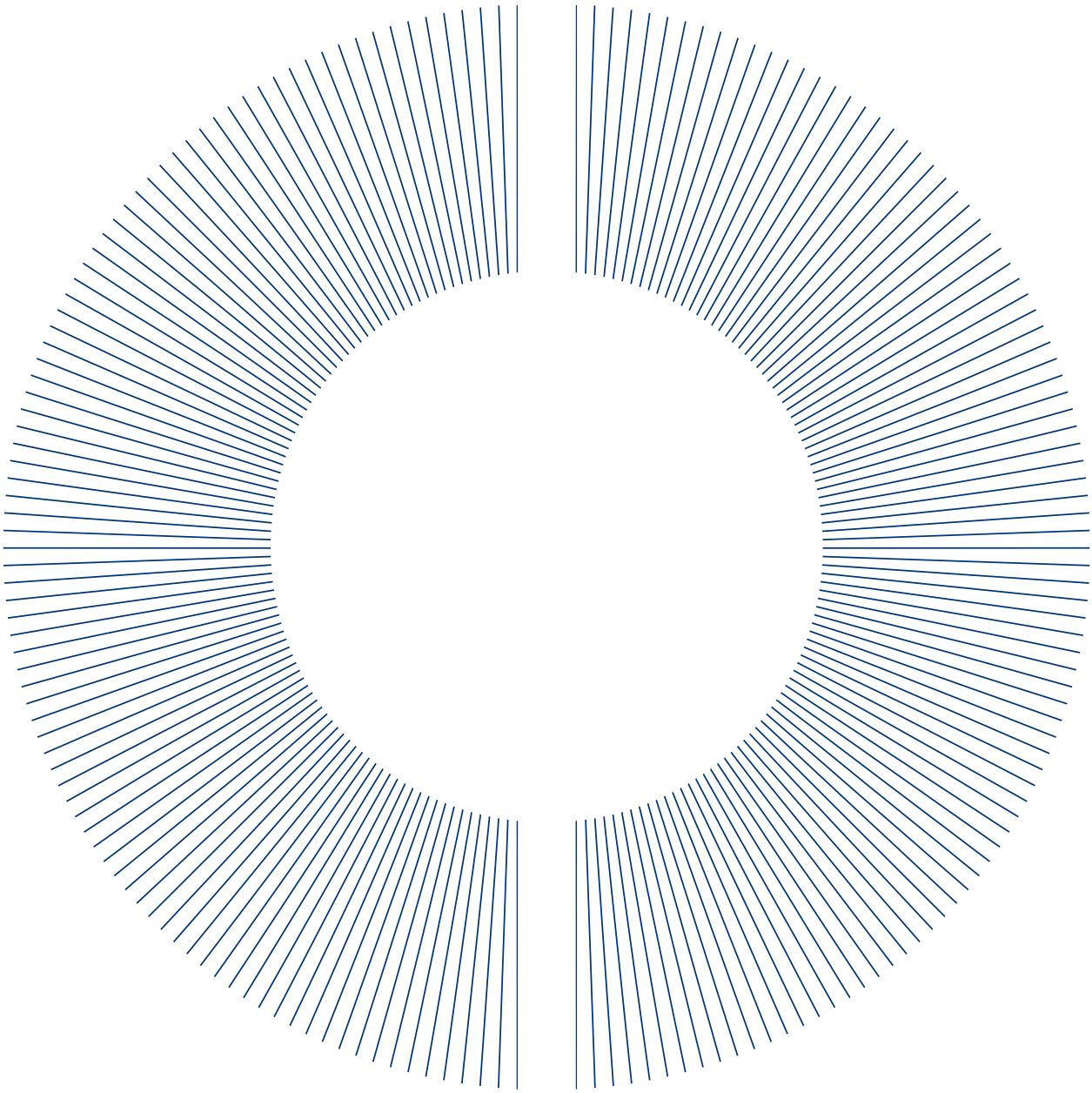
Schroders

Schroder & Co Bank AG
Annual Report 2020



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Management report

The past 12 months have been extraordinary, involving a combination of financial, economic, health and social crises touching all parts of the globe. Despite swift responses from governments and financial authorities around the world – and great hope in the form of successful vaccine developments – these crises remain very present.

In the first quarter of 2020, as the scale of the pandemic became apparent, financial markets experienced extreme volatility and global equities fell by approximately 30 %. Efforts to contain the virus by limiting public movement had severe economic impacts, causing deep recessions in most countries. This in turn led to unprecedented measures from governments and banking authorities. The US Federal Reserve and other central banks cut rates to zero or below and established other means of injecting capital into economies.

These steps, along with individual countries' domestic efforts to support businesses and populations, helped markets recover strongly. The announcement of successful Covid-19 vaccines late in the year, and vaccination rollouts in many countries soon after, boosted optimism further and pushed some markets to all-time highs.

From an investment perspective, we were able to benefit from a number of opportunities. Investing in high quality stocks during the downturn led to very strong performance in managed client portfolios.

In the face of these extreme circumstances, I am proud that our processes and services remained resilient. This successful business continuity is a result of many years' focus on improved training and technology. We have shown that we can operate smoothly with the majority of staff working from home, maintaining excellent client service but also ensuring the wellbeing of colleagues, following local authorities' guidelines. Looking back to 2020, the Bank's assets under management grew from CHF 5.86 billion in the previous year to CHF 5.91 billion. This was mainly due to positive net new money coupled with positive performance on the capital markets. Interest income further decreased by CHF 2.52 million, reflecting the lower interest rates set by central banks. The result from commissions business and services declined by CHF 1.68 million, mainly due to lower income from fund payments. On the other hand, the result from the Bank's insourcing activities continued to develop positively and increased to CHF 43.07 million from CHF 39.78 million in the previous year. Operating expenses decreased mainly as the result of cost reduction initiatives by CHF 2.64 million, or 3.7 %. As a result, the profit for the year after tax was CHF 2.56 million, compared to a loss of CHF 0.08 million in 2019.

The average number of employees decreased slightly from 262.6 to 261.4 full-time equivalent employees (including trainees, interns and temporary employees).

The Board of Directors proposes to the General Meeting the allocation of CHF 2.50 million to "Voluntary retained earnings reserves" and that the profit remaining of CHF 59 773 be carried forward. As a result, the Bank's reported equity capital will rise to CHF 151.49 million.

The Board of Directors has the ultimate responsibility for the Bank's risk framework, risk assessment and internal controls. It approves the risk policy and is responsible for supervising its implementation. The duty to implement the risk policy sits with the Executive Board. The independent risk control function monitors the risk profile of the Bank. Further detailed information on the risk management of the Bank is available in the section "Risk Management" (pages 11 – 14).

During 2021, we will continue to accelerate growth by refining the advisory and private assets services, expanding our family office initiative, leveraging our ESG expertise and increasing efficiency and scalability. In order to continue delivering a high level of service quality to clients, our business requires highly skilled personnel. Accordingly, we will focus on promoting a diverse, inclusive and open culture to attract and retain talent. Our long-term business approach puts financial stability at the heart of planned growth, and this remains unchanged.

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

Peter Hall
Chairman of the Board of Directors

1 Balance sheet

as at 31 December 2020

CHF	Note	31.12.20	31.12.19
Assets			
Liquid assets		138 064 209	387 551 284
Amounts due from banks		347 741 341	133 378 603
Amounts due from securities financing transactions	4.8.1	401 605 650	98 780 410
Amounts due from customers	4.8.2	183 668 577	171 096 915
Positive replacement values of derivative financial instruments	4.8.3	4 780 186	1 972 980
Financial investments	4.8.4, 4.8.8	52 996 290	31 985 554
Accrued income and prepaid expenses		23 323 319	15 232 254
Participations	4.8.5	100 000	100 000
Tangible fixed assets	4.8.6	8 423 027	3 818 177
Intangible assets		1	1
Other assets	4.8.7	407 838	357 692
Total assets		**1 161 110 438**	**844 273 870**
Liabilities and equity			
Amounts due to banks		22 962 700	16 829 849
Amounts due to customers		964 311 071	658 035 645
Negative replacement values of derivative financial instruments	4.8.3	4 785 301	2 670 987
Accrued expenses and deferred income		13 338 530	11 671 630
Other liabilities	4.8.7	900 359	443 222
Provisions	4.8.10	3 326 950	5 696 783
Total liabilities		***1 009 624 911***	***695 348 116***
Share capital	3, 4.8.11	60 000 000	60 000 000
Statutory retained earnings reserve	3	29 400 000	29 400 000
Voluntary retained earnings reserves	3	59 525 754	59 600 000
Profit carried forward	3	0	7 793
Profit / loss (result of the period)		2 559 773	(82 039)
Total equity		***151 485 527***	***148 925 754***
Total liabilities and equity		**1 161 110 438**	**844 273 870**
Off-balance-sheet items			
Contingent liabilities	4.8.2, 4.9.1	7 041 007	4 538 858
Irrevocable commitments	4.8.2	1 354 000	1 454 000

2 Income statement

for the year ended at 31 December 2020

CHF	Note	2020	2019
Result from interest operations			
Interest and discount income	4.10.2	2 082 210	5 054 232
Interest and dividend income from financial investments		123 914	98 455
Interest expense	4.10.2	433 090	4 046
Gross result from interest operations		**2 639 214**	**5 156 733**
Changes in value adjustments for default risks and losses from interest operations	4.8.10	(84 338)	4 423
Subtotal net result from interest operations		**2 554 876**	**5 161 156**
Result from commission business and services			
Commission income from securities trading and investment activities		41 399 097	35 106 207
Commission income from lending activities		89 456	78 629
Commission income from other services		306 376	368 907
Commission expense		(19 838 388)	(11 914 969)
Subtotal result from commission business and services		**21 956 541**	**23 638 774**
Result from trading activities and the fair value option	4.10.1	**2 860 131**	**2 916 888**
Other result from ordinary activities			
Result from the disposal of financial investments		31 274	147 223
Result from the Bank's insourcing activities		43 066 349	39 782 122
Subtotal other result from ordinary activities		**43 097 623**	**39 929 345**
Operating expenses			
Personnel expenses	4.10.3	(50 191 456)	(53 300 843)
General and administrative expenses	4.10.4	(18 964 835)	(18 490 595)
Subtotal operating expenses		**(69 156 291)**	**(71 791 438)**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	4.8.5, 4.8.6	(326 849)	(54 228)
Changes to provisions and other value adjustments, and losses	4.8.10	458 171	(486 639)
Operating result		**1 444 202**	**(686 142)**
Extraordinary income	4.8.10, 4.10.5	851 456	700 411
Taxes	4.10.6	264 115	(96 308)
Profit/loss (result of the period)		**2 559 773**	**(82 039)**

Appropriation of profit / coverage of losses

Profit/loss		2 559 773	(82 039)
+/– profit/loss carried forward		0	7 793
= distributable profit / accumulated loss	3	**2 559 773**	**(74 246)**
Appropriation of profit / coverage of losses			
Allocation to voluntary retained earnings reserves		(2 500 000)	0
Transfers from voluntary retained earnings reserves		0	74 246
New amount carried forward		59 773	0

3 Statement of changes in equity

CHF 1000

	Share capital	Statutory retained earnings reserve	Voluntary retained earnings reserves and profit carried forward	Result of the period	Total
Equity at the beginning of 2020	**60 000**	**29 400**	**59 608**	**(82)**	**148 926**
Allocations to the voluntary retained earnings reserves	0	0	(82)	82	0
Allocations to the statutory retained earnings reserve	0	0	0	0	0
Dividends	0	0	0	0	0
Profit 2020	0	0	0	2 560	2 560
Equity at the end of 2020	**60 000**	**29 400**	**59 526**	**2 560**	**151 486**

4 Notes

4.1 General

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

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

Fee and commission business

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

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

Banking activities

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

Loans to clients are mainly granted based on Lombard coverage.

Trading activities

Trading comprises mainly trading for the accounts of clients in interest rate products, securities and foreign exchange, and to a limited extent proprietary trading.

Insourcing business

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

Outsourcing

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

Staff

At the end of the business year, the Bank had 225 full-time and 40 part-time employees, plus 8 trainees/interns, for a total of 273 (or 262.7 full-time equivalent positions; prior year 263.8 full-time equivalent employees; on average 261.4 full-time equivalent employees).

4.2 Accounting and valuation policies

General principles

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

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

As per Article 35 of the Swiss Banking Ordinance, consolidated financial statements have not been prepared.

Accounting and valuation policies

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

The disclosed balance-sheet items are valued individually.

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

Business risks are covered by adequate provisions.

Recording of transactions

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

Valuation principles

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

a) Liquid assets

Liquid assets are recognised at their nominal value.

b) Securities financing transactions

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

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

c) Amounts due from banks and due from customers

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

Value adjustments are recognised for impaired and non-doubtful receivables. The Bank was assigned to supervisory category 5 by FINMA as at 30/09/2019. As an institution in supervisory category 5, the Bank is obliged under art. 25 of the Accounting Ordinance FINMA to form value adjustments for default risks on non-doubtful receivables for expected default risks. The Bank has already been using an approach defined in accordance with IFRS 9 and maintained internally within the Group to determine expected credit losses since 2018. With the formation of value adjustments for expected credit losses, the Bank follows the option in art. 25 para. 3 Accounting Ordinance FINMA.

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

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

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

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

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

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

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

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

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

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

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

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

Estimated useful lives for relevant tangible fixed assets:
Data processing equipment: Up to 5 years.

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

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

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

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

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

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

The main conversion rates applied are listed below:

	2020	2019
EUR	1.0817	1.0867
GBP	1.2083	1.2841
USD	0.8839	0.9678
JPY	0.8563	0.8905

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.3 Risk management

Risk assessment

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

Details on risk management

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

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

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

Operational risk

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

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

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

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

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

Liquidity risk

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

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

The Bank has a “Treasury Liquidity and Dealing Policy”, “Liquidity Contingency Plan” as well as a “Risk Management Framework” which define the risk governance principles, the calculation methodology and the respective limits which take account of the qualitative and quantitative requirements of Basel III and FINMA. Management conducts a

yearly Individual Liquidity Adequacy Assessment (ILAA), which covers different aspects of qualitative and quantitative liquidity risk.

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

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

Lombard loans

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

Process for determining value adjustments

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

Valuation adjustments for expected credit losses

The Group adopted IFRS 9 on 1 January 2018 and the Bank applied the optional creation of valuation adjustments for expected credit losses as per Accounting Ordinance FINMA art. 25 para. 3 on 1 January 2020. Under IFRS 9, expected credit losses are calculated on all the Bank's financial assets that are measured at amortised cost and all debt instruments that are measured at fair value through other comprehensive income.

A three-stage model is used for calculating expected credit losses, which requires financial assets to be assessed as:

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

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

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

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

For loans and advances to customers, the Bank calculates expected credit losses based on historical credit loss experience and by taking into account the relevant approval authorities' current lending rates against the various types of collateral. A record is kept of all information that has or could have an impact on a customer's servicing and repay-

ment as well as of all loan exposures where collateral has decreased in value and/or quality. This record is used to identify stage 2 or 3 loans.

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

The initial recognition of the expected credit loss against P & L as at 1 January 2020 amounted to CHF 37 k. The recognition as required by IFRS 9 is reflected as value adjustments and is accounted for in the P & L position "Changes in value adjustments for default risks and losses from interest operations". As at 31 December 2020 the recognition amounted to CHF 109 k.

4.5 Valuation of collateral of Lombard loans

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

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

4.6 Business policy regarding the use of derivative financial instruments

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

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

4.7 Material events after the balance-sheet date

No events occurred after the balance-sheet date that could have a material impact on the financial position of the Bank as of 31 December 2020.

4.8 Information on the balance sheet

4.8.1 Securities financing transactions (assets and liabilities)

CHF 1000	31.12.20	31.12.19
Book value of receivables from cash collateral delivered in connection with reverse repurchase transactions	401 606	98 780
Fair value of securities received and serving as collateral in connection with reverse repurchase agreements with an unrestricted right to resell or re-pledge	401 728	98 786
– *of which, re-pledged securities*	*0*	*0*
– *of which, resold securities*	*0*	*0*

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

Collateral for loans and off-balance-sheet transactions

CHF 1000		Type of collateral			
		Secured by mortage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)					
Amounts due from customers		0	146 730	37 155	183 885
Total loans (before netting with value adjustments)	**31.12.20**	**0**	**146 730**	**37 155**	**183 885**
	31.12.19	0	156 491	14 829	171 320
Total loans (after netting with value adjustments)	**31.12.20**	**0**	**146 730**	**36 938**	**183 668**
	31.12.19	0	156 491	14 606	171 097

CHF 6.6 m of unsecured exposures in 2020 (prior year: CHF 14.3 m) are due to SIX SIS AG's change in license status and is included in "Amounts due from customers" and represents collateral posted by the Bank.

Off-balance sheet

Contingent liabilities		0	5 791	1 250	7 041
Irrevocable commitments		0	0	1 354	1 354
Total	**31.12.20**	**0**	**5 791**	**2 604**	**8 395**
	31.12.19	0	4 518	1 475	5 993

CHF 1000		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans	**31.12.20**	**206**	**0**	**206**	**206**
	31.12.19	220	0	220	220

4.8.3 Derivative financial instruments (assets and liabilities)

CHF 1000		Positive replacement values	Negative replacement values	Contract volume
Foreign exchange/precious metals				
Forward contracts		4 780	4 785	630 504
Total	**31.12.20**	**4 780**	**4 785**	**630 504**
	31.12.19	1 973	2 671	394 320

The above outstanding derivative instruments are held for trading purposes. OTC derivatives are valued at fair value. No netting agreements are in place.

Breakdown by counterparty

CHF 1000	Banks and securities dealers	Other customers	**Total**
Positive replacement values	4 372	408	**4 780**

4.8.4 Financial investments

Breakdown of financial investments

CHF 1000	31.12.20 Book value	31.12.19 Book value	31.12.20 Fair Value	31.12.19 Fair Value
Debt securities	52 996	31 986	53 026	31 993
– *of which, intended to be held to maturity*	*52 996*	*31 986*	*53 026*	*31 993*
Total	**52 996**	**31 986**	**53 026**	**31 993**
of which, securities eligible for repo transactions in accordance with liquidity requirements			37 316	31 993

Breakdown of counterparties by rating

CHF 1000	AAA to AA–	A+ to A–	BBB+ to BBB–	BB+ to BB–	Below B–	Unrated	**Total**
Debt securities (book value)	52 996	0	0	0	0	0	**52 996**

FINMA-recognised rating agencies are used for the rating.

4.8.5 Participations

1000 CHF	Acquisition cost	Accumulated value adjustments	31.12.19 Book value	Reclass.	Additions	Disposals	Value adjustments	31.12.20 Book value
Participations without market value	100	0	100	0	0	0	0	100
Total	**100**	**0**	**100**	**0**	**0**	**0**	**0**	**100**

Additional information on participations

Company Name	Business activities	Share capital	Share of capital	Share of votes
Schroder Trust AG, in Liquidation, Geneva	Trust and offshore company administration	CHF 100 000	100 %	100 %

Schroder Trust AG, Geneva, was liquidated as of 14 January 2021 and is not consolidated based on Art. 35 Bank Ordinance. Schroder Trust AG is a directly held subsidiary. Recognition on Schroder & Co Bank AG's balance sheet is based on liquidation value. Unwinding costs have been charged and adequate provisions have been created in the individual balance sheet.

4.8.6 Tangible fixed assets

CHF 1000	Acquisition cost	Accumulated depreciation	31.12.19 Book value	Reclass.	Additions	Disposals	Depreciation	31.12.20 Book value
Proprietary or separately acquired software	0	0	0	2 246	4 831	0	0	7 077
Other tangible fixed assets	6 552	(2 734)	3 818	(2 246)	101	0	(327)	1 346
Total	**6 552**	**(2 734)**	**3 818**	**0**	**4 932**	**0**	**(327)**	**8 423**

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

Operating lease contracts maturities

CHF 1000	3 to 12 months	12 months up to 3 years	3 years to 5 years	over 5 years	Total
31.12.20	3 630	6 692	1 817	0	12 139
of which, may be terminated within one year	*281*	*339*	*10*	*0*	*630*
31.12.19	89	2 207	9 147	0	11 443

4.8.7 Other assets and other liabilities

CHF 1000	31.12.20 Other assets	31.12.19 Other assets	31.12.20 Other liabilities	31.12.19 Other liabilities
Indirect taxes and stock exchange fees	151	115	758	405
Other assets and liabilities	257	243	142	38
Total	**408**	**358**	**900**	**443**

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

CHF 1000	31.12.20		31.12.19	
Assets pledged or ceded	Assets pledged (Book value)	Effective liability	Assets pledged (Book value)	Effective liability
Liquid assets	12 387	2 628	22 003	7 302
Financial investments	52 996	0	31 993	0

4.8.9 Economic situation of own pension schemes

Employer contribution reserves (ECR)

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

Economic benefit / obligation and pension expenses

CHF 1000		31.12.20	31.12.19
	Contributions paid	Pension expenses in personnel expenses	Pension expenses in personnel expenses
Pension plans with overfunding	5 708	8 265	8 324

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

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

The overfunding of the Bank's BVG pension fund of 108.6 % shall be used exclusively for the benefit of the insured persons, which is why there is no economic benefit for the Bank that would have to be taken into account in the balance sheet or in the profit and loss statement.

4.8.10 Valuation adjustments, provisions and reserves for general banking risks

CHF 1000	31.12.19 Balance	Use in conformity with designated purpose	Recoveries, overdue interest	New creations charged to income	Releases to income	31.12.20 Balance
Other provisions	5 697	(983)	0	100	(1 487)	3 327
Total provisions	**5 697**	**(983)**	**0**	**100**	**(1 487)**	**3 327**
Value adjustments for default and country risks						
Value adjustments for default risks on impaired loans	220	0	1	11	(26)	206
Value adjustments for expected losses	37	0	0	72	0	109
Total Value adjustments for defaut and country risks	**257**	**0**	**1**	**83**	**(26)**	**315**

The balance sheet at 31 December 2020 reflects a provision with respect to the Swiss Federal Supreme Court's decision in 2012 on the restitution of distribution fees, of which CHF 1.3 m have been released to the income statement in 2020. The new creations include provisions for restructuring and litigation.

4.8.11 Capital structure and shareholders

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

The distributable profit of CHF 2 559 773 is available for distribution by the shareholders, subject to legal requirements. The non-distributable "Statutory retained earnings reserve" amounts to CHF 29 400 000; distributable "Voluntary retained earnings reserves" amount to CHF 59 525 754, subject to legal requirements.

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

As at 4 March 2020, Schroders plc had received notifications, in accordance with rule 5.1.2 R of the Disclosure and Transparency Rules, of interests in three per cent or more of the voting rights attaching to Schroder plc's issued share capital, as set out in the table below.

There had been no changes to these notifications as at the date of this report.

	04.03.20 Schroder shares	04.03.20 Percent	06.03.19 Schroder shares	06.03.19 Percent
Vincitas Limited	60 724 609	26.87 %	60 724 609	26.87 %
Veritas Limited	36 795 041	16.28 %	36 795 041	16.28 %
Flavida Limited	60 951 886	26.97 %	60 951 886	26.97 %
Fervida Limited	39 724 396	17.58 %	39 724 396	17.58 %
Lindsell Train Limited	22 507 143	9.96 %	11 312 070	5.01 %
Harris Associates L.P.	11 443 978	5.06 %	11 443 978	5.06 %

Vincitas Limited and Veritas Limited are trustee companies which act as trustees of certain settlements made by members of the Schroder family. The interests of Flavida Limited and Fervida Limited include interests in voting rights in respect of all the shares in which Vincitas Limited and Veritas Limited are interested as trustees.

4.8.12 Amounts due from / to related parties

CHF 1000	31.12.20 Amounts due from	31.12.19 Amounts due from	31.12.20 Amounts due to	31.12.19 Amounts due to
Holders of qualified participations	0	0	25	8 643
Group companies	0	0	178	1 199
Linked companies	21 894	29 063	2 894	2 968
Transactions with members of governing bodies	16	16	1 694	1 536
Other related parties	0	0	0	0

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

4.8.13 Employee participation schemes

Equity Compensation Plan (ECP)

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

Equity Incentive Plan (EIP)

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

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

4.8.14 Maturity structure of financial instruments

CHF 1000

		At sight	Cancellable	Due within 3 months	Due within 3 to 12 months	Due within 12 months to 5 years	Total
Assets / financial instruments							
Liquid assets		138 063	0	0	0	0	138 063
Amounts due from banks		51 248	0	146 677	149 817	0	347 742
Amounts due from securities financing transactions		0	0	401 606	0	0	401 606
Amounts due from customers		6 793	38 513	62 011	66 764	9 588	183 669
Positive replacement values of derivative financial instruments		0	0	4 043	737	0	4 780
Financial investments		0	0	28 826	24 170	0	52 996
Total	**31.12.20**	**196 104**	**38 513**	**643 163**	**241 488**	**9 588**	**1 128 856**
	31.12.19	474 553	47 668	192 714	99 010	10 821	824 766
Debt capital / financial instruments							
Amounts due to banks		22 963	0	0	0	0	22 963
Amounts due to customers		964 311	0	0	0	0	964 311
Negative replacement values of derivative financial instruments		0	0	2 510	2 275	0	4 785
Total	**31.12.20**	**987 274**	**0**	**2 510**	**2 275**	**0**	**992 059**
	31.12.19	673 308	0	3 933	295	0	677 536

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

CHF 1000	31.12.20		31.12.19	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	138 064	0	387 551	0
Amounts due from banks	277 381	70 361	90 227	43 152
Amounts due from securities financing transactions	268 106	133 500	98 780	0
Amounts due from customers	52 390	131 279	30 778	140 319
Positive replacement values of derivative financial instruments	2 587	2 193	1 444	529
Financial investments	0	52 996	(13)	31 999
Accrued income and prepaid expenses	13 174	10 149	11 736	3 496
Participations	100	0	100	0
Tangible fixed assets	8 423	0	3 818	0
Other assets	407	0	358	0
Total	**760 632**	**400 478**	**624 779**	**219 495**
Liabilities				
Amounts due to banks	1 322	21 641	0	16 830
Amounts due to customers	122 917	841 392	140 616	517 419
Negative replacement values of derivative financial instruments	2 835	1 951	1 049	1 622
Accrued expenses and deferred income	12 981	358	9 790	1 882
Other liabilities	900	0	443	0
Provisions	3 327	0	5 697	0
Share capital	60 000	0	60 000	0
Statutory retained earnings reserve	29 400	0	29 400	0
Voluntary retained earnings reserves	59 526	0	59 600	0
Profit carried forward / loss carried forward	0	0	8	0
Profit / loss (result of the period)	2 560	0	(82)	0
Total	**295 768**	**865 342**	**306 521**	**537 753**

4.8.16 Assets by country / country groups

	31.12.20		31.12.19	
	CHF 1000	in %	CHF 1000	in %
Assets				
Europe				
Germany	36 367	3.1 %	16 853	2.0 %
United Kingdom	67 953	5.9 %	89 699	10.6 %
Switzerland	947 130	81.5 %	624 779	74.1 %
Rest of Europe	31 762	2.7 %	34 939	4.1 %
Total Europe	1 083 212	93.2 %	766 270	90.8 %
North America	4 173	0.4 %	4 205	0.5 %
Asia	12 503	1.1 %	18 790	2.2 %
Other countries	61 222	5.3 %	55 009	6.5 %
Total	**1 161 110**	**100.0 %**	**844 274**	**100.0 %**

4.8.17 Assets by credit rating of country groups

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

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

	31.12.20		31.12.19	
Standard & Poor's	Net foreign exposure CHF 1000	Net foreign exposure Share as %	Net foreign exposure CHF 1000	Net foreign exposure Share as %
AAA to AA–	335 746	97.9 %	270 664	98.6 %
A+ to A–	2 608	0.8 %	1 037	0.4 %
BBB+ to BBB–	693	0.2 %	23	0.0 %
BB+ to B–	184	0.1 %	461	0.2 %
Lower than B–	259	0.1 %	1 686	0.6 %
No Rating available	2 993	0.9 %	567	0.2 %
Total	**342 483**	**100.0 %**	**274 438**	**100.0 %**

4.8.18 Assets and liabilities by the most significant currencies

CHF 1000						31.12.20
	CHF	EUR	USD	Precious metals	Other	Total
Assets						
Liquid assets	137 643	288	84	0	49	138 064
Amounts due from banks	240 269	17 123	24 318	3 740	62 290	347 740
Amounts due from securities financing transactions	255 000	37 858	0	0	108 748	401 606
Amounts due from customers	57 687	48 372	50 233	0	27 377	183 669
Positive replacement values of derivative financial instruments	4 780	0	0	0	0	4 780
Financial investments	0	0	0	0	52 996	52 996
Accrued income and prepaid expenses	18 221	1 744	1 402	0	1 956	23 323
Participations	100	0	0	0	0	100
Tangible fixed assets	8 423	0	0	0	0	8 423
Other assets	384	14	7	0	4	409
Total assets shown in balance sheet	**722 507**	**105 399**	**76 044**	**3 740**	**253 420**	**1 161 110**
Delivery entitlements from spot exchange, forward forex and forex options transactions	25 144	145 208	209 991	0	250 161	630 504
Total assets	**747 651**	**250 607**	**286 035**	**3 740**	**503 581**	**1 791 614**
Liabilities and shareholders' equity						
Amounts due to banks	273	1 110	793	352	20 434	22 962
Amounts due to customers	91 917	204 479	218 165	3 388	446 362	964 311
Negative replacement values of derivative financial instruments	4 785	0	0	0	0	4 785
Accrued expenses and deferred income	13 093	75	19	0	152	13 339
Other liabilities	784	23	1	0	92	900
Provisions	3 327	0	0	0	0	3 327
Share capital	60 000	0	0	0	0	60 000
Statutory retained earnings reserve	29 400	0	0	0	0	29 400
Voluntary retained earnings reserves	59 526	0	0	0	0	59 526
Profit carried forward	0	0	0	0	0	0
Profit	2 560	0	0	0	0	2 560
Total liabilities shown in balance sheet	**265 665**	**205 687**	**218 978**	**3 740**	**467 040**	**1 161 110**
Delivery obligations from spot exchange, forward forex and forex options transactions	481 728	44 817	67 012	0	36 454	630 011
Total liabilities	**747 393**	**250 504**	**285 990**	**3 740**	**503 494**	**1 791 121**
Net position per currency	**238**	**103**	**45**	**0**	**107**	**493**

4.9 Information on the off-balance-sheet business

4.9.1 Contingent liabilities and assets

CHF 1000	31.12.20	31.12.19
Credit guarantees	5 111	4 539
Performance guarantees	1 215	0
Other contingent liabilities	715	0
Total	**7 041**	**4 539**

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

4.9.2 Fiduciary transactions

CHF 1000	31.12.20	31.12.19
Fiduciary placements with third–parties	55 719	254 234
Other fiduciary transactions	798 999	0
Total	**854 718**	**254 234**

"Other fiduciary transactions" include commitments paid by clients for Private Equity investments, which are disclosed for the first time as of 31 December 2020.

4.9.3 Assets Under Management

Wealth Management

CHF 1000	31.12.20	31.12.19
Assets in collective investment schemes managed by the Bank	2 410	3 165
Assets under discretionary asset management agreements	1 646 101	1 579 636
Other managed assets	4 262 299	4 274 900
Total Wealth Management Assets Under Management (including double counting)	**5 910 810**	**5 857 701**
of which double counting	*2 410*	*3 165*

CHF 1000	2020	2019
Total managed assets (including double counting) at beginning	5 857 701	5 180 170
+/– Net new money inflow or net new money outflow	5 375	186 044
+/– Price gains/losses, interest, dividends and currency gains/losses	47 734	491 487
Total managed assets (including double counting) at end	**5 910 810**	**5 857 701**

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

4.9.4 Assets administered by the Bank

CHF 1000	31.12.20	31.12.19
Assets administered banking activities (see 4.9.3)	5 908 400	5 854 536
Assets administered Institutional Business	89 319	105 990
Assets administered in connection with the insourcing for Schroders Group companies	52 429 723	51 980 731
Total assets administered by the Bank	**58 427 442**	**57 941 257**

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

4.10 Information on the income statement

4.10.1 Result from trading operations and the fair value option

CHF 1000	2020	2019
Foreign exchange trading operations with clients	2 860	2 917
Total	**2 860**	**2 917**

4.10.2 Refinancing income and income from negative interest

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

CHF 1000	2020	2019
Negative interest on credit operations (reduction in interest and discount income)	(1 830)	(2 958)
Negative interest on deposits (reduction in interest expense)	583	302

4.10.3 Personnel expenses

CHF 1000	2020	2019
Salaries (meeting attendance fees and fixed compensation to members of the Bank's governing bodies, salaries and benefits)	41 386	44 114
– *of which, expenses relating to share–based compensation and alternative forms of variable compensation*	*403*	*546*
Social insurance benefits	8 264	8 324
Other personnel expenses	541	863
Total	**50 191**	**53 301**

Salaries include expenses related to share-based and alternative forms of variable compensation (as explained in Note 4.8.13). In 2020, 16 033 shares were granted (6534 shares for governing bodies, 9499 for employees) for a total value of CHF 403 k.

4.10.4 General and administrative expenses

CHF 1000	2020	2019
Office space expenses	4 622	4 746
Expenses for information and communications technology	10 135	7 018
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	398	312
Fees of audit firm	531	535
– *of which, for financial and regulatory audits*	*425*	*428*
– *of which, for other services*	*106*	*107*
Other operating expenses Telephone, telex, postage, electronic information systems, legal and other consulting fees, stationery and printing, courier services, property insurance, travel and entertainment, publication and advertising, other costs	3 279	5 880
Total	**18 965**	**18 491**

4.10.5 Explanations regarding material losses, extraordinary income and expenses, as well as material releases of hidden reserves, reserves for general banking risks, and value adjustments and provisions no longer required

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

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

CHF 1000	2020	2019
Current taxes	264	(96)
Average tax rate weighted on the basis of the operating result	–18.3 %	–14.0 %

The decrease in the weighted average tax rate is due to a reimbursement of taxes of prior periods resulting in a tax credit.

Corporate Governance Disclosure 2020

(FINMA Circular 16-1)

The description of governance, controls and risk management is covered in other sections of the annual report. The disclosure below provides details on the Board of Directors and the Executive Board as of 1 January 2021, unless otherwise noted.

Board of Directors

Peter Hall
Chairman

Dr. Stefan Mäder*
Vice-Chairman

Dr. Martin K. Eckert*
Member (until 18 March 2021)

Dr. Annabelle R. Hett-Essinger*
Member (from 18 March 2021)

After 21 years of board membership, Dr. Martin K. Eckert has decided to resign with effect as of the General Assembly, taking place on 18 March 2021. The Board of Directors thanks him for the dedicated support and advice provided over all these years. The General Assembly proposes to elect Dr. Annabelle R. Hett-Essinger at its meeting to be held on 18 March 2021.

The Board of Directors has not constituted any specific committees. The Vice-Chairman has been designated by the Board of Directors to act as the primary contact of the Board of Directors for Internal and External Audit.

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

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

Dr. Martin K. Eckert (until 18 March 2021)
Dr. Martin K. Eckert is one of the three founding partners of MME Legal Tax Compliance in Zurich. His areas of expertise are IT, IP and technology law. He has been appointed as an expert lawyer in negotiating many complex IT-Outsourcing, Cyber Security and Data Protection (GDPR) projects, mainly for banks and insurance companies. He acts as a litigator in complex commercial law cases before arbitral tribunals and commercial state courts. Dr. Martin K. Eckert holds a Ph.D. in law from the University of Zurich and is admitted to the bar.

Dr. Annabelle R. Hett-Essinger (from 18 March 2021)
Dr. Annabelle R. Hett-Essinger has more than 20 years of leadership experience in strategy, business development and risk management. She held various management roles at Swiss Re, was in charge of the Group Advisory Panel and is the former Head of the Swiss Re Centre for Global Dialogue. Dr. Annabelle R. Hett-Essinger is engaged in different non-profit organisations. She holds a Ph.D. in radiology and nuclear medicine from the University of Berne.

Executive Board

Adrian Nösberger
Chief Executive Officer

Jonathan Brander
Head Service Centre Zurich

Walter Brandstätter
Head of Finance & Middle Office

Marc Brodard
Head Private Clients

Giovanni Leonardo
Head of Investments

Oliver Oexl
Head of Legal, Compliance and Risk

* independent member of the Board of Directors

Adrian Nösberger (53)
Adrian Nösberger joined Schroders in 2013 in his current function. Prior to joining Schroders, he was Head of Private Banking Switzerland and member of the Executive Board of Bank Leu / Clariden Leu from 2003 to 2011. He started his career at Bank Julius Baer, where he was a member of the Private Banking Executive Board from 2001–2003. Adrian Nösberger holds a Master Degree in Manufacturing and Process Engineering from the Swiss Federal Institute of Technology (ETH), Zurich.

Jonathan Brander (40)
Jonathan Brander was appointed as Head of Service Centre and member of the Executive Board in 2016. He joined Schroders in 2011 as Financial Analyst in the Service Centre. In 2012 he became responsible for Treasury & Cash Operations. Prior to joining Schroders, he worked for SunGard as a Senior Consultant. Jonathan Brander holds a Master Degree in Banking and Finance from the University of St. Gallen.

Walter Brandstätter (56)
Walter Brandstätter joined Schroder & Co Bank AG in his current function in 2018. He has been with Schroders Singapore as Head of Finance & Operations since 2011. Walter started his investment career as a Relationship Manager in Austria, followed by 12 years in Luxembourg as Head of Portfolio Management of DZ Privatbank, for which he moved to Singapore as the Chief Executive in 2006. He graduated from the Business College in Innsbruck/Telfs and holds the Certified Effas Financial Analyst (CEFA) from the European Federation of Financial Analyst Societies Paris and Investment Analyst DVFA from the German Association of Financial Analysis and Investment Management in Frankfurt.

Marc Brodard (55)
Marc Brodard joined Schroders in 2014 his current function. Prior to joining Schroders, he was CEO of Hyposwiss Private Bank in Geneva from 2011 to 2014. Before that he spent 23 years at Credit Suisse where his last position was Head of International French-speaking clients HNWI in Geneva. Marc Brodard holds a BA in business administration from the College of Business Administration in Lausanne and attended the Stanford Executive Program, at Stanford University in Palo Alto California.

Giovanni Leonardo (49)
Giovanni Leonardo joined Schroders in 2015 as Head of Investment Management, supervising discretionary portfolio management, advisory, and private equity. He became member of the Executive Board in 2020. Giovanni has been in the investment industry since 1995. He started his career at SBC/UBS as Equity Fund Manager and then moved to Credit Suisse and thereafter to Julius Baer as Multi Asset Manager for institutional clients. Later on he moved into the private banking world as CIO of Centrum Bank AG in Vaduz. Giovanni Leonardo holds a Master Degree in Economics and Business Administration from the University of Bern. He is a CFA Charterholder and CEFA holder. He is also "Eidg. Dipl. Finanzanalytiker und Vermögensverwalter".

Oliver Oexl (54)
Oliver Oexl joined Schroders as Head of Legal and Compliance and member of the Executive Board in 2014. In 2015 he also became responsible for Risk. Prior to joining Schroders, he was Head of Legal and Compliance at Metropol Partners AG, an independent asset manager in Zurich. Before that, he was Head of Compliance at Clariden Leu, holding various Head of Compliance functions within the Credit Suisse Group. He started his career as a lawyer in the Legal Department of Credit Suisse in 1997. Oliver Oexl holds a Master of Law Degree from the University of St. Gallen and is admitted to bar.

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Schroder & Co Bank AG, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 4 – 28), for the year ended 31 December 2020.

Board of Directors' responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

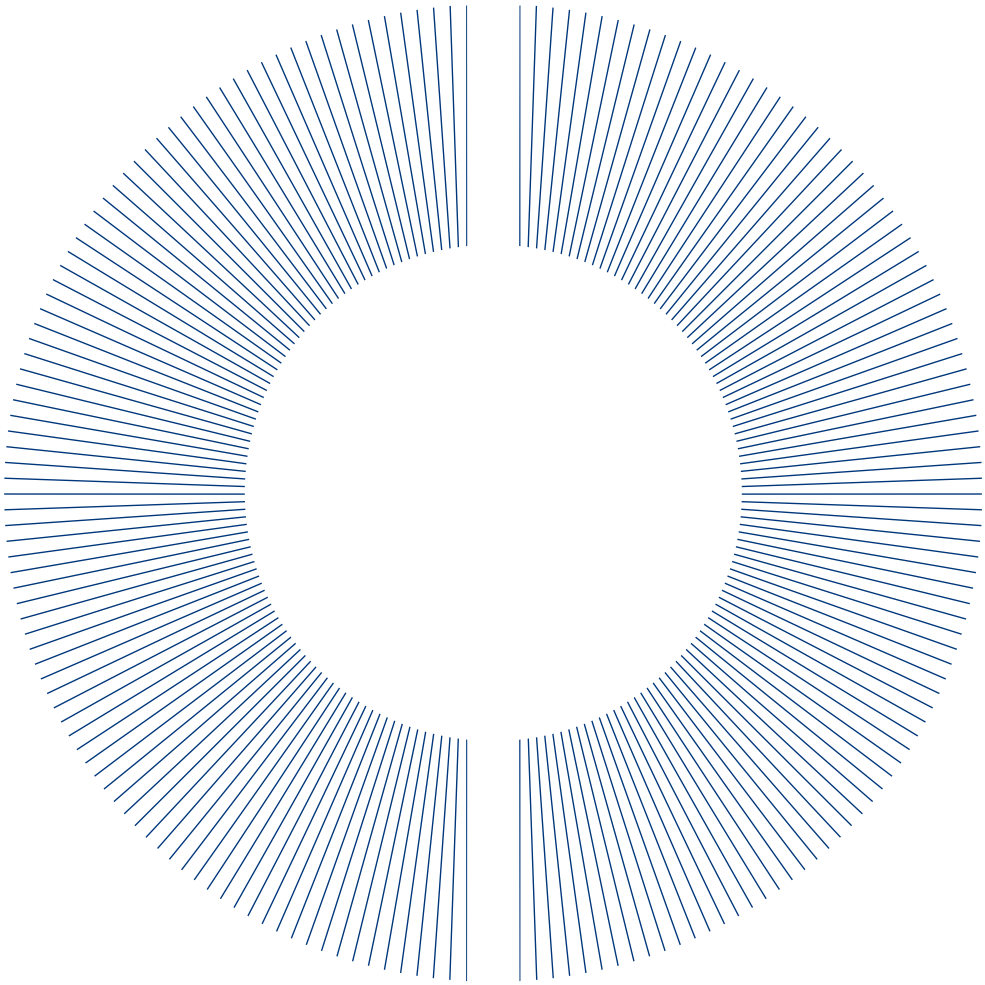
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (art. 728 CO and art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with art. 728a para. 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.

Ernst & Young Ltd
Hannes Smit
Licensed audit expert, Auditor in charge
Annekäthi Rieder
Licensed audit expert

Zurich, 18 March 2021



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