ANNUAL REPORT | 2019

Investec Bank (Switzerland) AG

Annual report for the business year 1 April 2018 to 31 March 2019

Investec

Wealth & Investment

Annual report for the business year 1 April 2018 to 31 March 2019

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Board of Directors, executive management and auditors

Board of Directors

The Board of Directors ("BoD") of Investec Bank (Switzerland) AG ("Bank"), under the leadership of the Chairman, consists of three members in line with our Articles of Association. The BoD decides on the strategy of the Bank upon recommendation of the Chief Executive Officer ("CEO") and is responsible for the overall direction, supervision and control of the Bank and its management as well as for supervising compliance with applicable laws, rules and regulations.

The following table provides an overview of the composition of the Board of Directors:

Name	Domicile	Function	Independent	Initial election	Election until
Ian Wohlman	London, United Kingdom	Chairman	Employed by Investec Bank plc	July 2011; Chairman since December 2016	July 2019
Dr. Thomas A. Frick	Zurich, Switzerland	Vice Chairman	Yes	July 2005; Vice-Chairman since June 2012	July 2019
Prof. Dr. Bruno Gehrig	Winterthur, Switzerland	Member	Yes	January 2014	July 2019

Ian Wohlman, English, 1954
Ian Wohlman has worked in the UK Banking and Financial services market since 1973 and is a member of the Association of Chartered Institute of Bankers. He has been with Investec since 1989 when Investec bought Allied Trust Bank Ltd (now Investec Bank plc).

Ian is the Head of Conduct and Governance for Investec in the UK; a director of Investec Bank plc and a non-executive director and chairman of a number of material subsidiary companies. Ian chairs and is a member of a number of Investec decision and review committees. These cover Capital, Liquidity, Credit risk, Operational Risk and Market risk. He oversees the relationship with the Prudential Regulation Authority and Financial Conduct Authority which includes customer and market conduct.

Dr. Thomas A. Frick, Swiss, 1961
Dr. Thomas Frick is a partner in a renowned law firm, Niederer Kraft & Frey, attorneys-at-law, Zurich since 2001, specialising in banking and financial services law. He holds an LL.M. from the London School of Economics.

Prof. Dr. Bruno Gehrig, Swiss, 1946
Prof. Dr Bruno Gehrig finished his studies in business administration with both a doctorate and a habilitation in monetary theory. He was active in the public as well as in the private sector holding senior positions in the Swiss Financial Market Supervisory Authority and the Swiss National Bank as well as lecturing and serving in senior roles in the insurance, banking, pharmaceutical and airline industry.

Board of Directors, executive management and auditors

Executive management

The Bank operates under a strict dual board structure, as mandated by Swiss banking law, and therefore the BoD delegates the management of the daily business to the Executive Management ("EM"). Under the leadership of the CEO, the EM has executive management responsibility for the operation of the Bank and its business. It assumes overall responsibility for developing the Bank and the implementation of approved strategies.

The following table provides an overview of the composition of the EM:

Name	Function	In this function since
Peter Gyger	Chief Executive Officer ("CEO")	August 2013
Melanie Abromowitz	Chief Finance Officer ("CFO")	August 2014
David Gurtner	Head of Risk, Projects and IT	January 2015
Petra Otten	Head of Legal & Compliance	July 2010
Annelise Peers	Chief Investment Officer ("CIO")	June 2014

Peter Gyger, CEO, Swiss, 1962
Peter Gyger joined the Bank in 2003 as Chief Operating Officer and was responsible for all operational activities as well as new project initiatives. In 2013, he took on the CEO's role. Peter has vast experience across a range of private banking and wealth management services. Prior to joining us, Peter held several senior positions within the private banking industry including serving as Head of Finance at Consors (Switzerland) and as Chief Operating Officer and Head of IT at Robert Fleming (Switzerland) between 1989 and 2001.

Melanie Abromowitz, CFO, English, 1972
Melanie Abromowitz is responsible for Finance and Reporting, Treasury, Operations and Trading functions. She joined the Investec Group in 2001 and held roles as Chief Operating Officer and CFO of Corporate and Institutional Bank in the UK until 2014, when she relocated to Switzerland to join the Bank. Melanie holds a Bachelor of Business Science and Postgraduate Diploma in Accounting from University of Cape Town; and is a qualified Chartered Accountant.

Petra Otten, Head of Legal & Compliance, Swiss, 1960
Petra Otten acts as the Bank's general counsel, money laundering reporting officer and responsible officer for US related client tax matters. She holds a degree in business administration, an EMBA and is a qualified lawyer. Petra worked in the airline and plant construction industry and a well-known law firm before joining the banking industry.

David Gurtner, Head of Risk, Projects and IT, Swiss, 1978
David Gurtner joined the Bank in 2008 as a Business Analyst and has assumed overall responsibility for Projects, Risk and IT in 2015. David is responsible for ensuring continuous risk monitoring and enhancement of the bank's business framework, processes and systems. David has worked in the banking industry for over 14 years. He holds a degree in economics as well as in business information management from the Zurich University of Applied Sciences.

Annelise Peers, CIO, Swiss, 1967
Annelise Peers is responsible for overseeing the development and management of the Bank's investment process. Annelise has over 25 years of experience within the investment industry with particular expertise in foreign exchange markets, capital and money markets and fixed income securities. Annelise has a B.A. (Hons) degree in Economics and Mathematics from the University of Pretoria.

Auditors

Ernst & Young Ltd., Zurich, Switzerland

Message from the Board of Directors to shareholders and clients

Dear shareholders and clients

During the year ending March 2019, the Swiss banks continued to operate in a challenging environment. The major factors impacting this environment include rising regulatory costs, a sustained period of negative interest rates, as well as political and legal uncertainties arising from Brexit and international trade tensions. Ongoing decline in margins and further digitalisation of the finance industry has continued to drive structural realignment in the banking sector.

Against this backdrop, the Bank experienced a decrease in client assets of 5.7% in this financial year. This decrease was mainly attributable to large, concentrated non-managed asset outflows while discretionary managed assets increased by 39%. Market performance was flat. Average client assets under management increased by 1% and fee revenue increased this year by 2% as the mix of assets improved. Interest revenues increased significantly due to the bank investing surplus cash in longer term financial debt instruments. Active cost management and staff changes ensured a cost reduction of 2%. Overall last year's net loss reduced by 12% to CHF3.2m.

The Bank has a strong balance sheet and exceeds all regulatory requirements. With a BIS tier 1 capital ratio of 60% and a quarterly average liquidity coverage ratio of 400%, the Bank is well placed to grow its Assets under Management and further its overall business. The increase in Assets under Management is expected to grow through focus on the domestic market with support from the wider Investec Group client base.

We thank our clients for their continued trust and support. We thank all our staff for their hard work dedicated to client support and the Investec Group.

For and on behalf of the board of directors,

Ian Wohlman
Chairman

Comment on business activities

Balance sheet activities

The Bank engages in balance sheet transactions primarily linked to investment management business for private clients. The Bank takes deposits as part of client investment business. Lending is primarily offered as an ancillary product to investment management for private clients (Lombard loans). Interbank business is conducted with group companies and 3rd party banks as part of cash management.
As part of liquidity management cash balances are placed with Swiss National Bank and invested in debt instruments. Additional balance sheet activity is undertaken in the form of investments via sub participation into Private Equity Fund Debt transactions and other fixed income instruments.

Trading

The Bank's trading activities consists only of foreign exchange and precious metals dealing activities that are limited to the execution on behalf of clients and hedging our own balance sheet. The Bank does not engage in any proprietary trading activity.

Commission and Service Activities

The Bank's range of services comprises discretionary portfolio management, execution services relating to our client controlled portfolios, custody services and fiduciary transactions. Investec Bank (Switzerland) AG executes securities transactions locally and abroad for its private and institutional clients. It earns a substantial part of its commission income from securities trading on behalf of clients.

Derivatives contracts concluded with clients are economically hedged by matching transactions with the Investec Group or with counterparties of high credit standing.

Outsourcing of business activities

The Bank outsourced the printing and dispatch of client statements to Tata Consultancy Services Switzerland Ltd, Zurich. In addition, the Bank outsourced the SWIFT interbank services to Anasys AG, Zurich, and the document archiving to Kinesys AG, Dübendorf. The outsourcing agreements with these counterparties are documented in writing as required by the Swiss Financial Market Supervisory Authority FINMA. The employees of these service providers are obliged to comply with Swiss banking secrecy in order to ensure full confidentiality.

Employees

At year-end, the Bank had 42.80 full time equivalent (FTE) staff members (including contractors) versus 40.20 in the prior year.

Information on capital and liquidity ratios

Capital and Liquidity ratios according to FINMA Circular 2016/01

	31.03.2019	31.12.2018	30.09.2018	30.06.2019	31.03.2018
Eligible capital (CHF)					
Common Equity Tier 1 capital (CET1)	59 425				62 796
Common Equity Tier 1 capital without the effects of the transitional provisions for expected losses	–				–
Tier 1 capital (T1)	59 425				62 796
Tier 1 capital without the effects of the transitional provisions for expected losses	–				–
Total capital, total	59 425				62 796
Total capital without the effects of the transitional provisions for expected losses	–				–
Risk-weighted assets (RWA) (CHF)					
RWA	100 733				81 997
Minimum capital (CHF)	10 000				10 000
Risk-based capital ratios (% of RWA)					
CET1 ratio (%)	58.9926%				76.5835%
CET 1 ratio without the effects of the transitional provisions for expected losses (%)	0.0%				0.0%
Tier 1 capital ratio (%)	58.9926%				76.5835%
Tier 1 capital without the effects of the transitional provisions for expected losses (%)	0.0%				0.0%
Total capital ratio (%)	58.9926%				76.5835%
Total capital ratio without the effects of the transitional provisions for expected losses (%)	0.0%				0.0%
CET1 buffer capital requirements (% of RWA)					
Capital buffer in accordance with Basel Minimum Standards (as of 2019: 2.5%) (%)	2.5%				2.5%
Countercyclical buffer (Article 44a CAO) in accordance with the Basel Minimum Standards (%)	0.0%				0.0%
Additional capital buffer due to national or international systemic importance (%)	0.0%				0.0%
Overall buffer requirements in accordance with the Basel Minimum Standards in CET1 quality (2%)	2.5%				2.5%
Available CET1 to cover buffer requirements in accordance with Basel Minimum Standards (after deducting CET1 from the cover of the minimum requirements and possibly to cover the TLAC requirements) (%)	50.9926%				73.0835%
Target capital ratios according to Annex 8 CAO (% of RWA)					
Capital buffer according to Annex 8 CAO (%)	2.5%				2.5%
Countercyclical buffer (Articles 44 and 44a CAO) (%)	0.0%				0.0%
CET1 target ratio (%) according to Annex 8 CAO plus countercyclical buffer in accordance with Articles 44 and 44a CAO	7%				7%
T1 target ratio (%) according to Annex 8 CAO plus countercyclical buffer in accordance with Articles 44 and 44a CAO	8.5%				8.5%
Total capital target ratio (%) according to Annex 8 CAO plus countercyclical buffer in accordance with Articles 44 and 44a CAO	10.5%				10.5%
Basel III leverage ratio					
Total exposure (CHF)	263,807				348,223
Basel III leverage ratio (Tier 1 capital – % of the total exposure)	22.5259%				18.10%
Basel III leverage ratio (Tier 1 capital – % of the total exposure) without the effects of the transitional provisions for expected losses	–				–
Liquidity Coverage Ratio (LCR)					
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	36 486	42 079	56 195	71 405	110 278
LCR denominator: Total of net cash outflow (CHF) 13 634	12 176	12 791	16 405	21 382	
LCR (%)	268%	346%	439%	435%	516%
Net stable funding ration (NSFR)1					
Available stable refinancing (CHF)	169 330				208 738
Required stable refinancing (CHF) 81 032				51 364	
Net stable funding ratio (NSFR) (%)	209%				406%

Balance sheet as at 31 March 2019 and 31 March 2018

As at 31 March in CHF	Notes	2019	2018
Assets			
Liquid assets		37 284 767	113 655 431
Amounts due from banks		99 444 460	144 910 218
Amounts due from customers	1	60 201 480	49 221 201
Mortgage loans	1	–	–
Positive replacement values of derivative financial investments	2,3,13	271 836	750 912
Financial investments	4	32 460 090	22 348
Accrued income and prepaid expenses		1 669 594	1 364 709
Tangible fixed assets	5	1 304 136	1 194 744
Other assets	6,7	421 247	417 263
Total assets	13,14,15,16,17	**233 057 610**	**311 536 826**
Liabilities			
Amounts due to banks		21 023 138	12 041 482
Amounts due in respect of customer deposits		148 706 421	232 807 611
Negative replacement values of derivative financial instruments	3,13	766 074	301 747
Accrued expenses and deferred income		1 467 823	1 252 795
Other liabilities	6,8	1 318 655	1 989 387
Provisions		350 522	347 984
Reserves for general banking risks		–	–
Bank's capital	9,10,11,12	83 000 000	83 000 000
Statutory retained earnings reserve		4 423 975	4 423 975
Voluntary retained earnings reserve		1 300 000	1 300 000
Loss carried forward		(25 928 155)	(22 110 153)
Loss (result of the period)		(3 370 843)	(3 818 002)
Total liabilities	13,14,17	**233 057 610**	**311 536 826**

Off-balance sheet transactions as at 31 March 2019 and 31 March 2018

As at 31 March in CHF	Notes	2019	2018
Contingent liabilities	1,18	1 637 305	1 829 007
Irrevocable commitments	1,19	25 051 347	30 838 720

Income statement for the years ending 31 March 2019 and 31 March 2018

In CHF	Notes	2018/2019	2017/2018
Revenues and expenses from ordinary banking activities			
Result from interest operations			
Interest and discount income		2 328 000	2 605 721
Interest and dividend income from financial investments		958 443	423
Interest expense		(297 830)	(169 802)
Gross result from interest operations		*2 988 613*	*2 436 342*
Changes in value adjustments for default risks and losses from interest operations			
Subtotal net result from interest operations	*23*	*2 988 613*	*2 436 342*
Result from commission business and services			
Commission income from securities trading and investment activities		6 787 809	6 666 499
Commission income from lending activities		45 184	29 657
Commission income from other services		158 430	192 089
Commission expense		(915 725)	(929 815)
Subtotal result from commission business and services		*6 075 698*	*5 958 430*
Result from trading activities and the fair value option	*22*	*1 165 813*	*1 396 135*
Other result from ordinary activities			
Result from disposal of financial investments		(19)	38 451
Other ordinary income		50 508	46 366
Other ordinary expenses		(37 765)	(46 114)
Subtotal other result from ordinary activities		*12 724*	*38 703*
Total revenues		***10 242 848***	***9 829 610***
Operating expenses			
Personnel expenses	24	(8 006 803)	(8 181 406)
General and administrative expenses	25	(4 770 944)	(4 821 703)
Subtotal operating expenses		*(12 777 747)*	*(13 003 109)*
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		(497 485)	(413 360)
Changes to provisions and other value adjustments and losses		(195 907)	(70 067)
Operating result		***(3 228 291)***	***(3 656 926)***
Extraordinary income	26	–	–
Extraordinary expenses	26	–	–
Changes in reserves for general banking risks		–	–
Taxes	28	(142 552)	(161 076)
Loss for the year		**(3 370 843)**	**(3 818 002)**

Carrying forward of losses for the years ending 31 March 2019 and 31 March 2018

In CHF	Notes	2018/2019	2017/2018
Carrying forward of losses			
Loss		**(3 370 843)**	**(3 818 002)**
Loss carried forward		(25 928 155)	(22 110 153)
Accumulated loss		(29 298 998)	(25 928 155)
New amount carried forward		**(29 298 998)**	**(25 928 155)**

Statement of changes in equity

In CHF	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Currency translation reserves	Voluntary retained earnings reserves and loss carried forward	Own shares	Minority interests	Result of the period	Total
Equity at the start of the current period	**83 000 000**	**–**	**4 423 975**	**–**	**–**	**(20 810 153)**	**–**	**–**	**(3 818 002)**	**62 795 820**
Other allocations to (transfers from) other reserves	–	–	–	–	–	(3 818 002)	–	–	3 818 002	–
Loss for the year	–	–	–	–	–	–	–	–	(3 370 843)	(3 370 843)
Equity at the end of the current period	**83 000 000**	**–**	**4 423 975**	**–**	**–**	**(24 628 155)**	**–**	**–**	**(3 370 843)**	**59 424 977**

Notes to the financial statements

General business

Investec Bank (Switzerland) AG, whose registered office is in Zurich with a representative office in Lausanne, is a wholly owned subsidiary of Investec Bank plc in the UK, a globally active financial services group. Investec Bank (Switzerland) AG is mainly active in the private banking business including wealth and investment and other related services. The geographic areas covered by the Bank include Switzerland and abroad, in particular Europe and Southern and Eastern Africa.

General principles

Accounting policies and valuation principles are based on provisions according to the Swiss Code of Obligations, the Federal Law on Banks and Saving Banks and its related ordinance, the guidelines of the Swiss Financial Market Supervisory Authority (FINMA), the Bank's articles of association and the statutory regulations. Single positions inherent in any given balance sheet item are valued individually.

Accounting standards

The Bank has implemented the accounting standards per the FINMA Circular 2015/1 – Accounting for Banks effective 1 January 2015. Investec has prepared reliable assessment statutory single-entity financial statements in accordance with Art. 25 para. 1 let. a BO.

Recording of transactions

All transactions are recorded in the financial statements of the Bank on trade date and valued on this date. Spot transactions are recorded based on the trade date principle. Forward and Swap contracts are recorded as off-balance sheet transactions on trade date until the execution or value date. Between the trade and the execution date the replacement values of Forward and Swap transactions are recorded as separate lines in the balance sheet.

Foreign currencies

Transactions in foreign currencies are recorded with the exchange rate of the day that they take place. Assets in foreign currencies are converted at the exchange rate of the effective balance sheet date and the valuation differences are taken to the income statement. Exchange rate fluctuations between the trade date and settlement date of a transaction are recorded in the income statement.

Currency	Rates as at 31 March 2019	Rates as at 31 March 2018
USD	0.99588	0.95705
EUR	1.11759	1.17615
GBP	1.29746	1.34140

Liquid assets, amounts due from banks, amounts due from customers, mortgage loans, amounts due to banks, and amounts due in respect of customer deposits

These transactions and balances are recorded at their nominal value. Doubtful accounts receivable, where it is unlikely that the debtor will be able to meet future commitments, are evaluated on an individual basis and any impairment is netted with the respective account in the balance sheet. The impairment is calculated using the difference between the book value of the receivable and the amount expected to be received considering the counterparty risk as well as the net proceeds realisable from the sale of any collateral. There are no allocations of general reserves. Interest and commissions outstanding for more than 90 days are considered overdue.

Financial investments

Securities that are not held for trading purposes are valued at the lower of cost or market value, if they are not intended to be held to maturity. Any upward or downward re-measurement of value is taken to "Other ordinary income" or "Other ordinary expenses". If a security's market value has fallen below cost but subsequently rises again it may only be written up as far as its cost value.

Notes to the financial statements

Tangible fixed assets

Investments in new tangible fixed assets are capitalized and valued at historical cost if they exceed CHF 50 000 and will be used for a period longer than one financial year. Depreciation is recorded on a straight-line basis over the estimated lifetime of the asset.

The tangible fixed assets are reviewed each year, changes in the lifetime or impairments to the net book value are amortised over the remaining lifetime or booked as extraordinary depreciation. Both regular and extraordinary depreciation is recorded in the income statement in the line "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". If the reason for extraordinary depreciation no longer exists, the net asset value may be adjusted upwards.

The lifetime of the asset categories have been defined as follows:

– Software, IT and communication equipment	max. 3 years
– Furniture and other office equipment	max. 3 years
– Other fixed assets, including In-house developed software	max. 5 years

Realised profits from divestment of tangible fixed assets are recorded in "extraordinary income" whereas realised losses are recorded in "extraordinary expenses".

Accruals and deferrals

Interest income and expenses, commission income and expenses, personnel and other operating expenses are accrued for the respective financial year.

Provisions

In accordance with the principle of prudence, specific provisions and reserves are made for any recognisable risks if an outflow of funds is probable. Existing provisions are reassessed at each balance sheet date. Based on this reassessment, the provisions are increased, left unchanged, or released.

Positions are recorded as follows via the individual items in the income statement:
- Provision for deferred taxes: "Taxes"
- Pension provision: "Personnel expenses"
- Other provisions: "Changes in provisions and other valuation adjustments and losses", except provisions for restructuring

Provisions are released via the income statement if they are no longer needed on business grounds and cannot be used for other similar purposes at the same time.

Taxes

Taxes on the results of the current accounting period are determined in accordance with local tax laws and recorded as expenses in the relevant financial year.

Pension funds

Pension funds are treated according to SWISS GAAP FER 16.

Contingent liabilities, irrevocable commitments, guarantees and other commitments

These positions are stated as off-balance sheet items at their nominal values. In accordance with the principle of prudence, adequate provisions are recorded for known risks.

Derivative financial instruments

Derivative financial instruments are used to limit the currency and interest rate risks on own positions as well as on trades for clients. With the exception of currency swaps and forward contracts, the Bank does not hold any derivative financial instruments on its own account. Derivative financial instruments are valued at fair value. The positive and negative replacement values of the transactions that are open on the balance sheet date are recorded as such in a separate line on the face of the balance sheet. The notional amount is disclosed in the notes to the financial statements. There is no hedge accounting applied by the Bank.

Notes to the financial statements

Cash flow statement

There is no cash flow statement presented according to reference 170 of the FINMA Circular 2015/0. The Bank is not required to present a cash flow statement as a reliable assessment statutory single entity financial statement is applied by the Bank.

Impact of negative interest rates on the Bank's business

Negative interest on assets is disclosed as a reduction in interest and discount income. Negative interest on deposits is disclosed as a reduction in interest expense.

Events after the balance sheet date

No events that would adversely affect the results of the Bank occurred after the balance sheet date.

Risk management

The risk management and risk control framework
Risk management is a key function of the Bank. It is based on the policies approved by the Board of Directors, which are reviewed annually to ensure that new business activities as well as market, regulatory or other developments are adequately addressed. The Board of Directors regularly reviews the key risks faced by our Bank, including client investment, credit, market, liquidity and operational risks. Key risk indicators, risk mitigation measures and internal controls are in place. Particular emphasis is given to ensuring ongoing monitoring and pro-active management of these risks and accurately determining their impact on the Bank's financial position. The principle of segregation of duties is strictly respected, i.e. the responsibility for risk control is separated from responsibility for trading and other front-office activities.

All corporate bodies responsible as well as the parent bank are regularly informed of the Bank's financial position, liquidity and earnings, and the associated risks.

Client investment risks
Client investment risk is a key risk for the Bank's private banking activities. The Bank and its governing bodies (including the Board) address client investment risks by a systematic identification and assessment of larger asset allocation deviations, risk exposures and client portfolio performance deviations against defined benchmark targets, as well as using key risk indicators.

Credit risk
Credit risk management ensures that controls cover the risk that credit exposures could give rise to a loss if counterparties fail to meet their contractual obligations. Default risk is limited by applying country limits (political risk and transfer risk) as well as customer and bank limits. Credit approval is subject to quality requirements following internal guidelines. Credit risks are limited and subject to regular analyses and risk oriented review processes. The credit exposure to clients and companies is assured against collateral while applying adequate margins and covenants.

Risks are managed and monitored primarily by valuing collateral at fair market value and monitoring covenants. The principles for determining collateral and margin values are set locally and approved by the Group as well as by our local Board of Directors. The individual loan-to-value ratios for Lombard lending depends on the type of product, its marketability, liquidity, rating, volatility, etc., allowing for customary security margins. Sub participations into Private Equity Fund Debt is monitored in conjunction with Investec Bank plc. Investments into debt instruments are monitored on a regular basis for any indications of credit impairment.

Market risk
Market risk for the Bank arises from executing client trades across our balance sheet. Client trading is limited to foreign exchange forward and swap contracts and precious metals trading. All open client positions are hedged out. This is monitored by an independent control unit which checks the exposure against the relevant exposure limits.

Balance sheet risk
Balance sheet risk management encompasses the independent monitoring and prudential management of the financial risks relating to our asset and liability portfolios. These comprise liquidity risk and non-trading interest rate and foreign exchange risks on the balance sheet.

Liquidity risk is the risk that we have insufficient capacity to fund increase in assets, or are unable to meet our obligations as they fall due, without incurring unacceptable losses. Non trading interest rate risk is the impact on net interest earnings and sensitivity to economic value as a result of unexpected adverse movements in interest rates.

Liquidity risk metrics and ratios are used to assess potential risks to the liquidity position.

Non-trading interest rate and foreign exchange risk (and the associated capital requirements) are ascertained using the standardised measurement method. The management of interest rate risk is based on applying a shift of +/-100 bps to the interest rate curve to determine the value effect as well as on the income effect on annual income.

Balance sheet risk management, including the long-term investment of the Bank's own capital, is the responsibility of the Asset and Liability Committee (ALCO) with the treasury function being mandated to manage these risks. All limits used to monitor this risk are subject to the approval by the Board of Directors. The Bank also reports into the Investec Bank plc Asset and Liability Committee where oversight is exercised.

The Bank's own capital is invested in product categories predefined by Investec Bank plc Asset and Liability Committee. On the balance sheet date, the Bank's own capital was held at the Swiss National Bank and used to fund the Bank's loan portfolio and other financial investments.

Compliance with all requirements and limits is monitored in a timely manner by an independent control unit. The risk reports are discussed every month at ALCO and every quarter at the meetings of the Board of Directors.

Operational risk

Operational risks reflect the probability of direct or indirect loss due to the inadequacy or failure of internal processes, persons or systems or as a result of external events. Given that operational risks may be encountered in all areas, all members of staff and offices involved in a business process are expected to assess and manage the operational risks within their area of responsibility. Of particular importance is the appropriate segregation of duties and the adherence to the four-eye principle where required. Furthermore, operational risks are mitigated by the use of instruments such as policies and guidelines, definition of approval requirements, organisational charts, job descriptions as well as process and control descriptions. Automation facilitating the transactions processing and controls is also key in order to reduce risks. The effectiveness of controls is regularly evaluated.

In order to foster a pro-active approach to the management and control of operational risks, the Bank has implemented an Internal Control Framework to strengthen employees' risk and control awareness. The Risk Controller initiates, oversees and monitors these processes and reports results to the Executive Management Committee, Investec Bank plc Operational Risk and the Board of Directors.

Compliance and legal risk

The Bank ensures that its business activities comply with prevailing regulatory provisions and with the duty of due diligence of a financial intermediary. The Bank's Legal and Compliance department is responsible for identifying and reviewing developments in the legal and regulatory area and keeping track of the requirements of the supervisory authorities and other regulating bodies. The department also ensures, in collaboration with the Risk Management department that directives and regulations are updated and implemented in line with new legal and regulatory developments.

The Legal and Compliance department captures, analyses and assesses the Bank's legal, regulatory, bribery and Anti-Money-Laundering risks and defines mitigating controls. Training in relation to various compliance topics such as cross-border financial services, financial crime and Know-Your-Client is provided to employees at regular intervals.

Notes to the financial statements

Table 1: Presentation of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

Overview of collateral		Type of collateral			
		Secured by mortgage in CHF	Other collateral in CHF	Unsecured in CHF	Total in CHF
Loans (before netting with value adjustments)					
Amounts due from customers		–	60 201 480	–	60 201 480
Mortgages					
– Residential properties		–	–	–	–
– Commercial and industrial premises		–	–	–	–
Total loans (before netting with value adjustments)	**31.03.2019**	**–**	**60 201 480**	**–**	**60 201 480**
	31.03.2018	–	49 221 201	–	49 221 201
Total loans (after netting with value adjustments)	**31.03.2019**	**–**	**60 201 480**	**–**	**60 201 480**
	31.03.2018	–	49 221 201	–	49 221 201
Off-balance sheet					
Contingent liabilities		–	1 637 305	–	1 637 305
Irrevocable commitments		–	24 665 347	386 000	25 051 347
Obligations to pay up shares and make further contributions		–	–	–	–
Credit commitments		–	–	–	–
Total off-balance sheet	**31.03.2019**	**–**	**26 302 652**	**386 000**	**26 688 652**
	31.03.2018	–	32 383 727	284 000	32 667 727

Impaired loans/receivables		Gross debt amount in CHF	Estimated liquidation value of collateral in CHF	Net debt amount in CHF	Individual value adjustments in CHF
Total	**31.03.2019**	**–**	**–**	**–**	**–**
	31.03.2018	–	–	–	–

Table 2: Breakdown of trading portfolios and other financial instruments at fair value (assets and liabilities)

Investec Bank (Switzerland) AG does not have trading portfolios or other financial instruments at fair value as at 31 March 2019 and 31 March 2018.

Notes to the financial statements

Table 3: Presentation of derivative financial instruments (assets and liabilities)

		Trading Instruments			Hedging Instruments		
		Positive replacement values in CHF	Negative replacement values in CHF	Contract volume in CHF	Positive replacement values in CHF	Negative replacement values in CHF	Contract volume in CHF
Interest rate instruments							
– Forward contracts		–	–	–	–	–	–
Equity securities							
– Forward contracts		–	–	–	–	–	–
Foreign exchange/precious metals							
– Forward contracts		198 856	(184 846)	27 116 514	49 252	–	4 478 773
– Combined interest rate/ Currency swaps		–	–	–	23 728	(581 228)	19 410 321
Total	**31.03.2019**	**198 856**	**(184 846)**	**27 116 514**	**72 979**	**(581 228)**	**23 889 094**
	31.03.2018	235 110	(278 814)	32 295 298	515 802	(22 933)	28 737 623
Of which value determined using a valuation model in CHF							
31.03.2019		**198 856**	**(184 846)**		**72 979**	**(581 228)**	
31.03.2018		235 110	(278 814)		515 802	(22 933)	

Breakdown by counterparty	31.03.2019			31.03.2018		
	Central clearing houses in CHF	Banks and securities in CHF	Other customers in CHF	Central clearing houses in CHF	Banks and securities in CHF	Other customers in CHF
Positive replacement values (after netting agreements)*	**–**	**61 499**	**210 337**	**–**	**583 739**	**167 173**

*There were no netting agreements as of 31 March 2019.

Notes to the financial statements

Table 4: Breakdown of financial investments

	Book value 31.03.2019 in CHF	Book value 31.03.2018 in CHF	Fair value 31.03.2019 in CHF	Fair value 31.03.2018 in CHF
Debt securities	32 447 263	–	31 895 750	–
– of which, held until maturity	32 447 263	–	31 895 750	–
Equity securities	12 827	22 348	12 827	22 348
– of which, qualified participations	–	–	–	–
Total*	**32 460 090**	**22 348**	**31 908 577**	**22 348**
of which, securities eligible for repo transactions in accordance with liquidity requirements	**–**	–	**–**	–

Debt securities consist of one counterparty which is unrated.

The fair value of the debt securities held until maturity is lower than its book value due to change in market rates.

Table 5: Presentation of tangible fixed assets

				2018/2019					
	Acquisition cost in CHF	Accumulated depreciation in CHF	Book value 31.03.2018 in CHF	Reclassification in CHF	Additions in CHF	Disposals in CHF	Depreciation in CHF	Reversals in CHF	Book value 31.03.2019 in CHF
Proprietary or separately acquired software	1 986 085	(796 742)	1 189 343	–	606 877		(492 084)	–	1 304 136
Other tangible fixed assets	12 859	(7 458)	5 401	–	–		(5 401)	–	–
Total tangible fixed assets			**1 194 744**		**606 877**	**–**	**(497 485)**	**–**	**1 304 136**

Operating lease commitments	31.03.2019				31.03.2018			
	Less than 1 year in CHF	Greater than 1 year, less than 5 years in CHF	Greater than 5 years in CHF	Total in CHF	Less than 1 year in CHF	Greater than 1 year, less than 5 years in CHF	Greater than 5 years in CHF	Total in CHF
Rental lease commitments for premises	493 068	1 317 161	–	1 810 229	547 976	1 723 276	–	2 271 252
– of which are cancellable within 1 year				–				57 240

Notes to the financial statements

Table 6: Breakdown of other assets and other liabilities

	31.03.2019		31.03.2018	
	Other Assets in CHF	Other Liabilities in CHF	Other Assets in CHF	Other Liabilities in CHF
Compensation account	–	–	–	–
Indirect taxes	24 939	304 831	18 347	278 816
Prepayments re pension scheme	–	545 651	395 028	–
Miscellaneous assets and liabilities	396 308	468 173	3 888	1 710 571
Total other assets and liabilities	**421 247**	**1 318 655**	**417 263**	**1 989 387**

Table 7: Disclosures on the economic situation of own pension schemes

Investec Bank (Switzerland) AG does not have its own pension scheme. There are no liabilities (other than contribution accruals) relating to the pension scheme of the Bank, and no equity instruments of the Bank held by the respective pension scheme. There are no reserves for the contribution to the pension plan by the employer (employer contribution reserves) available.

Presentation of the economic benefit/obligation and pension expenses

	Overfunding/ underfunding at current year in CHF	Economic of interest the bank/ financial group in CHF 31.03.2019	Economic of interest the bank/ financial group in CHF 31.03.2018	Change in economic interest (economic benefit/ obligation) in CHF	Contri-butions paid for the current period in CHF	Pension expenses in personal expenses in CHF 31.03.2019	Pension expenses in personal expenses in CHF 31.03.2018
Pension plan without overfunding/underfunding	–	–	–	–	32 029	599 440	586 599

Details on the Bank's pension fund is in line with Swiss GAAP FER 16.

Investec Bank Switzerland's pension scheme is with AXA Foundation for Occupational Benefits since 1 January 2007.

Until 31 December 2018 the pension scheme was based on a full insurance model, which guaranteed nominal value and interest on all members' retirement assets at any time as all risks – longevity risk, investment risk, death and disability risk – were 100% re-insured.

Following the transformation of AXA Foundation for Occupational Benefits from a full insurance model to a semi-autonomous model with pooled assets on 1 January 2019, the longevity and investment risks are no longer re-insured, but borne by AXA foundation. This means that since 1 January 2019, nominal value and interest are guaranteed in case of a member leaving the pension scheme (vested rights) or going into retirement only. In all other cases, the longevity and investment risks are borne by the pension fund and its members.

Notes to the financial statements

Table 8: Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

	31.03.2018 in CHF	Use in conformity with designated purpose in CHF	Reclassifica-tions in CHF	Currency differences in CHF	Past due interest, recoveries in in CHF	New creations charged to income in CHF	Releases to income in CHF	31.03.2019 in CHF
Provisions for deferred taxes	–	–	–	–	–	–	–	–
Provisions for pension benefit obligations	–	–	–	–	–	–	–	–
Provisions for default risks	–	–	–	–	–	–	–	–
Provisions for other business risks	–	–	–	–	–	–	–	–
Provisions for restructuring	–	–	–	–	–	–	–	–
Other provisions	347 984	(47 462)	–	–		50 000	–	350 522
Total provisions	**347 984**	**(47 462)**	**–**	**–**	**–**	**50 000**	**–**	**350 522**
Reserves for general banking risks	–	–	–	–	–	–	–	–
Value adjustments for default and country risks								
– of which, value adjustments for default risks in respect of impaired loans/receivables								
– of which, value adjustments for latent risks	–	–	–	–	–	–	–	–

Other provisions
Other provisions of TCHF 301 are for potential Madoff claims (2009).

Litigation
Other than the potential Madoff claims mentioned above, no material litigation is currently on going for the Bank.

Notes to the financial statements

Table 9: Presentation of the bank's capital

Bank's capital	31.03.2019			31.03.2018		
	Total par value in CHF	Number of shares	Capital eligible for dividend in CHF	Total par value in CHF	Number of units	Capital eligible for dividend in CHF
Share capital	83 000 000	83 000	83 000 000	83 000 000	83 000	83 000 000
– of which, paid up	83 000 000	83 000	83 000 000	83 000 000	83 000	83 000 000
Total bank's capital	**83 000 000**	**83 000**	**83 000 000**	83 000 000	83 000	83 000 000

Significant shareholder:	31.03.2019			31.03.2018		
	Nominal in CHF	in % in CHF		Nominal in CHF	in % in CHF	
Investec Bank plc	**83 000 000**	**100%**		**83 000 000**	**100%**	

The parent company of Investec Bank plc is Investec 1 Ltd., which is a 100% subsidiary of Investec Bank plc, a company listed on the London Stock Exchange.

There are neither conditional nor significant shareholders without voting rights.

There are no equity rights or options in Investec Bank (Switzerland) AG held by directors or employees as it is a wholly owned subsidiary of Investec Bank Plc.

Table 10: Number and value of equity securities or options on equity securities held by all executives and directors and by employees, and disclosures on any employee participation schemes

The Investec Group operates a long-term incentive plan (LTIP) for employees, the majority of which are on an equity settled basis. The purpose of this staff share scheme is to promote an esprit de corp within the organisation, create an awareness of Investec's performance and provide an incentive to maximise indiviual and group performance by allowing all staff to share in the risks and rewards of the group.

There are two plans: one has a five year vesting period where 75% of options issued vest after 4 years and 25% vest after 5 years; the other plan has a five year vesting period where 33% of options issued vest in year 3, 33% in year 4 and 33% in year 5.

All LTIPs issued have a zero strike price. For 2018/2019 the amount recognised in the income statement for LTIPs was TCHF 450 (2017/2018 TCHF 531).

The weighted average share price during the year was GBP 5.11/CHF 6.59 (2017/2018 GBP 5.65/CHF 7.58).

The yearly charges are calculated and recharged from Investec Group to the Bank. LTIPs are not related to the Bank's shares but to the shares of Investec Plc. The amount of equity securities and options with Investec Bank (Switzerland) AG are zero.

Notes to the financial statements

Table 11: Disclosure of amounts due from/to related parties

	31.03.2019		31.03.2018	
	Amounts due from in CHF	Amounts due to in CHF	Amounts due from in CHF	Amounts due to in CHF
Holders of qualified participations	7 818 667	1 112 354	47 104 840	263 954
Group companies	–	–	–	–
Linked companies	32 760 006	18 985 268	122 847	11 041 082
Transactions with members of governing bodies	20 516	–	34 208	–
Other related parties	–	–	–	–

Transactions with related parties
The Bank partially undertakes refinancing with affiliated entities and significant shareholders at arm's length pricing.

The Bank had as at 31 March 2019 TCHF 1,270 in current accounts (31 March 2018, TCHF 133). Overnight deposits amounted to TCHF 6,487 (31 March 2018, TCHF 46,514).

As at 31 March 2019, off balance sheet fx derivative contract volumes with group entities amounted to TCHF 35,154 (31 March 2018, TCHF 44,743) and off balance sheet fiduciary placements with group companies were TCHF Nil for 31 March 2019 (31 March 2018, TCHF 7,820).

As at 31 March 2019, positive and negative replacement values with group companies respectively amounted to TCHF 62 and TCHF 758 (31 March 2018 TCHF 584 and TCHF 182).

As of 31 March 2019, transactions with members of governing bodies includes a staff loan to management. All transactions with related parties were executed on the same conditions as would apply for third parties.

Included in linked companies (amounts due from) was a bond purchased by the Bank on 27 September 2019. The book value of the bond was CHF 32 447 263 as at 31 March 2019.

Included in linked companies (amounts due to) was the funding received from Investec Bank Channel Islands for an investment of EUR 11 499 000 as at 31 March 2019.

Table 12: Disclosure of holders of significant participations

	31.03.2019		31.03.2018	
	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 Investec Bank plc	83 000 000	100%	83 000 000	100%
without voting rights	–	0%	–	0%

Notes to the financial statements

Table 13: Presentation of the maturity structure of financial instruments

			Due					
	At sight in CHF	Cancellable in CHF	within 3 months in CHF	within 3 to 12 months in CHF	within 12 months to 5 years in CHF	after 5 years in CHF	No maturity in CHF	Total in CHF
Asset/financial instruments								
Liquid assets	37 284 768	–	–	–	–	–	–	37 284 768
Amounts due from banks	42 167 280	–	57 277 180	–	–	–	–	99 444 460
Amounts due from securities financing transactions	–	–	–	–	–	–	–	–
Amounts due from customers	7 401 533	–	14 844 454	37 426 489	529 003	–	–	60 201 480
Mortgage loans	–	–	–	–	–	–	–	–
Trading portfolio assets	–	–	–	–	–	–	–	–
Positive Replacement values of derivative financial instruments	271 836	–	–	–	–	–	–	271 836
Other financial instruments at fair value	–	–	–	–	–	–	–	
Financial investments	–	–	–	–	32 460 000	–	–	32 460 090
Total 31.03.2019	**119 585 505**	**–**	**72 121 634**	**37 426 489**	**529 003**	**–**	**–**	**229 662 633**
31.03.2018	174 911 088	–	103 841 923	29 807 099	–	–	–	308 560 110
Debt capital/ financial instruments								
Amounts due to banks	8 171 969	12 851 167		–	–	–	–	21 023 137
Liabilities from securities financing transactions	–	–	–	–	–	–	–	–
Amounts due in respect of customer deposits	137 958 858	5 058 000	5 413 518	276 045	–	–	–	148 706 421
Trading portfolio liabilities	–	–	–	–	–	–	–	–
Negative replacement values of derivative financial instruments	766 074	–	–	–	–	–	–	766 074
Liabilities from other financial instruments at fair value	–	–	–	–	–	–	–	–
Cash bonds	–	–	–	–	–	–	–	–
Bond issues and central mortgage institution loans	–	–	–	–	–	–	–	–
Total 31.03.2019	**146 896 902**	**17 909 167**	**5 413 518**	**276 045**	**–**	**–**	**–**	**170 495 632**
31.03.2018	244 350 840	800 000	–	–	–	–	–	245 150 840

Notes to the financial statements

Table 14: Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

	31.03.2019		31.03.2018	
	Domestic in CHF	**Foreign in CHF**	**Domestic in CHF**	**Foreign in CHF**
Assets				
Liquid assets	36 816 328	468 440	113 215 135	440 296
Amounts due from banks	28 498 156	70 946 304	23 585 330	121 324 888
Amounts due from securities financing transactions	–	–	–	–
Amounts due from customers	346	60 201 134	465 805	48 755 396
Mortgage loans	–	–	–	–
Trading portfolio assets	–	–	–	–
Positive replacement values of derivative financial instruments	40 128	231 708	52 775	698 138
Other financial instruments at fair value	–	–	–	–
Financial investments	19 165	32 440 924	10 213	12 135
Accrued income and prepaid expenses	1 108 312	561 282	1 213 629	151 079
Participations	–	–	–	–
Tangible fixed assets	1 304 136	–	1 194 744	–
Intangible assets	–	–	–	–
Other assets	421 247	–	417 263	–
Capital not paid in	–	–	–	–
Total assets	**68 207 818**	**164 849 792**	**140 154 894**	**171 381 932**
Liabilities				
Amounts due to banks	–	21 023 137	6 786	12 034 697
Amounts due to securities financing transactions	–	–	–	–
Amounts due in respect of customer deposits	15 996 449	132 709 972	12 332 217	220 475 394
Trading portfolio liabilities	–	–	–	–
Negative replacement values of derivative financial instruments	591	765 483	42 878	258 869
Liabilities from other financial instruments at fair value	–	–	–	–
Cash bonds	–	–	–	–
Bond issues and central mortgage institution loans	–	–	–	–
Accrued expenses and deferred income	1 465 564	2 259	1 252 794	–
Other liabilities	853 806	464 849	966 954	1 022 433
Provisions	350 523	–	347 984	–
Reserves for general banking risks	–	–	–	–
Bank's capital	83 000 000	–	83 000 000	–
Statutory capital reserve	–	–	–	–
Statutory retained earnings reserve	4 423 975	–	4 423 975	–
Voluntary retained earnings reserve	1 300 000	–	1 300 000	–
Own shares (negative item)	–	–	–	–
Loss carried forward	(25 928 155)	–	(22 110 153)	–
Loss of the year	(3 370 843)	–	(3 818 002)	–
Total liabilities	**78 091 910**	**154 965 700**	**77 745 433**	**233 791 393**

The prior year accrued income and prepaid expenses, accrued expenses and deferred income as well as loss of the year disclosed as Domestic have been restated due to a prior year error. The impact is an overall decrease in the total assets and total liabilities by TCHF107 which is in line with the amounts disclosed in the balance sheet.

Table 15: Breakdown of total assets by country or group of countries (domicile principle)

	31.03.2019		31.03.2018	
	Absolute in CHF	Share as %	Absolute in CHF	Share as %
Assets				
Europe				
Switzerland	68 035 837	29.2%	140 838 830	45.2%
United Kingdom	14 080 044	6.0%	64 191 596	20.6%
Germany	37 321 118	16.0%	27 585 709	8.9%
France	12 858 850	5.5%	14 032 501	4.5%
Isle of Man	3 930 439	1.7%	8 069 814	2.6%
Guernsey	38 196 055	16.4%	5 665 082	1.8%
Malta	4 876 133	2.1%	2 225 309	0.7%
Ireland	4 297 946	1.8%	2 127 884	0.7%
Portugal	–	0.0%	1 972 572	0.6%
Greece	114 410	0.0%	118 244	0.0%
Jersey	146 547	0.1%	–	–
Other European countries	132 251	0.1%	207 227	0.1%
North America				
United States of America	1 952 903	0.8%	13 687 682	4.4%
St Kitts and Nevis	4 690 921	2.0%	4 856 841	1.6%
U.S. Virgin Islands	251 104	0.1%	–	–
Other North American countries	20	0.0%	2 231	0.0%
Asia				
Malaysia	898 296	0.4%	944 866	0.3%
Israel	347 278	0.1%	–	–
Japan	4 340 320	1.9%	–	–
Other Asian countries	2 649	0.0%	1 875 516	0.6%
Central America				
St Lucia	5 305 565	2.3%	5 306 095	1.7%
British Virgin Islands	4 485 367	1.9%	4 420 922	1.4%
Cayman Islands	2 184 584	0.9%	1 614 796	0.5%
Virgin Islands		0.0%	280 889	0.1%
Bermuda	12 857 331	5.5%	–	–
Other Central American countries	1	0.0%	183	0.0%
Africa				
South Africa	10 095 264	4.3%	10 059 369	3.2%
Mauritius	470 780	0.2%	–	–
Other African countries	59 781	0.0%	60 835	0.0%
Australasia				
Australia	1 052 461	0.5%	1 350 622	0.4%
New Zealand	73 355	0.0%	41 210	0.0%
Total assets	**233 057 610**	**100%**	**311 536 827**	**100%**

Table 16: Breakdown of total assets by credit rating of country groups (risk domicile view)

	31.03.2019		31.03.2018	
	Net foreign exposure in CHF	Net foreign exposure share as %	Net foreign exposure in CHF	Net foreign exposure share as %
System Rates				
1	191 658 641	82.2%	269 831 583	86.6%
2	–	–	–	–
3	898 296	0.4%	944 866	0.3%
4	880 343	0.4%	530 037	0.2%
5	10 095 264	4.3%	10 059 776	3.2%
6	–	–	–	–
7	4 691 067	2.0%	–	–
Not rated	24 833 999	10.7%	30 170 565	9.7%
	233 057 610	**100%**	**311 536 827**	**100%**

Explanations of the ratings system used
The Bank does not use own country ratings to classify asset risk however uses ratings from the Fire system, which is similar to the ratings used in the market.

The Fire's rating scale uses numbers, with "1" considered as the best and "7" considered as the worst.

Notes to the financial statements

Table 17: Presentation of assets and liabilities broken down by the most significant currencies for the bank

	Currencies in CHF				
	CHF	USD	EUR	GBP	Other
Assets					
Liquid assets	36 816 329	–	468 440	–	–
Amounts due from banks	202 444	55 625 457	25 492 475	9 078 845	9 045 239
Amounts due from securities financing transactions	–	–	–	–	–
Amounts due from customers	5 807 369	15 534 541	22 775 117	13 349 188	2 735 266
Mortgage loans	–	–	–	–	–
Trading portfolio assets	–	–	–	–	–
Positive replacement values of derivative financial instruments	271 836	–	–	–	–
Other financial instruments at fair value	–	–	–	–	–
Financial investments	8 404	9 096	4 975	32 437 616	–
Accrued income and prepaid expenses	1 110 703	73 849	32 235	443 469	9 337
Participations	–	–	–	–	–
Tangible fixed assets	1 304 136	–	–	–	–
Intangible assets	–	–	–	–	–
Other assets	105 073	–	102 898	–	213 275
Total assets shown in balance sheet	**45 626 293**	**71 242 943**	**48 876 140**	**55 309 118**	**12 003 116**
Delivery entitlements from spot exchange and forward forex transactions	**27 636 409**	**14 861 651**	**3 401 549**	**5 105 999**	**–**
Total assets	**73 262 701**	**86 104 594**	**52 277 689**	**60 415 117**	**12 003 116**
Liabilities					
Amounts due to banks	967	2 816 197	15 935 637	490 608	1 779 728
Amounts due to securities financing transactions	–	–	–	–	–
Amounts due in respect of customer deposits	3 796 312	67 829 555	32 880 141	34 554 541	9 645 872
Trading portfolio liabilities	–	–	–	–	–
Negative replacement values of derivative financial instruments	766 074	–	–	–	–
Liabilities from other financial instruments at fair value	–	–	–	–	–
Cash bonds	–	–	–	–	–
Bonds issues and central mortgage institution loans	–	–	–	–	–
Accrued expenses and deferred income	1 249 980	–	–	217 843	–
Other liabilities	850 014	458 402	–	10 240	–
Provisions	350 522	–	–	–	–
Reserves for general banking risks	–	–	–	–	–
Bank's capital	83 000 000	–	–	–	–
Statutory capital reserve	–	–	–	–	–
Statutory retained earnings reserve	4 423 975	–	–	–	–
Voluntary retained earnings reserves	1 300 000	–	–	–	–
Own shares (negative item)	–	–	–	–	–
Profit carried forward/loss carried forward	(25 928 155)	–	–	–	–
Profit/(loss) (result of the period)	(3 370 843)	–	–	–	–
Total liabilities shown in the balance sheet	**66 438 846**	**71 104 154**	**48 815 778**	**35 273 232**	**11 425 600**
Delivery obligations from spot exchange and forward forex transactions	**8 048 872**	**14 857 230**	**3 399 843**	**25 864 095**	**553 760**
Total liabilities	**74 487 719**	**85 961 384**	**52 215 620**	**61 137 327**	**11 979 360**
Net position per currency	**(1 225 017)**	**143 210**	**62 069**	**(722 210)**	**23 756**

Notes to the financial statements

Table 18: Breakdown of contingent liabilities and contingent assets

	31.03.2019 in CHF	31.03.2018 in CHF
Guarantees to secure credits and similar	1 637 305	1 829 007
Performance guarantees and similar	–	–
Irrevocable commitments arising from documentary letters of credit	–	–
Other contingent liabilities	–	–
Total contingent liabilities	**1 637 305**	**1 829 007**
Contingent assets from tax losses carried forward	–	–
Other contingent assets	–	–
Total contingent assets	**–**	**–**

Table 19: Breakdown of credit commitments

	31.03.2019 in CHF	31.03.2018 in CHF
Commitments arising from acceptances (for liabilities arising from acceptances in circulation)	24 665 347	30 554 720
Other credit commitments	386 000	284 000
Total	**25 051 347**	**30 838 720**

Table 20: Breakdown of fiduciary transactions

	31.03.2019 in CHF	31.03.2018 in CHF
Fiduciary investments with third-party companies	201 475 390	173 843 694
Fiduciary investments with group companies and linked companies	–	7 820 302
Total fiduciary transactions	**201 475 390**	**181 663 996**

Notes to the financial statements

Table 21: Breakdown of managed assets and presentation of their development

Breakdown of managed assets	31.03.2019 in CHF '000	31.03.2018 in CHF '000
Type of managed assets		
Assets in collective investment schemes managed by the bank	–	
Assets under discretionary asset management agreements	355 944	282 189
Other managed assets	1 538 011	1 742 540
Total managed assets (including double counting)	**1 893 955**	**2 024 729**
Custody only assets	–	–
Total customer assets	**1 893 955**	**2 024 729**
of which, double counting	–	–

Presentation of the development of managed assets	31.03.2019 in CHF '000	31.03.2018 in CHF '000
Total managed assets (including double counting) at beginning	**2 024 729**	**2 011 279**
+/- net new money outflow	(114 688)	(5 389)
+/- price gains/(losses), interest, dividends and currency gains/(losses)	(16 086)	18 839
+/- other effects	–	–
Total managed assets (including double counting) at end	**1 893 955**	**2 024 729**

Assets in own-managed collective investment instruments did not exist at the balance sheet date.

Assets with asset management mandates include all client assets for which the bank had been instructed by way of an appropriate asset management mandate (directly or indirectly) to invest the clients' assets in a defined framework on their behalf. This definition was amended in the current year to include indirectly managed accounts and the prior year comparative has been amended in line with this new definition. The prior year effect is to increase assets managed under discretionary agreements by TCHF65.

Other managed assets include all client assets for which the Bank had been instructed by way of an appropriate administration or advisory mandate (including custody and collection activities).

Custody only assets are custody accounts which are held exclusively for safekeeping/custody purposes.

Net Inflow comprises the acquisition of new clients, lost clients and inflows and outflows from existing clients. Performance related changes in assets such as share price movements, interest and dividend payments as well as interest charged to clients are not considered as inflows and outflows.

Table 22: Breakdown of the result from trading activities and the fair value option

	2018/2019 in CHF	2017/2018 in CHF
Result from trading activities from:		
Interest rate instruments (including funds)	–	–
Equity securities (including funds)	–	–
Foreign currencies	1 165 813	1 396 135
Commodities/precious metals	–	–
Total result from trading activities	**1 165 813**	**1 396 135**
– of which, from fair value option	–	–

The trading result is derived solely from the Wealth Management business area.

Table 23: Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest

	2018/2019 in CHF	2017/2018 in CHF
Positive effect of negative interest rates on the income statement	61 447	98 322
Negative effect of negative interest rates on the income statement	(469 931)	(473 743)
Net effect of negative interest	**(408 484)**	**(375 420)**

The prior year positive effect of negative interest rates has been restated due to a prior year error. The impact was to increase the net effect of negative interest by TCHF 165.

Table 24: Breakdown of personnel expenses

	2018/2019 in CHF	2017/2018 in CHF
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	6 740 920	6 947 808
– of which, expenses relating to share-based compensation and alternative forms of variable compensation	751 642	889 356
Social insurance benefits	1 162 195	1 208 295
Other personnel expenses	103 689	25 304
Total personnel expenses	**8 006 803**	**8 181 406**

Notes to the financial statements

Table 25: Breakdown of general and administrative expenses

	2018/2019 in CHF	2017/2018 in CHF
General and administrative expenses are to be broken down as follows:		
– Office space expenses	550 329	463 509
– Expenses for information and communications technology	1 868 050	1 609 356
– Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	–	–
– Fees of audit firm(s) (Art. 961a no. 2 CO)	239 200	204 000
of which, for financial and regulatory audits	239 200	204 000
of which, for other services	–	–
– Other operating expenses	2 113 364	2 544 838
Total general and administrative expenses	**4 770 943**	**4 821 703**

Table 26: 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

There were no extraordinary expenses or income in the 2017/2018 or 2018/2019 year.

Table 27: Presentation of the operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment

Investec Bank (Switzerland) AG does not have any branches abroad or companies that should be consolidated according to Art.34 of the Banking Ordinance.

The Bank established in the 2015/2016 year a representative office in Lausanne. This representative office is fully incorporated in the Bank's accounting at the Zurich headquarters.

Table 28: Presentation of current taxes, deferred taxes and disclosure of tax rate

	2018/2019 in CHF	2017/2018 in CHF
Income tax	–	–
Capital tax	142 552	161 076
Total current tax	**142 552**	**161 076**
Tax rate on capital	0.17%	0.19%

There is no income tax payable for the current year or previous year due to Investec Bank (Switzerland) AG's current loss situation.

Tax losses carried forward of TCHF 27 678 exist as at 31 March 2019 (TCHF 26 027 as at 31 March 2018), having been accumulated over the last 7 years.

Independent auditor's report on the financial statements

To the General Meeting of Investec Bank (Switzerland) AG, Zurich

As statutory auditor, we have audited the financial statements of Investec Bank (Switzerland) AG, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 8 to 31), for the year ended 31 March 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 March 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 recommend that the financial statements submitted to you be approved.

Zurich, 9 July 2019

Ernst & Young Ltd

Roland Huwiler
Licensed audit expert
(Auditor in charge)

Jon Fadri Janett
Licensed audit expert

Our services

Wealth management

- Bespoke discretionary management services
- Execution services on a full range of financial instruments
- Expertise in alternative investments
- Open architecture investment process

Traditional Banking

- Payments (including standing instructions), debit and credit cards
- Term and Notice Deposits including fiduciary deposits
- Client online access
- Custody services
- Broking services across all asset classes
- Foreign exchanges trading (spot, forwards) including Non-Deliverable Forwards and precious metal (physical allocated and non-allocated and on account)

Lending and Credit Services

- Lombard and cash-backed lending
- Indemnities/Guarantees