



Investec Bank (Switzerland) AG

Annual report for the business year 1 April 2016 to 31 March 2017

 **Investec**

Wealth & Investment

Annual report for the business year 1 April 2016 to 31 March 2017

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Board of Directors, executive management and auditors

Board of Directors

I. Wohlman, London, United Kingdom
Dr. T.A. Frick, Zurich, Switzerland
Prof. Dr. B. Gehrig, Winterthur, Switzerland

Chairman of the Board of Directors
Vice Chairman of the Board of Directors
Member of the Board of Directors

Executive management

P. Gyger
M. Abromowitz
D. Gurtner
P. Otten
A. Peers

General Manager, Chairman of Senior Management
Senior Manager, Member of Senior Management
Senior Manager, Member of Senior Management
Senior Manager, Member of Senior Management
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 a turbulent political environment, the financial year ending March 2017 was a volatile yet positive period for global equity markets.

Investors cheered the potential for greater pro-growth and inflation policies from a Trump administration in the US whilst balancing concerns about the effect of the UK's "Brexit" vote and the increased political populism trending across the European continent.

Equity markets moved significantly higher following the unexpected election of President Trump in November 2016 on the promise that increased fiscal spending, corporate tax cuts and reduced regulation would propel the economy towards full recovery.

Insurance assets, however, remained more subdued. Despite the pro-growth and inflation rhetoric and even additional rate hikes by the Federal Reserve, US treasuries and global government bond yields remained largely range bound, suggesting at least some investor scepticism about the ability of anti-establishment politicians to actually create real economic change.

In Europe, the wave of political populism was perhaps most dramatically demonstrated by the United Kingdom's surprise vote to leave the European Union early in the summer of 2016. While significant market volatility following the "Brexit" vote was short lived (with the exception of a sustained slump in the value of the Pound), investors remained cautious, concerned about the longer term implications of such a vote in a region already grappling with an uncertain economic outlook.

In Switzerland, the Swiss Franc maintained its safe haven status amid the uncertain environment and, despite negative interest rates and protests from the Swiss National Bank, held on to its lofty valuation. Nevertheless, the domestic economy largely survived the burden of an expensive currency with growth, employment and inflation remaining stable while the stock market followed global peers higher.

The Swiss financial industry still suffers from decreasing earnings and rising costs. Banks were negatively impacted by substantial margin erosion, low interest rates and the wait-and-see attitude of investors which hurt interest revenues, as well as fee and commission income. Furthermore, the implementation of ongoing new regulatory requirements continues to affect banks' cost structure.

In this evolving environment, Investec Bank experienced an increase in Assets under Management of over 38% in this financial year. This increase was mainly attributable to the increase in net new money as our business grows, with some positive market performance as well. As a result, gross fee revenue increased this year by 11%. Interest revenues were also positively impacted this year due to the banks' ability to reinvest surplus cash at more favourable rates (despite the negative interest rate environment in Switzerland and the Euro zone). Investing in front end staff, as well as continued investment in the platform, drove costs 7% higher than the prior year, resulting in an operating loss of CHF 5.2 million. After taxes and depreciation, the overall result was a net loss of CHF 5.7 million.

Investec Bank continues to have a very strong balance sheet and exceeds all regulatory requirements. With a BIS tier 1 capital ratio of 68% and a quarterly average liquidity coverage ratio of 276%, Investec Bank is well prepared to grow its Assets under Management and business. We plan to increase our asset base by facilitating the asset conversion of newly hired, experienced relationship managers and by leveraging from affiliated entities within the Investec Group.

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,

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 (Lombard loans). Interbank business is conducted with group companies and third party banks as part of cash management.

Trading

The Bank's trading activities consists only of foreign exchange and precious metals dealing activities that are limited to execution on behalf of clients and hedging the Bank's 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 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 D&H Switzerland GmbH, 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 43.70 full time equivalent (FTE) staff members (including contractors) versus 42.60 in the prior year.

Information on capital and liquidity ratios

Capital ratios according to FINMA Circular 2016/01

In CHF 1 000 and in %	31.03.2017
Minimum capital requirements (CHF)	7 886
Total eligible capital	66 614
Eligible adjusted common equity Tier 1 capital (CET1)	66 614
Eligible adjusted Tier 1 capital	66 614
Risk weighted assets (RWA)	98 572
Common Equity Tier 1 ratio (CET1 ratio)	68%
Tier 1 ratio	68%
Total capital ratio	68%

Target capital ratios:

Countercyclical buffer: 0.00%

CET1 ratio target according to FINMA Circular 2011/2 for Banks in category 5 + Countercyclical buffer: 7.0%

Tier 1 ratio target according to FINMA Circular 2011/2 for Banks in category 5 + Countercyclical buffer: 8.5%

Total capital ratio target according to FINMA Circular 2011/2 for Banks in category 5 + Countercyclical buffer: 10.5%

Leverage ratio according to FINMA Circular 2015/03

In CHF 1 000 and in %	31.03.2017
Eligible core capital	66 614
Total exposure for the Leverage ratio	311 776
Leverage Ratio	21%

Liquidity Coverage Ratio according to FINMA Circular 2015/02

In CHF 1 000 and in %	1st Quarter 2017	4th Quarter 2016	3rd Quarter 2016	2sn Quarter 2016
Total High Quality Liquid Assets (HQLA)	41 231	40 921	41 926	38 152
Total net outflows	16 883	16 960	14 362	11 622
Liquidity Coverage Ratio (LCR)	244%	241%	292%	328%

Balance sheet as at 31 March 2017 and 31 March 2016

As at 31 March in CHF	Notes	2017	2016
Assets			
Liquid assets		41 241 419	35 280 160
Amounts due from banks		119 909 531	125 145 762
Amounts due from customers	1	104 495 738	85 239 683
Mortgage loans	1	563 445	654 835
Positive replacement values of derivative financial investments	2,3,13	910 481	1 085 122
Financial investments	4	43 582	50 452
Accrued income and prepaid expenses		1 828 483	1 740 330
Tangible fixed assets	5	1 346 372	1 465 597
Other assets	6,7	673 912	606 668
Total assets	13,14,15,16,17	271 012 963	251 268 609
Liabilities			
Amounts due to banks		19 681 422	6 986 336
Amounts due in respect of customer deposits		180 998 505	168 718 757
Negative replacement values of derivative financial instruments	3,13	821 034	261 121
Accrued expenses and deferred income		993 052	1 220 286
Other liabilities	6,8	1 548 879	1 174 900
Provisions		356 249	568 797
Reserves for general banking risks		0	0
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		(16 385 563)	(10 084 821)
Loss (result of the period)		(5 724 590)	(6 300 742)
Total liabilities	13,14,17	271 012 963	251 268 609

Off-balance sheet transactions as at 31 March 2017 and 31 March 2016

As at 31 March in CHF	Notes	2017	2016
Contingent liabilities	1,18	2 132 101	1 998 128
Irrevocable commitments	1,19	34 262 708	31 796 134

Income statement for the years ending 31 March 2017 and 31 March 2016

In CHF	Notes	2016/2017	2015/2016
Revenues and expenses from ordinary banking activities			
Result from interest operations			
Interest and discount income		2 380 951	1 914 872
Interest and dividend income from financial investments		479	1 653
Interest expense		(500 931)	(569 235)
<i>Gross result from interest operations</i>		<i>1 880 499</i>	<i>1 347 290</i>
Changes in value adjustments for default risks and losses from interest operations		0	0
<i>Subtotal net result from interest operations</i>	23	<i>1 880 499</i>	<i>1 347 290</i>
Result from commission business and services			
Commission income from securities trading and investment activities		5 845 141	5 253 073
Commission income from lending activities		31 593	54 589
Commission income from other services		177 102	183 091
Commission expense		(1 048 035)	(892 275)
<i>Subtotal result from commission business and services</i>		<i>5 005 801</i>	<i>4 598 478</i>
<i>Result from trading activities and the fair value option</i>	22	<i>942 704</i>	<i>619 291</i>
Other result from ordinary activities			
Result from disposal of financial investments		44 224	67 899
Other ordinary income		20 699	21 915
Other ordinary expenses		(16 736)	(15 985)
<i>Subtotal other result from ordinary activities</i>		<i>48 187</i>	<i>73 829</i>
Total revenues		7 877 191	6 638 888
Operating expenses			
Personnel expenses	24	(8 590 316)	(7 310 177)
General and administrative expenses	25	(4 465 558)	(4 930 457)
Subtotal operating expenses		(13 055 874)	(12 240 634)
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		(406 819)	(387 740)
Changes to provisions and other value adjustments and losses		6 326	(186 986)
Operating result		(5 579 176)	(6 176 472)
Extraordinary income	26	0	0
Extraordinary expenses	26	0	0
Changes in reserves for general banking risks		0	0
Taxes	28	(145 414)	(124 270)
Loss for the year		(5 724 590)	(6 300 742)

Carrying forward of losses for the years ending 31 March 2017 and 31 March 2016

In CHF	2016/2017	2015/2016
Carrying forward of losses		
Loss	(5 724 590)	(6 300 742)
Loss carried forward	(16 385 563)	(10 084 821)
Accumulated loss	(22 110 153)	(16 385 563)
New amount carried forward	(22 110 153)	(16 385 563)

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 as at 31.03.2016	83 000 000	0	4 423 975	0	0	(8 784 821)	0	0	(6 300 742)	72 338 412
Other allocations to (transfers from) other reserves	0	0	0	0	0	(6 300 742)	0	0	6 300 742	0
Loss for the year	0	0	0	0	0	0	0	0	(5 724 590)	(5 724 590)
Equity as at 31.03.2017	83 000 000	0	4 423 975	0	0	(15 085 563)	0	0	(5 724 590)	66 613 822

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 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 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 new accounting standards per the FINMA Circular 2015/01 – Accounting for Banks effective 1 January 2015. Investec Bank has prepared a reliable assessment statutory single entity financial statements in accordance with Art. 25 para. 1 let. a BO.

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 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 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 2017	Rates as at 31 March 2016
USD	1.0003	0.9583
EUR	1.0693	1.09122
GBP	1.2521	1.37861

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 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:

- Proprietary or separately acquired software max. 3 years
- Other tangible fixed assets 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 in 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 via individual items in the income statement as follows:

- 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.

Notes to the financial statements

Cash flow statement

There is no cash flow statement presented according to reference 170 of the FINMA Circular 2015/01. 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 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 of Directors) 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 analysis 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. 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 and precious metals. All open 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 risk 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. 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.

Non-trading interest rate and the associated capital requirement is the impact on net interest earnings and sensitivity to economic value as a result of unexpected adverse movements in interest rates. This is 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.

Notes to the financial statements

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 ALCO. 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.

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 risk 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 risk 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 risk 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 risk is 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 to reduce risks. Effectiveness of controls is regularly evaluated.

In order to foster a pro-active approach to the management and control of operational risk, 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 such as 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	104 495 738	0	104 495 738
Mortgages					
– Residential properties		563 445	0	0	563 445
– Commercial and industrial premises		0	0	0	0
Total loans (before netting with value adjustments)	31.03.2017	563 445	104 495 738	0	105 059 183
	31.03.2016	654 835	85 239 683	0	85 894 518
Total loans (after netting with value adjustments)	31.03.2017	563 445	104 495 738	0	105 059 183
	31.03.2016	654 835	85 239 683	0	85 894 518
Off-balance sheet					
Contingent liabilities		0	2 132 101	0	2 132 101
Irrevocable commitments		0	34 044 708	218 000	34 262 708
Obligations to pay up shares and make further contributions		0	0	0	0
Credit commitments		0	0	0	0
Total off-balance sheet	31.03.2017	0	36 176 809	218 000	36 394 809
	31.03.2016	0	33 566 262	228 000	33 794 262
Impaired loans/receivables		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
		in CHF	in CHF	in CHF	in CHF
Total	31.03.2017	0	0	0	0
	31.03.2016	0	0	0	0

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 2017 and 31 March 2016.

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	0	0	0	0	0	0
Equity securities						
– Forward contracts	0	0	0	0	0	0
Foreign exchange/precious metals						
– Forward contracts	599 182	(525 266)	64 252 321)	0	0	0
– Currency swaps	216 904	(187 070)	53 223 112	94 394	(108 698)	32 011 024
Total						
31.03.2017	816 086	(712 336)	117 475 433	94 394	(108 698)	32 011 024
31.03.2016	435 160	(255 843)	29 242 311	649 963	(5 278)	23 653 181

There were no netting agreements as of 31.03.2017.

Of which value determined using a valuation model in CHF

31.03.2017	816 086	(712 336)	94 394	(108 698)
31.03.2016	435 160	(255 843)	649 963	(5 278)

Breakdown by counterparty	31.03.2017			31.03.2016		
	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	388 581	521 900	0	1 012 495	72 627

Replacement values from client transactions	31.03.2017		31.03.2016	
	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	910 481	(821 034)	1 085 122	(261 121)
– Contracts where the bank acts as commission agent	0	0	0	0
Total OTC derivative instruments	910 481	(821 034)	1 085 122	(261 121)

*There were no netting agreements as of 31.03.2017.

Notes to the financial statements

Table 4: Breakdown of financial investments

	Book value 31.03.2017 in CHF	Book value 31.03.2016 in CHF	Fair value 31.03.2017 in CHF	Fair value 31.03.2016 in CHF
Equity securities	43 582	50 452	43 582	50 452
– of which, qualified participations	0	0	0	0
Total*	43 582	50 452	43 582	50 452
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

	Acquisition cost in CHF	Accumu- lated deprecia- tion in CHF	Book value 31.03.2016 in CHF	2016/2017					Book value 31.03.2017 in CHF
				Reclass- ification in CHF	Additions in CHF	Disposals in CHF	Depre- ciation in CHF	Reversals in CHF	
Proprietary or separately acquired software	8 133 425	(6 681 802)	1 451 623	–	287 594	–	(402 533)	–	1 336 684
Other tangible fixed assets	774 573	(760 599)	13 974	–	–	–	(4 286)	–	9 688
Total tangible fixed assets			1 465 597		287 594	–	(406 819)	–	1 346 372

Operating lease commitments	31.03.2017				31.03.2016			
	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 bank premises	457 487	1 657 179	0	2 114 666	526 593	309 331	0	835 924
– of which are cancellable within 1 year				68 095				30 651

Notes to the financial statements

Table 6: Breakdown of other assets and other liabilities

	31.03.2017		31.03.2016	
	Other Assets in CHF	Other Liabilities in CHF	Other Assets in CHF	Other Liabilities in CHF
Compensation account	0	0	0	0
Indirect taxes	64 670	388 570	11 485	220 836
Prepayments re pension scheme	493 214	0	475 604	0
Miscellaneous assets and liabilities	116 028	1 160 309	119 579	954 065
Total other assets and liabilities	673 912	1 548 879	606 668	1 174 901

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 pension expenses

	Overfunding/ underfunding at current year in CHF	Economic of interest of the bank/ financial group in CHF 31.03.2017	Economic of interest of the bank/ financial group in CHF 31.03.2016	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 31.03.2017	Pension expenses in personal expenses in CHF 31.03.2016
Pension plan without overfunding/underfunding	0	0	0	0	661 793	644 183	504 981

Details on the Bank's pension fund is 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 whereby the investment risk is fully mitigated and the capital is guaranteed by AXA Winterthur. An excess of coverage or a deficient coverage has no economic effect to the Bank.

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

	31.03.2016	Use in conformity with designated purpose in CHF	Reclassifications in CHF	Currency differences in CHF	Past due interest, recoveries in CHF	New creations charged to income in CHF	Releases to income in CHF	31.03.2017
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	568 797	(212 548)	0	0	0	0	0	356 249
Total provisions	568 797	(212 548)	0	0	0	0	0	356 249
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 provisions of TCHF 356 are for potential claims with regards to Fairfield Sigma Ltd. and Fairfield Sigma Ltd. in liquidation (Madoff).

Litigation

Other than the potential Madoff claims mentioned above, there is no material litigation currently ongoing for the Bank.

Notes to the financial statements

Table 9: Presentation of the bank's capital

Bank's capital	31.03.2017			31.03.2016		
	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:	31.03.2017		31.03.2016	
	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 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 individual and group performance by allowing all staff to share in the risks and rewards of the Investec 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 2016/2017 the amount recognised in the income statement for LTIPs was TCHF 305 (2015/2016 TCHF 373).

The weighted average share price during the year was GBP 5.09/CHF 6.37 (2014/2015 GBP 4.90/CHF 7.06).

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

	31.03.2017		31.03.2016	
	Amounts due from in CHF	Amounts due to in CHF	Amounts due from in CHF	Amounts due to in CHF
Holders of qualified participations	46 836 116	657 271	63 460 759	293 189
Group companies	0	0	0	0
Linked companies	370 196	6 200 974	109 197	7 608 660
Transactions with members of governing bodies	80 000	0	150 000	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 2017 TCHF 107 in current accounts (31st March 2016, TCHF 159). Overnight deposits amounted to TCHF 46 286 (31 March 2016, TCHF 62 290).

As at 31 March 2017, off-balance sheet fx derivative contract volumes with group entities amounted to TCHF 95 403 (31 March 2016 TCHF 43 165) and off-balance sheet fiduciary placements with group companies were TCHF 17 998 for 31 March 2017 (31 March 2016, TCHF 42 831).

As at 31 March 2017, positive and negative replacement values with group companies respectively amounted to TCHF 389 and TCHF 604 (31 March 2016 TCHF 1 012 and TCHF 73).

As of 31 March 2016 a Lombard loan was granted to a member of the executive management. This matured before 31 March 2017. 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

	31.03.2017		31.03.2016	
	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

	Due							Total in CHF
	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	
Asset/financial instruments								
Liquid assets	41 241 419	0	0	0	0	0	0	41 241 419
Amounts due from banks	45 614 831	0	74 294 700	0	0	0	0	119 909 531
Amounts due from securities financing transactions	0	0	0	0	0	0	0	0
Amounts due from customers	14 566 956	0	14 035 911	75 892 870	0	0	0	104 495 737
Mortgage loans	0	0	0	563 445	0	0	0	563 445
Trading portfolio assets	0	0	0	0	0	0	0	0
Positive Replacement values of derivative financial instruments	910 481	0	0	0	0	0	0	910 481
Other financial instruments at fair value	0	0	0	0	0	0	0	0
Financial investments	43 582	0	0	0	0	0	0	43 582
Total 31.03.2017	102 377 269	0	88 330 611	76 456 315	0	0	0	267 164 195
31.03.2016	99 271 996	4 872 473	64 535 845	78 120 866	654 835	0	0	247 456 015
Debt capital/ financial instruments								
Amounts due to banks	19 681 422	0	0	0	0	0	0	19 681 422
Liabilities from securities financing transactions	0	0	0	0	0	0	0	0
Amounts due in respect of customer deposits	177 029 060	1 850 495	1 500 000	618 950	0	0	0	180 998 505
Trading portfolio liabilities	0	0	0	0	0	0	0	0
Negative replacement values of derivative financial instruments	821 034	0	0	0	0	0	0	821 034
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 31.03.2017	197 531 516	1 850 495	1 500 000	618 950	0	0	0	201 500 961
31.03.2016	142 342 662	0	31 911 390	1 581 195	130 967	0	0	175 966 214

Notes to the financial statements

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

	31.03.2017		31.03.2016	
	Domestic in CHF	Foreign in CHF	Domestic in CHF	Foreign in CHF
Assets				
Liquid assets	40 754 751	486 668	35 161 632	118 528
Amounts due from banks	36 518 346	83 391 185	11 408 085	113 737 677
Amounts due from customers	10 884	104 484 854	156 440	85 083 243
Mortgage loans	0	563 445	0	654 835
Positive replacement values of derivative financial instruments	910 481	0	1 085 122	0
Financial investments	7 804	35 778	14 366	36 086
Accrued income and prepaid expenses	1 542 816	285 667	1 530 509	209 821
Tangible fixed assets	1 346 372	0	1 465 597	0
Other assets	673 777	135	606 668	0
Total assets	81 765 231	189 247 732	51 428 419	199 840 190
Liabilities				
Amounts due to banks	253 912	19 427 510	0	6 986 336
Amounts due in respect of customer deposits	9 587 889	171 410 616	15 316 758	153 401 999
Negative replacement values of derivative financial instruments	821 034	0	261 121	0
Accrued expenses and deferred income	986 871	6 181	1 195 044	25 242
Other liabilities	1 164 081	384 798	1 174 900	0
Provisions	356 249	0	568 797	0
Reserves for general banking risks	0	0	0	0
Bank's capital	83 000 000	0	83 000 000	0
Statutory retained earnings reserve	4 423 975	0	4 423 975	0
Voluntary retained earnings reserve	1 300 000	0	1 300 000	0
Loss carried forward	(16 385 563)	0	(10 084 821)	0
Loss of the year	(5 724 590)	0	(6 300 742)	0
Total liabilities	79 783 858	191 229 105	90 855 032	160 413 577

Notes to the financial statements

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

	31.03.2017		31.03.2016	
	Absolute in CHF	Share as %	Absolute in CHF	Share as %
Assets				
<i>Europe</i>				
Switzerland	81 753 828	30.2%	51 428 418	20.5%
United Kingdom	60 963 108	22.5%	89 187 390	35.5%
France	13 361 932	4.9%	13 486 260	5.4%
Guernsey	6 952 374	2.6%	6 583 524	2.6%
Isle of Man	3 768 184	1.4%	2 071 655	0.8%
Ireland	3 021 450	1.1%	2 984 498	1.2%
Portugal	1 850 050	0.7%	1 279 938	0.5%
Malta	633 682	0.2%	1 524	0.0%
Germany	486 668	0.2%	118 528	0.0%
Greece	214 805	0.1%	109 626	0.0%
Other European countries	259 002	0.1%	81 631	0.0%
<i>North America</i>				
St Kitts and Nevis	44 033 450	16.2%	38 895 745	15.5%
United States of America	10 182 082	3.8%	15 686 293	6.2%
Other North American countries	183	0.0%	215	0.0%
<i>Asia</i>				
Malaysia	857 511	0.3%	–	0.0%
Other Asian countries	45 965	0.0%	350 954	0.1%
<i>Central America</i>				
British Virgin Islands	14 857 617	5.5%	–	0.0%
Cayman Islands	10 865 108	4.0%	3 340 750	1.3%
St Lucia	5 300 001	2.0%	–	0.0%
Virgin Islands	273 664	0.1%	14 640 496	5.8%
Other Central American countries	541	0.0%	–	0.0%
<i>Africa</i>				
South Africa	10 375 369	3.8%	10 026 977	4.0%
Other African countries	921	0.0%	27 800	0.0%
<i>Oceania</i>				
Australia	955 468	0.3%	966 387	0.4%
Total assets	271 012 963	100%	251 268 609	100%

Notes to the financial statements

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

	31.03.2017		31.03.2016	
	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	83 307 984	30.7%	141 867 522	56.5%
AA+ – AA-	102 457 431	37.8%	37 993 229	15.1%
A+ – A-	4 552 959	1.7%	3 084 789	1.2%
BBB+ – BBB-	10 378 352	3.8%	10 028 715	4.0%
BB+ – BB-	1 850 053	0.7%	1 279 938	0.5%
B+ – B-	214 805	0.1%	109 626	0.0%
Not rated	68 251 379	25.2%	56 904 790	22.6%
	271 012 963	100%	251 268 609	100%

Explanations of the ratings system used

The Bank uses the Standard and Poor's ratings system to classify asset risk.

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	GBP	EUR	Other
Assets					
Liquid assets	40 754 751	0	0	486 668	0
Amounts due from banks	1 052 795	71 391 548	17 715 180	18 763 012	10 986 996
Amounts due from customers	6 302 768	65 895 973	14 743 704	9 226 570	8 326 723
Mortgage loans	0	0	563 445	0	0
Positive replacement values of derivative financial instruments	910 481	0	0	0	0
Financial investments	7 804	12 832	13 069	9 877	0
Accrued income and prepaid expenses	1 544 570	224 925	33 902	23 639	1 447
Tangible fixed assets	1 346 372	0	0	0	0
Other assets	567 101	0	0	135	106 676
Total assets shown in balance sheet	52 486 642	137 525 278	33 069 300	28 509 901	19 421 842
Delivery entitlements from spot exchange and forward forex transactions	39 046 987	53 969 421	32 464 154	3 687 887	20 318 008
Total assets	91 533 629	191 494 699	65 533 454	32 197 788	39 739 850
Liabilities					
Amounts due to banks	1 069	4 561 227	6 465 613	937 179	7 716 334
Amounts due in respect of customer deposits	7 030 060	107 329 091	31 371 829	25 562 886	9 704 639
Negative replacement values of derivative financial instruments	821 034	0	0	0	0
Accrued expenses and deferred income	962 346	6 181	24 525	0	0
Other liabilities	1 160 421	384 798	3 660	0	0
Provisions	356 249	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 retained earnings reserve	4 423 975	0	0	0	0
Voluntary retained earnings reserves	1 300 000	0	0	0	0
Profit carried forward/(loss) carried forward	(16 385 563)	0	0	0	0
Profit/(loss) (result of the period)	(5 724 590)	0	0	0	0
Total liabilities shown in the balance sheet	76 945 001	112 281 297	37 865 627	26 500 065	17 420 973
Delivery obligations from spot exchange and forward forex transactions	14 503 406	78 982 914	27 699 004	5 658 356	22 600 403
Total liabilities	91 448 407	191 264 211	65 564 631	32 158 421	40 021 376
Net position per currency	85 222	230 488	(31 177)	39 367	(281 526)

Notes to the financial statements

Table 18: Breakdown of contingent liabilities and contingent assets

	31.03.2017 in CHF	31.03.2016 in CHF
Guarantees to secure credits and similar	2 132 101	1 998 128
Performance guarantees and similar	0	0
Irrevocable commitments arising from documentary letters of credit	0	0
Other contingent liabilities	0	0
Total contingent liabilities	2 132 101	1 998 128
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

	31.03.2017 in CHF	31.03.2016 in CHF
Commitments arising from acceptances (for liabilities arising from acceptances in circulation)	34 044 708	31 568 134
Other credit commitments	218 000	228 000
Total	34 262 708	31 796 134

Table 20: Breakdown of fiduciary transactions

	31.03.2017 in CHF	31.03.2016 in CHF
Fiduciary investments with third-party companies	210 506 966	58 264 585
Fiduciary investments with group companies and linked companies	17 997 885	42 831 340
Total fiduciary transactions	228 504 851	101 095 925

Notes to the financial statements

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

Breakdown of managed assets	31.03.2017 in CHF '000	31.03.2016 in CHF '000
Type of managed assets		
Assets in collective investment schemes managed by the bank	0	0
Assets under discretionary asset management agreements	158 010	124 138
Other managed assets	1 853 269	1 331 366
Total managed assets (including double counting)	2 011 279	1 455 504
Custody only assets	0	0
Total customer assets	2 011 279	1 455 504
of which, double counting	0	0

Presentation of the development of managed assets	31.03.2017 in CHF '000	31.03.2016 in CHF '000
Total managed assets (including double counting) at beginning	1 455 504	1 333 799
+/- net new money inflow	438 226	264 531
+/- price gains/(losses), interest, dividends and currency gains/(losses)	117 549	(142 826)
+/- other effects	0	0
Total managed assets (including double counting) at end	2 011 279	1 455 504

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 has been instructed by way of an appropriate asset management mandate to invest the clients' assets in a defined framework 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 acquisition 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.

Notes to the financial statements

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

	2016/2017 in CHF	2015/2016 in CHF
Result from trading activities from:		
Interest rate instruments (including funds)	0	0
Equity securities (including funds)	0	0
Foreign currencies	942 704	619 291
Commodities/precious metals	0	0
Total result from trading activities	942 704	619 291
– 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 300 in the year ended 31 March 2017 (TCHF 236 as at 31 March 2016).

Table 24: Breakdown of personnel expenses

	2016/2017 in CHF	2015/2016 in CHF
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	7 146 273	6 031 040
– of which, expenses relating to share-based compensation and alternative forms of variable compensation	439 801	682 330
Social insurance benefits	1 257 164	961 792
Other personnel expenses	186 879	317 345
Total personnel expenses	8 590 316	7 310 177

Table 25: Breakdown of general and administrative expenses

	2016/2017 in CHF	2015/2016 in CHF
General and administrative expenses are to be broken down as follows:		
– Office space expenses	564 133	478 914
– Expenses for information and communications technology	1 589 795	1 807 271
– 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)	210 578	198 604
of which, for financial and regulatory audits	210 578	198 604
of which, for other services	0	0
– Other operating expenses	2 101 052	2 445 668
Total general and administrative expenses	4 465 558	4 930 457

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

There were no extraordinary expenses or income in the 2016/2017 and 2015/2016 financial years.

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 representation 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

	2016/2017 in CHF	2015/2016 in CHF
Income tax	0	0
Capital tax	145 414	124 270
Total current tax	145 414	124 270
Tax rate on capital	0.18%	0.15%

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

As at 31 March 2017, losses of TCHF 22 110 have been accumulated over the last 5 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 7 to 30), for the year ended 31 March 2017.

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 2017 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, 14 July 2017

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
- 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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