

Rothschild Bank AG



2016/2017





**Annual Report 2016/2017**  
**Rothschild Bank AG**



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# Rothschild & Co world presence



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locations

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countries

- Rothschild Global Advisory
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- Rothschild Private Wealth and Rothschild Asset Management
- Rothschild Merchant Banking



# Key Figures consolidated

	31. 3. 2017 1000 CHF	31. 3. 2016 1000 CHF	Change	
			1000 CHF	%
Consolidated balance sheet				
Total shareholders' equity	314,972	345,085	-30,113	-8.7
Total assets	5,043,042	4,645,571	397,471	8.6
Consolidated income statement				
Net interest income	35,199	26,065	9,134	35.0
Net commission income	111,480	108,574	2,906	2.7
Results from trading operations	21,408	25,924	-4,516	-17.4
Total income	173,859	162,951	10,908	6.7
Total operating expenses	-141,778	-138,610	-3,168	-2.3
Gross profit	32,081	24,341	7,740	31.8
Gross profit per employee	71	54	17	32.1
Consolidated net profit/loss	18,853	12,981	5,872	45.2
Staff (average full-time positions)				
Staffing level domestic	358	350	8	2.3
Staffing level abroad	91	100	-9	-9.0
Total staffing level	449	450	-1	-0.2



# Chairman's Statement

Dear Shareholders,

Conditions throughout the global economy and financial markets have improved over the past financial year with fears of deflation and concern about the pace of China's slowdown both fading. Stock markets shrugged off the surprise votes for Brexit and President Trump, and leading equity indices recorded successive new highs since the start of 2017.

Government bond and currency markets were unsettled as they readjusted to rising US rates as well as expectations of tighter monetary policy and higher inflation around the world. Meanwhile, markets in the euro area and Switzerland continued to operate within an environment of negative interest rates.

During the year, Rothschild Bank Zurich (RBZ) experienced an increase in legal and compliance costs associated with navigating an increasingly complex and demanding regulatory environment, which includes additional requirements for Swiss financial institutions. As part of an ongoing commitment to our strength and stability, we continue to invest in our skills and resources as well as our risk management processes and systems.

## Organisation and financial results

We sold our subsidiary in the Channel Islands Rothschild Bank (CI) Limited (RBCI), to Rothschild Bank International Limited (RBI), both of which are based in Guernsey and owned by Rothschilds Continuation Holdings AG. The two banks were formally merged on 3rd October 2016.

Following the merger, RBCI is no longer part of the RBZ group of companies. Therefore, the financial results include only six months of revenue and expenses from that entity. This reorganization has affected the assets reported as managed by or under the custody of the RBZ consolidated group as well as income and revenue.

Total funds administered by the Bank increased 4.2% over the year to CHF 27.4 billion. Client assets under management fell 14.9% to CHF 14.0 billion, largely due to the RBCI transaction. However, if we exclude RBCI to compare on a like-for-like basis, client assets rose 5.2% during this period.

Meanwhile, net interest income increased 35.0% to CHF 35.2 million and total income increased 6.8% to CHF 174.0 million. Gross profit rose 30.2% to CHF 31.7 million and consolidated net profit rose 39.6% to CHF 18.2 million.

Excluding RBCI from these figures, net interest income increased 48.4% to CHF 33.1 million and total income increased 6.5% to CHF 172.5 million. Gross profit rose 49.7% to CHF 28.9 million and consolidated net profit rose 98.9% to CHF 16.0 million.

## Industry recognition

In recognition of the strength of our business as well as our dedication to clients, we have received several industry awards over the past year. They include Best Foreign Bank at the WealthBriefing Swiss Awards 2017, which we have won for three consecutive years.

In addition, our Wealth Management business was named Best Private Bank in Switzerland in 2017 according to the yearly rankings published by business magazine Bilanz. The judges awarded Rothschild the best score overall for the first time, and highlighted our detailed and transparent investment proposal.

## People on the move

As part of our ongoing commitment to strengthening our management team, Sipko Schat joined our Board of Directors as a new member and also chairs our Audit and Risk Committee. Sipko is already a member of the Supervisory Board of our Group holding company, Rothschild & Co, and chairs its Risk Committee. Previously he held senior roles at Rabobank Group, where he worked for 25 years.

Sipko's appointment follows decisions by Bernie Myers, Dr. Rudolf Tschäni, Baron David de Rothschild, Nigel Higgins and Jonathan Westcott to step down from the Board. They all remain committed to Rothschild & Co Group in their respective roles, and I would like to take this opportunity to thank them for their outstanding service over many years.

Meanwhile, within the Executive Committee, Daniel Weber replaced Robert Deverell as our Head of Operations and Client Services. Robert returned to the UK to pursue another role within Rothschild & Co.

## Looking forward

At the September shareholder meeting, Rothschild & Co is proposing to adjust its financial year to report on a calendar-year basis. This change applies to Rothschild & Co Group and all its businesses, including RBZ. If agreed, our next financial period will comprise just nine months.

Despite an uncertain political environment that includes the rise of populism and protectionism around the world, we remain optimistic about the future of the global economy and capital markets, and we continue to focus on delivering long-term value for our clients.

Throughout this fiscal year, we will continue to work with other divisions across Rothschild & Co to strengthen our business and provide our clients with access to the broadest range of expertise and resources.

I would like to thank our clients for their trust and loyalty as well as my colleagues for their commitment and dedication. I look forward to continuing to work together.

## Bruno Pfister

Chairman of the Board of Directors

# Corporate Governance

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## Board of Directors

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**Bruno PFISTER**

**Chairman of the Board of Directors**  
**Chairman of the Credit Committee**

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**Alexandre de ROTHSCHILD**

**Deputy Chairman of the Board of Directors**

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**Mark CRUMP**

**Member of the Audit & Risk Committee**  
**Member of the Credit Committee**

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**Sipko SCHAT\***

as of 14.07.2016

**Chairman of the Audit & Risk Committee**  
**Member of the Credit Committee**

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**Peter A. SMITH\***

**Member of the Audit & Risk Committee**

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\* Meets the criteria on independence in accordance with  
FINMA circular 08/24

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## Executive Committee

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**Laurent GAGNEBIN**

**Chief Executive Officer**

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**Christian BOUET**

**Chief Financial Officer**

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**Matthew LE FLOCQ**

**Chief Operating Officer Rothschild Trust Group**

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**Juan Carlos MEJIA PEREZ**

**Head of Investments**

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**Thomas PIXNER**

**Co-Head Wealth Management Swiss Onshore**

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**Armand RUBLI**

**Head of Legal, Compliance & Risk**

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**Daniel WEBER**

as of 18.01.2017

**Head of Operations and Client Services**

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## Corporate Secretariat

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**Ivona LINDER**

**Corporate Secretary**

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## Internal Audit

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**Wilfried BÜRGE**

**Head Internal Audit**

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## Statutory Auditors

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**KPMG AG**

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# A Consolidated Balance Sheet as of 31st March 2017 and 2016

## Assets

	Notes	31.3.2017 1000 CHF	31.3.2016 1000 CHF	Change 1000 CHF	%
Liquid assets		3,559,335	3,005,623	553,712	18.4
Amounts due from banks		188,468	183,125	5,343	2.9
Amounts due from customers	1	794,569	877,054	-82,485	-9.4
Mortgage loans	1	234,073	233,493	580	0.2
Trading portfolio assets	2	2,677	584	2,093	358.4
Positive replacement values of derivative financial instruments	3	53,249	130,048	-76,799	-59.1
Other financial instruments at fair value	2	103,393	95,936	7,457	7.8
Financial investments	4, 8	27,932	37,225	-9,293	-25.0
Accrued income and prepaid expenses		18,958	20,061	-1,103	-5.5
Non-consolidated participations	5, 6	315	482	-167	-34.6
Tangible fixed assets	6	40,948	45,746	-4,798	-10.5
Other assets	7	19,125	16,194	2,931	18.1
<b>Total assets</b>		<b>5,043,042</b>	<b>4,645,571</b>	<b>397,471</b>	<b>8.6</b>

## Liabilities and shareholders' equity

	Notes	31.3.2017	31.3.2016	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Amounts due to banks		1,016,926	102,468	914,458	892.4
Amounts due in respect of customer deposits		3,584,052	3,929,717	-345,665	-8.8
Negative replacement values of derivative financial instruments	3	52,004	173,416	-121,412	-70.0
Accrued expenses and deferred income		47,699	65,052	-17,353	-26.7
Other liabilities	7	14,705	1,811	12,894	712.0
Provisions	10	12,684	12,904	-220	-1.7
Reserves for general banking risks	10	22,769	22,769	-	-
Bank's capital		10,330	10,330	-	-
Capital reserve		4,620	4,620	-	-
Statutory retained earnings reserve		5,165	5,165	-	-
Voluntary retained earnings reserves		247,037	299,660	-52,623	-17.6
Minority interest in equity		6,198	4,678	1,520	32.5
Consolidated profit		18,853	12,981	5,872	45.2
of which minority interest in consolidated net profit		2,694	2,531	163	6.4
<b>Total liabilities</b>		<b>5,043,042</b>	<b>4,645,571</b>	<b>397,471</b>	<b>8.6</b>

## A Consolidated Off-Balance Sheet Transactions as of 31st March 2017 and 2016

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	Notes	31.3.2017 1000 CHF	31.3.2016 1000 CHF	Change 1000 CHF	%
Contingent liabilities	1, 18	34,390	42,968	-8,578	-20.0
Irrevocable commitments	1, 19	241,217	235,399	5,818	2.5

Irrevocable commitments mainly represent commitments to third party funds where the Bank acts as nominee on behalf of its clients.

## B Consolidated Income Statement for the Period 1st April to 31st March

	Notes	2016/17 1000 CHF	2015/16 1000 CHF	Change 1000 CHF	%
Interest and discount income		85,530	65,974	19,556	29.6
Interest and dividend income from financial investments		26	93	-67	-72.0
Interest expense		-50,357	-40,002	-10,355	-25.9
<b>Subtotal net result from interest operations</b>	<b>27</b>	<b>35,199</b>	<b>26,065</b>	<b>9,134</b>	<b>35.0</b>
Commission income from securities trading and investment activities		67,314	65,898	1,416	2.1
Commission income from lending activities		503	295	208	70.5
Commission income from other services		54,329	48,752	5,577	11.4
Commission expense		-10,666	-6,371	-4,295	-67.4
<b>Subtotal result from commission business and services</b>	<b>27</b>	<b>111,480</b>	<b>108,574</b>	<b>2,906</b>	<b>2.7</b>
<b>Results from trading operations and the fair value option</b>	<b>22, 27</b>	<b>21,408</b>	<b>25,924</b>	<b>-4,516</b>	<b>-17.4</b>
Income from non-consolidated participations		749	2,255	-1,506	-66.8
Result from real estate		271	133	138	103.8
Other ordinary income		4,752	-	4,752	n/a
<b>Total income</b>	<b>27</b>	<b>173,859</b>	<b>162,951</b>	<b>10,908</b>	<b>6.7</b>
Personnel expenses	9, 11, 24, 27	-107,239	-108,414	1,175	1.1
General and administrative expenses	25, 27	-34,539	-30,196	-4,343	-14.4
<b>Subtotal operating expenses</b>	<b>27</b>	<b>-141,778</b>	<b>-138,610</b>	<b>-3,168</b>	<b>-2.3</b>
<b>Gross profit</b>	<b>27</b>	<b>32,081</b>	<b>24,341</b>	<b>7,740</b>	<b>31.8</b>
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	6	-8,015	-9,263	1,248	13.5
Changes to provisions and other value adjustments, and losses	10	-2,193	-603	-1,590	-263.7
<b>Operating result</b>		<b>21,873</b>	<b>14,475</b>	<b>7,398</b>	<b>51.1</b>
Extraordinary income	26	87	1,160	-1,073	-92.5
Extraordinary expenses	26	-1,667	0	-1,667	
Taxation	28	-1,440	-2,654	1,214	45.7
<b>Consolidated profit/ loss</b>		<b>18,853</b>	<b>12,981</b>	<b>5,872</b>	<b>45.2</b>
of which minority interest in consolidated net profit		2,694	2,531	163	6.4

## B Consolidated Statement of Cash Flows for the Period 1st April to 31st March

	31.3.2017		31.3.2016	
	Cash in-flow	Cash out-flow	Cash in-flow	Cash out-flow
<b>Cash flow from operating activities</b>				
Result of the period	18,853	–	12,981	–
Depreciation and amortisation of tangible fixed assets	8,015	–	9,263	–
Provisions and other value adjustments	–	220	–	15,627
Accrued income and prepaid expenses	1,103	–	–	6,564
Accrued expenses and deferred income	–	17,353	9,474	–
Previous year's dividend	–	62,508	–	51,863
	<b>27,971</b>	<b>80,081</b>	<b>31,718</b>	<b>74,054</b>
<b>Cash flow from transactions in respect of participations and tangible fixed assets</b>				
Non-consolidated participations	167	–	83,552	–
Real estate	–	–	–	–
Tangible fixed assets	–	3,217	–	3,926
	<b>167</b>	<b>3,217</b>	<b>83,552</b>	<b>3,926</b>
<b>Cash flow from banking operations</b>				
Medium and long-term business (> 1 year):				
Amounts due to banks	913,982	–	–	–
Amounts due in respect of customer deposits	–	661	–	248
Amounts due from banks	–	–	–	–
Amounts due from customers	–	29,357	–	3,957
Mortgage loans	–	580	–	34,455
Financial investments	–	2,298	9,691	–
Short-term business:				
Amounts due to banks	476	–	37,233	–
Amounts due in respect of customer deposits	–	345,004	369,469	–
Negative replacement values of derivative financial instruments	–	121,412	–	34,732
Other liabilities	12,894	–	–	9,676
Amounts due from banks	–	5,343	–	30,402
Amounts due from customers	111,842	–	–	248,279
Trading portfolio assets	–	3,669	–	208
Positive replacement values of derivative financial instruments	76,799	–	53,354	–
Other assets	–	2,931	–	6,169
Other financial instruments at fair value	–	7,457	–	6,308
Financial investments	11,591	–	–	7,767
Liquidity:				
Liquid assets	–	553,712	–	124,836
<b>Total</b>	<b>1,155,722</b>	<b>1,155,722</b>	<b>585,017</b>	<b>585,017</b>



## B Statement of Changes in Equity for the Period 1st April to 31st March

### Statement of Changes in Equity

	Bank's capital 1000 CHF	Capital reserve 1000 CHF	Retained earnings reserve 1000 CHF	Reserves for general banking risks 1000 CHF	Minority interests 1000 CHF	Result of the period 1000 CHF	Total 1000 CHF
<b>Equity at 01. 04. 2016</b>	<b>10,330</b>	<b>4,620</b>	<b>304,825</b>	<b>22,769</b>	<b>4,678</b>	<b>12,981</b>	<b>360,203</b>
Transfer of profits to retained earnings	–	–	10,450	–	2,531	–12,981	–
Currency translation differences	–	–	–1,428	–	–148	–	–1,576
Dividends and other distributions	–	–	–61,645	–	–863	–	–62,508
Consolidated profit (result of the period)	–	–	–	–	–	18,853	18,853
<b>Equity at 31. 03. 2017</b>	<b>10,330</b>	<b>4,620</b>	<b>252,202</b>	<b>22,769</b>	<b>6,198</b>	<b>18,853</b>	<b>314,972</b>

# C Notes to the Consolidated Financial Statements

## Information on the Balance Sheet

### 1 Presentation of collateral for loans/ receivables and off-balance-sheet transactions

		Mortgage collateral 1000 CHF	Other collateral 1000 CHF	Without collateral 1000 CHF	Total 1000 CHF
Amounts due from customers		–	694,446	100,123	794,569
Mortgage loans (residential property)		234,073	–	–	234,073
<b>Total loans</b>	<b>Current year</b>	<b>234,073</b>	<b>694,446</b>	<b>100,123</b>	<b>1,028,642</b>
	Previous year	233,493	771,238	105,816	1,110,547
Contingent liabilities		–	34,390	–	34,390
Irrevocable commitments		–	201,239	39,978	241,217
<b>Total off-balance sheet transactions</b>	<b>Current year</b>	<b>–</b>	<b>235,629</b>	<b>39,978</b>	<b>275,607</b>
	Previous year	–	234,041	44,326	278,367

### Impaired loans/ receivables

		Gross debt amount 1000 CHF	Estimated realisable value of collateral 1000 CHF	Net debt amount 1000 CHF	Individual provisions 1000 CHF
<b>Total bad and doubtful debts</b>	<b>Current year</b>	<b>816</b>	<b>–</b>	<b>816</b>	<b>816</b>
	Previous year	1,367	–	1,367	1,367

Irrevocable commitments mainly represent commitments to third party funds where the Bank acts as nominee on behalf of its clients.

Irrevocable commitments without collateral mainly comprise credit lines extended to entities within the Rothschild & Co group and the commitment to the Swiss deposit protection scheme.

### 2 Breakdown of trading portfolios and other financial instruments at fair value

	31.3.2017 1000 CHF	31.3.2016 1000 CHF	Change 1000 CHF	%
Equity securities	2,677	584	2,093	358.4
Other financial instruments at fair value	577	457	120	26.3
Precious metals	102,816	95,479	7,337	7.7
<b>Total</b>	<b>106,070</b>	<b>96,520</b>	<b>9,550</b>	<b>9.9</b>

There were no trading portfolio liabilities in the current or previous year.

### 3 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments		Contract volume 1000 CHF	
	Replacement value positive 1000 CHF	Replacement value negative 1000 CHF		
<b>Foreign exchange/ precious metals</b>	<b>52,390</b>	<b>51,169</b>	<b>7,246,793</b>	
Forward contracts	8,260	28,097	1,701,338	
Combined interest rate/ currency swaps	44,099	23,072	5,285,204	
Options (OTC)	31	–	260,251	
<b>Equity securities/ indices</b>	<b>859</b>	<b>835</b>	<b>110,697</b>	
Options (OTC)	859	835	110,697	
<b>Total before consideration of netting contracts</b>				
	Current year	<b>53,249</b>	<b>52,004</b>	<b>7,357,490</b>
	Previous year	130,048	173,416	9,131,383

There were no hedging instruments open and no netting applied at the current and previous business year-end.

### Analysis of counterparties of derivative instruments

	Banks and securities dealers	Other customers	Total
	1000 CHF	1000 CHF	1000 CHF
<b>Positive replacement values</b>	<b>46,024</b>	<b>7,225</b>	<b>53,249</b>
Previous year	50,281	79,767	130,048

### 4 Financial investments

	Book value		Fair value	
	31. 3. 2017 1000 CHF	31. 3. 2016 1000 CHF	31. 3. 2017 1000 CHF	31. 3. 2016 1000 CHF
Debt securities	27,932	37,225	28,027	37,284
of which, intended to be held to maturity	27,932	37,225	28,027	37,284
<b>Total financial investments</b>	<b>27,932</b>	<b>37,225</b>	<b>28,027</b>	<b>37,284</b>
of which, securities eligible for repo transactions in accordance with liquidity requirements	6,463	9,915	6,511	9,989

### Counterparties by rating

	Aaa 1000 CHF	Aa1-Aa3 1000 CHF	A1-A2 1000 CHF	Unrated 1000 CHF	Total 1000 CHF
<b>Debt securities</b>					
<b>Book values</b>	<b>2,141</b>	<b>15,046</b>	<b>10,745</b>	<b>–</b>	<b>27,932</b>
Previous year	5,466	28,481	3,278	–	37,225

Counterparties are rated according to Moody's ratings.

# C Notes to the Consolidated Financial Statements

## 5 Participations

### Consolidated companies in which the Bank holds a permanent direct or indirect significant participation

Company name	Domicile	Business activity	Company capital in 1000	Share of capital in %	Share of votes in %
<b>Rothschild Bank AG</b>	<b>Zurich</b>	<b>Bank</b>	<b>10,330 CHF</b>	<b>-</b>	<b>-</b>
Equitas SA	Geneva	Asset management	1,000 CHF	90.00	90.00
Rothschild Advisory Partners AG	Zurich	Advisory services	2,000 CHF	100.00	100.00
Rothschild Vermögensverwaltungs-GmbH	Frankfurt	Asset management	250 EUR	100.00	100.00
RBZ Treuhand AG	Zurich	Fiduciary services	100 CHF	100.00	100.00
Creafin AG	Zurich	Asset management	100 CHF	100.00	100.00
Rothschild Wealth Management (Singapore) Ltd.	Singapore	Asset management	8,500 SGD	100.00	100.00
Rothschild Wealth Management (Hong Kong) Ltd.	Hong Kong	Asset management	50,000 HKD	100.00	100.00
Rothschild Private Trust Holdings AG	Zurich	Holding	5,000 CHF	56.84	56.84
Guernsey Global Trust Limited	St. Peter Port	Trust services	- GBP	100.00	100.00
Rothschild Corporate Fiduciary Services Ltd.	St. Peter Port	Trust services	100 GBP	100.00	100.00
Rothschild Trust (Schweiz) AG	Zurich	Trust services	500 CHF	100.00	100.00
RTS Geneva SA	Geneva	Trust services	100 CHF	100.00	100.00
Master Nominees	Tortola	Nominee services	- USD	100.00	100.00
RTB Trustees AG	Zurich	Trust services	100 CHF	100.00	100.00
Rothschild Trust Corp. Ltd.	London	Trust services	250 GBP	100.00	100.00
Rotrust Nominees Ltd.	London	Nominee services	- GBP	100.00	100.00
Rothschild Trust Guernsey Ltd.	St. Peter Port	Trust services	3,500 GBP	100.00	100.00
Rothschild Trust Cayman Ltd.	George Town	Trust services	400 KYD	100.00	100.00
Rothschild (BVI) Limited	Tortola	Trust services	250 USD	100.00	100.00
Rothschild Trust (Singapore) Ltd.	Singapore	Trust services	987 SGD	100.00	100.00
Rothschild Trust North America LLC	Reno	Trust services	1,200 USD	100.00	100.00
Rothschild Trust Italy S.r.l.	Milan	Trust services	10 EUR	100.00	100.00
Rothschild Trust (Bermuda) Ltd.	Bermuda	Trust services	- USD	100.00	100.00
Rothschild Trust Canada Inc.	Charlottetown	Trust services	10 CAD	100.00	100.00
Rothschild Trust Financial Services Ltd.	St. Peter Port	Trust services	- GBP	100.00	100.00
Rothschild Trust New Zealand Ltd.	Auckland	Trust services	- NZD	100.00	100.00
Rothschild Trust Protectors Ltd.	Charlottetown	Trust services	- CAD	100.00	100.00

During the year, the Bank sold its participation in Rothschild Bank (CI) Ltd. ("RBCI"), Guernsey to Rothschild Bank International Ltd., which is owned by Rothschilds Continuation Holdings AG.

## Non-consolidated participations

	31.3.2017 1000 CHF	31.3.2016 1000 CHF	Change 1000 CHF	%
Non-consolidated participations without market value	315	482	-167	-34.6
<b>Total non-consolidated participations</b>	<b>315</b>	<b>482</b>	<b>-167</b>	<b>-34.6</b>

## 6 Presentation of participations and tangible fixed assets

	Current year						
	Acquisition cost	Accu- mulated depre- ciation	Book value Previous year end	Additions	Disposals/ Forex impact	Depre- ciation/ Valuation adjust- ments	Book value current year
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Non-consolidated participations	482	-	482		172	-5	315
<b>Total non-consolidated participations</b>	<b>482</b>	<b>-</b>	<b>482</b>	<b>-</b>	<b>172</b>	<b>-5</b>	<b>315</b>
Bank buildings	45,975	37,075	8,900	-	-	-	8,900
Outfitting costs	27,801	24,693	3,108	143	-	1,115	2,136
Proprietary or separately acquired software	66,673	32,935	33,738	3,074	-	6,900	29,912
<b>Total tangible fixed assets</b>	<b>140,449</b>	<b>94,703</b>	<b>45,746</b>	<b>3,217</b>	<b>-</b>	<b>8,015</b>	<b>40,948</b>

# C Notes to the Consolidated Financial Statements

## 7 Other assets and other liabilities

	Other assets		Other liabilities	
	31. 3. 2017 1000 CHF	31. 3. 2016 1000 CHF	31. 3. 2017 1000 CHF	31. 3. 2016 1000 CHF
Salary debtor and creditor accounts	4,614	1,782	–	–
Employer contribution reserves	773	598	–	–
Balances arising from internal bank business operations	1,286	1,106	12,654	909
Value added tax and withholding tax	252	–	1,030	798
Current tax assets and liabilities	145	286	1,021	104
Due from Trust customers	12,055	12,422	–	–
<b>Total</b>	<b>19,125</b>	<b>16,194</b>	<b>14,705</b>	<b>1,811</b>

## 8 Assets pledged or assigned to secure own commitments

	31. 3. 2017		31. 3. 2016	
	Book values 1000 CHF	Effective commitments 1000 CHF	Book values 1000 CHF	Effective commitments 1000 CHF
Amounts due from banks	29,612	18,452	22,596	13,747
Financial investments	27,932	27,932	37,225	37,225
<b>Total</b>	<b>57,544</b>	<b>46,384</b>	<b>59,821</b>	<b>50,972</b>

There were no assets under reservation of ownership during the current or previous year.

## 9 Disclosures on the economic situation of own pension schemes

	31. 3. 2017	31. 3. 2016	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Liabilities to own pension plans	7,367	15,215	–7,848	–51.6

#### Employer's contribution reserves (ECR)

	Nominal value	Waiver of use	Creation	Net amount	Net amount	Influence of ECR on personnel expenses	Influence of ECR on personnel expenses
1000 CHF	31.3.2017	31.3.2017	2016/17	31.3.2017	31.3.2016	2016/17	2015/16
Bank Foundation	598	–	–	598	598	–	–

#### Presentation of the economic benefit/obligation and the pension expenses

	Overfunding/ underfunding	Economic interest of bank	Change in economic interest	Contribu-tions paid	Pension expenses in personnel expenses	Pension expenses in personnel expenses
1000 CHF	31.3.2017	31.3.2017	31.3.2016	2016/17	2016/17	2016/17
Pension plans with overfunding	2,130	–	–	–	9,424	9,424
						9,088

All employees of Rothschild Bank and its Swiss subsidiaries are members of a defined contribution pension scheme, which covers the mandatory benefits specified in the BVG and super-obligatory benefits. A second supporting foundation provides further supplementary super-obligatory benefits.

The disclosures above are based on the annual accounts of the Swiss pension schemes as of 31.12.2016 and 31.12.2015 respectively.

#### NMR Overseas Pension Plan

The Group's subsidiary Rothschild Trust Guernsey Ltd., Guernsey ("RTG"), participates in the NMR Overseas Pension Fund, a defined benefit scheme operated for the benefit of employees of certain Rothschild Group entities outside the United Kingdom and outside of Switzerland. A funding valuation of the scheme as of 31st March 2012 revealed a funding deficit of GBP 9.9 million. The Board of Trustees has agreed that annual contributions of GBP 2.1 million should be paid to the scheme from 31st March 2009 to 31st March 2019. RTG's share of this liability is fully provided for in the financial statements.

As restructuring measures were agreed, the economic liability was determined based on the net present value of the future extraordinary contributions. Due to contributions during the 2016/17 financial year, and the deconsolidation of Rothschild Bank (CI) Ltd., Guernsey, who was previously a member of this scheme, the provision amount has been reduced by CHF 1.8 million to CHF 2.5 million. In the case of a further recovery of the plan, the decision of the Board of Trustees may be unwound.

# C Notes to the Consolidated Financial Statements

## 10 Provisions, reserves for general banking risks

	Previous year end 1000 CHF	Use in conformity with designated purpose 1000 CHF	Currency differences 1000 CHF	New creations charged to income 1000 CHF	Releases to income 1000 CHF	Balance at current year end 1000 CHF
Provisions for deferred taxes	3,693	–	–26	–	–	3,667
Provisions for pension benefit obligations	4,313	–1,529	–325	–	–	2,459
Provisions for other business risks	4,898	–597	–47	2,454	–150	6,558
Provisions for restructuring	–	–	–	–	–	–
<b>Total provisions</b>	<b>12,904</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12,684</b>
<b>Reserves for general banking risks</b>	<b>22,769</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>22,769</b>

There continue to be a number of regulatory developments and inquiries in the financial services industry and the Swiss private banking sector that may impact the Bank. The directors believe that the level of provisions made in these accounts for client litigation, legal and other costs is sufficient for any potential or actual proceedings or claims which are likely to have a material impact on the Bank's financial statements based on information available at the reporting date.

## 11 Number and value of equity securities or options on equity securities held by all executives and directors and by employees

	Equity securities Number		Equity securities Value in 1000 CHF		Options Number		Options Value in 1000 CHF	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016	31.3.2017	31.3.2016	31.3.2017	31.3.2016
Members of the board of directors	10,797	10,000	311	238	40,000	40,000	353	136
Members of executive bodies	3,763	14,620	108	348	–	40,000	–	136
Employees	14,799	816	427	19	40,000	–	353	–
<b>Total</b>	<b>29,359</b>	<b>25,436</b>	<b>846</b>	<b>605</b>	<b>80,000</b>	<b>80,000</b>	<b>706</b>	<b>272</b>

Equity securities are the publicly listed securities of Rothschild & Co, the ultimate parent company.

The Bank participates in long-term profit share schemes for the benefit of employees. The costs of such schemes are recognised in the income statement over the period in which the services are rendered that give rise to the obligation. Where the payment of profit share is deferred until the end of a specified vesting period, the deferred amount is recognised in the income statement over the period up to the date of vesting.

Under the equity scheme, senior management of the Rothschild & Co group was required to invest in Rothschild & Co shares and received four options for each share invested. Shares invested are subject to a four-year lock-up period, and the share options granted are subject to a vesting period before exercise. The value of the options reported is the intrinsic value at 31 March.

Under the 2013/14, 2014/15 and 2015/16 share plans, persons who have variable compensation which attracts deferrals/retentions and the delivery of non-cash incentives accordingly, as determined by Group Human Resources, were awarded 15 percent of their variable compensation as non-cash instruments. These shares are subject to a lock-up period and vest in three tranches over the three following years.



## 12 Disclosure of amounts due from and due to related parties

	Amounts due to		Amounts due from	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016
Holders of qualified participations	109,194	100,581	91,534	105,621
Linked companies	1,104,912	25,764	12,783	1,431
Other related parties	91,627	–	10,417	9,788
<b>Total</b>	<b>1,305,733</b>	<b>126,345</b>	<b>114,734</b>	<b>116,840</b>

Transactions with affiliated persons and companies (in particular parent and subsidiary companies) such as securities transactions, granting loans and account interest are carried out at the conditions offered to third parties. Members of the Executive Committee (ExC) and the internal audit department are offered the Bank's normal conditions for employees. Members of the Board are charged at least the Bank's normal conditions for employees.

Rothschild Bank (CI) Ltd. ("RBCI") was sold during the year and de-consolidated, so its bank deposits of CHF 945 million are now shown under linked companies.

## 13 Maturity structure of current assets, financial investments and liabilities

	At sight 1000 CHF	Redeem- able by notice 1000 CHF	Maturity within 3 months 1000 CHF	Maturity within 3- 12 months 1000 CHF	Maturity within 1-5 years 1000 CHF	Maturity after 5 years 1000 CHF	Total 31.3.2017 1000 CHF
Liquid assets	3,559,335	–	–	–	–	–	3,559,335
Amounts due from banks	173,823	14,645	–	–	–	–	188,468
Amounts due from customers	15,288	–	528,384	213,489	37,407	–	794,569
Mortgage loans	–	–	–	7,457	225,616	1,000	234,073
Trading portfolio assets	2,677	–	–	–	–	–	2,677
Positive replacement values of derivative financial instruments	–	–	51,225	1,883	141	–	53,249
Other financial instruments at fair value	103,393	–	–	–	–	–	103,393
Financial investments	501	–	–	6,969	20,462	–	27,932
<b>Total assets/ financial investments</b>	<b>3,855,017</b>	<b>14,645</b>	<b>579,610</b>	<b>229,798</b>	<b>283,626</b>	<b>1,000</b>	<b>4,963,695</b>
Previous year	3,284,720	–	872,214	149,826	238,517	17,811	4,563,088
Amounts due to banks	445,105	336,914	229,133	5,297	476	–	1,016,926
Amounts due in respect of customer deposits	3,576,049	–	–	8,003	–	–	3,584,052
Negative replacement values of derivative financial instruments	–	–	50,832	1,069	103	–	52,004
<b>Total debt capital/ financial investments</b>	<b>4,021,154</b>	<b>336,914</b>	<b>279,965</b>	<b>14,370</b>	<b>579</b>	<b>–</b>	<b>4,652,982</b>
Previous year	3,827,939	204,246	166,755	6,661	–	–	4,205,601

# C Notes to the Consolidated Financial Statements

## 14 Assets and liabilities by domestic and foreign origin

	31. 3. 2017			31. 3. 2016		
	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF
<b>Assets</b>						
Liquid assets	3,559,333	2	3,559,335	3,005,622	1	3,005,623
Amounts due from banks	97,185	91,283	188,468	77,431	105,694	183,125
Amounts due from customers	159,355	635,214	794,569	155,712	721,342	877,054
Mortgage loans	2,620	231,453	234,073	3,870	229,623	233,493
Trading portfolio assets	15	2,662	2,677	–	584	584
Positive replacement values of derivative financial instruments	16,206	37,043	53,249	28,179	101,869	130,048
Other financial instruments at fair value	102,893	500	103,393	95,479	457	95,936
Financial investments	–	27,932	27,932	–	37,225	37,225
Accrued income and prepaid expenses	4,664	14,294	18,958	3,160	16,901	20,061
Participations	50	265	315	50	432	482
Tangible fixed assets	40,731	217	40,948	45,517	229	45,746
Other assets	4,040	15,085	19,125	14,099	2,095	16,194
<b>Total assets</b>	<b>3,987,092</b>	<b>1,055,950</b>	<b>5,043,042</b>	<b>3,429,119</b>	<b>1,216,452</b>	<b>4,645,571</b>
<b>Liabilities</b>						
Amounts due to banks	12,272	1,004,654	1,016,926	35,503	66,965	102,468
Amounts due in respect of customer deposits	669,240	2,914,812	3,584,052	548,422	3,381,295	3,929,717
Negative replacement values of derivative financial instruments	9,938	42,066	52,004	82,774	90,642	173,416
Accrued expenses and deferred income	40,641	7,058	47,699	52,868	12,184	65,052
Other liabilities	13,407	1,298	14,705	1,293	518	1,811
Provisions	12,324	360	12,684	12,611	293	12,904
Reserves for general banking risks	22,769	–	22,769	22,769	–	22,769
Bank's capital	10,330	–	10,330	10,330	–	10,330
Capital reserve	4,620	–	4,620	4,620	–	4,620
Retained earnings reserve	258,400	–	258,400	309,503	–	309,503
Profit/ loss (result of the period)	18,853	–	18,853	12,981	–	12,981
<b>Total liabilities</b>	<b>1,072,794</b>	<b>3,970,248</b>	<b>5,043,042</b>	<b>1,093,674</b>	<b>3,551,897</b>	<b>4,645,571</b>

## 15 Total assets by group of countries

	31.3.2017		31.3.2016	
	1000 CHF	Share in %	1000 CHF	Share in %
Europe	4,900,453	97.2	4,523,645	97.4
America	11,720	0.2	1,127	0.0
Asia, Australia, New Zealand	79,992	1.6	79,523	1.7
Other	50,877	1.0	41,276	0.9
<b>Total</b>	<b>5,043,042</b>	<b>100.0</b>	<b>4,645,571</b>	<b>100.0</b>

## 16 Breakdown of assets by credit rating of country group

Bank's own country rating	Standard & Poor's	31.3.2017		31.3.2016	
		Net foreign exposure		Net foreign exposure	
		1000 CHF	Share in %	1000 CHF	Share in %
1	A	81,119	6.9	28,999	2.0
2	Aa	561,182	47.7	735,728	50.7
3	Aaa	436,061	37.0	573,237	39.5
4	B	1,002	0.1	1,657	0.1
5	Ba	2,014	0.2	2,521	0.2
6	Baa	53,957	4.6	92,918	6.4
7	Caa and below	42,380	3.6	15,288	1.1
<b>Total</b>	<b>Total</b>	<b>1,177,714</b>	<b>100.0</b>	<b>1,450,348</b>	<b>100.0</b>

# C Notes to the Consolidated Financial Statements

## 17 Balance sheet by currency in 1000 CHF

	CHF	EUR	GBP	USD	Other	Total 31.3.2017
<b>Assets</b>						
Liquid assets	3,558,851	323	16	58	87	3,559,335
Amounts due from banks	71,783	32,714	3,886	23,587	56,498	188,468
Amounts due from customers	158,414	452,804	95,048	78,750	9,553	794,569
Mortgage loans	3,620	1,102	229,351	–	–	234,073
Trading portfolio assets	516	108	–	2,053	–	2,677
Positive replacement values of derivative financial instruments	53,218	–	31	–	–	53,249
Other financial instruments at fair value	–	576	–	–	102,817	103,393
Financial investments	–	27,932	–	–	–	27,932
Accrued income and prepaid expenses	9,748	3,026	5,448	611	125	18,958
Participations	315	–	–	–	–	315
Tangible fixed assets	40,751	136	–	–	61	40,948
Other assets	3,769	164	6,381	8,699	112	19,125
<b>Total assets shown in balance sheet</b>	<b>3,900,985</b>	<b>518,885</b>	<b>340,161</b>	<b>113,758</b>	<b>169,253</b>	<b>5,043,042</b>
Delivery entitlements from spot exchange, forward forex and forex options transactions	477,986	1,580,803	1,707,736	3,315,028	275,124	7,356,677
<b>Total assets</b>	<b>4,378,971</b>	<b>2,099,688</b>	<b>2,047,897</b>	<b>3,428,786</b>	<b>444,377</b>	<b>12,399,719</b>
<b>Liabilities</b>						
Amounts due to banks	2,777	63,095	481,228	453,884	15,942	1,016,926
Amounts due in respect of customer deposits	496,298	829,819	402,773	1,602,707	252,455	3,584,052
Negative replacement values of derivative financial instruments	52,004	–	–	–	–	52,004
Accrued expenses and deferred income	40,326	3,532	2,136	638	1,067	47,699
Other liabilities	6,856	574	7,038	225	12	14,705
Provisions	9,455	2,568	661	–	–	12,684
Reserves for general banking risks	22,769	–	–	–	–	22,769
Bank's capital	10,330	–	–	–	–	10,330
Capital reserve	4,620	–	–	–	–	4,620
Statutory retained earnings reserve	5,165	–	–	–	–	5,165
Voluntary retained earnings reserves	247,037	–	–	–	–	247,037
Minority interest in equity	6,198	–	–	–	–	6,198
Profit/loss (result of the period)	18,853	–	–	–	–	18,853
<b>Total liabilities shown in balance sheet</b>	<b>922,688</b>	<b>899,588</b>	<b>893,836</b>	<b>2,057,454</b>	<b>269,476</b>	<b>5,043,042</b>
Delivery obligations from spot exchange, forward forex and forex options transactions	3,477,939	1,188,987	1,161,451	1,356,626	171,675	7,356,677
<b>Total liabilities</b>	<b>4,400,627</b>	<b>2,088,575</b>	<b>2,055,287</b>	<b>3,414,080</b>	<b>441,151</b>	<b>12,399,719</b>
<b>Net position per currency</b>	<b>-21,656</b>	<b>11,113</b>	<b>-7,390</b>	<b>14,706</b>	<b>3,226</b>	<b>-0</b>

## Information on Off-Balance Sheet Transactions

### 18 Analysis of contingent liabilities

	31.3.2017 1000 CHF	31.3.2016 1000 CHF	Change	
			1000 CHF	%
Guarantees to secure credits	34,390	42,968	-8,578	-20.0

### 19 Credit commitments

	31.3.2017 1000 CHF	31.3.2016 1000 CHF	Change	
			1000 CHF	%
Commitment to the Swiss deposit guarantee scheme	2,332	2,400	-68	-2.8
Committed credit facilities	37,646	41,926	-4,280	-10.2
Credit commitments for private equity subscriptions	201,239	191,073	10,166	5.3
<b>Total</b>	<b>241,217</b>	<b>235,399</b>	<b>-4,348</b>	<b>-1.8</b>

Irrevocable commitments mainly represent commitments to third party funds where the Bank acts as nominee on behalf of its clients.

### 20 Fiduciary transactions

	31.3.2017 1000 CHF	31.3.2016 1000 CHF	Change	
			1000 CHF	%
Fiduciary investments with third-party companies	768,848	1,406,395	-637,547	-45.3
Fiduciary investments with linked companies	3,509	14,536	-11,027	-75.9
<b>Total</b>	<b>772,357</b>	<b>1,420,931</b>	<b>-648,574</b>	<b>-45.6</b>

# C Notes to the Consolidated Financial Statements

## 21 Managed and administered assets

	2016/17 CHF Mio.	2015/16 CHF Mio.	Change CHF Mio.	%
<b>Managed assets</b>				
Assets in collective investment schemes managed by the Bank	303	444	-141	-31.8
Assets under discretionary asset management mandates	6,054	7,975	-1,921	-24.1
Other managed assets	7,600	7,975	-375	-4.7
<b>Total managed assets (including double counting)</b>	<b>13,957</b>	<b>16,394</b>	<b>-2,437</b>	<b>-14.9</b>
of which, double counting	303	444	-141	-31.8
Total managed assets (including double counting) at the beginning of the year	16,394	14,424	1,970	13.7
+/- net new money inflow or net new money outflow	-268	1,436	-1,704	n/a
+/- price gains/ losses, interest, dividend and currency gains/ losses, and other effects	509	534	-25	-4.7
+/- other effects	-2,678	-	-2,678	n/a
<b>Total managed assets (including double counting) at the end of the year</b>	<b>13,957</b>	<b>16,394</b>	<b>-2,437</b>	<b>-14.9</b>

Client assets include deposits as well as the market value of securities, precious metals and fiduciary investments. Net new assets consist of all external cash deposits and withdrawals on client accounts as well as all external in- and outflows from/ into client accounts. Interest and dividend income are not included in the calculation.

Managed assets cover both assets deposited with Group companies and assets deposited at third-party institutions for which the Bank holds a management mandate. It also includes other client assets on which the Group earns more than a defined threshold.

During the year the Bank sold its subsidiary Rothschild Bank (CI) Ltd. ("RBCI"), to Rothschild Bank International Ltd. ("RBI"). The assets that were previously included in the Bank's consolidated managed assets were deconsolidated, and this move is reflected in the movement table under 'other effects'. The Bank continues to provide administrative and infrastructure support services to RBI and charges a fee for those services. The RBI assets are included in the table below as assets administered on behalf of affiliated companies. Total managed assets at the prior year end included CHF 3.1 billion of assets belonging to RBCI.

	2016/17 CHF Mio.	2015/16 CHF Mio.	Change CHF Mio.	%
<b>Total managed assets (including double counting) at the end of the year</b>	<b>13,957</b>	<b>16,394</b>	<b>-2,437</b>	<b>-14.9</b>
<b>Administered assets</b>				
Assets administered for or on behalf of affiliated companies on behalf of the Rothschild & Co group	11,368	7,139	4,229	59.2
External advisory assets	546	557	-11	-2.0
Group and pension assets	1,870	1,773	97	5.5
<b>Total assets managed or administered by the Bank (excluding double counting)</b>	<b>27,438</b>	<b>25,863</b>	<b>1,575</b>	<b>6.1</b>

## Information on the Income Statement

### 22 Result from trading activities

	2016/17 1000 CHF	2015/16 1000 CHF	Change	
			1000 CHF	%
Equity securities (including funds)	180	93	87	93.5
Foreign currencies	20,198	27,465	-7,267	-26.5
Commodities/ precious metals	1,030	-1,634	2,664	n/a
<b>Total result from trading activities</b>	<b>21,408</b>	<b>25,924</b>	<b>-4,516</b>	<b>-17.4</b>

### 23 Negative interest

	2016/17 1000 CHF	2015/16 1000 CHF	Change	
			1000 CHF	%
Negative interest paid	-21,917	-20,249	-1,668	-8.2
Negative interest received	649	263	386	146.8

### 24 Personnel expenses

	2016/17 1000 CHF	2015/16 1000 CHF	Change	
			1000 CHF	%
Salaries	-86,147	-88,142	1,995	2.3
of which expenses relating to share-based compensation	-135	-45	-90	-200.0
Social insurance benefits	-15,114	-15,742	628	4.0
Changes in book value for economic benefits and obligations arising from pension schemes	-	598	-598	-100.0
Other personnel expenses	-5,978	-5,128	-850	-16.6
<b>Total personnel expenses</b>	<b>-107,239</b>	<b>-108,414</b>	<b>1,175</b>	<b>1.1</b>

## C Notes to the Consolidated Financial Statements

### 25 General and administrative expenses

	2016/17 1000 CHF	2015/16 1000 CHF	Change 1000 CHF	%
Office space expenses	-5,047	-6,225	1,178	18.9
Expenses for information and communications technology	-11,401	-11,898	497	4.2
Expenses for vehicles, equipment, furniture and other fixtures	-1,697	-1,720	23	1.3
Fees of audit firms	-1,069	-1,070	1	0.1
of which for financial and regulatory audits	-1,048	-1,052	4	0.4
Other operating expenses	-15,325	-9,283	-6,042	-65.1
<b>Total</b>	<b>-34,539</b>	<b>-30,196</b>	<b>-4,343</b>	<b>-14.4</b>

Due to the sale and de-consolidation of Rothschild Bank (CI) Ltd. ("RBCI"), other operating expenses no longer includes the netting of expenses that were recharged to RBCI. Instead, the recharge is now shown as additional ordinary income.

### 26 Extraordinary income and expense

	2016/17 1000 CHF	2015/16 1000 CHF	Change 1000 CHF	%
Other extraordinary income	87	1,160	-1,073	-92.5
Transactional tax expense related to prior year	-1,500	-	-1,500	n/a
Other extraordinary expense	-167	-	-167	n/a
<b>Total</b>	<b>-1,580</b>	<b>1,160</b>	<b>-2,740</b>	<b>n/a</b>



## 27 Operating result broken down according to domestic and foreign origin

	2016/17			2015/16		
	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF
Net result from interest operations	33,121	2,078	35,199	22,307	3,758	26,065
Result from commission business and services	79,450	32,030	111,480	76,013	32,561	108,574
Results from trading operations and the fair value option	19,159	2,249	21,408	24,917	1,007	25,924
Other ordinary income and expenses	1,147	4,625	5,772	2,387	1	2,388
<b>Total income</b>	<b>132,877</b>	<b>40,982</b>	<b>173,859</b>	<b>125,624</b>	<b>37,327</b>	<b>162,951</b>
Personnel expenses	-90,953	-16,286	-107,239	-92,449	-15,966	-108,414
General and administrative expenses	-24,093	-10,446	-34,539	-18,401	-11,795	-30,196
<b>Total operating expenses</b>	<b>-115,046</b>	<b>-26,732</b>	<b>-141,778</b>	<b>-110,850</b>	<b>-27,761</b>	<b>-138,610</b>
<b>Gross profit</b>	<b>17,831</b>	<b>14,250</b>	<b>32,081</b>	<b>14,774</b>	<b>9,567</b>	<b>24,341</b>

## 28 Taxation

	2016/17	2015/16	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Expenses for current taxes	-1,440	-2,654	1,214	45.7
<b>Total</b>	<b>-1,440</b>	<b>-2,654</b>	<b>1,214</b>	<b>45.7</b>
<b>Average tax rate based on operating result</b>	<b>6.6</b>	<b>17.0</b>		

# D Consolidation, Accounting and Valuation Principles

## General Principles

The consolidated financial statements have been prepared in accordance with the Swiss Bank Accounting Guidelines of the Swiss Financial Market Supervisory Authority (BAG-FINMA).

The Group accounts present a true and fair view of the financial position of the Group and of the results of its operations and its cash flows in compliance with the accounting rules applicable for banks.

## Consolidated Companies

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, usually based on a participation of more than 50 percent of voting capital, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

## Method of Consolidation

The Group's capital consolidation is prepared in accordance with the purchase method.

## Change in the Scope of Consolidation

During the year the Bank sold its subsidiary Rothschild Bank (CI) Ltd. ("RBCI"), to Rothschild Bank International Ltd., which is owned by Rothschilds Continuation Holdings AG. There were no other changes in the scope of consolidation.

## Accounting and Recording of Transactions

All transactions effected up to and including the balance sheet date are accounted for on the trade date and are, from this date on, stated and assessed according to the principles laid out below.

## Foreign Currency Translation of the Financial Statements

Income statements of foreign entities are translated into the Group's reporting currency at average exchange rates for the period, and their balance sheets are translated at the exchange rate at the end of the period. Foreign exchange differences arising from the translation are recognised directly as a separate component of equity. On disposal of a foreign entity, these translation differences are recognised in the income statement as part of the gain or loss on sale.

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Swiss Francs at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair value was determined.

The following rates prevailing on the balance sheet date were used for foreign currency translations:

	2016/17		2015/16	
	Spot rate	Average rate	Spot rate	Average rate
EUR	1.0706	1.0835	1.0931	1.0955
GBP	1.2516	1.2906	1.3810	1.4236
USD	1.0010	0.9877	0.9601	0.9936

## Liquid Assets, Amounts Due from and to Banks, and Amounts Due in Respect of Customer Deposits

Assets and liabilities are stated in the balance sheet at their nominal value.

## Amounts Due from Customers

Amounts due from customers are stated in the balance sheet at their nominal value. Claims – taking all off-balance sheet items into account – which the debtor will be unlikely to satisfy in future are covered by individual provisions. These are classified as non-performing if interest and capital payments are overdue for more than 90 days. Individual provisions are deducted directly from the corresponding asset positions. Claims rated as uncollectible are written off against the individual provisions made.

## Trading Portfolios in Securities and Precious Metals

Securities and precious metals in trading portfolios and in financial instruments at fair value are in principle stated at fair value. The price obtained on a price-efficient and liquid market is taken as the fair value, which as a rule corresponds to the market value. If in exceptional cases there is no fair value available, securities and precious metals in trading portfolios will be valued and stated at the lower of cost or market value. Changes in the value of precious metals positions is shown in result from trading operations and the fair value option.

Interest, discount and dividend income from trading securities are set off against refinancing expenses and booked as income from trading operations.

## Financial Investments

Fixed income securities that are planned to be held until maturity are valued by the accrual method. Premiums and discounts are amortised over the remaining life of the respective security and are recognised in interest and dividend income on financial investments. Other financial investments are valued at the lower of cost or market value.

## Non-consolidated Participations

An associate is an entity in which the Group has significant influence, but no control over the operating and financial management policy decisions. This is generally demonstrated by the Group holding in excess of 20%, but no more than 50%, of the voting rights. The Group's investments in associates are initially recorded at cost. Subsequently their value is increased or decreased by the Group's share of the post-acquisition profit or loss, or by other movements reflected directly in the equity of the associate. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

All other participations without a significant influence are stated at cost less depreciation.

## Fixed Assets

Fixed assets are valued at cost less depreciation over an expected useful lifetime of maximum ten years for outfitting costs, maximum ten years for the components of the IT platform (host system), maximum six years for other tangible fixed assets and maximum three years for IT hardware. Bank buildings and other properties are depreciated to a base level generally accepted by the tax authorities. The value is reviewed on a regular basis. If a review reveals an impairment in value, an additional write-off is made. The remaining book value is subsequently written down over the residual useful lifetime. If the review reveals a change in the useful lifetime, the remaining book value is

written down as planned over the adjusted useful life. Small investment outlays are charged directly to operating expenses at the time of purchase.

### **Derivative Instruments**

Derivative financial instruments are stated at fair value. The positive and negative replacement values are included in the balance sheet under other assets and other liabilities. Unrealised/realised gains are included in results from trading operations. All derivative financial instruments are allocated to the trading book.

### **Liabilities to Pension Plans**

Pension liabilities are treated according to Swiss GAAP FER 16 (accounting standard for pension benefit obligations relevant for Swiss Banking GAAP). The employer's contributions according to the defined contribution pension plans are included within personnel expenses.

### **Valuation Adjustments and Provisions**

Claims that a debtor is unlikely to satisfy in the future are covered by individual valuation adjustments. Individual valuation adjustments are deducted directly from the corresponding asset positions. Individual valuation adjustments and individual provisions are made for all other recognisable loss risks according to a concept of prudence.

From time to time the Bank is involved in legal proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, provisions are made where it is probable that an outflow of resources will be required and the amount can be reliably estimated.

### **Interest Income and Expense**

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis.

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. Interest, including accrued interest, that are due but unpaid for more than 90 days are considered as being at risk, and an appropriate provision is established.

### **Fee and Commission Income and Expense**

The Group earns fee and commission income from services provided to clients. Fee income from advisory and other services can be divided into two broad categories: fees earned from services that are provided over a period of time, which are recognised over the period in which the service is provided; and fees that are earned on completion of a significant act or on the occurrence of an event, such as the completion of a transaction, which are recognised when the act is completed or the event occurs.

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. Commission including accrued commission that are due and unpaid for more than 90 days are considered as being at risk and an appropriate allowance is established.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

### **Operating Lease and Rental Agreements**

The Group has entered into operating leases in respect of equipment. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the leases. There are no claims or commitments from finance leases.

### **Income Tax**

Current taxes are recurring taxes on capital and income. Current taxes are determined in accordance with the local fiscal regulations on ascertaining profits and capital tax and are stated as expenses during the accounting period. Taxes owed are recorded as accrued expenses.

Deferred taxes arise when valuation principles other than those relevant from the fiscal law perspective are used in drawing up consolidated annual financial statements. Deferred tax liabilities are booked under provisions, and valuation adjustments and any changes are recognised in the income statement.

Deferred tax claims from losses carried forward are capitalised where it is likely that sufficient taxable profits will be generated within the statutory time limits, against which these losses carried forward may be offset. Changes in the deferred taxes are stated in the income statement via the taxes item.

### **Fiduciary Placement Activities**

The Group acts as custodian and in other fiduciary capacities that result in the holding or placing of assets on behalf of customers. These assets and the interest income arising thereon are excluded from these financial statements, as they are not assets of the Group.

### **Contingent Liabilities and Fiduciary Operations**

Transactions resulting from these activities are stated off-balance sheet at their face value. For recognisable risks, provisions are made and recorded under liabilities.

# E Notes on Risk Management

## General Principles

The Board of Directors of the Bank considers a prudent and active approach to risk as a precondition for the sustained and long-term successful business operation of the Bank. The Board is responsible for the stipulation of the risk policy. The Board of Directors has released a Risk Regulation, which takes into account both the circumstances of the business activities of the Bank and its subsidiaries and also reflects the capital funds situation of the Group, the interest of the shareholders and the regulatory environment. The risk policy is constantly monitored and amended if necessary.

The formal methodology of the risk policy relates primarily to the observance of quantitative risk limits for all risk types. Risk diversification utilizes more qualitative aspects and working procedures are installed for the management of operational risks. At the same time, great importance is attached to the risk awareness of the management bodies and all Group staff. Hence the Board of Directors and the Executive Committee pursue an open risk culture which is also implemented by responsible, careful and professional behaviour from all employees. The Group consciously depends on a risk culture based on the personal integrity, specialist competence and risk awareness of each individual and undertakes the necessary steps to ensure that these qualifications are carried by all its employees.

The implementation of the risk policy is delegated to the Bank's Executive Committee: the ExC. The ExC is supported in this by the Risk Department, which is independent from trading and client-related services and which monitors compliance with limits and the risk policy.

In its management and control of the risks, the Bank has implemented the three lines of defence model, with the business functions being the first line responsible for the management and primary controls of their respective risks. Second line defence is ensured through secondary controls conducted by support units independent from the business functions, mainly the Risk, Legal and Compliance and Finance Departments. Internal and External Audit constitute the third line of defence.

## Credit Risk

Credit risk describes the potential for loss as a result of insolvency of a client or counterparty. A potential loss arises in particular when maturing loans or other financial obligations to the Bank are not repaid or cannot be repaid when due. For this reason loans and other credits are only granted after taking into account fundamental principles of caution. Since the banking business is strongly focused on private banking, loans are mainly granted against collateral in the form of pledged well-diversified investment portfolios or as mortgages on a case by case basis. Credit exposures that are considered to be at risk, or where the collectability of the debt is doubtful, are assessed individually and where necessary impairment provisions are taken against the exposure.

The competencies for loan approvals and the monitoring of credit positions are subject to clear rules and supervised by staff members independent of the client advisors. The Board of Directors and the Executive Committee have laid down clear guidelines for loanable values and the pledging of assets (collateral). In general, assets serving as collateral are held in the Bank's custody and pledged in favour of the Bank under contractual agreements. The loanable values of the pledged assets, which are derived from market values, are compared daily to the loan commitments secured and are subject to constant monitoring. If coverage threatens to become insufficient, necessary

steps are taken to re-establish the necessary loanable value or to reduce the credit exposure. The Bank can resort to partial or full liquidation of the collateral or call the client for additional assets (margin call). If in exceptional cases no published market value is available for pledged assets, internal valuations calculated using standard banking methods will be applied. General principles have also been set out that aim for appropriate diversification of loan commitments and collateral. The concentration of risks on one client or counterparty or on one group of linked clients or counterparties is constantly monitored and appropriate measures are taken to avoid the emergence of large exposures.

Credit exposures are reviewed by the Private Client Committee on a quarterly basis. Credit exposures that are considered to be at risk, or where the collectability of the debt is doubtful, are assessed individually and where necessary, impairment provisions are taken against the exposure.

Counterparties are defined as banks or brokers with which the Bank trades or from which it purchases services. Counterparties are carefully selected on the basis of their creditworthiness, drawing on external ratings. Internal limits have to be approved by the competent bodies according to the risk policy and internal guidelines.

## Liquidity Risk

Liquidity risk describes the risk that in some circumstances, for example changed market conditions, the Bank might not be able to meet all its payment obligations as and when they fall due. The Bank's funding needs, largely resulting from its lending activities, are met by the Bank's equity and client deposits. In addition, the Bank maintains committed liquidity facilities with clearing institutions for the exceptional event that counterparties or clients do not meet their payment obligations punctually. Compliance with the liquidity rules as set out in the respective external and internal regulations are constantly monitored by the Risk Department, reporting to the Bank's Treasury Committee.

## Market Risk

Market risk describes the risk that the Bank could suffer losses as a result of changes in the financial markets (interest rates, FX rates, share prices). The business policy of the Bank is to only permit open market risk positions to a small degree in relation to client business volumes and available capital funds. The Bank incurs some FX risk through its proprietary FX trading book. These trading positions are valued daily. Calculation of risk positions and monitoring of compliance with the limits is performed independently by the Risk Department.

With very few exceptions, loans are generally extended with floating interest rates. The risk associated with the small proportion of loans with fixed interest rates is offset by means of Interest Rate Swaps. The Treasury Committee manages interest rate risk in the banking book and monitors the balance sheet structure. The Bank buys and sells derivatives arising from client activities in order to manage market risks. All such transactions are carried out within the guidelines defined by the Bank's Treasury Committee.

## Operational Risk

Operational risk entails the possibility that losses may be incurred directly or indirectly due to the inappropriateness or failure of internal procedures, persons or systems or due to external events that cannot be influenced. This definition also comprises the risk of fraud and the potential reputation damages associated with operational risk events. In accordance with regulatory requirements and best practice standards in banking and the Bank's dedication to ensure high quality

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services for its clients, the Executive Committee has implemented an operational risk management framework consisting of internal policies and procedures on organisation setup and controls, which are designed to maintain operational integrity at a high level. Particular attention is given to the quality and skills of staff, the segregation of duties, the careful selection of counterparties and the security of the central computer systems and networks. The Internal Audit department reviews the procedures and internal controls at regular intervals. Due to an escalation procedure it is assured that the responsible line management is adequately involved in the reporting and analyses process.

The Board of Directors has acknowledged the key operational risks of the Bank and has issued a qualitative risk appetite statement and, to the extent feasible, quantitative limits expressed by Key Risk Indicators for the measurement and limitation of operational risk.

### **Legal Risks and Compliance**

Legal and compliance risks are the risks associated with non-adherence to applicable laws and regulations in all jurisdictions the Bank operates, and the risk the Bank exposes itself to as a result of violation of internal rules and policies. Non-enforceability of legal contracts and the Bank's inability to fulfil its contractual obligations also expose the Bank to legal risk. In order to monitor and mitigate legal and regulatory risks, the Bank maintains a Legal and Compliance Department. This department ensures that the Bank's business activities are conducted in accordance with the applicable regulations and the obligation of financial intermediaries to observe due diligence. If required, external legal advice is sought.

# Business and Services

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Rothschild Bank AG is an independent Swiss bank specialising in private banking and asset management. Consequently, the most important contributions to income are derived from commissions and the provision of services. As a result of the links between its shareholders who are members of the Rothschild family, the Bank is also a member of an important worldwide group that has the benefit of far-reaching resources and knowledge in the field of financial services.

The most important services that are offered within private banking are the management of accounts in all convertible currencies, the management and safekeeping of securities and precious metals, trading in currencies, securities and derivatives, secured lending and the provision of structures for the safeguarding and transfer of private wealth. The accounts are managed at the head office in Zurich and within the subsidiaries, Equitas SA in Geneva, Rothschild Vermögensverwaltungs-GmbH in Frankfurt, Rothschild Wealth Management (Singapore) Ltd. in Singapore and Rothschild Wealth Management (Hong Kong) Ltd. in Hong Kong. In addition, Rothschild Bank AG is represented through the worldwide network of the Rothschild Group.

It has been the principle of Rothschild's for generations that clients and their needs are of the highest importance. This principle, together with the personal relationship between the client and the portfolio manager, forms the foundation for successful capital growth and protection.

## Portfolio Management

In addition to active investment advisory services for clients, the core competence lies in asset management tailored to the individual needs of clients. The investment philosophy of Rothschild Bank Zurich is aimed at the development of long-term solutions. The dynamic asset management process is designed for the evaluation of broad individual client needs and for their special requirements. This process takes place within the investment policy of the Bank that reflects the guidelines and instructions of the client and minimises the investment risks. The investment process is systematically organised and simple to understand. In investment advisory services as well as in asset management we make use of fundamental and financial analysis developed by specialists of the worldwide Rothschild Group. An internal investment committee reviews their recommendations. To ensure an ideal asset allocation, the Bank utilises both third-party products as well as products developed by the Rothschild Group.

## Trust and Company Management Services

Trust and corporate services are largely provided by subsidiaries of Rothschild Private Trust Holdings AG. This company holds various subsidiaries, both in Switzerland, Guernsey and in a large number of other jurisdictions, which are specialised in the formation and management of trusts, foundations and corporate vehicles for private clients. This activity is a traditional service provided by the Rothschild Group. The trust specialists have the benefit of considerable experience over many years, in the structuring and management of trusts and foundations in many jurisdictions, which bring significant benefits for the transfer of wealth between generations of clients. These services make it possible to meet the needs of a widely distributed international clientele through the selection of the most beneficial and flexible vehicles and taking account of the individual's personal preferences and tax and legal situation.

## Trading

The provision of portfolio management services is supported by specialists and the necessary infrastructure in the trading department of the Bank. This allows quick execution and processing of orders in foreign exchange, fiduciary deposits and securities transactions on good terms in all the major financial centres as well as in investment funds and derivatives as instruments for investment management and risk. Rothschild Bank AG is a licensed securities dealer and an associated member of the Swiss Stock Exchange.

## Lombard Lending and Mortgage Lending

Within the context of overall investment management and private banking, the Bank grants loans to clients and guarantees to third parties on behalf of clients. This credit activity is based upon Lombard lending against marketable securities in diversified portfolios and normally does not allow granting advances over more than twelve months. Within the credit policies, there are strict rules regarding the quality of collateral together with margin requirements. The Bank offers mortgage lending to its clients on a case-by-case basis.





# Report of the Statutory Auditor on the Consolidated Financial Statements



**KPMG AG**  
**Audit Financial Services**  
Badenerstrasse 172  
CH-8004 Zurich

P.O. Box  
CH-8036 Zurich

Telephone +41 58 249 31 31  
Internet [www.kpmg.ch](http://www.kpmg.ch)

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

**Rothschild Bank AG, Zurich**

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

As statutory auditor, we have audited the accompanying consolidated financial statements of Rothschild Bank AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (page 10 to 35) for the year ended 31 March 2017.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the provisions governing the preparation of financial statements for Banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended 31 March 2017 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the provisions governing the preparation of financial statements for Banks and comply with Swiss law.





### **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 consolidated financial statements according to the instructions of the Board of Directors.

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

KPMG AG

Michael Schneeбели  
*Licensed Audit Expert*  
*Auditor in Charge*

Thomas Dorst  
*Licensed Audit Expert*

Zurich, 1 June 2017

# Capital Adequacy and Liquidity

## Capital key figures

	31.3.2017 1000 CHF	31.3.2016 1000 CHF
Minimum capital required based on risk-oriented requirements	61,934	75,626
Eligible equity	258,596	302,457
of which Common Equity Tier 1 (CET 1)	258,596	302,457
of which Tier 1 Capital	258,596	302,457
Risk-weighted exposures (RWA)	774,175	945,325
CET 1 ratio (Common Equity Tier 1 in % of RWA)	33.4%	32.0%
Tier 1 capital ratio (Tier 1 capital in % of RWA)	33.4%	32.0%
Total capital ratio (in % of RWA)	33.4%	32.0%
Counter-cyclical capital buffer (in % of RWA)	0.0%	0.0%
CET 1 target ratio (in %) according to Annex 8 CAO plus counter-cyclical capital buffer	7.4%	7.4%
T1 target ratio (in %) according to Annex 8 CAO plus counter-cyclical capital buffer	9.0%	9.0%
Total capital ratio (in %) according to Annex 8 CAO plus counter-cyclical capital buffer	11.2%	11.2%
Basel III leverage ratio (Tier 1 capital in % of the total exposure)	5.0%	6.3%
Total exposure (CHF)	5,203,812	4,814,108

## Liquidity key figures

	2016/17 1000 CHF	2015/16 1000 CHF
Average Liquidity Coverage Ratio		
Short-term liquidity coverage ratio (LCR) (in %) in Q4	181.3%	230.9%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,387,523	2,917,979
LCR denominator: Total of net cash outflow (CHF)	1,868,402	1,263,712
Short-term liquidity coverage ratio (LCR) (in %) in Q3	157.0%	208.1%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,171,677	3,070,701
LCR denominator: Total of net cash outflow (CHF)	2,020,165	1,475,821
Short-term liquidity coverage ratio (LCR) (in %) in Q2	224.9%	234.9%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,008,929	2,954,796
LCR denominator: Total of net cash outflow (CHF)	1,337,618	1,257,787
Short-term liquidity coverage ratio (LCR) (in %) in Q1	247.4%	202.4%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,176,561	2,794,118
LCR denominator: Total of net cash outflow (CHF)	1,283,997	1,380,458

The Board of Directors has approved the principle, scope and internal control system over the disclosure requirements of FINMA-Circular 2016/01.

# Consolidated Income Statement Excluding RBCI for the Period 1st April to 31st March

	2016/17 1000 CHF	2015/16 1000 CHF	Change	
			1000 CHF	%
Net result from interest operations	33,095	22,298	10,797	48.4
Result from commission business and services	109,966	106,148	3,818	3.6
Results from trading operations	19,370	21,677	-2,307	-10.6
Other result from ordinary activities	10,061	11,787	-1,726	-14.6
<b>Total income</b>	<b>172,492</b>	<b>161,910</b>	<b>10,582</b>	<b>6.5</b>
Personnel expenses	-106,815	-107,716	901	0.8
General and administrative expenses	-36,772	-34,884	-1,888	-5.4
<b>Subtotal operating expenses</b>	<b>-143,587</b>	<b>-142,600</b>	<b>-987</b>	<b>-0.7</b>
<b>Gross profit</b>	<b>28,905</b>	<b>19,310</b>	<b>9,595</b>	<b>49.7</b>
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	-8,015	-9,263	1,248	13.5
Changes to provisions and other value adjustments, and losses	-2,193	-950	-1,243	-130.8
<b>Operating result</b>	<b>18,697</b>	<b>9,097</b>	<b>9,600</b>	<b>105.5</b>
Extraordinary income	87	1,160	-1,073	-92.5
Extraordinary expenses	-1,667	0	-1,667	n/a
Taxation	-1,139	-2,224	1,085	48.8
<b>Consolidated profit/ loss</b>	<b>15,978</b>	<b>8,033</b>	<b>7,945</b>	<b>98.9</b>

The table above shows the consolidated profit and loss results for the Bank, excluding those of Rothschild Bank (CI) Ltd., in both years.

# **Financial Statements of Rothschild Bank AG**

# Balance Sheet as of 31st March 2017 and 2016

## Assets

	Notes	31.3.2017 1000 CHF	31.3.2016 1000 CHF	Change 1000 CHF	%
Liquid assets		3,558,830	3,005,619	553,211	18.4
Amounts due from banks		177,892	162,858	15,034	9.2
Amounts due from customers	1	792,762	703,901	88,861	12.6
Mortgage loans	1	234,073	233,493	580	0.2
Trading portfolio assets	2	2,678	584	2,094	358.6
Positive replacement values of derivative financial instruments	3	53,249	132,553	-79,304	-59.8
Other financial instruments at fair value	2	103,316	95,897	7,419	7.7
Financial investments	4	27,931	37,225	-9,294	-25.0
Accrued income and prepaid expenses		2,366	4,263	-1,897	-44.5
Participations		31,696	65,755	-34,059	-51.8
Tangible fixed assets		37,864	42,858	-4,994	-11.7
Other assets	5	3,987	1,035	2,952	285.2
<b>Total assets</b>		<b>5,026,644</b>	<b>4,486,041</b>	<b>540,603</b>	<b>12.1</b>

## Liabilities and shareholders' equity

	Notes	31.3.2017 1000 CHF	31.3.2016 1000 CHF	Change 1000 CHF	%
Amounts due to banks		1,176,307	810,018	366,289	45.2
Amounts due in respect of customer deposits		3,441,496	3,113,714	327,782	10.5
Negative replacement values of derivative financial instruments	3	52,004	173,753	-121,749	-70.1
Accrued expenses and deferred income		31,912	34,891	-2,979	-8.5
Other liabilities	5	11,307	7,882	3,425	43.5
Provisions	8	21,057	20,558	499	2.4
Reserves for general banking risks	8	7,000	7,000	-	-
Bank's capital	9, 12	10,330	10,330	-	-
Statutory retained earnings reserve		5,165	5,165	-	-
Voluntary retained earnings reserves		241,085	281,085	-40,000	-14.2
Profit/loss		28,981	21,645	7,336	33.9
<b>Total liabilities and shareholders' equity</b>		<b>5,026,644</b>	<b>4,486,041</b>	<b>540,603</b>	<b>12.1</b>

# Off-Balance Sheet Transactions as of 31st March 2017 and 2016

	Note	31.3.2017 1000 CHF	31.3.2016 1000 CHF	Change 1000 CHF	%
Contingent liabilities	1	34,390	37,227	-2,837	-7.6
Irrevocable commitments	1	241,217	235,399	5,818	2.5

Irrevocable commitments mainly represent commitments to third party funds where the Bank acts as nominee on behalf of its clients.

# Income Statement

## for the Period 1st April to 31st March

	Notes	2016/17 1000 CHF	2015/16 1000 CHF	Change 1000 CHF	%
Interest and discount income		57,432	52,094	5,338	10.2
Interest and dividend income from financial investments		19	93	-74	-79.6
Interest expense		-24,292	-29,831	5,539	18.6
<b>Subtotal net result from interest operations</b>		<b>33,159</b>	<b>22,356</b>	<b>10,803</b>	<b>48.3</b>
Commission income from securities trading and investment activities		42,571	45,182	-2,611	-5.8
Commission income from lending activities		213	260	-47	-18.1
Commission income from other services		1,930	2,425	-495	-20.4
Commission expense		-6,637	-6,748	111	1.6
<b>Subtotal result from commission business and services</b>		<b>38,077</b>	<b>41,119</b>	<b>-3,042</b>	<b>-7.4</b>
<b>Results from trading operations and the fair value option</b>	<b>16</b>	<b>19,212</b>	<b>21,641</b>	<b>-2,429</b>	<b>-11.2</b>
Income from participations		1,883	21,677	-19,794	-91.3
Result from real estate		193	105	88	83.8
Other ordinary income	17	13,110	12,148	962	7.9
<b>Subtotal other result from ordinary activities</b>		<b>15,186</b>	<b>33,930</b>	<b>-18,744</b>	<b>-55.2</b>
<b>Total income</b>		<b>105,634</b>	<b>119,046</b>	<b>-13,412</b>	<b>-11.3</b>
Personnel expenses	19	-62,251	-65,684	3,433	5.2
General and administrative expenses	20	-24,013	-22,256	-1,757	-7.9
<b>Subtotal operating expenses</b>		<b>-86,264</b>	<b>-87,940</b>	<b>1,676</b>	<b>1.9</b>
<b>Gross profit</b>		<b>19,370</b>	<b>31,106</b>	<b>-11,736</b>	<b>-37.7</b>
Value adjustments on participations and depreciation and amortisation of tangible fixed assets		-9,649	-8,887	-762	-8.6
Changes to provisions and other value adjustments, and losses		-450	-516	66	12.8
<b>Operating result</b>		<b>9,271</b>	<b>21,703</b>	<b>-12,432</b>	<b>-57.3</b>
Extraordinary income	21	22,679	1,172	21,507	1,835.1
Extraordinary expenses	21	-1,616	-	-1,616	n/a
Taxes	22	-1,353	-1,230	-123	-10.0
<b>Profit/loss</b>		<b>28,981</b>	<b>21,645</b>	<b>7,336</b>	<b>33.9</b>



# Proposal of the Board of Directors to the Annual General Meeting

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## The following total amount is available for distribution:

	1000 CHF
Profit/ loss	28,981
+ / - profit/ loss carried forward	-
+ voluntary retained earnings	241,085
<b>= distributable profit</b>	<b>270,066</b>

## The Board of Directors proposes to the Annual General Meeting to allocate this amount as follows:

Allocation to statutory retained earnings reserve	-
Allocation to voluntary retained earnings reserves	-
Distributions to shareholders	63,894
<b>New amount carried forward</b>	<b>206,172</b>

# Statement of Changes in Equity

## Presentation of the Statement of Changes in Equity

	Bank's capital 1000 CHF	Statutory capital reserve 1000 CHF	Statutory retained earnings reserve 1000 CHF	Reserves for general banking risks 1000 CHF	Voluntary retained earnings reserves and profit/loss carried forward 1000 CHF	Result of the period 1000 CHF	Total 1000 CHF
<b>Equity at 01.04.2016</b>	<b>10,330</b>	<b>-</b>	<b>5,165</b>	<b>7,000</b>	<b>281,085</b>	<b>21,645</b>	<b>325,225</b>
Transfer of profits to retained earnings	-	-	-	-	21,645	-21,645	-
Dividends and other distributions	-	-	-	-	-61,645	-	-61,645
Profit (result of the period)	-	-	-	-	-	28,981	28,981
<b>Equity at 31.03.2017</b>	<b>10,330</b>	<b>-</b>	<b>5,165</b>	<b>7,000</b>	<b>241,085</b>	<b>28,981</b>	<b>292,561</b>

# Notes to the Financial Statements

## Information on the Balance Sheet

### 1 Presentation of collateral for loans/ receivables and off-balance-sheet transactions

		Secured by mortgage 1000 CHF	Other collateral 1000 CHF	Unsecured 1000 CHF	Total 1000 CHF
Amounts due from customers		–	692,639	100,123	792,762
Mortgage loans (residential property)		234,073	–	–	234,073
<b>Total loans</b>	<b>Current year</b>	<b>234,073</b>	<b>692,639</b>	<b>100,123</b>	<b>1,026,835</b>
	Previous year	233,493	598,085	105,816	937,394
Contingent liabilities		–	34,390	–	34,390
Irrevocable commitments		–	201,239	39,978	241,217
<b>Total off-balance sheet transactions</b>	<b>Current year</b>	<b>–</b>	<b>235,629</b>	<b>39,978</b>	<b>275,607</b>
	Previous year	–	228,300	44,326	272,626

### Impaired loans/ receivables

		Gross debt amount 1000 CHF	Estimated realisable value of collateral 1000 CHF	Net debt amount 1000 CHF	Individual provisions 1000 CHF
<b>Total bad and doubtful debts</b>	<b>Current year</b>	<b>816</b>	<b>–</b>	<b>816</b>	<b>816</b>
	Previous year	1,367	–	1,367	1,367

Irrevocable commitments mainly represent commitments to third party funds where the Bank acts as nominee on behalf of its clients.

Irrevocable commitments without collateral mainly comprise credit lines extended to entities within the Rothschild & Co group and the commitment to the Swiss deposit protection scheme.

### 2 Breakdown of trading portfolios and other financial instruments at fair value

	31. 3. 2017 1000 CHF	31. 3. 2016 1000 CHF	Change 1000 CHF	%
Equity securities	2,678	584	2,094	358.6
Other financial instruments at fair value	501	419	82	19.6
Precious metals	102,815	95,478	7,337	7.7
<b>Total</b>	<b>105,994</b>	<b>96,481</b>	<b>9,513</b>	<b>9.9</b>

There were no trading portfolio liabilities in the current or previous year.

# Notes to the Financial Statements

## 3 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments		Contract volume 1000 CHF	
	Replacement value positive 1000 CHF	Replacement value negative 1000 CHF		
<b>Foreign exchange/ precious metals</b>	<b>52,390</b>	<b>51,169</b>	<b>7,246,793</b>	
Forward contracts	8,260	28,097	1,701,338	
Combined interest rate/ currency swaps	44,099	23,072	5,285,204	
Options (OTC)	31	–	260,251	
<b>Equity securities/ indices</b>	<b>859</b>	<b>835</b>	<b>110,697</b>	
Options (OTC)	859	835	110,697	
<b>Total before consideration of netting contracts</b>				
	Current year	<b>53,249</b>	<b>52,004</b>	<b>7,357,490</b>
	Previous year	132,553	173,753	10,189,215

There were no hedging instruments open and no netting applied at the current and previous business year-end.

## Analysis of counterparties of derivative instruments

		Banks and securities dealers	Other customers	Total
		1000 CHF	1000 CHF	1000 CHF
<b>Positive replacement values</b>	Current year	<b>46,024</b>	<b>7,225</b>	<b>53,249</b>
	Previous year	59,143	73,410	132,553

## 4 Financial investments

	Book value		Fair value	
	31. 3. 2017 1000 CHF	31. 3. 2016 1000 CHF	31. 3. 2017 1000 CHF	31. 3. 2016 1000 CHF
Debt securities	27,931	37,225	28,027	37,284
of which, intended to be held to maturity	27,931	37,225	28,027	37,284
<b>Total financial investments</b>	<b>27,931</b>	<b>37,225</b>	<b>28,027</b>	<b>37,284</b>
of which, securities eligible for repo transactions in accordance with liquidity requirements	6,463	9,915	6,511	9,989

## Counterparties by rating

	Aaa 1000 CHF	Aa1-Aa3 1000 CHF	A1-A2 1000 CHF	Unrated 1000 CHF	Total 1000 CHF
Debt securities					
<b>Book values</b>	<b>2,141</b>	<b>15,046</b>	<b>10,744</b>	<b>–</b>	<b>27,931</b>
Previous year	5,466	28,481	3,278	–	37,225

Counterparties are rated according to Moody's ratings.

## 5 Other assets and liabilities

	Other assets		Other liabilities	
	31.3.2017 1000 CHF	31.3.2016 1000 CHF	31.3.2017 1000 CHF	31.3.2016 1000 CHF
Salary debtor and creditor accounts	3,333	406	2,841	2,697
Employer contribution reserves	598	598	–	–
Balances arising from internal bank business operations	–	–	6,545	3,283
Value added tax and withholding tax	56	31	855	1,256
Current tax assets and liabilities	–	–	1,066	646
<b>Total other assets and other liabilities</b>	<b>3,987</b>	<b>1,035</b>	<b>11,307</b>	<b>7,882</b>

## 6 Assets pledged or assigned to secure own commitments

	31.3.2017		31.3.2016	
	Book values 1000 CHF	Effective commitments 1000 CHF	Book values 1000 CHF	Effective commitments 1000 CHF
Amounts due from banks	29,612	18,452	22,596	13,747
Financial investments	27,931	27,931	37,225	37,225
<b>Total</b>	<b>57,543</b>	<b>46,383</b>	<b>59,821</b>	<b>50,972</b>

There were no assets under reservation of ownership during the current or previous year.

## 7 Disclosure of liabilities relating to own pension schemes

	31.3.2017	31.3.2016	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Liabilities to own pension plans	7,367	15,215	–7,848	–51.6

The disclosures are based on the annual accounts of the pension schemes as of 31.12.2016 and 31.12.2015 respectively.

# Notes to the Financial Statements

## Disclosures on the economic situation of own pension schemes

### Employer's contribution reserves (ECR)

1000 CHF	Nominal value 31.3.2017	Waiver of use 31.3.2017	Creation 2016/17	Net amount 31.3.2017	Net amount 31.3.2016	Influence of ECR on personnel expenses 2016/17	Influence of ECR on personnel expenses 2015/16
Bank Foundation	598	–	–	598	598	–	–

### Presentation of the economic benefit/ obligation and the pension expenses

1000 CHF	Overfunding/ underfunding 31.3.2017	Economic interest of bank 31.3.2017	31.3.2016	Change in economic interest 2016/17	Contributions paid 2016/17	Pension expenses in personnel expenses 2016/17	Pension expenses in personnel expenses 2015/16
Pension plans with overfunding	2,130	–	–	–	9,424	9,424	9,088

All employees of Rothschild Bank and its Swiss subsidiaries are members of a defined contribution pension scheme, which covers the mandatory benefits specified in the BVG and super-obligatory benefits. A second supporting foundation provides further supplementary super-obligatory benefits.

## 8 Provisions and reserves for general banking risks

	Previous year end 1000 CHF	Use in conformity with designated purpose 1000 CHF	Past due interest, recoveries, currency differences 1000 CHF	New creations charged to income 1000 CHF	Releases to income 1000 CHF	Balance at current year end 1000 CHF
Provisions for other business risks	4,789	–29	–46	754	–180	5,288
Other provisions	15,769	–	–	–	–	15,769
<b>Total provisions</b>	<b>20,558</b>	<b>–29</b>	<b>–46</b>	<b>754</b>	<b>–180</b>	<b>21,057</b>
<b>Reserves for general banking risks</b>	<b>7,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,000</b>

There continue to be a number of regulatory developments and inquiries in the financial services industry and the Swiss private banking sector that may impact the Bank. The directors believe that the level of provisions made in these accounts for client litigation, legal and other costs is sufficient for any potential or actual proceedings or claims which are likely to have a material impact on the Bank's financial statements based on information available at the reporting date.

## 9 Schedule of bank's capital

	31.3.2017			31.3.2016		
	Total par value 1000 CHF	Number of shares	Capital eligible for dividend 1000 CHF	Total par value 1000 CHF	Number of shares	Capital eligible for dividend 1000 CHF
Share capital fully paid up	10,330	103,300	10,330	10,330	103,300	10,330

## 10 Number and value of equity securities or options on equity securities held by all executives and directors and by employees

	Equity securities Number		Equity securities Value in 1000 CHF		Options Number		Options Value in 1000 CHF	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016	31.3.2017	31.3.2016	31.3.2017	31.3.2016
Members of the board of directors	10,797	10,000	311	238	40,000	40,000	353	136
Members of executive bodies	3,222	13,298	93	316	–	40,000	–	136
Employees	12,321	531	355	13	40,000	–	353	–
<b>Total</b>	<b>26,340</b>	<b>23,829</b>	<b>759</b>	<b>567</b>	<b>80,000</b>	<b>80,000</b>	<b>706</b>	<b>272</b>

Equity securities are the publicly listed securities of Rothschild & Co, the ultimate parent company.

The Bank participates in long-term profit share schemes for the benefit of employees. The costs of such schemes are recognised in the income statement over the period in which the services are rendered that give rise to the obligation. Where the payment of profit share is deferred until the end of a specified vesting period, the deferred amount is recognised in the income statement over the period up to the date of vesting.

Under the equity scheme, senior management of the Rothschild & Co group was required to invest in Rothschild & Co shares and received four options for each share invested. Shares invested are subject to a four-year lock-up period, and the share options granted are subject to a vesting period before exercise. The value of the options reported is the intrinsic value at 31 March.

Under the 2015/16 and 2016/17 share plans, persons who have variable compensation which attracts deferrals / retentions and the delivery of non-cash incentives accordingly as determined by Group Human Resources were awarded 15 percent of their variable compensation as non-cash instruments. These shares are subject to a lock-up period and vest in three tranches over the three following years.

## 11 Disclosure of amounts due from and due to related parties

	Amounts due to		Amounts due from	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016
Holders of qualified participations	109,194	100,581	91,534	94,681
Group companies	15,622	758,170	3,000	–
Linked companies	1,196,766	25,764	12,783	11,910
Other related parties	–	–	5,738	5,705
<b>Total</b>	<b>1,321,582</b>	<b>884,515</b>	<b>113,055</b>	<b>112,296</b>

Transactions with affiliated persons and companies (in particular parent and subsidiary companies) such as securities transactions, granting loans and account interest are carried out at the conditions offered to third parties. Members of the Executive Committee (ExC) and the internal audit department are offered the Bank's normal conditions for employees. Members of the Board are charged at least the Bank's normal conditions for employees.

Rothschild Bank (CI) Ltd. ("RBCI") was sold during the year and de-consolidated, so its bank deposits of CHF 945 million are now shown under linked companies instead of group companies.

# Notes to the Financial Statements

## 12 Holders of significant participations and groups of holders of participations with pooled voting rights

	31.3.2017		31.3.2016	
	Nominal 1000 CHF	Participation % of Equity	Nominal 1000 CHF	Participation % of Equity
Rothschild Holding AG	10,330	100.0	10,330	100.0
<b>Significant Shareholders of Rothschild Holding AG:</b>				
Rothschilds Continuation Holdings AG <sup>1)</sup>	9,381	87.5	7,793	74.0
Edmond de Rothschild (Suisse) S.A.	1,016	9.5	1,016	9.6
Apollolaan Holdings AG <sup>2)</sup>	–	–	1,402	13.3

<sup>1)</sup> The majority of the share capital of Rothschilds Continuation Holdings AG is directly or indirectly held by a group of shareholders which consists of Rothschild Family members (through Rothschild Concordia SAS or other members of the Rothschild Family concert). The members of this group own a controlling interest in Rothschild & Co SCA, Paris, which controls Paris Orléans Holding Bancaire SAS. The latter controls Concordia Holding Sarl, which controls Rothschild Concordia AG, Zug, which in turn owns a controlling stake in Rothschilds Continuation Holdings AG, Zug.

<sup>2)</sup> The share capital of Apollolaan Holdings AG was sold to Rothschilds Continuation Holdings AG during the year. In addition, Rothschild Holding AG sold its own share position to Rothschilds Continuation Holdings AG during the year.

## 13 Breakdown of total assets by credit rating of country groups

Bank's own country rating	Standard & Poor's	31.3.2017		31.3.2016	
		Net foreign exposure 1000 CHF	Share in %	Net foreign exposure 1000 CHF	Share in %
1	A	81,119	6.9	24,187	2.1
2	Aa	561,182	47.6	579,259	49.2
3	Aaa	436,061	37.0	483,120	41.1
4	B	1,002	0.1	1,657	0.1
5	Ba	2,014	0.2	2,521	0.2
6	Baa	53,957	4.6	71,251	6.1
7	Caa and below	42,380	3.6	14,816	1.2
<b>Total</b>	<b>Total</b>	<b>1,177,715</b>	<b>100.0</b>	<b>1,176,811</b>	<b>100.0</b>

## Information on Off-Balance Sheet Transactions

### 14 Breakdown of fiduciary transactions

	31.3.2017	31.3.2016	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Fiduciary placements with third-party companies	768,848	1,337,656	–568,808	–42.5
Fiduciary placements with group companies and linked companies	3,509	8,059	–4,550	–56.5
<b>Total</b>	<b>772,357</b>	<b>1,345,715</b>	<b>–573,358</b>	<b>–42.6</b>



## 15 Managed assets

	31.3.2017 CHF Mio.	31.3.2016 CHF Mio.	Change CHF Mio.	%
<b>Managed assets</b>				
Assets in collective investment schemes managed by the Bank	303	444	-141	-31.8
Assets under discretionary asset management mandates	3,885	3,745	140	3.7
Other managed assets	7,600	7,526	74	1.0
<b>Total managed assets (including double counting)</b>	<b>11,788</b>	<b>11,715</b>	<b>73</b>	<b>0.6</b>
of which, double counting	303	444	-141	-31.8
Total managed assets (including double counting) at the beginning of the year	11,714	10,741	973	9.1
+/- net new money inflow or net new money outflow	-510	1,210	-1,720	n/a
+/- price gains/ losses, interest, dividend and currency gains/ losses	584	-236	820	n/a
<b>Total managed assets (including double counting) at the end of the year</b>	<b>11,788</b>	<b>11,715</b>	<b>73</b>	<b>0.6</b>
<b>Custody assets</b>	<b>2,305</b>	<b>2,736</b>	<b>-431</b>	<b>-15.8</b>
<b>Total assets (including double counting)</b>	<b>14,093</b>	<b>14,451</b>	<b>-358</b>	<b>-2.5</b>

Client assets include deposits as well as the market value of securities, precious metals and fiduciary investments. Net new assets consist of all external cash deposits and withdrawals on client accounts as well as all external in- and outflows from/ into client deposits. Interest and dividend income are not taken into account.

Managed assets cover both assets deposited with Group companies and assets deposited at third-party institutions for which the Bank holds a management mandate. It also includes other client assets on which the Bank earns more than a defined threshold.

Custody assets include assets for which the Bank provides custody and administration services. These relate mainly to assets from Group Companies. In addition, assets from the Banks' pension schemes and assets of employees are included.

# Notes to the Financial Statements

## Information on the Income Statement

### 16 Result from trading activities

	2016/17 1000 CHF	2015/16 1000 CHF	Change	
			1000 CHF	%
Equity securities (including funds)	134	171	-37	-21.6
Foreign currencies	18,048	23,104	-5,056	-21.9
Commodities/precious metals	1,030	-1,634	2,664	n/a
<b>Total result from trading activities</b>	<b>19,212</b>	<b>21,641</b>	<b>-2,429</b>	<b>-11.2</b>

### 17 Other ordinary income and expenses

	2016/17 1000 CHF	2015/16 1000 CHF	Change	
			1000 CHF	%
Fees from affiliated parties for office services	13,110	12,148	962	7.9
<b>Total</b>	<b>13,110</b>	<b>12,148</b>	<b>962</b>	<b>7.9</b>

### 18 Negative interest

	2016/17 1000 CHF	2015/16 1000 CHF	Change	
			1000 CHF	%
Negative interest paid	-21,917	-20,249	-1,668	-8.2
Negative interest received	1,850	3,257	-1,407	-43.2

### 19 Personnel expenses

	2016/17 1000 CHF	2015/16 1000 CHF	Change	
			1000 CHF	%
Salaries	-50,838	-53,426	2,588	4.8
of which expenses relating to share-based compensation	-133	-123	-10	-8.1
Social insurance benefits	-9,501	-10,006	505	5.0
Changes in book value for economic benefits and obligations arising from pension schemes	-	598	-598	-100.0
Other personnel expenses	-1,912	-2,850	938	32.9
<b>Total personnel expenses</b>	<b>-62,251</b>	<b>-65,684</b>	<b>3,433</b>	<b>5.2</b>

## 20 General and administrative expenses

	2016/17 1000 CHF	2015/16 1000 CHF	Change 1000 CHF	%
Office space expenses	-725	-818	93	11.4
Expenses for information and communications technology	-9,707	-8,952	-755	-8.4
Expenses for vehicles, equipment, furniture and other fixtures	-1,612	-1,625	13	0.8
Fees of audit firms	-733	-710	-23	-3.2
of which, for financial and regulatory audits	-682	-692	10	1.4
Other operating expenses	-11,236	-10,151	-1,085	-10.7
<b>Total</b>	<b>-24,013</b>	<b>-22,256</b>	<b>-1,757</b>	<b>-7.9</b>

## 21 Extraordinary income and expense

	2016/17 1000 CHF	2015/16 1000 CHF	Change 1000 CHF	%
Profit on sale of subsidiary	22,592	-	22,592	n/a
Other extraordinary income	87	1,172	-1,085	-92.6
Transactional tax expense related to prior year	-1,500	-	-1,500	n/a
Other extraordinary expense	-116	-	-116	n/a
<b>Total</b>	<b>21,063</b>	<b>1,172</b>	<b>19,891</b>	<b>1,697.2</b>

## 22 Taxation

	2016/17 1000 CHF	2015/16 1000 CHF	Change 1000 CHF	%
Expenses for deferred taxes	-	-	-	
Expenses for current taxes	-1,353	-1,230	-123	-10.0
<b>Total</b>	<b>-1,353</b>	<b>-1,230</b>	<b>-123</b>	<b>-10.0</b>
<b>Average tax rate based on operating result</b>	<b>4.2</b>	<b>5.4</b>		

# Accounting and Valuation Principles

## General Principles

The accounting and valuation principles comply with the Swiss Code of Obligations, the Bank law, including the Swiss Financial Market Supervisory Authority guidelines as required for non-consolidated banks, and Statutory directives.

## Accounting and Recording of Transactions

All transactions effected up to and including the balance sheet date are accounted for on the trade date and are, from this date on, stated and assessed according to the principles laid out below.

## Foreign Currency Translation of the Financial Statements

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Swiss francs at the foreign exchange rate ruling at the balance sheet date.

Foreign exchange rates used

	31.3.2017	31.3.2016
EUR	1.0698	1.0911
GBP	1.2533	1.3780
USD	1.0004	0.9587

## Liquid Assets, Amounts Due from and to Banks, and Amounts Due in Respect of Customer Deposits

Assets and liabilities are stated in the balance sheet at their nominal value.

## Amounts Due from Customers

Amounts due from customers are stated in the balance sheet at their nominal value.

Claims – taking all off-balance sheet items into account – which the debtor will be unlikely to satisfy in future are covered by individual provisions. These are classified as non-performing if interest and capital payments are overdue for more than 90 days. Individual provisions are deducted directly from the corresponding asset positions.

Claims considered as uncollectible are written off against the individual provisions made.

## Trading Portfolios in Securities and Precious Metals

Securities and precious metals in trading portfolios and in financial instruments at fair value are in principle stated at the fair value. The price obtained on a price-efficient and liquid market is taken as the fair value, which as a rule corresponds to the market value. In exceptional cases there is no fair value available, securities and precious metals in trading portfolios will be valued and stated at the lower of cost or market value. Changes in the value of precious metals positions is shown in result from trading operations and the fair value option.

Interest, discount and dividend income from trading securities are set off against refinancing expenses and are included in income from trading operations.

## Financial Investments

Financial investments are securities held on a long-term basis for special business purposes. Fixed income securities that are planned to be held until maturity are valued by the accrual method. Premiums and discounts are amortised over the remaining life of the respective security and are recognised in interest and dividend income on financial investments. Other financial investments are valued at the lower of cost or market value.

## Participations

Participations are stated at cost less depreciation. The Bank applies a single valuation method as described in BAG-FINMA paragraph 17.

## Fixed Assets

Fixed assets are valued at cost less depreciation over an expected useful lifetime of maximum ten years for outfitting costs, maximum ten years for the components of the IT platform (host system), maximum six years for other tangible fixed assets and maximum three years for IT assets. Bank buildings and other properties are depreciated to a base level generally accepted by the tax authorities. The value is reviewed on a regular basis. If a review reveals an impairment in value, an additional write-off is made. The remaining book value is subsequently written down over the residual useful lifetime. If the review reveals a change in the useful lifetime, the remaining book value is written down as planned over the adjusted useful life. Small investment outlays are charged directly to operating expenses at the time of purchase.

## Derivative Instruments

Derivative financial instruments are stated at fair value. Unrealised/realised gains are booked to results from trading operations.

## Pensions

Pension liabilities are treated according Swiss GAAP FER 16.

## Valuation Adjustments and Provisions

Claims that a debtor will be unlikely to satisfy in the future are covered by individual valuation adjustments. Individual valuation adjustments are deducted directly from the corresponding asset positions. Individual valuation adjustments and individual provisions are made for all other recognisable loss risks according to the principle of caution.

From time to time the Bank is involved in legal proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, provisions are made where it is probable that an outflow of resources will be required and the amount can be reliably estimated.

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### **Income Tax**

Current taxes are recurring taxes on capital and income. Current taxes are determined in accordance with the local fiscal regulations on ascertaining profits and capital tax and are stated as expenses during the accounting period. Taxes owed are recorded in accrued expenses.

### **Fiduciary Placement Activities**

The Bank acts as custodian and in other fiduciary capacities that result in the holding or placing of assets on behalf of customers. These assets and the interest income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

### **Contingent Liabilities and Fiduciary Operations**

Transactions resulting from these activities are stated off-balance sheet at their face value. For recognisable risks, provisions are made and recorded under liabilities.

# Notes on Risk Management

## General Principles

The Board of Directors of the Bank considers a prudent and active approach to risk as a precondition for the sustained and long-term successful business operation of the Bank. The Board is responsible for the stipulation of the risk policy. The Board of Directors has released a Risk Regulation, which takes into account both the circumstances of the business activities of the Bank and its subsidiaries and also reflects the capital funds situation of the Group, the interest of the shareholders and the regulatory environment. The risk policy is constantly monitored and amended if necessary.

The formal methodology of the risk policy relates primarily to the observance of quantitative risk limits for all risk types. Risk diversification utilizes more qualitative aspects and working procedures are installed for the management of operational risks. At the same time, great importance is attached to the risk awareness of the management bodies and all Group staff. Hence the Board of Directors and the Executive Committee pursue an open risk culture which is also implemented by responsible, careful and professional behaviour from all employees. The Group consciously depends on a risk culture based on the personal integrity, specialist competence and risk awareness of each individual and undertakes the necessary steps to ensure that these qualifications are carried by all its employees.

The implementation of the risk policy is delegated to the Bank's Executive Committee: the ExC. The ExC is supported in this by the Risk Department, which is independent from trading and client-related services and which monitors compliance with limits and the risk policy.

In its management and control of the risks, the Bank has implemented the three lines of defence model, with the business functions being the first line responsible for the management and primary controls of their respective risks. Second line defence is ensured through secondary controls conducted by support units independent from the business functions, mainly the Risk, Legal and Compliance and Finance Departments. Internal and External Audit constitute the third line of defence.

## Credit Risk

Credit risk describes the potential for loss as a result of insolvency of a client or counterparty. A potential loss arises in particular when maturing loans or other financial obligations to the Bank are not repaid or cannot be repaid when due. For this reason loans and other credits are only granted after taking into account fundamental principles of caution. Since the banking business is strongly focused on private banking, loans are mainly granted against collateral in the form of pledged well-diversified investment portfolios or as mortgages on a case by case basis. Credit exposures that are considered to be at risk, or where the collectability of the debt is doubtful, are assessed individually and where necessary impairment provisions are taken against the exposure.

The competencies for loan approvals and the monitoring of credit positions are subject to clear rules and supervised by staff members independent of the client advisors. The Board of Directors and the Executive Committee have laid down clear guidelines for loanable values and the pledging of assets (collateral). In general, assets serving as collateral are held in the Bank's custody and pledged in favour of the Bank under contractual agreements. The loanable values of the pledged assets, which are derived from market values, are compared daily to the loan commitments secured and are subject to constant monitoring. If coverage threatens to become insufficient, necessary

steps are taken to re-establish the necessary loanable value or to reduce the credit exposure. The Bank can resort to partial or full liquidation of the collateral or call the client for additional assets (margin call). If in exceptional cases no published market value is available for pledged assets, internal valuations calculated using standard banking methods will be applied. General principles have also been set out that aim for appropriate diversification of loan commitments and collateral. The concentration of risks on one client or counterparty or on one group of linked clients or counterparties is constantly monitored and appropriate measures are taken to avoid the emergence of large exposures.

Credit exposures are reviewed by the Private Client Committee on a quarterly basis. Credit exposures that are considered to be at risk, or where the collectability of the debt is doubtful, are assessed individually and where necessary, impairment provisions are taken against the exposure.

Counterparties are defined as banks or brokers with which the Bank trades or from which it purchases services. Counterparties are carefully selected on the basis of their creditworthiness, drawing on external ratings. Internal limits have to be approved by the competent bodies according to the risk policy and internal guidelines.

## Liquidity Risk

Liquidity risk describes the risk that in some circumstances, for example changed market conditions, the Bank might not be able to meet all its payment obligations as and when they fall due. The Bank's funding needs, largely resulting from its lending activities, are met by the Bank's equity and client deposits. In addition, the Bank maintains committed liquidity facilities with clearing institutions for the exceptional event that counterparties or clients do not meet their payment obligations punctually. Compliance with the liquidity rules as set out in the respective external and internal regulations are constantly monitored by the Risk Department, reporting to the Bank's Treasury Committee.

## Market Risk

Market risk describes the risk that the Bank could suffer losses as a result of changes in the financial markets (interest rates, FX rates, share prices). The business policy of the Bank is to only permit open market risk positions to a small degree in relation to client business volumes and available capital funds. The Bank incurs some FX risk through its proprietary FX trading book. These trading positions are valued daily. Calculation of risk positions and monitoring of compliance with the limits is performed independently by the Risk Department.

With very few exceptions, loans are generally extended with floating interest rates. The risk associated with the small proportion of loans with fixed interest rates is offset by means of Interest Rate Swaps. The Treasury Committee manages interest rate risk in the banking book and monitors the balance sheet structure. The Bank buys and sells derivatives arising from client activities in order to manage market risks. All such transactions are carried out within the guidelines defined by the Bank's Treasury Committee.

## Operational Risk

Operational risk entails the possibility that losses may be incurred directly or indirectly due to the inappropriateness or failure of internal procedures, persons or systems or due to external events that cannot be influenced. This definition also comprises the risk of fraud and the potential reputation damages associated with operational risk events. In accordance with regulatory requirements and best practice standards in banking and the Bank's dedication to ensure high quality

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services for its clients, the Executive Committee has implemented an operational risk management framework consisting of internal policies and procedures on organisation setup and controls, which are designed to maintain operational integrity at a high level. Particular attention is given to the quality and skills of staff, the segregation of duties, the careful selection of counterparties and the security of the central computer systems and networks. The Internal Audit department reviews the procedures and internal controls at regular intervals. Due to an escalation procedure it is assured that the responsible line management is adequately involved in the reporting and analyses process.

The Board of Directors has acknowledged the key operational risks of the Bank and has issued a qualitative risk appetite statement and, to the extent feasible, quantitative limits expressed by Key Risk Indicators for the measurement and limitation of operational risk.

### **Legal Risks and Compliance**

Legal and compliance risks are the risks associated with non-adherence to applicable laws and regulations in all jurisdictions the Bank operates, and the risk the Bank exposes itself to as a result of violation of internal rules and policies. Non-enforceability of legal contracts and the Bank's inability to fulfil its contractual obligations also expose the Bank to legal risk. In order to monitor and mitigate legal and regulatory risks, the Bank maintains a Legal and Compliance Department. This department ensures that the Bank's business activities are conducted in accordance with the applicable regulations and the obligation of financial intermediaries to observe due diligence. If required, external legal advice is sought.

# Report of the Statutory Auditor on the Financial Statements



**KPMG AG**  
**Audit Financial Services**  
Badenerstrasse 172  
CH-8004 Zurich

P.O. Box  
CH-8036 Zurich

Telephone +41 58 249 31 31  
Internet [www.kpmg.ch](http://www.kpmg.ch)

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

**Rothschild Bank AG, Zurich**

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## Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Rothschild Bank AG, which comprise the balance sheet, income statement, statement of changes in equity and notes (page 44 to 61) for the year ended 31 March 2017.

### *Board of Directors' Responsibility*

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

### *Auditor's Responsibility*

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

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

### *Opinion*

In our opinion, the financial statements for the year ended 31 March 2017 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 AG

Michael Schneeбели  
*Licensed Audit Expert*  
*Auditor in Charge*

Thomas Dorst  
*Licensed Audit Expert*

Zurich, 1 June 2017

# Capital Adequacy and Liquidity

## Capital key figures

	31.3.2017 1000 CHF	31.3.2016 1000 CHF
Minimum capital required based on risk-oriented requirements	52,478	62,252
Eligible equity	209,624	211,572
of which Common Equity Tier 1 (CET 1)	197,280	199,228
of which Tier 1 Capital	197,280	199,228
Risk-weighted exposures (RWA)	655,975	778,150
CET 1 ratio (Common Equity Tier 1 in % of RWA)	30.1%	25.6%
Tier 1 capital ratio (Tier 1 capital in % of RWA)	30.1%	25.6%
Total capital ratio (in % of RWA)	32.0%	27.2%
Counter-cyclical capital buffer (in % of RWA)	0.0%	0.0%
CET 1 target ratio (in %) according to Annex 8 CAO plus counter-cyclical capital buffer	7.4%	7.4%
T1 target ratio (in %) according to Annex 8 CAO plus counter-cyclical capital buffer	9.0%	9.0%
Total capital ratio (in %) according to Annex 8 CAO plus counter-cyclical capital buffer	11.2%	11.2%
Basel III leverage ratio (Tier 1 capital in % of the total exposure)	3.8%	4.4%
Total exposure (CHF)	5,156,028	4,541,566

## Liquidity key figures

	2016/17 1000 CHF	2015/16 1000 CHF
Average Liquidity Coverage Ratio		
Short-term liquidity coverage ratio (LCR) (in %) in Q4	179.7%	163.9%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,387,523	2,917,979
LCR denominator: Total of net cash outflow (CHF)	1,885,081	1,780,612
Short-term liquidity coverage ratio (LCR) (in %) in Q3	155.2%	152.9%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,171,677	3,070,701
LCR denominator: Total of net cash outflow (CHF)	2,043,314	2,008,783
Short-term liquidity coverage ratio (LCR) (in %) in Q2	165.3%	158.4%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,008,929	2,954,796
LCR denominator: Total of net cash outflow (CHF)	1,820,178	1,865,373
Short-term liquidity coverage ratio (LCR) (in %) in Q1	173.5%	152.2%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,176,561	2,794,118
LCR denominator: Total of net cash outflow (CHF)	1,830,469	1,835,684

The Board of Directors has approved the principle, scope and internal control system over the disclosure requirements of FINMA-Circular 2016/01.

# Head Office and Subsidiaries

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## Head Office

### Rothschild Bank AG

Zollikerstrasse 181  
8034 Zurich, Switzerland  
+41 44 384 7111  
rothschild.com

## Subsidiaries

### Equitas SA

Rue de la Corraterie 6  
1204 Geneva, Switzerland  
+41 22 818 5900

### Rothschild Vermögensverwaltungs-GmbH

Börsenstrasse 2-4  
60313 Frankfurt am Main, Germany  
+49 69 4080 2600

### Rothschild Wealth Management (Hong Kong) Limited

16th Floor, Alexandra House  
18 Chater Road  
Central Hong Kong SAR  
People's Republic of China  
+852 2525 5333

### Rothschild Wealth Management (Singapore) Limited

One Raffles Quay, North Tower  
1 Raffles Quay#10-02  
Singapore 048583  
+65 6532 0866

### Rothschild Trust (Switzerland) Limited

Zollikerstrasse 181  
8034 Zurich, Switzerland  
+41 44 384 7111

### RTS Geneva SA

Rue de la Corraterie 6  
1204 Geneva, Switzerland  
+41 22 818 5900

### Rothschild Trust Guernsey Limited

St. Julian's Court  
St. Julian's Avenue, St. Peter Port  
Guernsey GY1 3BP Channel Islands  
+44 1481 707800

### Rothschild Trust Corporation Limited

New Court, St. Swithin's Lane  
London EC4N 8AL, UK  
+44 20 7280 5000

### Rothschild Trust North America LLC

100 W. Liberty Street, 10th Floor  
Reno, NV 89501, USA  
+1 775 398 7403

### Rothschild Trust (Singapore) Limited

One Raffles Quay, North Tower  
1 Raffles Quay#10-02  
Singapore 048583  
+65 6532 0866



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