



Rothschild Bank AG Zurich

Annual Report 2015/2016

Rothschild Bank AG Zurich

Annual Report for the Year Ended 31st March 2016

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Key Figures

Rothschild Bank AG Zurich, consolidated

	31.3.2016	31.3.2015	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Consolidated balance sheet				
Total shareholders' equity	360,203	399,190	-38,987	-9.8
Total assets	4,645,571	4,328,664	316,907	7.3
Consolidated income statement				
Net interest income	26,065	21,400	4,665	21.8
Net commission income	108,574	108,496	78	0.1
Results from trading operations	25,924	30,087	-4,163	-13.8
Total income	162,951	164,816	-1,865	-1.1
Total operating expenses	-138,610	-139,936	1,326	0.9
Gross profit	24,341	24,880	-539	-2.2
Gross profit per employee	54.1	53.0	1	2.0
Consolidated net profit/loss	12,981	37,908	-24,927	-65.8
Staff				
(average full-time positions)				
Staffing level domestic	350	349	1	0.3
Staffing level abroad	100	102	-2	-2.0
Total staffing level	450	451	-1	-0.2

The Rothschild & Co Group

Rothschild & Co is one of the world's largest independent financial advisory groups, employing approximately 2,800 people in 40 countries around the world. We provide strategic, M&A, wealth management and fundraising advice and services to governments, companies and individuals worldwide.

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Chairman's Statement

The most recent financial year was characterised by very challenging markets with extremely high volatility at certain points, a very strong Swiss franc and negative interest rates imposed by the Swiss National Bank and the ECB. Rothschild Bank fared well against this challenging backdrop, posting operating results on a par with the previous year.

Despite the negative impact of equity and foreign currency markets, total client assets (including custody) rose by 5.9% to CHF 25.9 billion. At the same time, inflows of new money from our target markets totalled CHF 1.4 billion.

Our revenue growth was impacted positively by the higher asset base but negatively by the difficult market environment. While interest rate costs were higher in Switzerland, owing to the negative interest rates imposed by the Swiss National Bank and in Europe by the ECB, Rothschild did not pass these on to its clients – we were more than able to offset these due to proactive treasury activity with other market participants. Consequently, we posted a net increase in interest income of nearly 22.0% to CHF 26.0 million. Our earnings from commissions and service fees remained stable compared with the previous year (+0.1%), despite the stronger Swiss franc resulting in lower fee income from Sterling and Euro based accounts.

Revenue from trading activity declined 13.8% year on year due to lower currency market volatility and less foreign exchange hedging activities. Overall revenues were down 1.1% to CHF 162.9 million. Costs were down slightly at CHF 138.6 million (-0.9%), while total headcount remained stable at an average 450. This all contributed to an operating result of CHF 14.5 million, up by 1.9% compared to the previous year.

The sale of preferential shares in our sister company Rothschild Bank International (RBI) in Guernsey to another company in the Rothschild & Co group during the financial year further bolstered our capital base, resulting in a Tier I capital ratio of 32.0%. In light of these positive results and an exceptionally strong capital adequacy position, we are making a dividend payment of CHF 61.6 million for the 2015/2016 financial year.

We have continued to develop our business model with a clear focus on selected core markets and investment in our services to clients. We launched a range of initiatives to further optimise our operational efficiency and strengthen risk management. These included implementing a new management information system, a new general ledger system (SAP), and a new reporting and business management tool for our Trust business. Preparations for the introduction of the Markets in Financial Instruments Directive II (MiFID II) and the Financial Services Act (FinSA), as well as the group-wide implementation of the Common Reporting Standards in connection with the automatic exchange of information, are also well underway.

Our Trust business, which focuses on safeguarding assets and succession planning for entrepreneurs and wealth-owning families, also demonstrated positive momentum. Going forward, our unique positioning and our distinctive offering mean we are ideally placed to benefit from the trends shaping the international wealth management landscape.

Our business was again recognised by the industry last year, and we were pleased to receive a number of awards. We were named Best Foreign Bank and Best Bank for Swiss Domestic Clients at the WealthBriefing Swiss Awards 2016. At the Spear's Wealth Management Awards 2015, our UK Wealth Management business was named Private Bank of the Year while PAM (Private Asset Managers) presented us with its Client Service Quality Award for the third year running.

The bank's Executive Committee was strengthened with the addition of Juan Carlos Mejia Perez, Head of Investments Switzerland, succeeding Thomas Pixner, allowing Mr Pixner to focus more on clients. Matthew Le Flocq, COO of Rothschild Trust, was appointed to the Executive Committee representing the Trust business, succeeding Stefan Liniger, who remains CEO of Rothschild Trust. Finally, Laurent Gagnebin, took over the operational management of Rothschild Bank AG as CEO as of 1 June 2016, succeeding Veit de Maddalena as part of a succession planning process initiated by Mr de Maddalena two years ago.

On behalf of the Board of Directors, I would like to take this opportunity to thank Mr de Maddalena, who successfully led the business for ten years. He played a key role in shaping the growth strategy of our business, guiding us safely through challenging times marked by a significant financial crisis, a raft of profound regulatory changes and turbulent currency and interest rate markets. His legacy is a healthy bank, well-equipped to handle the challenges that lie ahead. Mr de Maddalena will remain Executive Vice Chairman of Rothschild Bank, maintaining his close relationship with clients.

In an investment environment where short-term thinking often dominates, our objective outlook, focused on the long term, sets us apart. Our clients have usually made their fortunes already and are now seeking our help to preserve their wealth in real terms. This investment approach, coupled with the stability and family ownership of the Rothschild & Co group, continues to prove very popular with our clients, especially in the current market environment.

We look to the future with confidence. We are well positioned in all our core markets and have a promising pipeline of new client business. A great deal of progress has been made with regard to regulatory developments, with effective compliance processes in place that meet the international trend towards more transparency. We are experiencing the benefits of the investments we have made in our systems and client support processes, which are helping us to become even more effective and allowing us to further enhance the services we deliver to clients. Cooperation with other divisions across the Rothschild & Co group has also progressed, providing numerous new business opportunities.

None of this would be possible without our employees, who have made a considerable contribution to our success with their drive, loyalty and outstanding commitment. My particular thanks go to them.

As always, we are especially grateful to our clients – their trust in us is what motivates us every day and is the cornerstone of our success.

On behalf of the Board of Directors

Bruno Pfister

Board of Directors

Chairman

Bruno Pfister²⁾

Deputy Chairmen

Baron David de Rothschild

Dr. Rudolf Tschäni¹⁾*

Members

Mark Crump¹⁾²⁾

Nigel Higgins²⁾

Bernard I. Myers¹⁾*

Alexandre de Rothschild

Peter A. Smith¹⁾*

Jonathan Westcott

¹⁾ Members of the Audit Committee

²⁾ Members of the Credit Committee

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

Executive Committee

General Manager and CEO

Veit de Maddalena

Members of the Executive Committee

Christian Bouet

Robert Deverell

Laurent Gagnebin

Matthew Le Flocq

Juan Carlos Mejia Perez

Thomas Pixner

Armand Rubli

Internal Audit

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Soheyla Sadeghian,

Managing Director and
Head Internal Audit

Vice President

Statutory Auditors

KPMG AG

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Carlo Braunwalder
Victoria Burke
Luca Dal Dosso
Aitor I. Garcia
Patrik Gilli
Giovanna Lagutaine

Marc Lauer
Stefan Liniger
Daniel Maurer
Aleksandra Milanovic
Heinz Nesshold
Jon Andrea Mario von Planta

Luigi Roccu
Christopher Schallenberger
Christoph Schärer
Barbara Vannotti-Holzrichter
Sven Vinther
Daniel Weber

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Robert Baumann
Thomas Blum
Ursizin Blumenthal
Kerstin Böttcher
Irina Buholzer
Bernhard Bumann
Marc Dietrich
Pascal Echser
Raphael Fontana
Monika Frosch
Pedro Hernandez Cortes
Ivo Hubli

Stefan Humm
Harry Jääskeläinen
Guido Käser
Beat Keiser
Bruno Knecht
Jörg Kopp
Felix Landsiedl
Léon Lee
Jonathan Nicoll
Martin Nosedá
Urs Pfister
Davide Rima
Rolf Ringdal

Alexander Roesch
Veronica Rosu
Roger Schwarzenbach
Cristina Theus Sigismondi
Michel van der Spek
Marc Triebswetter
Barbara Ursprung
Guido V. Vassalli
Nils Vejlsttrup
Fiona Wallace-Mason
Johannes Weisser
Robert Wilson

Vice Presidents

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Thomas Balmer
Cynthia Baumann
Fernando Beltrán de Otálora
Kurt Bremgartner
Renato Bruno
Martin Bühler
Nicolas Carroz
Alexandru Cocora
Edith Dennis
Mario Fischer
Alejandro Garcia

Alexandra Giesler
Julia Groth
Pascal Gübeli
Michael Harrer
Stephan Kiefer
Martin Kout
Utku Kuturman
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Mirjam Meili
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Christian Senn
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Ludwig Stierli
Amer Vohora
Marcel Vuille
Joachim Wegmann
Colin Wild
Thomas Wildermann
Rudolf A. Würmli

A Consolidated Balance Sheet

as of 31st March 2016 and 2015

Assets

	Notes	31.3.2016 1000 CHF	31.3.2015 1000 CHF	Change	
				1000 CHF	%
Liquid assets		3,005,623	2,880,787	124,836	4.3
Amounts due from banks	8	183,125	152,723	30,402	19.9
Amounts due from customers	1	877,054	624,818	252,236	40.4
Mortgage loans	1	233,493	199,038	34,455	17.3
Trading portfolio assets	2	584	376	208	55.3
Positive replacement values of derivative financial instruments	3	130,048	183,402	-53,354	-29.1
Other financial instruments at fair value		95,936	89,628	6,308	7.0
Financial investments	4, 8	37,225	39,149	-1,924	-4.9
Accrued income and prepaid expenses		20,061	13,497	6,564	48.6
Non-consolidated participations	5, 6	482	84,034	-83,552	-99.4
Tangible fixed assets	6	45,746	51,082	-5,336	-10.4
Other assets	7	16,194	10,130	6,064	59.9
Total assets	15, 16, 17	4,645,571	4,328,664	316,907	7.3

A Consolidated Balance Sheet

as of 31st March 2016 and 2015

Liabilities and shareholders' equity

	Notes	31.3.2016 1000 CHF	31.3.2015 1000 CHF	Change	
				1000 CHF	%
Amounts due to banks		102,468	65,235	37,233	57.1
Amounts due in respect of customer deposits		3,929,717	3,560,496	369,221	10.4
Negative replacement values of derivative financial instruments	3	173,416	208,148	-34,732	-16.7
Accrued expenses and deferred income		65,052	55,577	9,475	17.0
Other liabilities	7	1,811	11,487	-9,676	-84.2
Provisions	10	12,904	28,531	-15,627	-54.8
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		299,660	314,778	-15,118	-4.8
Minority interest in equity		4,678	3,620	1,058	29.2
Consolidated profit		12,981	37,908	-24,927	-65.8
of which minority interest in consolidated net profit		2,531	2,063	468	22.7
Total liabilities		4,645,571	4,328,664	316,907	7.3

A Consolidated Off-Balance Sheet Transactions

as of 31st March 2016 and 2015

	Notes	31.3.2016 1000 CHF	31.3.2015 1000 CHF	Change	
				1000 CHF	%
Contingent liabilities	I, 18	42,968	44,509	-1,541	-3.5
Irrevocable commitments	I, 19	44,326	117,243	-72,917	-62.2

B Consolidated Income Statement

for the period 1st April to 31st March

	Notes	2015/16 1000 CHF	2014/15 1000 CHF	Change	
				1000 CHF	%
Interest and discount income		65,974	34,503	31,471	91.2
Interest and dividend income from financial investments		93	361	-268	-74.2
Interest expense		-40,002	-13,464	-26,538	-197.1
Subtotal net result from interest operations	27	26,065	21,400	4,665	21.8
Commission income from securities trading and investment activities		65,898	72,229	-6,331	-8.8
Commission income from lending activities		295	372	-77	-20.7
Commission income from other services		48,752	42,576	6,176	14.5
Commission expense		-6,371	-6,681	310	4.6
Subtotal result from commission business and services	27	108,574	108,496	78	0.1
Results from trading operations and the fair value option	22, 27	25,924	30,087	-4,163	-13.8
Income from non-consolidated participations		2,255	3,789	-1,534	-40.5
Result from real estate		133	1,044	-911	-87.3
Total income	27	162,951	164,816	-1,865	-1.1
Personnel expenses	9, 11, 24, 27	-108,414	-108,238	-176	-0.2
General and administrative expenses	25, 27	-30,196	-31,698	1,502	4.7
Subtotal operating expenses	27	-138,610	-139,936	1,326	0.9
Gross profit	27	24,341	24,880	-539	-2.2
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	6	-9,263	-8,821	-442	-5.0
Changes to provisions and other value adjustments, and losses	10	-603	-1,858	1,255	67.5
Operating result		14,475	14,201	274	1.9
Extraordinary income	26	1,160	31,715	-30,555	n/a
Taxation	28	-2,654	-8,008	5,354	n/a
Consolidated profit/loss		12,981	37,908	-24,927	-65.8
of which minority interest in consolidated net profit		2,531	2,063	468	22.7

B Consolidated Statement of Cash Flows

for the period 1st April to 31st March

	31.3.2016		31.3.2015	
	Cash in-flow	Cash out-flow	Cash in-flow	Cash out-flow
Cash flow from operating activities				
Result of the period	12,981	–	37,908	–
Depreciation and amortisation of tangible fixed assets	9,263	–	8,821	–
Provisions and other value adjustments	–	15,627	–	8,768
Accrued income and prepaid expenses	–	6,564	8,581	–
Accrued expenses and deferred income	9,474	–	4,039	–
Previous year's dividend	–	51,863	–	–
	31,718	74,054	59,349	8,768
Cash flow from transactions in respect of participations and tangible fixed assets				
Non-consolidated participations	83,552	–	–	–
Real estate	–	–	17,000	–
Tangible fixed assets	–	3,926	2,902	–
	83,552	3,926	19,902	–
Cash flow from banking operations				
Medium and long-term business (> 1 year):				
Amounts due to banks	–	–	–	–
Amounts due in respect of customer deposits	–	248	909	–
Amounts due from banks	–	–	–	–
Amounts due from customers	–	3,957	23,858	–
Mortgage loans	–	34,455	–	32,550
Financial investments	9,691	–	–	517
Short-term business:				
Amounts due to banks	37,233	–	–	38,011
Amounts due in respect of customer deposits	369,469	–	169,646	–
Negative replacement values of derivative financial instruments	–	34,732	156,739	–
Other liabilities	–	9,676	2,749	–
Amounts due from banks	–	30,402	6,034	–
Amounts due from customers	–	248,279	–	52,652
Trading portfolio assets	–	208	1,997	–
Positive replacement values of derivative financial instruments	53,354	–	–	126,077
Other assets	–	6,169	2,728	–
Other financial instruments at fair value	–	6,308	54,878	–
Financial investments	–	7,767	8,952	–
Liquidity:				
Liquid assets	–	124,836	–	249,166
Total	585,017	585,017	507,741	507,741

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
Equity at 01.04.2015	10,330	4,620	319,943	22,769	3,620	37,908	399,190
Transfer of profits to retained earnings	–	–	35,845	–	2,063	–37,908	–
Currency translation differences	–	–	37	–	–142	–	–105
Dividends and other distributions	–	–	–51,000	–	–863	–	–51,863
Consolidated profit (result of the period)	–	–	–	–	–	12,981	12,981
Equity at 31.03.2016	10,330	4,620	304,825	22,769	4,678	12,981	360,203

C Notes to the Consolidated Financial Statements

Information on the Balance Sheet

I 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		–	771,238	105,816	877,054
Mortgage loans (residential property)		233,493	–	–	233,493
Total loans	Current year	233,493	771,238	105,816	1,110,547
	Previous year	199,038	594,790	30,028	823,856
Contingent liabilities		–	42,968	–	42,968
Irrevocable commitments		–	–	44,326	44,326
Total off-balance sheet transactions	Current year	–	42,968	44,326	87,294
	Previous year	–	44,509	117,243	161,752

Impaired loans/receivables

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

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

	31.3.2016 1000 CHF	31.3.2015 1000 CHF	Change	
			1000 CHF	%
Equity securities	584	376	208	55.3
Other financial instruments at fair value	457	346	111	32.1
Precious metals	95,479	89,282	6,197	6.9
Total	96,520	90,004	6,516	7.2

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

C Notes to the Consolidated Financial Statements

3 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments		
	Replacement value		Contract volume 1000 CHF
	positive 1000 CHF	negative 1000 CHF	
Foreign exchange/precious metals	125,228	168,619	8,835,973
Forward contracts	72,156	63,466	3,150,583
Combined interest rate/currency swaps	53,072	105,153	5,685,390
Equity securities/indices	4,820	4,797	295,410
Options (OTC)	4,820	4,797	295,410
Total before consideration of netting contracts	130,048	173,416	9,131,383
	Current year		
	Previous year	183,402	208,148
			8,458,018

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	
Positive replacement values	50,281	79,767	130,048
Previous year	78,475	104,927	183,402

4 Financial investments

	Book value		Fair value	
	31.3.2016 1000 CHF	31.3.2015 1000 CHF	31.3.2016 1000 CHF	31.3.2015 1000 CHF
Debt securities	37,225	39,149	37,284	48,152
of which, intended to be held to maturity	37,225	39,149	37,284	48,152
Total financial investments	37,225	39,149	37,284	48,152
of which, securities eligible for repo transactions in accordance with liquidity requirements	9,915	9,133	–	–

Counterparties by rating

	Aaa	Aa1-Aa3	A1-A2	Unrated	Total
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	
Debt securities					
Book values	5,466	28,481	3,278	–	37,225
Previous year	9,238	22,078	6,267	1,566	39,149

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 %
Rothschild Bank AG	Zurich	Bank	10,330 CHF	–	–
Rothschild Bank (C.I.) Ltd.	St. Peter Port	Bank	27,000 CHF	100.00	100.00
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	6,500 SGD	100.00	100.00
Rothschild Wealth Management (Hong Kong) Ltd.	Hong Kong	Asset management	40,000 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

C Notes to the Consolidated Financial Statements

Non-consolidated participations

	31.3.2016 1000 CHF	31.3.2015 1000 CHF	Change	
			1000 CHF	%
Non-consolidated participations without market value	482	84,034	-83,552	-99.4
Total non-consolidated participations	482	84,034	-83,552	-99.4

During the year, the bank sold its participation in Rothschild Bank International to Rothschilds Continuation Holdings AG.

6 Presentation of participations and tangible fixed assets

	Current year						
	Acquisition cost	Accumulated depreciation	Book value Previous year end	Disposals/ Forex impact	Depreciation/ Valuation adjustments	Book value current year	
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	
Non-consolidated participations	84,034	–	84,034	–	83,342	210	482
Total non-consolidated participations	84,034	–	84,034	–	83,342	210	482
Bank buildings	45,975	37,075	8,900	–	–	–	8,900
Outfitting costs	27,745	23,158	4,587	56	–	1,535	3,108
Proprietary or separately acquired software	62,802	25,207	37,595	3,871	–	7,728	33,738
Total tangible fixed assets	136,522	85,440	51,082	3,927	–	9,263	45,746

C Notes to the Consolidated Financial Statements

7 Other assets and other liabilities

	Other assets		Other liabilities	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Salary debtor and creditor accounts	1,782	790	–	2,558
Employer contribution reserves	598	–	–	–
Balances arising from internal bank business operations	1,106	4,620	909	5,765
Value added tax and withholding tax	–	13	798	3,164
Current tax assets and liabilities	286	–	104	–
Due from Trust customers	12,422	4,707	–	–
Total	16,194	10,130	1,811	11,487

8 Assets pledged or assigned to secure own commitments

	31.3.2016		31.3.2015	
	Book values	Effective	Book values	Effective
		commitments		commitments
	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Amounts due from banks	22,596	13,747	27,277	19,907
Financial investments	37,225	37,225	39,149	39,149
Total	59,821	50,972	66,426	59,056

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

C Notes to the Consolidated Financial Statements

9 Disclosures on the economic situation of own pension schemes

	31.3.2016	31.3.2015	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Liabilities to own pension plans	15,215	14,620	595	4.1

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	31.3.2016	31.3.2016	2015/16	31.3.2016	31.3.2015	2015/16	2014/15
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	Contributions paid	Pension expenses in personnel expenses	
1000 CHF	31.3.2016	31.3.2016	31.3.2015	2015/16	2015/16	2015/16	2014/15
Pension plans with overfunding	4,279	–	–	–	9,088	9,088	8,798

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 31.12.2015 and 31.12.2014 respectively.

NMR Overseas Pension Plan

The Group's subsidiaries Rothschild Bank (CI) Ltd., Guernsey ("RBCI"), and Rothschild Trust Guernsey Ltd., Guernsey ("RTG"), participate 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. The proportion to be carried by RBCI and RTG amounts to GBP 1.0 million p.a. or 46% of the total contributions.

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 2015/16 financial year, the provision amount has been reduced by CHF 1.5 million to CHF 4.3 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	3,426	–	–	267	–	3,693
Provisions for pension benefit obligations	5,808	–	–95	–	–1,400	4,313
Provisions for other business risks	18,850	–11,911	95	904	–3,040	4,898
Provisions for restructuring	447	–447	–	–	–	–
Total provisions	28,531	–12,358	–	1,171	–4,440	12,904
Reserves for general banking risks	22,769	–	–	–	–	22,769

During the year, the bank completed and settled the United States Department of Justice (DoJ) Program. Provisions taken in previous years were sufficient to cover the program in full, with residual amounts released to current year profits.

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 an 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	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015
Members of the board of directors	10,000	–	238	–	40,000	–	136	–
Members of executive bodies	14,620	12,399	348	257	40,000	40,000	136	98
Employees	816	1,146	19	24	–	–	–	–
Total	25,436	13,545	605	281	80,000	40,000	272	98

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 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.

C Notes to the Consolidated Financial Statements

12 Disclosure of amounts due from and due to related parties

	Amounts due to		Amounts due from	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
Holders of qualified participations	100,581	121,408	105,621	15,607
Linked companies	25,764	20,947	1,431	2,591
Other related parties	–	–	9,788	6,646
Total	126,345	142,355	116,840	24,844

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.

13 Maturity structure of current assets, financial investments and liabilities

	At sight	Redeem-able	Maturity within	Maturity within 3–	Maturity within	Maturity after	Total
	1000 CHF	by notice	3 months	12 months	1–5 years	5 years	31.3.2016
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Liquid assets	3,005,623	–	–	–	–	–	3,005,623
Amounts due from banks	172,473	–	10,652	–	–	–	183,125
Amounts due from customers	10,104	–	733,530	125,370	8,050	–	877,054
Mortgage loans	–	–	1,554	2,345	211,783	17,811	233,493
Trading portfolio assets	584	–	–	–	–	–	584
Positive replacement values of derivative financial instruments	–	–	123,205	6,824	19	–	130,048
Other financial instruments at fair value	95,936	–	–	–	–	–	95,936
Financial investments	–	–	3,273	15,287	18,665	–	37,225
Total assets/financial investments	3,284,720	–	872,214	149,826	238,517	17,811	4,563,088
Previous year	3,157,982	–	480,148	137,690	191,244	19,109	3,986,172
Amounts due to banks	102,468	–	–	–	–	–	102,468
Amounts due in respect of customer deposits	3,725,471	204,246	–	–	–	–	3,929,717
Negative replacement values of derivative financial instruments	–	–	166,755	6,661	–	–	173,416
Total debt capital/financial investments	3,827,939	204,246	166,755	6,661	–	–	4,205,601
Previous year	3,360,162	265,569	–	–	–	–	3,625,731

C Notes to the Consolidated Financial Statements

14 Assets and liabilities by domestic and foreign origin

	31.3.2016			31.3.2015		
	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF
Assets						
Liquid assets	3,005,622	1	3,005,623	2,880,781	6	2,880,787
Amounts due from banks	77,431	105,694	183,125	83,104	69,619	152,723
Amounts due from customers	155,712	721,342	877,054	131,026	493,792	624,818
Mortgage loans	3,870	229,623	233,493	3,870	195,168	199,038
Trading portfolio assets	–	584	584	–	376	376
Positive replacement values of derivative financial instruments	28,179	101,869	130,048	48,705	134,697	183,402
Other financial instruments at fair value	95,479	457	95,936	89,282	346	89,628
Financial investments	–	37,225	37,225	–	39,149	39,149
Accrued income and prepaid expenses	3,160	16,901	20,061	5,637	7,860	13,497
Participations	50	432	482	50	83,984	84,034
Tangible fixed assets	45,517	229	45,746	50,690	392	51,082
Other assets	14,099	2,095	16,194	2,436	7,694	10,130
Total assets	3,429,119	1,216,452	4,645,571	3,295,581	1,033,083	4,328,664
Liabilities						
Amounts due to banks	35,503	66,965	102,468	16,455	48,780	65,235
Amounts due in respect of customer deposits	548,422	3,381,295	3,929,717	785,538	2,774,958	3,560,496
Negative replacement values of derivative financial instruments	82,774	90,642	173,416	66,278	141,870	208,148
Accrued expenses and deferred income	52,868	12,184	65,052	40,320	15,257	55,577
Other liabilities	1,293	518	1,811	3,658	7,829	11,487
Provisions	12,611	293	12,904	24,017	4,514	28,531
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	309,503	–	309,503	323,563	–	323,563
Profit/loss (result of the period)	12,981	–	12,981	37,908	–	37,908
Total liabilities	1,093,674	3,551,897	4,645,571	1,335,456	2,993,208	4,328,664

C Notes to the Consolidated Financial Statements

15 Total assets by group of countries

	31.3.2016		31.3.2015	
	1000 CHF	Share in %	1000 CHF	Share in %
Europe	4,523,645	97.4	4,226,307	97.6
America	1,127	0.0	11,820	0.3
Asia, Australia, New Zealand	79,523	1.7	52,854	1.2
Other	41,276	0.9	37,683	0.9
Total	4,645,571	100.0	4,328,664	100.0

16 Breakdown of assets by credit rating of country group

Bank's own country rating	Standard & Poor's	31.3.2016		31.3.2015	
		Net foreign exposure 1000 CHF	Share in %	Net foreign exposure 1000 CHF	Share in %
1	A	28,999	2.0	10,375	1.0
2	Aa	735,728	50.7	481,971	45.5
3	Aaa	573,237	39.5	451,200	42.5
4	B	1,657	0.1	2,519	0.2
5	Ba	2,521	0.2	2,853	0.3
6	Baa	92,918	6.4	90,165	8.5
7	Caa and below	15,288	1.1	21,335	2.0
Total	Total	1,450,348	100.0	1,060,418	100.0

C Notes to the Consolidated Financial Statements

17 Balance sheet by currency in 1000 CHF

	CHF	EUR	GBP	USD	Other	Total 31.3.2016
Assets						
Liquid assets	3,005,047	349	32	106	89	3,005,623
Amounts due from banks	73,734	48,758	429	25,704	34,500	183,125
Amounts due from customers	158,638	371,687	224,685	116,307	5,737	877,054
Mortgage loans	3,870	895	228,728	–	–	233,493
Trading portfolio assets	12	133	–	439	–	584
Positive replacement values of derivative financial instruments	4,296	97,254	9,311	13,034	6,153	130,048
Other financial instruments at fair value	–	457	–	–	95,479	95,936
Financial investments	–	37,225	–	–	–	37,225
Accrued income and prepaid expenses	15,186	2,260	1,081	1,470	64	20,061
Participations	482	–	–	–	–	482
Tangible fixed assets	45,463	196	–	–	87	45,746
Other assets	14,141	792	1,261	–	–	16,194
Total assets shown in balance sheet	3,320,869	560,006	465,527	157,060	142,109	4,645,571
Delivery entitlements from spot exchange, forward forex and forex options transactions	872,218	3,163,621	452,072	4,361,378	282,095	9,131,384
Total assets	4,193,087	3,723,627	917,599	4,518,438	424,204	13,776,955
Liabilities						
Amounts due to banks	40,363	12,025	23,699	25,006	1,375	102,468
Amounts due in respect of customer deposits	354,745	881,368	780,763	1,703,677	209,164	3,929,717
Negative replacement values of derivative financial instruments	60,344	8,309	24,998	77,655	2,110	173,416
Accrued expenses and deferred income	57,266	3,248	2,862	1,218	459	65,052
Other liabilities	1,293	454	–	–	64	1,811
Provisions	12,904	–	–	–	–	12,904
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	299,660	–	–	–	–	299,660
Minority interest in equity	4,678	–	–	–	–	4,678
Profit/loss (result of the period)	12,981	–	–	–	–	12,981
Total liabilities shown in balance sheet	887,118	905,404	832,322	1,807,556	213,172	4,645,571
Delivery obligations from spot exchange, forward forex and forex options transactions	3,149,299	2,666,761	275,751	2,822,431	204,890	9,119,132
Total liabilities	4,036,417	3,572,165	1,108,073	4,629,987	418,062	13,764,703
Net position per currency	156,670	151,462	–190,474	–111,549	6,142	12,251

C Notes to the Consolidated Financial Statements

Information on Off-Balance Sheet Transactions

18 Analysis of contingent liabilities

	31.3.2016	31.3.2015	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Guarantees to secure credits	42,968	44,509	-1,541	-3.5

19 Credit commitments

	31.3.2016	31.3.2015	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Commitment to the Swiss deposit guarantee scheme	2,400	2,552	-152	-6.0
Committed credit facilities	41,926	114,691	-72,765	-63.4
Total	44,326	117,243	-72,917	-62.2

20 Fiduciary transactions

	31.3.2016	31.3.2015	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Fiduciary investments with third-party companies	1,406,395	630,660	775,735	123.0
Fiduciary investments with linked companies	14,536	59,766	-45,230	-75.7
Total	1,420,931	690,426	730,505	105.8

C Notes to the Consolidated Financial Statements

21 Managed assets

	2015/16 CHF Mio.	2014/15 CHF Mio.	Change CHF Mio.	%
Managed assets				
Assets in collective investment schemes managed by the bank	444	221	223	100.9
Assets under discretionary asset management mandates	7,975	6,335	1,640	25.9
Other managed assets	7,975	7,868	107	1.4
Total managed assets (including double counting)	16,394	14,424	1,970	13.7
of which, double counting	444	221	223	100.9
Total managed assets (including double counting) at the beginning of the year	14,424	14,259	165	1.2
+/- net new money inflow or net new money outflow	1,436	183	1,253	684.7
+/- price gains/losses, interest, dividend and currency gains/losses, and other effects	534	-18	552	n/a
Total managed assets (including double counting) at the end of the year	16,394	14,424	1,970	13.7
Custody assets	9,469	9,997	-528	-5.3
Total assets (including double counting)	25,863	24,421	1,442	5.9

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.

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.

C Notes to the Consolidated Financial Statements

Information on the Income Statement

22 Result from trading activities

	2015/16	2014/15	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Equity securities (including funds)	93	540	-447	-82.8
Foreign currencies	27,465	25,904	1,561	6.0
Commodities/precious metals	-1,634	3,643	-5,277	n/a
Total result from trading activities	25,924	30,087	-4,163	-13.8

23 Negative interest

	2015/16	2014/15	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Negative interest paid	-20,249	-3,917	-16,332	-417.0
Negative interest received	263	28	235	839.3

24 Personnel expenses

	2015/16	2014/15	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Salaries	-88,142	-88,146	4	0.0
of which expenses relating to share-based compensation	-45	-19	-26	-136.8
Social insurance benefits	-15,742	-15,191	-551	-3.6
Changes in book value for economic benefits and obligations arising from pension schemes	598	-	598	n/a
Other personnel expenses	-5,128	-4,901	-227	-4.6
Total personnel expenses	-108,414	-108,238	-176	-0.2

C Notes to the Consolidated Financial Statements

25 General and administrative expenses

	2015/16	2014/15	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Office space expenses	-6,225	-5,826	-399	-6.8
Expenses for information and communications technology	-11,898	-10,991	-907	-8.3
Expenses for vehicles, equipment, furniture and other fixtures	-1,720	-2,311	591	25.6
Fees of audit firms	-1,070	-811	-259	-31.9
of which for financial and regulatory audits	-1,052	-752	-300	-39.9
Other operating expenses	-9,283	-11,759	2,476	21.1
Total	-30,196	-31,698	1,502	4.7

26 Extraordinary income and expense

	2015/16	2014/15	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Gains from sales of real estate	-	31,720	-31,720	100.0
Other extraordinary income/expense	1,160	-5	1,165	100.0
Total	1,160	31,715	-30,555	100.0

Other extraordinary income in 2015/16 relates to the sale of non-core assets. The bank disposed of one of its properties during the year 2014/15, leading to a fall in the amount of fixed assets carried in its books along with an extraordinary income arising from the profit on the sale.

C Notes to the Consolidated Financial Statements

27 Operating result broken down according to domestic and foreign origin

	2015/16			2014/15		
	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF
Net result from interest operations	22,307	3,758	26,065	18,220	3,180	21,400
Result from commission business and services	76,013	32,561	108,574	81,457	27,039	108,496
Results from trading operations and the fair value option	24,917	1,007	25,924	25,920	4,167	30,087
Other ordinary income and expenses	2,387	1	2,388	7,095	-2,262	4,833
Total income	125,624	37,327	162,951	132,692	32,124	164,816
Personnel expenses	-92,449	-15,966	-108,414	-94,948	-13,290	-108,238
General and administrative expenses	-18,401	-11,795	-30,196	-18,456	-13,242	-31,698
Total operating expenses	-110,850	-27,761	-138,610	-113,404	-26,532	-139,936
Gross profit	14,774	9,567	24,341	19,288	5,592	24,880

28 Taxation

	2015/16	2014/15	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Expenses for deferred taxes	-	-6	6	-100.0
Deferred tax asset on losses carried forward	-	28	-28	-100.0
Expenses for current taxes	-2,654	-8,030	5,376	66.9
Total	-2,654	-8,008	5,354	66.9

Average tax rate based on operating result	17.0	17.4
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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

There are no 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:

	2015/16		2014/15	
	Spot rate	Average rate	Spot rate	Average rate
EUR	1.0931	1.0955	1.0438	1.1708
GBP	1.3810	1.4236	1.4434	1.4998
USD	0.9601	0.9936	0.9717	0.9340

D Consolidation, Accounting and Valuation Principles

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 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. 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.

D Consolidation, Accounting and Valuation Principles

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.

D Consolidation, Accounting and Valuation Principles

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.

Changes in Consolidation, Accounting and Valuation Principles

Effective as of 1 April 2015, the Bank adopted FINMA Circular 15/01 "Accounting - banks". Prior year numbers were represented accordingly.

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 calling 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.

E Notes on Risk Management

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 when they fall due. The Bank's funding needs, largely generated by 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 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 qualitative 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 contract 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 Provided by Rothschild Bank AG Zurich and Subsidiaries

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, Rothschild Bank (CI) Ltd. in Guernsey, 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.

Business and Services Provided by Rothschild Bank AG Zurich and Subsidiaries

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



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Report of the Statutory Auditor to the General Meeting of

Rothschild Bank AG, Zurich

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 and notes (pages 8 to 34) for the year ended 31 March 2015.

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 2015 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 of the Statutory Auditor on the Consolidated Financial Statements



*Rothschild Bank AG, Zurich
Report of the Statutory Auditor on the
Consolidated Financial Statements*

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

A handwritten signature in black ink, appearing to read 'M. Schneeбели', written over a horizontal line.

Michael Schneeбели
*Licensed Audit Expert
Auditor in Charge*

A handwritten signature in black ink, appearing to read 'T. Dorst', written over a horizontal line.

Thomas Dorst
Licensed Audit Expert

Zurich, 26 May 2016

Capital Adequacy and Liquidity

Capital Adequacy and Liquidity Disclosures

Capital and liquidity key figures

	31.3.2016	31.3.2015
	%	%
Common equity tier 1 capital ratio	32.0	32.6
Tier 1 capital ratio	32.0	32.6
Total capital ratio	32.0	32.6
Target equity according to FINMA Circular 11/2 "Capital buffer and capital planning"	11.2	11.2
Leverage Ratio	6.3	6.9
Average Liquidity Coverage Ratio	2015/16	2014/15
Quarter 1	287.2	360.0
Quarter 2	350.6	356.7
Quarter 3	265.8	322.8
Quarter 4	268.1	369.2

The required information according to the FINMA Circular 13/01 is disclosed above. Additional information is available on www.rothschildbank.com

Financial Statements
of
Rothschild Bank AG

Balance Sheet of Rothschild Bank AG

as of 31st March 2016 and 2015

Assets

	Notes	31.3.2016 1000 CHF	31.3.2015 1000 CHF	Change	
				1000 CHF	%
Liquid assets		3,005,619	2,880,781	124,838	4.3
Amounts due from banks	6, 11	162,858	137,577	25,281	18.4
Amounts due from customers	1	703,901	475,788	228,113	47.9
Mortgage loans	1	233,493	199,038	34,455	17.3
Trading portfolio assets	2	584	269	315	117.1
Positive replacement values of derivative financial instruments	3	132,553	183,280	-50,727	-27.7
Other financial instruments at fair value	2	95,897	89,606	6,291	7.0
Financial investments	4	37,225	39,149	-1,924	-4.9
Accrued income and prepaid expenses		4,263	5,971	-1,708	-28.6
Participations		65,755	146,370	-80,615	-55.1
Tangible fixed assets		42,858	49,835	-6,977	-14.0
Other assets	5	1,035	1,621	-586	-36.2
Total assets		4,486,041	4,209,285	276,756	6.6

Balance Sheet of Rothschild Bank AG

as of 31st March 2016 and 2015

Liabilities and shareholders' equity

	Notes	31.3.2016	31.3.2015	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Amounts due to banks		810,018	687,905	122,113	17.8
Amounts due in respect of customer deposits		3,113,714	2,877,595	236,119	8.2
Negative replacement values of derivative financial instruments	3	173,753	212,604	-38,851	-18.3
Accrued expenses and deferred income		34,891	34,884	7	0.0
Other liabilities	5	7,882	7,108	774	10.9
Provisions	8	20,558	34,609	-14,051	-40.6
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		281,085	302,635	-21,550	-7.1
Profit carried forward/loss carried forward		-	-1,374	1,374	-100.0
Profit/loss		21,645	30,824	-9,179	-29.8
Total liabilities and shareholders' equity		4,486,041	4,209,285	276,756	6.6

Off-Balance Sheet Transactions

as of 31st March 2016 and 2015

	Note	31.3.2016 1000 CHF	31.3.2015 1000 CHF	Change	
				1000 CHF	%
Contingent liabilities		37,227	35,827	1,400	3.9
Irrevocable commitments		44,326	117,243	-72,917	-62.2

Income Statement

for the period 1st April 2015 to 31st March 2016

	Notes	2015/16 1000 CHF	2014/15 1000 CHF	Change	
				1000 CHF	%
Interest and discount income		52,094	29,511	22,583	76.5
Interest and dividend income from financial investments		93	359	-266	-74.1
Interest expense		-29,831	-11,640	-18,191	-156.3
Subtotal net result from interest operations	18	22,356	18,230	4,126	22.6
Commission income from securities trading and investment activities		45,182	51,033	-5,851	-11.5
Commission income from lending activities		260	392	-132	-33.7
Commission income from other services		2,425	2,092	333	15.9
Commission expense		-6,748	-6,402	-346	-5.4
Subtotal result from commission business and services		41,119	47,115	-5,996	-12.7
Results from trading operations and the fair value option	16	21,641	25,840	-4,199	-16.3
Income from participations		21,677	4,584	17,093	372.9
Result from real estate		105	1,039	-934	-89.9
Other ordinary income	17	12,148	11,218	930	8.3
Subtotal other result from ordinary activities		33,930	16,841	17,089	101.5
Total income		119,046	108,026	11,020	10.2
Personnel expenses	19	-65,684	-69,395	3,711	5.3
General and administrative expenses	20	-22,256	-22,000	-256	-1.2
Subtotal operating expenses		-87,940	-91,395	3,455	3.8
Gross profit		31,106	16,631	14,475	87.0
Value adjustments on participations and depreciation and amortisation of tangible fixed assets		-8,887	-8,416	-471	-5.6
		-516	-2,148	1,632	76.0
Operating result		21,703	6,067	15,636	257.7
Extraordinary income	21	1,172	31,742	-30,570	n/a
Taxes	22	-1,230	-6,985	5,755	82.4
Profit/loss		21,645	30,824	-9,179	-29.8

Proposal of the Board of Directors to the Annual General Meeting

The following total amount is available for distribution:

	1000 CHF
Profit/loss	21,645
+ /- profit/loss carried forward	–
+ voluntary retained earnings	281,085
= distributable profit	302,730

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	61,645
New amount carried forward	241,085

Statement of Changes in Equity

for the period 1st April 2015 to 31st March 2016

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
Equity at 01.04.2015	10,330	–	5,165	7,000	301,261	30,824	354,580
Transfer of profits to retained earnings	–	–	–	–	30,824	–30,824	–
Dividends and other distributions	–	–	–	–	–51,000	–	–51,000
Profit (result of the period)	–	–	–	–	–	21,645	21,645
Equity at 31.03.2016	10,330	–	5,165	7,000	281,085	21,645	325,225

Notes to the Financial Statements

Information on the Balance Sheet

I 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		–	598,085	105,816	703,901
Mortgage loans (residential property)		233,493	–	–	233,493
Total loans	Current year	233,493	598,085	105,816	937,394
	Previous year	199,038	445,760	30,028	674,826
Contingent liabilities		–	37,227	–	37,227
Irrevocable commitments		–	–	44,326	44,326
Total off-balance sheet transactions	Current year	–	37,227	44,326	81,553
	Previous year	–	35,827	117,243	153,070

Impaired loans/receivables

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

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

	31.3.2016 1000 CHF	31.3.2015 1000 CHF	Change 1000 CHF	%
Equity securities	584	269	315	117.1
Other financial instruments at fair value	419	324	95	29.3
Precious metals	95,478	89,282	6,196	6.9
Total	96,481	89,875	6,606	7.4

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	
Foreign exchange/precious metals	132,553	173,753	10,076,598
Forward contracts	71,870	63,803	3,843,598
Combined interest rate/currency swaps	55,863	105,155	5,936,763
Options (OTC)	4,820	4,795	296,237
Equity securities/indices	–	–	112,617
Futures	–	–	112,617
Total before consideration of netting contracts	Current year	132,553	173,753
	Previous year	183,280	212,604
			8,753,353

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
Positive replacement values	Current year	59,143	73,410	132,553
	Previous year	83,231	100,049	183,280

4 Financial investments

	Book value		Fair value	
	31.3.2016 1000 CHF	31.3.2015 1000 CHF	31.3.2016 1000 CHF	31.3.2015 1000 CHF
Debt securities	37,225	39,149	37,284	48,152
of which, intended to be held to maturity	37,225	39,149	37,284	48,152
Total financial investments	37,225	39,149	37,284	48,152
of which, securities eligible for repo transactions in accordance with liquidity requirements	9,915	9,133	–	–

Counterparties by rating

	Aaa	Aa1-Aa3	A1-A2	Unrated	Total
Debt securities	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Book values	5,466	28,481	3,278	–	37,225
Previous year	9,238	22,078	6,267	1,566	39,149

Counterparties are rated according to Moody's ratings.

Notes to the Financial Statements

5 Other assets and liabilities

	Other assets		Other liabilities	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Salary debtor and creditor accounts	406	–	2,697	2,557
Employer contribution reserves	598	–	–	–
Balances arising from internal bank business operations	–	–	3,283	2,351
Value added tax	–	–	223	108
Withholding tax	31	1,621	1,033	909
Stamp duty	–	–	646	1,183
Total other assets and other liabilities	1,035	1,621	7,882	7,108

6 Assets pledged or assigned to secure own commitments

	31.3.2016		31.3.2015	
	Book values	Effective commitments	Book values	Effective commitments
	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Amounts due from banks	22,596	13,747	27,277	19,907
Financial investments	37,225	37,225	39,149	39,149
Total	59,821	50,972	66,426	59,056

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

Notes to the Financial Statements

7 Disclosure of liabilities relating to own pension schemes

	31.3.2016	31.3.2015	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Liabilities to own pension plans	15,215	14,620	595	4.1

The disclosures are based on the annual accounts of the pension schemes as of 31.12.2015 and 31.12.2014 respectively.

Disclosures on the economic situation of own pension schemes

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	31.3.2016	31.3.2016	2015/16	31.3.2016	31.3.2015	2015/16	2014/15
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	Contributions paid	Pension expenses in personnel expenses	
1000 CHF	31.3.2016	31.3.2016	31.3.2015	2015/16	2015/16	2015/16	2014/15
Pension plans with overfunding	4,279	–	–	–	9,088	9,088	8,798

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.

Notes to the Financial Statements

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	18,393	-11,911	95	794	-2,582	4,789
Provisions for restructuring	447	-447	-	-	-	-
Other provisions	15,769	-	-	-	-	15,769
Total provisions	34,609	-12,358	95	794	-2,582	20,558
Reserves for general banking risks	7,000	-	-	-	-	7,000

During the year, the bank completed and settled the United States Department of Justice (DoJ) Program. Provisions taken in previous years were sufficient to cover the program in full, with residual amounts released to current year profits.

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 an impact on the Bank's financial statements based on information available at the reporting date.

9 Schedule of bank's capital

	31.3.2016			31.3.2015		
	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

Notes to the Financial Statements

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	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015
Members of the board of directors	10,000	–	238	–	40,000	–	136	–
Members of executive bodies	13,298	11,543	316	239	40,000	40,000	136	98
Employees	531	935	13	19	–	–	–	–
Total	23,829	12,478	567	258	80,000	40,000	272	98

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 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.

11 Disclosure of amounts due from and due to related parties

	Amounts due to		Amounts due from	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
Holders of qualified participations	100,581	121,408	94,681	15,607
Group companies	758,170	645,309	–	518
Linked companies	25,764	21,841	11,910	–
Other related parties	–	–	5,705	6,646
Total	884,515	788,558	112,296	22,771

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.

Notes to the Financial Statements

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

	31.3.2016		31.3.2015	
	Nominal 1000 CHF	Participation % of Equity	Nominal 1000 CHF	Participation % of Equity
Rothschild Holding AG	10,330	100.0	10,330	100.0
Significant Shareholders of Rothschild Holding AG:				
Rothschilds Continuation Holdings AG ¹⁾	7,793	74.0	7,793	74.0
Apollolaan Holdings AG ²⁾	1,402	13.3	1,402	13.3
Edmond de Rothschild (Suisse) S.A.	1,016	9.6	1,016	9.6

¹⁾ 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.

²⁾ The share capital of Apollolaan Holdings AG is wholly owned by Integritas BV, a Dutch Company which in turn is ultimately for the benefit of members of the English branch of the Rothschild Family.

13 Breakdown of total assets by credit rating of country groups

Bank's own country rating	Standard & Poor's	31.3.2016		31.3.2015	
		Net foreign exposure 1000 CHF	Share in %	Net foreign exposure 1000 CHF	Share in %
1	A	24,187	2.1	6,760	0.8
2	Aa	579,259	49.2	325,521	39.1
3	Aaa	483,120	41.1	399,432	48.0
4	B	1,657	0.1	2,519	0.3
5	Ba	2,521	0.2	2,853	0.3
6	Baa	71,251	6.1	77,103	9.3
7	Caa and below	14,816	1.2	18,461	2.2
Total	Total	1,176,811	100.0	832,649	100.0

Notes to the Financial Statements

Information on Off-Balance Sheet Transactions

14 Breakdown of fiduciary transactions

	31.3.2016	31.3.2015	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Fiduciary placements with third-party companies	1,337,656	539,059	798,597	148.1
Fiduciary placements with group companies and linked companies	8,059	53,786	-45,727	-85.0
Total	1,345,715	592,845	752,870	127.0

15 Managed assets

	31.3.2016	31.3.2015	Change	
	CHF Mio.	CHF Mio.	CHF Mio.	%
Managed assets				
Assets in collective investment schemes managed by the bank	444	221	223	100.9
Assets under discretionary asset management mandates	3,745	3,223	522	16.2
Other managed assets	7,526	7,297	229	3.1
Total managed assets (including double counting)	11,715	10,741	974	9.1
of which, double counting	444	221	223	100.9
Total managed assets (including double counting) at the beginning of the year				
	10,741	10,531	210	2.0
+/- net new money inflow or net new money outflow				
	1,210	116	1,094	943.1
+/- price gains/losses, interest, dividend and currency gains/losses				
	-236	94	-330	n/a
Total managed assets (including double counting) at the end of the year	11,715	10,741	974	9.1
Custody assets	2,736	1,667	1,069	64.1
Total assets (including double counting)	14,451	12,408	2,043	16.5

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

	2015/16	2014/15	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Equity securities (including funds)	171	539	-368	-68.3
Foreign currencies	23,104	21,658	1,446	6.7
Commodities/precious metals	-1,634	3,643	-5,277	n/a
Total result from trading activities	21,641	25,840	-4,199	-16.3

17 Other ordinary income and expenses

	2015/16	2014/15	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Fees from affiliated parties for office services	12,148	11,218	930	8.3
Total	12,148	11,218	930	8.3

18 Negative interest

	2015/16	2014/15	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Negative interest paid	-20,249	-3,917	-16,332	-417.0
Negative interest received	3,257	453	2,804	619.0

19 Personnel expenses

	2015/16	2014/15	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Salaries	-53,426	-55,974	2,548	4.6
of which expenses relating to share-based compensation	-123	-14	-109	-778.6
Social insurance benefits	-10,006	-10,365	359	3.5
Changes in book value for economic benefits and obligations arising from pension schemes	598	-	598	
Other personnel expenses	-2,850	-3,056	206	6.7
Total personnel expenses	-65,684	-69,395	3,711	5.3

Notes to the Financial Statements

20 General and administrative expenses

	2015/16	2014/15	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Office space expenses	-818	-292	-526	-180.1
Expenses for information and communications technology	-8,952	-8,748	-204	-2.3
Expenses for vehicles, equipment, furniture and other fixtures	-1,625	-2,230	605	27.1
Fees of audit firms	-710	-465	-245	-52.7
of which, for financial and regulatory audits	-692	-450	-242	-53.8
Other operating expenses	-10,151	-10,265	114	1.1
Total	-22,256	-22,000	-256	-1.2

21 Extraordinary income and expense

	2015/16	2014/15	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Gains from sales of real estate	-	31,720	-31,720	100.0
Other extraordinary income	1,172	22	1,150	100.0
Total	1,172	31,742	-30,570	100.0

Other extraordinary income in 2015/16 relates to the sale of non-core assets. The bank disposed of one of its properties during the year 2014/15, leading to a fall in the amount of fixed assets carried in its books along with an extraordinary income arising from the profit on the sale.

22 Taxation

	2015/16	2014/15	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Expenses for deferred taxes	-	-	-	-
Expenses for current taxes	-1,230	-6,985	5,755	82.4
Total	-1,230	-6,985	5,755	82.4

Average tax rate based on operating result	5.4	18.5
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Accounting and Valuation Principles of Rothschild Bank AG

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

	31.3.2016	31.3.2015
EUR	1.0911	1.0438
GBP	1.3780	1.4434
USD	0.9587	0.9717

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. 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 are included in income from trading operations.

Accounting and Valuation Principles of Rothschild Bank AG

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.

Accounting and Valuation Principles of Rothschild Bank AG

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.

Change in Accounting and Valuation Principles

Effective as of 1 April 2015, the Bank adopted FINMA Circular 15/01 "Accounting - banks". Prior year numbers were represented accordingly.

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 calling 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.

Notes on Risk Management

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 when they fall due. The Bank's funding needs, largely generated by 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 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 qualitative 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 contract 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



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

Rothschild Bank AG, Zurich

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 for the year ended 31 March 2016.

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 2016 comply with Swiss law and the company's articles of incorporation.

KPMG AG/SA, a Swiss corporation, is a subsidiary of KPMG Holding AG/SA, which is a subsidiary of KPMG Europe LLP and a member of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss legal entity.

Member of the Swiss Institute of Certified Accountants and Tax Consultants

Report of the Statutory Auditor on the Financial Statements



Rothschild Bank AG, Zurich
Report of the Statutory Auditor on the Financial Statements

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 Schneebeili
Licensed Audit Expert
Auditor in Charge

Thomas Dorst
Licensed Audit Expert

Zurich, 26 May 2016

Capital Adequacy and Liquidity

Capital Adequacy and Liquidity Disclosures

Capital and liquidity key figures

	31.3.2016	31.3.2015
	%	%
Common equity tier I capital ratio	25.6	24.2
Tier I capital ratio	25.6	24.2
Total capital ratio	27.2	25.7
Target equity according to FINMA Circular 11/2 "Capital buffer and capital planning"	11.2	11.2
Leverage Ratio	4.4	4.7
Average Liquidity Coverage Ratio	2015/16	2014/15
Quarter 1	190.5	214.3
Quarter 2	195.6	193.4
Quarter 3	180.1	195.9
Quarter 4	181.8	214.2

The required information according to the FINMA Circular 13/01 is disclosed above. Additional information is available on www.rothschildbank.com

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