



QNB (Switzerland) Ltd

Annual Report 2019

for the year ending

December 31st, 2019

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QNB Group in 2019 had another year of outstanding performance, one of the best set of results in the Group's history, demonstrating a steady and sustained growth trajectory. QNB's clear strategy, disciplined execution, unique international footprint and brand strength delivers another year of sustainable profitable growth.

Key Financial Highlights

- Net Profit for the year topped QAR 14.4 billion, an increase of 4% from last year.
- Total assets reached QAR 945 billion, up by 10% from December 2018.
- Loans and advances reached QAR 679 billion, up by 10% from December 2018.
- Customer deposits reached QAR 684 billion, up by 10% from December 2018.
- Healthy Loans to Deposits ratio of 99.2%.
- Strong cost to income ratio of 25.9%.
- Earnings per share increased to QAR 1.45, compared to QAR1.44 last year.
- Total Equity reached QAR 95 billion, up by 7% from December 2018.
- QNB Group's presence spans more than 31 countries serving approximately 25 million customers through more than 1,100 locations, 4,300 ATMs supported by 29,000 staff.

Enhance long-term shareholder value through sustainable, profitable growth

Income statement results

For the year ended 31 December 2019, Net Profit topped QAR14.4 billion, an increase of 4% compared to last year. Operating Income increased by 4% to QAR 25.6 billion. This reflects QNB Group's success in maintaining growth across the range of revenue sources.

The Group's drive for operational efficiency is yielding cost-savings in addition to sustainable revenue generating sources. This helped QNB Group to maintain a strong efficiency (cost to income) ratio of 25.9%, which is considered one of the best ratios among large financial institutions in the MEA region.

Balance sheet drivers

Total Assets reached QAR 945 billion, an increase of 10% from last year. Solid growth in Loans and Advances by 10% achieving QAR 679 billion, which contributed to the growth in Total Assets. This was mainly funded by strong customer deposits generation which helped to increase customer deposits by 10%, to reach QAR684 billion from 31 December 2018. QNB's robust asset liability management capabilities helped QNB Group to improve its loans to deposits ratio to 99.2% as at 31 December 2019.

Credit quality

The ratio of non-performing loans to gross loans amounted to 1.9% as at 31 December 2019, one of the lowest amongst financial institutions in the MEA region, reflecting the high quality of the Group's loan book and the effective management of credit risk. The Group's conservative policy in regard to provisioning resulted in the coverage ratio at 100% as at 31 December 2019.

Capital strength

Group Capital Adequacy Ratio (CAR) as at 31 December 2019 amounted to 18.9%, higher than the regulatory minimum requirements of the Qatar Central Bank and Basel Committee. Currency headwinds in our core markets had limited impact on the CAR.

Top-tier credit ratings

QNB Group's solid financial strength is supported by top tier credit ratings that continues to attract institutional, corporate and individual customers to bank with QNB, and for investors and markets to believe in the Group's strong financial position and strategy.

QNB remains the highest-rated bank in Qatar and one of the highest-rated banks in the world with ratings of Aa3 from Moody's, A from S&P and A+ from Fitch.

Growing international presence

In September 2019, QNB Group obtained the regulatory approvals from Hong Kong Monetary Authority (HKMA) to open a branch in Hong Kong, one of the world's global financial hubs. The branch will provide a full range of banking products and services to corporate entities. QNB Group serves a customer base of approximately 25 million customers supported by 29,000 staff resources operating from more than 1,100 locations and 4,300 ATMs.

I would like to conclude by expressing my sincere gratitude to the Board of Directors for their strong support and guidance.

I extend my appreciation to QNB (Switzerland) Ltd Executive Management and staff for their commitment to fulfill QNB Group's strategy. I wish them every success in the implementation of the evolving strategy in the coming years.

Abdulla Mubarak Al-Khalifa

Group Chief Executive Officer
Chairman of the Board of Directors
January 24th, 2020

I am delighted to present QNB (Switzerland) Ltd ('the Bank') financial results for the year 2019. In spite of the uncertain economic and political climate on a global scale and strong regulatory headwinds, the Bank managed to retain the majority of its Assets under Management.

The Bank maintains an agile business approach aiming to seize new opportunities, namely driven by changes in the competitive and regulatory landscape. As such, the Bank is currently exploring enhancing its products offering by adding advisory services to its current platform.

The Bank's revenues reflects the highly competitive environment featuring negative interest rates, intense regulatory scrutiny and further consolidation in the private banking industry in Switzerland.

Client assets (including loans) totaled CHF 3.2 billion as at 31.12.2019, of which CHF 2.4 billion (31.12.2018: CHF 2.6 billion) were held in cash, fiduciary deposits and securities and CHF 0.8 billion (31.12.2018: CHF 0.8 billion) in loans.

The Bank generated a net profit of CHF 1.6 million in 2019, which was similar to 2018 (CHF 1.7 million). Total balance sheet assets were CHF 1'085 million as at 31.12.2019 (CHF 1'049 million as at 31.12.2018).

The Bank remains well capitalized, having CHF 146 million of shareholder's equity, in addition to a subordinated loan of CHF 25 million from the QNB Group.

We maintain a positive outlook for 2020 and are confident that we will gain momentum in the growth of our different business lines in Switzerland whilst delivering exceptional levels of service to our clients.

I take this opportunity to extend our appreciation to our esteemed clients for their continued trust and confidence. We look forward to enhance their experience with the QNB Group.

I would like to conclude by expressing my sincere gratitude to the QNB Group for its unwavering support and kind guidance in recent years and thank QNB (Switzerland) Ltd team for their contribution and commitment throughout 2019.

Ghadeer Abu Hijleh
Chief Executive Officer
January 24th, 2020



QNB (Switzerland) Ltd
Report of the Statutory Auditors

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of QNB (Suisse) SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 10 to 34) for the year ended 31 December 2019.

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 2019 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

KPMG SA

Olivier Gauderon
Licensed Audit Expert
Auditor in Charge

Romain Tranchant
Licensed Audit Expert

Geneva, 24 January 2020



QNB (Switzerland) Ltd

Financial Statements

As at and for the year ended

31 December 2019

Balance sheet

As at 31 December 2019

Assets	Notes	31.12.2019	31.12.2018
CHF 1'000			
Liquid assets		57,131	16,637
Amounts due from banks		233,976	187,349
Amounts due from customers	3.1	749,588	791,713
Mortgage loans	3.1	30,727	37,455
Financial investments	3.2	7,828	7,902
Accrued income and prepaid expenses		3,694	4,303
Tangible fixed assets	3.3	2,244	2,849
Other assets	3.4	286	329
Total assets		1,085,474	1,048,537

Total subordinated assets - -

Liabilities and shareholder's equity	Notes	31.12.2019	31.12.2018
CHF 1'000			
Amounts due to banks		746,360	804,342
Amounts due to customers		186,159	92,840
Accrued expenses and deferred income		6,357	6,405
Other liabilities	3.4	41	28
Provisions	3.7	60	60
Total liabilities		938,977	903,675
Share capital	3.8	150,000	150,000
Statutory retained earnings reserve		1,775	1,775
Loss brought forward		(6,913)	(8,608)
Profit for the year		1,635	1,695
Total shareholder's equity		146,497	144,862
Total liabilities and shareholder's equity		1,085,474	1,048,537

Total subordinated liabilities 25,000 25,000
of which subject to mandatory conversion and/or debt waiver - -

Off-balance sheet transactions

	Notes	31.12.2019	31.12.2018
CHF 1'000			
Contingent liabilities		213	218
Irrevocable commitments		22,632	16,663

Income statement

For the year 2019

	Notes	2019	2018
CHF 1'000			
Result from interest operations			
Interest and discount income		24,213	24,370
Interest and dividend income from financial investments		119	189
Interest expense		(10,763)	(10,292)
Gross results of interest operations		13,569	14,267
Changes in value adjustments due to default risk as well as losses from interest operations		(130)	(111)
Net results of interest operations	5.1	13,439	14,156
Result from commissions business and services			
Commission income from securities trading and investment activities		5,901	5,833
Commissions income from lending activities		82	150
Commission income from other services		465	450
Commission expenses		(1,969)	(2,074)
Results of commissions from business and services		4,480	4,359
Net result from trading operations and from the fair value option	5.2	121	97
Other result from ordinary activities			
Other ordinary income		582	557
Other ordinary expenses		(50)	(15)
Other result from other ordinary activities		532	542
Operating expenses			
Personnel expenses	5.3 - 3.6	(8,104)	(8,304)
Other general and administrative expenses	5.4	(6,304)	(5,809)
Operating expenses		(14,408)	(14,113)
Value adjustments on equity interests as well as depreciation on fixed assets		(1,176)	(829)
Changes in provisions and other value adjustments as well as losses		(607)	-
Operating result		2,381	4,212
Extraordinary income	5.5	415	-
Extraordinary expenses	5.6	(386)	(1,789)
Change in reserves for general banking risks		-	-
Taxes	5.7	(775)	(728)
Profit for the year		1,635	1,695

APPROPRIATION OF THE NET ACCUMULATED LOSSES

As at 31 December, 2019

	Notes	2019	2018
CHF 1'000			
Result appropriation			
Profit for the year		1,635	1,695
Loss carried forward		(6,913)	(8,608)
Net accumulated loss		(5,278)	(6,913)

Statement of cash flow

For the year ended 31 December 2019

CHF 1'000	2019		2018	
	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Cash flow from operation results (internal financing):				
Profit or loss for the year	1,635	-	1,695	-
Change in reserves for general banking risks	-	-	-	-
Value adjustments on depreciations on fixed assets	1,176	-	829	-
Value adjustments on equity interests	-	-	111	-
Change in value adjustments for default risks and losses	130	-	60	-
Depreciation of financial investments	-	-	9	-
Net income from disposal of investments in associated companies	-	-	-	-
Net income from disposal of fixed assets	-	-	-	-
Reserves for general banking risks	-	-	-	-
Accrued income and prepaid expenses	609	-	-	777
Accrued expenses and deferred income	-	48	3,046	-
Other assets	43	-	-	268
Other liabilities	13	-	21	-
Balance	3,558	-	4,726	-
Cash flow from changes in shareholder's equity:				
Capital increase paid-in	-	-	-	-
Other reserves	-	-	-	-
Balance	-	-	-	-
Cash flow from transactions in equity interests and fixed assets:				
Financial Investments	-	-	4,884	-
Fixed assets	-	571	-	976
Balance	-	571	3,908	-
Cash flow from medium to long-term banking business (>1year):				
Amounts due to banks	-	57,982	-	25,140
Amounts due to customers	-	-	-	-
Amounts due from banks	-	-	-	-
Amounts due from customers	41,995	-	24,415	-
Mortgage loans	6,728	-	-	7,747
Financial investments	74	-	-	-
Balance	-	9,185	-	8,472
Cash flow from short-term banking business:				
Amounts due to banks	-	-	-	-
Amounts due arising from securities financing transactions	-	-	-	-
Liabilities from customer deposits	93,319	-	929	-
Money market paper issued	-	-	-	-
Amounts due from banks	-	46,627	-	63,894
Amounts due from customers	-	-	-	-
Fixed assets	-	-	-	-
Accrued income and prepaid expenses	-	-	-	-
Balance	46,692	-	-	62,965
Liquid assets at the beginning of the year	-	16,637	-	79,441
Net movement of the liquid assets	-	40,494	-	-62,804
Liquid assets at the end of the year	-	57,131	-	16,637

Statement of changes in equity For the year ended 31 December 2019	Share capital*	Statutory Retained earnings Reserves	Voluntary retained earnings and retained earnings / (losses) brought forward	Profit or (loss) for the Year	Total
CHF 1'000					
Shareholder's equity as at the end of the reporting year 2018	150,000	1,775	(8,608)	1,695	144,862
Other contributions Other allocations to (withdrawals from) other reserves	-	-	1,695	(1,695)	-
Profit for the year	-	-	-	1,635	1,635
Shareholder's equity as at the end of the reporting year 2019	150,000	1,775	(6,913)	1,635	146,497

*** Share Capital**

CHF 1'000

Fully paid up capital 150,000

Statutory retained earnings reserves of KCHF 1'775 is the net assets of QNB Real Estate Switzerland Ltd. absorbed by QNB (Switzerland) SA in 2017.

1. Comments on business activities and risk management

1.1 General

QNB (Switzerland) Ltd, formerly QNB Banque Privée (Suisse) SA, (the "Bank"), a Swiss limited liability company, located in Geneva, is a wholly owned Swiss private banking subsidiary of Qatar National Bank (Q.P.S.C.) in Doha, the largest bank in the State of Qatar.

The entity was incorporated on September 28th, 2007 and received its banking license on May 19, 2009.

The Bank is regulated by the Swiss Financial Market Supervisory Authority ("FINMA") and is subject to Swiss banking rules and regulations. The Bank offers a full range of private banking and wealth management services.

1.2 Personnel

As of December 31st, 2019, the Bank has 29 full time employees (vs. 27 in 2018).

1.3 Major Events

The appointment of Ms. Ghadeer Abu Hijleh as the Chief Executive Officer ('CEO') was confirmed in May 2019.

Various changes occurred in the Executive Management Committee ('EMC') during 2019. At Q4 2019, the members of the EMC were Ms. Ghadeer Abu Hijleh (CEO); Mr. François Foliguet (Head of Risk) and Mr. David Ryan (Head of Finance).

A new Head of Private Banking (Mr. Zakaria Siblini) was recruited in 2019 and will commence working at the Bank in January 2020. It is intended to appoint Mr. Siblini to the EMC in 2020.

A new five year contract was signed with Avaloq Sourcing in December 2019.

1.4 Outsourcing

The Bank outsources the management, development and maintenance of its core Banking system (Avaloq) software and its back office operations to Avaloq Sourcing in Switzerland, a Swiss market leader in this field.

Outsourcing services are provided under the terms of a bespoke Service Level Agreement and managed via continuous quality and performance reviews performed by Avaloq Sourcing as well as stringent monitoring by the Bank.

The maintenance of the IT infrastructure has been migrated to Swisscom (previously Safehost) and will be completed by the end of Q1 2020.

1.5 Risk Management Principles

Risk management principles are based on the Bank's organization rules and the broader range of policies and procedures in place. Policies are reviewed periodically by management and approved by the Board of Directors.

The management committee of the Bank as well as the Board of Directors are regularly updated on the overall risk profile of the Bank. In addition, at a minimum on a yearly basis, the Board of Directors shall set a defined risk appetite for the Bank.

Risk management ensures that all significant risks associated with the Bank's activities are identified, assessed and mitigated in a proper and timely manner.

Specific limits are allocated to different types of risk and adherence to such limits is monitored regularly.

A permanent monitoring of the financial situation and performance, regulatory changes, and overall risk and compliance issues, allows the Executive Management Committee to be regularly informed.

In relation to organizational structure, the Bank has three levels of risk management / risk controlling responsibilities:

1. Overall guidance and supervision performed by the Board of Directors, who are responsible for the risk appetite and the risk management strategy.
2. Management and operational supervision by the Executive Management Committee (implementation of risk management strategies).
3. Risk control, primarily by the Risk department and under the responsibility of the Head of Risk.

Moreover, the Board of Directors and the Executive Management Committee have established bespoke committees at their respective levels (e.g. Audit & Compliance Committee, ALCO) to ensure adequate monitoring and risk mitigation.

Credit Risk

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection.

The default risk is mitigated by the fact that exposures are in most cases secured by collateral.

All facilities are reviewed and approved both by the Bank and by the group credit organization.

Authorization structure

Collateral

The Bank mitigates credit risk by pledging eligible collateral. Collateral in most cases would be liquid assets or bank guarantees issued by reputable banks.

Monitoring

Regular monitoring is performed on all facilities and the Bank promptly initiates corrective action.

Bank exposures

The Bank has a set of defined limits approved by the Group. Adherence to the limits is monitored on a daily basis.

Market risks

Market risk is the possibility of an investor experiencing losses due to factors that affect the overall performance of the financial markets in which he or she is involved. The main risk factors relate to interest rates, prices of equity-type securities, exchange rates and prices of precious metals.

Interest Rate Risk

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that change in interest rates will adversely affect the value of the financial instruments and the related income. Exposure to interest rate risk is monitored regularly and sensitivity analysis on future cash flows is undertaken.

Foreign Exchange Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Bank's functional currency is the Swiss Franc.

Foreign exchange risk is controlled by the use of overnight exposure limits and a daily review of the foreign exchange position in each currency.

Liquidity Risk

Liquidity or funding risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. Regulatory liquidity ratios are to be adhered to all times.

QNB considers the prudent management of liquidity as essential in ensuring a sustainable and profitable business and in retaining the confidence of the financial markets.

The Executive management committee of the bank has set up a dedicated committee responsible for defining and monitoring the Bank's asset / liability management rules (Asset Liability Management Committee). This Committee also reviews all of the Bank's treasury activities and ensures that its prudential ratios are strictly adhered to. The prerogatives and functioning of ALCO are detailed in an internal Bank procedure.

Operational Risk

Operational risk is the risk of a direct or an indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit and market risks. Operational risk may arise from all of the Bank's operations.

The mitigation of operational risk is achieved with an established framework of policies and procedures.

Compliance with policies and procedures is also achieved by periodic reviews undertaken by internal and external auditors. The results of these reviews are discussed with the Executive Management and a summary is provided to the Board of Directors.

Compliance and Legal Risks

The Head of Compliance & Internal Control ensures the Bank adherence to prevailing laws and regulations and the enforcement of best market practices within the private banking industry. He promotes the creation of a sound compliance culture throughout the Bank and the ethical values of QNB Group. He reports quarterly to the Audit & Compliance Committee his analysis of the Bank's compliance risks and issues, as well as to the Group Chief Compliance Officer on a monthly basis.

The Head of Compliance & Internal Control has also a direct access to the Board of Directors and reports on a daily basis to the Bank's Chief Executive Officer. He also supports the Bank's Executive Management Committee in reviewing new legislation being developed by supervisory authorities, the Government, Parliament or other regulatory bodies.

The Executive Management Committee also ensures that the Bank's internal directives are updated according to new legislation or regulations. External legal counsel is used where necessary for legal questions or assistance.

2. Accounting and valuation principles

2.1 Accounting and valuation principles

The Bank's financial statements, bookkeeping and accounting are prepared in accordance with the Swiss regulations, the Swiss Federal Law on Banks and its relative Implementing Ordinance, as well as the statutory provisions and directives issued by FINMA governing the preparation of financial statements (Circular 2015/1 Accounting - Banks).

2.2 Recording of transactions

All transactions made up to the date of the balance sheet are accounted for and valued on a daily basis according to recognized principles. The results of these operations are included in the income statement. Transactions performed (including money transactions and spot securities transactions) are included in the balance sheet based on the transaction date.

2.3 Foreign currencies

Transactions in foreign currencies occurring during the course of the year are converted at the rate in effect at the time the transaction was recognized. Gains and losses arising from foreign currency transactions are included in the income statement as realized during the course of the period.

Foreign currency assets and liabilities existing at the balance sheet date were converted into Swiss Franc equivalents using the year-end foreign currency rates disclosed below, the effects of which are included in results from trading operations.

	<u>31.12.2019</u>	<u>31.12.2018</u>
QAR/CHF	0.2656	0.2702
USD/CHF	0.9669	0.9835
GBP/CHF	1.2759	1.2560
EUR/CHF	1.0854	1.1264

2.4 Cash and other liquid assets and amounts due from banks

These items are recorded at nominal value. Provisions for impairments, if any, are directly deducted from the relevant asset in the balance sheet.

2.5 Loans and advances to clients

Loans are recognized at nominal value in the balance sheet, less value adjustments for impairment if any. A loan is considered impaired when strong evidence indicates that the debtor is unlikely to be in a position to meet future obligations, such as recognized financial difficulties or an actual default on contractual payments (default or delay of more than 90 days on payments of interest or principal).

This information is automatically generated and the assessments are made for collectability of the balances. During the assessments, the Bank takes into account the collateral's market value, co-signatures of third parties of pledge agreements and the client's financial situation. Impaired loans are valued individually and any loss in value is covered by specific valuation adjustments and provisions. Off balance sheet items such as irrevocable commitments, guarantees and other derivative financial instruments are included in this valuation.

Any interest overdue by more than 90 days is considered non-performing. Any non-performing or impaired interest is no longer booked to the profit and loss account but directly to "Changes in value adjustments due to default risk as well as losses from interest operations".

A loan is no longer considered impaired if capital and interest in arrears are repaid. The servicing of the debt has resumed normally, additional tangible guarantees have been obtained for value in excess of the existing unsecured debt and other solvency criteria have been met. Loan recoveries with provisions or written off in prior periods are recorded in "Extraordinary income".

When a loan is considered totally or partially irrecoverable, or should the Bank decide to abandon loan recovery, it is fully written off. Write offs are charged against previously established provisions and reduce the principal loan amount. Amounts recovered on loans that have been fully amortized are credited to "Extraordinary income".

Value depreciation corresponds to the difference between the loan book value and the amount which the Bank can expect to recover, with due consideration for the counterparty risk and the net proceeds from the realization of any collateral held. Valuation adjustments and provisions are directly deducted from corresponding assets.

Collateral obtained on loans and advances to clients is valued at its liquidation value. The liquidation value is the net proceeds that can be realized after deducting the holding costs and liquidation charges.

The collateral valuation is processed daily based on available prices for each asset, with a price update frequency depending from the nature of each asset.

2.6 Financial investments

Investment securities purchased to meet the Bank's long-term or medium-term requirements are booked as "Financial Investments". Those purchased for short-term requirements are booked as "Securities and precious metals held for trading purpose". The management determines the appropriate classification of its investments according to its investment objectives.

Any bond investments held for trading purposes are booked at fair value.

Any bond investments held for long-term requirements (i.e. where management has both the intent and the ability to hold to maturity) are booked at the amortized cost using the accrual method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition, and ensuring that this difference is spread over the period remaining to maturity.

Bond investments held for medium-term requirements as well as any other medium to long term share or fund investments are valued at the lower of cost or market value. Any impairment in value as well as any subsequent recoveries in value is booked to "Other ordinary expenses" or "Other ordinary income".

Interest earned while holding financial securities is reported as "Interest and dividend income from financial investments."

2.7 Fixed Tangible assets and Intangible assets

Fixed assets are stated in the balance sheet at their cost price and depreciated using the straight line method over a period corresponding to the estimated useful economic life of the different types of assets. The estimated useful economic lives are as follows:

Building	25 years
Furniture and fixtures	7 years
Leasehold improvements	4 years
IT equipment	3 years
Software	3 years

The carrying amounts are reviewed at each balance sheet date for indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized in the income statement to the extent that carrying values exceed the recoverable amounts.

2.8 Liabilities to own pension fund institution

The Bank's employees participate in a 2nd-pillar defined contribution plan provided by Swiss Life. This pension plan is structured as a Collective LPP Foundation and provides the following benefits:

- Risk death, disability, longevity
- Retirement savings

Swiss Life provides a 100% nominal value guarantee on retirement savings. This ensures that fluctuations in market prices of investments have no negative consequences for the Bank.

The Bank's contributions are recorded in the income statement as personnel expenses.

2.9 Provisions

For all potential and identifiable risks existing at the balance sheet date, valuation adjustments and provisions are established on a prudent basis. These risks are periodically reviewed by the Executive Management Committee. If valuation adjustments and provisions are considered necessary, they are recorded in the relevant income statement account when the risk is identified.

2.10 Derivative instruments

Subject to prior internal approval, the Bank allows clients to use derivative financial instruments.

Derivative instruments include options, futures and swaps on equities, stock indices, foreign exchange, commodities and interest rates, forward rate agreements and forward contracts on currencies, securities and commodities.

Derivative financial instruments are reported at their fair value. Fair value is determined from the price provided by a liquid and efficient market or from the price established by a valuation model. The gross replacement value of derivative contracts reflects the fair value of all unsettled trades at the year-end. The positive replacement value is included in "Positive replacement values of derivatives", the negative replacement value in "Negative replacement values of derivatives". Realized and unrealized profits and losses are disclosed under "Net result from trading operations".

The Bank had no transactions in derivatives during the reporting period.

2.11 Taxes

Current taxes affecting the earnings and capital of the corresponding period are determined in accordance with the fiscal requirements in force. Unpaid taxes are recorded as a tax charge of the accounting period during which the related profits were made or the related capital was in force. They are shown as liabilities in the balance sheet under "Accrued expenses and deferred income".

2.12 Contingent liabilities and irrevocable commitments

These transactions are recorded as off-balance sheet items at their nominal value.

2.13 Islamic transactions

Islamic financial transactions follow, from an accounting perspective, exactly the same treatment as their conventional equivalent. Therefore, Islamic current and term deposits are treated as "deposits" and Islamic financing find their way through into the "loan" book.

3. Information concerning the balance sheet

3.1 Presentation of the collateral for loans and off-balance sheet transactions, as well as doubtful receivables

Loans and advances

CHF 1'000	Secured by other			Total
	Mortgage coverage	collateral	Unsecured	
Amounts due from clients	-	712,886	36,964	749,850
Mortgage Loans	30,727	-	-	30,727
<i>Residential property</i>	30,727	-	-	30,727
<i>Commercial property</i>	-	-	-	-
<i>Commercial and industrial real estate</i>	-	-	-	-
<i>Other</i>	-	-	-	-
Total loans				
(before offsetting any value)	30,727	712,886	36,964	780,577
Previous year	37,455	736,646	55,178	829,279
Total loans				
(after offsetting any value)	30,727	712,886	36,702	780,315
Previous year	37,455	736,535	55,178	829,168

Impaired receivables	Gross amount	Estimated liquidation		Individual value adjustments
		proceeds of the collateral	Net amount due	
CHF 1'000				
Current Year	262	-	262	262
Previous year	504	-	504	132

Off-balance sheet

CHF 1'000				
Contingent liabilities	-	213	-	213
Irrevocable commitments	-	22,632	132	22,764
Liabilities for calls on shares and other equities	-	-	-	-
Confirmed credits	-	-	-	-
Total off-balance	-	22,845	132	22,977
Previous year	-	16,769	112	16,881

* Amount of commitment for privileged deposits as required by FINMA

3.2 Analysis of financial investments

Financial investments	Book value		Fair value	
	Reporting year	Prior year	Reporting year	Prior year
Debt instruments	7,828	7,902	8,312	8,055
<i>Held-to-maturity</i>	7,828	7,902	8,312	8,055
Total financial investments	7,828	7,902	8,312	8,055
of which securities allowed for repos as per liquidity provision	3,008	3,010	3,326	3,242

	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO B	Lower Than B-	w/o Rating
Breakdown of the counterparty according to rating *						
CHF 1'000						
Debt instrument : Book value	7,828					

* Rating provided by S&P

3.3 Analysis of tangible fixed assets

Tangible fixed assets	Historical costs	Accumulated depreciation	Net book value at 31.12.2018	Additions / Disposals in 2019	Amortization / Depreciation in 2019	Net book value at 31.12.2019
CHF 1'000						
Real Estate	1,257	390	867	107	76	898
Leasehold improvements	4,392	3,916	476	0	259	217
Furniture and fixtures	1,084	859	225	5	51	179
IT equipment	520	410	110	10	91	29
Software	2,516	1,344	1,171	453	699	921
Total Tangible fixed assets	9,768	6,919	2,849	571	1,176	2,244

3.4 Other assets and liabilities

Other assets	31.12.2019	31.12.2018
CHF 1'000		
Indirect taxes	30	34
Loss after sale on Financial Investments (HTM)	246	285
Other assets	10	10
Total other assets	286	329

Other liabilities

CHF 1'000		
Indirect taxes	12	28
Other liabilities	29	0
Total other liabilities	41	28

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

Pledged / assigned assets	Book values	Effective commitments
Pledge with financial counterparty	17,884	-
Total other liabilities	17,884	-

The Bank has pledged or assigned assets to secure own commitments or assets subject to reservation of title for KCHF 17'884. As at 31 December 2019 there is no effective commitment.

3.6 Liabilities towards pension fund institutions

QNB (Switzerland) Ltd is affiliated to the Swiss Life LPP-Collective-Foundation, Zurich since November 2009.

The Bank's employees participate in a 2nd-pillar provided by Swiss Life. This pension plan is structured as a Collective LPP Foundation and provides the following benefits:

- Risk - death, disability, longevity (defined benefits pension plan)
- Retirement Savings (defined contribution plan)

Current liabilities to pension fund	31.12.2019	31.12.2018
CHF 1'000		
Current liabilities towards pension fund	107	99

Economic advantage/obligations and Bank's contributions

Occupational pension plans are generally subject to fundamental insurance and investment risk. However, the Swiss Life scheme provides full insurance with the following features:

- All risks are insured - there are no additional payment obligations. Stock markets fluctuations or a poor investment policy have no negative consequences for the Bank.
- No fluctuation reserves are required.

Swiss Life provides a 100% nominal value guarantee on retirement savings. This ensures that fluctuations in market prices of investments have no negative impact related to pension fund.

	Surplus / deficit as at 31.12.2019	Net advantage / obligation for the Bank 31.12.2019	31.12.2018	Variation in the period	Adjusted contribution in the year ending 2019	Pension fund contribution included in personnel expenses in 2019	2018
CHF 1'000							
Pension fund without surplus or deficit	-	-	-		810	810	798

As at 31 December 2019, the Bank has no employer contribution reserve.

3.7 Provisions

Valuation adjustments and provisions	Balance at 31.12.2018	Use in conformity with designed purpose	Change in purpose	Past due interest, Recoveries	New adjustments debited to income	Balance at 31.12.2019
CHF 1'000						
Value adjustments and provisions for default and other risks:						
- Other provisions for other business risk	60	-	-	-	-	60
Total	60	-	-	-	-	60
Value adjustments for default* and country risks	132	-	-	-	130	262
Total	132	-	-	-	130	262

*The balance as at 31.12.2018 has been amended for comparison purposes.

3.8 Share capital

Share Capital	31.12.2019			31.12.2018		
	Share Capital	Units	Dividend bearing capital	Share Capital	Units	Dividend bearing capital
CHF 1'000						
Share Capital	150,000	1,000	150,000	150,000	1,000	150,000
Total company capital	150,000	1,000	150,000	150,000	1,000	150,000
<i>thereof unpaid capital</i>	-					

3.9 Amounts due to/from related parties

Related parties includes all QNB Group companies other than the parent company itself. Other related parties are those parties able to influence the Bank's financial or operational decisions either directly or indirectly to a significant extent.

Transactions were at arm's length and followed market terms during the year, except for guarantees issued by Head Office.

Holders of qualified participations

Balance sheet	31.12.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
CHF 1'000				
Amounts due from banks	106,073	-	111,789	-
Amounts due to banks (including KCHF 25'000 subordinated loan)	-	746,360	-	804,342
Amounts due to customers	-	-	-	-
Accrued income and prepaid expenses	38	-	11,875	-
Accrued expenses and deferred income	-	511	-	969
Off-Balance sheet				
Fiduciary deposits	1,418,019	-	1,943,396	-
Income statement				
	2019		2018	
	Income	Expenses	Income	Expenses
CHF 1'000				
Interest and discount income	105	-	114	-
Interest expenses	-	10,676	-	10,230
Commission income from securities trading and investment activities	2,851	-	2,671	-
Commission expenses	-	6	-	145
Other result from ordinary activities	-	-	-	-
Personnel expenses	-	-	-	-
Other general and administrative expenses	-	255	-	218

Related companies

Balance sheet	Assets		Liabilities	
	Assets	Liabilities	Assets	Liabilities
CHF 1'000				
Amounts due from banks	-	-	-	-
Amounts due to banks	-	-	-	-
Amounts due to customers	-	-	-	-
Accrued expenses and deferred income	-	17	-	-
Off-Balance sheet				
Fiduciary deposits	100,442	-	-	108,393

Member of governing bodies

Balance sheet	31.12.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
CHF 1'000				
Amounts due from banks	-	-	-	-
Amounts due from customers	16,872	-	19,140	-
Amounts due to banks	-	-	-	-
Amounts due to customers	-	2,282	-	350
Off-Balance sheet				
Fiduciary deposits	-	1,721	-	1,541

3.10 Declaration of holders of Shareholding exceeding 5% of all voting rights

Significant shareholders and groups of shareholder with pooled voting rights	31.12.2019		31.12.2018	
CHF 1'000				
Qatar National Bank Q.P.S.C., Doha	150,000	100%	150,000	100%

Qatar National Bank (Q.P.S.C.), Doha is 50% owned by Qatar Holding LLC, Doha, which is fully owned by the sovereign wealth fund of the State of Qatar, the Qatar Investment Authority ('QIA'), with the remaining 50% publicly traded on the Qatar Stock Exchange. QIA is 100% owned by the State of Qatar.

3.11 Presentation of maturity structure of financial instruments

Financial assets	At sight	Callable	Up to 3 months	3 to 12 months	12 months to 5 years	More than 5 years	Immobilized	Total
CHF 1'000								
Liquid assets	57,131	-	-	-	-	-	-	57,131
Amounts due from banks	183,976	-	40,000	10,000	-	-	-	233,976
Amounts due from customers	1,389	1,763	4,466	13,409	585,700	142,861	-	749,588
Mortgage loans	-	-	-	-	6,622	24,105	-	30,727
Financial investments	-	-	-	-	4,820	3,008	-	7,828
Subtotal assets	242,496	1,763	44,466	23,409	597,141	169,974	-	1,079,249
Prior year	136,299	-	82,541	43,067	637,871	141,278	-	1,041,056
Financial liabilities								
CHF 1'000								
Amount due to banks	587	-	3,443	5,292	575,194	161,844	-	746,360
Amounts due to customers	186,159	-	-	-	-	-	-	186,159
Subtotal liabilities	186,746	-	3,443	5,292	575,194	161,844	-	932,519
Prior year	94,991	-	37,595	42,646	586,741	135,209	-	897,182

3.12 Analysis of domestic and foreign assets and liabilities

Assets	31.12.2019		31.12.2018	
	Domestic	Foreign	Domestic	Foreign
CHF 1'000				
Liquid Assets	57,131	-	16,637	-
Amounts due from banks	74,414	159,562	45,278	142,071
Amounts due from customers	312,982	436,606	436,325	355,388
Mortgage Loans	1,922	28,805	2,444	35,010
Financial investments	3,008	4,820	3,010	4,892
Accrued income and prepaid expenses	1,830	1,864	1,810	2,493
Tangible fixed assets	2,244	-	2,849	-
Other assets	286	-	329	-
Unpaid capital	-	-	-	-
Total assets	453,817	631,657	508,682	539,855
Liabilities	31.12.2019		31.12.2018	
CHF 1'000	Domestic	Foreign	Domestic	Foreign
Amounts due to banks	-	746,360	-	804,342
Amounts due to customers	12,291	173,868	9,465	83,375
Accrued expenses and deferred income	4,551	1,806	4,937	1,469
Other liabilities	41	-	28	-
Provisions	60	-	60	-
Bank's capital	150,000	-	150,000	-
Statutory retained earnings reserve	1,775	-	1,775	-
Losses brought forward	-6,913	-	-8,608	-
Profit for the year	1,635	-	1,695	-
Total liabilities	163,440	922,034	159,352	889,186

3.13 Assets analysed by countries / group of countries

Assets analysed by countries / group of countries	31.12.2019		31.12.2018	
	Absolute	Percentage	Absolute	Percentage
CHF 1'000				
Switzerland	453,817	41.81%	417,187	39.79%
Europe	241,862	22.28%	30,653	2.92%
North America	-	0.00%	-	0.00%
Caribbean	26,921	2.48%	7	0.00%
Latin America	-	0.00%	-	0.00%
Africa	2	0.00%	58	0.01%
Qatar	333,243	30.70%	591,862	56.45%
Oceania	-	0.00%	-	0.00%
Other countries	29,629	2.73%	8,770	0.84%
Total Assets	1,085,474	100.00%	1,048,537	100.00%

3.14 Breakdown of total assets excluding Switzerland based on the credit rating of the country (Risk domicile principle)

CHF 1'000	31.12.2019		31.12.2018	
	Absolute	Percentage	Absolute	Percentage
AAA to AA-*	630,190	99.77%	5,885	0.93%
A+ to A-	5	0.00%	111,801	17.71%
BBB+ to BBB-	47	0.01%	-	0.00%
Unrated	1,415	0.22%	513,664	81.36%
Total Assets	631,657	100.00%	631,350	100.00%

*The ratings are provided by S&P

3.15 Analysis of balance sheet by currencies

Assets	Currencies						TOTAL
	CHF	USD	EUR	GBP	QAR	Other	
CHF 1'000							
Liquid assets	56,598	75	374	30	54	-	57,131
Amounts due from banks	61,869	102,777	61,771	5,402	276	1,881	233,976
Amounts due from customers	437,619	297,425	9,176	3,978	1	1,389	749,588
Mortgage loans	2,705	4,264	2,161	21,597	-	-	30,727
Financial investments	3,008	4,820	-	-	-	-	7,828
Accrued income and prepaid expenses	2,745	915	97	142	40	-	3,694
Tangible fixed assets	2,244	-	-	-	-	-	2,244
Other assets	35	1	3	-	-	-	286
Unpaid capital	-	-	-	-	-	-	-
Total assets	566,823	410,277	73,583	31,149	372	3,270	1,085,474
Prior year	580,267	407,857	24,581	33,371	728	1,733	1,048,537

Liabilities and Shareholders equity	Currencies						TOTAL
	CHF	USD	EUR	GBP	QAR	Other	
CHF 1'000							
Amounts due to banks	408,435	302,496	8,495	25,544	-	1,389	746,360
Amounts due to customers	10,833	106,006	63,794	5,266	178	82	186,159
Accrued expenses and deferred income	4,857	311	1,136	46	7	0	6,357
Other liabilities	1	39	0	-0	1	-	41
Provisions	60	-	-	-	-	-	60
Share capital	150,000	-	-	-	-	-	150,000
Statutory retained earnings reserve	1,775	-	-	-	-	-	1,775
Losses brought forward	-6,913	-	-	-	-	-	-6,913
Profit for the year	1,635	-	-	-	-	-	1,635
Total liabilities and Shareholders equity	570,683	408,853	73,425	30,856	186	1,471	1,085,474
Prior year	582,461	405,815	24,561	33,404	618	1,680	1,048,537

Net position per currency	-3,861	1,424	158	292	186	1,799	-
Prior year	-1,197	692	-5	296	199	16	-

3.16 Breakdown of contingent assets and liabilities

	31.12.2019	31.12.2018
CHF 1'000		
Taxes on loss carry-forward	114	1,712
Total contingent assets	114	1,712

	31.12.2019	31.12.2018
CHF 1'000		
Guarantees to secure credits and similar	213	218
<i>Credit cards</i>	166	171
<i>Credit line guarantee</i>	47	47
<i>Rent guarantee</i>	-	-
Total contingent liabilities	213	218

3.17 Breakdown of irrevocable commitments

	31.12.2019	31.12.2018
CHF 1'000		
Irrevocable commitments (credit)	22,500	16,551
Deposit guarantee (art. 37h LB)	132	112
Total Irrevocable commitments	22,632	16,663

4. Information on off-balance sheet transaction

4.1 Breakdown of fiduciary transactions

Fiduciary transactions	31.12.2019	31.12.2018
CHF 1'000		
<i>Fiduciary Investments with third-parties</i>	19,338	115,274
Fiduciary transactions with Societe Generale Corporate & Investment Banking - Paris	-	31,036
Fiduciary transactions with J. Safra Sarasin	-	492
Fiduciary transactions with Societe Generale de Banque au Liban	19,338	37,139
Fiduciary transactions with Fransabank	-	46,608
<i>Fiduciary Investments with group companies and affiliated companies</i>	1,518,459	2,051,789
Fiduciary transactions with Qatar National Bank (Q.P.S.C.), Qatar	1,418,019	1,943,396
Fiduciary transactions with Qatar National Bank (Q.P.S.C.), Singapore	46,424	34,630
Fiduciary transactions with QNB Finansbank	54,017	73,763
Total fiduciary transactions	1,537,797	2,167,063

4.2 Assets under management

Character of assets under management	31.12.2019	31.12.2018
CHF 1'000		
Assets in own administrated collective investment schemes	-	-
Assets with discretionary management agreements	-	-
Other assets under management	2,384,794	2,592,843
Total assets under management (incl.double counts)	2,384,794	2,592,843
+/- Net new money inflows or outflows	-243,989	241,818
+/- Market price trend, interest, dividends and currency development	35,939	1,295
Net variance of assets under management	-208,049	243,113

Assets under management are mainly composed of fiduciary deposits.

"Others assets under administration" are defined according to criteria of regular commission income generated by transactions and operations. Fiduciary deposits are considered as following this criteria.

When assets under "Custody only" do not fit that criteria, they are not included in the above summary of client assets.

Net inflows / outflows from customers are made up of assets acquired from new or existing clients and withdrawals of assets of existing clients or customers who discontinued their relationship with the Bank. Their value is determined on the day of transfer (cash and/or transferable securities). Net inflows / outflows from customers are calculated excluding market movements, changes in market prices, dividends and interest.

5. Information concerning the income statement

5.1 Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest

Negative interest on the lending business is recognised as a reduction in interest income and negative interest on borrowing as a reduction in interest costs. The Bank does not deduct financing costs from trading positions.

5.2 Breakdown of dealing income

Breakdown of dealing income	2019	2018
CHF 1'000		
Foreign exchange impact on transactions	121	97
Total net trading income	121	97

5.3 Breakdown of personnel expenses

Breakdown of personnel expenses	2019	2018
CHF 1'000		
Salaries	5,801	6,049
Governing bodies fees	162	181
Social costs	1,395	1,341
Other personnel expenses	746	733
Total personnel expenses	8,104	8,304

5.4 Breakdown of operating expenses

Breakdown of operating expenses	2019	2018
CHF 1'000		
IT, equipment and installations expensed	3,089	2,591
Professional fees*	915	688
<i>*of which audit fees</i>	<i>336</i>	<i>276</i>
Occupancy	1,226	1,273
Other general and administrative expenses	1,074	1,257
Total operating expenses	6,304	5,809

Prior year figures have been restated for comparison purpose.

5.5 Breakdown of the caption extraordinary income

Breakdown of extraordinary income	2019	2018
CHF 1'000		
Correction of historical accounting record	415	-
Total extraordinary expenses	415	-

The extraordinary expenses in 2019 relate to previous year's commission booked in the wrong period.

5.6 Breakdown of the caption extraordinary expenses

Breakdown of extraordinary expenses	2019	2018
CHF 1'000		
Silent reserve	-	60
Rental cost 2016-2017	-	1,729
Correction of historical accounting record	386	-
Total extraordinary expenses	386	1,789

The extraordinary expenses in 2019 relate to previous year's commission booked in the wrong period.

5.7 Breakdown of taxes

	2019	2018
CHF 1'000		
Capital tax	713	670
Other local tax	62	58
Total Taxes	775	728

Loss carry-forward before current year result	543	6,848
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QNB (Switzerland) Ltd

Corporate governance and Basel III disclosure

Disclosures at 31 December 2019

as per circular 2016-1 “Disclosure - Banks”

will be published in a separate report.