Investec Bank (Switzerland) AG

Annual report for the year ended 31 March 2015

Investec
Wealth & Investment

Annual report 2015

Löwenstrasse 29
CH-8001 Zurich

Telephone +41 (0) 44 226 10 00
Fax +41 (0) 44 226 10 10

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Board of directors, executive management and auditors

Board of directors

A. Tapnack, UK	Chairman of the Board of Directors
Dr. T.A. Frick, Zurich	Vice Chairman of the Board of Directors
R. Brearley, UK	Member of the Board of Directors (resigned 20 March 2015)
I. Wohlman, UK	Member of the Board of Directors
Prof. Dr. B. Gehrig, Winterthur	Member of the Board of Directors

Executive management

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

Auditors

Ernst & Young Ltd

Message from the board of directors to the shareholders and clients

Dear shareholders and clients

The year ending 31 March 2015 was generally a positive period for balanced portfolio investors as central bank activity remained a core provider of liquidity for financial assets. While the US enjoyed a relatively uneventful journey towards a sustained recovery and reduced stimulus, more fragile economies in Europe, Japan and developing markets continued to grapple with sluggish growth, persistently low inflation and a continued dependence on central bank support.

During the period, US equity markets continued to rise, the dollar rallied and treasury yields remained anchored to historic lows. Meanwhile, the underlying strength in the domestic economy allowed the Federal Reserve to finally end its 5 year quantitative easing program.

In contrast, the Bank of Japan expanded its already unprecedented stimulus package on weaker economic data as the 60% drop in the oil price intensified global deflationary fears. Similarly, the depth of China's economic slowdown persuaded a reluctant Peoples Bank of China to cut rates twice during the period.

Despite cheaper energy costs and a weaker currency, stubbornly high unemployment and poor productivity in the Eurozone also forced the European Central Bank to embark on its own asset purchase scheme. Anticipating the move, the SNB unexpectedly scrapped its euro currency peg, sending the franc soaring against its peers and the SMI down almost 15% in a single day.

The above actions stimulated optimism around those struggling economies, pushing some equity indices to all time highs and government bond yields to new all time lows. The SNB's shock decision reminded the markets that the authorities still have the capacity to surprise. With central bank influence over financial markets currently so strong, the slow and uncertain path towards a more normal monetary policy is likely to be volatile.

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

In this evolving environment, Investec Bank experienced an increase in client assets of around CHF 135 million over the financial year. This increase was mainly attributable to the increased performance of the book, with net new money remaining relatively flat. Interest revenues were significantly affected by the Banks' ability to reinvest surplus cash in a declining/negative interest rate environment. Investing in our investment process and client acquisition strategies drove costs higher than the prior year, resulting in an operating loss of CHF 2.3 million. After taxes, depreciation and an additional provision for the UK Swiss tax agreement, the overall result was a net loss of CHF 3.36 million.

Investec Bank continues to have a very strong balance sheet and exceeds all regulatory requirements. With a BIS total capital adequacy ratio of 1186%, a BIS tier 1 capital ratio of 95% and a 3 monthly average liquidity coverage ratio of 176% (CHF 18.5 million High Quality Liquid Assets/CHF 10.5 million Net Cash Outflows), Investec Bank is well prepared to participate in the ongoing consolidation process facing the Swiss financial market. We plan to increase our asset base by acquiring asset portfolios from our competitors, by selectively hiring experienced relationship managers who understand our core values and by leveraging from affiliated entities within the Investec Group, a group which is very well positioned to embrace the challenges to come.

Finally, we would like to thank our loyal clients for their continued trust and support and our dedicated employees for all their work in sharing Investec's expertise, knowledge and success with our clients.

For and on behalf of the board of directors,

Alan Tapnack
Chairman

Balance sheet as at 31 March 2015 and 31 March 2014

As at 31 March in CHF	2015	2014
Assets		
Cash	22 675 957	26 759 905
Money market instruments	0	0
Due from banks	60 824 024	65 042 395
Due from clients	106 754 720	24 589 441
Mortgages	2 450 125	3 758 037
Securities and precious metal trading portfolios	0	0
Financial investments	99 283	50 124 086
Participations	0	0
Fixed assets	1 026 821	1 300 904
Accrued income and prepaid expenses	1 166 224	1 775 915
Other assets	1 401 315	1 116 439
Total assets	**196 398 469**	**174 467 122**
Total subordinated claims	0	50 000 000
Total due from group entities and significant shareholders	30 661 353	23 301 240
Liabilities and shareholders' equity		
Due to banks	5 643 370	3 395 943
Due to clients on savings and investments accounts	0	0
Due to clients, other	107 535 997	85 301 786
Medium term notes	0	0
Bonds and mortgage backed bonds	0	0
Accrued expenses and deferred income	1 349 103	1 280 675
Other liabilities	2 830 844	1 402 892
Valuation adjustments and provisions	400 000	1 082 415
Reserves for general banking risks	0	0
Share capital	83 000 000	83 000 000
General legal reserve	4 423 975	4 423 975
Other reserves	1 300 000	1 300 000
Retained loss brought forward	(6 720 565)	(4 560 880)
Net loss	(3 364 256)	(2 159 684)
Total liabilities and shareholders' equity	**196 398 469**	**174 467 122**
Total subordinated liabilities	0	0
Total due to group entities and significant shareholders	919 954	247 774

Off-balance sheet transactions as at 31 March 2015 and 31 March 2014

As at 31 March in CHF	2015	2014
Contingent liabilities	1 811 206	1 731 360
Irrevocable commitments	44 036 440	54 691 444
Liabilities for calls on shares and other equities	0	0
Confirmed credits	0	0
Derivative financial instruments		
– positive replacement value	589 314	507 070
– negative replacement value	1 184 491	496 661
– notional amount	62 801 154	36 013 357
Fiduciary transactions	88 644 398	121 042 137

Income statement for years ended 31 March 2015 and 31 March 2014

In CHF	2014/2015	2013/2014
Revenues and expenses from ordinary banking activities		
Results from interest activities		
Interest and discount income	1 545 916	1 528 545
Interest and dividend income on trading portfolios	0	0
Interest and dividend income on financial investments	456 979	1 714 333
Interest expense	(104 717)	(267 045)
Net interest income (subtotal)	*1 898 178*	*2 975 833*
Results from commission and service fee activities		
Commission income and lending activities	28 522	90 179
Commission income on securities and investment transactions	5 722 552	6 237 360
Commission income on other services	51 176	67 747
Commission expenses	(765 391)	(950 238)
Results from commission and service fee activities (subtotal)	*5 036 858*	*5 445 048*
Results from trading operations	*618 814*	*782 099*
Other ordinary results		
Results from the sale of financial investments	111 054	27 658
Participation income	0	0
Real estate income	0	0
Other ordinary income	27 125	124 812
Other ordinary expenses	0	0
Other ordinary results (subtotal)	*138 179*	*152 470*
Total revenues	***7 692 029***	***9 355 450***
Operating expenses		
Personnel expenses	(5 861 767)	(5 210 225)
Other operating expenses	(4 128 785)	(4 143 372)
Total operating expenses	***(9 990 552)***	***(9 353 597)***
Gross profit/(loss)	**(2 298 523)**	**1 853**

Income statement for years ended 31 March 2015 and 31 March 2014

In CHF	2014/2015	2013/2014
Net loss		
Gross profit/(loss)	**(2 298 523)**	**1 853**
Depreciation and write-offs of non-current assets	(698 279)	(1 337 955)
Valuation adjustments, provisions and losses	(28 959)	(1 766)
Results before extraordinary items and taxes (subtotal)	*(3 025 761)*	*(1 337 868)*
Extraordinary income	28 415	31 681
Extraordinary expenses	(227 833)	(703 200)
Taxes	(139 077)	(150 297)
Net loss	**(3 364 256)**	**(2 159 684)**
Update of retained loss		
Net loss	**(3 364 256)**	**(2 159 684)**
Retained loss brought forward	(6 720 565)	(4 560 880)
Retained loss at the end of period	(10 084 821)	(6 720 565)
Retained loss carried forward	**(10 084 821)**	**(6 720 565)**

Comment on business activities

General business review

Investec Bank (Switzerland) AG, whose registered office is in Zurich, is a wholly owned subsidiary of Investec Bank Plc., London, 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 South Africa.

Balance sheet activities

The Bank engages in balance sheet transactions primarily linked to investment management business for private clients. The Bank takes deposits as part of client investment business. Lending is primarily offered as an ancillary product to investment management for private clients (Lombard loans). Mortgage loans are provided as a supplementary service. Interbank business is primarily conducted with group companies.

Trading

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

Commission and service activities

The majority of the commission and service fee activities is related to portfolio management, securities trading for clients and fiduciary deposits.

In addition to general banking operations, the Bank's range of services comprises in particular of Discretionary portfolio management, Investment advice and 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.

Risk management

The risk management and risk control framework

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

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

Client investment risks

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

Credit risk

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

Risks are managed and monitored primarily by valuing collateral at fair market value. The principles for determining collateral and margin values are set locally and approved by head office 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 all open positions 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 risk on the balance sheet.

Liquidity risk is the risk that we have insufficient capacity to fund increase in assets, or are unable to meet our obligations as they fall due, without incurring unacceptable losses. Liquidity risk metrics and ratios are used to assess potential risks to the liquidity position. Adequate levels of liquidity are held in accordance with prevailing banking regulation. The Bank's investment portfolio positions are regularly examined with regard to their marketability.

Non-trading interest rate and foreign exchange risk (and the associated capital requirements) are ascertained using the standardised measurement method. 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. 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 Executive Management Committee 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 (ALCO) where oversight is exercised.

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

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

Operational risks

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

Comment on business activities

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

Outsourcing of business activities

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

Employees

At year-end, the Bank had 30 staff members versus 29 in the prior year.

Accounting policies and valuation principles

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, the Bank's articles of association and the statutory regulations. Single positions inherent in any given balance sheet item are valued individually.

Recording and balancing of transactions

All transactions are recorded in the financial statements of the Bank on trade date and valued on this date. Spot transactions are recorded based on the trade date principle. Forward contracts are recorded as off-balance sheet transactions on trade date until the execution or value date. Between the trade and the execution date the re-placement values of forward transactions are recorded in other assets or other liabilities.

Foreign currencies

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

Currency	Rates as at 31 March 2015	Rates as at 31 March 2014
USD	0.97215	0.8843
EUR	1.04415	1.2181
GBP	1.44125	1.4737

Cash, due from banks and clients, mortgages and due to banks and clients

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 covered by specific reserves. The impairment is calculated using the difference between the book value of the receivable and the amount expected to be received considering the counterparty risk as well as the net proceeds realizable from the sale of any collateral. The specific reserves are recorded as liabilities in the balance sheet position "Valuation Adjustments and Provisions". There are no allocations of general reserves. Interest and commissions outstanding for more than 90 days are considered overdue and are included in the position "Valuation Adjustments and Provisions".

Financial assets

Fixed-income securities and other 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 remeasurement 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 to its cost value.

Fixed-interest securities where the intention is to hold until maturity are valued according to the accrual method. The premium or discount in these positions is written off according to a straight-line depreciation method until maturity. Any interest-related gains or losses that result from the sale or redemption prior to maturity are amortized over the remaining time period until original maturity. Creditworthiness-related impairments or reversals of impairment are recorded in the income statement in the position "Other ordinary expense" and "Other ordinary income" respectively.

Accounting policies and valuation principles

Tangible fixed assets

Investments in new fixed assets are capitalized and valued at historical cost if they exceed certain limits 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 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 "Depreciation of fixed 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 fixed assets are recorded in "Extraordinary income" whereas realised losses are recorded in "Extraordinary expenses".

Intangible assets

Intangible assets are recorded at cost, amortized over their estimated lifetime, with a maximum of 5 years. They are subject to an annual impairment test.

Accruals and deferrals

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

Valuation adjustments and 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.

Taxes

Taxes on the results of the current accounting period are determined in accordance with local tax laws and recorded as expenses in the relevant financial year. The taxes on the current results are reported as accrued expenses. There are no provisions for deferred taxes.

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 foreign 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 under "Other assets" and "Other liabilities" and the notional amount is disclosed in the notes to the financial statements.

Cash flow Statement

The Bank does not compile a cash flow statement as the balance sheet activities are not material.

Information on the balance sheet

Schedule of loans, advances and off-balance sheet transactions

Overview of collateral		Type of collateral			
		Mortgage collateral in CHF	Other collateral in CHF	Unsecured loans in CHF	Total in CHF
Loans					
Due from clients		0	106 754 720	0	106 754 720
Mortgages					
– Residency properties		2 450 125	0	0	2 450 125
– Commercial properties		0	0	0	0
Total loans	**31.03.2015**	**2 450 125**	**106 754 720**	**0**	**109 204 845**
	31.03.2014	3 758 037	24 589 441	0	28 347 478
Off-balance sheet transactions					
Contingent liabilities		0	1 811 206	0	1 811 206
Irrevocable commitments		0	43 812 440	224 000	44 036 440
Liabilities for calls on shares and other equities		0	0	0	0
Confirmed credits		0	0	0	0
Total off-balance sheet transactions	**31.03.2015**	**0**	**45 847 647**	**224 000**	**45 847 647**
	31.03.2014	0	56 180 804	242 000	56 422 804

Receivables at risk		Gross debt amount in CHF	Estimated liquidation proceeds of the collateral in CHF	Net debt amount in CHF	Provision for losses on individual accounts in CHF
Total	**31.03.2015**	**0**	**0**	**0**	**0**
	31.03.2014	0	0	0	0

Analysis of financial investments

Financial investments	Book value 31.03.2015 in CHF	Book value 31.03.2014 in CHF	Fair value 31.03.2015 in CHF	Fair value 31.03.2014 in CHF
Debt securities	0	50 000 000	0	50 000 000
– of which own bond issues and medium-term notes	0	0	0	0
– of which holding until expiring	0	50 000 000	0	50 000 000
– of which valued at lowest value principal	0	0	0	0
Investments	99 283	124 086	99 283	124 086
Total	**99 283**	**50 124 086**	**99 283**	**50 124 086**
of which securities discountable to central banks	**0**	0	**0**	0

Information on the balance sheet

Schedule of fixed assets

	Historical cost in CHF	Write-offs/ accumulated depreciation in CHF	Book value 31.03.2014 in CHF	2014/15 Additions in CHF	2014/15 Disposals in CHF	2014/15 Write-offs depreciation in CHF	2014/15 Book value 31.03.2015 in CHF
Other fixed assets	not determined		1 300 904	424 196	0	(698 279)	1 026 821
Total			1 300 904	**424 196**	**0**	**(698 279)**	**1 026 821**
Fire insurance value of other fixed assets							**4 350 000**

The historical cost of the fixed assets was not determined because it is not material.

Other assets and liabilities

	31.03.2015		31.03.2014	
	Other Assets in CHF	Other Liabilities in CHF	Other Assets in CHF	Other Liabilities in CHF
Replacement values of derivative instruments				
– Contracts for own account	589 314	1 184 491	507 070	496 661
– Contracts as commission agent	0	0	0	0
Total derivative instruments	**589 314**	**1 184 491**	**507 070**	**496 661**
Indirect taxes	42 688	168 174	86 341	220 507
Other assets related to Pension Funds	330 767	0	369 583	0
Miscellaneous assets and liabilities	438 547	1 478 178	153 445	685 724
Total other assets and liabilities	**1 401 315**	**2 830 844**	**1 116 439**	**1 402 892**

Total value of assets pledged or ceded to secure own liabilities, and assets subject to ownership reservation

Restricted assets	31.03.2015		31.03.2014	
	Receivable respectively book value in CHF	thereof utilized in CHF	Receivable respectively book value in CHF	thereof utilized in CHF
In connection with derivative financial instruments				
– Pledged bank accounts	0	0	0	0
– Financial investments	0	0	0	0
Total restricted assets	**0**	**0**	**0**	**0**

There were no loan or pension contracts (securities lending and borrowing or repurchase and reverse repurchase transactions).

Information on the balance sheet

Liabilities to own pension funds

	31.03.2015 in CHF	31.03.2014 in CHF
Liabilities of the Bank to the Pension fund	**0**	0
Excess coverage of liabilities in the Pension fund	**0**	0
Economic benefit/(economic commitment) due to Employer from the Pension fund	**330 767**	405 738
Employer contribution (included in personnel expenses)	**383 601**	**353 707**

Details on the Bank's pension funds are in line with Swiss GAAP FER 16. The self-governed foundation holding the Bank's pension monies are managed by the AXA Winterthur collective foundation.

Value adjustments, provisions and reserves for general banking risks

in CHF	31.03.2014	Use in conformity with designated purpose	Re-designation of purpose reclassifica-tions)*	Recoveries, past due interest, currency translation differences	New provisions charged to income statement	Releases to income statement	31.03.2015
Provisions for deferred taxes	–	–	–	–	–	–	–
Value adjustments and provisions for default and other risks:							
– Value adjustments and provisions for default risks	–	–	–	–	–	–	–
– Value adjustments and provisions for other business risks	379 215	(16 373)	–	–	37 158	–	400 000
– Restructuring provisions	–	–	–	–	–	–	–
– Provisions for pension benefit obligations	–	–	–	–	–	–	–
– Other provisions	703 200	(931 033)	–	–	227 833	–	–
Total value adjustments and provisions	**1 082 415**	**(947 406)**	**–**	**–**	**264 991**	**–**	**400 000**
Less: Value adjustments directly offset against assets	–	–	–	–	–	–	–
Total value adjustments and provisions as per balance sheet	**1 082 415**	**(947 406)**	**–**	**–**	**264 991**	**–**	**400 000**
Reserves for general banking risks	–	–	–	–	–	–	–

*Reclassification from last year accruals.

Information on the balance sheet

Schedule of share capital and disclosure of shareholders with ownership of more than 5% of all voting rights

Share capital	31.03.2015			31.03.2014		
	Total nominal value in CHF	Number of units	Dividend bearing capital in CHF	Total nominal value in CHF	Number of units	Dividend bearing capital in CHF
Share capital	83 000 000	83 000	83 000 000	83 000 000	83 000	83 000 000
Total share capital	83 000 000	83 000	83 000 000	83 000 000	83 000	83 000 000

Significant shareholder:	31.03.2015			31.03.2014		
	Nominal in CHF	Participation in % in CHF		Nominal in CHF	Participation in % in CHF	
Investec Bank Plc., London	83 000 000	100%		83 000 000	100%	

The parent company of Investec Bank Plc., London, is Investec 1 Ltd., London, which is a 100% subsidiary of Investec Plc., London, a company listed at the London Stock Exchange.
There are neither conditional nor significant shareholders without voting rights.

Statement of changes in shareholders' equity

Shareholders' equity at 01.04.2014	in CHF
Share capital	83 000 000
General legal reserve	4 423 975
Other reserves	1 300 000
Reserves for general banking risks	0
Retained earnings	(6 720 565)
Total shareholders' equity at 01.04.2014 (before profit distribution)	**82 003 410**
Changes 2014/15	
+ Capital paid-in	0
+ Capital increase	0
+ Other contributions	0
– Dividend and other distributions of retained earnings brought forward	0
– Net Loss	(3 364 256)
– Release of reserves for general banking risks	0
Total shareholders' equity at 31.03.2015 (before profit distribution)	**78 639 154**
Thereof:	
Share capital	83 000 000
General legal reserve	4 423 975
Other reserves	1 300 000
Reserves for general banking risks	0
Retained loss	(10 084 821)

In accordance with the Circular 2008/22 paragraph 5, the Bank is exempted of the disclosure requirement in connection with the capital adequacy from banks, since comparable information on a group level is published abroad.

Information on the balance sheet

Maturity structure of current assets, financial investments and borrowed funds

	Maturities							
	At sight in CHF	Redeemable by notice in CHF	within 3 months in CHF	after 3 months up to 12 months in CHF	after 12 months up to 5 years in CHF	after 5 years in CHF	without maturity in CHF	Total in CHF
Current assets								
Cash	22 675 957	0	0	0	0	0	0	22 675 957
Money market instruments	0	0	0	0	0	0	0	0
Due from banks	60 824 024	0	0	0	0	0	0	60 824 024
Due from clients	0	3 075 640	1 729 499	101 949 580	0	0	0	106 754 720
Mortgages	0	0	0	0	2 450 125	0	0	2 450 125
Securities and precious metal trading portfolios	0	0	0	0	0	0	0	0
Financial investments	99 283	0	0	0	0	0	0	99 283
Total current assets								
31.03.2015	**83 599 263**	**3 075 640**	**1 729 499**	**101 949 580**	**2 450 125**	**0**	**0**	**192 804 108**
31.03.2014	68 934 326	1 014 419	23 132 060	24 274 902	2 918 157	50 000 000	0	170 273 864
Borrowed funds								
Money market instruments lent	0	0	0	0	0	0	0	0
Due to banks	4 418 308	0	1 225 063	0	0	0	0	5 643 370
Due to clients on savings and investment accounts	0	0	0	0	0	0	0	0
Due to clients, other	81 774 022	0	25 761 975	0	0	0	0	107 535 997
Medium term notes	0	0	0	0	0	0	0	0
Bonds and mortgage backed bonds	0	0	0	0	0	0	0	0
Total borrowed funds								
31.03.2015	**86 192 330**	**0**	**26 987 038**	**0**	**0**	**0**	**0**	**113 179 367**
31.03.2014	88 697 729	0	0	0	0	0	0	88 697 729

Information on the balance sheet

Amounts due from and to affiliated entities as well as loans and exposures to members of the Bank's governing bodies

	31.03.2015 in CHF	31.03.2014 in CHF
Amounts due from affiliated companies	707 106	50 629 032
Amounts due to affiliated companies	7 052 820	4 290 925
Loans and exposures to the members of the Bank's governing bodies	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 grants marginal special conditions to members of the Bank's governing bodies and employees as is customary for banks.

The Bank is compensated by an affiliated entity with a trailer fee TCHF 1 (2013/14 TCHF 14).

The Group supports the Bank in a traditional manner for which the Bank has to pay its proportional share of the expenses TCHF 884 (2013/14 TCHF 447).

The Bank paid compensation to affiliated entities for referrals of clients and other investment process services of TCHF 257 (2013/14 TCHF 456).

Information on off-balance sheet transactions

Analysis of contingent liabilities

	31.03.2015 in CHF	31.03.2014 in CHF
Credit guarantees and similar instruments	0	0
Back-up guarantees and similar instruments	1 811 206	1 731 360
Irrevocable commitments	44 036 440	54 691 444
Other contingent liabilities	0	0
Total contingent liabilities	**45 847 647**	**56 422 804**

Litigation

In August 2013, the U.S. Department of Justice ('DoJ') announced a programme for Swiss banks to obtain a resolution concerning their status in connection with the Department's overall investigations against individuals and entities that use foreign bank accounts to evade US taxes and reporting requirements, as well as against individuals and entities that facilitate the evasion of US taxes and reporting requirements (the 'DoJ Programme'). Following the announcement, the Bank has performed an in-depth review of its past and current client base and business operation. Supported by US legal advice, the Bank has come to the conclusion that it has not infringed US laws. Consequently, the Bank has not recorded any provisions in respect of this matter. This decision, however, does not guarantee that the DoJ will not start investigations against the Bank. The financial impact of such a case may be significant to the Bank but cannot be quantified currently. Nevertheless, based on the careful assessment of this matter, the Bank believes that the probability of a lawsuit resulting in an outflow of funds is low.

Unsettled derivative financial instruments

		Trading Instruments			Hedging Instruments		
		Positive replace-ment values in CHF	Negative replace-ment values in CHF	Notional amount in CHF	Positive replace-ment values in CHF	Negative replace-ment values in CHF	Notional amount in CHF
Interest-rate Instruments							
– Forward contracts		0	0	0	0	0	0
Equity securities							
– Forward contracts		0	0	0	0	0	0
Currencies							
– Forward contracts		290 172	(215 596)	13 901 884	223 985	(247 240)	11 963 227
– Swaps		14 483	(48 942)	5 189 000	60 674	(672 714)	31 747 043
Total	**31.03.2015**	**304 655**	**(264 537)**	**19 090 884**	**284 659**	**(919 954)**	**43 710 270**
	31.03.2014	507 070	492 354	35 891 821	0	4 307	121 536

There are no netting contracts.

Information on off-balance sheet transactions

Analysis of fiduciary transactions

	31.03.2015 in CHF	31.03.2014 in CHF
Fiduciary deposits with third parties	38 732 151	57 819 374
Fiduciary deposits with banks of the group and affiliated banks	49 912 247	63 222 763
Fiduciary loans	0	0
Total fiduciary transactions	**88 644 398**	**121 042 137**

Analysis of managed & customer assets

	31.03.2015 in CHF'000	31.03.2014 in CHF'000
Breakdown of portfolios by type		
– Assets in own-managed funds	**0**	0
– Assets with an asset management mandate	**115 312**	74 892
– Other managed assets	**1 218 486**	1 124 237
Total managed assets	**1 333 799**	1 199 129
– Custody only assets	**0**	**0**
Total customer assets	**1 333 799**	1 199 129
– Thereof double counts	**0**	0
– Net outflow	**(12 531)**	(153 712)

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 frame to carry out investments on their behalf.

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

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

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

During the year the definition of managed assets was clarified and consequently prior year figures have been restated.

Information on the income statement

Analysis of results from trading operations

	2014/2015 in CHF	2013/2014 in CHF
Securities trading	0	0
Foreign exchange and bank notes trading	618 814	891 003
Derivative instruments	0	(108 904)
Precious metals	0	0
Total results from trading operations	**618 814**	**782 099**

Analysis of personnel expenses

	2014/2015 in CHF	2013/2014 in CHF
Bank's governing bodies, attendance fees and fixed compensation	19 810	61 561
Salaries and allowances	4 869 807	4 241 585
Social security contributions and other legally required contributions	455 881	370 411
Contribution to personnel welfare institutions	383 601	353 707
Other personnel expenses	132 668	182 960
Total personnel expenses	**5 861 767**	**5 210 225**

Analysis of other operating expenses

	2014/2015 in CHF	2013/2014 in CHF
Occupancy expense and energy	519 949	664 239
Cost of electronic data processing, machinery, furniture, vehicles and other fixtures	1 546 161	1 542 740
Sundry operating expenses	2 062 675	1 936 393
Total other operating expenses	**4 128 785**	**4 143 372**

Comments on extraordinary income/expenses and material release of hidden reserves

	2014/2015 in CHF	2013/2014 in CHF
Restructuring costs	0	(31 681)
Provision – Swiss-UK Tax Agreement	227 833	703 200
Receipt from legal claim	(28 415)	0
Extraordinary result	**199 417**	**671 519**

Investec Bank (Switzerland) AG's additional portion of the Swiss Federal Tax Authority's liability to the UK in order to regularize any pertinent tax issues (TCHF 228).

Report of the statutory auditor on the financial statements

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

As statutory auditor, we have audited the accompanying financial statements of Investec Bank (Switzerland) AG, which comprise the balance sheet, income statement and notes (pages 5 to 22), for the year ended 31 March 2015.

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 2015 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 state¬ments according to the instructions of the Board of Directors.

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

Zurich, 26 June 2015

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
- Investment advisory services
- Execution services on a full range of financial instruments
- Expertise in alternative investments
- Open architecture investment process

Traditional Banking

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

Lending and Credit Services

- Lombard and cash-backed lending
- Indemnities/Payment promise
- Bespoke mortgages
- Guarantees

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

Investec

Wealth & Investment