Investec Bank (Switzerland) AG

Annual report for the business year 1 April 2017 to 31 March 2018

Investec

Wealth & Investment

Annual report for the business year 1 April 2017 to 31 March 2018

Löwenstrasse 29	Telephone	+41 (0) 44 226 10 00
CH-8001 Zurich	Fax	+41 (0) 44 226 10 10

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Board of Directors, executive management and auditors

Board of Directors

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

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

Name	Domicile	Function	Independent	Initial election	Election until
Ian Wohlman	London, United Kingdom	Chairman	Employed by Investec Bank PLC	July 2011; Chairman since December 2016	July 2018
Dr. Thomas A. Frick	Zurich, Switzerland	Vice Chairman and Chairman of the Audit Committee	Yes	July 2005; Vice-Chairman since June 2012	July 2018
Prof. Dr. Bruno Gehrig	Winterthur, Switzerland	Member	Yes	January 2014	July 2018

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

Ian is the Chief Risk Officer for Investec in the UK; a director of Investec Bank PLC and a non-executive director and chairman of a number of material subsidiary companies. Ian chairs and is a member of a number of Investec decision and review committees. These cover Capital, Liquidity, Credit risk, Operational Risk and Market risk. He oversees the relationship with the PRA and FCA which includes customer and market conduct.

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

Prof. Dr. Bruno Gehrig, Swiss, 1946
Prof. Dr Bruno Gehrig finished his studies in business administration with both a doctorate and a habilitation in monetary theory. He was active in the public as well as in the private sector holding senior positions in the Swiss financial market supervisory authority and the Swiss national bank as well as lecturing and serving in senior roles in the insurance, banking, pharmaceutical and airline industry.

Board of Directors, executive management and auditors

Executive management

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

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

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

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

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

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

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

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

Auditors

Ernst & Young Ltd., Zurich, Switzerland

Message from the Board of Directors to shareholders and clients

Dear shareholders and clients

During the year ending March 2018, the Swiss financial industry (in common with most other countries) continued to suffer from decreasing earnings and rising costs. Additionally, the ongoing implementation of new Regulatory requirements continues to negatively impact costs.

Against this backdrop, Investec Bank experienced an increase in client assets of 1% in this financial year. This increase was mainly attributable to positive market performance and a higher volume of discretionary inflows. Average client assets under management increased by 14% and as a result fee revenue increased this year by a like amount. Interest revenues increased due to the banks' ability to place surplus cash at favourable rates. Active cost management ensured costs remained flat. Overall last year's net loss reduced by 38% to CHF3.6m.

Investec Bank has a strong balance sheet and exceeds all regulatory requirements. With a BIS tier 1 capital ratio of 77% and a quarterly average liquidity coverage ratio of 348 %, Investec Bank is well placed to grow its Assets under Management and further its overall business. Investec Group remains committed to Switzerland. The increase in Assets under Management is expected to grow through focus on the domestic market with support from the wider Investec Group client base.

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

For and on behalf of the Board of Directors,

Ian Wohlman
Chairman

Comment on business activities

Balance sheet activities

The Bank engages in balance sheet transactions primarily linked to investment management business for private clients. The Bank takes deposits as part of client investment business. Lending is primarily offered as an ancillary product to investment management for private clients (Lombard loans). Interbank business is conducted with group companies and 3rd party banks as part of cash management. As part of liquidity management cash balances are placed with Swiss National Bank.

Trading

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

Commission and service activities

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

Derivatives contracts concluded with clients are 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 Finastra 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 40.20 full time equivalent (FTE) staff members (including contractors) versus 43.70 in the prior year.

Information on capital and liquidity ratios

Capital ratios according to FINMA Circular 2016/01

In CHF 1 000 and in %	31.03.2018
Minimum capital requirements (CHF)	6 560
Total eligible capital	62 796
Eligible adjusted common equity Tier 1 capital (CET1)	62 796
Eligible adjusted Tier 1 capital	62 796
Risk weighted assets (RWA)	81 997
Common Equity Tier 1 ratio (CET1 ratio)	76.5835%
Tier 1 ratio	76.5835%
Total capital ratio	76.5835%

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 %	31.03.2018
Eligible core capital	62 796
Total exposure for the Leverage ratio	348 116
Leverage Ratio	18%

Liquidity Coverage Ratio according to FINMA Circular 2015/02

In CHF 1 000 and in %	1st Quarter 2018	4th Quarter 2017	3rd Quarter 2017	2nd Quarter 2017
Total High Quality Liquid Assets (HQLA)	110 278	47 140	44 729	41 649
Total net outflows	21 382	17 101	13 231	15 751
Liquidity Coverage Ratio (LCR)	516%	276%	338%	264%

Balance sheet as at 31 March 2018 and 31 March 2017

As at 31 March in CHF	Notes	2018	2017
Assets			
Liquid assets		113 655 431	41 241 419
Amounts due from banks		144 910 218	119 909 531
Amounts due from customers	1	49 221 201	104 495 738
Mortgage loans	1	0	563 445
Positive replacement values of derivative financial investments	2,3,13	750 912	910 481
Financial investments	4	22 348	43 582
Accrued income and prepaid expenses		1 364 709	1 828 483
Tangible fixed assets	5	1 194 744	1 346 372
Other assets	6,7	417 263	673 912
Total assets	13,14,15,16,17	**311 536 826**	**271 012 963**
Liabilities			
Amounts due to banks		12 041 482	19 681 422
Amounts due in respect of customer deposits		232 807 611	180 998 505
Negative replacement values of derivative financial instruments	3,13	301 747	821 034
Accrued expenses and deferred income		1 252 795	993 052
Other liabilities	6,8	1 989 387	1 548 879
Provisions		347 984	356 249
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		(22 110 153)	(16 385 563)
Loss (result of the period)		(3 818 002)	(5 724 590)
Total liabilities	13,14,17	**311 536 826**	**271 012 963**

Off-balance sheet transactions as at 31 March 2018 and 31 March 2017

As at 31 March in CHF	Notes	2018	2017
Contingent liabilities	1,18	1 829 007	2 132 101
Irrevocable commitments	1,19	30 838 720	34 262 708

Income statement for the years ending 31 March 2018 and 31 March 2017

In CHF	Notes	2017/2018	2016/2017
Revenues and expenses from ordinary banking activities			
Result from interest operations			
Interest and discount income		2 605 721	2 274 293
Interest and dividend income from financial investments		423	479
Interest expense		(169 802)	(394 273)
Gross result from interest operations		*2 436 342*	*1 880 499*
Changes in value adjustments for default risks and losses from interest operations			
Subtotal net result from interest operations	*23*	*2 436 342*	*1 880 499*
Result from commission business and services			
Commission income from securities trading and investment activities		6 666 499	5 845 141
Commission income from lending activities		29 657	31 593
Commission income from other services		192 089	177 102
Commission expense		(929 815)	(1 048 035)
Subtotal result from commission business and services		5 958 430	5 005 801
Result from trading activities and the fair value option	*22*	*1 396 135*	*942 704*
Other result from ordinary activities			
Result from disposal of financial investments		38 451	41 519
Other ordinary income		46 366	23 404
Other ordinary expenses		(46 114)	(16 736)
Subtotal other result from ordinary activities		*38 703*	*48 187*
Total revenues		***9 829 610***	***7 877 197***
Operating expenses			
Personnel expenses	24	(8 181 406)	(8 590 316)
General and administrative expenses	25	(4 821 703)	(4 465 558)
Subtotal operating expenses		*(13 003 109)*	*(13 055 874)*
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		(413 360)	(406 819)
Changes to provisions and other value adjustments and losses		(70 067)	6 326
Operating result		***(3 656 926)***	***(5 579 176)***
Extraordinary income	26	0	0
Extraordinary expenses	26	0	0
Changes in reserves for general banking risks		0	0
Taxes	28	(161 076)	(145 414)
Loss for the year		**(3 818 002)**	**(5 724 590)**

Carrying forward of losses for the years ending 31 March 2018 and 31 March 2017

In CHF	Notes	2017/2018	2016/2017
Carrying forward of losses			
Loss		**(3 818 002)**	**(5 724 590)**
Loss carried forward		(22 110 153)	(16 385 563)
Accumulated loss		(25 928 155)	(22 110 153)
New amount carried forward		**(25 928 155)**	**(22 110 153)**

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**	**(15 085 563)**	**0**	**0**	**(5 724 590)**	**66 613 822**
Other allocations to (transfers from) other reserves	0	0	0	0	0	(5 724 590)	0	0	5 724 590	0
Loss for the year	0	0	0	0	0	0	0	0	(3 818 002)	(3 818 002)
Equity at the end of the current period	**83 000 000**	**0**	**4 423 975**	**0**	**0**	**(20 810 153)**	**0**	**0**	**(3 818 002)**	**62 795 820**

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 the Swiss Financial Market Supervisory Authority (FINMA), the Bank's articles of association and the statutory regulations. Single positions inherent in any given balance sheet item are valued individually.

Accounting standards

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

Recording of transactions

All transactions are recorded in the financial statements of the Bank on trade date and valued on this date. Spot transactions are recorded based on the trade date principle. Forward and Swap contracts are recorded as off-balance sheet transactions on trade date until the execution or value date. Between the trade and the execution date the replacement values of Forward and Swap transactions are recorded as separate 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 at the exchange rate of the effective balance sheet date and the valuation differences are taken to the income statement. Exchange rate fluctuations between the trade date and settlement date of a transaction are recorded in the income statement.

Currency	Rates as at 31 March 2018	Rates as at 31 March 2017
USD	0.95705	1.0003
EUR	1.17615	1.0693
GBP	1.34140	1.2521

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.

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 2015/1. 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) 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 the Group 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 the exposure against the relevant exposure limits.

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

Liquidity risk 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.

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.

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.

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 in product categories predefined by Group Asset and Liability Committee (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 risks reflect the probability of direct or indirect loss due to the inadequacy or failure of internal processes, persons or systems or as a result of external events. Given that operational risks may be encountered in all areas, all members of staff and offices involved in a business process are expected to assess and manage the operational risks within their area of responsibility. Of particular importance is the appropriate segregation of duties and the adherence to the four-eye principle where required. Furthermore, operational risks are mitigated by the use of instruments such as policies and guidelines, definition of approval requirements, organisational charts, job descriptions as well as process and control descriptions. Automation facilitating the transactions processing and controls is also key in order to reduce risks. 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 financial services, financial crime and Know-Your-Client is provided to employees at regular intervals.

Notes to the financial statements

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

Overview of collateral		Type of collateral			
		Secured by mortgage in CHF	Other collateral in CHF	Unsecured in CHF	Total in CHF
Loans (before netting with value adjustments)					
Amounts due from customers		0	49 221 201	0	49 221 201
Mortgages					
– Residential properties		0	0	0	0
– Commercial and industrial premises		0	0	0	0
Total loans (before netting with value adjustments)	**31.03.2018**	**0**	**49 221 201**	**0**	**49 221 201**
	31.03.2017	563 445	104 495 738	0	105 059 183
Total loans (after netting with value adjustments)	**31.03.2018**	**0**	**49 221 201**	**0**	**49 221 201**
	31.03.2017	563 445	104 495 738	0	105 059 183
Off-balance sheet					
Contingent liabilities		0	1 829 007	0	1 829 007
Irrevocable commitments		0	30 554 720	284 000	30 838 720
Obligations to pay up shares and make further contributions		0	0	0	0
Credit commitments		0	0	0	0
Total off-balance sheet	**31.03.2018**	**0**	**32 383 727**	**284 000**	**32 667 727**
	31.03.2017	0	36 176 809	218 000	36 394 809

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	**31.03.2018**	**0**	**0**	**0**	**0**
	31.03.2017	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 2018 and 31 March 2017.

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		4 714	(3 711)	356 679	0	0	0
– Combined interest rate/ Currency swaps		230 396	(275 103)	31 938 619	515 802	(22 933)	28 737 623
Total	**31.03.2018**	**235 110**	**(278 814)**	**32 295 298**	**515 802**	**(22 933)**	**28 737 623**
	31.03.2017	816 087	(712 336)	117 475 433	94 394	(108 698)	32 011 024

Of which value determined using a valuation model in CHF	Trading: Positive replacement values	Trading: Negative replacement values		Hedging: Positive replacement values	Hedging: Negative replacement values	
31.03.2018	**235 110**	**(278 814)**		**515 802**	**(22 933)**	
31.03.2017	816 087	(712 336)		94 394	(108 698)	

Breakdown by counterparty	31.03.2018			31.03.2017		
	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**	**583 739**	**167 173**	**0**	**388 581**	**521 900**

*There were no netting agreements as of 31.03.2018.

Notes to the financial statements

Table 4: Breakdown of financial investments

	Book value 31.03.2018 in CHF	Book value 31.03.2017 in CHF	Fair value 31.03.2018 in CHF	Fair value 31.03.2017 in CHF
Equity securities	22 348	43 582	22 348	43 582
– of which, qualified participations	0	0	0	0
Total*	**22 348**	**43 582**	**22 348**	**43 582**
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	Accumulated depreciation in CHF	Book value 31.03.2017 in CHF	2017/2018 Reclassification in CHF	Additions in CHF	Disposals in CHF	Depreciation in CHF	Reversals in CHF	Book value 31.03.2018 in CHF
Proprietary or separately acquired software	2 663 569	(1 326 886)	1 336 683	–	261 733		(409 073)	–	1 189 343
Other tangible fixed assets	14 332	(4 644)	9 688	–	–		(4 287)	–	5 401
Total tangible fixed assets			**1 346 371**		**261 733**	**–**	**(413 360)**	**–**	**1 194 744**

Operating lease commitments	31.03.2018 Less than 1 year in CHF	Greater than 1 year, less than 5 years in CHF	Greater than 5 years in CHF	Total in CHF	31.03.2017 Less than 1 year in CHF	Greater than 1 year, less than 5 years in CHF	Greater than 5 years in CHF	Total in CHF
Rental lease commitments for premises	547 976	1 723 276	–	2 271 252	457 487	1 657 179	0	2 114 666
– of which are cancellable within 1 year				57 240				68 095

Notes to the financial statements

Table 6: Breakdown of other assets and other liabilities

	31.03.2018		31.03.2017	
	Other Assets in CHF	Other Liabilities in CHF	Other Assets in CHF	Other Liabilities in CHF
Compensation account	0	0	0	0
Indirect taxes	18 347	278 816	64 670	388 570
Prepayments re pension scheme	395 028	0	493 214	0
Miscellaneous assets and liabilities	3 888	1 710 571	116 028	1 160 309
Total other assets and liabilities	**417 263**	**1 989 387**	**673 912**	**1 548 879**

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 the bank/financial group in CHF 31.03.2018	Economic of interest the bank/financial group in CHF 31.03.2017	Change in economic interest (economic benefit/obligation) in CHF	Contributions paid for the current period in CHF	Pension expenses in personal expenses in CHF 31.03.2018	Pension expenses in personal expenses in CHF 31.03.2017
Pension plan without overfunding/underfunding	0	0	0	0	524 507	586 599	644 183

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 until 31.12.2018. An excess of coverage or a deficient coverage has no economic effect to the Bank.

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

	31.03.2017 in CHF	Use in conformity with designated purpose in CHF	Reclassifica-tions in CHF	Currency differences in CHF	Past due interest, recoveries in in CHF	New creations charged to income in CHF	Releases to income in CHF	31.03.2018 in CHF
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	356 249	(21 907)	0	0	0	13 642	0	347 984
Total provisions	**356 249**	**(21 907)**	**0**	**0**	**0**	**13 642**	**0**	**347 984**
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 334 are for potential Madoff claims (2009).

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

Table 9: Presentation of the bank's capital

Bank's capital	31.03.2018			31.03.2017		
	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:	31.03.2018			31.03.2017		
	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 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 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 options issued have a zero strike price. For 2017/2018 the amount recognised in the income statement for these plans was TCHF 531 (2016/2017 TCHF 305).

The weighted average share price during the year was GBP 5.65/CHF 7.58 (2016/2017 GBP 5.09/CHF 6.37).

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

Notes to the financial statements

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

	31.03.2018		31.03.2017	
	Amounts due from in CHF	Amounts due to in CHF	Amounts due from in CHF	Amounts due to in CHF
Holders of qualified participations	47,107,840	263,954	46,836,116	657,271
Group companies	0	0	0	0
Linked companies	122,847	11,041,082	370,196	6,200,974
Transactions with members of governing bodies	34,208	0	80,000	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 2018 TCHF 133 in current accounts (31 March 2017, TCHF 107). Overnight deposits amounted to TCHF 46 514 (31 March 2017, TCHF 46 286).

As at 31 March 2018, off balance sheet FX derivative contract volumes with group entities amounted to TCHF 44 743 (31 March 2017, TCHF 95 403) and off balance sheet fiduciary placements with group companies were TCHF 7 820 for 31 March 2018 (31 March 2017, TCHF 17 998).

As at 31 March 2018, positive and negative replacement values with group companies amounted to TCHF 584 and TCHF 182 respectively (31 March 2017 TCHF 389 and TCHF 604).

As of 31 March 2018, transactions with members of governing bodies includes a staff loan to management. All transactions with related parties were executed on the same conditions as would apply for third parties.

Table 12: Disclosure of holders of significant participations

	31.03.2018		31.03.2017	
	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%

Table 13: Presentation of the maturity structure of financial instruments

	At sight in CHF	Cancellable in CHF	Due: within 3 months in CHF	within 3 to 12 months in CHF	within 12 months to 5 years in CHF	after 5 years in CHF	No maturity in CHF	Total in CHF
Asset/financial instruments								
Liquid assets	113 655 431	0	0	0	0	0	0	113 655 431
Amounts due from banks	56 408 518	0	88 501 700	0	0	0	0	144 910 218
Amounts due from securities financing transactions	0	0	0	0	0	0	0	0
Amounts due from customers	4 073 879	0	15 340 223	29 807 099	0	0	0	49 221 201
Mortgage loans	0	0	0	0	0	0	0	0
Trading portfolio assets	0	0	0	0	0	0	0	0
Positive Replacement values of derivative financial instruments	750 912	0	0	0	0	0	0	750 912
Other financial instruments at fair value	0	0	0	0	0	0	0	
Financial investments	22 348	0	0	0	0	0	0	22 348
Total 31.03.2018	**174 911 088**	**0**	**103 841 923**	**29 807 099**	**0**	**0**	**0**	**308 560 110**
31.03.2017	102 377 269	0	88 330 611	76 456 315	0	0	0	267 164 195
Debt capital/ financial instruments								
Amounts due to banks	12 041 482	0	0	0	0	0	0	12 041 482
Liabilities from securities financing transactions	0	0	0	0	0	0	0	0
Amounts due in respect of customer deposits	232 007 611	800 000	0	0	0	0	0	232 807 611
Trading portfolio liabilities	0	0	0	0	0	0	0	0
Negative replacement values of derivative financial instruments	301 747	0	0	0	0	0	0	301 747
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 31.03.2018	**244 350 840**	**800 000**	**0**	**0**	**0**	**0**	**0**	**245 150 840**
31.03.2017	197 531 516	1 850 495	1 500 000	618 950	0	0	0	201 500 961

Notes to the financial statements

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

	31.03.2018		31.03.2017	
	Domestic in CHF	Foreign in CHF	Domestic in CHF	Foreign in CHF
Assets				
Liquid assets	113 215 135	440 296	40 754 751	486 668
Amounts due from banks	23 585 330	121 324 888	36 518 346	83 391 185
Amounts due from securities financing transactions	0	0	0	0
Amounts due from customers	465 805	48 755 396	10 884	104 484 854
Mortgage loans	0	0	0	563 445
Trading portfolio assets	0	0	0	0
Positive replacement values of derivative financial instruments	52 775	698 138	910 481	0
Other financial instruments at fair value	0	0	0	0
Financial investments	10 213	12 135	7 804	35 778
Accrued income and prepaid expenses	1 320 549	151 079	1 542 816	285 667
Participations	0	0	0	0
Tangible fixed assets	1 194 744	0	1 346 372	0
Intangible assets	0	0	0	0
Other assets	417 263	0	673 777	135
Total assets	**140 261 814**	**171 381 932**	**81 765 231**	**189 247 732**
Liabilities				
Amounts due to banks	6 786	12 034 697	253 912	19 427 510
Amounts due to securities financing transactions	0	0	0	0
Amounts due in respect of customer deposits	12 332 217	220 475 394	9 587 889	171 410 616
Trading portfolio liabilities	0	0	0	0
Negative replacement values of derivative financial instruments	42 878	258 869	821 034	0
Liabilities from other financial instruments at fair value	0	0	0	0
Cash bonds	0	0	0	0
Bond issues and central mortgage institution loans	0	0	0	0
Accrued expenses and deferred income	1 110 236	0	986 871	6 181
Other liabilities	966 954	1 022 433	1 164 081	384 798
Provisions	347 984	0	356 249	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 reserve	1 300 000	0	1 300 000	0
Own shares (negative item)	0	0	0	0
Loss carried forward	(22 110 153)	0	(16 385 563)	0
Loss of the year	(3 568 524)	0	(5 724 590)	0
Total liabilities	**77 852 353**	**233 791 393**	**79 783 858**	**191 229 105**

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

	31.03.2018		31.03.2017	
	Absolute in CHF	Share as %	Absolute in CHF	Share as %
Assets				
Europe				
Switzerland	140 838 830	45.3%	81 753 828	30.2%
United Kingdom	64 191 596	20.6%	60 963 108	22.5%
Germany	27 585 709	8.9%	486 668	0.2%
France	14 032 501	4.5%	13 361 932	4.9%
Isle of Man	8 069 814	2.6%	3 768 184	1.4%
Guernsey	5 665 082	1.8%	6 952 374	2.6%
Malta	2 225 309	0.7%	633 682	0.2%
Ireland	2 127 884	0.7%	3 021 450	1.1%
Portugal	1 972 572	0.6%	1 850 050	0.7%
Other European countries	207 227	0.1%	259 002	0.1%
Greece	118 244	0.0%	214 805	0.1%
North America				
St Kitts and Nevis	4 856 841	1.6%	44 033 450	16.2%
United States of America	13 687 682	4.4%	10 182 082	3.8%
Other North American countries	2 231	0.0%	183	0.0%
Asia				
Malaysia	944 866	0.3%	857 511	0.3%
Other Asian countries	1 875 516	0.6%	45 965	0.0%
Central America				
British Virgin Islands	4 420 922	1.4%	14 857 617	5.5%
Cayman Islands	1 614 796	0.5%	10 865 108	4.0%
St Lucia	5 306 095	1.7%	5 300 001	2.0%
Virgin Islands	280 889	0.1%	273 664	0.1%
Other Central American countries	185	0.0%	541	0.0%
Africa				
South Africa	10 059 369	3.2%	10 375 369	3.8%
Other African countries	60 835	0.0%	921	0.0%
Oceania				
Australia	1 350 622	0.4%	955 468	0.3%
New Zealand	41 210	0.0%	–	0.0%
Total assets	**311 536 827**	**100%**	**271 012 963**	**100%**

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

	31.03.2018		31.03.2017	
	Net foreign exposure in CHF	Net foreign exposure share as %	Net foreign exposure in CHF	Net foreign exposure share as %
System Rates				
1	269 831 583	86.6%	83 307 984	30.7%
2	–	0.0%	102 457 431	37.8%
3	944 866	0.3%	4 552 959	1.7%
4	530 037	0.2%	10 378 352	3.8%
5	10 059 776	3.2%	1 850 053	0.7%
6	–	0.0%	214 805	0.1%
Not rated	30 170 565	9.7%	68 251 379	25.2%
	311 536 827	**100%**	**271 012 963**	**100%**

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

The system uses numbers as ratings. The best being ‘1’.The worst being ‘6’.

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	113 215 135	0	440 296	0	0
Amounts due from banks	797 054	71 481 342	21 815 203	39 925 894	10 890 725
Amounts due from securities financing transactions	0	0	0	0	0
Amounts due from customers	5 512 731	17 721 476	7 938 055	16 164 273	1 884 666
Mortgage loans	0	0	0	0	0
Trading portfolio assets	0	0	0	0	0
Positive replacement values of derivative financial instruments	750 912	0	0	0	0
Other financial instruments at fair value	0	0	0	0	0
Financial investments	8 404	7 826	6 113	0	6
Accrued income and prepaid expenses	1 216 756	83 979	19 698	40 619	3 657
Participations	0	0	0	0	0
Tangible fixed assets	1 194 744	0	0	0	0
Intangible assets	0	0	0	0	0
Other assets	417 263	0	0	0	0
Total assets shown in balance sheet	**123 112 999**	**89 294 623**	**30 219 365**	**56 130 786**	**12 779 054**
Delivery entitlements from spot exchange and forward forex transactions	**21 693 861**	**28 733 995**	**1 481 864**	**7 297 389**	**1 825 812**
Total assets	**144 806 860**	**118 028 618**	**31 701 229**	**63 428 175**	**14 604 866**
Liabilities					
Amounts due to banks	1 004	6 181 313	3 772 473	2 086 328	364
Amounts due to securities financing transactions	0	0	0	0	0
Amounts due in respect of customer deposits	58 780 430	82 994 898	26 305 669	53 004 883	11 721 731
Trading portfolio liabilities	0	0	0	0	0
Negative replacement values of derivative financial instruments	301 747	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	1 210 233	0	0	42 562	0
Other liabilities	963 026	0	55 581	970 780	0
Provisions	347 984	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	(22 110 153)	0	0	0	0
Profit/(loss) (result of the period)	(3 818 002)	0	0	0	0
Total liabilities shown in the balance sheet	**124 400 244**	**89 176 211**	**30 133 723**	**56 104 553**	**11 722 095**
Delivery obligations from spot exchange and forward forex transactions	**20 208 852**	**28 726 976**	**1 479 041**	**7 295 897**	**2 874 325**
Total liabilities	**144 609 096**	**117 903 187**	**31 612 764**	**63 400 450**	**14 596 420**
Net position per currency	**197 764**	**125 431**	**88 465**	**27 725**	**8 446**

Table 18: Breakdown of contingent liabilities and contingent assets

	31.03.2018 in CHF	31.03.2017 in CHF
Guarantees to secure credits and similar	1 829 007	2 132 101
Performance guarantees and similar	0	0
Irrevocable commitments arising from documentary letters of credit	0	0
Other contingent liabilities	0	0
Total contingent liabilities	**1 829 007**	**2 132 101**
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

	31.03.2018 in CHF	31.03.2017 in CHF
Commitments arising from acceptances (for liabilities arising from acceptances in circulation)	30 554 720	34 044 708
Other credit commitments	284 000	218 000
Total	**30 838 720**	**34 262 708**

Table 20: Breakdown of fiduciary transactions

	31.03.2018 in CHF	31.03.2017 in CHF
Fiduciary investments with third-party companies	173 843 694	210 506 966
Fiduciary investments with group companies and linked companies	7 820 302	17 997 885
Total fiduciary transactions	**181 663 996**	**228 504 851**

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

Breakdown of managed assets	31.03.2018 in CHF '000	31.03.2017 in CHF '000
Type of managed assets		
Assets in collective investment schemes managed by the bank	0	0
Assets under discretionary asset management agreements	190 218	158 010
Other managed assets	1 834 511	1 853 269
Total managed assets (including double counting)	**2 024 729**	**2 011 279**
Custody only assets	0	0
Total customer assets	**2 024 729**	**2 011 279**
of which, double counting	0	0

Presentation of the development of managed assets	31.03.2018 in CHF '000	31.03.2017 in CHF '000
Total managed assets (including double counting) at beginning	**2 011 279**	**1 455 504**
+/- net new money inflow	(5 389)	438 226
+/- price gains/(losses), interest, dividends and currency gains/(losses)	18 839	117 549
+/- other effects	0	0
Total managed assets (including double counting) at end	**2 024 729**	**2 011 279**

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 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

	2017/2018 in CHF	2016/2017 in CHF
Result from trading activities from:		
Interest rate instruments (including funds)	0	0
Equity securities (including funds)	0	0
Foreign currencies	1 396 135	942 704
Commodities/precious metals	0	0
Total result from trading activities	**1 396 135**	**942 704**
– 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 resulted in a net expense of TCHF 210 for the 2017/2018 year (TCHF 193 for 2016/2017).

Table 24: Breakdown of personnel expenses

	2017/2018 in CHF	2016/2017 in CHF
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	6 947 808	7 146 273
– of which, expenses relating to share-based compensation and alternative forms of variable compensation	889 356	439 801
Social insurance benefits	1 208 295	1 257 164
Other personnel expenses	25 303	186 879
Total personnel expenses	**8 181 406**	**8 590 316**

Table 25: Breakdown of general and administrative expenses

	2017/2018 in CHF	2016/2017 in CHF
General and administrative expenses are to be broken down as follows:		
– Office space expenses	463 509	564 133
– Expenses for information and communications technology	1 609 356	1 589 795
– 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)	204 000	210 578
of which, for financial and regulatory audits	204 000	210 578
of which, for other services	0	0
– Other operating expenses	2 544 838	2 101 052
Total general and administrative expenses	**4 821 703**	**4 465 558**

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 or 2017/2018 year.

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

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

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

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

	2017/2018 in CHF	2016/2017 in CHF
Income tax	0	0
Capital tax	161 076	145 414
Total current tax	**161 076**	**145 414**
Tax rate on capital	0.19%	0.18%

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

Tax losses carried forward of TCHF 26 027 exist as at 31 March 2018 (TCHF 22 703 as at 31 March 2017), having been accumulated over the last 7 years.

Independent auditor's report on the financial statements

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

As statutory auditor, we have audited the financial statements of Investec Bank (Switzerland) AG, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 8 to 31), for the year ended 31 March 2018.

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, 29 June 2018

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/Guarantees

Investec Bank (Switzerland) AG
Löwenstrasse 29
Zurich
CH-8001
Switzerland

Investec
Wealth & Investment