Profit carried forward	53,159	-	-	-	53,159
Profit of the period	5,792	-	-	-	5,792
Total liabilities shown in the balance sheet	192,521	70,118	365,855	118,910	747,404
Delivery obligations from spot exchange, forward forex and forex options transactions	39,997	14,104	28,146	8,412	90,659
Total liabilities	232,518	84,222	394,001	127,322	838,063
Net position per currency	-952	138	-113	927	-

Information on off-balance-sheet transactions

Breakdown and explanations of contingent assets and liabilities

In thousands of Swiss Francs	2020	2019
Guarantees to secure credits and similar	269,128	260,528
<i>Guarantees issued</i>	36,131	35,236
<i>Investment commitments</i>	232,997	225,292
Performance guarantees and similar	-	-
Irrevocable commitments arising from documentary letters of credit	-	-
Other contingent liabilities	-	-
Total contingent liabilities	269,128	260,528
Contingent assets arising from tax losses carried forward	-	-
Other contingent assets*	200,097	200,107
Total contingent assets	200,097	200,107

*Restatement 2019 - Misclassification of other contingent assets, for which the Bank is not a contracting party

Investment commitments relate to commitments to invest in funds. Such commitments are entered into in the name of the Bank on behalf and at the request of customers, and these customers have matching commitments to the Bank, secured by collateral. Their value are derived from the latest available capital account statements provided by the fund managers.

Other contingent assets encompass guarantees unrelated to trade finance obligations received from the NBK Group in favor of the Bank.

Breakdown of fiduciary transactions

In thousands of Swiss Francs	2020	2019
Fiduciary investments with linked companies	752,794	870,723
Fiduciary investments with third-party companies	351,118	678,468
Other fiduciary transactions	-	-
Total	1,103,912	1,549,191

Breakdown of managed assets and presentation of their development

a) Breakdown of managed assets

In thousands of Swiss Francs	2020	2019
Type of managed assets		
Assets in collective investment schemes managed by the Bank	-	-
Assets under discretionary asset management agreements	2,257,724	2,186,377
Other managed assets	4,378,362	4,439,499
Total managed assets (including double counting)	6,636,086	6,625,876
<i>of which, double counting</i>	<i>-</i>	<i>-</i>

Managed assets include clients' assets, such as investments, precious metals and cash deposits.

Where customers have not signed a discretionary management mandate, but pay safekeeping or other fees to the Bank, the respective assets are classified as "Other managed assets".

Where clients have deposited assets, but pay no safekeeping or other fees, the Bank treats these assets as custody-only. Such assets are excluded from the calculation of managed assets.

Breakdown of managed assets and presentation of their development (cont.)

b) Presentation of the development of managed assets

In thousands of Swiss Francs	2020	2019
Total managed assets (including double counting) at beginning of year	6,625,876	7,488,900
+/- Net new money inflow or net new money outflow	196,535	-1,648,163
+/- Price gains / losses, interest, dividends and currency gains / losses	-234,480	780,486
+/- Other effects	48,155	4,653
Total managed assets (including double counting) at end of year	6,636,086	6,625,876

The net new money inflow or outflow of managed assets comprises all cash and securities inflows / outflows. Interest, commissions and fees are excluded.

Changes related to customers' credit facilities are included in the item "Other effects".

Information on the income statement

Breakdown of the result from trading activities and the fair value option

Breakdown by underlying risk and based on the use of the fair value option

	2020	2019
In Swiss Francs		
Result from trading activities from:		
Foreign currencies	1,133,342	703,443
Total result from trading activities and the fair value option	1,133,342	703,443

Disclosure of material negative interests

Negative interest from claims were booked as negative receipts in the income statement via the item "Interest and discount income" and amounted to CHF 1.2 million in 2020 (2019: CHF 1.0 million).

Breakdown of personnel expenses

In thousands of Swiss Francs	2020	2019
Salaries (meeting attendance fees and fixed compensation to members of the Bank's governing bodies, salaries and benefits)	14,051	13,902
<i>of which, expenses relating to share-based compensation and alternative forms of variable compensation*</i>	5,138	5,181
Social insurance benefits	2,184	2,151
Changes in book value for economic benefits and obligations arising from pension schemes	-	-
Other personnel expenses	315	304
Total	16,550	16,357

*Restatement 2019 - Expenses relating to share-based compensation and alternative forms of variable compensation

Breakdown of general and administrative expenses

In thousands of Swiss Francs	2020	2019
Office space expenses	1,046	1,038
Expenses for information and communications technology	3,578	3,379
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	40	55
Fees of audit firm	393	261
<i>of which, for financial and regulatory audits</i>	313	261
<i>of which, for other services*</i>	80	-
Taxes and indirect taxes	250	163
Other operating expenses*	1,257	1,698
<i>of which, compensation for any cantonal guarantee</i>	-	-
Total	6,564	6,594

*Restatement 2019 - Reclassification from "Fees of audit firm for other services" into "Other operating expenses"

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

In thousands of Swiss Francs	2020	2019
Changes in reserves for general banking risks		
Creation from the income statement	-	2,000
Reclassification from other provisions	-	1,321

Presentation of current and deferred taxes and disclosure of tax rate

In thousands of Swiss Francs	2020	2019
Current taxes	1,208	2,077
Deferred taxes	-	-
Total	1,208	2,077

Current average income and capital taxes rate was approximately 17.3% of the operating result (2019: 21.6%).

Taxes on the reserves for general banking risks are deferred to the date of any dissolution, whether in part or totally.

Disclosure requirements as per FINMA Circ. 2016/1 "Disclosure – banks"

KM1 - Key prudential regulatory metrics

In thousands of Swiss Francs (unless otherwise stated)					
	a	b	c	d	e
	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019
Eligible capital					
1	Common Equity Tier 1 capital (CET1)	91,915			84,436
2	Tier 1 capital (T1)	136,915			129,436
3	Total capital (T1 + T2)	136,915			129,436
Risk-weighted assets (RWA)					
4	RWA	292,198			214,411
4a	Minimum capital requirements	23,376			17,153
Risk-based capital ratios (in % of RWA)					
5	CET1 ratio (in %)	31.46%			39.38%
6	T1 ratio (in %)	46.86%			60.37%
7	Total capital ratio (in %)	46.86%			60.37%
Additional CET1 buffer capital requirements (in % of RWA)					
8	Capital conservation buffer requirement according to Basel minimum requirements (in %)	2.50%			2.50%
9	Countercyclical buffer requirement according to Basel minimum requirements (in %)	0.00%			0.00%
10	Additional capital buffer due to national or international systemic importance (in %)	0.00%			0.00%
11	Total CET1 specific buffer capital requirements according to Basel minimum requirements (in %)	2.50%			2.50%
12	CET1 available after meeting the Bank's minimum capital requirements (in %)	26.96%			34.88%
Target capital ratios according to Annex 8 CAO (in % of RWA)					
12a	Capital conservation buffer requirement according to Annex 8 CAO (in %)	2.50%			2.50%
12b	Countercyclical capital buffer requirement (art. 44 and 44a CAO) (in %)	0.00%			0.00%
12c	CET1 target ratio according to Annex 8 CAO plus countercyclical buffer (art. 44 and 44a CAO) (in %)	7.00%			7.00%
12d	T1 target ratio according to Annex 8 CAO plus countercyclical buffer (art. 44 and 44a CAO) (in %)	8.50%			8.50%
12e	Total capital target ratio according to Annex 8 CAO plus countercyclical buffer (art. 44 and 44a CAO) (in %)	10.50%			10.50%

KM1 - Key prudential regulatory metrics (cont.)

In thousands of Swiss Francs (unless otherwise stated)						
	a	b	c	d	e	
	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019	
Basel III leverage ratio						
13	Total exposure	1,152,573			814,339	
14	Basel III leverage ratio (T1 in % of total exposure)	11.88%			15.89%	
Liquidity coverage ratio (LCR)						
15	Total high-quality liquid assets (HQLA)	180,016	148,235	140,428	130,041	124,084
16	Total net cash outflows	44,539	39,947	47,199	42,020	37,855
17	LCR (in %)	404.17%	371.07%	297.52%	309.48%	327.79%

Pursuant to FINMA Circ. 2016/1 margin no. 12, other mandatory tables are published at the Group level in a separate document entitled "Capital and Leverage Disclosures (Basel III)" for the first three quarters of the year, respectively in the Annual Report for the last quarter of the year (<https://www.nbk.com/nbk-group/financial-reports.html>).

ORA - General information on operational risk

Operational risk is defined as the risk of loss that stems from inadequate or failure of internal systems, internal controls, procedures, employee errors, breaches, fraud, or any external event. This definition comprises legal and compliance risks embedding a direct financial loss (including regulatory fines and settlements), as well as the risks related to the outsourcing of the back office activities and the maintenance of the banking system, but excludes strategic and reputational risks. Operational risk is inherent to the Bank's activities and needs to be managed properly to avoid any incident from a financial, regulatory and reputational perspective.

Strategy, processes and organisational structure for managing operational risks

The Institution-wide Risk Management Framework sets the organizational framework of the process of managing the operational risks and the steps to identify, measure, manage and monitor those risks. The Bank aims at mitigating significant operational risks it may inherently run to a level it considers appropriate and commensurate with its size, structure, nature and complexity of its service/product offerings, thus adequately protecting its assets and its shareholders' interests.

Main tools applied by the Risk Management function for the identification, assessment and monitoring of operational risks are:

- Assessment and monitoring of the identified key operational risks;
- Monitoring of key risk indicators;
- Collection, analysis and reporting of operational risk events and losses;
- Follow-up of actions taken to remedy key operational risk-related control issues.

The Bank continuously invests in its Business Continuity Management ("BCM"). It is a bank-wide management approach designed to ensure business-critical processes can be maintained or restored as quickly as possible in the event of (internal or external) incidents. The aim is to primarily protect the continuity of processes and activities and keep Bank's critical processes safe and secure in the event a specific threat occurs. The Bank's Business Plan is structured in such a way that the most important measures are implemented and tested at least once a year.

Risk management and control governance

The development, implementation and oversight of the Institution-wide Risk Management Framework is under the responsibility of the Risk Management Committee ("RMC"), while the primary responsibility for managing operational risk lies with the business lines (first line of defense). Indeed, internal directives and procedures for the important activities describe the responsibilities and day-to-day first level controls for each function within the Bank and the validation rules based on approval levels depending on the type of operations and the amount of transactions.

The RMC regularly reviews that the policies, procedures and instructions are correctly implemented by staff. Furthermore, it is responsible to regularly, but at least on a quarterly basis, inform the Executive Management Committee of the level of operational risks and the evolution of the key operational risks.

Approach used to calculate capital requirements

The Bank uses the Basic Indicator Approach to determine the minimum required capital for operational risk. The latter one corresponds to 15% of the average of the Gross Income ("GI") over the three previous years (i.e. the three one-year periods prior to the effective date of the last published income statement). Only years with positive earnings are taken into account.