Investec Bank (Switzerland) AG

Annual report for the business year 1 April 2015 to 31 March 2016

Investec

Wealth & Investment

Annual report for the business year 1 April 2015 to 31 March 2016

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Board of directors, executive management and auditors

Board of Directors

A. Tapnack, London, United Kingdom	Chairman of the Board of Directors
Dr. T.A. Frick, Zurich, Switzerland	Vice Chairman of the Board of Directors
I. Wohlman, London, United Kingdom	Member of the Board of Directors
Prof. Dr. B. Gehrig, Winterthur, Switzerland	Member of the Board of Directors

Executive management

P. Gyger	General Manager, Chairman of Senior Management
M. Abromowitz	Senior Manager, Member of Senior Management
D. Gurtner	Senior Manager, Member of Senior Management
P. Otten	Senior Manager, Member of Senior Management
A. Peers	Senior Manager, Member of Senior Management

Auditors

Ernst & Young Ltd., Zurich, Switzerland

Message from the board of directors to shareholders and clients

Dear shareholders and clients

In the year ending 31 March 2016 market sentiment remained cautious as investors balanced accommodative central bank policy and modestly better prospects in some regions with concerns around stubbornly low economic growth, emerging market turmoil and the effect of lower commodity prices on the outlook for global inflation.

As real growth once again failed to convincingly materialise, China's slowdown accelerated and crude oil prices fell below 30 dollars a barrel, nervous investors sold riskier assets in favour of safe havens fearing a downward spiral of lacklustre returns and deflationary pressures. Global equities mostly continued their slow decline from 2015 highs while G10 government bond yields were driven deeper to historic lows.

While the United States struggled to hold onto economic gains, Europe grappled with a resurgence of political instability, an escalating migrant crisis and disappearing inflation. Japan's economy again failed to make significant progress and emerging markets underperformed.

In an attempt to stoke elusive growth and inflation in their fragile economies, the central banks of Europe and Japan extended unprecedented stimulus measures. Lending rates across the Eurozone, Japan, Sweden and Switzerland were pushed further into negative territory while in China, the People's Bank of China made attempts to juggle lower growth prospects with rising debt levels.

On the other side of the Atlantic, the US economy fared somewhat better although equity markets failed to make real progress. Stable employment and wage growth, coupled with brighter future prospects did however allow the Federal Reserve to diverge from the rest of the world's monetary policy stance and move away from zero-bound lending rates for the first time in a decade. Nevertheless, ever lower US Treasury yields appear to demonstrate that investors remain sceptical of how sustainable economic gains will be.

Closer to home and in contrast to the dramatic scrapping of the euro peg last year, the Swiss National Bank (SNB) continued its combination of negative interest rates and foreign exchange intervention. This was to keep the strong franc in check and employment stable while growth and inflation trended modestly lower with the rest of the world.

Against this backdrop, the Swiss financial industry continues to undergo structural change with increased regulation requiring banks to either adapt or reposition themselves. The industry trend is for banks to continue to focus on core markets and to resolve ongoing tax disputes with various international jurisdictions. As a result, more banks have been forced to exit certain regions or restructure their client base. This change has resulted in reduced M&A activity this year but still does provide opportunities that Investec Bank (Switzerland) AG ('Investec Bank') will continue to assess in the coming year.

In this evolving environment, Investec Bank experienced an increase in client assets of around 20% over the financial year. This increase was mainly attributable to the increase in net new money as our business grows, however negative market performance has significantly offset this increase. Interest revenues were affected by the banks' ability to reinvest surplus cash in a negative interest rate environment. Investing in client acquisition strategies, hiring of front end staff as well as continued investment in the platform drove costs higher than the prior year, resulting in an operating loss of CHF 5.6 million. After taxes, depreciation and changes to other provisions, the overall result was a net loss of CHF 6.3 million.

Investec Bank continues to have a very strong balance sheet and exceeds all regulatory requirements. With a BIS total capital ratio of 1020%, a BIS tier 1 capital ratio of 82% and a quarterly average liquidity coverage ratio of 422 %, Investec Bank is well prepared to grow its Assets under Management and business. We plan to increase our asset base by selectively hiring experienced relationship managers who understand our core values; by leveraging from affiliated entities within the Investec group and by opportunistically acquiring appropriate assets for sale by other banks. Finally, we would like to thank our loyal clients for their continued trust and support and our dedicated employees for their work in sharing Investec's expertise, knowledge and success with our clients.

For and on behalf of the board of directors,

Alan Tapnack
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). Mortgage loans are provided as a supplementary service. Interbank business is primarily conducted with group companies.

Trading

Our Bank's trading book 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 majority of the commission and service fee activities is related to portfolio management, securities trading for clients and fiduciary deposits.

In addition to general banking operations, 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 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 BBP AG, Baden, 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 42.60 full time equivalent (FTE) staff members (including contractors) versus 29.15 in the prior year.

Information on capital and liquidity ratios

Capital ratios according to FINMA Circular 2016/1

in %	31.03.2016
Common Equity Tier 1 ratio (CET1 ratio)	81.59%
Tier 1 capital ratio	81.59%
Capital Adequacy Ratio (CAR)	81.59%

CET1 ratio target according to FINMA Circular 2011/2 for Banks in category 5: 7.0%.
Tier 1 ratio target according to FINMA Circular 2011/2 for Banks in category 5: 8.5%.
Total capital ratio target according to FINMA Circular 2011/2 for Banks in category 5: 10.5%.

Leverage ratio according to FINMA Circular 2015/3

in CHF 1'000 and in %	31.03.2016
Tier 1 capital	72 338
Leverage Ratio exposure	289 565
Leverage Ratio	25%

Liquidity Coverage Ratio according to FINMA Circular 2015/2

in CHF 1'000 and in %	1. Quarter 2016	4. Quarter 2015	3. Quarter 2015	2. Quarter 2015
Total High Quality Liquid Assets (HQLA)	39 273	41 054	36 727	28 620
Total net cash outflows (cash outflows minus cash inflows)	12 009	9 796	7 113	6 752
Liquidity Coverage Ratio (LCR)	327%	419%	516%	424%

Balance sheet as at 31 March 2016 and 31 March 2015

As at 31 March in CHF	2016	2015
Assets		
Liquid assets	35 280 160	22 675 957
Amounts due from banks	125 145 762	60 824 024
Amounts due from customers	85 239 683	106 754 720
Mortgage loans	654 835	2 450 125
Positive replacement values of derivative financial investments	1 085 122	589 314
Financial investments	50 452	99 283
Accrued income and prepaid expenses	1 740 330	1 166 224
Tangible fixed assets	1 465 597	1 026 821
Other assets	606 668	812 002
Total assets	**251 268 609**	**196 398 469**
Liabilities		
Amounts due to banks	6 986 336	5 643 370
Amounts due in respect of customer deposits	168 718 757	107 535 997
Negative replacement values of derivative financial instruments	261 121	1 184 491
Accrued expenses and deferred income	1 220 286	1 349 103
Other liabilities	1 174 900	1 646 353
Provisions	568 797	400 000
Reserves for general banking risks	0	0
Bank's capital	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	(10 084 821)	(6 720 565)
Loss (result of the period)	(6 300 742)	(3 364 256)
Total liabilities	**251 268 609**	**196 398 469**

Off-balance sheet transactions as at 31 March 2016 and 31 March 2015

As at 31 March in CHF	2016	2015
Contingent liabilities	1 998 128	1 811 206
Irrevocable commitments	31 796 134	44 036 440

Income statement for the years ending 31 March 2016 and 31 March 2015

In CHF	2015/2016	2014/2015
Revenues and expenses from ordinary banking activities		
Result from interest operations		
Interest and discount income	1 914 872	1 545 916
Interest and dividend income from financial investments	1 653	456 979
Interest expense	(569 235)	(104 717)
Gross result from interest operations	*1 347 290*	*1 898 178*
Changes in value adjustments for default risks and losses from interest operations	0	0
Subtotal net result from interest operations	*1 347 290*	*1 898 178*
Result from commission business and services		
Commission income from securities trading and investment activities	5 253 073	5 587 795
Commission income from lending activities	54 589	28 522
Commission income from other services	183 091	185 932
Commission expense	(892 275)	(765 391)
Subtotal result from commission business and services	*4 598 478*	*5 036 859*
Result from trading activities and the fair value option	*619 291*	*618 814*
Other result from ordinary activities		
Results from disposal of financial investments	67 899	111 054
Other ordinary income	21 915	67 194
Other ordinary expenses	(15 985)	(40 069)
Subtotal other result from ordinary activities	*73 829*	*138 179*
Total revenues	***6 638 888***	***7 692 029***
Operating expenses		
Personnel expenses	(7 310 177)	(5 861 767)
General and administrative expenses	(4 930 457)	(4 128 785)
Subtotal operating expenses	***(12 240 634)***	***(9 990 552)***
	(387 740)	(698 279)
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(387 740)	(698 279)
Changes to provisions and other value adjustments and losses	(186 986)	(28 959)
Operating result	***(6 176 472)***	***(3 025 761)***
Extraordinary income	0	28 415
Extraordinary expenses	0	(227 833)
Changes in reserves for general banking risks	0	0
Taxes	(124 270)	(139 077)
Loss for the year	**(6 300 742)**	**(3 364 256)**

Carrying forward of losses for the years 2015/2016 and 2014/2015

In CHF	2015/2016	2014/2015
Carrying forward of losses		
Loss	**(6 300 742)**	**(3 364 256)**
Loss carried forward	(10 084 821)	(6 720 565)
Accumulated loss	(16 385 563)	(10 084 821)
New amount carried forward	**(16 385 563)**	**(10 084 821)**

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**	**0**	**4 423 975**	**0**	**0**	**(5 420 565)**	**0**	**0**	**(3 364 256)**	**78 639 154**
Other allocations to (transfers from) other reserves	0	0	0	0	0	(3 364 256)	0	0	3 364 256	0
Loss for the year	0	0	0	0	0	0	0	0	(6 300 742)	(6 300 742)
Equity at the end of the current period	**83 000 000**	**0**	**4 423 975**	**0**	**0**	**(8 784 821)**	**0**	**0**	**(6 300 742)**	**72 338 412**

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., 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.

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.

New accounting standards

The Bank has implemented the new 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.

Comparative results have been reclassified to align with these new standards. There has been no impact on the income statement and balance sheet in terms of valuations. The most significant impact has been to changes in the minimum structure of the income statement and balance sheet, the additional disclosures in the Notes of the annual financial statements, and statement of changes in equity.

Recording and balancing 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 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 transactions are recorded as separate line 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 with 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 2016	Rates as at 31 March 2015
USD	0.9583	0.97215
EUR	1.09122	1.04415
GBP	1.37861	1.44125

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 realizable 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 amortized 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 recognizable 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. The taxes on the current results are reported as accrued expenses.

Pension funds

Liabilities for 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.

Cash flow statement

Notes to the financial statements

There is no cash flow statement presented according to reference 170 of the FINMA Circular 2015/01 since it is not required to present a cash flow statement in case of a reliable assessment statutory single entity financial statement as applied by the Bank.

Impact of negative interest rates on the bank's business

Negative interest on credit operations are disclosed as a reduction in interest and discount income. Negative interests on deposits are 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 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 risks associated therewith.

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, 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 securities collateral while applying adequate margins.

Risks are managed and monitored primarily by valuing collateral at fair market value. The principles for determining collateral and margin values are set locally and approved by head office as well as by our local Board of Directors. The individual loan-to-value ratios depend on the type of product, its marketability, liquidity, rating, volatility, etc., allowing for customary security margins. Loans secured by mortgages are granted to private banking clients as an additional service. Credit risks are monitored on a regular basis and the market value of real estate is verified periodically. The compulsory procedure for appraising real estate used as collateral for mortgages is also set out in guidelines.

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, equity options and precious metals. All open positions are hedged out. This is monitored by an independent control unit which checks them 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. Adequate levels of liquidity are held in accordance with prevailing banking regulation. The Bank's investment portfolio positions are regularly examined with regard to their marketability.

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 Group Asset and Liability Committee (Group ALCO) where oversight is exercised.

The Bank's own capital is invested long-term in product categories predefined by Group Asset and Liability Committee (Group ALCO). On the balance sheet date, the Bank's own capital was invested in interest-bearing assets and also used to fund the Bank's loan portfolio.

Compliance with all requirements and limits is monitored in a timely manner by 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 access 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. 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, Group 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 like cross-border banking, Anti-Money-Laundering 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		0	85 239 683	0	85 239 683
Mortgages					
– Residential properties		654 835	0	0	654 835
– Commercial and industrial premises		0	0	0	0
Total loans (before netting with value adjustments)	**31.03.2016**	**654 835**	**85 239 683**	**0**	**85 894 518**
	31.03.2015	2 450 125	106 754 720	0	109 204 845
Total loans (after netting with value adjustments)	**31.03.2016**	**654 835**	**85 239 683**	**0**	**85 894 518**
	31.03.2015	2 450 125	106 754 720	0	109 204 845
Off-balance sheet					
Contingent liabilities		0	1 998 128	0	1 998 128
Irrevocable commitments		0	31 568 134	228 000	31 796 134
Obligations to pay up shares and make further contributions		0	0	0	0
Credit commitments		0	0	0	0
Total off-balance sheet	**31.03.2016**	**0**	**33 566 262**	**228 000**	**33 794 262**
	31.03.2015	0	45 623 647	224 000	45 847 647

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	**31.03.2016**	**0**	**0**	**0**	**0**
	31.03.2015	0	0	0	0

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

Investec does not have trading portfolios or other financial instruments at fair value as at 31st March 2016 and 31st March 2015.

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		0	0	0	0	0	0
Equity securities							
– Forward contracts		0	0	0	0	0	0
Foreign exchange/precious metals							
– Forward contracts		175	(154 672)	9 698 355	133 765	(21)	3 193 634
– Combined interest rate/ currency swaps		72 452	(35 895)	5 077 087	878 730	(70 532)	39 971 573
Total	**31.03.2016**	**72 627**	**(190 567)**	**14 775 442**	**1 012 495**	**(70 554)**	**43 165 207**
	31.03.2015	304 655	(264 537)	19 090 884	284 659	(919 954)	43 710 270

There were no netting agreements as of 31.03.2016.

Of which value determined using a valuation model in CHF						
31.03.2016	**72 627**	**(190 567)**		**1 012 495**	**(70 554)**	
31.03.2015	304 655	(264 537)		284 659	(919 954)	

Breakdown by counterparty	31.03.2016			31.03.2015		
	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)*	**0**	**1 012 495**	**72 627**	0	284 659	304 655

Replacement values from client transactions	31.03.2016		31.03.2015	
	Positive replacement in CHF	Other replacement in CHF	Positive replacement in CHF	Other replacement in CHF
Replacement values of Over-the-counter (OTC) derivative instruments				
– Contracts where the bank acts as principal	1 085 122	(261 121)	589 314	(1 184 491)
– Contracts where the bank acts as commission agent	0	0	0	0
Total OTC derivative instruments	**1 085 122**	**(261 121)**	**589 314**	**(1 184 491)**

*There were no netting agreements as of 31.03.2016.

Notes to the financial statements

Table 4: Breakdown of financial investments

	Book value 31.03.2016 in CHF	Book value 31.03.2015 in CHF	Fair value 31.03.2016 in CHF	Fair value 31.03.2015 in CHF
Equity securities	50 452	99 283	50 452	99 283
– of which, qualified participations	0	0	0	0
Total*	**50 452**	**99 283**	**50 452**	**99 283**
of which, securities eligible for repo transactions in accordance with liquidity requirements	**0**	0	**0**	0

*Breakdown of counterparties by rating is not required since there are no holdings of debt securities.

Table 5: Presentation of tangible fixed assets

				2015/2016					
	Acquisition cost in CHF	Accumu-lated deprecia-tion in CHF	Book value 31.03.2015 in CHF	Reclass-ification in CHF	Additions in CHF	Disposals in CHF	Depre-ciation in CHF	Reversals in CHF	Book value 31.03.2016 in CHF
Proprietary or separately acquired software	7 274 318	(6 254 979)	1 019 339	–	859 107	–	426 823	–	1 451 623
Other tangible fixed assets	761 714	(754 232)	7 482	–	12 859	–	6 367	–	13 974
Total tangible fixed assets			**1 026 821**		**871 966**	**–**	**433 190**	**–**	**1 465 597**

Operating lease committments	31.03.2016				31.03.2015			
	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 committments for bank premises	526 593	309 331	0	835 924	511 385	759 841	0	1 271 226
– of which are cancellable within 1 year				30 651				20 049

Notes to the financial statements

Table 6: Breakdown of other assets and other liabilities

	31.03.2016		31.03.2015	
	Other Assets in CHF	Other Liabilities in CHF	Other Assets in CHF	Other Liabilities in CHF
Compensation account	0	0	0	0
Indirect taxes	11 485	220 836	42 688	168 174
Prepayments re pension scheme	475 604	0	330 767	0
Miscellaneous assets and liabilities	119 579	954 065	438 547	1 478 178
Total other assets and liabilities	**606 668**	**1 174 901**	**812 002**	**1 646 352**

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

Investec Bank (Switzerland) AG does not have an own pension scheme. There are no liabilities 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 the pension expenses

	Overfunding/ underfunding at current year in CHF	Economic of interest the bank/ financial group in CHF 31.03.2016	Economic of interest the bank/ financial group in CHF 31.03.2015	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 31.03.2016	Pension expenses in personal expenses in CHF 31.03.2015
Pension plans without overfunding/underfunding	0	0	0	0	649 818	504 981	383 601

Details on the bank's pension funds are in line with Swiss GAAP FER 16.
Investec Bank Switzerland has joined the AXA Winterthur collective pension foundation as at 01.01.2007.
The pension scheme is a full insurance solution where by the investment risk fully mitigated and the capital is guarenteed by AXA Winterthur. An excess of coverage or a deficient coverage has no economic effect to Bank.

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

	31.03.2015	Use in conformity with designated purpose in CHF	Reclassifications 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	31.03.2016
Provisions for deferred taxes	0	0	0	0	0	0	0	0
Provisions for pension benefit obligations	0	0	0	0	0	0	0	0
Provisions for default risks	0	0	0	0	0	0	0	0
Provisions for other business risks	0	0	0	0	0	0	0	0
Provisions for restructuring	0	0	0	0	0	0	0	0
Other provisions	400 000	(4 621)	0	0	0	173 418	0	568 797
Total provisions	**400 000**	**(4 621)**	**0**	**0**	**0**	**173 418**	**0**	**568 797**
Reserves for general banking risks	0	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0	0

Other provisions
Other provision includes TCHF 395 for potential Madoff claims (2009) and TCHF 173 to cover claims from the Swiss Federal Tax Administration in relation to a tax audit (EU-tax savings directive).

Litigation
In August 2013, the U.S. Department of Justice ('DoJ') announced a program for Swiss banks to obtain a resolution concerning their status in connection with the Department's overall investigations against individuals and entities that use foreign bank accounts to evade US taxes and reporting requirements, as well as against individuals and entities that facilitate the evasion of US taxes and reporting requirements (the 'DoJ Program Category 2'). Following the announcement, the Bank performed an in-depth review of its past and current client base and business operation in order to evaluate a participation in the DoJ Program Category 2. Supported by US legal advise, the Bank came to the conclusion that it had not infringed US laws and hence did not participate. Consequently, the Bank did not record any provisions in respect of this matter. The DoJ announced in January 2016 that it had concluded its final nonprosecution agreement under Category 2 with a Swiss bank; overall 80 banks, out of a total number of approximately 300 Swiss banks, had participated in the DoJ Program Category 2. Following the closure of the DoJ Program Category 2 by the DoJ the Bank considers the matter closed. Any residual legal risk forms part of the Bank's general legal risk.

Table 9: Presentation of the bank's capital

Bank's capital	31.03.2016			31.03.2015		
	Total par value in CHF	Number of shares	Capital elegible for dividend in CHF	Total par value in CHF	Number of units	Capital elegible 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:	31.03.2016			31.03.2015		
	Nominal in CHF	in % in CHF		Nominal in CHF	in % in CHF	
Investec Bank Plc., London	**83 000 000**	**100%**		**83 000 000**	**100%**	

The parent company of Investec Bank Plc. (London), is Investec 1 Ltd. (London), which is a 100% subsidiary of Investec Plc., (London), a company listed at 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.

The plan has a five year vesting period where 75% of options issued vest after 4 years and 25% vest after 5 years. All LTIPs issued have a zero strike price. For 2015/2016 the amount recognised in the income statement for LTIPs was TCHF 373 (2014/2015 TCHF279).

The weighted average share price during the year was GBP 4.90/ CHF 7.06 (2014/2015 GBP 5.41/ CHF 8.09).

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 amounts 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

	31.03.2016		31.03.2015	
	Amounts due from in CHF	**Amounts due to in CHF**	**Amounts due from in CHF**	**Amounts due to in CHF**
Holders of qualified participations:	**0**	**0**	30 002 200	0
Group companies	**63 460 759**	**293 189**	659 153	919 954
Linked companies	**109 197**	**7 608 660**	707 106	7 052 820
Transactions with members of governing bodies	**150 000**	**0**	0	0
Other related parties	**0**	**0**	0	0

Transactions with related parties
The bank partially undertakes refinancing with affiliated entities and significant shareholders at LIBOR plus a conventional margin.

The bank had as at 31 March 2016 TCHF 159 in current accounts (31 March 2015, TCHF 374). Term deposits amounted to TCHF 62 290 (31 March 2015, TCHF 30,000).

As at 31 March 2016, off balance sheet fx derivative contract volumes with group entities amounted to TCHF 43 165 (31 March 2015 TCHF 43 710) and off balance sheet fiduciary placements with group companies were TCHF 276 for 31 March 2016 (31 March 2015, TCHF 108).

As at March 2016, positive and negative replacement values with group companies respectively amounted to TCHF 1012 and TCHF 73 (31 March 2015 TCHF 285 and TCHF 920).

As of 31 March 2016 a lombard loan was granted to a member of the executive management. All transactions with related parties were executed on the same conditions as would apply for third parties.

Table 12: Disclosure of holders of significant participations

	31.03.2016		31.03.2015	
	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., London	83 000 000	100%	83 000 000	100%
without voting rights	0	0%	0	0%

Notes to the financial statements

Table 13: Presentation of the maturity structure of financial instruments

	At sight in CHF	Cancellable in CHF	Due: within 3 months in CHF	Due: within 3 to 12 months in CHF	Due: within 12 months to 5 years in CHF	Due: after 5 years in CHF	No maturity in CHF	Total in CHF
Asset/financial instruments								
Liquid assets	35 280 160	0	0	0	0	0	0	35 280 160
Amounts due from banks	62 856 262	0	62 289 500	0	0	0	0	125 145 762
Amounts due from securities financing transactions	0	0	0	0	0	0	0	0
Amounts due from customers	0	4 872 473	2 246 345	78 120 866	0	0	0	85 239 683
Mortgage loans	0	0	0	0	654 835	0	0	654 835
Trading portfolio assets	0	0	0	0	0	0	0	0
Positive Replacement values of derivative financial instruments	1 085 122	0	0	0	0	0	0	1 085 122
Other financial instruments at fair value	0	0	0	0	0	0	0	0
Financial investments	50 452	0	0	0	0	0	0	50 452
Total 31.03.2016	**99 271 996**	**4 872 473**	**64 535 845**	**78 120 866**	**654 835**	**0**	**0**	**247 456 015**
31.03.2015	83 599 263	3 075 640	1 729 499	101 949 580	2 450 125	0	0	192 804 108
Debt capital/ financial instruments								
Amounts due to banks	6 986 336	0	0	0	0	0	0	6 986 336
Liabilities from securities financing transactions	0	0	0	0	0	0	0	0
Amounts due in respect of customer deposits	135 095 205	0	31 911 390	1 581 195	130 967	0	0	168 718 757
Trading portfolio liabilities	0	0	0	0	0	0	0	0
Negative replacement values of derivative financial instruments	261 121	0	0	0	0	0	0	261 121
Liabilities from other financial instruments at fair value	0	0	0	0	0	0	0	0
Cash bonds	0	0	0	0	0	0	0	0
Bond issues and central mortgage institution loans	0	0	0	0	0	0	0	0
Total 31.03.2016	**142 342 662**	**0**	**31 911 390**	**1 581 195**	**130 967**	**0**	**0**	**175 966 214**
31.03.2015	86 192 330	0	26 987 038	0	0	0	0	113 179 367

Notes to the financial statements

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

	31.03.2016		31.03.2015	
	Domestic in CHF	Foreign in CHF	Domestic in CHF	Foreign in CHF
Assets				
Liquid assets	35 161 632	118 528	22 553 510	122 447
Amounts due from banks	11 408 085	113 737 678	19 486 589	41 337 434
Amounts due from securities financing transactions	0	0	0	0
Amounts due from customers	156 440	85 083 243	113 323	106 641 397
Mortgage loans	0	654 835	0	2 450 125
Trading portfolio assets	0	0	0	0
Positive replacement values of derivative financial instruments	1 085 122	0	589 314	0
Other financial instruments at fair value	0	0	0	0
Financial investments	14 366	36 086	13 807	85 476
Accrued income and prepaid expenses	1 530 509	209 821	925 871	240 353
Participations	0	0	0	0
Tangible fixed assets	1 465 597	0	1 026 821	0
Intangible assets	0	0	0	0
Other assets	606 667	0	373 455	438 547
Capital not paid in	0	0	0	0
Total assets	**51 428 418**	**199 840 191**	45 082 689	151 315 780
Liabilities				
Amounts due to banks	0	6 986 336	21 427	5 621 943
Amounts due to securities financing transactions	0	0	0	0
Amounts due in respect of customer deposits	15 316 758	153 401 999	13 707 977	93 828 020
Trading portfolio liabilities	0	0	0	0
Negative replacement values of derivative financial instruments	261 121	0	1 184 491	0
Liabilities from other financial instruments at fair value	0	0	0	0
Cash bonds	0	0	0	0
Bonds issues and central mortgage institution loans	0	0	0	0
Accrued expenses and deferred income	1 195 044	25 242	1 339 345	9 758
Other liabilities	1 174 900	0	832 983	813 370
Provisions	568 797	0	400 000	0
Reserves for general banking risks	0	0	0	0
Bank s capital	83 000 000	0	83 000 000	0
Statutory capital reserve	0	0	0	0
Statutory retained earnings reserve	4 423 975	0	4 423 975	0
Voluntary retained earnings reserves	1 300 000	0	1 300 000	0
Own shares (negative item)	0	0	0	0
Loss carried forward	(10 084 821)	0	(6 720 565)	0
Loss of the year	(6 300 742)	0	(3 364 256)	0
Total liabilities	**90 855 032**	**160 413 577**	96 125 377	100 273 092

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

	31.03.2016		31.03.2015	
	Absolute in CHF	Share as %	Absolute in CHF	Share as %
Assets				
Europe				
– France	13 486 260	5.4%	936 313	0.5%
– Austria	6	0.0%	4	0.0%
– Belgium	47 814	0.0%	14 854 797	7.6%
– Switzerland	51 428 418	20.5%	45 082 689	23.0%
– Germany	118 528	0.0%	122 447	0.1%
– Denmark	15 743	0.0%	593	0.0%
– Great Britain	89 187 390	35.5%	54 216 817	27.6%
– Guernsey	6 583 524	2.6%	5 835 216	3.0%
– Greece	109 626	0.0%	104 866	0.1%
– Ireland	2 984 498	1.2%	2 244 435	1.1%
– Isle of Man	2 071 655	0.8%	87 356	0.0%
– Jersey	18 048	0.0%	12 757	0.0%
– Lichtenstein	19	0.0%	0	0.0%
– Portugal	1 279 938	0.5%	1 049 092	0.5%
– Malta	1 524	0.0%	–	0.0%
– Spain	–	0.0%	38	0.0%
North America				
– United States of America	15 686 293	6.2%	11 692 772	6.0%
– Mexico	183	0.0%	5	0.0%
– Panama	31	0.0%	14 640 687	7.5%
– St Kitts and Nevis	38 895 745	15.5%	38 752 587	19.7%
Asia				
– Japan	100 271	0.0%	37 841	0.0%
– Singapore	134 865	0.1%	30 763	0.0%
– Hong Kong	16 190	0.0%	0	0.0%
Central America				
– Cayman Islands	3 340 750	1.3%	61 230	0.0%
South America				
– Virgin Islands	14 640 496	5.8%	214 344	0.1%
Africa				
– Mauritius	27 801	0.0%	30	0.0%
– South Africa	10 026 977	4.0%	6 128 621	3.1%
Australasia				
– Australia	966 387	0.4%	235 397	0.1%
– New Zealand	99 629	0.0%	56 771	0.0%
Total assets	**251 268 609**	**100%**	196 398 469	100%

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

	31.03.2016		31.03.2015	
	Net foreign exposure in CHF	Net foreign exposure share as %	Net foreign exposure in CHF	Net foreign exposure share as %
Standard and Poor's				
AAA	141 867 522	56.5%	99 688 706	50.8%
AA+ – AA-	37 993 229	15.1%	33 475 987	17.0%
A+ – A-	3 084 789	1.2%	2 282 276	1.2%
BBB+ – BBB-	10 028 715	4.0%	20 769 352	10.6%
BB+ – BB-	1 279 938	0.5%	1 049 092	0.5%
B+ – B-	109 626	0.0%	104 866	0.1%
CCC+ – CCC-	0	0.0%	0	0.0%
CC – C	0	0.0%	0	0.0%
Not rated	56 904 790	22.6%	39 028 191	19.9%
	251 268 609	**100%**	**196 398 469**	**100%**

Explanations of the ratings system used

The bank does not use own country ratings however uses the Standard and Poor's ratings system to classify asset risk.

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	35 161 632	0	118 528	0	0
Amounts due from banks	5 891 425	83 135 811	15 360 958	16 855 182	3 902 387
Amounts due from securities financing transactions	0	0	0	0	0
Amounts due from customers	1 153 687	64 120 799	6 096 896	12 978 730	889 570
Mortgage loans	0	0	0	654 835	0
Trading portfolio assets	0	0	0	0	0
Positive replacement values of derivative financial instruments	1 085 122	0	0	0	0
Other financial instruments at fair value	0	0	0	0	0
Financial investments	14 366	10 758	10 220	15 108	0
Accrued income and prepaid expenses	0	0	0	0	0
Participations	1 533 523	163 055	10 867	29 682	3 202
Tangible fixed assets	1 465 597	0	0	0	0
Intangible assets	0	0	0	0	0
Other assets	606 667	0	0	0	0
Capital not paid in	0	0	0	0	0
Total assets shown in balance sheet	**46 912 019**	**147 430 423**	**21 597 469**	**30 533 537**	**4 795 159**
Delivery entitlements from spot exchange, forward forex and forex options transactions	**40 127 312**	**7 831 339**	**1 812 703**	**2 872 231**	**251 908**
Total assets	**87 039 331**	**155 261 762**	**23 410 172**	**33 405 768**	**5 047 067**
Liabilities					
Amounts due to banks	872	6 184 942	601 648	195 343	3 531
Amounts due to securities financing transactions	0	0	0	0	0
Amounts due in respect of customer deposits	5 774 166	115 946 060	19 704 856	23 433 661	3 860 014
Trading portfolio liabilities	0	0	0	0	0
Negative replacement values of derivative financial instruments	261 121	0	0	0	0
Liabilities from other financial instruments at fair value	0	0	0	0	0
Cash bonds	0	0	0	0	0
Bonds issues and central mortgage institution loans	0	0	0	0	0
Accrued expenses and deferred income	1 174 599	25 242	0	20 445	0
Other liabilities	1 170 871	0	0	4 029	0
Provisions	568 797	0	0	0	0
Reserves for general banking risks	0	0	0	0	0
Bank's capital	83 000 000	0	0	0	0
Statutory capital reserve	0	0	0	0	0
Statutory retained earnings reserve	4 423 975	0	0	0	0
Voluntary retained earnings reserves	1 300 000	0	0	0	0
Own shares (negative item)	0	0	0	0	0
Profit carried forward/loss carried forward	(10 084 821)	0	0	0	0
Profit/loss (result of the period)	(6 300 742)	0	0	0	0
Total liabilities shown in the balance sheet	**81 288 837**	**122 156 244**	**20 306 504**	**23 653 478**	**3 863 547**
Delivery obligations from spot exchange, forward forex and forex options transactions	**5 212 418**	**32 932 359**	**3 112 889**	**9 729 049**	**1 137 866**
Total liabilities	**86 501 256**	**155 088 603**	**23 419 392**	**33 382 527**	**5 001 413**
Net position per currency	**538 075**	**173 159**	**(9 221)**	**23 241**	**45 654**

Table 18: Breakdown of contingent liabilities and contingent assets

	31.03.2016 in CHF	31.03.2015 in CHF
Guarantees to secure credits and similar	1 998 128	1 811 206
Performance guarantees and similar	0	0
Irrevocable commitments arising from documentary letters of credit	31 796 134	44 036 440
Other contingent liabilities	0	0
Total contingent liabilities	**33 794 262**	**45 847 647**
Contingent assets from tax losses carried forward	0	0
Other contingent assets	0	0
Total contingent assets	**0**	**0**

Table 19: Breakdown of credit commitments

	31.03.2016 in CHF	31.03.2015 in CHF
Commitments arising from acceptances (for liabilities arising from acceptances in circulation)	31 568 134	43 812 440
Other credit commitments	228 000	224 000
Total	**31 796 134**	**44 036 440**

Table 20: Breakdown of fiduciary transactions

	31.03.2016 in CHF	31.03.2015 in CHF
Fiduciary investments with third-party companies	58 264 585	38 732 151
Fiduciary investments with group companies and linked companies	42 831 340	49 912 247
Total fiduciary transactions	**101 095 925**	**88 644 398**

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

Breakdown of managed assets	31.03.2016 in CHF ’000	31.03.2015 in CHF ’000
Type of managed assets		
Assets in collective investment schemes managed by the bank	0	0
Assets under discretionary asset management agreements	124 138	115 312
Other managed assets	1 331 366	1 218 486
Total managed assets (including double counting)	**1 455 504**	**1 333 799**
Custody only assets	0	0
Total customer assets	**1 455 504**	**1 333 799**
of which, double counting	0	0

Presentation of the development of managed assets	31.03.2016 in CHF ’000	31.03.2015 in CHF ’000
Total managed assets (including double counting) at beginning	**1 333 7999**	**1 199 129**
+/- net new money inflow	264 531	(12 531)
+/- price gains/losses, interest, dividends and currency gains/losses	(142 816)	147 201
+/- other effects	0	0
Total managed assets (including double counting) at end	**1 455 504**	**1 333 799**

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 to invest the clients assets in a defined frame to carry out investments on their behalf.

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 aquisition of new clients, lost clients and inflows and outflows from existing clients. Performance related changes in assets as 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

	2015/2016 in CHF	2014/2015 in CHF
Breakdown by underlying risk and based on the use of the fair value option		
Result from trading activities from:		
Interest rate instruments (including funds)	0	0
Equity securities (including funds)	0	0
Foreign currencies	619 291	618 814
Commodities/precious metals	0	0
Total result from trading activities	**619 291**	**618 814**
of which, from fair value option	0	0

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

The effect of negative interest rates on the income statement is TCHF 236.

Table 24: Breakdown of personnel expenses

	2015/2016 in CHF	2014/2015 in CHF
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	6 031 040	4 889 617
– of which, expenses relating to share-based compensation and alternative forms of variable compensation	373 330	279 188
Social insurance benefits	961 792	839 482
Other personnel expenses	317 345	132 668
Total personnel expenses	**7 310 177**	**5 861 767**

Table 25: Breakdown of general and administrative expenses

	2015/2016 in CHF	2014/2015 in CHF
General and administrative expenses are to be broken down as follows:		
– Office space expenses	478 914	519 949
– Expenses for information and communications technology	1 807 271	1 546 161
– Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	0	0
– Fees of audit firm(s) (Art. 961a no. 2 CO)	198 604	206 638
of which, for financial and regulatory audits	198 604	206 638
of which, for other services	0	0
– Other operating expenses	2 445 668	1 856 037
Total other operating expenses	**4 930 457**	**4 128 785**

Notes to the financial statements

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

	2015/2016 in CHF	2014/2015 in CHF
Provision – Swiss-UK Tax Agreement	0	227 833
Receipt from legal claim	0	(28 415)
Extraordinary expense/(income)	**0**	**199 417**

The extraordinary expense of TCHF 199 in 2014/2015 represents Investec Bank (Switzerland) AG's additional portion of the Swiss Federal Tax Authority's liability to the UK in order to regularize any pertinent tax issues (TCHF 228), the extraordinary income of TCHF 28 represents proceeds from a prior period court settlement.

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 2015/2016 a representation office in Lausanne. This representaion office is fully incorporated in the Bank's accounting at the Zurich headquarter.

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

	2015/2016 in CHF	2014/2015 in CHF
Income tax	0	0
Capital tax	124 270	139 077
Total current tax	**124 270**	**139 077**
Tax rate	0.17%	0.18%

The average income tax rate weighted on the basis of operating result is 18.9%. However no income tax payable for the current year due to Investec Bank (Switzerland) AG's current loss situation.

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 7 to 31), for the year ended 31 March 2016.

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 2016 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, 30 June 2016

Ernst & Young Ltd

Roland Huwiler Licensed audit expert (Auditor in charge)	Maria Romanova 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
- 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/Payment promise
- Guarantees

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Switzerland

Investec
Wealth & Investment