Schroders

Schroder & Co Bank AG
Annual Report 2022

Wealth Management

Content

Management report

It has been many years since the global economy has faced the challenge of high inflation. However, in 2022, investors, businesses and consumers were all reminded of just how disruptive it can be. Headline inflation in many Western economies ended the year above 9 %. The steep rise in prices was exacerbated by Russia's invasion of Ukraine. This had tragic consequences for Ukraine and profound consequences for the global economy. Commodity prices surged, adding to inflationary pressures. While energy and food prices eased over the course of the year, the risk of energy shortages is likely to loom over European economies for some time to come.

High inflation, rising interest rates and slowing activity all took a heavy toll on global equity and bond markets, with both falling by close to 20 % in USD terms. It is unusual for both equities and bonds to fall in tandem and this made the market backdrop even more challenging for multi-asset managers. As 2022 ended, there were some signs that inflation is cooling. However, businesses and consumers must still contend with pressure on real incomes and a continued economic slowdown that may lead to recession.

I am pleased with our performance through this difficult period. We took action early in the year to reposition portfolios for a more challenging environment. This included reducing our equity exposure and focusing our remaining allocation on companies with strong balance sheets and pricing power. Our adherence to a proven investment process, managed by an experienced and disciplined team, helped us shield our clients from the worst of the year's losses.

The changes we have seen in financial markets have had a mixed impact on the bank's results. Assets under management fell to CHF 6.0 billion from CHF 6.9 billion at the end of 2021. However, interest income increased by CHF 8.0 million, reflecting soaring central bank policy rates. Cost discipline saw personnel expenses decrease by CHF 2.1 million, or 3.9 %. As a result, the profit for the year after tax was CHF 7.1 million, compared to CHF 2.7 million in 2021.

The average number of employees decreased from 250.6 to 243.1 full-time equivalent employees (including trainees, interns and temporary employees).

The Board of Directors proposes to the General Meeting the allocation of CHF 0.4 million to the "Statutory retained earnings reserve" and that the profit remaining of CHF 6 804 469 be carried forward. As a result, the Bank's reported equity capital will rise to CHF 160 million.

The Board of Directors has the ultimate responsibility for the Bank's risk framework, risk assessment and internal controls. It approves the risk policy and is responsible for supervising its implementation. The duty to implement the risk policy sits with the Executive Board. The independent risk control function monitors the risk profile of the Bank. Further detailed information on the risk management of the Bank is available in the section "Risk Management" (pages 11–12).

During 2023 we will continue to accelerate growth by refining our advisory and private assets services, expanding our family office initiative, leveraging our ESG expertise and increasing efficiency and scalability. In order to continue delivering a high level of service quality to clients, our business requires highly skilled personnel. Accordingly, we will focus on promoting a diverse, inclusive and open culture to attract and retain talent. Our long-term business approach puts financial stability at the heart of planned growth, and this remains unchanged.

On behalf of the Board of Directors, I would like to thank our clients for their continued trust as well as our employees for their hard work and dedication.

Peter Hall
Chairman of the Board of Directors

1 Balance sheet

as at 31 December 2022

CHF	Note	31.12.22	31.12.21
Assets			
Liquid assets		85 887 480	108 983 414
Amounts due from banks		226 991 801	359 486 604
Amounts due from securities financing transactions	4.8.1	309 595 750	330 313 940
Amounts due from customers	4.8.2	186 068 678	202 265 785
Positive replacement values of derivative financial instruments	4.8.3	2 214 234	2 042 849
Financial investments	4.8.4, 4.8.8	55 226 577	59 439 334
Accrued income and prepaid expenses		26 693 618	20 863 560
Participations	4.8.5	73 731	0
Tangible fixed assets	4.8.6	20 192 386	17 509 003
Intangible assets		1	1
Other assets	4.8.7	787 371	997 049
Total assets		**913 731 627**	**1 101 901 539**
Liabilities and equity			
Amounts due to banks		29 022 708	24 601 472
Amounts due to customers		701 013 844	900 746 770
Negative replacement values of derivative financial instruments	4.8.3	2 334 564	2 568 293
Accrued expenses and deferred income		19 382 547	16 754 436
Other liabilities	4.8.7	1 220 071	992 635
Provisions	4.8.10	727 670	2 042 454
Total liabilities		***753 701 404***	***947 706 060***
Share capital	3, 4.8.11	60 000 000	60 000 000
Statutory retained earnings reserve	3	29 400 000	29 400 000
Voluntary retained earnings reserves	3	63 425 754	62 025 754
Profit carried forward	3	69 725	59 773
Profit (result of the period)		7 134 744	2 709 952
Total equity		***160 030 223***	***154 195 479***
Total liabilities and equity		**913 731 627**	**1 101 901 539**
Off-balance-sheet items			
Contingent liabilities	4.8.2, 4.9.1	4 039 889	4 411 609
Irrevocable commitments	4.8.2	1 252 000	1 312 000

2 Income statement

for the year ended at 31 December 2022

CHF	Note	31.12.22	31.12.21
Result from interest operations			
Interest and discount income	4.10.2	8 291 069	980 959
Interest and dividend income from financial investments		774 422	10 168
Interest expense	4.10.2	158 681	420 461
Gross result from interest operations		**9 224 172**	**1 411 588**
Changes in value adjustments for default risks and losses from interest operations	4.8.10	167 297	28 950
Subtotal net result from interest operations		**9 391 469**	**1 440 538**
Result from commission business and services			
Commission income from securities trading and investment activities		40 111 040	47 025 674
Commission income from lending activities		103 727	76 120
Commission income from other services		297 295	304 134
Commission expense		(17 468 112)	(24 241 160)
Subtotal result from commission business and services		**23 043 950**	**23 164 768**
Result from trading activities and the fair value option	4.10.1	**2 796 299**	**3 181 443**
Other result from ordinary activities			
Result from the disposal of financial investments		115 498	128 189
Result from the Bank's insourcing activities		46 268 651	44 364 039
Subtotal other result from ordinary activities		**46 384 149**	**44 492 228**
Operating expenses			
Personnel expenses	4.10.3	(51 143 648)	(53 203 607)
General and administrative expenses	4.10.4	(18 825 304)	(15 304 389)
Subtotal operating expenses		**(69 968 952)**	**(68 507 996)**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	4.8.5, 4.8.6	(2 785 587)	(1 091 130)
Changes to provisions and other value adjustments, and losses	4.8.10	(212 820)	324 233
Operating result		**8 648 508**	**3 004 084**
Extraordinary income	4.8.10, 4.10.5	951 005	763 976
Taxes	4.10.6	(2 464 769)	(1 058 108)
Profit (result of the period)		**7 134 744**	**2 709 952**

Appropriation of profit

Profit		7 134 744	2 709 952
Profit carried forward		69 725	59 773
= distributable profit	3	**7 204 469**	**2 769 725**
Appropriation of profit			
Allocation to statutory retained earnings reserve		(400 000)	0
Allocation to voluntary retained earnings reserves		0	(1 400 000)
Distributions from distributable profit		0	(1 300 000)
New amount carried forward		**6 804 469**	**69 725**

3 Statement of changes in equity

CHF 1000

	Share capital	Statutory retained earnings reserve	Voluntary retained earnings reserves and profit carried forward	Result of the period	Total
Equity at the beginning of 2022	**60 000**	**29 400**	**62 086**	**2 710**	**154 196**
Allocations to the voluntary retained earnings reserves	0	0	1 410	(1 410)	0
Dividends	0	0	0	(1 300)	(1 300)
Profit 2022	0	0	0	7 135	7 135
Equity at the end of 2022	**60 000**	**29 400**	**63 496**	**7 135**	**160 031**

4 Notes

4.1 General

Schroder & Co Bank AG is a wholly owned subsidiary of Schroder Wealth International Holdings Limited, London, whose parent company is a wholly owned subsidiary of Schroders plc, London. In addition to the head office in Zurich, the Bank has a branch office in Geneva.

The business activities of the Bank are described below. There are no further business activities that would significantly impact the Bank's risk and income situation.

Fee and commission business

The Bank's principal line of business is investment management for both domestic and foreign clients.

Asset management, advisory, custodian and credit operations are the main contributors to commission and service fee revenues.

Banking activities

The Bank's main balance-sheet activities are the client-lending business and interbank operations.

Loans to clients are mainly granted based on Lombard coverage.

Trading activities

Trading comprises mainly trading for the accounts of clients in interest rate products, securities and foreign exchange.

Insourcing business

The Bank renders securities administration, funds transfer, accounting and IT services centrally. These services are being offered to other Schroder Group companies (currently Schroder & Co. Limited, London, Schroders (C.I.) Limited, Guernsey, Schroder & Co. (Asia) Limited, Singapore, Schroder Wealth Management (US) Ltd). To Schroder Investment Management (Switzerland) AG, Zurich and Schroders Capital Management (Switzerland) AG the Bank renders HR, IT and selected internal services. To Schroder Investment Management (Luxembourg) S.A. and Schroder Investment Management (Switzerland) AG the Bank provides fund distribution services. These services are charged at market rates.

Outsourcing

The Bank has an outsourcing agreement with the company Finastra Switzerland GmbH for running the interbank applications SIC, EuroSIC, Swift and Secom. Finastra's role is limited to providing electronic access to the above-mentioned interbank services. Schroder Investment Management Ltd, London, provides ICT Operations services to the Bank.

Staff

At the end of the business year, the Bank had 216 full-time and 37 part-time employees, plus 6 trainees/interns, for a total of 259 (or 248.8 full-time equivalent positions; prior year 242.8 full-time equivalent employees; on average 243.1 full-time equivalent employees).

4.2 Accounting and valuation policies

General principles

The accounting and valuation principles are based on the Code of Obligations, the Banking Act and its related Ordinance, the Accounting Ordinance FINMA as well as the accounting rules for banks according to FINMA circular 20/1. The accompanying reliable assessment statutory single-entity financial statements present the economic situation of the Bank such that a third party can form a reliable opinion. The financial statements may include hidden reserves.

In the notes, individual figures are rounded for publication, but the calculations are based on precise figures, thus small differences can arise.

Accounting and valuation policies

The financial statements are prepared on the assumption of an ongoing concern. The accounting is therefore based on going-concern values.

The disclosed balance-sheet items are valued individually.

There has not been any offsetting or netting of assets and liabilities or income and expenses, with the exception of the deduction of value adjustments from the corresponding asset item.

Business risks are covered by adequate provisions.

Recording of transactions

All business transactions concluded up to the balance-sheet date are recorded as of their trade date (trade date accounting) and valued according to the above-mentioned principles. Any money market, foreign exchange spot transactions and foreign exchange forwards entered into but not yet fulfilled are recorded in accordance with the settlement date accounting method. Between the trade date and the settlement date, these transactions are disclosed at replacement value via the item "Positive replacement values of derivative financial instruments" or "Negative replacement values of derivative financial instruments".

Valuation principles

The most important accounting policies and valuation principles are shown below.

a) Liquid assets

Liquid assets are recognised at their nominal value.

b) Securities financing transactions

Repurchase transactions (repos) are recorded as cash deposits with own securities as collateral. Reverse-repurchase transactions (reverse repos) are treated as receivables against collateral in the form of securities. The exchanged cash amounts are recorded at nominal value on the balance sheet.

Securities received and delivered are not recognised or derecognised in the balance sheet until the economic control of the contractual rights comprised in the securities is transferred. Interest amounts collected or paid are recorded in the corresponding lines of the income statement.

c) Amounts due from banks and due from customers

Amounts due from banks and amounts due from customers are recognised at their nominal value less any necessary value adjustments.

Value adjustments are recognised for impaired and non-doubtful receivables. The Bank was assigned to supervisory category 4 by FINMA as at 30 September 2021. As an institution in supervisory category 4, the Bank is obliged under art. 25 of the Accounting Ordinance FINMA to create value adjustments for default risks on non impaired receivables for expected default risks. The Bank has been using an approach defined in accordance with IFRS 9 and maintained internally within the Group to determine expected credit losses since 2018. With the formation of value adjustments for expected credit losses, the Bank follows the option in art. 25 para. 3 Accounting Ordinance FINMA.

The methods for identifying default risks and determining the need for value adjustments are explained in detail in the Notes under section 4.4 "Methods used for measuring counterparty risks and assessment of required loan value adjustments".

Doubtful receivables, i. e. obligations entered into with clients for whom the debtor is unlikely to meet its future obligations, are valued individually and depreciated by means of individual value adjustments. The depreciation of doubtful receivables is determined by the difference between the book value of the receivable and the anticipated recoverable amount. The anticipated recoverable amount is the liquidation value (estimated net realisable value minus the costs of retention and liquidation).

Impaired loans, i.e. loans that are unlikely to be repaid by the debtor, are valued individually. A specific value adjustment is made for the estimated shortfall against nominal value in capital and interest taking into account the value of collateral. Loans are considered impaired at the latest when the contractual payments for capital and/ or interest have been overdue for more than 90 days. Interest accrual is suspended if recovering interest is so unlikely that an accrual no longer makes sense.

If a receivable is classed as entirely or partially irrecoverable, or a receivable is waived, the receivable is derecognised by booking it against the corresponding value adjustment. If recovered amounts from receivables written off in earlier periods cannot be used immediately for other value adjustments of the same type, they are recognised in "Change in value adjustments for default risk and losses from interest operations" in the income statement.

For losses incurred, which cannot yet be allocated to a specific borrower, value adjustments are recognised for expected default risks. To determine the corresponding value adjustments, the Bank calculates expected credit losses based on international standards.

Amounts due in respect of precious metal account deposits are valued at fair value if the precious metal concerned is traded on a price-efficient, liquid market.

Doubtful receivables are reclassified as performing if the outstanding amount of capital and interest are paid again on time according to the contractual agreements and other creditworthiness criteria. Value adjustments are released with an effect on income via the item "Change in value adjustments for default risk and losses from interest operations".

d) Financial investments

Debt securities to be held until maturity are valued at amortised cost. Any premium or discount is amortised over the life of the security. The valuation is based on the acquisition cost principle with the agio/disagio (premium/discount) accrued/deferred over the residual term to maturity (accrual method) via the position "Financial investments". Value adjustments for default risk are recorded immediately under "Changes in value adjustments for default risk and losses from interest operations".

If held-to-maturity financial investments are sold or reimbursed early, the realised gains and losses, which correspond to the interest component, are accrued/deferred over the residual term to maturity of the transaction.

Own physical stocks of precious metals that serve as collateral for liabilities from precious metals trading accounts are valued at fair value. The value adjustments arising from a subsequent valuation are recorded for each balance via the item "Other ordinary expenses" or "Other ordinary income".

e) Participations

Participations are valued at historical cost less any impairment. Realised gains from the sale of participations are recorded via the item "Extraordinary income" and realised losses are recorded via the item "Extraordinary expense".

f) Tangible fixed assets

Tangible fixed assets are recognised at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the useful life.

Estimated useful lives for relevant tangible fixed assets: Data processing equipment: up to 5 years. Fixtures for leasehold premises: up to 10 years.

Each tangible fixed asset is tested for impairment as of the balance-sheet date. This test is based on indicators reflecting a possible impairment of individual assets impaired.
If any such indicators exist, the recoverable amount is calculated for each individual asset. An asset is impaired if its carrying amount exceeds its recoverable amount.

If the asset is impaired, the book value is reduced to match the recoverable value and the impairment is charged via the item "Value adjustments on participations and amortisation of tangible fixed assets and intangible assets".

If the impairment test shows that the operating life of an intangible asset has changed, the residual carrying amount should be depreciated systematically over the newly estimated useful life.

Realised gains from the sale of tangible fixed assets are recorded via the item "Extraordinary income" and realised losses are recorded via the item "Extraordinary expense".

g) Amounts due to banks and amounts due to customers

Amounts due to banks are valued at their nominal value. Precious metals customer accounts are valued at fair value if the precious metal concerned is traded on a price-efficient, liquid market.

h) Foreign currencies
Transactions in foreign currencies are converted at the mid exchange rates ruling at the daily balance-sheet date. Foreign exchange positions in the balance sheet are translated at the closing exchange rates at the balance-sheet date and revalued against the income statement. Forward foreign exchange transactions are valued at the forward market rates prevailing at the balance-sheet date. The result of the revaluation is taken to the income statement.

The main conversion rates applied are listed below:

	2022	2021
EUR	0.9885	1.0358
GBP	1.1159	1.2339
USD	0.9241	0.9110
JPY	0.7010	0.7912

i) Provisions
Legal and factual obligations are valued regularly. If an outflow of resources is likely and can be reliably estimated, a corresponding provision is created. If an outflow of resources cannot be reliably estimated, this is disclosed in Annex 4.9.1 "Contingent liabilities and assets".

Existing provisions are reassessed at each balance-sheet date. Based on this reassessment, the provisions are increased, left unchanged or released. Positions are recorded via the account "Changes to provisions and other value adjustments, and losses".

Based on the principle of prudence, the Bank establishes provisions within liabilities for contingent risks. The provisions may contain hidden reserves.

j) Taxes
Current income taxes are recurring, usually annual, taxes on profits and capital. Transaction-related taxes are not included in current taxes.

Liabilities from current income and capital tax are disclosed via the item "Accrued liabilities and deferred income".

k) Derivative financial instruments
Derivative financial instruments are used by the Bank for asset and liability management and for securities and foreign exchange dealing. They are used for trading for the accounts of clients. Valuation is in accordance with the purposes for which they were originally acquired.

Derivatives in the trading book
These derivatives are valued at fair value. Positive and negative replacement values are included within "Positive/Negative replacement values of derivative financial instruments". Gains/losses are included within "Result from trading activities and the fair value option".

Derivatives in the banking book
The Bank may use derivatives for hedging purposes in the Asset & Liability Management process in order to protect itself against interest and foreign exchange risks. Hedging transactions are valued in the same way as the hedged item. The gain/loss of the hedging transaction is booked in the same income statement account as the hedged item's result. The result of the hedging transaction is booked against the compensation account, in case that the hedged item should not be revalued during the lifetime, of the hedging contract. The net balance of the compensation account is included in "Other assets/liabilities".

Hedges and the goals and strategies of hedging operations are documented by the Bank at the conclusion of a derivative hedging transaction. The effectiveness of the hedge is regularly reviewed. If the hedge is no longer or only partially effective, the part of the hedging transaction that is no longer effective is treated like a trading operation.

l) Pension benefit obligations
The employees of Schroder & Co Bank AG benefit from two pension plans. The BVG pension fund provides the minimum benefits mandated by law. The Pension Plan Foundation (Vorsorgestiftung) of Schroder & Co Bank AG grants benefits for that part of the salary above the requirements set out in the BVG law.

The pension fund liabilities and the assets serving as coverage are separated out into legally independent foundations. The organisation, management and financing of the pension funds comply with the legal requirements, the deeds of foundation and the current pension fund regulations. The Bank's pension funds are defined contribution plans.

The employer contributions arising from the pension funds are included in "Personnel expenses" on an accrual basis. The Bank assesses whether there is an economic benefit or economic obligation arising from the pension funds as of the balance-sheet date. The assessment is based on the contracts and the most recent financial statements of the pension funds (established under Swiss GAAP FER 26) as well as the actual over or underfunding for each pension fund.

Should a pension plan be underfunded, an economic obligation would arise where the conditions exist for the creation of a provision. The Bank refers to a pension fund expert to assess whether a benefit or an obligation exists for each pension fund.

The BVG pension fund of Schroder & Co Bank AG has insurance to cover the longevity risk of its members. Furthermore, the BVG pension fund of Schroder & Co Bank AG has received a guarantee from the Pension Plan Foundation (Vorsorgestiftung) of Schroder & Co Bank AG in order to protect itself against any possible underfunding.

m) Equity-based compensation schemes
The Equity Compensation Plan (ECP) is the Group's main deferral arrangement for annual bonus awards. ECP awards relate to the past year's performance and are not subject to any further performance conditions. In order to provide an incentive to stay at Schroders, ECP awards do not give rise to any immediate entitlement and normally require the participant to be employed continuously by the Group until the third anniversary of grant in order to vest in full.

The Equity Incentive Plan (EIP) is an additional deferred remuneration plan, used to recognise exceptional performance and potential. EIP awards do not give rise to any immediate entitlement and require the participant to be employed continuously by the Group until the fifth anniversary of grant. Malus and clawback terms apply in a similar way to ECP and EIP.

These deferred remuneration plans are centrally administered and settled by the Schroders Group. These liabilities are valued at their fair value at the grant date. Schroder & Co Bank AG then records them in the items "Personnel expenses" and "Accrued expenses and deferred income" over the vesting period. As the market risk is borne by the employee and the total amount is known and hedged, the Bank does not revalue the liability. Any adjustments (termination of employment etc.) are recorded through income. Comprehensive details of the design of the equity-based compensation scheme can be found in the Schroders Group's Financial Statement.

4.3 Risk management

Risk assessment

The Board of Directors reassesses the Bank's risks each year (in particular with respect to credit, market, liquidity and operational risks). The effectiveness of the limit system and the controls are also evaluated. The Organisation and Management Regulations ensure that the Board of Directors is always adequately informed of the risk situation and that the authority for decisions in this area remains within the Board of Directors' responsibility.

Details on risk management

The risk management procedures and the ongoing monitoring are delegated to committees. The Asset & Liability Management Committee is responsible for monitoring market risk, interest rate risk and liquidity risk. This includes the selection and monitoring of banks, brokers and custodians. In addition, it monitors the adherence to the capital and large exposure regulations.

The interest rate risk arising out of the balance sheet and off-balance-sheet positions is monitored and managed centrally. It is managed using calculations of the net present value effect on shareholders equity and the net income effect under various interest rate assumptions. The ability to meet obligations is monitored and ensured within the framework defined in the Banking Act (Liquidity ordinance) and by the Group. Internal audit regularly audits internal controls and issues reports to the Board of Directors.

Credit risks are subject to specific monitoring by the Credit Committee and the Credit Department. Loan collateral is valued at fair value. The collateral rates are set forth in predefined procedures.

Operational risk

Operational risks are defined as the risks of losses due to the inadequacy or failure of internal policies, people and systems or due to external events. The Bank identifies, measures and manages the following categories of operational risk: Internal/External Fraud; Clients, Products and Business Practice; Execution, Delivery and Process Management; Business Disruption and System Failures; Employment Practices and Workplace Safety.

The Bank employs a "three lines of defence model" to direct its internal control framework, ensure its effective operation and facilitate appropriate escalation.

As the first line of defence, the Executive Board and all levels of management take the lead role with respect to implementing appropriate controls across the business to maintain the quality standards expected by clients and regulators. Line management is supplemented by internal or Group-internal oversight functions (i. e. Risk, Financial Control, Compliance and Legal both at local and Group level) that provide a second line of defence. Finally, Group Internal Audit has a dedicated audit team for the Wealth Management Division as a third line of defence.

In connection with the local capital adequacy calculation and reporting, the Bank applies the Basic Indicator Approach and holds relevant capital to cover operational risks closely linked to the revenues generated by the Bank. The Bank uses a variety of instruments for identification, measurement and management with the following being the main instruments: Internal Capital Adequacy Process (ICAAP), Risk Control Assessments (RCA), Fraud Risk Assessments, Risk Event Policy, Business Continuity Concept, International Standards on Assurance Engagement 3402 reporting (ISAE 3402 Type II).

The Bank has defined procedures, responsibilities and implementation in the "Risk Management Framework".

Liquidity risk

Liquidity risk is the risk that the Bank might not be able to meet its present and future payment obligations on a timely basis under either normal or stressed conditions or fails to meet the liquidity requirements imposed by banking regulations.

The Bank takes a prudent approach to cash management by choosing first-class counterparties. Our emphasis is on safeguarding our commitments to clients, in normal and stress situations alike. We moreover seek to match resources to their use, in terms of both duration and maturities.

The Bank has a "Treasury Liquidity and Dealing Policy", "Liquidity Contingency Plan" as well as a "Risk Management Framework" which define the risk governance principles, the calculation methodology and the respective limits which take account of the qualitative and quantitative requirements of Basel III and FINMA. Management conducts a yearly Individual Liquidity Adequacy Assessment (ILAA), which covers different aspects of qualitative and quantitative liquidity risk.

The Bank also calculates the standardised Liquidity Coverage Ratio (LCR) on a daily basis and additionally runs a set of liquidity stress test scenarios. The results of these tests are reported regularly to the Asset Liability Management Committee (ALMC).

4.4 Methods used for measuring counterparty risks and assessment of required loan value adjustments

Lombard loans

Credit exposures and the value of related collaterals are monitored daily. Should any lending value fall below its collateral value, further collateral or a reduction of the loan is required. Should net exposure increase or market conditions in collateral markets deteriorate significantly, collaterals will be realised and the loan will be recovered.

Process for determining value adjustments

Loans deemed to be non-performing are valued individually and specific loan value adjustments are established based on the above-mentioned procedures. Existing value adjustments are subjected to a reassessment on each balance-sheet date. Based on this assessment, they are increased, remain unchanged or released. The Credit Committee assesses and approves the value adjustments. In accordance with the approval hierarchy, value adjustments are approved by the Executive Board or the Board of Directors.

Valuation adjustments for Expected Credit Losses

The Group adopted IFRS 9 on 1 January 2018 and the Bank applies the optional creation of valuation adjustments for expected credit losses as per Accounting Ordinance FINMA art. 25 para. 3. Under IFRS 9, expected credit losses are calculated on all the Bank's financial assets that are measured at amortised cost and all debt instruments that are measured at fair value through other comprehensive income. A three-stage model is used for calculating expected credit losses, which requires financial assets to be assessed as:

- Performing (stage 1) – Financial assets where there has been no significant increase in credit risk since original recognition; or
- Under-performing (stage 2) – Financial assets where there has been a significant increase in credit risk since initial recognition, but no default; or
- Non-performing (stage 3) – Financial assets that have defaulted.

For financial assets in stage 1, expected credit losses are calculated based on the credit losses that are expected to be incurred over the following twelve-month period. For financial assets in stage 2 and 3, expected credit losses are calculated based on the expected credit losses over the life of the instrument. The Bank applies the simplified approach to calculate expected credit losses for trade and other receivables and accrued income. Under this approach, instruments are not categorised into three stages as expected credit losses are calculated based on the life of the instrument.

The Group has internal processes designed to assess the credit risk profile of its financial instruments, and to determine the relevant stage for calculating the expected credit losses. These processes include consideration of internal, external, historic and forward-looking information about specific loans and securities as well as market data.

For financial assets held with rated counterparties (such as cash and cash equivalents, loans and advances to banks and debt securities), the Group calculates expected credit losses based on default information published by rating agencies and considers any known factors not yet reflected in this information.

For loans and advances to customers, the Bank calculates expected credit losses based on historical credit loss experience and by taking into account the relevant approval authorities' current lending rates against the various types of collateral. A record is kept of all information that has or could have an impact on a customer's servicing and repayment as well as of all loan exposures where collateral has decreased in value and/or quality. This record is used to identify stage 2 or 3 loans.

For trade and other receivables and accrued income, the Group has established a provision matrix that incorporates the Group's historical credit loss experience, counterparty groupings and whether a receivable is overdue or not.

4.5 Valuation of collateral of Lombard loans

Primarily, transferable financial instruments that are liquid and actively traded are used for Lombard loans.

The Bank applies a discount to the market value in order to cover the market risk relating to marketable liquid securities and to calculate the value of the collateral. For products with long residual terms to maturity, the closing out period can be significantly longer, hence, higher discounts are applied to them than those applied to liquid instruments.

4.6 Business policy regarding the use of derivative financial instruments

Derivative financial instruments are used for trading and are traded exclusively by specially trained traders. The Bank does not have any market-making activities. Standardised and OTC instruments are traded on behalf of clients, especially interest, currency and equity/index-based instruments and, to a limited extent, those based on commodities. There is no trading in credit derivatives.

Derivative financial instruments can be used by the Bank for risk management purposes, mainly to hedge against interest rate and foreign currency risks. Hedging transactions are concluded exclusively with external counterparties.

4.7 Material events after the balance-sheet date

No events occurred after the balance-sheet date that could have a material impact on the financial position of the Bank as of 31 December 2022.

4.8 Information on the balance sheet

4.8.1 Securities financing transactions (assets and liabilities)

CHF 1000	31.12.22	31.12.21
Book value of receivables from cash collateral delivered in connection with reverse repurchase transactions	309 596	330 314
Fair value of securities received and serving as collateral in connection with reverse repurchase agreements with an unrestricted right to resell or re-pledge	310 422	330 800

4.8.2 Collateral for loans and off-balance-sheet transactions, as well as impaired loans

Loans

CHF 1000		Type of collateral		
		Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers		148 433	37 638	186 071
Total loans (before netting with value adjustments)	**31.12.22**	**148 433**	**37 638**	**186 071**
	31.12.21	170 477	31 986	202 463
Total loans (after netting with value adjustments)	**31.12.22**	**148 433**	**37 636**	**186 069**
	31.12.21	170 477	31 789	202 266

Unsecured lending to Swiss Cantons amounts to CHF 30 m (prior year: CHF 25 m). CHF 7.3 m of unsecured exposures in 2022 (prior year: CHF 6.5 m) are due to SIX SIS AG's change in license status and is included in "Amounts due from customers" and represents collateral posted by the Bank.

Off-balance sheet

Contingent liabilities		4 033	7	4 040
Irrevocable commitments		0	1 252	1 252
Total	**31.12.22**	**4 033**	**1 259**	**5 292**
	31.12.21	4 407	1 317	5 724

CHF 1000		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans	**31.12.22**	**0**	**0**	**0**	**0**
	31.12.21	194	0	194	194

4.8.3 Derivative financial instruments (assets and liabilities)

Foreign exchange / precious metals

CHF 1000

		Positive replacement values	Negative replacement values	Contract volume
FX Forwards		379	351	22 743
FX Swaps		1 835	1 984	346 071
Total	**31.12.22**	**2 214**	**2 335**	**368 814**
	31.12.21	2 043	2 568	393 119

The above outstanding derivative instruments are held for trading purposes. No netting agreements are in place.

Breakdown by counterparty

CHF 1000

	Banks and securities dealers	Other customers	Total
Positive replacement values	1 441	773	2 214

4.8.4 Financial investments

Breakdown of financial investments

CHF 1000	31.12.22	31.12.21	31.12.22	31.12.21
	Book value	Book value	Fair value	Fair value
Debt securities	55 227	59 439	55 214	59 451
of which, intended to be held to maturity	*55 227*	*59 439*	*55 214*	*59 451*
Total	**55 227**	**59 439**	**55 214**	**59 451**
of which, securities eligible for repo transactions in accordance with liquidity requirements			55 214	59 451

Breakdown of counterparties by rating

CHF 1000

	AAA to AA–	A+ to A–	BBB+ to BBB–	BB+ to BB–	Below B–	Unrated	**Total**
Debt securities (book value)	55 227	0	0	0	0	0	**55 227**

FINMA-recognised rating agencies are used for the rating.

4.8.5 Participations

CHF 1000	Acquisition cost	Accumul. value adjustments	Book value 31.12.21	Reclass.	Additions	Disposals	Value adjustments	Book value 31.12.22
Participations without market value	0	0	0	74	0	0	0	74
Total	**0**	**0**	**0**	**74**	**0**	**0**	**0**	**74**

The Bank holds 18 shares in the Swift network which are not consolidated based on Art. 34 Banking Ordinance paragraph 1. Schroder & Co Bank AG does not control is not able to influence the business activities and is not the main risk bearer of the Swift network.

4.8.6 Tangible fixed assets

CHF 1000	Acquisition cost	Accumul. depreciation	Book value 31.12.21	Reclass.	Additions	Disposals	Depreciation	Book value 31.12.22
Bank buildings	4 367	(185)	4 182	0	774	0	(483)	4 473
Proprietary or separately acquired software	14 033	(907)	13 126	0	4 210	0	(2 073)	15 263
Other tangible fixed assets	3 262	(3 061)	201	0	485	0	(230)	456
Total	**21 662**	**(4 153)**	**17 509**	**0**	**5 469**	**0**	**(2 786)**	**20 192**

The depreciation method applied and the range used for the expected useful lives are explained in the accounting and valuation policies. The Bank currently does not have any intangible assets.

Operating lease contracts maturities

CHF 1000	3 to 12 months	12 months up to 3 years	3 years to 5 years	over 5 years	Total
31.12.22	3 451	3 050	1 450	2 216	10 167
of which, may be terminated within one year	*124*	*178*	*50*	*0*	*352*
31.12.21	3 456	4 484	754	0	8 694

4.8.7 Other assets and other liabilities

CHF 1000	31.12.22	31.12.21	31.12.22	31.12.21
	Other assets	Other assets	Other liabilities	Other liabilities
Indirect taxes and stock exchange fees	79	372	763	871
Other assets and liabilities	708	625	457	122
Total	**787**	**997**	**1 220**	**993**

4.8.8 Assets pledged or ceded to secure own liabilities and assets subject to ownership reservation

CHF 1000		31.12.22		31.12.21
	Assets pledged (Book value)	Effective liability	Assets pledged (Book value)	Effective liability
Liquid assets	10 758	2 705	12 500	1 404
Financial investments	55 227	0	59 439	0

4.8.9 Economic situation of own pension schemes

Employer contribution reserves (ECR)

Schroder & Co Bank AG's employees participate in two defined contribution pension funds. The BVG pension fund provides the minimum benefits required by the law. The Pension Plan Foundation (Vorsorgestiftung) provides benefits on that portion of the salaries that exceed the BVG legal minimum. Due to the external insurance and the guarantee from the Pension Plan Foundation (Vorsorgestiftung) there is no employer contribution reserve.

Economic benefit / obligation and pension expenses

CHF 1000		31.12.22	31.12.21
	Contributions paid	Pension expenses in personnel expenses	Pension expenses in personnel expenses
Pension plans with overfunding	5 935	8 842	8 585

According to the pension fund regulations, the employer pays total contributions and benefits equivalent to 15 % of the relevant salary whereas the employees contribute 5 % of that salary. The column "Contributions paid" includes the Bank's total contributions to both pension plans for the year. The columns "Pension expenses in personnel expenses" include the Bank's total pension and related benefit expenses (including contributions to fluctuation reserves, old age and survivors' insurance, disability insurance, unemployment insurance and other mandatory contributions).

The accounting of the BVG pension fund as well as the Pension Plan Foundation (Vorsorgestiftung) is carried out in accordance with the requirements of the Swiss GAAP FER 26 accounting recommendations. There are no further obligations on the part of the employer.

The overfunding of the Bank's BVG pension fund of 117.1 % shall be used exclusively for the benefit of the insured persons, which is why there is no economic benefit for the Bank that would have to be taken into account in the balance sheet or in the profit and loss statement.

4.8.10 Valuation adjustments, provisions and reserves for general banking risks

CHF 1000	31.12.21				31.12.22
	Balance	Use in conformity with designated purpose	New creations charged to income	Releases to income	Balance
Provisions					
Other provisions	2 042	(13)	193	(1 494)	728
Total provisions	**2 042**	**(13)**	**193**	**(1 494)**	**728**
Value adjustments for default and country risks					
Value adjustments for default risks on impaired loans	194	(75)	0	(119)	0
Value adjustments for expected losses	93	0	0	(48)	45
Total Value adjustments for default and country risks	**287**	**(75)**	**0**	**(167)**	**45**

The balance sheet at 31 December 2022 reflects a provision with respect to the Swiss Federal Supreme Court's decision in 2012 on the restitution of distribution fees, of which CHF 0.83 m have been released to the income statement in 2022. The remaining DoJ provision of CHF 0.4 m has been released to income. The remaining amount of CHF 0.26 m that has been released relates to provisions for redundancy costs. The use and new creations are in connection with provisions for loyalty bonuses.

4.8.11 Capital structure and shareholders

The share capital amounts to CHF 60 m and is split into 60 000 registered shares of CHF 1000 nominal value each. The company's share capital is fully paid in. No special rights are conferred by the share capital.

The distributable profit of CHF 7 204 469 is available for distribution by the shareholders, subject to legal requirements. The non-distributable "Statutory retained earnings reserve" amounts to CHF 29 400 000; distributable "Voluntary retained earnings reserves" amount to CHF 63 425 754, subject to legal requirements.

All shares of Schroder & Co Bank AG are held by Schroder Wealth Holdings International Limited, London, which is a 100 % subsidiary of Schroders plc.

The table below shows the holdings of major shareholders in the voting rights of Schroders plc, as notified and disclosed to Schroders plc in accordance with the Disclosure Guidance and Transparency Rules.

CHF 1000	31.12.21		15.01.21	
	Schroder shares	Percent	Schroder shares	Percent
Vincitas Limited	60 724 609	26.87 %	60 724 609	26.87 %
Veritas Limited	36 795 041	16.28 %	36 795 041	16.28 %
Flavida Limited	60 951 886	26.97 %	60 951 886	26.97 %
Fervida Limited	39 724 396	17.58 %	39 724 396	17.58 %
Lindsell Train Limited	22 507 143	9.96 %	22 507 143	9.96 %
Harris Associates L. P.	11 335 848	5.02 %	11 293 745	4.99 %

Vincitas Limited and Veritas Limited are trustee companies which act as trustees of certain settlements made by members of the Schroder family. The interests of Flavida Limited and Fervida Limited include interests in voting rights in respect of all the shares in which Vincitas Limited and Veritas Limited are interested as trustees. Due to the simplification of Schroder plc's dual share class structure on 22 September 2022, the table above pertains to the share class structure in place until 21 September 2022.

4.8.12 Amounts due from / to related parties

CHF 1000	31.12.22 Amounts due from	31.12.21 Amounts due from	31.12.22 Amounts due to	31.12.21 Amounts due to
Holders of qualified participations	0	0	47	39
Linked companies	43 575	21 937	6 496	4 006
Transactions with members of governing bodies	150	0	351	949

With related parties, the Bank engages in securities and money market transactions and applies interest rates at conditions applicable to third parties. Members of the Executive Board and of the Board of Directors generally are granted the conditions and tariffs applicable to staff members of the Bank.

4.8.13 Employee participation schemes

Equity compensation plan (ECP)

The ECP is the Group's main deferral arrangement for annual bonus awards. Comprehensive details of the design of the ECP scheme can be found in the Schroders plc Group Financial Statements.

Equity incentive plan (EIP)

The EIP is an additional deferred remuneration plan used to recognise exceptional performance and potential. Comprehensive details of the design of the EIP scheme can be found in the Schroders plc Group Financial Statements.

Please refer to the notes (accounting and valuation policies) for further details.

4.8.14 Maturity structure of financial instruments

CHF 1000		At sight	Cancellable	Due within 3 months	Due within 3 to 12 months	Due within 12 months to 5 years	Total
Assets / financial instruments							
Liquid assets		85 888	0	0	0	0	85 888
Amounts due from banks		57 231	5 580	164 181	0	0	226 992
Amounts due from securities financing transactions		0	0	309 596	0	0	309 596
Amounts due from customers		2 034	40 076	82 102	51 449	10 408	186 069
Positive replacement values of derivative financial instruments		0	0	1 887	327	0	2 214
Financial investments		(21)	0	22 204	33 043	0	55 226
Total	**31.12.22**	**145 132**	**45 656**	**579 970**	**84 819**	**10 408**	**865 985**
	31.12.21	176 872	38 912	597 806	238 664	10 278	1 062 532
Debt capital / financial instruments							
Amounts due to banks		28 667	356	0	0	0	29 023
Amounts due to customers		679 228	0	21 786	0	0	701 014
Negative replacement values of derivative financial instruments		0	0	2 034	300	0	2 334
Total	**31.12.22**	**707 895**	**356**	**23 820**	**300**	**0**	**732 371**
	31.12.21	925 349	0	1 786	782	0	927 917

4.8.15 Assets and liabilities by domestic and foreign origin in accordance with the domicile principle

CHF 1000		31.12.22		31.12.21
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	85 887	0	108 983	0
Amounts due from banks	163 625	63 367	302 537	56 950
Amounts due from securities financing transactions	309 596	0	330 314	0
Amounts due from customers	60 136	125 932	52 721	149 545
Positive replacement values of derivative financial instruments	930	1 284	960	1 082
Financial investments	0	55 227	0	59 439
Accrued income and prepaid expenses	12 759	13 934	13 958	6 905
Participations	0	74	0	0
Tangible fixed assets	20 192	0	17 509	0
Intangible assets	0	0	0	0
Other assets	789	0	999	0
Total	**653 914**	**259 818**	**827 981**	**273 921**
Liabilities				
Amounts due to banks	302	28 721	1 916	22 685
Amounts due to customers	123 950	577 063	141 231	759 516
Negative replacement values of derivative financial instruments	609	1 726	1 476	1 092
Accrued expenses and deferred income	16 359	3 023	16 087	668
Other liabilities	1 220	0	993	0
Provisions	728	0	2 042	0
Share capital	60 000	0	60 000	0
Statutory retained earnings reserve	29 400	0	29 400	0
Voluntary retained earnings reserves	63 426	0	62 026	0
Profit carried forward	70	0	60	0
Profit (result of the period)	7 135	0	2 710	0
Total	**303 199**	**610 533**	**317 941**	**783 961**

4.8.16 Assets by country / country groups

	31.12.22		31.12.21	
	CHF 1000	in %	CHF 1000	in %
Assets				
Europe				
Germany	2 422	0.3 %	5 342	0.5 %
United Kingdom	134 359	14.7 %	95 187	8.6 %
Switzerland	653 967	71.5 %	887 420	80.5 %
Rest of Europe	47 683	5.2 %	36 030	3.3 %
Total Europe	838 431	91.7 %	1 023 979	92.9 %
North America	17 397	1.9 %	9 036	0.8 %
Asia	10 716	1.2 %	15 229	1.4 %
Other countries	47 188	5.2 %	53 658	4.9 %
Total	**913 732**	**100.0 %**	**1 101 902**	**100.0 %**

4.8.17 Assets by credit rating of country groups

The breakdown of assets by credit rating of country groups is based on the risk relating to the underlying asset and not the domicile of the debtor. For secured assets, the risk domicile is determined by taking into consideration the respective collateral (due from customers, reverse repos).

The Bank applies a combination of two major rating companies' ratings and displays them using the Standard & Poor's nomenclature.

	31.12.22		31.12.21	
Standard & Poor's	Net foreign exposure CHF 1000	Net foreign exposure Share as %	Net foreign exposure CHF 1000	Net foreign exposure Share as %
AAA to AA–	236 410	98.4 %	317 062	98.4 %
A+ to A–	1 944	0.8 %	4 138	1.3 %
BBB+ to BBB–	200	0.1 %	91	0.0 %
BB+ to B–	335	0.1 %	409	0.1 %
Lower than B–	124	0.1 %	153	0.0 %
No Rating available	1 227	0.5 %	610	0.2 %
Total	**240 240**	**100.0 %**	**322 463**	**100.0 %**

4.8.18 Assets and liabilities by the most significant currencies

CHF 1000	CHF	EUR	USD	Precious metals	Other	Total 31.12.22
Assets						
Liquid assets	85 887	0	0	0	0	85 887
Amounts due from banks	50 912	55 282	62 419	2 947	55 431	226 991
Amounts due from securities financing transactions	275 000	34 596	0	0	0	309 596
Amounts due from customers	75 775	48 122	29 254	0	32 917	186 068
Positive replacement values of derivative financial instruments	2 214	0	0	0	0	2 214
Financial investments	0	0	0	0	55 227	55 227
Accrued income and prepaid expenses	21 141	1 773	1 318	0	2 462	26 694
Participations	74	0	0	0	0	74
Tangible fixed assets	20 028	14	80	0	71	20 193
Intangible assets	0	0	0	0	0	0
Other assets	686	87	0	0	15	788
Total assets shown in balance sheet	**531 717**	**139 874**	**93 071**	**2 947**	**146 123**	**913 732**
Delivery entitlements from spot exchange, forward forex and forex options transactions	23 947	107 556	117 562	0	119 749	368 814
Total assets	**555 664**	**247 430**	**210 633**	**2 947**	**265 872**	**1 282 546**
Liabilities and shareholders' equity						
Amounts due to banks	453	460	1 604	353	26 151	29 021
Amounts due to customers	125 291	223 185	152 003	2 595	197 940	701 014
Negative replacement values of derivative financial instruments	2 335	0	0	0	0	2 335
Accrued expenses and deferred income	16 635	104	26	0	2 618	19 383
Other liabilities	1 078	84	6	0	52	1 220
Provisions	728	0	0	0	0	728
Share capital	60 000	0	0	0	0	60 000
Statutory retained earnings reserve	29 400	0	0	0	0	29 400
Voluntary retained earnings reserves	63 426	0	0	0	0	63 426
Profit carried forward	70	0	0	0	0	70
Profit	7 135	0	0	0	0	7 135
Total liabilities shown in balance sheet	**306 551**	**223 833**	**153 639**	**2 948**	**226 761**	**913 732**
Delivery obligations from spot exchange, forward forex and forex options transactions	249 412	23 593	56 925	0	38 930	368 860
Total liabilities	**555 963**	**247 426**	**210 564**	**2 948**	**265 691**	**1 282 592**
Net position per currency	**(299)**	**4**	**69**	**(1)**	**181**	**(46)**

4.9 Information on the off-balance-sheet business

4.9.1 Contingent liabilities and assets

CHF 1000	31.12.22	31.12.21
Credit guarantees	3 858	3 840
Other contingent liabilities	182	572
Total	**4 040**	**4 412**

SCoBAG acts as nominee for certain clients' private equity investments. In accordance with the Limited Partnership Agreements (LPA), the limited partners are obligated to make capital contributions in the event of a drawdown as determined by the General Partner in terms of the LPA. Amounts due from capital calls can be reliably estimated when the amount as well as the value date are known. Such amounts are recognised as "Other contingent liabilities". Total unpaid commitments in clients' portfolios are monitored and collateralised. The amount and due date in respect of total unpaid commitments of clients resulting from private equity investments cannot be reliably estimated and is not recognized as contingent liabilities for SCoBAG.

4.9.2 Fiduciary transactions

CHF 1000	31.12.22	31.12.21
Fiduciary placements with third-parties	70 749	53 676
Other fiduciary transactions	918 859	871 707
Total	**989 608**	**925 383**

"Other fiduciary transactions" include commitments paid by clients for private equity investments.

4.9.3 Assets Under Management

Wealth Management

CHF 1000	31.12.22	31.12.21
Assets in collective investment schemes managed by the Bank	1 652	2 105
Assets under discretionary asset management agreements	1 672 429	1 812 209
Other managed assets	4 300 595	5 054 788
Total Wealth Management Assets Under Management (including double counting)	**5 974 676**	**6 869 102**
of which double counting	*1 652*	*2 105*

CHF 1000	31.12.22	31.12.21
Total managed assets (including double counting) at beginning	6 869 102	5 910 810
+/– Net new money inflow or net new money outflow	(48 170)	78 173
+/– Price gains/losses, interest, dividends and currency gains/losses	(846 256)	880 119
Total managed assets (including double counting) at end	**5 974 676**	**6 869 102**

Debit interest on current account overdrafts is treated as negative performance, while interest charged on fixed-term Lombard loans is a cash outflow. The Bank calculates performance according to the direct method.

4.9.4 Assets administered by the Bank

CHF 1000	31.12.22	31.12.21
Assets administered banking activities (see 4.9.3)	5 973 024	6 866 997
Assets administered institutional business	739	108 126
Assets administered in connection with the insourcing for Schroders Group companies	56 632 552	63 745 037
Total assets administered by the Bank	**62 606 315**	**70 720 161**

The Bank renders administrative services to other Schroders Group companies in the areas of custody, operations and finance. For this insourcing business, the Bank charges fees which are reflected in the profit and loss account under the position “Other ordinary income” (see explanation in 4.1 General – Insourcing business).

4.10 Information on the income statement

4.10.1 Result from trading operations and the fair value option

CHF 1000	31.12.22	31.12.21
Foreign exchange trading operations with clients	2 796	3 181
Total	**2 796**	**3 181**

4.10.2 Refinancing income and income from negative interest

Negative interest on credit operations are disclosed as a reduction in interest and discount income.
Negative interest on deposits are disclosed as a reduction in interest expense.

CHF 1000	31.12.22	31.12.21
Negative interest on credit operations (reduction in interest and discount income)	(36)	(2 590)
Negative interest on deposits (reduction in interest expense)	94	87

4.10.3 Personnel expenses

CHF 1000	31.12.22	31.12.21
Salaries (meeting attendance fees and fixed compensation to members of the Bank's governing bodies, salaries and benefits)	41 614	44 196
of which, expenses relating to share-based compensation and alternative forms of variable compensation	*227*	*394*
Social insurance benefits	8 842	8 586
Other personnel expenses	688	422
Total	**51 144**	**53 204**

Salaries include expenses related to share-based and alternative forms of variable compensation (as explained in note 4.8.13). In 2022, 20 902 shares were granted (6379 shares for governing bodies, 14 523 for employees) for a total value of CHF 227 k.

4.10.4 General and administrative expenses

CHF 1000	31.12.22	31.12.21
Office space expenses	4 607	4 571
Expenses for information and communications technology	4 255	4 330
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	162	154
Fees of audit firm	546	540
of which, for financial and regulatory audits	*436*	*432*
of which, for other services	*110*	*108*
Other operating expenses Telephone, telex, postage, electronic information systems, legal and other consulting fees, stationery and printing, courier services, property insurance, travel and entertainment, publication and advertising, other costs	9 255	5 709
Total	**18 825**	**15 304**

Higher general and administrative expenses are mainly due to higher professional fees and cost allocations from Schroders Group.

4.10.5 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

Please refer to note 4.8.10. The extraordinary income during the period was the result of a release of hidden reserves in the form of provisions constituted in previous periods (CHF 951 k).

4.10.6 Current taxes, deferred taxes, and disclosure of tax rate

CHF 1000	31.12.22	31.12.21
Current taxes	(2 465)	(1 058)
Average tax rate weighted on the basis of the operating result	28.5 %	35.2 %

Corporate Governance Disclosure 2022 (FINMA Circular 16-1)

The description of governance, controls and risk management is covered in other sections of the annual report. The disclosure below provides details on the Board of Directors and the Executive Board as of 31 December 2022, unless otherwise noted.

Board of Directors

Peter Hall
Chairman

Dr. Stefan Mäder*
Vice-Chairman

Dr. Annabelle R. Hett-Essinger*
Member

Peter Hall
Peter Hall is Global Head of Wealth Management for the Schroders Group and sits on the Group Management Committee. Over the past twenty years, he has held leadership roles in Wealth Management at UBS, Barclays and Tilney. Peter started his career in Corporate Finance after graduating in Politics, Philosophy and Economics from Oxford. He has an MBA from INSEAD, France.

Dr. Stefan Mäder
Dr. Stefan Mäder currently serves as Non-Executive Director on different Boards of Directors. He was the Group CFO and member of the Group Executive Board of Six Group from 2010–2017. Prior to that he held various functions while with Zurich Insurance (Chief Investment Officer, Switzerland 2002–2004, CFO Switzerland 2004–2007, CFO Europe 2007–2010). Dr. Stefan Mäder holds a Ph.D. in economics from the University of Zurich.

Dr. Annabelle R. Hett-Essinger
Dr. Annabelle R. Hett-Essinger has more than 20 years of leadership experience in strategy, business development and risk management. She held various management roles at Swiss Re, was in charge of the Group Advisory Panel and is the former Head of the Swiss Re Centre for Global Dialogue. Dr. Annabelle R. Hett-Essinger is engaged in different non-profit organisations. She holds a Ph.D. in radiology and nuclear medicine from the University of Berne.

* Independent member of the Board of Directors

Executive Board

Adrian Nösberger
Chief Executive Officer

Walter Brandstätter
Head of Finance & Middle Office (until 30 November 2022)

Marc Brodard
Head Private Clients

Irina Buholzer-Hinova
Head Service Centre Zurich

Giovanni Leonardo
Head of Investments

Oliver Oexl
Head of Legal, Compliance & Risk

Adrian Nösberger (1968)
Adrian Nösberger joined Schroders in 2013 in his current function. Prior to joining Schroders, he was Head of Private Banking Switzerland and member of the Executive Board of Bank Leu / Clariden Leu from 2003 to 2011. He started his career at Bank Julius Baer, where he was a member of the Private Banking Executive Board from 2001–2003. Adrian Nösberger holds a Master Degree in Manufacturing and Process Engineering from the Swiss Federal Institute of Technology (ETH), Zurich.

Walter Brandstätter (1965)
Walter Brandstätter joined Schroder & Co Bank AG in his current function in 2018. He has been with Schroders Singapore as Head of Finance & Operations since 2011. Walter started his investment career as a Relationship Manager in Austria, followed by 12 years in Luxembourg as Head of Portfolio Management of DZ Privatbank, for which he moved to Singapore as the Chief Executive in 2006. He graduated from the Business College in Innsbruck/Telfs and holds the Certified Effas Financial Analyst (CEFA) from the European Federation of Financial Analyst Societies Paris and Investment Analyst DVFA from the German Association of Financial Analysis and Investment Management in Frankfurt.

Marc Brodard (1966)
Marc Brodard joined Schroders in 2014 in his current function. Prior to joining Schroders, he was CEO of Hyposwiss Private Bank in Geneva from 2011 to 2014. Before that he spent 23 years at Credit Suisse where his last position was Head of International French-speaking clients HNWI in Geneva. Marc Brodard holds a BA in business administration from the College of Business Administration in Lausanne and attended the Stanford Executive Program, at Stanford University in Palo Alto California.

Irina Buholzer-Hinova (1969)
Irina Buholzer-Hinova joined Schroders in 2021 as Head of Service Centre Wealth Management and Member of the Executive Board. She is responsible for the provision of Operations, IT, Finance, Trade Execution and Treasury services to the Schroders global Wealth Management Division. Prior to joining Schroders, Irina was Head of Operations Service Centre at Rothschild & Co Bank from 2010 to 2021. Previously, she worked at HSBC Guyerzeller Bank in a similar position, and at St. Galler Kantonalbank as Head of Management Support Private Banking. Irina started her career in the Finance department at the United Bulgarian Bank in Sofia. She has studied at the University of Economics in Sofia and the University of St. Gallen, and holds a Master degree in Statistics and Oeconometrics.

Giovanni Leonardo (1972)
Giovanni Leonardo joined Schroders in 2015 as Head of Investment Management, supervising discretionary portfolio management, advisory, and private equity. He became member of the Executive Board in 2020. Giovanni has been in the investment industry since 1995. He started his career at SBC/UBS as Equity Fund Manager and then moved to Credit Suisse and thereafter to Julius Baer as Multi Asset Manager for institutional clients. Later on he moved into the private banking world as CIO of Centrum Bank AG in Vaduz. Giovanni Leonardo holds a Master Degree in Economics and Business Administration from the University of Bern. He is a CFA Charterholder and CEFA holder. He is also "Eidg. Dipl. Finanzanalytiker und Vermögensverwalter".

Oliver Oexl (1967)
Oliver Oexl joined Schroders as Head of Legal and Compliance and member of the Executive Board in 2014. In 2015 he also became responsible for Risk. Prior to joining Schroders, he was Head of Legal and Compliance at Metropol Partners AG, an independent asset manager in Zurich. Before that, he was Head of Compliance at Clariden Leu, holding various Head of Compliance functions within the Credit Suisse Group. He started his career as a lawyer in the Legal Department of Credit Suisse in 1997. Oliver Oexl holds a Master of Law Degree from the University of St. Gallen and is admitted to the bar.

Report of the statutory auditor

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Schroder & Co Bank AG (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 4–28) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework for banks, the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd
Zurich, 20 April 2023

Hannes Smit
Licensed audit expert,
Auditor in charge

Damian Swita

EST. 1804

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