



Private  
Bank

# Annual Report 2018

Barclays Bank (Suisse) SA



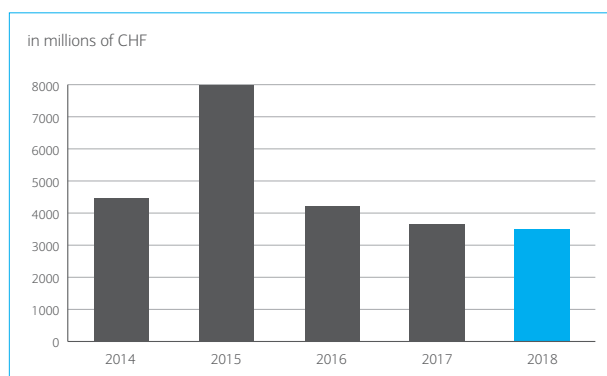


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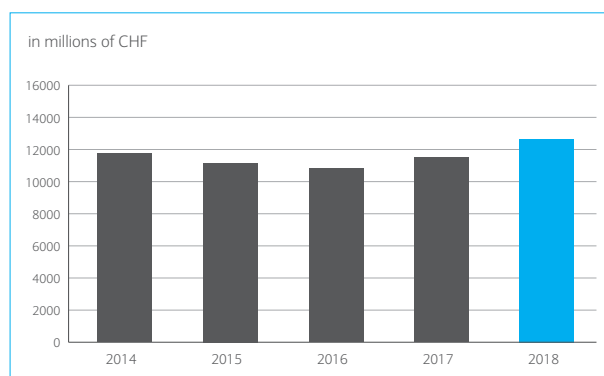
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# 1. Financial Highlights

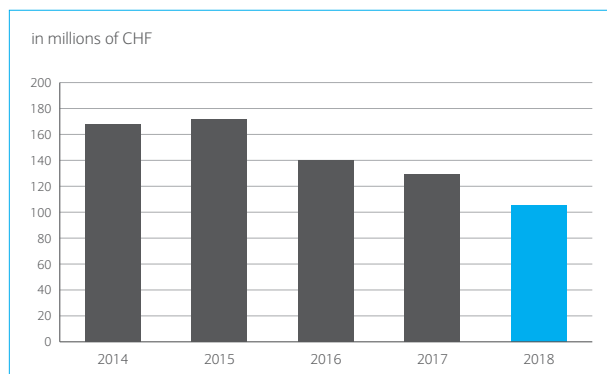
## Total balance sheet



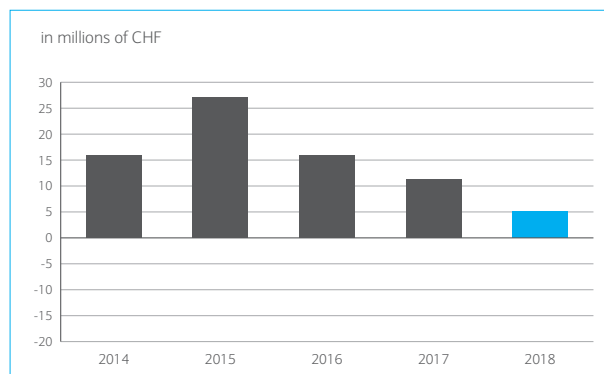
## Assets administered



## Net income from banking operations



## Operational profit



# 2. Report of the Board of Directors to the Shareholder

2018 was focused on relaunching the Zurich office, defining the markets served by the Geneva and Zurich based banker teams, and driving growth of the core business. This is evident in the year on year increase of client assets administered of 7%, which is a consequence of our transition during 2017 to reposition as fully focused on High Net Worth (HNW) clients, with established links between the appropriate other businesses within the Barclays Group, including our Investment Corporate and Premier banking divisions.

2018 also saw an uplift in the volume of Client Satisfaction Survey's completed. The overall satisfaction rate of 85 out of 100 shows that our clients are very satisfied with our service, particularly with the quality of interactions provided by their Relationship Management Team. The broader feedback and results will help us to understand what we are doing well, but more importantly how we can continue to improve our services.

As testament to the work we are doing to improve services for our clients, in February 2019 Barclays Bank (Suisse) SA was awarded 'Best Client Initiative' at the Wealth Briefing Swiss Awards. The award recognised Barclays' innovative use of voice biometrics technology during our client verification process as one of the most secure measures to combat fraud, while delivering a great client experience.

## Economic Backdrop

After a sustained period of almost perfect calm in capital markets, with most assets riding on the coat-tails of a synchronised acceleration in global growth, 2018 has provided a very different experience for investors. While the US economy surged on the back of a dose of fiscal sugar, growth rates in large parts of the rest of the world economy swooned for a variety of reasons.

Central bankers and bond markets provided significantly less accommodation while the US administration added some bite to their repeated barks over trade tariffs. All of this has added up to a more difficult environment for capital markets, which offered little refuge from the turbulence for most of the year.

Unfortunately, times like these are part and parcel of investing. Some years will be very good, offering near stress-free gains across asset classes, such as 2017. Some years, like 2008, will be very bad. Most will be somewhere in between, but there have been many more good days, months, and years than there have been bad ones. Being invested in a sensibly diversified fashion and for the longer term both help to balance out the good and bad times.

For our part, we will strive to capture the best opportunities in different market circumstances. Prudently-constructed portfolios, founded on solid asset allocations and backed by rigorous due diligence, are still, we think, the best long-term investments for an uncertain world. They are precisely what we offer our clients.

## Business Overview

Barclays Bank (Suisse) SA is part of the Barclays Private Bank & Overseas Services division, which combines the wealth management business (providing private and intermediary clients with international and private banking, credit facilities, investment management, fiduciary services and brokerage) with offshore banking (for affluent individuals requiring non-UK jurisdiction banking services).

Barclays Bank (Suisse) SA operates from offices in Geneva and Zurich, where Private Bankers are supported by the global Barclays Group, located in 50 countries and employing approximately 80,000 people.

Our services are tailored to High Net Worth (HNW) and Ultra High Net Worth (UHNW) individuals. They help people meet their financial objectives, whether they are protecting, growing or passing on their wealth. We are raising industry standards through our investment philosophy, encompassing client profiling, investment strategies and portfolio construction.

Understanding our clients' aspirations, their overall wealth situation and both their unique financial personality and risk tolerance is our starting point. This enables us to provide products and services that are designed, monitored and managed to provide value and accessibility. We constantly review our products and services to ensure they continue to meet our clients' needs.

Our principal activities are as follows:

### Private banking and portfolio management services

We offer clients a variety of propositions to meet their financial needs, ranging from full discretionary portfolio management, various levels of investment advisory services and execution only. Products include traditional securities, funds, derivative instruments, deposit products and foreign exchange. We constantly strive to present new product ideas to clients, and innovative products that enable these ideas to be monetised.

### Balance sheet operations

The majority of lending activity is driven by client demand for credit. As a general rule, loans are granted on a secured basis through Lombard credits, secured by marketable securities.

Mortgage lending is also provided and is secured through charges on residential properties located mainly in the United Kingdom, but also in France and Switzerland. Commercial credits are only granted on an exceptional basis.

We, as part of the Barclays Group, may also take part in ad hoc balance sheet transactions. We would do this after undertaking a thorough risk assessment, to support the Group strategy, and with approval from the local regulator if applicable.

We hold a portfolio of bonds for the medium term, presented under 'Financial investments'. Substantially all of these securities are allowable for discounting at the Swiss National Bank.



### Trading operations

For the benefit of our clients, we offer an integrated service for trading operations. We do not enter into securities or derivatives, transactions for our own account except in the case of transactions to hedge foreign exchange and interest rate risks.

### Capital adequacy

The information relating to the required capital adequacy in accordance with the circ.-FINMA 2016/1 are available in the Barclays PLC 2017 Annual Report and published on Barclays Investor Relation's website. <http://www.barclays.com/barclays-investor-relations.html>

### Strategy in 2018

In 2018, our business strategy was to build on the service and product improvements seen in 2017, and accelerate growth in our core focus markets. Primarily, this was achieved by the hiring of new bankers and Senior Investment Specialists. We have already started to see the benefits of the hires we made in 2018 and we plan to continue hiring through 2019. Additionally, we renewed our focus on the Swiss onshore market. This was notable in large Family Office and External Asset Managers operating in Geneva and Zurich for whom we previously had a small market share, and to whom we can provide access to Balance Sheet and to our Global Corporate and Investment Bank Solutions.

Coupled with the above, with many geopolitical uncertainties including Russia, USA, China and Brexit, 2018 presented a strong opportunity for Barclays Switzerland and to help clients looking to benefit from the stability and strength of Switzerland.

### Results Summary

In 2018 we recognised a profit of CHF 10.6 million which was significantly above the prior year profit of CHF 2.0 million. This was largely attributable to the sale at fair value of software assets to the newly established Barclays Switzerland Services SA ('BSSSA'). This transaction transferred the IT support for the bank into a fully Barclays owned local Swiss service company, compliant with the new global Barclays operating model, which was necessary to meet new UK 'ring-fencing' regulations impacting the Barclays group.

### Risk assessment

We have a conservative and prudent approach to credit, market, operational and other risks. The key elements of the risk position of the Bank are regularly assessed by the management and Audit Committee. The results are summarised for the Board, highlighting any breaches of the risk appetite established by the Board. Further details on the risk strategy, risk profile and assessment and management of the various risks are detailed in section 6 of the annual report (pages 16 to 18).

The Bank continues to invest in upgrading compliance controls to remain ahead of the regulatory agenda in Switzerland. The Bank is compliant with the recently introduced regulations on Financial Markets Infrastructure, and is working with its advisers to be compliant with the Swiss Financial Services Act and Financial Institutions Act, both anticipated to enter into force in January 2020.

## Ratios

	2018 CHF '000	2017 CHF '000	2016 CHF '000	2015 CHF '000
Minimum capital requirements	77'705	76'144	85'153	88'350
Total eligible regulatory capital	178'179	172'555	175'540	169'870
• of which, Common Equity Tier 1 capital	168'179	157'555	155'540	144'870
• of which, Tier 1 capital	168'179	157'555	155'540	144'870
Risk weighted assets	971'316	951'803	1'064'412	1'104'380
CET1 ratio (%)	17.3%	16.6%	14.6%	13.1%
Tier 1 ratio (%)	17.3%	16.6%	14.6%	13.1%
Total Eligible Equity ratio (%)	18.3%	18.1%	16.5%	15.4%
Countercyclical buffer (%)	0.1%	0.1%	0.1%	0.1%
Minimum CET1 target ratio (%)	7.5%	7.5%	7.5%	7.5%
Minimum T1 target ratio (%)	9.1%	9.1%	9.1%	9.1%
Minimum Tier 2 ratio (%)	11.3%	11.3%	11.3%	11.3%
Basel III leverage ratio (%)	4.6%	4.1%	3.6%	1.8%
Leverage ratio exposure	3'660'060	3'809'282	4'375'270	8'227'089
Liquidity Coverage Ratio Q4 Average (%)	121.0%	168.8%	312.7%	238.3%
• Numerator	546'023	760'770	920'064	1'659'805
• Denominator	451'091	450'644	294'228	696'481
Liquidity Coverage Ratio Q3 Average (%)	123.6%	156.0%	223.9%	182.5%
• Numerator	386'413	705'456	749'297	1'001'141
• Denominator	312'720	452'239	334'598	548'676
Liquidity Coverage Ratio Q2 Average (%)	135.3%	172.4%	220.8%	173.0%
• Numerator	657'685	805'752	787'028	779'567
• Denominator	486'112	467'442	356'385	450'549
Liquidity Coverage Ratio Q1 Average (%)	152.7%	284.9%	203.1%	150.6%
• Numerator	804'332	915'570	1'423'997	500'923
• Denominator	526'790	321'343	701'234	332'653
Minimum required Total Eligible Equity Ratio	11.2%	11.2%	11.2%	12.0%



# 3. Barclays and the community

## Strong support to our local community

Barclays Bank (Suisse) SA has a proud tradition of supporting and investing in the communities where we do business. We have steadily increased this commitment over the past years and are proud of our ongoing support of local Swiss cultural initiatives, such as our sponsorship of the biennale Sculpture Garden in Geneva.

### Sculpture Garden

Barclays (Bank) Suisse SA is pleased to re-affirm its ongoing support of Geneva's cultural life by promoting arts through this partnership.

The Sculpture Garden Biennale held its first edition in summer 2018, in the majestic Parc des Eaux-Vives. This exhibition followed on from the initiative of artgenève to present sculptures in public spaces, on Quai Wilson during the fair. For the artistic scene in Geneva, the objective was to provide a second date to be inscribed in the international calendar of contemporary art events and, for the public, it is a new free offer during the summer season.

The exhibition was conceived as a journey, an invitation for a stroll along the pathways of the park, while discovering contemporary artistic productions. They have been laid out as a series of encounters offered to the visitors, either in a dialogue with the landscape, or else in contrast with it, through the incursion of urban themes. One discovers, among other things, a giant mushroom and a bronze lightning-struck tree, as well as phone booths made over for another use and a flying saucer... 14 works inhabited, for a summer, the alleys and the pastures, the trees and the groves of the landscaped park Genevans appreciate so much.

The organising committee of the exhibition wanted this event to have an institutional and public dimension which is different from the premises that led to its conception. Thus, several works came from public collections and some projects have been specially produced for the occasion. Furthermore, performances enliven the entire duration of the event and offered forms that have more to do with the ephemeral than with monumental sculpture. A mediation program also allowed those who wanted to delve further into the discoveries they have made during this journey.

List of exhibited artists: Rasheed Aareen, Max Bill, Alexander Calder, Elmgreen & Dragset, Sam Falls, Sylvie Fleury, Subodh Gupta, Carsten Höller, Anita Molinero, Louise Nevelson, Mai-Thu Perret, Ugo Rondinone, Takis, Oscar Tuazon.

## Citizenship

Barclays has a strong and longstanding commitment to managing the environmental and social impacts of our business, recognising that our success is closely linked to that of the communities in which we live and work.

It is by focusing on our core products and services, and our relationships that we can make the greatest positive impact. We will continue to identify new opportunities to integrate these considerations into the work we do every day to help customers and clients, colleagues and society to rise.

By partnering with high-performing and innovative charities and not-for-profit organisations globally, we have demonstrated our commitment to a diverse number of philanthropic initiatives. The firm provides a wide range of programmes to support our employees' charitable efforts, from volunteering to gift-matching and grant-making.

In 2012, Barclays Group launched its 'Citizenship' agenda with one of the pillars being 'Community Investment'. The Community Investment agenda was defined as focusing on empowering the next generation with skills to achieve economic independence and security, i.e. life, enterprise or financial skills.

In addition to this our employees run over 11 initiatives helping to raise CHF 24'000 in benefits of the local community. To recognise the effort of our employees Barclays matched CHF 15'000 helping to donate a total of CHF 39'000 to the community.

2018 saw more than 500 hours of volunteer work with the overall objective of helping people in need (fundraising for Cancer and Aids, collection of Christmas gifts for unprivileged children, mentoring).

# 4. Financial statements

## 4.1 Balance sheet

	Reference to notes	31.12.2018 CHF '000	31.12.2017 CHF '000	Variations CHF '000
<b>Assets</b>				
Liquid assets		609'614	655'671	-46'057
Amounts due from banks		185'387	423'697	-238'310
Amounts due from securities financing transactions	7.1	10'153	8'200	1'953
Amounts due from customers	7.2	1'288'777	1'144'502	144'275
Mortgage loans	7.2	1'151'206	1'120'924	30'282
Positive replacement values of derivative financial instruments	7.3	12'539	23'944	-11'405
Financial investments	7.4	196'959	189'326	7'633
Accrued income and prepaid expenses		18'627	26'218	-7'591
Tangible fixed assets	7.5	5'800	29'475	-23'675
Other assets	7.6	2'145	2'778	-633
<b>Total assets</b>		<b>3'481'207</b>	<b>3'624'735</b>	<b>-143'528</b>
<b>Liabilities</b>				
Amounts due to banks		855'602	521'899	333'703
Amounts due in respect of customer deposits		2'416'109	2'893'503	-477'394
Negative replacement values of derivative financial instruments	7.3	15'528	23'810	-8'282
Accrued expenses and deferred income		20'154	23'916	-3'762
Other liabilities	7.6	3'170	1'597	1'573
Provisions	7.10	2'466	2'456	10
Bank's capital	7.12	150'000	150'000	-
Statutory retained earnings reserve		6'916	6'882	34
Profit/(Losses) carried forward		638	-1'343	1'981
Profit for the year		10'624	2'015	8'609
<b>Total liabilities and shareholder's equity</b>		<b>3'481'207</b>	<b>3'624'735</b>	<b>-143'528</b>
Total subordinated liabilities	7.9	25'022	25'022	-
• of which, subject to mandatory conversion and/or debt waiver		-	-	-
<b>Off-balance sheet transactions</b>				
Contingent liabilities	7.2, 8.1	20'576	24'709	-4'133
Irrevocable commitments	7.2	26'707	26'440	267

## 4.2 Income statement

	Reference to notes	2018 CHF '000	2017 CHF '000	Variations CHF '000
<b>Result from interest operations</b>				
• Interest and discount income		53'266	41'992	11'274
• Interest and dividend income on financial investments		-155	-65	-90
• Interest expense		-2'455	-2'540	85
Gross result from interest operations		50'656	39'387	11'269
Changes in value adjustments for default risk and losses resulting from interest operations	7.10	-3'899	-4'786	887
Net result from interest operations		46'757	34'601	12'156
<b>Results from commission business and services</b>				
• Commission income from securities and investment services		48'429	44'492	3'937
• Commission income on lending activities		2'238	2'000	238
• Commission income from other services		4'093	4'311	-218
• Commission expenses		-11'107	-11'744	637
Net results from commission business and services		43'653	39'059	4'594
Results from trading activities and the fair value option	9.2	9'598	17'792	-8'194
<b>Other results from ordinary activities</b>				
• Result from the disposal of financial investments		567	-	567
• Other ordinary income		12'408	38'045	-25'637
• Other ordinary expenses		-8'325	-928	-7'397
Other results from ordinary activities		4'650	37'117	-32'467
<b>Operating expenses</b>				
• Personnel expenses	9.3	-59'745	-75'461	15'716
• General and administrative expenses	9.4	-40'377	-42'313	1'936
Total operating expenses		-100'122	-117'774	17'652
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	7.5	-4'241	-7'822	3'581
Changes to provisions and other value adjustments and losses		-492	-325	-167
Operating result		-197	2'648	-2'845
Extraordinary income	9.6	11'523	9	11'514
Taxes	9.7	-702	-642	-60
Profit for the year		10'624	2'015	8'609

### 4.3 Appropriation of profit

	2018 CHF '000	2017 CHF '000	Variations CHF '000
Profit for the year	10'624	2'015	8'609
• Profit/(Losses) carried forward	638	-1'343	1'981
Accumulated profit	11'262	672	10'590
Appropriation of profit			
• Allocation to statutory retained earnings reserves	-531	-34	-497
New amount carried forward	10'731	638	10'093

### 4.4 Statement of changes in shareholder's equity

	Bank's capital	Statutory retained earnings reserves	Profit/ (Losses) carried forward	Result of the period	Total
	CHF '000	CHF '000	CHF '000	CHF '000	CHF '000
Shareholder's equity as at 1 January 2018	150'000	6'882	-1'343	2'015	157'554
Appropriation of prior year profit	-	34	1'981	-2'015	-
Profit for the year	-	-	-	10'624	10'624
Shareholder's equity as at 31 December 2018	150'000	6'916	638	10'624	168'178

# 5. Notes to the financial statements

## Business name or name of the Bank, and its legal form and domicile

Barclays Bank (Suisse) SA ('The Bank') is a Swiss bank in foreign hands and is principally active in Switzerland through its main office in Geneva and its branch in Zurich. The Bank's main activity is Private Banking and it holds the status of securities dealer.

## Personnel

As at the 31 December 2018, the number of people employed by the Bank on a full time equivalent basis, was 215 (31.12.2017: 299).

## Accounting and valuation principles

The accounting and valuation principles are based on the Swiss Code of Obligations, the Banking Act and its related Ordinance as well as the Accounting rules for banks, securities dealers, financial groups and conglomerates according to FINMA circular 15/1. The accompanying 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 are allowed to include hidden reserves.

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

## General principles and recording of business transactions

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

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 principles described below.

Items are entered on the balance sheet as assets if, based on past events, they may be disposed of, a cash inflow is probable and their value can be reliably estimated. If a reliable estimate is not possible, then it is a contingent asset, which is commented on in the notes.

Items are entered on the balance sheet as liabilities if they have arisen due to past events, a cash outflow is probable

and their value can be reliably estimated. If a reliable estimate is not possible, then it is a contingent liability, which is commented on in the notes.

The disclosed balance sheet items are valued individually. The transitional provision, which requires the individual valuation of equity participations, and tangible fixed assets as of 1 January 2020, is not applied.

In principle, neither assets and liabilities nor expenses and income are offset. Accounts receivable and accounts payable are only offset if they concern the same type of transaction with the same counterparty in the same currency and they have an identical or earlier due date and do not lead to any counterparty risk.

Value adjustments are deducted from the corresponding asset item.

## Conversion of foreign currency transactions

Transactions in foreign currencies are recorded at the respective daily exchange rate. Assets and liabilities are translated as of the balance sheet date using the closing rate on the balance sheet date. Participations, tangible fixed assets and intangible assets are valued using the historical exchange rates. The price gain or loss resulting from the currency translation is recorded via the item 'Result from trading operations'.

For the foreign currency translation, the following exchange rates were used:

	2018	2017
	Closing rate	Closing rate
USD	0.9865	0.9765
GBP	1.2615	1.3197
EUR	1.1281	1.1714

## Liquid assets

Liquid assets are recognised at their nominal value.

## Amounts due from banks, amounts due from customers and mortgage loans

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

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, i.e. obligations entered into with clients for which 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). In doing so, the entire liability of the client or the economic entity has to be checked for any counterparty risk.

If a receivable is classified 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 'Changes in value adjustments for default risk and losses resulting from interest operations' in the income statement.

Using the methods described below, the Bank classifies all receivables in one of the five rating classes: *Performing*, *WatchList1*, *Watchlist2*, *WatchList3* and *Bad & Doubtful*. For receivables in the class *Performing*, the debt is serviced, the collateral is adequate and the repayment of the loan is not in doubt. For these receivables, no value adjustments for latent default risks are created. Loans in class *WatchList1* are performing, it is a temporary classification for obligors exhibiting some unsatisfactory features which may affect business viability beyond the medium term. *WatchList2* are performing, some doubt exists as to the viability of the obligors but it is believed that the obligors can meet obligations over the short term. *WatchList3* classification issued where definite concern exists with well defined weaknesses, if the position deteriorates, obligors' failure could occur in the very short term irrespective of whether the Bank holds collateral or not. *Bad&Doubtful* are non performing, insolvent and/or have regulatory default, with high risk of loss.

The individual valuation adjustments are deducted from the corresponding asset item in the balance sheet.

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 'Changes in value adjustments for default risk and losses resulting from interest operations'.

#### Methods used for identifying default risks and determining value adjustments and provisions

**Mortgage Loans:** For residential properties, investment properties and trophy properties, the Bank uses recognised professional valuers with an appropriate professional indemnity insurance coverage, in order to obtain a valuation of the property including market analysis and comparables. Open market values subject to vacant possession are obtained for all property types. For investment, Buy-to-Let properties the Bank will additionally obtain an open market value on a tenancy agreement basis. In addition a rental value (using a discounted cash flow model) will be calculated by the Bank. For trophy properties the Bank will obtain open market values on both a vacant possession and a tenancy agreement basis. The Bank will review and validate these valuations. Based on these valuations, the Bank updates the loan-to-value ratio at least every three years. The late payment of interest and amortisation payments are analysed on a monthly basis. From this, the Bank identifies mortgages that involve higher risks. These loans are then reviewed in detail by credit specialists. If necessary, additional coverage is requested or a corresponding value adjustment is created based on the coverage shortfall.

**Securities-based Loans:** The commitments and values of collateral for securities-based loans are monitored daily. If the collateral value of the securities falls below the amount of the credit utilisation level, the amount of the loan is reduced or additional securities are requested. The collateral value of the securities is calculated by multiplying the market value of the securities with an appropriate haircut. If the coverage gap grows or in extraordinary market conditions, the securities are utilised and the credit position is closed out.

**Unsecured Loans:** As a general rule, the Bank does not offer unsecured loans or unsecured overdrafts to clients, with any exceptions requiring two levels of approval by Credit Risk. Any significant unsecured facilities are notified to the Credit Risk Committee and the Board. The loan values of unsecured staff loans are aligned with the employees notice period.

Any new value adjustments and provisions identified by these processes, as well as known risk exposures which are reassessed at each balance sheet date and adjusted if necessary, are reviewed and approved by the Management Committee.

#### **Treatment of past-due interest**

Past-due interest and the corresponding commissions are not included as interest income. Interest income only includes interest and commissions that are less than 90 days past due and not yet paid. From this point in time, no accrued interest and commission is recorded in 'Interest and discount income' until there is no more past-due interest longer than 90 days.

Past-due interest is not cancelled retroactively. The liabilities from the accumulated interest up to the expiry of the 90-day term (due unpaid interest and accumulated accrued interest) are written down via the item 'Change in value adjustments for default risk and losses resulting from interest operations'.

#### **Securities financing transactions**

The term securities financing transactions includes repurchase and reverse repurchase transactions, securities lending and securities borrowing.

Repurchase transactions (repos) are recorded as cash deposits with own securities as collateral. Reverse-repurchase transactions (reverse repos) are treated as receivable against collateral in the form of securities. The exchanged cash amounts are recorded at nominal value on the balance sheet. Securities lending transactions are treated as repos if they are subject to daily margining and secured by cash. 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.

#### **Amounts due to banks and amounts due in respect of customer deposits**

These items are to be recognised at their nominal value.

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.

#### **Policy regarding the use of derivative financial instruments and hedge accounting**

Derivative financial instruments are used for trading purposes. The Bank uses derivatives for risk management

purposes, to hedge against interest rate and currency fluctuation risks, however hedge accounting is not applied.

The Bank does not have any market-making activities. Standardised and OTC instruments are traded on own account and 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.

The valuation of derivative financial instruments for trading purposes is done according to the fair value and the positive or negative replacement value is recorded in the corresponding financial statement line item. The fair value is based on market prices, dealers' price quotations, discounted cash flow and option pricing models.

The realised result from trading operations and the unrealised result from valuations relating to trading operations are recorded via the item 'Results from trading operations'.

#### **Netting**

The Bank does not offset positive and negative replacement values with the same counterparty within the terms of the recognised and legally enforceable netting agreements.

#### **Financial investments**

Financial investments include debt instruments, equity securities, physical stocks of precious metals as well as properties and goods acquired in relation to loan transactions and destined for sale.

If the fair value of financial investments valued using the lower of cost or market principle increases again after declining below the historical cost, the value may be appreciated up to a maximum of the historical cost. The balance of the value adjustments is recorded via the item 'Other ordinary income' or 'Other ordinary expenses'.

#### **Held-to-maturity debt instruments**

The valuation is based on the acquisition cost principle with the premium/discount, accrued/deferred over the residual term to maturity (accrual method). The premium/discount is accrued/deferred over the residual term to maturity via the item 'Accrued income and prepaid expenses' or 'Accrued expenses and deferred income'. Value adjustments for default risk are recorded immediately under 'Changes in value adjustments for default risk and losses resulting 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 via the item 'Accrued income and prepaid expenses' or 'Accrued expenses and deferred income'.

#### Physical precious metals as well as properties acquired in relation to loan transactions and destined for sale

The valuation is based on the lower of cost or market value principle. For properties and goods acquired in relation to loan transactions and destined for sale, the lower of cost or market value is determined by the purchase value or the liquidation value, whichever is the lowest. Own physical stocks of precious metals that serve as collateral for liabilities from precious metals trading accounts are valued, as they are in such accounts, at fair value.

#### Participations

Participations owned by the Bank include equity securities of companies that are held for long-term investment purposes, irrespective of any voting rights.

Participations are valued at historical costs minus any value adjustments due to business reasons.

Each participation is tested for impairment as of the balance sheet date. This test is based on indicators reflecting a possible impairment of individual assets. If any such indicators exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset. The recoverable amount is the higher amount of the net selling price and the value in use. 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 depreciation and amortisation of tangible fixed assets and intangible assets'.

Realised gains from the sale of participations are recorded via the item 'Extraordinary income' and realised losses are recorded via the item 'Extraordinary expenses'.

#### Tangible fixed assets

Investments in tangible fixed assets are capitalised as an asset on the balance sheet if they will yield measurable benefits for more than one year and exceed the minimal

value for recognition of CHF 500. Each capitalised tangible fixed asset stems from an approved project, the costs of which are separately reported and managed, allowing the resulting tangible fixed asset to be identified and controlled by the Bank. Project costs are reported at a sufficiently granular level to allow the Bank to identify items eligible for capitalisation. In the case of projects which remain in progress at the balance sheet date tangible fixed assets are only recognised where the resources to complete the project are, or will be, made available.

Tangible fixed assets are recognised at acquisition cost minus the scheduled accumulated amortisation over the estimated operating life.

Tangible fixed assets are amortised at a consistent rate (straight-line amortisation) over a prudent estimated operating life via the item 'Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets'. The estimated operating lives of specific categories of tangible fixed assets are as follows:

Asset Class	Operating Life
Installations and renovations in third-party properties	10 to 15 years
Plant, property, equipment	4 to 10 years
Self-developed or bought-in software	5 to 10 years
Telecommunications, Information Technology	Up to 5 years

Each tangible fixed asset is tested for impairment as of the balance sheet date to ensure that it will yield a measurable benefit to the Bank over more than one year. This test is based on indicators reflecting a possible impairment of individual assets impaired. If any such indicators exist, the recoverable amount is calculated. 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 depreciation 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 expenses'.

#### **Other assets and liabilities**

These positions are carried at their nominal value.

#### **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.

Existing provisions are reassessed at each balance sheet date. Based on this reassessment, the provisions are increased, left unchanged or released. Positions are recorded in the income statement under 'Changes to provisions and other value adjustments and losses'.

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

#### **Taxation**

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 expenses and deferred income'.

Expense due to income and capital tax is disclosed in the income statement via the item 'Taxes'.

#### **Off-balance-sheet transactions**

Off-balance-sheet disclosures are at nominal value. Provisions are created in the liabilities in the balance sheet for foreseeable risks.

#### **Pension benefit obligations**

The Bank's employees are insured through the Bank's pension fund. The pension fund liabilities and the assets serving as coverage are separated out into a legally independent Occupational Pension Scheme.

The organisation, management and financing of the pension funds comply with the legal requirements, the deeds of foundation and the current pension fund regulations. All of the Bank's pension funds are defined contribution plans.

The Bank bears the costs of the occupational benefit plan for employees and survivors as per the legal requirements. The employer contribution arising from the pension funds are included in 'Personnel expenses' on an accrual basis.

Liabilities from current pension benefit obligations are disclosed via the item 'Accrued expenses and deferred income'.

The Bank assesses whether there is an economic benefit or economic obligation arising from a pension fund as of the balance sheet date. The assessment is based on the contracts and financial statements of the pension funds (established under Swiss GAAP FER 26 in Switzerland) and other calculations that present a true and fair view of the financial situation as well as the actual over- or underfunding for each pension fund. The Bank refers to a pension fund expert to assess whether a benefit or an obligation exists for each pension fund.

#### **Equity-based compensation schemes**

Equity-based compensation schemes exist for the employees of the Barclays Group and is managed by a related company. The cost of the share plan are subsequently recharged to the Bank via a head-office recharge.

The liability is initially recorded within 'Accrued expenses and deferred income' and the equity-based compensation scheme is recorded in the item 'Personnel expenses'.

#### **Changes of the accounting estimate**

No changes in accounting and valuation principles occurred in 2018.

#### **Material events after the balance sheet date**

The Bank reviewed its capital structure as part of an optimisation exercise. Following the review the Bank repaid its CHF 25 million subordinated loan, after obtaining regulatory approval from FINMA, on 28 February 2019. The Bank has submitted an additional proposal to FINMA which may result in further changes to the Bank's capital structure in 2019.

# 6. Risk Management

The Bank engages in activities which entail regular risk taking throughout its business. This includes exposures to credit losses in its lending and banking transactions, treasury risk (including liquidity, leverage, capital adequacy) in its financial management, and operational risks (for example from fraud, transaction processing or technology failure). In addition, the Bank faces reputational and conduct risks in relation to its interactions with clients and the financial markets in which it operates, as well as the risk of being penalised for not meeting its legal obligations or adhering to regulatory requirements.

The Bank is committed to effective risk management and operates a comprehensive risk management framework for the identification, measurement, monitoring and management of these risks, which is a major priority for the Bank. The key elements of this risk management framework are:

- A comprehensive risk policy;
- The use of recognised risk measurements to monitor activity and performance in relation to a defined risk appetite;
- The definition of risk limits and the corresponding monitoring and reporting measures;
- Ensuring timely and comprehensive reporting on all risks;
- The allocation of adequate financial and human resources to risk management; and
- Promoting risk awareness at all staff and management levels.

The Board of Directors is responsible for the overall risk management of the Bank. It defines the risk policy and appetite, as well as the resulting risk management approach. This is based on the Barclays Group's Enterprise Risk Management Framework (ERMF) which defines eight principal risks, as well as several underlying key risks. The Board of Directors approves the overall risk appetite based on the ERMF approach and the Bank's risk capacity, and it then monitors the implementation of the risk policy and compliance with the limits. To fulfil its monitoring duties, a comprehensive risk report is submitted quarterly to the Audit Committee of the Board of Directors.

The executive management is responsible for the execution of the Board of Director's policies. It ensures a suitable risk management organisation is in place, based on the ERMF approach which includes assigning risk assessment and ownership responsibilities for all identified principal and key risks. Key risk indicator metrics and qualitative reporting are established within the overall limits established by the Board, which are reviewed and formally challenged monthly in cross departmental committees.

The Bank mandates that all employees have a specific responsibility for managing the Bank's risk. These responsibilities are defined in terms of the role of the employee within a 'three lines of defence' framework.

The 'first line' comprises all employees engaged in the revenue generating and client facing activities of the Bank, as well as the associated support functions, including finance, treasury, technology, operations, and human resources. Employees in the 'first line' have primary responsibility for their risks, including identifying and managing all the risks in the activities in which they are engaged, and developing an appropriate risk control environment which meets all policies and standards and implements appropriate controls to govern their activities.

Employees of Risk and Compliance comprise the 'second line' of defence. The role of the 'second line' is to establish the limits, rules and constraints under which 'first line' activities shall be performed, consistent with the risk appetite of the firm, and to monitor the performance of the 'first line' against these limits and constraints. The 'second line' has the authority and responsibility to perform independent challenge of all risks in the 'first line' at any time.

Employees of Internal Audit comprise the 'third line' of defence. They provide independent assurance to the Board and executive management over the effectiveness of governance, risk management and control over current and evolving risks. External audit is also considered part of the 'third line'.

Employees of Legal are not formally designated as a member of any one line of defence, instead providing support and legal counsel to all functions of the Bank.

## Credit Risk

The Credit Risk Framework and Credit Risk Mitigation Policy defines the manner in which the Bank seeks to manage and mitigate the potential for loss arising from obligors failing to honour their commitments.

The Bank's policy for granting credit to clients is based on the principle of prudence. Credit authorisation is governed by quantitative and qualitative requirements and subject to approval limits established in the Bank's internal organisational rules. Credit risk management methodology is defined in the credit policy and procedures, and is reviewed on an annual basis. This incorporates a quantitative application of specific coverage margins (including the 'loan-to-value' on financial

and property assets provided as collateral). The quality of the client is assessed by standardised solvency criteria. These factors are subject to periodic re-assessments, taking into account current market conditions.

The Bank may grant loans secured by mortgage on owner occupied or income-producing real estate property. In this case, the client may use loan proceeds to acquire real estate property or to finance other activities, notably financial investments. Properties used as collateral are valued by independent surveyors, both initially and at regular intervals during the term of the loan.

For loans secured on financial instruments, transferable securities (typically bonds and shares) that are liquid and actively traded are accepted as collateral. Derivative products may also be accepted where there is a mature secondary market. The Bank applies a variable discount process to the market value of financial instruments in order to determine an appropriate collateral value of such assets, based on their volatility and liquidity.

There is a segregation of duties between responsibilities for marketing credit services and those of credit authorisation. The Board of Directors is responsible for approving large credit exposures with a nominal value in excess of 25% of the Bank's capital.

The Credit policy of the Bank forms the basis of credit risk monitoring and control. Significant aspects include (but are not limited to) understanding the purpose of the credit, the transparency, plausibility, ability to pay and the proportionality of the transaction. Credit monitoring is performed on a daily basis, reviewing credit exposures against limits and available collateral. This is supplemented by a monthly evaluation and oversight process to identify trends, concentrations and other potential credit concerns. All facilities are additionally subject to an annual review process.

### Counterparty risk

Credit exposures to counterparties are restricted by credit limits, which are recommended by the Treasury Committee (under advice from appropriate specialists) and approved by the Board of Directors.

The Bank only transacts with highly reputable counterparties. The Bank performs a comprehensive assessment of each and every counterparty before a limit is established, against which exposure is monitored on a daily basis.

The Bank also places Fiduciary Deposits with bank counterparts on behalf of our clients and at their risk. These counterparts are similarly assessed, managed (and reviewed at least annually) against a system of limits to provide clients with opportunities to place deposits at rates that seek to optimise risk-aware returns.

### Interest Rate risk

The Bank is heavily involved in multi-currency balance sheet transactions across different terms, both as a lender and deposit taker. This creates a potential for interest rate risk, which is mitigated through active balance sheet management and derivative (hedging) transactions, primarily with the Barclays Group. The measurement and management of interest rate risk is part of the asset and liability management (ALM) function, performed by the Treasury Committee of the Bank, which includes members of the executive management, treasury and risk teams.

The treasury function operates the ALM system which measures the potential impact of market risk by means of value-at-risk calculations and limits, with end of day independent verification by the financial control team. Depending on the estimated interest rate developments, the Treasury Committee takes hedging measures within defined risk limits and defined hedging strategies.

Money market operations ensure long-term refinancing and the management of interest rate risks, taking into account the following objectives:

- Record, measure and manage all interest rate risk arising from client transactions with the Bank;
- Ensure cost-effective refinancing in line with the development of the balance sheet;
- Ensure compliance with regulatory requirements, notably the capital adequacy ratio, leverage ratio, liquidity and stable funding requirements as well as adherence to limits over intra-Group positions.

### Risks on foreign exchange rates

The Bank executes foreign exchange transactions to serve our clients, and for its own balance sheet management purposes. Any significant exposures resulting from these activities are closed out (for same day value) in the foreign exchange markets. The Bank undertakes value-at-risk calculations against limits for its foreign exchange activity, to ensure the potential market risk impact of any residual positions (not fully hedged in the foreign exchange markets) are managed within limits. The Financial Control team perform

independent end of day controls to verify that these limits are respected.

### Liquidity Risk

The liquidity and financing limits of the Bank are approved annually by the executive management and the Board of Directors, taking into account the current and planned business strategy and the Bank's defined risk appetite. Liquidity management creates a solid liquidity position to allow the Bank to consistently meet its obligations in a timely manner, including in times of market stress. Further, the financing risk is managed through the optimisation of the balance sheet structure, for example through active asset and liability matching. The Treasury function is responsible for implementing the liquidity strategy and the financial control function ensures that the limits and objectives are complied with.

A Contingency Funding Plan (CFP) exists and is reviewed on an annual basis. The CFP includes an assessment of financing sources under a number of stressed market scenarios, considers liquidity status indicators and key figures, and documents the emergency measures that could be undertaken. Provisions for a crisis are made by diversifying the sources of financing. All material expected cash flows are regularly reviewed and this is supplemented via the availability of a high quality portfolio of securities, exclusively selected from the list of 'collateral eligible for SNB repos'<sup>1</sup>. These securities, which could be used to provide additional liquidity, are reviewed monthly by the Treasury Committee. Early warning indicators are defined and monitored to trigger implementation of the CFP.

### Operational Risks

Operational risks are defined as the risks of losses to the Bank from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks. The assessment of operational risks evaluates both the financial and non-financial impacts.

The Board of Directors reviews and approves the risk policy (including management of operational risk) on an annual basis, which, together with detailed procedures and controls, serve as the basis for operational risk management. Risk mitigation measures are implemented by way of process

management, information and cyber security, control systems, quality management and on-going training and education. This also includes ensuring that operations continue in case of internal or external events or disasters. The effectiveness of the business resiliency plans is tested annually.

The Bank outsources some non-client facing support activities both internally within the Barclays Group and to carefully selected external suppliers. All outsourcing is performed under the terms of contractual agreements and is monitored through Service Level Agreements (SLAs). The performance of significant suppliers is monitored through a quarterly Supplier Management Forum. The principal activities outsourced to third party professionals are access links to the SWIFT network, settlement and custody of securities, printing services and computer hardware management.

Key controls and procedures are documented in a standardised manner. All of the Bank's departments annually perform an assessment of the internal control processes in terms of their operational effectiveness and take any improvement measures necessary.

### Conduct Risk

Conduct Risk is defined as the risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct. Client detriment occurs when our clients are damaged or harmed either financially or non-financially. Non-financial detriment includes distress, inconvenience, and reduced choice, loss of opportunity and loss of benefit. Clients need not necessarily be aware that they have suffered detriment. Barclays has clearly stated Conduct Risk outcomes which set the overall objectives for the management of Conduct Risk.

The Compliance Officer ensures that the Bank respects the current regulatory requirements and carries out due diligence on new and existing clients, as well as transactional activity of clients and staff. Both the Legal and Compliance departments track legislative developments arising from the regulators, the government, parliament and other related organisations and ensure that internal policies and procedures are updated according to current legislation and regulation.

<sup>1</sup> As published by the Swiss National Bank, see: [https://www.snb.ch/en/for/finmkt/operat/snbgc/id/finmkt\\_repos\\_baskets](https://www.snb.ch/en/for/finmkt/operat/snbgc/id/finmkt_repos_baskets)

# 7. Balance sheet information

## 7.1 Breakdown of securities financing transactions

	31.12.2018 CHF '000	31.12.2017 CHF '000
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	10'153	8'200
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse-repurchase transactions with an unrestricted right to resell or repledge	10'149	8'196
• of which, repledged securities	3'145	25
• of which, resold securities	-	-

\* Before taking into consideration any netting agreements

## 7.2 Collaterals for loans and off-balance sheet transactions, as well as impaired loans

Collateral for loans and off-balance sheet transactions		Types of collateral			Total CHF '000
		Secured by mortgage CHF '000	Other collateral CHF '000	Unsecured CHF '000	
Loans before netting with value adjustments					
Amounts due from customers	-	1'255'829	36'573	1'292'402	
Mortgage loans					
• Residential properties	1'164'129	-	-	1'164'129	
• Commercial premises	-	-	-	-	
Amounts due from securities financing transactions					
Total loans (before netting with value adjustments)					
31.12.2018	1'164'129	1'255'829	36'573	2'456'531	
31.12.2017	1'266'837	986'795	24'445	2'278'077	
Total loans (after netting with value adjustments)					
31.12.2018	1'151'206	1'252'204	36'573	2'439'983	
31.12.2017	1'247'525	986'659	31'242	2'265'426	
Off-balance sheet					
Contingent liabilities	-	20'576	-	20'576	
Irrevocable commitments	-	24'663	2'044	26'707	
Total off-balance sheet	31.12.2018	-	45'239	2'044	47'283
Total off-balance sheet	31.12.2017	-	49'119	2'030	51'149

	Impaired loans			
	Gross amount CHF '000	Estimated liquidation value of collateral CHF '000	Net debt amount CHF '000	Individual value adjustments CHF '000
31.12.2018	32'662	19'989	12'673	12'673
31.12.2017	29'132	20'122	9'010	9'010

The increase in individual value adjustments compared to 2017 is primarily due to an increase in valuation adjustments on two existing impairment cases partially offset by a release on one resolved mortgage facility. The 2017 figures have been restated.



### 7.3 Presentation of derivative financial instruments (Assets and Liabilities)

		Trading instruments		
		Positive replacement values CHF '000	Negative replacement values CHF '000	Contract volume CHF '000
<b>Interest rate instruments</b>		1'298	1'298	137'563
Swaps		1'298	1'298	137'563
<b>Foreign exchange/precious metals</b>		9'572	12'561	2'190'054
Forward contracts		8'729	11'718	1'979'879
Options (OTC)		843	843	210'175
<b>Equity securities</b>		1'669	1'669	20'705
Option (OTC)		1'669	1'669	20'705
Total before netting agreements	31.12.2018	12'539	15'528	2'348'322
• of which, determined using a valuation model		-	-	-
	31.12.2017	23'944	23'810	3'631'210
Total after netting agreements	31.12.2018	12'539	15'528	-
	31.12.2017	23'944	23'810	-
		Breakdown by counterparty		
		Central clearing houses CHF '000	Banks and securities dealers CHF '000	Other customers CHF '000
Positive replacement values (after netting agreements)		-	6'806	5'733
				12'539

## 7.4 Financial investments

	Book value		Fair value	
	31.12.2018 CHF '000	31.12.2017 CHF '000	31.12.2018 CHF '000	31.12.2017 CHF '000
<b>Financial investments</b>				
Debt securities				
• of which, destined to be held to maturity	94'897	86'860	95'350	87'297
• of which, not intended to be held to maturity (available for sale)	-	-	-	-
<b>Total</b>	<b>94'897</b>	<b>86'860</b>	<b>95'350</b>	<b>87'297</b>
<b>Equity Securities</b>	-	12	-	12
• of which, qualified participations	-	-	-	-
<b>Precious metals</b>	94'270	89'894	94'270	89'894
<b>Real Estate</b>	7'792	12'560	7'792	12'560
<b>Total financial investments</b>	<b>196'959</b>	<b>189'326</b>	<b>197'412</b>	<b>189'763</b>
• of which, securities eligible for repo transactions in accordance with liquidity requirements	94'897	86'860	95'350	87'297

### Breakdown by counterparties by rating

	AAA to AA- CHF '000	A+ to A- CHF '000	BBB+ to BBB- CHF '000	BBB+ to BBB- CHF '000	BBB+ to BBB- CHF '000	Unrated CHF '000
Book values of debt securities	94'897	-	-	-	-	-

The Bank relies on the lowest rating classes of Standard & Poor's and Moodys.

## 7.5 Tangible fixed assets

	Accounting period 2018						
	Acquisition cost	Accumulated depreciation	Book value at 31.12.2017	Additions	Disposals	Depreciation	Book value at 31.12.2018
	CHF '000	CHF '000	CHF '000	CHF '000	CHF '000	CHF '000	CHF '000
<b>Tangible fixed assets</b>							
Proprietary or separately acquired software	70'480	-55'884	14'596	-	-14'596	-	-
Other tangible fixed assets	94'720	-79'841	14'879	-	-4'838	-4'241	5'800
<b>Total tangible fixed assets</b>	<b>165'200</b>	<b>-135'725</b>	<b>29'475</b>	<b>-</b>	<b>-19'434</b>	<b>-4'241</b>	<b>5'800</b>

The depreciation method applied and the range used for the expected useful life are explained on page 14. The disposals are due to the sale of tangible fixed assets to Barclays Switzerland Services SA as detailed in note 7.11.

## 7.6 Other assets and other liabilities

	31.12.2018 CHF '000	31.12.2017 CHF '000
<b>Other assets</b>		
Indirect taxes	1'917	2'535
Other assets	228	243
<b>Total other assets</b>	<b>2'145</b>	<b>2'778</b>
<b>Other liabilities</b>		
Indirect taxes	3'060	1'434
Other liabilities	110	163
<b>Total other liabilities</b>	<b>3'170</b>	<b>1'597</b>

## 7.7 Assets pledged or assigned to secure own commitments and assets under reservation of ownership

	31.12.2018 Book value CHF '000	31.12.2018 Effective commitments CHF '000	31.12.2017 Book value CHF '000	31.12.2017 Effective commitments CHF '000
<b>Pledged/assigned assets</b>				
Due from banks	33'624	33'624	20'732	20'732
<b>Total pledged/assigned assets</b>	<b>33'624</b>	<b>33'624</b>	<b>20'732</b>	<b>20'732</b>

## 7.8a Liabilities relating to own pension schemes

At the balance sheet date there was an amount of CHF 5.3 million due to the pension fund of the Bank (2017: CHF 7.7 million). No equity instruments of the Bank are held by the pension fund foundation.

## 7.8b Economic situation of own pension schemes

The latest audited financial statements of the 'Caisse de pensions de Barclays Bank (Suisse) SA' (prepared in accordance with the Swiss GAAP RPC 26) shows that all assets are properly covered according to article 44 of the Swiss Pension Ordinance (OPP2) at the end of 2017. The forecasts for 2018 show that the coverage will be 103% (2017: 110% and 2016: 107%), therefore the Board of the 'Caisse de pensions' has concluded that no additional contributions are deemed necessary.

The overfunding of the Bank's pension fund of 103% is used exclusively for the benefit of the insured members, thus there is no economic benefit to the Bank that needs to be recorded in the balance sheet and in the income statement.

At the balance sheet date, there is no contribution reserve financed by the Bank (2017: none).

Details of the contributions to the pension fund are provided in note 9.3 Personnel expenses.

## 7.9 Subordinated loans

	Weighted average interest rate	Due date	31.12.2018 CHF '000
<b>Subordinated loan</b>			
Barclays Bank PLC, London	1.00%	30.11.2021	25'022
<b>Total</b>	<b>1.00%</b>		<b>25'022</b>

The subordinated loan from Barclays Bank PLC, London is shown in the Balance Sheet line 'Amounts due to banks'. On 29 November 2011, the Bank entered into a CHF 25 million subordinated loan agreement with Barclays Bank PLC to be repaid on 30 November 2021. Subject to no repayments occurring prior to 30 November 2016, the borrower may elect to repay the loan in whole or in part at any time. The rate of interest will be determined by the lender and is equal to CHF 3 month LIBOR plus a margin, limited to the maximum interest rate allowable for tax deductibility published by the federal tax authorities. The interest rate allowable in 2018 was 1% (2017: 1%).

## 7.10 Presentation of value adjustments and provisions

	Accounting period 2018							
	Balance at 31.12.2017	Use in conformity with designated purpose	Re- classification	Currency differences	Past due interest, recoveries	New provisions charged to income statement	Releases to income	Balance at 31.12.2018
	CHF '000	CHF '000	CHF '000	CHF '000	CHF '000	CHF '000	CHF '000	CHF '000
<b>Provisions</b>								
Provisions for other business risks	2'156	-	-	-	-	617	-517	2'256
Other provisions	300	-	-	-	-	-	-90	210
<b>Total provisions</b>	<b>2'456</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>617</b>	<b>-607</b>	<b>2'466</b>
<b>Value adjustments for default and country risks</b>								
Value adjustments for default risks in respect of impaired loans	12'649	-		-171	1'860	3'933	-1'723	16'548
<b>Value adjustments for default and country risks</b>	<b>12'649</b>	<b>-</b>	<b>-</b>	<b>-171</b>	<b>1'860</b>	<b>3'933</b>	<b>-1'723</b>	<b>16'548</b>

Releases to income totalling CHF 1'723 thousand for value adjustments for default risks in respect of impaired loans relate primarily to the release on one resolved mortgage facility. New provisions charged to income statement for value adjustments for default risks in respect of impaired loans totalling CHF 3'933 thousand relate primarily to increased provisions on two existing mortgage facilities.

## 7.11 Amounts due from/to related parties

	Amounts due from		Amounts due to	
	31.12.2018 CHF '000	31.12.2017 CHF '000	31.12.2018 CHF '000	31.12.2017 CHF '000
Qualified shareholders	77'486	377'277	862'078	526'777
Group Companies	1'186	-	9'154	-
Associated companies	-	-	8'424	8'673
Transactions with members of governing bodies	-	25	-	-

### Transactions with related parties

The Bank engages in transactions with related parties in the normal course of business. These include loans, deposits, foreign currency and derivative transactions. In its capacity as the international Private Banking hub, the Bank also provided back office support, executive management services and primary relationship management services to affiliated entities. It may also incur charges linked to these services as well as incur Group recharges for central costs, which ultimately benefit the Bank. Services rendered or received are conducted on an arm's length basis. In January 2018 the Bank sold tangible fixed assets to Barclays Switzerland Services SA, a Group company.

## 7.12 Bank's capital and statutory retained earnings reserve

Bank's capital	31.12.2018			31.12.2017		
	Total par value CHF '000	Numbers of shares	Capital eligible for dividend CHF '000	Total par value CHF '000	Numbers of shares	Capital eligible for dividend CHF '000
Share capital	150'000	150'000	150'000	150'000	150'000	150'000
Registered shares						
• of which, paid up	150'000	150'000	150'000	150'000	150'000	150'000
<b>Total Bank's capital</b>	<b>150'000</b>	<b>150'000</b>	<b>150'000</b>	<b>150'000</b>	<b>150'000</b>	<b>150'000</b>
Authorised capital (Note 1)	180'000	180'000	180'000	180'000	180'000	180'000
• of which, capital increases completed	-	-	-	-	-	-

**Note 1:** The authorised share capital was increased from CHF 150 million to CHF 180 million on 22 May 2017. These additional 30 million shares may only be issued until 22 May 2019 and are intended to facilitate the conversion of the Bank's CHF 25 million debt capital (plus accrued interest) into equity as required by article 30 of the capital adequacy ordinance.

### Statutory retained earnings reserve

To the extent that it does not exceed one half of the share capital, the statutory retained earnings reserve may be used to cover losses or for measures designed to sustain the Bank through difficult times, to prevent unemployment or to mitigate its consequences. The statutory retained earnings reserve is non-distributable for dividends.

## 7.13 Holders of significant participations

	31.12.2018		31.12.2017	
	Nominal CHF '000	Participation rate in %	Nominal CHF '000	Participation rate in %
Significant shareholders and shareholder groups with voting rights				
B.P.B. (Holdings) Limited	150'000	100%	150'000	100%

Through B.P.B. (Holdings) Limited, London, Barclays Bank PLC, London, a UK listed holding company, indirectly owns 100% of the voting rights of Barclays Bank (Suisse) SA. The shares of Barclays PLC are widely held by the public. All of the share capital has been paid up and there are no special rights conferred by share capital.

## 7.14 Maturity structure of financial instruments

	Maturities							
	at sight CHF '000	cancellable on demand CHF '000	within 3 months CHF '000	within 3 to 12 months CHF '000	within 12 months to 5 years CHF '000	after 5 years CHF '000	no maturity CHF '000	Total CHF '000
Assets/Financial Instruments								
Liquid assets	609'614	-	-	-	-	-	-	609'614
Amounts due from banks	185'387	-	-	-	-	-	-	185'387
Amounts due from securities financing transactions	-	-	10'153	-	-	-	-	10'153
Amounts due from customers	1'935	211'249	834'580	217'447	23'566	-	-	1'288'777
Mortgage loans	-	129'363	731'776	173'452	116'265	350	-	1'151'206
Positive replacement values of derivative financial instruments	12'539	-	-	-	-	-	-	12'539
Financial investments	94'270	-	-	18'685	76'213	-	7'791	196'959
Total 31.12.2018	903'745	340'612	1'576'509	409'584	216'044	350	7'791	3'454'635
Total 31.12.2017	898'665	285'037	1'804'124	363'195	202'334	350	12'559	3'566'264
Liabilities/Financial Instruments								
Amounts due to banks	127'103	-	380'520	208'782	138'846	351	-	855'602
Amounts due in respect of customer deposits	2'359'059	-	-	57'050	-	-	-	2'416'109
Negative replacement values of derivative financial instruments	15'528	-	-	-	-	-	-	15'528
Total 31.12.2018	2'501'690	-	380'520	265'832	138'846	351	-	3'287'239
Total 31.12.2017	2'862'797	-	299'324	180'783	95'958	350	-	3'439'212



## 7.15 Assets & liabilities by domestic and foreign origin (domicile principle)

	Total domestic 31.12.2018 CHF '000	Total foreign 31.12.2018 CHF '000	Total domestic 31.12.2017 CHF '000	Total foreign 31.12.2017 CHF '000
<b>Assets</b>				
Liquid assets	602'313	7'301	652'427	3'244
Amounts due from banks	41'375	144'012	30'760	392'937
Amounts due from securities financing transactions	-	10'153	-	8'200
Amounts due from customers	112'054	1'176'723	106'931	1'037'571
Mortgage loans	123'177	1'028'029	84'948	1'035'976
Positive replacement values of derivative financial instruments	887	11'652	212	23'732
Financial investments	176'260	20'699	157'957	31'369
Accrued income and prepaid expenses	12'146	6'481	20'602	5'616
Tangible fixed assets	5'800	-	29'475	-
Other assets	2'145	-	2'778	-
<b>Total assets</b>	<b>1'076'157</b>	<b>2'405'050</b>	<b>1'086'090</b>	<b>2'538'645</b>
<b>Liabilities</b>				
Amounts due to banks	1'249	854'353	2'426	519'473
Amounts due in respect of customer deposits	525'411	1'890'698	401'329	2'492'174
Negative replacement values of derivative financial instruments	5'188	10'340	2'615	21'195
Accrued expenses and deferred income	15'193	4'961	23'215	701
Other liabilities	3'170	-	1'578	19
Provisions	2'466	-	2'456	-
Bank's capital	150'000	-	150'000	-
Statutory retained earnings reserve	6'916	-	6'882	-
Profit/(Losses) carried forward	638	-	-1'343	-
Profit for the year	10'624	-	2'015	-
<b>Total liabilities</b>	<b>720'855</b>	<b>2'760'352</b>	<b>591'173</b>	<b>3'033'562</b>

## 7.16 Assets by country groups

	31.12.2018 CHF '000	31.12.2018 share in %	31.12.2017 CHF '000	31.12.2017 share in %
Switzerland	1'076'157	30.9%	1'086'090	30.0%
United Kingdom	338'071	9.7%	612'691	16.9%
France	205'873	5.9%	220'649	6.1%
Other European countries	1'000'369	28.7%	917'698	25.3%
Caribbean	413'522	11.9%	358'351	9.9%
Asia	392'090	11.3%	376'463	10.4%
North America	24'578	0.7%	14'031	0.4%
Africa	26'563	0.8%	23'484	0.6%
Other countries	3'984	0.1%	15'278	0.4%
<b>Total assets</b>	<b>3'481'207</b>	<b>100.0%</b>	<b>3'624'735</b>	<b>100.0%</b>

## 7.17 Assets by credit rating of country groups (risk domicile view)

	31.12.2018 CHF '000	31.12.2018 share in %	31.12.2017 CHF '000	31.12.2017 share in %
<b>Net foreign exposure</b>				
Standard & Poors rating				
AAA	189'641	7.9%	136'484	5.4%
AA+ - AA-	1'495'168	62.2%	1'731'535	68.2%
A+ - A-	115'505	4.8%	60'517	2.4%
BBB+ - BBB-	54'773	2.3%	83'359	3.3%
BB+ - BB-	18'226	0.8%	26'817	1.1%
B+ - B-	52'766	2.2%	62'799	2.5%
CCC+ - D	2'200	0.1%	5'423	0.2%
No rating	476'771	19.7%	431'711	16.9%
<b>Total assets</b>	<b>2'405'050</b>	<b>100.0%</b>	<b>2'538'645</b>	<b>100.0%</b>

This table presents the net foreign exposure by credit rating of country groups. The Bank's exposure in Switzerland for 2018 is CHF 1'076'157 thousand (2017: CHF 1'086'090 thousand).

## 7.18 Assets and liabilities by the most significant currencies

	Accounting period 2018						
	CHF CHF '000	EUR CHF '000	USD CHF '000	GBP CHF '000	JPY CHF '000	Others CHF '000	Total CHF '000
Assets							
Liquid assets	602'040	7'458	58	58	-	-	609'614
Amounts due from banks	487	17'652	95'508	39'535	8'740	23'465	185'387
Amounts due from securities financing transactions	-	10'153	-	-	-	-	10'153
Amounts due from customers	106'434	260'235	636'780	269'853	642	14'833	1'288'777
Mortgage loans	126'738	270'365	2'217	751'886	-	-	1'151'206
Positive replacement values of derivative financial instruments	4'961	792	1'469	2'225	-	3'092	12'539
Financial investments	105'142	-	-	-	-	91'817	196'959
Accrued income and prepaid expenses	12'575	978	2'472	2'514	2	86	18'627
Tangible fixed assets	5'800	-	-	-	-	-	5'800
Other assets	1'815	26	17	257	-	30	2'145
Total assets	965'992	567'659	738'521	1'066'328	9'384	133'323	3'481'207
Foreign exchange forward contracts and options	216'789	778'810	619'253	334'432	12'719	228'051	2'190'054
Total	1'182'781	1'346'469	1'357'774	1'400'760	22'103	361'374	5'671'261
Liabilities and shareholder's equity							
Amounts due to banks	448'830	241'586	52'337	106'010	-	6'839	855'602
Amounts due in respect of customer deposits	318'780	838'934	680'763	441'537	9'382	126'713	2'416'109
Negative replacement values of derivative financial instruments	7'950	792	1'469	2'225	-	3'092	15'528
Accrued expenses and deferred income	19'093	38	524	490	-	9	20'154
Other liabilities	3'156	-	14	-	-	-	3'170
Provisions	2'347	-	119	-	-	-	2'466
Bank's capital	150'000	-	-	-	-	-	150'000
Statutory retained earnings reserve	6'916	-	-	-	-	-	6'916
Profit carried forward	638	-	-	-	-	-	638
Profit for the year	10'624	-	-	-	-	-	10'624
Total liabilities and shareholder's equity	968'334	1'081'350	735'226	550'262	9'382	136'653	3'481'207
Foreign exchange forward contracts and options	216'581	265'699	622'685	850'730	12'718	224'510	2'192'923
Total	1'184'915	1'347'049	1'357'911	1'400'992	22'100	361'163	5'674'130
Net position by currency	-2'134	-580	-137	-232	3	211	-2'869

# 8. Information on off-balance sheet transactions

## 8.1 Contingent liabilities

	31.12.2018 CHF '000	31.12.2017 CHF '000
<b>Contingent liabilities</b>		
Guarantees to secure credits and similar	20'576	24'709
<b>Total contingent liabilities</b>	<b>20'576</b>	<b>24'709</b>
<b>Contingent assets</b>		
Contingent assets from tax losses carried forward	17'323	19'474
<b>Total contingent assets</b>	<b>17'323</b>	<b>19'474</b>

## 8.2 Fiduciary transactions

	31.12.2018 CHF '000	31.12.2017 CHF '000
<b>Fiduciary transactions</b>		
Fiduciary investments with third party companies	500'695	471'436
Fiduciary investments with banks of the Group	3'713'317	2'902'314
<b>Total fiduciary transactions</b>	<b>4'214'012</b>	<b>3'373'750</b>

### 8.3a Managed assets

	31.12.2018 CHF '000	31.12.2017 CHF '000
<b>Type of managed assets</b>		
Assets under discretionary management mandate	1'458'239	1'570'933
Other managed assets	10'923'897	9'998'602
<b>Total managed assets (including double-counting)</b>	<b>12'382'136</b>	<b>11'569'535</b>
Of which, double-counted	none	none
Net new client money	1'018'744	687'236

The managed assets disclosed include all client assets deposited at the Bank with an investment character as well as client assets managed by the Bank and held for safekeeping by a third-party bank. It does not include assets kept by the Bank but managed by a third party (custody-only).

Assets under discretionary management mandates comprise clients' assets for which the Bank makes the investment decisions. Other managed assets include those for which the client makes the investment decisions.

### 8.3b Development of managed assets

	31.12.2018 CHF '000	31.12.2017 CHF '000
Total managed assets (including double-counting) as at beginning of period	11'569'535	10'754'762
+/- Net New Money Inflows/(Outflows)	1'018'744	687'236
+/- Market price impact, interest, dividends and currency movements	-206'143	127'537
<b>Total managed assets (including double-counting) as at the end of period</b>	<b>12'382'136</b>	<b>11'569'535</b>

Net New Money Inflows/(outflows) flow from the acquisition of new clients, the departure of clients and inflows or outflows of money from existing clients. It does not include currency fluctuations, security price variations, internal transfers between accounts and any interest credited to client deposits. Interest and dividends resulting from the client's assets as well as interest, fees and commissions charged to clients are also excluded from the net new money calculation.

# 9. Information on the income statement

## 9.1 Refinancing income and negative interest under 'Interest and discount income'

The refinancing cost of trading operations is not calculated as the Bank has no trading book.

Negative interest on lending is disclosed as a reduction in interest and discount income. Negative interest on borrowing is disclosed as a reduction in interest expense.

	2018 CHF '000	2017 CHF '000
Negative interest on lending (reduction in interest and discount income)	3'163	4'995
Negative interest on borrowing (reduction in interest expense)	1'307	1'269

## 9.2 Results from trading operations

	2018 CHF '000	2017 CHF '000
<b>Results from trading operations</b>		
Foreign exchange and bank notes	9'591	17'776
Precious metals	3	13
Equity securities	4	3
<b>Total results from trading operations</b>	<b>9'598</b>	<b>17'792</b>

## 9.3 Personnel expenses

	2018 CHF '000	2017 CHF '000
Salaries	47'432	58'920
• of which, expenses relating to share-based compensation and alternative forms of variable compensation	1'761	1'492
Social charges	3'753	5'337
Pension plan expenses	5'077	6'750
Other personnel expenses	3'483	4'454
<b>Total personnel expenses</b>	<b>59'745</b>	<b>75'461</b>

## 9.4 General and administrative expenses

	2018 CHF '000	2017 CHF '000
Office space expenses	6'159	5'943
Expenses for information and communications technology	9'923	8'744
Expenses relating to financial information	1'475	4'467
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	103	172
Fees of audit firm	556	683
• of which, for 2017 financial and regulatory audits overrun	68	-
• of which, for 2018 financial and regulatory audits	483	682
• of which, for other audit related services	5	1
Other operating expenses	22'161	22'304
<b>Total general and administrative expenses</b>	<b>40'377</b>	<b>42'313</b>

## 9.5 Operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment

The disclosure is not applicable. The Bank is fully established in Switzerland with no foreign subsidiary or foreign branch. All revenues and expenses are generated as per the principle of permanent establishment in its home country, Switzerland.

## 9.6 Extraordinary income

In January 2018, the Bank sold tangible fixed assets to Barclays Switzerland Services SA resulting in extraordinary income of CHF 11'001 thousand and additionally recovered CHF 522 thousand from a settlement received. In 2017, the Bank sold office furniture resulting an extraordinary income of CHF 9 thousand.

## 9.7 Current and deferred taxes

	2018 CHF '000	2017 CHF '000
Expenses for current capital and income taxes	702	642
<b>Total taxes</b>	<b>702</b>	<b>642</b>
Average tax weighted on the basis of the operating result	-356%	22%

The above amounts are non-income taxes. No income taxes have been incurred due to losses carried forward. The carried forward losses lead to the contingent assets disclosed in note 8.1.



# 10. Litigations

## Proceedings relating to the Fairfield Liquidators

### In the BVI

In October 2010, the Bank was served a summons issued by the Supreme Court of BVI on behalf of the liquidators of Fairfield and subsequently entered into a standstill agreement with Fairfield in relation to this Summons. The amount claimed was USD 319 thousand. The Bank and other Barclays Group entities were among approximately 90 banks (as registered shareholders in Fairfield Funds) that were sued on a similar 'restitution' theory by the Fairfield liquidators in the BVI. In February 2016, the Liquidators discontinued their BVI claims against the Bank and other defendants'. Following that discontinuance, the Bank is entitled to seek recovery of its costs of defense in the BVI, and the Bank is awaiting advice from BVI counsel regarding the extent to which its costs are recoverable.

### In the US

In February 2011, the Bank was served with proceedings issued by the liquidators of Fairfield Sentry and Fairfield Sigma in the US Bankruptcy Court in New York against the Bank and unnamed beneficial owners of certain accounts held in the name of the Bank for damages in the amount of approximately USD 44.1 million, which was later increased to approximately USD 45.2 million (exclusive of interest). The New York proceedings were stayed from October 2011 until 2016, pending developments in the related litigation in the BVI. The stay was lifted in the summer of 2016, for the purpose of allowing the liquidators to seek to amend their pleadings in certain regards and to permit the defendants to move to dismiss the liquidators' claims. In January 2017, the Bank and the other defendants in these proceedings filed papers in opposition to the liquidators' request to amend their pleadings and in support of defendants' motions to dismiss the claims. These motions were extensively briefed and the Bankruptcy Court heard argument on them on 25 January 2018. The Bankruptcy Court has thus far issued two decisions which resolve some, but not all, of the questions presented by the motions. First, on 6 August 2018, the Bankruptcy Court held that (a) it had jurisdiction over the subject matter of the Liquidators' claims but (b) there was no merit to the Liquidators' argument that the Bank and over 200 other defendants had consented to New York jurisdiction by signing subscription agreements containing New York

forum selection clauses. Second, on 6 December 2018, the Bankruptcy Court dismissed all of the Liquidators' common law claims as legally insufficient, but denied the motion by the Bank and other defendants to also dismiss the Liquidators' BVI statutory claims for unfair preferences and undervalue transactions, while inviting a further motion to determine whether a provision of the US Bankruptcy Code precludes the Liquidators from pursuing these claims. That issue, as well as other issues including whether the Bank is subject to New York jurisdiction in these cases on grounds other than consent, remain to be determined.

## Proceedings relating to the BMIS Trustee

On 1 September 2011 Irving Picard, the trustee in Bankruptcy for the Estate of Bernard L. Madoff Investment Securities LLC ('BMIS') issued a claim in the US Bankruptcy Court in New York against the Bank for USD 45.7 million. A subsequent decision from the District Court in another case brought by Mr Picard as BMIS trustee reduced this figure to approximately USD 26.9 million. This is one of the series of nearly 100 lawsuits commenced by Mr Picard as BMIS trustee against various financial institutions (including two other Barclays Group entities) and others who redeemed shares in Fairfield Sentry Limited and/or Fairfield Sigma Limited, in their capacity as feeder funds into BMIS, on the theory that the defendants were 'subsequent transferees' of transfers by BMIS to the Fairfield funds that are voidable under the US Bankruptcy Code.

In November 2016, the Bankruptcy Court issued a decision dismissing all of the trustee's claims against the Bank and the other Barclays defendants, on the basis of international comity; claims against other similarly situated defendants were also dismissed. A final order reflecting this dismissal was entered on 3 March 2017, and the trustee filed an appeal to the US Court of Appeals for the Second Circuit. That appeal has been fully briefed and was argued on 16 November 2018. We expect a decision to be rendered sometime in 2019.

Based on the current state of the proceedings, there is no provision at this point of time.

# 11 . Report of the statutory auditor to the General Meeting of Barclays Bank (Suisse) SA

Report of the Statutory Auditor to the General Meeting of Shareholders of

**Barclays Bank (Suisse) SA, Genève**

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## **Report of the Statutory Auditor on the Financial Statements**

As statutory auditor, we have audited the financial statements of Barclays Bank (Suisse) SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 8 to 35) for the year ended 31 December 2018.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

### **Report on Other Legal Requirements**

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

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

We further 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.

KPMG SA



Yvan Mermod  
*Licensed Audit Expert*  
*Auditor in Charge*



Gaia Chartouni  
*Licensed Audit Expert*

Geneva, 25 April 2019

# 12. Our services

Barclays Bank (Suisse) SA is a wholly owned Swiss banking subsidiary of B.P.B. (Holdings) Limited, which is a wholly owned subsidiary of Barclays Bank PLC, London.

With over 325 years of history and expertise in banking, Barclays operates in over 40 countries and employs approximately 83,500 people. Barclays moves, lends, invests and protects money for customers and clients worldwide.

Based in Geneva since 1986 and Zurich in 2012, we offer a Swiss Private Banking service which has been expertly tailored to respect Switzerland's strong traditions of financial confidentiality and robust risk management.

Our clients benefit from the expertise and dedicated service of our Private Bankers who are based in state-of-the-art offices in both Geneva and Zurich. We place an emphasis on building strong relationships and fully understanding the true ambitions and long term requirements of our clients.

As the Private Bank we bring the breadth and scale of what we do as a banking group to our individual clients, channelling this know-how and reaching out across our network to unlock broader capabilities. Our track record includes leading access to market opportunities and financing from the Investment and Corporate Bank, strong historical performance of discretionary investments against industry benchmarks, and unrivalled access to philanthropy advice to highlight just a few.

Everything we do is built on a deep, intuitive understanding of our clients, their family, their business interests and long-term goals. This enables us to see beyond wealth, supporting you to achieve what really matters.

We challenge the expected, presenting fresh ideas, opportunities and perspectives in a way that is entirely relevant to you. And we continually look forwards, rising to the challenge and taking initiative on behalf of our clients.

Operating in one of the world's premier private banking centres, Barclays Bank (Suisse) SA provides a full Private Banking service which includes:

## Investing

Harness the people, power and resources of one of the world's biggest banking groups to build an exceptional portfolio.

Strategic asset allocation as the base of portfolio construction.

- **Discretionary portfolio management**

Our discretionary services provide with access to the extensive resources of Barclays, delivered by designated portfolio manager. Through our discretionary portfolio management team, we put to work the best of our global research and investment capabilities for our clients. The service is designed to give a convenient, comprehensive solution for the management of our clients' investments. Whatever the market conditions, we provide constant oversight and decision-making with a view to ensuring your portfolio is always positioned in the right way.

- **Advisory investment service**

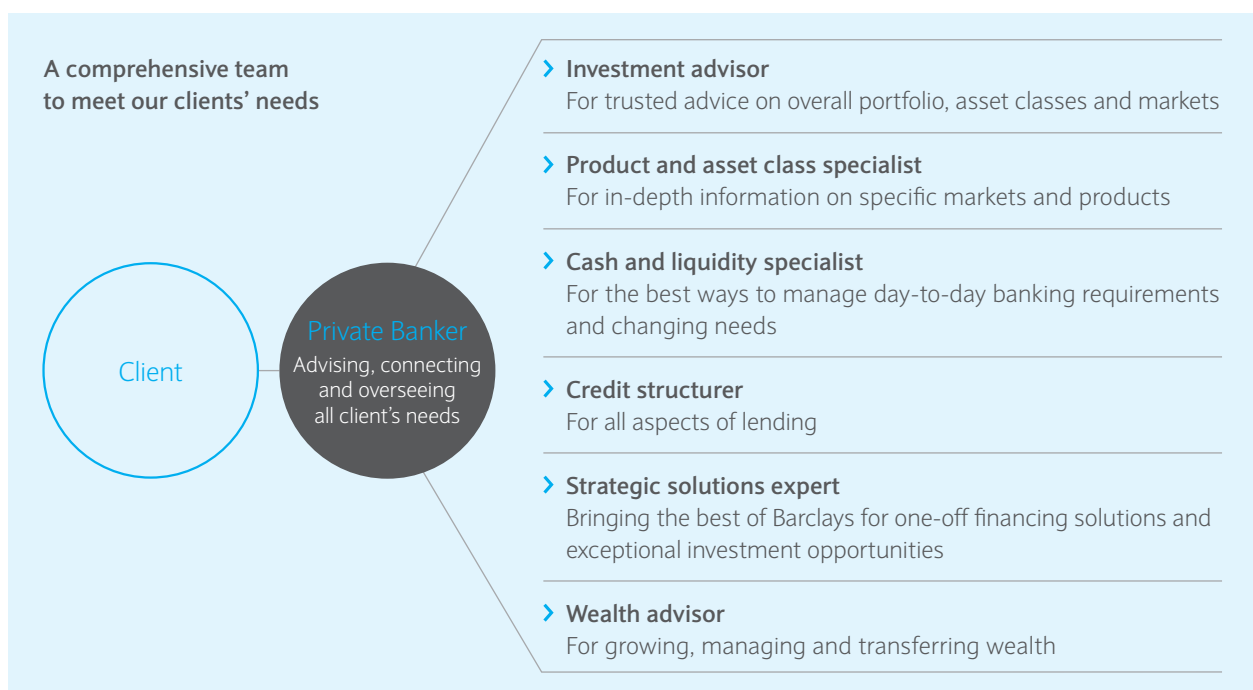
Our advisory services offer the help and guidance to invest effectively. Working in partnership with our Private Bankers and, where applicable, our investment advisors, our clients will be able to make informed choices about their investments based on our expert research and knowledge of world markets. They can also benefit from advice on specific portfolio construction and investment strategies relevant to them. The service is designed to be highly collaborative, and all our recommendations will be discussed with our clients in detail before making the final decision.

- **Direct access**

Direct access provides highly experienced and professional investors with access to execution specialists and dedicated experts in the fixed income, equity and foreign exchange markets. These specialists will discuss ideas and investment opportunities with you and implement them effectively. We provide current market commentary and discuss current investment opportunities from our extensive resources, including new debt issuance and Initial Public Offerings (IPOs).

## Banking

Managing all our client's finances, from day-to-day banking to more complex and bespoke needs supporting with cash transactions, foreign exchange (FX) activities and all accounts: personal, corporate, trusts and foundations.



- **Dedicated banking team**  
Banking, cash and liquidity specialists who understand all our client's needs.
- **Market-leading, digital banking platform**  
Anywhere, anytime account information for a range of multi-jurisdictional needs, with 24-hour, real-time access and robust security.
- **Tailored to you and your family's requirements**  
Options to customise how to view data (print and online), and make simple to complex payments.
- **Treasury management**  
Tailored products to meet our customers' requirements for liquidity, diversification and yield on cash, with the flexibility to respond to changing circumstances.

#### Lending

Expert custom-made credit solutions to match our client's goals, circumstances, wealth structures and investment strategies.

- **Real estate financing**  
Providing a global presence with centres in London, Geneva and Monaco, supported by our leading property team.
- **Portfolio finance: raising liquidity against cash and investments held with us**  
Meeting short-to-medium-term goals, without compromising longer term investments.

- **Structured credit for complex financial ambitions**  
Where your financing requirements are more complex, our dedicated team can provide tailored solutions from across Barclays and our partner network.
- **Trade finance for major cross-border purchases and transactions**  
Including collections, bank guarantees, letters of credit and working capital facilities.

#### Strategic Solutions

Meeting most complex financing needs and helping seize exceptional investment opportunities through global access to capital markets.

- **Direct investments**  
Exclusive access for Barclays professional client base to opportunities originating from our group or selected third parties across acquisition, co-investments, direct investments, venture capital and selected funds.
- **Corporate finance and customised investment solutions**  
Drawing on the strength of our balance sheet and institutional and private sources of capital, we help our clients by structuring, underwriting and executing unique financing solutions. We can provide customised investment and risk management solutions across all asset classes.

#### Wealth Advisory

Expert advice to help with the unique complexities of family life and/or business operations, regardless of which jurisdiction our clients are based in. We offer fiduciary services as well as corporate services to suit both short and long term needs.

# 13. Board, Management and Auditors

## Board of Directors



**William Oullin** is the Chairman of the Board. He joined the Barclays Group in 2000 as Managing Director of the Group's UK and International Private Banking division in London responsible for the global business offering (investment

management, trust, fiduciary, credit and banking services) to the group's high net worth clientele. In 2003, he was appointed Chairman of Barclays, International Private Bank and of Barclays Bank (Suisse) SA. In this capacity, he conducts significant business and client development activities out of Geneva, London and Dubai. He also provides overall counsel and support to Barclays Private Bank senior management. Immediately prior to joining Barclays, he was Chief Executive of JP Morgan Suisse (SA) and Global Head of Private Banking for the Middle East and the Indian Subcontinent for the JP Morgan Group. He started his banking career at Hoover Limited in the UK before joining JP Morgan in New York in 1975. He is a graduate in Law and Political Sciences, and completed an MBA at INSEAD in Fontainebleau, France. He resides in the United Arab Emirates.



**Pierre Bongard** is the Vice-Chairman of the Board and Chairman of the Audit Committee of the Bank. He is an Independent Non Executive Director. He also serves as an independent director for a portfolio of financial services

businesses, prior to which he worked for 18 years at KPMG, the last six as a partner responsible for Advisory Financial Services. He has held leadership positions in various Swiss industry bodies, including the Swiss Institute of Certified Accounts and Tax Consultants, and the Geneva Financial Centre Foundation. He is also a lecturer and trainer in financial services. He holds a Master degree from HEC Lausanne and is a Swiss Certified Public Accountant. He joined the Board in 2010 and resides in Switzerland.



**Beat Badertscher** serves on the Board and Audit Committees of the Bank as an Independent Non Executive Director. He is the founding partner of Badertscher Attorneys-at-law (in Zurich), practicing in a variety of legal domains including

banking and finance. He is a member of the Zurich, Swiss and International bar associations. He is a graduate of Zurich University, and formerly held both public and private sector appointments, including as internal legal counsel for a Swiss bank and was sitting as a member of the Zurich Cantonal Parliament. He joined the Board in 2013 and resides in Switzerland.



**Lawrence Dickinson** serves on the Board and Audit Committee of the Bank. He joined the Barclays Group from university in 1979. He undertook a variety of branch, regional and Head Office roles, and more latterly served as Chief of Staff to the

Group Chief Executive Officer, Global Chief Operating Officer in the Private Bank, and Group Company Secretary. He retired from his executive positions at the end of December 2017. He joined the Board in August 2016 and resides in the United Kingdom.



**Francesco Grosoli** serves on the Board of the Bank. He is the Europe, Middle East & Africa Chief Executive Officer for the Private Bank division of Barclays PLC. He started his career with Barclays in May 2007 as General Manager for

Wealth Management in Monaco where he reengineered the business to position Barclays Monaco as one of the top four Wealth Managers in the region. He was promoted to his current position in 2016. In a career spanning 28 years working with high net worth clients he has also held positions as Head of Private Banking at HSBC Private Bank Monaco and Banca della Svizzera Italiana as a Senior Private Banker. He holds a masters degree in economics from the University of Nice. He joined the Board in August 2014 and resides in Monaco. He resigned from Barclays on 2 April 2019.

## Management Committee



**Gerald Mathieu** was appointed as the Chief Executive Officer on 9 February 2018. He was educated in France and the USA and holds an MBA in International Finance from Hartford University (USA) and a Baccalaureate in economics from

the Academy of Versailles. He has 27 years of wealth management experience having previously led the Barclays Monaco Private Banking team since 2010, prior to which he was the Head of Private Banking at UBS for the Paris region. He has also held senior roles at Merrill Lynch and BNP. He also serves as the Barclays Group Country Manager for Switzerland. He resides in Switzerland.



**Jean-Damien Marie** is the Chief Investment Officer. He graduated from Institut National des Télécommunications, and holds a BA degree in finance from the Paris Dauphine University and a Master Degree in Business Administration from

IMD in Lausanne. He has experience of the Swiss private banking industry, notably at Pictet Alternative Advisors SA where he was Head of Alternative Investments Solutions. His previous positions include HSBC in Geneva in addition to international experience at Goldman Sachs Asset Management in London and French bank CCF. He joined the Management Committee on 7 November 2018 and resides in Switzerland.



**Danny Bower** is the Chief Risk Officer. He holds a BSc honours in Financial Studies from Manchester UMIST, an MA honours in Diplomatic Studies from Leicester University & a BA honours degree in Politics & German from Loughborough

University. He has experience of the Swiss private banking industry, notably at Deutsche Bank in Switzerland fulfilling the roles of Chief Operating Officer for Private Bank Switzerland as well as COO for Middle East & Africa, Russia & Eastern Europe. He joined Barclays in December 2016 as the Chief Control Officer for Switzerland, and was appointed to the Management Committee as the Chief Risk Officer on 23 April 2018. He resides in Switzerland.



**Hannah Wood** is the Chief Finance Officer. She was educated in the UK, has a MA degree in mathematics and is qualified as Fellow of the Association of Chartered Certified Accountants. She has 22 years of banking experience obtained at Barclays in the UK and Switzerland in a variety of finance roles. She joined Barclays Bank (Suisse) SA in 2008 and was promoted to the Management Committee in 2015. She resides in Switzerland.

The following Management Committee appointment was made on 7 February 2019:



**Daniel Rodricks** is the Chief Operating Officer. He was educated in India and holds a Masters Degree in Business Management. He has over 18 years of Banking experience obtained at American Express Bank, ABN Amro and Barclays,

with roles spanning across business management, investment product delivery, risk management, client servicing and Operations. He joined Barclays India in 2008 and was part of the team that setup the India Wealth Management business. He joined Barclays in Switzerland in 2010 as the Head of Complex Product Operations. In 2012, he was appointed as the Head of Central Business Control and Governance Switzerland. Subsequently, he assumed responsibility and was appointed as the Head of Business Delivery in 2014. He resides in Switzerland with his family.



#### Internal Auditor



**Serge Semeelen** is the Chief Internal Auditor. He was educated in Belgium and holds a Bachelor Degree in Economics & Computer Sciences from the REGA Institute in Louvain and holds an MBA in Leadership & Sustainability from the Cumbria University in UK. He is also a Certified Internal Auditor from the IIA and a Certified Information Systems Auditor and Certified Information Security Manager from ISACA. He has over 15 years of auditing experience in financial services, notably at Julius Baer, EFG Group and ING Private Banking. He joined Barclays in Switzerland in 2012 as the Chief Internal Auditor. He is a Swiss national and resides with his family in Switzerland.

#### Statutory Auditors

##### KPMG SA

The following staff members stepped down from the Management Committee during 2018:

**Jason Clark** was the Chief Investment Officer. He previously held senior investment advisory, corporate advisory and sales management roles at Credit Suisse, Deutsche Bank, RBS and HSBC. He joined the Management Committee in 2013. He resigned from Barclays on 19 January 2018.

**James Buchanan-Michaelson** was the Chief Executive Officer. He joined Barclays Bank (Suisse) SA in this capacity in 2015, having been in banking for 30 years with The Chase Manhattan Bank NA, JP Morgan and Coutts. He resigned from Barclays on 7 February 2018.

**Mark Love** was the Chief Risk Officer and Company Secretary. He joined Barclays Bank (Suisse) SA in 2004 and was appointed to the Management Committee in 2016. He resigned from the Management Committee on 23 April 2018. He continues to serve as Company Secretary.

**Denise McCarthy** was the Chief Operating Officer. She was educated in the UK, holds a BA Hons in Economics and is a qualified Chartered Management Accountant. She has 24 years of experience across the Banking, Industry, and International Development sectors. Her banking experience includes assignments in London and New York with UBS in addition to Barclays in Geneva. She joined Barclays in Switzerland in 2013 in the Business Control and Governance Team. She was appointed to her current role in 2017 and joined the Management Committee in March 2017. She resides in Geneva. She resigned from the Management Committee on 31 December 2018 to take a position in Barclays UK Head Office.



## Barclays

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GVA.553 April 2019

