

NBK Private Bank (Switzerland) Ltd

Annual Report

2021



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LETTER FROM THE CHAIRMAN

On behalf of the Board of Directors, I would like to report the following key figures of the 2021 results of NBK Banque Privée (Suisse) S.A.:

The Bank has exceptionally accrued an amount of CHF 16.3 million in relation to the decision to close the current long-term incentive plan for employees. The year-over-year comparison below excludes this extraordinary expense.

- Total Operating Income increased from CHF 30.4 million in 2020 to CHF 35.0 million in 2021, or an increase of +14.9%, mainly due to the increase of Assets under Management (AUM), which consequently generated a higher volume of transactions, and therefore, higher revenues.
- Total Operating Expenses increased from CHF 23.4 million in 2020 to CHF 25.0 million in 2021, or an increase of +6.7%, related to the Bank's business growth.
- Total Operating Result, therefore, increased from CHF 7.0 million in 2020 to CHF 10.0 million in 2021, or an increase of +42.3%.
- Resulting in a Net Profit increase from CHF 5.8 million in 2020 to CHF 9.7 million in 2021, before the exceptional staff expenses of CHF 16.3 million.

The above figures are showing a strong positive improvement from 2020, still operating in a difficult economic environment due to the Covid pandemic and resulting confinement.

2021 markets highlights

Despite the persistent headwinds of Covid-19, equity markets finished a bright 2021 year on record highs. The MSCI World added 4% in December and finished the year with a gain of 18.5% in a turbulent year marked by the rollout of Covid-19 vaccines and a still ultra-accommodating policy from the Federal Reserve and other Central Banks to support their economic recoveries.

In the US, major indices continued to outperform the less dynamic European markets. The S&P 500 index finished 2021 at an all-time high increasing by 26.9%, marking the benchmark's third straight positive year, outperforming the Dow Jones and the Nasdaq. European equity markets also finished on a strong note with the French index, the CAC 40, leading the pack with an advance of 28.9% (in local currency).

Emerging markets continued to show mixed results. Russia and India advanced in 2021 by 15% and 22%, respectively, whereas Brazil and China finished the year down by -11.9% and -5.2% in USD, respectively.

Strong corporate earnings boosted stocks in 2021. Companies' financial results have been a support throughout 2021. Estimated year-over-year corporate earnings growth rate for 2021 was 45.1%, according to FactSet. That would mark the highest annual earnings growth rate since tracking began in 2008.

On the Covid front, early Omicron variant worries receded as investors re-assessed its danger. Market participants were also relieved that the US government backed off from announcing another round of stricter measures or lockdowns. The Federal Reserve has not spooked the bond market too much

The 10-year US Treasury yield was remarkably subdued at around 1.50% despite the news and the jump in inflation throughout the year. The Barclays Global Aggregate Index shed another -0.4% in December resulting in a loss of -1.4% for 2021.

In the Commodities market, energy prices have been volatile in the last few weeks of December 2021. Concerns about demand due to restrictions on mobility (Omicron variant) has pushed the Brent crude oil price briefly below the USD 70 per barrel. However, prices recovered into the month-end as low inventories still pointed to a stable demand situation.

Foreign currency investments for USD based portfolios generally suffered in 2021. Despite a -0.8% decline in December, the Bloomberg Dollar Spot Index, a gauge for the USD, gained 4.7% for the year amid rising market expectations for the Federal Reserve to tighten monetary policy in 2022.

Outlook for 2022

As we enter 2022, the latest Covid variant, Omicron, is proving to be more contagious than Delta, but also less lethal. We can sense early signs that there is the possibility that Covid-19 pandemic could become endemic. Already some governments are easing quarantine measures or political leaders, such as the Spanish Prime Minister, are asking European officials to consider treating Covid-19 more like an endemic illness than a pandemic. Should this prove right, it will contribute to support a most likely positive economic scenario for the year.

As such, it is expected that the global economic growth should slow down in 2022, but still grow above trend at almost 5%, although with more divergence between regions than at any time during the pandemic (US remaining strong, Europe steady recovery and China slowing). Global inflation is expected to recede from the overheated pace of 2021, as supply chain bottlenecks become less acute.

The US Central Bank announced that purchases of Treasury and agency mortgage-backed securities would end by April 2022. The end of tapering will set the stage for three 25 basis points hikes in the federal funds rate over the rest of the year.

Bond markets globally are facing rising inflationary pressures. It is becoming more difficult to deny that we are facing an environment of more sustained rising prices.

The global macroeconomic environment remains fairly positive for equities considering the secular/long term positive tailwinds (e.g. monetary and fiscal policies, productivity gains, pandemic recovery, pent-up demand after supply chain improvements). A continuation of the 13-year secular bull market is most likely, but at a slower pace of gains and with more frequent and larger corrections.

A general increase of appetite for private investments coupled with the diversification offered by Real Estate and Private Equity for a higher return/lower liquidity trade-off will likely push investors to increase their exposure to these asset classes.

A marginal appreciation of the USD, on the back of strong economic momentum and relative increasing short-term interest rates, should support the potential of our business model.

Over the medium-term horizon, the increasing regulatory pressures on the financial industry that had to be addressed over the last few years are slowly decreasing as new challenges such as Environmental, Social and Governance considerations are emerging. The goal to reach zero net carbon emissions and the overall role that finance will play in reaching that target will be part of our daily work, as well as be integrated in our working processes for the coming decades.

It was widely expected that the global economy would further deteriorate as COVID-19 infections remained high during the northern-hemisphere winter. 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 accommodating 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 USD versus CHF could continue to be a drag on the Bank's results this year.

Acknowledging all stakeholders

I hope that NBK Banque Privée (Suisse) S.A. has demonstrated to its clients during these two incredibly challenging years, its resilience and its capability to constantly evolve, improving the quality of its services, while increasing its overall offering. My sincere thanks go first to our clients who maintained and developed their long-term relationships with the Bank, then to our new clients whom I welcome and hope that the Bank will serve their financial needs and others for many years to come.

The trust and support of NBK Group, as always, was strongly appreciated.

The experience and strong involvement of our employees, year after year, are what made all this possible. I like to extend them my gratitude.

A very special thank you goes to Mr. Sherif Barakat, who after having led the Bank for more than 27 years took his retirement in June last year.

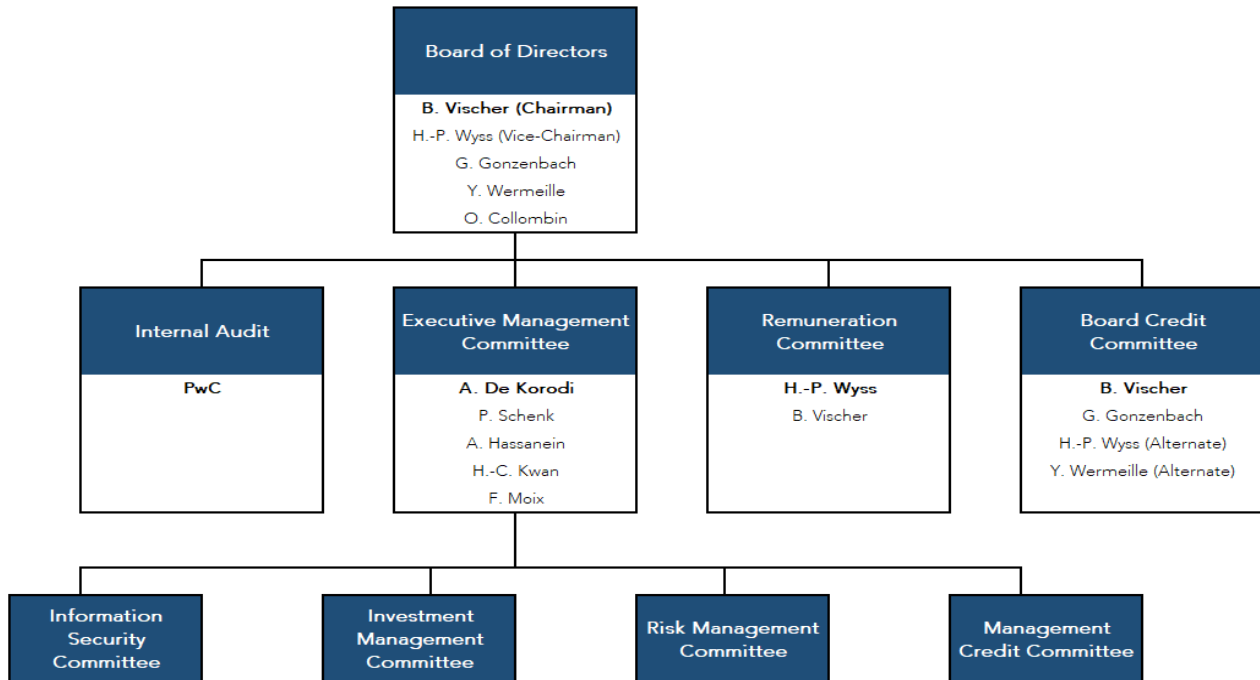
Despite the adversity, I think that the Bank is stronger than ever, well prepared to embark on a rich and rewarding future development.



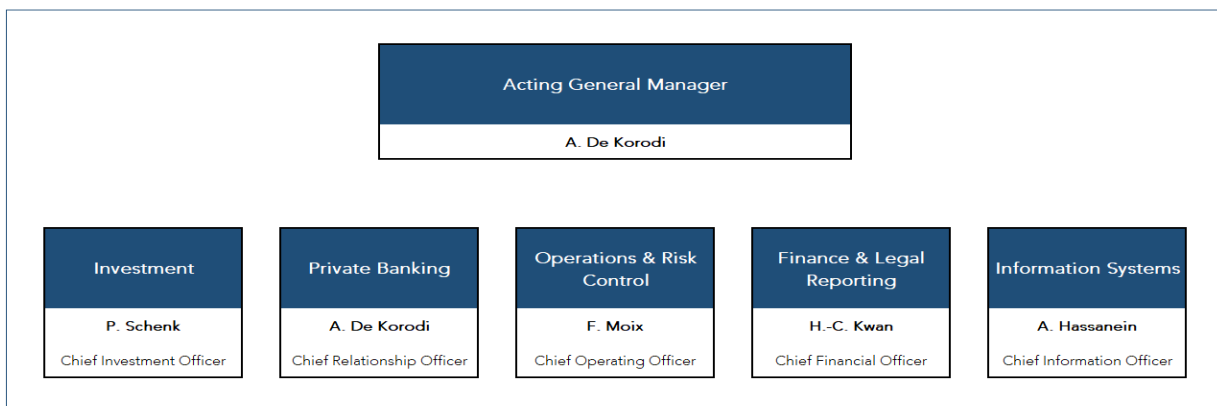
Bernard Vischer
Chairman of the Board of Directors
January 2022

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. 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.

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. Currently, he serves on the board of numerous companies and is a member of the Swiss Takeover Board.

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).

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.

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 serves on the board 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.

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.

Executive Management Committee

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 (Head of Private Banking). He is a member of the Executive Management Committee and is currently the Acting General Manager of the Bank since July 2021.

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 Zurich, as an Institutional Broker for Asian Equity Markets with Merrill Lynch in Zurich 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.

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, Zurich 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.

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 the Risk Management Committee, as well as leading both the Information Security and the Digital & Innovation Committees.

Prior to joining the Bank, Mr. Amrou Hassanein was a Quality Controller at CERN during the implementation of LHC (the Large Hadron Collider). 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, a Master of Advanced Studies in Information Security from University of Geneva, an Executive MBA from IMD Lausanne, as well as various certificates in Digital Transformation and Crisis Management. He has over 20 years of experience in Information Systems Management with a focus on banking and financial services industry.

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 an Executive MBA from IMD Lausanne and a Diplôme de l'Ecole Supérieure de Commerce de Genève.

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.

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

Geneva, 12 April 2022

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 13 to 47), for the year ended 31 December 2021.



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 31 December 2021 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^[9] complies with Swiss law and the company'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	31.12.2021	31.12.2020
Liquid assets	227,790,690	186,669,351
Amounts due from banks	274,727,403	233,454,365
Amounts due from customers	445,618,317	318,186,189
Positive replacement values of derivative financial instruments	20,001	531,983
Financial investments	2,936,795	6,078,884
Accrued income and prepaid expenses	2,573,967	1,936,362
Tangible fixed assets	346,876	510,078
Other assets	85	37,253
Total assets	954,014,134	747,404,465
Total subordinated claims	-	-
<i>of which subject to mandatory conversion and/or debt waiver</i>	<i>-</i>	<i>-</i>

Liabilities

In Swiss Francs	31.12.2021	31.12.2020
Amounts due to banks	144,184,210	128,372,459
Amounts due in respect of customer deposits	676,587,113	499,046,733
Negative replacement values of derivative financial instruments	243,559	785,506
Accrued expenses and deferred income	42,121,175	21,544,370
Other liabilities	789,000	867,147
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	5,076,289	4,786,289
Profit carried forward	58,661,106	53,158,844
Result of the period	-6,699,173	5,792,262
Total liabilities	954,014,134	747,404,465
Total subordinated liabilities	45,000,000	45,000,000
<i>of which subject to mandatory conversion and/or debt waiver</i>	<i>45,000,000</i>	<i>45,000,000</i>

Off-balance-sheet transactions

In Swiss Francs	31.12.2021	31.12.2020
Contingent liabilities	217,807,275	269,127,690
Irrevocable commitments	562,000	486,000

INCOME STATEMENT

In Swiss Francs	2021	2020
Result from interest operations		
Interest and discount income	3,891,223	4,205,658
Interest and dividend income from financial investments	182,930	118,381
Interest expense	-514,080	-695,594
Gross result from interest operations	3,560,073	3,628,445
Changes in value adjustments for default risks and losses from interest operations	-	-
Subtotal net result from interest operations	3,560,073	3,628,445
Result from commission business and services		
Commission income from securities trading and investment activities	43,738,725	36,813,873
Commission income from lending activities	176,995	187,880
Commission income from other services	724,823	634,653
Commission expense	-14,915,339	-11,960,441
Subtotal result from commission business and services	29,725,204	25,675,965
Result from trading activities and the fair value option	1,544,852	1,133,342
Other result from ordinary activities		
Result from the disposal of financial investments	152,317	11,688
Other ordinary income	-	-
Other ordinary expenses	-	-110
Subtotal other result from ordinary activities	152,317	11,578
Operating expenses		
Personnel expenses	-34,587,931	-16,549,778
General and administrative expenses	-6,519,177	-6,564,093
Subtotal operating expenses	-41,107,108	-23,113,871
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets	-266,475	-308,213
Changes to provisions and other value adjustments, and losses	-10,709	-27,166
Operating result	-6,401,846	7,000,080
Extraordinary income	-	492
Changes in reserves for general banking risks	-	-
Taxes	-297,327	-1,208,310
Result of the period	-6,699,173	5,792,262

APPROPRIATION OF PROFIT

In Swiss Francs	2021	2020
Result of the period	-6,699,173	5,792,262
Profit carried forward	58,661,106	53,158,844
Distributable profit	51,961,933	58,951,106
Appropriation of profit:		
• Allocation to statutory retained earnings reserve	-	290,000
New amount carried forward	51,961,933	58,661,106

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	Result of the period	Total
Equity as of January 1, 2021	15,000,000	4,786,289	15,321,200	58,951,106	-	94,058,595
Dividends and other distributions	-	-	-	-	-	-
Other allocations to the reserves for general banking risks	-	-	-	-	-	-
Other allocations to the other reserves	-	290,000	-	-290,000	-	-
Result of the period	-	-	-	-	-6,699,173	-6,699,173
Equity as of December 31, 2021	15,000,000	5,076,289	15,321,200	58,661,106	-6,699,173	87,359,422

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 84.38% 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 2021 was 46.6 (45.0 at the end of 2020).

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.

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>31.12.2021</u>	<u>31.12.2020</u>
USD	0.9148	0.8833
EUR	1.0348	1.0849

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, 2021.

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	-	438,880	6,738	445,618
Mortgage loans	-	-	-	-
Total loans (before netting with value adjustments)				
2021	-	438,880	6,738	445,618
2020	-	312,507	5,679	318,186
Total loans (after netting with value adjustments)				
2021	-	438,880	6,738	445,618
2020	-	312,507	5,679	318,186
Off-balance-sheet				
Contingent liabilities	-	217,773	34	217,807
Irrevocable commitments	-	562	-	562
Total off-balance-sheet				
2021	-	218,335	34	218,369
2020	-	269,358	256	269,614

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				
2021	-	-	-	-
2020	-	-	-	-

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	-	-	-	-	-	-
Currency swaps	-	244	70,440	20	-	2,936
Options (OTC)	-	-	-	-	-	-
Total before netting agreements						
2021	-	244	70,440	20	-	2,936
<i>of which, determined using a valuation model</i>	-	-	-	-	-	-
2020	517	506	44,614	15	280	45,814
<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		
2021	20	244
2020	532	786

Breakdown by counterparty

In thousands of Swiss Francs	Central clearing houses	Banks and securities firms	Other customers
Positive replacement values (after netting agreements)	-	20	-

Breakdown of financial investments

In thousands of Swiss Francs	Book value		Fair value	
	2021	2020	2021	2020
Debt securities	-	1,738	-	1,806
<i>of which, not intended to be held to maturity (available for sale)</i>	-	1,738	-	1,806
Equity investment funds	1,967	1,899	3,376	2,421
Alternative investment funds	970	2,442	1,019	2,565
Total	2,937	6,079	4,395	6,792
<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	-	-	-	-	-

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	2021							
	Acquisition cost	Accumulated depreciation	Book value as at 31.12.2020	Additions	Disposals	Depreciation	Reversals	Book value as at 31.12.2021
Leasehold improvements	1,669	-1,499	170	87	-	-97	-	160
Other tangible fixed assets	2,933	-2,593	340	16	-	-169	-	187
Total tangible fixed assets	4,602	-4,092	510	103	-	-266	-	347

Breakdown of other assets and other liabilities

In thousands of Swiss Francs	Other assets		Other liabilities	
	2021	2020	2021	2020
Compensation account	-	-	-	7
Indirect taxes	-	37	789	859
Other	-	-	-	1
Total	-	37	789	867

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, 2020, as well as additional information transmitted by the pension plan institution on the evolution of the financial situation over 2021.

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, 2021, was evaluated at 123.50% (31.12.2020: 114.64%).

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, 2021, the employer contribution reserves (ECR) amounted to CHF 459'878 (31.12.2020: 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 31.12.2021	Economic interest of the Bank		Change in economic interest (economic benefit / obligation) versus 2020	Contributions paid for 2021	Pension expenses in personnel expenses	
		2021	2020			2021	2020
Pension plans without overfunding / underfunding	100.00%	-	-	-	488	488	531
Pension plans with overfunding	123.50%	-	-	-	791	791	753

Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during 2021

In thousands of Swiss Francs	Balance at 31.12.2020	Use in conformity with designated purpose	Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at 31.12.2021
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	-	-	-	-	-	-	-	-
<i>of which, value adjustments for default risks in respect of impaired loans / receivables</i>	-	-	-	-	-	-	-	-
<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 the Executive Management Committee members. Through this scheme, part of the bonuses is paid in shares, which are deferred and are subject to a clawback provision defined in the participant plan during the four subsequent years (lock-up period).

On January 11, 2022, the Board of Directors approved the unwinding of the current incentive and retention scheme.

The valuation of equity securities is 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, 2021, for shares after lock-up period.

In 2021, CHF 2.3 million were recorded in the personnel expenses, composed by deferred bonuses, the performance premium (31.12.2020: CHF 2.0 million), and an exceptional accruals of CHF 16.3 million related to the plan's termination.

	Number of Equity securities (in '000)		Value of Equity securities (in '000 CHF)	
	2021	2020	2021	2020
Members of executive bodies	788	1,191	4,540	7,232
Employees	1,555	1,033	8,945	6,180
Total	2,343	2,224	13,485	13,412

Disclosure of amounts due from / to related parties

In thousands of Swiss Francs	Amounts due from		Amounts due to	
	2021	2020	2021	2020
Holdings of qualified participations	45,503	35,517	115,356	121,570
Group companies	-	-	-	-
Linked companies	36,902	33,875	29,600	7,638
Transactions with members of governing bodies	31,169	19,927	14,620	11,935
Other related parties	-	-	-	-
Total	113,574	89,319	159,576	141,143

In thousands of Swiss Francs	Contingent assets		Contingent liabilities	
	2021	2020	2021	2020
Holdings of qualified participations	200,000	200,097	5,709	6,377
Group companies	-	-	-	-
Linked companies	-	-	6,356	7,657
Transactions with members of governing bodies	11,804	14,843	-	-
Other related parties	-	-	-	-
Total	211,804	214,940	12,065	14,034

Holdings of qualified participations and linked companies:

"Amounts due from" and "Amounts 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

	2021		2020	
	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	12,656,940	84.38%	12,775,680	85.17%
Christian Girod, LL.M., Geneva, Switzerland	2,343,060	15.62%	-	-
Schellenberg Wittmer Ltd, Switzerland	-	-	2,224,320	14.83%

Mr. Christian Girod, Partner at Schellenberg Wittmer Ltd, holds the fiduciary ownership of the shares granted to the employees, 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	227,791	-	-	-	-	-	-	227,791
Amounts due from banks	165,933	-	108,794	-	-	-	-	274,727
Amounts due from customers	-	380,301	14,416	29,430	21,471	-	-	445,618
Positive replacement values of derivative financial instruments	20	-	-	-	-	-	-	20
Financial investments	2,937	-	-	-	-	-	-	2,937
Total assets / financial instruments								
2021	396,681	380,301	123,210	29,430	21,471	-	-	951,093
2020	390,547	243,978	67,869	20,029	22,497	-	-	744,920
Debt capital / financial instruments								
Amounts due to banks	4,128	-	50,683	26,077	18,296	45,000	-	144,184
Amounts due in respect of customer deposits	676,587	-	-	-	-	-	-	676,587
Negative replacement values of derivative financial instruments	244	-	-	-	-	-	-	244
Total debt capital / financial instruments								
2021	680,959	-	50,683	26,077	18,296	45,000	-	821,015
2020	531,813	-	18,504	15,222	17,666	45,000	-	628,205

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

In thousands of Swiss Francs	2021		2020	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	227,791	-	186,669	-
Amounts due from banks	74,101	200,626	60,282	173,172
Amounts due from customers	8,646	436,972	8,611	309,575
Positive replacement values of derivative financial instruments	-	20	517	15
Financial investments	-	2,937	-	6,079
Accrued income and prepaid expenses	2,574	-	1,920	17
Tangible fixed assets	347	-	510	-
Other assets	-	-	37	-
Total assets	313,459	640,555	258,546	488,858
Liabilities				
Amounts due to banks	-	144,184	310	128,062
Amounts due in respect of customer deposits	5,123	671,464	578	498,469
Negative replacement values of derivative financial instruments	84	160	-	786
Accrued expenses and deferred income	42,121	-	21,544	-
Other liabilities	789	-	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	5,076	-	4,786	-
Profit carried forward	58,661	-	53,159	-
Result of the period	(6,699)	-	5,792	-
Total liabilities	138,206	815,808	120,087	627,317

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

	2021		2020	
	Absolute (in '000 CHF)	Share as %	Absolute (in '000 CHF)	Share as %
Europe	462,707	48.5%	361,509	48.4%
<i>Switzerland</i>	313,459	32.9%	258,546	34.6%
<i>Other European countries</i>	149,248	15.6%	102,963	13.8%
Middle East	365,191	38.3%	279,147	37.3%
America	116,985	12.3%	99,923	13.4%
Asia / Oceania	1,011	0.1%	1,263	0.2%
Africa	8,120	0.8%	5,562	0.7%
Total assets	954,014	100.00%	747,404	100.0%

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

			Net foreign exposure 31.12.2021		Net foreign exposure 31.12.2020	
			In CHF	Share as %	In CHF	Share as %
Bank's own country rating	Standard & Poor's (S&P)	Internal rating				
Prime	AAA	1	216,962	33.9%	157,937	32.3%
High grade	AA+, AA, AA-	2	325,611	50.8%	244,449	50.0%
Upper medium	A+, A, A-	3	50,199	7.9%	41,682	8.5%
Lower medium	BBB+, BBB, BBB-	4	37,973	5.9%	36,368	7.5%
Non-investment grade	BB+, BB, BB-	5	9,809	1.5%	8,305	1.7%
Highly speculative	B+, B, B-	6	-	0.0%	-	0.0%
Substantial risks / In default	CCC+ to D	7	-	0.0%	117	0.0%
Total			640,554	100.0%	488,858	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	227,495	193	31	72	227,791
Amounts due from banks	2,344	75,369	117,485	79,529	274,727
Amounts due from customers	23,217	31,316	327,412	63,673	445,618
Positive replacement values of derivative financial instruments	20	-	-	-	20
Financial investments	-	-	2,937	-	2,937
Accrued income and prepaid expenses	2,125	-	254	195	2,574
Tangible fixed assets	347	-	-	-	347
Other assets	-	-	-	-	-
Total assets shown in balance sheet	255,548	106,878	448,119	143,469	954,014
Delivery entitlements from spot exchange, forward forex and forex options transactions	2,953	-	70,439	-	73,392
Total assets	258,501	106,878	518,558	143,469	1,027,406
Liabilities					
Amounts due to banks	47,444	415	69,472	26,853	144,184
Amounts due in respect of customer deposits	8,602	106,240	445,642	116,103	676,587
Negative replacement values of derivative financial instruments	244	-	-	-	244
Accrued expenses and deferred income	41,659	-	449	13	42,121
Other liabilities	789	-	-	-	789
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	5,076	-	-	-	5,076
Profit carried forward	58,661	-	-	-	58,661
Result of the period	-6,699	-	-	-	-6,699
Total liabilities shown in the balance sheet	188,827	106,655	515,563	142,969	954,014
Delivery obligations from spot exchange, forward forex and forex options transactions	70,456	-	2,936	-	73,392
Total liabilities	259,283	106,655	518,499	142,969	1,027,406
Net position per currency	-782	223	59	500	-

Information on off-balance-sheet transactions

Breakdown and explanations of contingent assets and liabilities

In thousands of Swiss Francs	2021	2020
Guarantees to secure credits and similar	217,807	269,128
<i>Guarantees issued</i>	36,374	36,131
<i>Investment commitments</i>	181,433	232,997
Performance guarantees and similar	-	-
Irrevocable commitments arising from documentary letters of credit	-	-
Other contingent liabilities	-	-
Total contingent liabilities	217,807	269,128
Contingent assets arising from tax losses carried forward	-	-
Other contingent assets	200,000	200,097
Total contingent assets	200,000	200,097

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	2021	2020
Fiduciary investments with linked companies	656,663	752,794
Fiduciary investments with third-party companies	343,862	351,118
Other fiduciary transactions	-	-
Total	1,000,525	1,103,912

Breakdown of managed assets and presentation of their development

a) Breakdown of managed assets

In thousands of Swiss Francs	2021	2020
Type of managed assets		
Assets in collective investment schemes managed by the Bank	-	-
Assets under discretionary asset management agreements	2,713,080	2,257,724
Other managed assets	4,936,716	4,378,362
Total managed assets (including double counting)	7,649,796	6,636,086
<i>of which, double counting</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	2021	2020
Total managed assets (including double counting) at beginning of year	6,636,086	6,625,876
+/- Net new money inflow or net new money outflow	84,983	196,535
+/- Price gains / losses, interest, dividends and currency gains / losses	813,479	-234,480
+/- Other effects	115,248	48,155
Total managed assets (including double counting) at end of year	7,649,796	6,636,086

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

	2021	2020
In Swiss Francs		
Result from trading activities from:		
Foreign currencies	1,544,852	1,133,342
Total result from trading activities and the fair value option	1,544,852	1,133,342

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 1.5 million in 2021 (2020: CHF 1.2 million).

Breakdown of personnel expenses

In thousands of Swiss Francs	2021	2020
Salaries (meeting attendance fees and fixed compensation to members of the Bank's governing bodies, salaries and benefits)	31,978	14,051
<i>of which, expenses relating to share-based compensation and alternative forms of variable compensation</i>	<i>23,049</i>	<i>5,138</i>
Social insurance benefits	2,212	2,184
Changes in book value for economic benefits and obligations arising from pension schemes	-	-
Other personnel expenses	398	315
Total	34,588	16,550

Salaries include an accrual of CHF 16.3 million as per directives defined in the employees' Long Term Incentive plan.

Breakdown of general and administrative expenses

In thousands of Swiss Francs	2021	2020
Office space expenses	1,054	1,046
Expenses for information and communications technology	3,587	3,578
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	36	40
Fees of audit firm	250	393
<i>of which, for financial and regulatory audits</i>	<i>250</i>	<i>313</i>
<i>of which, for other services</i>	<i>-</i>	<i>80</i>
Taxes and indirect taxes	186	250
Other operating expenses	1,406	1,257
<i>of which, compensation for any cantonal guarantee</i>	<i>-</i>	<i>-</i>
Total	6,519	6,564

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

	2021	2020
In thousands of Swiss Francs		
Changes in reserves for general banking risks		
Affecting the income statement	-	-
Reclassification from other provisions	-	-

Presentation of current and deferred taxes and disclosure of tax rate

In thousands of Swiss Francs	2021	2020
Current taxes	297	1,208
Deferred taxes	-	-
Total	297	1,208

Due to the net losses in 2021, the current taxes rate amounted to 0.4% of the taxable capital (2020: the average income and capital taxes rate was 17.3%).

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
	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
Eligible capital					
1	Common Equity Tier 1 capital (CET1)	85,214			91,915
2	Tier 1 capital (T1)	130,214			136,915
3	Total capital (T1 + T2)	130,214			136,915
Risk-weighted assets (RWA)					
4	RWA	293,340			292,198
4a	Minimum capital requirements	23,467			23,376
Risk-based capital ratios (in % of RWA)					
5	CET1 ratio (in %)	29.05%			31.46%
6	T1 ratio (in %)	44.39%			46.86%
7	Total capital ratio (in %)	44.39%			46.86%
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 %)	24.55%			26.96%
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	
	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020	
Basel III leverage ratio						
13	Total exposure	1,207,889				1,152,573
14	Basel III leverage ratio (T1 in % of total exposure)	10.78%				11.88%
Liquidity coverage ratio (LCR)						
15	Total high-quality liquid assets (HQLA)	227,650	198,043	189,300	183,209	180,016
16	Total net cash outflows	51,931	48,658	48,226	46,983	44,539
17	LCR (in %)	438.37%	407.01%	392.52%	389.95%	404.17%
Net stable funding ratio (NSFR)						
18	Total available stable funding (ASF)	689,533				537,023
19	Total required stable funding (RSF)	329,517				292,353
20	NSFR (in %)	209.26%				183.69%

Pursuant to FINMA Circ. 2016/1 margin no. 12, other mandatory tables, except the table "ORA", 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.