

ANNUAL | 2020
REPORT

Investec Bank (Switzerland) AG

Annual report for the
financial year 1 April 2019
to 31 March 2020



 **Investec**
Wealth & Investment

Annual report for the financial year 1 April 2019 to 31 March 2020

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Board of Directors, executive management and auditors

Board of Directors

The Board of Directors ("BoD") of Investec Bank (Switzerland) AG ("the 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 Robert Wohlman	London, United Kingdom	Chairman	Employed by Investec Bank Plc	July 2011; Chairman since December 2016	July 2020
Dr. Thomas A. Frick	Zurich, Switzerland	Vice Chairman	Yes	July 2005; Vice-Chairman since June 2012	July 2020
Prof. Dr. Bruno Gehrig	Winterthur, Switzerland	Member	Yes	January 2014	July 2020

Ian Robert Wohlman, English, 1954

Ian Wohlman has worked in the UK Banking and Financial services market since 1973 and is a member of the London Institute of Banking and Finance. He has been with the Investec Group since 1989 where he held a number of executive appointments predominantly covering Risk Management, Compliance and Internal Audit.

Ian is currently the chairman of Investec Bank (Switzerland) AG and a number of material subsidiaries of Investec Bank Plc.

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 had 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 Financial Officer ("CFO")	August 2014
David Gurtner	Head of Risk, Projects and IT	January 2015
Petra Otten	Head of Legal & Compliance	July 2010
Annelise Peers	Chief Investment Officer ("CIO")	June 2014

Peter Gyger, CEO, Swiss, 1962

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

Melanie Abromowitz, CFO, English, 1972

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

Petra Otten, Head of Legal & Compliance, Swiss, 1960

Petra Otten acts as the Bank's general counsel, money laundering reporting officer and responsible officer for US related client tax matters. She holds a degree in business administration, an EMBA and is a qualified lawyer. Petra worked in the airline and plant construction industry and a well-known law firm before joining the banking industry. Petra joined the bank in 2009.

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 and 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. Annelise joined the bank in 2014.

Auditors

Ernst & Young Ltd., Zurich, Switzerland

Message from the Board of Directors to shareholders and clients

Dear shareholders and clients

With the outbreak of Covid-19 the safety of people has been paramount. Through our technology, the vast majority of our staff have been able to work from home. Those, for whom it has been critical to be in the office, have observed all required social distancing measures. All are in good health.

Against this unprecedented backdrop, Investec Bank (Switzerland) AG experienced a decrease in client assets of 8.8% in this financial year. This was attributable to the market decline due to Covid-19. This decrease was slightly offset by net new inflows of 0.6%. Average client assets under management remained constant compared with last year, however fee revenue increased this year by 2% as the mix of assets continues to improve. Interest revenues increased significantly due to the bank investing surplus cash in longer term financial debt instruments and other low risk loans to funds. Costs increased this year as investment was made into changing IT strategy and upgrading infrastructure. The overall result was a net loss of CHF 2.6m which was a 23% improvement compared with last year.

Notwithstanding global challenges, there has been no material disruption to the service we provide to our clients. The Bank has a strong balance sheet and exceeds all regulatory requirements. The liquidity of the business has at all times been maintained at levels surplus to requirements with a quarterly average liquidity coverage ratio of 383%. With a BIS tier 1 capital ratio of 37%, the Bank is well placed to grow its assets under management and further its overall business.

We thank all our staff for their huge efforts and our clients for their continued support and business. We look forward to an easing of the stresses and strains we all feel in these difficult times.

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 third party banks as part of cash management. As part of liquidity management, cash balances are placed with Swiss National Bank and invested in debt instruments. Additional balance sheet activity is undertaken in the form of investments via sub-participation into Private Equity Fund Debt transactions.

Trading

The Bank's trading activities consist only of foreign exchange and precious metals dealing activities that are limited to 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, 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 (TCS) Switzerland Ltd, Zurich. Furthermore the outsourcing to TCS was extended in 2019 for the Application Operation and Management of the banking system "TCS BaNCS", which was previously operated and hosted in house. Hosting of the banking system as well as auxiliary applications was also outsourced in 2019 to Swisscom (Switzerland) Ltd. All applications and data remain in Switzerland under the rules of the Swiss Financial Market Supervisory Authority (FINMA) and strict oversight and control by the Bank. In addition, the Bank continued outsourcing of the SWIFT interbank services to Anasys AG, Zurich, and the document archiving to Kinesys AG, Dübendorf. The outsourcing agreements with these counterparties are documented in writing as required by FINMA and 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 41.40 full time equivalent (FTE) staff members (including contractors) versus 42.80 in the prior year.

Impact of Covid-19 on Business Activities

Investec Bank (Switzerland) AG is able to continue trading during lockdown as an essential service provider. Most staff have been working from home and no material technology or operational issues were experienced.

During the year, markets went into severe decline following the global outbreak of the Covid-19 pandemic. This had the effect of reducing the market value of the Bank's assets under management by 8.8% at 31 March 2020. At the time of this report, we have seen a recovery of the value of the assets under management. Although we might see a reduction in fees earned in the coming year, the impact has not been of a nature to raise concern for the Bank's ability to operate in the future. In addition, many clients sold out of the declining market, resulting in a cash balance increase at year-end. Furthermore, lending values of portfolios declined, placing a limited number of lending clients in margin call positions. These have subsequently all been remedied.

Information on capital and liquidity ratios

Capital and Liquidity ratios according to FINMA Circular 2016/01

	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019
Eligible capital (CHF)					
Common Equity Tier 1 capital (CET1)	56 843				59 425
Common Equity Tier 1 capital without the effects of the transitional provisions for expected losses	–				–
Tier 1 capital (T1)	56 843				59 425
Tier 1 capital without the effects of the transitional provisions for expected losses	–				–
Total capital, total	56 843				59 425
Total capital without the effects of the transitional provisions for expected losses	–				–
Risk-weighted assets (RWA) (CHF)					
RWA	154 963				98 257
Minimum capital (CHF)	12 397				10 000
Risk-based capital ratios (% of RWA)					
CET1 ratio (%)	36.7%				60.5%
CET1 ratio without the effects of the transitional provisions for expected losses (%)	0.0%				0.0%
Tier 1 capital ratio (%)	36.7%				60.5%
Tier 1 capital without the effects of the transitional provisions for expected losses (%)	0.0%				0.0%
Total capital ratio (%)	36.7%				60.5%
Total capital ratio without the effects of the transitional provisions for expected losses (%)	0.0%				0.0%
CET1 buffer capital requirements (% of RWA)					
Capital buffer in accordance with Basel Minimum Standards (as of 2019: 2.5%) (%)	2.5%				2.5%
Countercyclical buffer (Article 44a CAO) in accordance with the Basel Minimum Standards (%)	0.0%				0.0%
Additional capital buffer due to national or international systemic importance (%)	0.0%				0.0%
Overall buffer requirements in accordance with the Basel Minimum Standards in CET1 quality (2%)	2.5%				2.5%
Available CET1 to cover buffer requirements in accordance with Basel Minimum Standards (after deducting CET1 from the cover of the minimum requirements and possibly to cover the TLAC requirements) (%)	28.7%				52.5%
Target capital ratios according to Annex 8 CAO (% of RWA)					
Capital buffer according to Annex 8 CAO (%)	2.50%				2.50%
Countercyclical buffer (Articles 44 and 44a CAO) (%)	0.00%				0.00%
CET1 target ratio (in %) according to Annex 8 CAO plus countercyclical buffer in accordance with Articles 44 and 44a CAO	7.00%				7.00%
T1 target ratio (in %) according to Annex 8 CAO plus countercyclical buffer in accordance with Articles 44 and 44a CAO	8.50%				8.50%
Total capital target ratio (in %) according to Annex 8 CAO plus countercyclical buffer in accordance with Articles 44 and 44a CAO	10.50%				10.50%
Basel III leverage ratio					
Total exposure (CHF)	348 809				271 088
Basel III leverage ratio (Tier 1 capital in % of the total exposure)*	16.30%				21.92%
Basel III leverage ratio (Tier 1 capital in % of the total exposure) without the effects of the transitional provisions for expected losses	0.0%				0.0%
Liquidity Coverage Ratio (LCR)					
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	39 708	34 498	36 390	36 743	52 990
LCR denominator: Total of net cash outflow (CHF)	10 903	8 706	8 705	10 384	13 902
LCR (in %)	364%	396%	418%	354%	381%
Net stable funding ration (NSFR)1					
Available stable refinancing (in CHF)	198 668				169 330
Required stable refinancing (in CHF)	84 575				81 032
Net stable funding ratio (NSFR) (in %)	235%				209%

*FINMA has ruled that due to Covid-19, until 1 July 2020, deposits held at all central banks in all currencies can be excluded from the leverage ratio calculation. The Bank has decided not to exclude our deposits in the interests of consistency in reporting and reflecting a more prudent and accurate leverage ratio. The impact of removing the SNB deposits in our calculation would be to increase the leverage ratio at 31 March 2020 to 19.26%.

Balance sheet as at 31 March 2020 and 31 March 2019

As at 31 March in CHF	Notes	2020	2019
Assets			
Liquid assets		50 886 647	37 284 768
Amounts due from banks		119 484 761	99 444 460
Amounts due from customers	1	112 505 033	60 201 480
Mortgage loans	1	–	–
Positive replacement values of derivative financial investments	2,3,13	437 625	271 836
Financial investments	4	30 010 642	32 460 090
Accrued income and prepaid expenses		1 316 766	1 669 594
Tangible fixed assets	5	1 521 735	1 304 136
Other assets	6,7	911 247	421 247
Total assets	13,14,15,16,17	317 074 457	233 057 610
Liabilities			
Amounts due to banks		65 036 593	21 023 137
Amounts due in respect of customer deposits		191 031 746	148 706 421
Negative replacement values of derivative financial instruments	3,13	246 237	766 074
Accrued expenses and deferred income		2 854 202	1 467 823
Other liabilities	6,8	752 870	1 318 655
Provisions		309 755	350 522
Reserves for general banking risks		–	–
Bank's capital	9,10,11,12	83 000 000	83 000 000
Statutory retained earnings reserve		4 423 975	4 423 975
Voluntary retained earnings reserve		1 300 000	1 300 000
Loss carried forward		(29 298 998)	(25 928 155)
Loss (result of the period)		(2 581 924)	(3 370 843)
Total liabilities	13,14,17	317 074 457	233 057 610

Off-balance sheet transactions as at 31 March 2020 and 31 March 2019

As at 31 March in CHF	Notes	2020	2019
Contingent liabilities	1,18	2 071 868	1 637 305
Irrevocable commitments	1,19	19 244 857	25 051 347

Income statement for the years ending 31 March 2020 and 31 March 2019

In CHF	Notes	2019/2020	2018/2019
Revenues and expenses from ordinary banking activities			
Result from interest operations			
Interest and discount income		3 711 062	2 376 082
Interest and dividend income from financial investments		1 849 091	958 444
Interest expense		(892 382)	(345 913)
<i>Gross result from interest operations</i>		<i>4 667 771</i>	<i>2 988 613</i>
Changes in value adjustments for default risks and losses from interest operations		–	–
<i>Subtotal net result from interest operations</i>	23	<i>4 667 771</i>	<i>2 988 613</i>
Result from commission business and services			
Commission income from securities trading and investment activities		6 808 320	6 787 809
Commission income from lending activities		53 003	45 184
Commission income from other services		162 854	158 430
Commission expense		(839 077)	(915 725)
<i>Subtotal result from commission business and services</i>		<i>6 185 100</i>	<i>6 075 698</i>
<i>Result from trading activities and the fair value option</i>	22	<i>929 285</i>	<i>1 165 813</i>
Other results from ordinary activities			
Results from disposal of financial investments		–	(19)
Other ordinary income		22 198	50 508
Other ordinary expenses		(2 436)	(37 765)
<i>Subtotal other result from ordinary activities</i>		<i>19 762</i>	<i>12 724</i>
Total revenues		11 801 918	10 242 848
Operating expenses			
Personnel expenses	24	(8 858 465)	(8 006 803)
General and administrative expenses	25	(5 152 229)	(4 770 944)
<i>Subtotal operating expenses</i>		<i>(14 010 694)</i>	<i>(12 777 747)</i>
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		(554 028)	(497 485)
Changes to provisions and other value adjustments and losses		646	(195 907)
Operating result		(2 762 158)	(3 228 291)
Extraordinary income	26	322 793	–
Extraordinary expenses	26	–	–
Changes in reserves for general banking risks		–	–
Taxes	28	(142 559)	(142 552)
Loss for the year		(2 581 924)	(3 370 843)

Carrying forward of losses for the years ending 31 March 2020 and 31 March 2019

In CHF	Notes	2019/2020	2018/2019
Carrying forward of losses			
Loss for the year		(2 581 924)	(3 370 843)
Loss carried forward		(29 298 998)	(25 928 155)
Accumulated loss		(31 880 922)	(29 298 998)
New amount carried forward		(31 880 922)	(29 298 998)

Statement of changes in equity

In CHF	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Currency translation reserves	Voluntary retained earnings reserves and loss carried forward	Own shares	Minority interests	Result of the period	Total
Equity at the start of the current period	83 000 000	-	4 423 975	-	-	(24 628 155)	-	-	(3 370 843)	59 424 977
Other allocations to (transfers from) other reserves	-	-	-	-	-	(3 370 843)	-	-	3 370 843	-
Loss for the year	-	-	-	-	-	-	-	-	(2 581 924)	(2 581 924)
Equity at the end of the current period	83 000 000	-	4 423 975	-	-	(27 998 998)	-	-	(2 581 924)	56 843 053

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 expiry date. Between the trade and the execution date, the replacement values of Forward and Swap transactions are recorded as separate lines in the balance sheet.

Foreign currencies

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

Currency	Rates as at 31 March 2020	Rates as at 31 March 2019
USD	0.96389	0.99588
EUR	1.06003	1.11759
GBP	1.19974	1.29746

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 is no provision for 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 capitalised and valued at historical cost if they exceed CHF 50 000 and will be used for a period longer than one financial year. Depreciation is recorded on a straight-line basis over the estimated lifetime of the asset.

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

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

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

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

Accruals and deferrals

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

Provisions

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

Positions are recorded as follows via the individual items in the income statement:

- Provision for deferred taxes: 'Taxes'
- Pension provision: 'Personnel expenses'
- Other provisions: 'Changes in provisions and other valuation adjustments and losses', except provisions for restructuring

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

Taxes

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

Pension funds

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

The Bank is exempt from preparing a cash flow statement according to the Art. 25 para. 3 BO as the Bank prepares statutory single-entity financial statements with reliable assessment.

Impact of negative interest rates on the Bank's business

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

Events after the balance sheet date

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

Risk management

The risk management and risk control framework

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

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

Client investment risks

Client investment risk is a key risk for the Bank's private banking activities. The Bank and its governing bodies (including the Board) address client investment risks through 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 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 collateral while applying adequate margins and covenants.

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

Market risk

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

Balance sheet risk

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

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

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

Non-trading interest rate and foreign exchange risk (and the associated capital requirements) are ascertained using the standardised measurement method. The management of interest rate risk is based on applying a shift of basis points to the interest rate curves in line with regulatory requirements.

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 Investec Bank Plc Asset and Liability Committee where oversight is exercised.

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

Compliance with all requirements and limits is monitored in a timely manner by 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, Investec Bank Plc Operational Risk and the Board of Directors.

Compliance and legal risk

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

The Legal and Compliance department captures, analyses and assesses the Bank's legal, regulatory, bribery and anti-money-laundering risks and defines mitigating controls. Training in relation to various compliance topics 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		–	112 505 033	–	112 505 033
Mortgages					
– Residential properties		–	–	–	–
– Commercial and industrial premises		–	–	–	–
Total loans (before netting with value adjustments)	31.03.2020	–	112 505 033	–	112 505 033
	31.03.2019	–	60 201 480	–	60 201 480
Total loans (after netting with value adjustments)	31.03.2020	–	112 505 033	–	112 505 033
	31.03.2019	–	60 201 480	–	60 201 480
Off-balance sheet					
Contingent liabilities		–	2 071 868	–	2 071 868
Irrevocable commitments		–	18 812 857	432 000	19 244 857
Obligations to pay up shares and make further contributions		–	–	–	–
Credit commitments		–	–	–	–
Total off-balance sheet	31.03.2020	–	20 884 725	432 000	21 316 725
	31.03.2019	–	26 302 652	386 000	26 688 652
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	31.03.2020	–	–	–	–
	31.03.2019	–	–	–	–

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

Investec Bank (Switzerland) AG does not have any trading portfolios or other financial instruments at fair value as at 31 March 2020 and 31 March 2019.

Notes to the financial statements

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

	Trading Instruments			Hedging Instruments		
	Positive replacement values in CHF	Negative replacement values in CHF	Contract volume in CHF	Positive replacement values in CHF	Negative replacement values in CHF	Contract volume in CHF
Interest rate instruments						
– Forward contracts	–	–	–	–	–	–
Equity securities						
– Forward contracts	–	–	–	–	–	–
Foreign exchange/precious metals						
– Forward contracts	204 706	(195 697)	25 511 080	18 669	(18 178)	8 019 314
– Combined interest rate/ Currency swaps	41 827	(32 362)	2 480 146	172 424	–	15 102 100
Total						
31.03.2020	246 533	(228 060)	27 991 226	191 092	(18 178)	23 121 414
31.03.2019	198 856	(184 846)	27 116 514	72 979	(581 228)	23 889 094

Of which value determined using a valuation model in CHF

31.03.2020	246 533	(228 060)		191 092	(18 178)	
31.03.2019	198 856	(184 846)		72 979	(581 228)	

Breakdown by counterparty	31.03.2020			31.03.2019		
	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)*	–	219 097	218 528	–	61 499	210 337

*There were no netting agreements as of 31 March 2020.

Notes to the financial statements

Table 4: Breakdown of financial investments

	Book value 31.03.2020 in CHF	Book value 31.03.2019 in CHF	Fair value 31.03.2020 in CHF	Fair value 31.03.2019 in CHF
Debt securities*	29 993 375	32 447 263	27 025 153	31 895 750
– of which, held until maturity	29 993 375	32 447 263	27 025 153	31 895 750
Equity securities	17 267	12 827	17 267	12 827
– of which, qualified participations	–	–	–	–
Total	30 010 642	32 460 090	27 042 419	31 908 577
of which, securities eligible for repo transactions in accordance with liquidity requirements	–	–	–	–

*Debt securities consist of one counterparty which is unrated.

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

Table 5: Presentation of tangible fixed assets

	2019/2020								
	Acquisition cost in CHF	Accumu- lated deprecia- tion in CHF	Book value 31.03.2019 in CHF	Reclass- ification in CHF	Additions in CHF	Disposals in CHF	Depre- ciation in CHF	Reversals in CHF	Book value 31.03.2020 in CHF
Proprietary or separately acquired software	2 463 494	(1 159 358)	1 304 136	–	768 938	–	(553 357)	–	1 519 717
Other tangible fixed assets	12 859	(12 859)	–	–	2 691	–	(673)	–	2 018
Total tangible fixed assets			1 304 136	–	771 629	–	(554 030)	–	1 521 735

Operating lease commitments	31.03.2020				31.03.2019			
	Less than 1 year in CHF	Greater than 1 year, less than 5 years in CHF	Greater than 5 years in CHF	Total in CHF	Less than 1 year in CHF	Greater than 1 year, less than 5 years in CHF	Greater than 5 years in CHF	Total in CHF
Rental lease commitments for premises	511 400	824 093	–	1 335 493	493 068	1 317 161	–	1 810 229
– of which are cancellable within 1 year	–	–	–	–	–	–	–	–

Notes to the financial statements

Table 6: Breakdown of other assets and other liabilities

	31.03.2020		31.03.2019	
	Other Assets in CHF	Other Liabilities in CHF	Other Assets in CHF	Other Liabilities in CHF
Compensation account	-	-	-	-
Indirect taxes	416	292 670	24 939	304 831
Prepayments re pension scheme	-	230 872	-	545 651
Miscellaneous assets and liabilities	910 831	229 329	396 308	468 173
Total other assets and liabilities	911 247	752 870	421 247	1 318 655

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.

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

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

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

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 31.03.2020	Economic of interest of the bank/ financial group in CHF 31.03.2019	Change in economic interest (economic benefit/ obligation) in CHF	Contributions paid for the current period in CHF	Pension expenses in personal expenses in CHF 31.03.2020	Pension expenses in personal expenses in CHF 31.03.2019
Pension plan without overfunding/underfunding	-	-	-	-	579 843	587 138	599 440

The Bank's pension fund details comply with Swiss GAAP FER 16.

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 in CHF

	31.03.2019	Use in conformity with designated purpose	Reclassifications	Currency differences	Past due interest, recoveries in	New creations charged to income	Releases to income	31.03.2020
Provisions for deferred taxes	-	-	-	-	-	-	-	-
Provisions for pension benefit obligations	-	-	-	-	-	-	-	-
Provisions for default risks	-	-	-	-	-	-	-	-
Provisions for other business risks	-	-	-	-	-	-	-	-
Provisions for restructuring	-	-	-	-	-	-	-	-
Other provisions	350 522	(40 767)	-	-	-	-	-	309 755
Total provisions	350 522	(40 767)	-	-	-	-	-	309 755
Reserves for general banking risks	-	-	-	-	-	-	-	-
Value adjustments for default and country risks								
- of which, value adjustments for default risks in respect of impaired loans/receivables	-	-	-	-	-	-	-	-
- of which, value adjustments for latent risks	-	-	-	-	-	-	-	-

Other provisions

Other provisions of CHF 259k are for legal costs relating to potential Madoff claims (2009) and CHF 50k for potential Stamp tax charges.

Litigation

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

Notes to the financial statements

Table 9: Presentation of the Bank's capital

Bank's capital	31.03.2020			31.03.2019		
	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:	31.03.2020		31.03.2019	
	Nominal in CHF	in % in CHF	Nominal in CHF	in % in CHF
Investec Bank Plc	83 000 000	100%	83 000 000	100%

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

There are neither conditional nor significant shareholders without voting rights.

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

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

The Investec Group operates a long-term incentive plan (LTIP) for employees, the majority of which are on an equity settlement 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 shares issued vest in year 3, 33% in year 4, and 33% in year 5. All LTIPs issued have a zero strike price. For 2019/2020 the amount recognised in the income statement for LTIPs was CHF 430k (2018/2019 CHF 450k).

On 13 March 2020, Investec successfully completed the demerger of Investec Asset Management (IAM). The overall effect of the demerger was to move IAM SA under Ninety One Limited (a South African entity incorporated specifically to act as a holding company for the IAM business going forward) and IAM UK (which together with IAM SA and their respective subsidiaries, comprise the Ninety One Business). Ninety One Plc and Ninety One Limited have then been listed as a Dual Listed Company. This demerger has had an impact on the above-mentioned LTIPs. Employees that are participants in their LTIPs will be entitled to receive the initially awarded Investec LTIPs and will also receive (in proportion to the value) the right to receive one Ninety One option for every two Investec options awarded that will vest over the same remaining vesting period as the original Investec award. The employees will continue to render services to Investec.

The weighted average share price during the year was GBP 4.41/CHF 5.29 (2018/2019 GBP 5.11/CHF 6.59).

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 and Ninety One 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

	31.03.2020		31.03.2019	
	Amounts due from in CHF	Amounts due to in CHF	Amounts due from in CHF	Amounts due to in CHF
Holders of qualified participations	1 483 232	27 869 996	7 818 667	1 112 354
Group companies	–	–	–	–
Linked companies	30 292 222	35 680 824	32 760 006	18 985 268
Transactions with members of governing bodies	–	–	20 516	–
Other related parties	–	–	–	–

Transactions with related parties

The Bank partially undertakes refinancing with affiliated entities and significant shareholders at market rates.

The Bank had as at 31 March 2020 CHF 30k in current accounts (31 March 2019, CHF 1 270k). Overnight deposits amounted to CHF 1 233k (31 March 2019, CHF 6 487k).

As at 31st March 2020, off balance sheet FX derivative contract volumes with group entities amounted to CHF 37 114k (31 March 2019 CHF 35 154k).

As at March 2020, positive and negative replacement values with group companies respectively amounted to CHF 219k and CHF 208k (31 March 2019 CHF 62k and CHF 758k).

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

Table 12: Disclosure of holders of significant participations

	31.03.2020		31.03.2019	
	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	83 000 000	100%	83 000 000	100%
Investec Bank Plc				
without voting rights	–	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	50 886 647	-	-	-	-	-	-	50 886 647
Amounts due from banks	63 579 315	-	55 905 446	-	-	-	-	119 484 761
Amounts due from securities financing transactions	-	-	-	-	-	-	-	-
Amounts due from customers	7 228 947	-	43 157 791	61 877 323	240 972	-	-	112 505 033
Mortgage loans	-	-	-	-	-	-	-	-
Trading portfolio assets	-	-	-	-	-	-	-	-
Positive Replacement values of derivative financial instruments	437 625	-	-	-	-	-	-	437 625
Other financial instruments at fair value	-	-	-	-	-	-	-	-
Financial investments	-	-	-	-	30 010 642	-	-	30 010 642
Total 31.03.2020	122 132 534	-	99 063 237	61 877 323	30 251 613	-	-	313 324 708
31.03.2019	87 125 415	-	72 121 634	37 426 489	32 989 093	-	-	229 662 633
Debt capital/ financial instruments								
Amounts due to banks	11 251 150	27 506 457	11 660 352	14 618 634	-	-	-	65 036 593
Liabilities from securities financing transactions	-	-	-	-	-	-	-	-
Amounts due in respect of customer deposits	181 760 682	7 498 769	261 828	1 510 466	-	-	-	191 031 746
Trading portfolio liabilities	-	-	-	-	-	-	-	-
Negative replacement values of derivative financial instruments	246 237	-	-	-	-	-	-	246 237
Liabilities from other financial instruments at fair value	-	-	-	-	-	-	-	-
Cash bonds	-	-	-	-	-	-	-	-
Bond issues and central mortgage institution loans	-	-	-	-	-	-	-	-
Total 31.03.2020	193 258 070	35 005 226	11 922 180	16 129 100	-	-	-	256 314 576
31.03.2019	146 896 902	17 909 167	5 413 518	276 045	-	-	-	170 495 632

Notes to the financial statements

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

	31.03.2020		31.03.2019	
	Domestic in CHF	Foreign in CHF	Domestic in CHF	Foreign in CHF
Assets				
Liquid assets	50 417 032	469 615	36 816 328	468 440
Amounts due from banks	32 233 765	87 250 996	28 498 156	70 946 304
Amounts due from securities financing transactions	–	–	–	–
Amounts due from customers	481 125	112 023 908	346	60 201 134
Mortgage loans	–	–	–	–
Trading portfolio assets	–	–	–	–
Positive replacement values of derivative financial instruments	25 343	412 282	40 128	231 708
Other financial instruments at fair value	–	–	–	–
Financial investments	17 267	29 993 375	19 165	32 440 924
Accrued income and prepaid expenses	701 007	615 759	1 108 312	561 282
Participations	–	–	–	–
Tangible fixed assets	1 521 735	–	1 304 136	–
Intangible assets	–	–	–	–
Other assets	416	910 831	28 821	392 426
Capital not paid in	–	–	–	–
Total assets	85 397 690	231 676 767	67 815 392	165 242 218
Liabilities				
Amounts due to banks	2 745 100	62 291 494	–	21 023 137
Amounts due to securities financing transactions	–	–	–	–
Amounts due in respect of customer deposits	15 200 201	175 831 545	15 996 449	132 709 972
Trading portfolio liabilities	–	–	–	–
Negative replacement values of derivative financial instruments	1	246 236	591	765 483
Liabilities from other financial instruments at fair value	–	–	–	–
Cash bonds	–	–	–	–
Bond issues and central mortgage institution loans	–	–	–	–
Accrued expenses and deferred income	2 817 608	36 594	1 465 564	2 259
Other liabilities	618 530	134 340	853 806	464 849
Provisions	309 755	–	350 523	–
Reserves for general banking risks	–	–	–	–
Bank's capital	83 000 000	–	83 000 000	–
Statutory capital reserve	–	–	–	–
Statutory retained earnings reserve	4 423 975	–	4 423 975	–
Voluntary retained earnings reserve	1 300 000	–	1 300 000	–
Own shares (negative item)	–	–	–	–
Loss carried forward	(29 298 998)	–	(25 928 155)	–
Loss of the year	(2 581 924)	–	(3 370 843)	–
Total liabilities	78 534 248	238 540 209	78 091 910	154 965 700

Notes to the financial statements

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

	31.03.2020		31.03.2019	
	Absolute in CHF	Share as %	Absolute in CHF	Share as %
Assets				
<i>Europe</i>				
Switzerland	85 716 158	27.0%	68 035 837	29.2%
United Kingdom	57 659 002	18.2%	14 080 044	6.0%
Germany	54 562 798	17.2%	37 321 118	16.0%
Luxembourg	35 692 571	11.3%	–	0.0%
Guernsey	33 695 464	10.6%	38 196 055	16.4%
France	165 782	0.1%	12 858 850	5.5%
Isle of Man	3 565 468	1.1%	3 930 439	1.7%
Malta	3 593 804	1.1%	4 876 133	2.1%
Ireland	4 885 021	1.5%	4 297 946	1.8%
Denmark	215 227	0.1%	–	0.0%
Greece	107 943	0.0%	114 410	0.0%
Jersey	44 641	0.0%	146 547	0.1%
Other European countries	106 310	0.0%	132 251	0.1%
<i>North America</i>				
United States of America	9 631 904	3.0%	1 952 903	0.8%
St Kitts and Nevis	4 337 171	1.4%	4 690 921	2.0%
U.S. Virgin Islands	220 076	0.1%	251 104	0.1%
Other North American countries	18	0.0%	20	0.0%
<i>Asia</i>				
Malaysia	852 033	0.3%	898 296	0.4%
Japan	2 546 520	0.8%	4 340 320	1.9%
Israel	–	0.0%	347 278	0.1%
Other Asian countries	2 564	0.0%	2 649	0.0%
<i>Central America</i>				
St. Lucia	–	0.0%	5 305 565	2.3%
British Virgin Islands	3 373 613	1.1%	4 485 367	1.9%
Cayman Islands	2 205 787	0.7%	2 184 584	0.9%
Bermuda	186	0.0%	12 857 331	5.5%
Other Central American countries	17 198	0.0%	1	0.0%
<i>Africa</i>				
South Africa	8 855 491	2.8%	10 095 264	4.3%
Mauritius	176 608	0.1%	470 780	0.2%
Other African countries	186	0.0%	59 781	0.0%
<i>Australasia</i>				
Australia	4 735 963	1.5%	1 052 461	0.5%
New Zealand	108 947	0.0%	73 355	0.0%
Total assets	317 074 457	100%	233 057 610	100%

Notes to the financial statements

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

	31.03.2020		31.03.2019	
	Net foreign exposure in CHF	Net foreign exposure share as %	Net foreign exposure in CHF	Net foreign exposure share as %
System Rates				
1	297 253 614	93.7%	191 658 641	82.2%
2	–	0.0%	–	0.0%
3	852 033	0.3%	898 296	0.4%
4	179 172	0.1%	880 343	0.4%
5	8 855 506	2.8%	10 095 264	4.3%
6	193	0.0%	–	0.0%
7	4 354 347	1.4%	4 691 067	2.0%
Not rated	5 579 592	1.8%	24 833 999	10.7%
	317 074 457	100%	233 057 610	100%

Explanations of the ratings system used

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

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

Notes to the financial statements

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

	Currencies in CHF				
	CHF	USD	EUR	GBP	Other
Assets					
Liquid assets	50 417 032	–	469 615	–	–
Amounts due from banks	199 879	68 676 286	11 918 217	33 942 298	4 748 081
Amounts due from securities financing transactions	–	–	–	–	–
Amounts due from customers	4 792 582	27 804 131	44 203 806	35 697 362	7 151
Mortgage loans	–	–	–	–	–
Trading portfolio assets	–	–	–	–	–
Positive replacement values of derivative financial instruments	437 625	–	–	–	–
Other financial instruments at fair value	–	–	–	–	–
Financial investments	15 843	2 604	4 719	29 987 449	26
Accrued income and prepaid expenses	711 090	54 976	82 357	468 343	–
Participations	–	–	–	–	–
Tangible fixed assets	1 521 735	–	–	–	–
Intangible assets	–	–	–	–	–
Other assets	56 771	378 687	163 079	214 451	98 259
Total assets shown in balance sheet	58 152 558	96 916 686	56 841 793	100 309 903	4 853 516
Delivery entitlements from spot exchange and forward forex transactions	19 998 095	14 055 592	11 317 590	5 959 011	336
Total assets	78 150 653	110 972 278	68 159 383	106 268 914	4 853 852
Liabilities					
Amounts due to banks	2 745 350	6 903 730	34 648 818	20 731 934	6 762
Amounts due to securities financing transactions	–	–	–	–	–
Amounts due in respect of customer deposits	2 877 914	89 777 038	30 104 548	63 489 854	4 782 392
Trading portfolio liabilities	–	–	–	–	–
Negative replacement values of derivative financial instruments	246 237	–	–	–	–
Liabilities from other financial instruments at fair value	–	–	–	–	–
Cash bonds	–	–	–	–	–
Bonds issues and central mortgage institution loans	–	–	–	–	–
Accrued expenses and deferred income	1 806 011	38	9 543	1 027 718	10 892
Other liabilities	613 902	134 340	–	3 507	1 121
Provisions	309 755	–	–	–	–
Reserves for general banking risks	–	–	–	–	–
Bank's capital	83 000 000	–	–	–	–
Statutory capital reserve	–	–	–	–	–
Statutory retained earnings reserve	4 423 975	–	–	–	–
Voluntary retained earnings reserves	1 300 000	–	–	–	–
Own shares (negative item)	–	–	–	–	–
Profit carried forward/loss carried forward	(29 298 998)	–	–	–	–
Profit/loss (result of the period)	(2 581 924)	–	–	–	–
Total liabilities shown in the balance sheet	65 442 223	96 815 147	64 762 908	85 253 011	4 801 166
Delivery obligations from spot exchange and forward forex transactions	12 894 922	14 051 915	3 295 789	21 551 921	0
Total liabilities	78 337 145	110 867 063	68 058 697	106 804 933	4 801 166
Net position per currency	(186 492)	105 215	100 686	(536 019)	52 686

Notes to the financial statements

Table 18: Breakdown of contingent liabilities and contingent assets

	31.03.2020 in CHF	31.03.2019 in CHF
Guarantees to secure credits and similar	2 071 868	1 637 305
Performance guarantees and similar	–	–
Irrevocable commitments arising from documentary letters of credit	–	–
Other contingent liabilities	–	–
Total contingent liabilities	2 071 868	1 637 305
Contingent assets from tax losses carried forward	–	–
Other contingent assets	–	–
Total contingent assets	–	–

Table 19: Breakdown of credit commitments

	31.03.2020 in CHF	31.03.2019 in CHF
Commitments arising from acceptances	18 812 857	24 665 347
Other credit commitments	432 000	386 000
Total	19 244 857	25 051 347

Table 20: Breakdown of fiduciary transactions

	31.03.2020 in CHF	31.03.2019 in CHF
Fiduciary investments with third-party companies	167 176 801	201 475 390
Fiduciary investments with group companies and linked companies	–	–
Total fiduciary transactions	167 176 801	201 475 390

Notes to the financial statements

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

Breakdown of managed assets	31.03.2020 in CHF '000	31.03.2019 in CHF '000
Type of managed assets		
Assets in collective investment schemes managed by the Bank	–	–
Assets under discretionary asset management agreements	319 130	355 944
Other managed assets	1 408 627	1 538 011
Total managed assets (including double counting)	1 727 757	1 893 955
Custody only assets	–	–
Total customer assets	1 727 757	1 893 955
of which, double counting	–	–

Presentation of the development of managed assets	31.03.2020 in CHF '000	31.03.2019 in CHF '000
Total managed assets (including double counting) at beginning	1 893 955	2 024 729
+/- net new money outflow	11 278	(114 688)
+/- price gains/(losses), interest, dividends and currency gains/(losses)	(177 475)	(16 086)
+/- other effects	–	–
Total managed assets (including double counting) at end	1 727 757	1 893 955

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

Assets with asset management mandates include all client assets for which the Bank had been instructed by way of an appropriate asset management mandate (directly or indirectly) to invest the clients' assets in a defined framework on their behalf.

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 new money 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

	2019/2020 in CHF	2018/2019 in CHF
Interest rate instruments (including funds)	–	–
Equity securities (including funds)	–	–
Foreign currencies	929 285	1 165 813
Commodities/precious metals	–	–
Total result from trading activities	929 285	1 165 813
– of which, from fair value option	–	–

The trading result is derived from the wealth management business area as well as market movement of open FX Swaps and Forwards used for hedging.

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

	2019/2020 in CHF	2018/2019 in CHF
Positive effect of negative interest rates on the income statement	61 047	51 919
Negative effect of negative interest rates on the income statement	(268 355)	(469 931)
Net effect of negative interest	(207 308)	(418 012)

Table 24: Breakdown of personnel expenses

	2019/2020 in CHF	2018/2019 in CHF
Salaries (meeting attendance fees and fixed compensation to members of the Bank's governing bodies, salaries and benefits)	7 580 391	6 740 920
– of which, expenses relating to share-based compensation and alternative forms of variable compensation	1 359 495	751 642
Social insurance benefits	1 191 524	1 162 195
Other personnel expenses	86 550	103 689
Total personnel expenses	8 858 465	8 006 803

Notes to the financial statements

Table 25: Breakdown of general and administrative expenses

	2019/2020 in CHF	2018/2019 in CHF
General and administrative expenses are broken down as follows:		
– Office space expenses	535 989	550 329
– Expenses for information and communications technology	2 312 595	1 868 050
– Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	–	–
– Fees of audit firm(s) (Art. 961a no. 2 CO)	219 156	239 200
of which, for financial and regulatory audits	219 156	239 200
of which, for other services	–	–
– Other operating expenses	2 084 488	2 113 364
Total general and administrative expenses	5 152 229	4 770 943

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 was CHF 333k extraordinary income recognised during 2019/2020. This amount resulted from the corrections of overstated previous years Pension Liabilities. In 2018/2019 year, there was no extraordinary income.

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 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

	2019/2020 in CHF	2018/2019 in CHF
Income tax	–	–
Capital tax	142 559	142 552
Total current tax	142 559	142 552
Tax rate on capital	0.17%	0.17%

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

Tax losses carried forward of CHF 27 320k exist as at 31 March 2020 (CHF 27 678k as at 31 March 2019), 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 2020.

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 2020 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

We recommend that the financial statements submitted to you be approved.

Zurich, 9 July 2020

Ernst & Young Ltd



Roland Huwiler
(Qualified Signature)

Licensed audit expert
(Auditor in charge)



Jon Fadri Janett
(Qualified Signature)

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, debit and credit cards
- Term and Notice Deposits including fiduciary deposits
- Client online access
- Custody services
- Broking services across all asset classes
- Foreign exchange trading (spot, swaps and 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

