

Rothschild Bank AG



2017



Annual Report 2017
Rothschild Bank AG

Contents

Part 1 – Overview

Key Figures	6
Chairman’s Statement	7
Corporate Governance	8

Part 2 – Consolidated Financial Statements

A Consolidated Balance Sheet	14
B Consolidated Income Statement and Statement of Cash Flows	16
C Notes to the Consolidated Financial Statements	19
D Consolidation, Accounting and Valuation Principles	35
E Notes on Risk Management	37
Business and Services	39
Report of the Statutory Auditor on the Consolidated Financial Statements	40
Capital Adequacy and Liquidity	42
Comparable Consolidated Income Statement	44

Part 3 – Parent Company Financial Statements

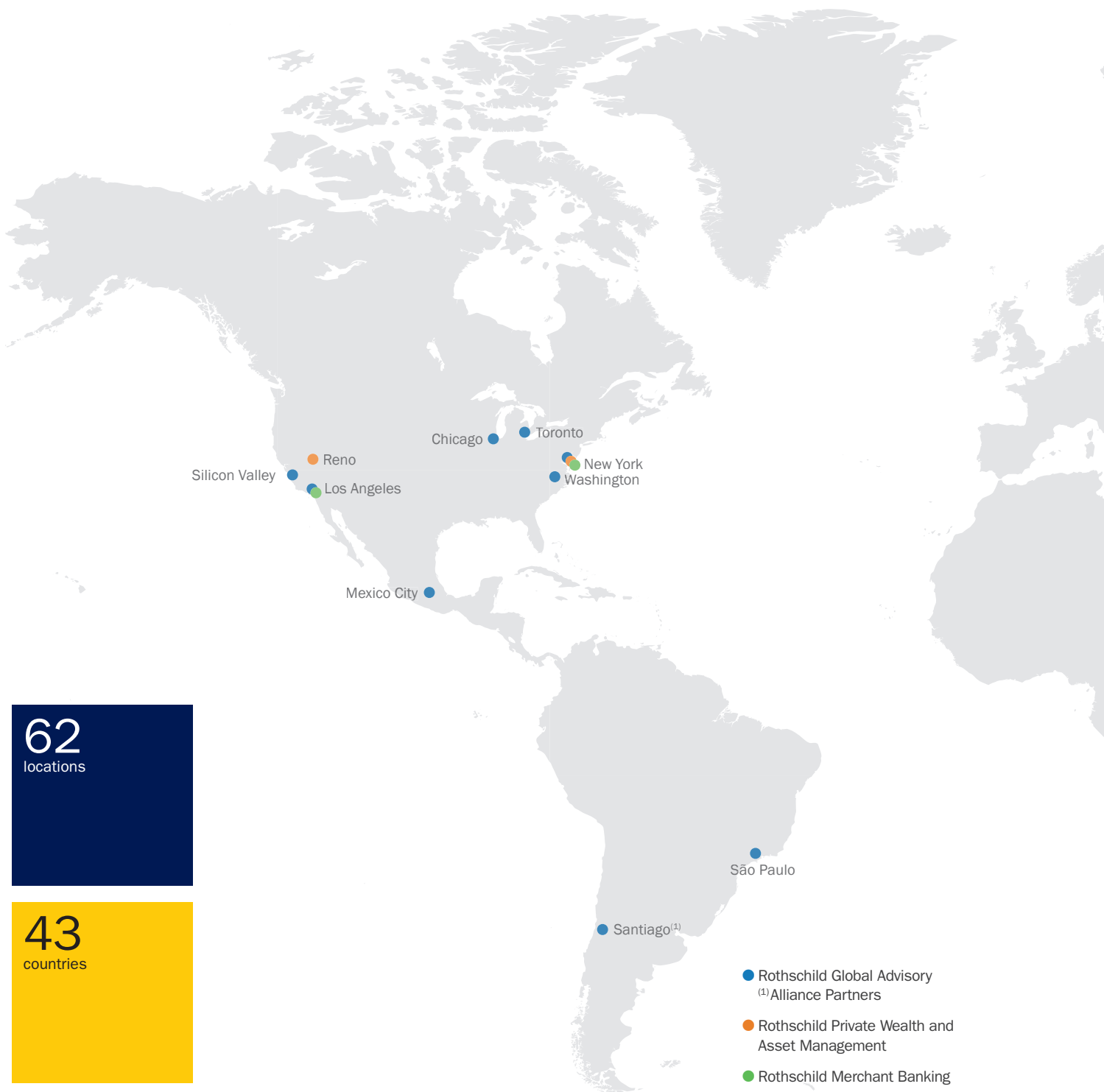
Balance Sheet	46
Income Statement	48
Proposal of the Board of Directors to the Annual General Meeting	49
Statement of Changes in Equity	50
Notes to the Financial Statements	51
Accounting and Valuation Principles	60
Notes on Risk Management	61
Report of the Statutory Auditor on the Financial Statements	64
Capital Adequacy and Liquidity	66

Part 4 – Addresses

Head Office and Subsidiaries	68
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Rothschild & Co world presence

An unrivalled network of specialists at the centre of the world's financial markets, combining scale with deep local knowledge





Key Figures consolidated

	31.12.2017 1000 CHF	31.3.2017 1000 CHF
Consolidated balance sheet		
Total shareholders' equity	264,841	314,972
Total assets	4,785,725	5,043,042
Consolidated income statement		
Net interest income	28,752	35,199
Net commission income	82,703	111,480
Results from trading operations	11,150	21,408
Total income	129,172	173,859
Total operating expenses	-106,243	-141,778
Gross profit	22,929	32,081
Gross profit per employee	51	71
Consolidated net profit/loss	11,763	18,853
Staff (average full-time positions)		
Staffing level domestic	357	358
Staffing level abroad	92	91
Total staffing level	449	449

Chairman's Statement

Dear Shareholders,

Investment conditions remained broadly positive throughout 2017. The performance of global equities outpaced most inflation rates, and did so with unusually low levels of volatility. Fixed income returns lagged stock markets, but most corporate bonds also managed to outperform inflation.

The economic expansion gathered momentum and broadened into one of the most widely based upturns in recent years. The developed world grew at a respectable pace, with the eurozone continuing to beat expectations. Meanwhile, China's economy defied sceptics with a small acceleration in the pace of growth. Unemployment dropped to multi-decade lows in the US, UK, Germany and Japan, while corporate profits growth resumed after the interruption caused by falling oil and mining profits in 2015 and 2016.

The year had started with political concerns uppermost in many investors' minds. Yet the US administration's protectionist talk did not translate into action, and the year ended with the approval of significant tax-cutting measures that seem set to boost US growth and corporate profits further. In Europe, talk of a populist backlash against the European Union (EU) proved premature.

Committed to our clients

As part of our commitment to clients, we have broadened the scope of our offering by launching a new investment approach called Mosaïque. This "top-down" investment strategy seeks to produce attractive returns by taking advantage of market and macroeconomic trends. We are also using Mosaïque to provide clients with advisory services that combine a comprehensive product platform with our securities selection and our asset allocation views.

In addition, we have decided to offer Swiss residential mortgages as a new lending solution. This complements our suite of financial offerings, addressing the needs of existing clients and increasing our ability to attract new clients.

Furthermore, in today's era of rapid digitisation and increased customer sophistication we have upgraded our IT systems by creating a new suite of digital tools. They will allow us to enhance the quality of all our services and to meet the latest regulatory requirements. This initiative coincides with the continuous investment in the skills of our people through ongoing training programmes.

In 2017 we strengthened Rothschild & Co Group's presence in Switzerland. In April, our Geneva office moved to new premises. In July, the former Swiss branch of the Group's Asset Management Division in Zurich was merged into our Bank. In August, our Group opened a new subsidiary in Zurich, called Rothschild Global Advisory Switzerland AG, which designs and executes strategic M&A and financing solutions. Rothschild Global Advisory is one of Europe's leading providers of financial advisory services. As a result, we have been able to broaden our offering to include institutional clients and corporates in addition to the wealthy individuals, families and entrepreneurs served by Rothschild Bank AG.

Financial results

Last year Rothschild & Co agreed to change its financial year to report on a calendar-year basis. This change applies to Rothschild & Co Group and all its businesses, including Rothschild Bank AG. As a result, our

2017 financial period comprises just nine months, making it difficult to measure performance against the previous year. However, we have included unaudited comparable profit and loss figures at the end of the report (see page 44).

As an indication of how our business has developed, net interest income increased by 20.7% during the period owing largely to an increase in lending. Total income increased slightly by 2.4% and gross profit increased by 26.1% to CHF 22.9 million. Meanwhile, total managed assets increased by 4.1%.

Although the increased costs associated with the changing regulatory environment continued over the past year, we managed to offset these additional provisions and expenses through operational savings in other areas of our business. In addition, we booked an extraordinary income of CHF 1.1 million from the final settlement linked to the sale of a building two years ago. In total, our consolidated profit of CHF 11.8 million after tax is a solid increase from the same nine-month period in the previous year.

Industry recognition

In recognition of the strength of our business as well as our dedication to clients, we have received several industry awards over the past year. In addition to being named Best Private Bank in Switzerland in 2017 according to the yearly rankings published by business magazine Bilanz, the quality of our advisory services was awarded first place in a survey conducted by German publishing house Fuchsbriefe in association with the Private Banking Prüfinstanz (PBPI). The rankings are compiled from an in-depth assessment of asset management strategy, portfolio construction and transparency at 65 banks in Germany, Austria and Switzerland.

People on the move

On 1 January 2018 Barbara Ursprung, Head of Human Resources, and Heinz Neshold, Head Market Group International, were appointed to the Executive Committee. As front office representative for the committee, Heinz replaced Thomas Pixner.

Looking forward

There remain few signs of economic excess in this increasingly lengthy business cycle. Market valuations are relatively full, and monetary conditions may start to normalise a little faster. Nonetheless, we believe that the financial climate remains a constructive one.

We are also looking forward to a successful 2018 and celebrating the 50th anniversary of Rothschild Bank AG, which was established on 18 July 1968. I would like to take this opportunity to thank all our clients, past and present employees, members of the Executive Committee and Board of Directors. Without your continuous trust, support and commitment, this anniversary would not be possible.

Bruno Pfister

Chairman of the Board of Directors

Corporate Governance

Board of Directors

Bruno PFISTER

Chairman of the Board of Directors

Education

Master of Business Administration in Corporate Finance, UCLA Graduate School of Management, Los Angeles CA

Geneva Bar Admission

Licentiate in Law, University of Geneva

Professional background

Since 2014	Rothschild Bank AG Chairman of the Board of Directors
2002-2014	Swiss Life, Zurich and International Responsibilities included: Chief Executive Officer, Member of the Group Management and Chief Financial Officer
1999-2002	Credit Suisse, Zurich Member of the Divisional Management of the Swiss Retail Bank
1996-1999	Liechtenstein Global Trust, Zurich & Vaduz Chief Financial Officer and Member of the Management
1988-1996	McKinsey & Co, Zurich Senior Project Manager
1986-1987	Chase Manhattan Bank, London and Geneva Assistant Treasurer/Associate
1981-1984	Keppler & Maurer, Lawfirm, Geneva Intern and Lawyer

Alexandre de ROTHSCHILD

Deputy Chairman of the Board of Directors

Education

Master in Management, École Supérieure du Commerce Extérieur, Paris

Professional background

Since 2008	Rothschild & Co, Paris Deputy Chairman of Rothschild & Co Gestion, Member of the Group Management Committee and Deputy Head of Merchant Banking Division
2008	Jardine Matheson, Hong Kong Executive Assistant to the Group Strategy Director
2005-2008	Argan Capital, London Chargé d'Affaires
2004-2005	Bear, Stearns & Co. Inc, New York Financial Analyst

Mark CRUMP

Member of the Audit & Risk Committee

Education

Fellow Chartered Accountant (FCA)

Associate Chartered Accountant (ACA)

First class degree, Accounting and Finance, Kingston University London

Professional background

Since 2012	Rothschild & Co, London Group Financial Officer
2009-2011	Expro International, UK Chief Financial Officer
1999-2009	Lafarge's Gypsum Division, France Responsibilities included: Regional President of the Northern European Business and Chief Financial Officer Lafarge Aggregates and Concrete Division, Paris, Chief Financial Officer
1995-1999	Redland Roofing Systems, UK, Finance Director
1993-1995	Hepworth PLC, UK, Corporate Development Director
1990-1993	NM Rothschild & Sons, London, Corporate Finance Manager
1985-1990	Arthur Anderson, UK, Audit Manager
1984-1985	Kingston University London, Lecturer in Finance

Sipko SCHAT*

Chairman of the Audit & Risk Committee

Education

Bachelor of Laws
University of Groningen, Netherlands

Professional background

Since 2012	Rothschild & Co SCA Independent Member of the Supervisory Board and Chairman of the Risk Committee
Since 2013	OCI NV Senior Independent Director, Chairman of Nomination and Remuneration Committee and Member of Audit and Compliance Committee
Since 2014	Vion NV Chairman of the Supervisory Board and Member of the Remuneration Committee
Since 2016	Trafigura Group Pte Ltd Member of the Supervisory Committee
1985–2014	Rabobank Netherlands and International Responsibilities included: Member of the Executive Board, Member of the Managing Board, Chairman of the Management Team Wholesale, Global Head of Corporate Finance, Head of Structured Finance, Senior Manager Structured Finance and Senior Corporate Lawyer Rabobank Ireland Plc. Head of Corporate Finance

Peter A. SMITH*

Member of the Audit & Risk Committee

Education

Chartered Accountant ICAEW (FCA)

Advanced Management Program Wharton School,
University of Pennsylvania

Bachelor of Social Sciences,
University of Southampton

Professional background

Since 2012	Rothschild & Co SCA Member of the Supervisory Board and Chairman of Group Audit Committee and since 2001 NM Rothschild & Sons Limited, Non-executive Director, (Chairman since 2015)
2004–2016	Savills plc Non-executive Chairman
2007–2016	Associated British Foods plc Non-executive Director and Chairman of the Audit Committee
2002–2004	Safeway plc Non-executive Director and Member of the Audit Committee
2003–2005	RAC plc Non-executive Chairman
2001–2010	The Equitable Life Assurance Society Non-executive Deputy Chairman and Chairman of the Audit Committee
2004–2015	Templeton Emerging Markets Investment Trust plc Non-executive Chairman
1967–2000	PricewaterhouseCoopers, UK Responsibilities included: Partner, Coopers & Lybrand, Head of London office and Financial Services Practice, Senior Partner at Coopers & Lybrand UK firm, Chairman Coopers & Lybrand International, Senior Partner PricewaterhouseCoopers UK firm, Member PricewaterhouseCoopers Global Leadership Team

* Meets the criteria on independence according to our
interpretation of FINMA circular 2017/1

Corporate Governance

Executive Committee

Laurent GAGNEBIN

Chief Executive Officer

Education

Executive Master of Business Administration,
Robert H. Smith School of Business,
University of Maryland

Bachelor of Business Administration,
GSBA Zurich

Bachelor of Science,
HES diploma of Ecole Hôtelière de Lausanne

Professional background

Since 2011 Rothschild Bank AG, Zurich
Head Wealth Management Switzerland and since 2016
Chief Executive Officer

2009–2011 Investec Bank AG, Geneva
Head of Geneva Office, Senior Private Banker

2005–2009 Goldman Sachs Bank AG, Geneva
Executive Director

2002–2005 Quaker Securities, Nyon
Senior Vice President

Christian BOUET

Chief Financial Officer

Education

French Chartered Accountant

Master of Business Administration,
Neoma Business School, Reims

Masters of Science,
Ecole Spéciale des Travaux Publics (ESTP), Paris

Professional background

Since 2013 Rothschild Bank AG, Zurich
Chief Financial Officer

2006–2013 ED&F Man Group, London,
Responsibilities included:
Chief Executive Officer ED&F Man Capital Markets (2010–2013),
Divisional Finance Director (2006–2010)

1989–2006 Credit Agricole Investment Bank (CAIB),
Responsibilities included:
Chief Operational Officer Brokerage Division, London (1995–2005),
Financial Controller Asset Management Division, Paris (1989–1994)

1986–1989 Ernst & Young, Paris
Auditor

Matthew LE FLOCCQ

Chief Operating Officer Rothschild Trust Group

Education

Master of Science,
London School of Economics and
Political Science, London

Professional background

Since 2007 Rothschild Trust Group, Zurich
Group Chief Operating Officer and Deputy Chief Executive Officer

2006–2007 Rothschild Trust Geneva SA
Managing Director

1997–2006 Rothschild Trust (Schweiz) AG
Responsibilities included:
Member of the Management Committee, Client Management Team
Leader, Management & IT Consultant

1995–1997 Guernsey Evening Press and Star
Journalist

1993–1995 Rothschild Trust (Guernsey) Ltd
Trust Officer

Juan Carlos MEJIA PEREZ

Head of Investments

Education

PhD and Master of Science in Interdisciplinary Mathematics, University of Warwick, Coventry

Bachelor of Science, Mathematics and Bachelor of Science, Actuarial Sciences, Universidad Nacional (UNAM), Mexico City

Professional background

Since 2012	Rothschild Bank AG, Zurich Head of Investments Senior Portfolio Manager (2012–2014)
2011–2012	Investec Bank, Zurich Chief Investment Officer and Head of Portfolio Management
2005–2011	UBS Wealth Management Responsibilities included: Head of Asset Allocation for discretionary portfolios, Zurich, Head of Portfolio Strategy and Construction, Head of After Sales, Deputy Head of Investment Management, London
2000–2005	Goldman Sachs Intl., London Responsibilities included: Head of Tactical Asset Allocation Advisory and Equity Portfolio Strategy

Heinz NESSHOLD

member as of 01.01.2018

Head Market Group International

Education

KV Business School Zurich

Professional background

Since 2007	Rothschild Bank AG, Zurich Head Market Group International Deputy Team Head Asia/Middle East (2007-2011) Senior Client Advisor (2007-2011)
1999–2007	BHE, Bank Hofmann, Clariden Leu, Zurich Team Head MG Middle East/International
1983–1999	ABN Amro, Zurich Responsibilities included: Team Head Asia, Head Sales, Head Foreign Exchange
1981–1983	S.G. Warburg Bank AG, Zurich Foreign Exchange Trader/Treasury
1979–1981	Nordfinanz-Bank, Zurich Foreign Exchange Trader

Armand RUBLI

Head of Legal, Compliance & Risk

Education

Master of Laws (LL.M.) in Commercial Law, University of Birmingham

PhD and Licentiate in Law, University of Zurich

Zurich Bar Admission

Professional background

Since 2013	Rothschild Bank AG, Zurich Head of Legal, Compliance & Risk
2006–2013	Liechtensteinische Landesbank, Zurich Chief Legal & Compliance, Member of the extended Executive Board
2005–2006	Walder Wyss & Partners, Zurich Attorney, Senior Associate in Banking and Finance
1997–2005	UBS AG, Zurich Responsibilities included: Counselor at Law, Director in Group Legal Services, Associate Director, Officer
1994–1995	District Court of Zurich Judge's Assistant

Corporate Governance

Executive Committee

Barbara URSPRUNG

member as of 01.01.2018

Head of Human Resources

Education

Secondary School, Schaffhausen

Professional background

Since 2011 Rothschild Bank AG, Zurich
Head of Human Resources
Senior HR Manager, Team Head Human Resources (2014-2017),
Senior HR Business Partner (2011-2014),
Recruiter (2011)

1997–2011 RBS Coutts Bank Ltd, Zurich
Responsibilities included:
Head of HR Business Consulting, HR Business Consultant,
Area Human Resources Manager, Central Head Administration &
Expats

1991–1997 Citibank (Switzerland) Ltd, Zurich
Responsibilities included:
Human Resources Assistant and Training Coordinator

Daniel WEBER

Head of Operations and Client Services

Education

Advanced Executive Program,
Swiss Finance Institute

Chartered Financial Analyst (CFA)

Bachelor of Science in Business Administration
HWV St. Gallen

Professional background

Since 2008 Rothschild Bank AG, Zurich
Head Operations & Client Services
Head Corporate Development (2008–2012)

2005–2008 Bank Julius Bär, Zurich
Product Manager Portfolio Advisory

1999–2004 UBS AG, New York
Investment Advisor & Product Specialist

1987–1999 UBS AG, Arbon, St. Gallen and Zurich
Various positions, with a focus on Investment Management

Corporate Secretariat

Ivona LINDER
Corporate Secretary

Internal Audit

Wilfried BÜRGE
Head Internal Audit

Statutory Auditors

KPMG AG

A Consolidated Balance Sheet

Assets

	Notes	31.12.2017	31.3.2017	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Liquid assets		3,110,531	3,559,335	-448,804	-12.6
Amounts due from banks		302,828	188,468	114,360	60.7
Amounts due from customers	1	898,256	794,569	103,687	13.0
Mortgage loans	1	230,208	234,073	-3,865	-1.7
Trading portfolio assets	2	1,710	2,677	-967	-36.1
Positive replacement values of derivative financial instruments	3	19,364	53,249	-33,885	-63.6
Other financial instruments at fair value	2	114,139	103,393	10,746	10.4
Financial investments	4, 8	26,415	27,932	-1,517	-5.4
Accrued income and prepaid expenses		23,977	18,958	5,019	26.5
Non-consolidated participations	5, 6	310	315	-5	-1.6
Tangible fixed assets	6	41,946	40,948	998	2.4
Other assets	7	16,041	19,125	-3,084	-16.1
Total assets		4,785,725	5,043,042	-257,317	-5.1

Liabilities and shareholders' equity

	Notes	31.12.2017	31.3.2017	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Amounts due to banks		1,133,200	1,016,926	116,274	11.4
Amounts due in respect of customer deposits		3,280,504	3,584,052	-303,548	-8.5
Negative replacement values of derivative financial instruments	3	33,347	52,004	-18,657	-35.9
Accrued expenses and deferred income		47,770	47,699	71	0.1
Other liabilities	7	11,201	14,705	-3,504	-23.8
Provisions	10	14,862	12,684	2,178	17.2
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		201,551	247,037	-45,486	-18.4
Minority interest in equity		8,643	6,198	2,445	39.5
Consolidated profit		11,763	18,853	-7,090	-37.6
of which minority interest in consolidated net profit		1,168	2,694	-1,526	-56.6
Total liabilities		4,785,725	5,043,042	-257,317	-5.1

A Consolidated Off-Balance Sheet Transactions

	Notes	31.12.2017 1000 CHF	31.3.2017 1000 CHF	Change 1000 CHF	%
Contingent liabilities	1, 18	37,661	34,390	3,271	9.5
Irrevocable commitments	1, 19	169,862	241,217	- 71,355	- 29.6
Revocable commitments	1, 19	1,838	-	1,838	n/a

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

Revocable commitments mainly represent the sum of the unused credit limits where the Bank “soft” committed credit limits to clients. Soft commitment means that either the bank or the client have the right to terminate the facility at any time.

B Consolidated Income Statement

	Notes	2017	2016/17	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Interest and discount income		51,970	85,530	-33,560	-39.2
Interest and dividend income from financial investments		2	26	-24	-93.4
Interest expense		-23,219	-50,357	27,138	-53.9
Subtotal net result from interest operations		28,752	35,199	-6,447	-18.3
Commission income from securities trading and investment activities		55,199	67,314	-12,115	-18.0
Commission income from lending activities		145	503	-358	-71.2
Commission income from other services		42,795	54,329	-11,534	-21.2
Commission expense		-15,436	-10,666	-4,770	44.7
Subtotal result from commission business and services 27		82,703	111,480	-28,777	-25.8
Results from trading operations and the fair value option	22, 27	11,150	21,408	-10,258	-47.9
Income from non-consolidated participations		464	749	-285	-38.1
Result from real estate		36	271	-235	-86.7
Other ordinary income		6,067	4,752	1,315	27.7
Total income	27	129,172	173,859	-44,687	-25.7
Personnel expenses	11, 24, 27	-79,026	-107,239	28,213	-26.3
General and administrative expenses	25, 27	-27,217	-34,539	7,322	-21.2
Subtotal operating expenses	27	-106,243	-141,778	35,535	-25.1
Gross profit	27	22,929	32,081	-9,152	-28.5
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	6	-5,550	-8,015	2,465	-30.7
Changes to provisions and other value adjustments, and losses	10	-3,279	-2,193	-1,086	49.5
Operating result		14,099	21,873	-7,774	-35.5
Extraordinary income	26	1,151	87	1,064	>1000
Extraordinary expenses	26	-1,390	-1,667	277	-16.6
Taxation	28	-2,098	-1,440	-658	45.7
Consolidated profit/ loss		11,763	18,853	-7,090	-37.6
of which minority interest in consolidated net profit		1,168	2,694	-1,526	-56.6

2017 refers to the 9-month period from April to December 2017, whereas 2016/17 refers to the 12-month period from April 2016 to March 2017, including income from Rothschild Bank (CI) Limited (RBCI) before its sale on October 1, 2016.

B Consolidated Statement of Cash Flows

	31.12.2017		31.3.2017	
	Cash in-flow	Cash out-flow	Cash in-flow	Cash out-flow
Cash flow from operating activities				
Result of the period	11,763	–	18,853	–
Depreciation and amortisation of tangible fixed assets	5,550	–	8,015	–
Provisions and other value adjustments	2,178	–	–	220
Accrued income and prepaid expenses	–	5,019	1,103	–
Accrued expenses and deferred income	71	–	–	17,353
Previous year's dividend	–	64,973	–	62,508
Total Cash flow from operating activities	19,562	69,992	27,971	80,081
Cash flow from transactions in respect of participations and tangible fixed assets				
Non-consolidated participations	5	–	167	–
Real estate	–	–	–	–
Tangible fixed assets	–	6,548	–	3,217
Total Cash flow from transactions in respect of participations and tangible fixed assets	5	6,548	167	3,217
Cash flow from banking operations				
Medium and long-term business (> 1 year):				
Amounts due to banks	–	41	476	–
Amounts due in respect of customer deposits	–	–	–	661
Amounts due from banks	–	–	–	–
Amounts due from customers	34,174	–	–	29,357
Mortgage loans	3,865	–	–	580
Financial investments	5,255	–	–	2,298
Short-term business:				
Amounts due to banks	116,315	–	913,982	–
Amounts due in respect of customer deposits	–	303,548	–	345,004
Negative replacement values of derivative financial instruments	–	18,657	–	121,412
Other liabilities	–	3,504	12,894	–
Amounts due from banks	–	114,360	–	5,343
Amounts due from customers	–	137,861	111,842	–
Trading portfolio assets	967	–	–	3,669
Positive replacement values of derivative financial instruments	33,885	–	76,799	–
Other assets	3,084	–	–	2,931
Other financial instruments at fair value	–	10,746	–	7,457
Financial investments	–	659	11,591	–
Liquidity:				
Liquid assets	448,804	–	–	553,712
Total	665,917	665,917	1,155,722	1,155,722

B Consolidated Statements of Changes in Equity

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. 2017	10,330	4,620	252,202	22,769	6,198	18,853	314,972
Transfer of profits to retained earnings	–	–	16,159	–	2,694	–18,853	–
Currency translation differences	–	–	2,249	–	830	–	3,079
Dividends and other distributions	–	–	–63,894	–	–1,079	–	–64,973
Consolidated profit (result of the period)	–	–	–	–	–	11,763	11,763
Equity at 31. 12. 2017	10,330	4,620	206,716	22,769	8,643	11,763	264,841

C Notes to the Consolidated Financial Statements

Information on the Balance Sheet

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

		Mortgage collateral 1000 CHF	Other collateral 1000 CHF	Without collateral 1000 CHF	Total 1000 CHF
Amounts due from customers		–	800,027	98,229	898,256
Mortgage loans (residential property)		230,208	–	–	230,208
Total loans	Current year	230,208	800,027	98,229	1,128,464
	Previous year	234,073	694,446	100,123	1,028,642
Contingent liabilities		–	37,661	–	37,661
Irrevocable commitments		–	153,797	16,065	169,862
Revocable commitments		–	–	1,838	1,838
Total off-balance sheet transactions	Current year	–	191,458	17,902	209,360
	Previous year	–	235,629	39,978	275,607

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	–	–	–	–
	Previous year	816	–	816	816

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

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

Revocable commitments mainly represent the sum of the unused credit limits where the Bank “soft” committed credit limits to clients. Soft commitment means that either the bank or the client have the right to terminate the facility at any time.

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

	31.12.2017 1000 CHF	31.3.2017 1000 CHF	Change 1000 CHF	%
Equity securities	1,710	2,677	–967	–36.1
Other financial instruments at fair value	1,050	577	473	82.0
Precious metals	113,089	102,816	10,273	10.0
Total	115,849	106,070	9,779	9.2

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		Contract volume 1000 CHF
	Replacement value positive 1000 CHF	Replacement value negative 1000 CHF	
Foreign exchange/ precious metals	18,778	32,784	5,789,289
Forward contracts	4,554	7,523	1,198,143
Combined interest rate/ currency swaps	13,946	25,261	4,309,450
Options (OTC)	278	–	281,696
Equity securities/ indices	586	565	81,663
Options (OTC)	586	565	81,663
Total before consideration of netting contracts			
	Current year	19,364	33,347
	Previous year	53,249	52,004
			5,870,952
			7,357,490

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	14,098	5,266	19,364
Previous year	46,024	7,225	53,249

4 Financial investments

	Book value		Fair value	
	31. 12. 2017 1000 CHF	31. 3. 2017 1000 CHF	31. 12. 2017 1000 CHF	31. 3. 2017 1000 CHF
Debt securities	26,415	27,931	26,510	28,027
of which, intended to be held to maturity	26,415	27,931	26,510	28,027
Total financial investments	26,415	27,932	26,510	28,027
of which, securities eligible for repo transactions in accordance with liquidity requirements	2,942	6,463	2,964	6,511

Counterparties by rating

	Aaa	Aa1-Aa3	A1-A2	Unrated	Total
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Debt securities					
Book values	–	14,669	11,746	–	26,415
Previous year	2,141	15,046	10,745	–	27,932

Counterparties are rated according to Moody's ratings.

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

C Notes to the Consolidated Financial Statements

Non-consolidated participations

	31.12.2017 1000 CHF	31.3.2017 1000 CHF	Change 1000 CHF	%
Non-consolidated participations without market value	310	315	-5	-1.6
Total non-consolidated participations	310	315	-5	-1.6

6 Presentation of participations and tangible fixed assets

	Current year						
	Acquisition cost 1000 CHF	Accumulated depreciation 1000 CHF	Book value Previous year end 1000 CHF	Additions 1000 CHF	Disposals/ Forex impact 1000 CHF	Depre- ciation/ Valuation adjust- ments 1000 CHF	Book value current year 1000 CHF
Non-consolidated participations	315	-	315	-	-	5	310
Total non-consolidated participations	315	-	315	-	-	5	310
Bank buildings	45,975	37,075	8,900	-	-	-	8,900
Outfitting costs	27,944	25,808	2,136	1,570	-	665	3,041
Proprietary or separately acquired software	69,747	39,835	29,912	4,978	-	4,885	30,005
Total tangible fixed assets	143,666	102,718	40,948	6,548	-	5,550	41,946

7 Other assets and other liabilities

	Other assets		Other liabilities	
	31.12.2017 1000 CHF	31.3.2017 1000 CHF	31.12.2017 1000 CHF	31.3.2017 1000 CHF
Salary debtor and creditor accounts	4,061	4,614	–	–
Employer contribution reserves	700	773	–	–
Balances arising from internal bank business operations	2,628	1,286	8,741	12,654
Value added tax and withholding tax	254	252	1,529	1,030
Current tax assets and liabilities	376	145	931	1,021
Due from Trust customers	8,022	12,055	–	–
Total	16,041	19,125	11,201	14,705

8 Assets pledged or assigned to secure own commitments

	31.12.2017		31.3.2017	
	Book values 1000 CHF	Effective commitments 1000 CHF	Book values 1000 CHF	Effective commitments 1000 CHF
Amounts due from banks	31,919	4,170	29,612	18,452
Financial investments	26,415	26,415	27,932	27,932
Total	58,334	30,586	57,544	46,384

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

	31.12.2017 1000 CHF	31.3.2017 1000 CHF	Change 1000 CHF	%
Liabilities to own pension plans	9,851	7,367	2,484	33.7

The disclosures are based on the annual accounts of the pension schemes as of 31.12.2017 and 31.12.2016 respectively.

Employer's contribution reserves (ECR)

1000 CHF	Nominal value		Creation 2017	Net amount 31.12.2017	Net amount 31.3.2017	Influence of ECR on personnel expenses 2017	Influence of ECR on personnel expenses 2016/17
	31.12.2017	Waiver of use 31.12.2017					
Personnel Foundation	598	–	–	598	598	–	–

Presentation of the economic benefit/ obligation and the pension expenses

1000 CHF	Overfunding/ underfunding 31.12.2017	Economic interest of bank		Change in economic interest 2017	Contributions paid 2017	Pension expenses in personnel expenses 2017	Pension expenses in personnel expenses 2016/17
		31.12.2017	31.3.2017				
Pension plans with overfunding	1,500	–	–	–	7,202	7,202	9,424

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 disclosure for 2017 is based on an estimate for 'overfunding/ underfunding' and actual contributions paid for the Swiss pension schemes. The disclosure for the year 2016/17 is based on the annual accounts of the Swiss pension schemes as of 31.12.2016.

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	3,667	–	90	–	–	3,757
Provisions for pension benefit obligations	2,459	–	–	158	–	2,617
Provisions for other business risks	6,558	–1,649	323	3,453	–198	8,488
Provisions for restructuring	–	–	–	–	–	–
Total provisions	12,684	–1,649	413	3,611	–198	14,862
Reserves for general banking risks	22,769	–	–	–	–	22,769

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

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	
	31.12.2017	31.3.2017	31.12.2017	31.3.2017	31.12.2017	31.3.2017	31.12.2017	31.3.2017
Members of the board of directors	11,402	10,797	407	311	40,000	40,000	271	91
Members of executive bodies	31,526	3,763	1,126	108	100,000	–	–	–
Employees	5,682	14,799	203	427	–	40,000	–	353
Total	48,610	29,359	1,737	846	140,000	80,000	271	444

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 schemes, 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 the year end closing.

Under the 2014/15, 2015/16 and 2016/17 share plans, persons who have variable compensation which attracts deferrals/retentions and the delivery of non-cash incentives accordingly, as determined by Group Human Resources, were awarded 15 percent of their variable compensation as non-cash instruments. These shares are subject to a lock-up period and vest in three tranches over the three following years.

C Notes to the Consolidated Financial Statements

12 Disclosure of amounts due from and due to related parties

	Amounts due to		Amounts due from	
	31.12.2017	31.3.2017	31.12.2017	31.3.2017
Holders of qualified participations	112,502	109,194	88,965	91,534
Linked companies	1,075,874	1,104,912	19,471	12,783
Other related parties	8,620	91,627	9,319	10,417
Total	1,196,996	1,305,733	117,755	114,734

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 1000 CHF	Redeem- able by notice 1000 CHF	Maturity within 3 months 1000 CHF	Maturity within 3- 12 months 1000 CHF	Maturity within 1-5 years 1000 CHF	Maturity after 5 years 1000 CHF	Total 31.12.2017 1000 CHF
Liquid assets	3,110,531	–	–	–	–	–	3,110,531
Amounts due from banks	302,828	–	–	–	–	–	302,828
Amounts due from customers	40,462	–	700,526	116,947	40,321	–	898,256
Mortgage loans	–	–	1,318	70,544	158,346	–	230,208
Trading portfolio assets	1,710	–	–	–	–	–	1,710
Positive replacement values of derivative financial instruments	–	–	10,904	8,182	278	–	19,364
Other financial instruments at fair value	114,139	–	–	–	–	–	114,139
Financial investments	–	–	3,513	4,116	18,786	–	26,415
Total assets/ financial investments	3,569,671	–	716,261	199,789	217,731	–	4,703,452
Previous year	3,855,017	14,645	579,610	229,798	283,626	1,000	4,963,695
Amounts due to banks	1,046,243	–	83,577	2,944	435	–	1,133,200
Amounts due in respect of customer deposits	3,012,008	–	268,496	–	–	–	3,280,504
Negative replacement values of derivative financial instruments	–	–	25,445	7,902	–	–	33,347
Total debt capital/ financial investments	4,058,251	–	377,519	10,846	435	–	4,447,051
Previous year	4,021,154	336,914	279,965	14,370	579	–	4,652,982

14 Assets and liabilities by domestic and foreign origin

	31.12.2017			31.3.2017		
	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF
Assets						
Liquid assets	3,110,531	–	3,110,531	3,559,333	2	3,559,335
Amounts due from banks	227,034	75,794	302,828	97,185	91,283	188,468
Amounts due from customers	158,947	739,309	898,256	159,355	635,214	794,569
Mortgage loans	314	229,894	230,208	2,620	231,453	234,073
Trading portfolio assets	1,162	548	1,710	15	2,662	2,677
Positive replacement values of derivative financial instruments	7,685	11,678	19,364	16,206	37,043	53,249
Other financial instruments at fair value	113,089	1,050	114,139	102,893	500	103,393
Financial investments	–	26,415	26,415	–	27,932	27,932
Accrued income and prepaid expenses	19,842	4,136	23,977	4,664	14,294	18,958
Participations	306	4	310	50	265	315
Tangible fixed assets	41,811	135	41,946	40,731	217	40,948
Other assets	670	15,370	16,041	4,040	15,085	19,125
Total assets	3,681,392	1,104,333	4,785,725	3,987,092	1,055,950	5,043,042
Liabilities						
Amounts due to banks	136,632	996,567	1,133,200	12,272	1,004,654	1,016,926
Amounts due in respect of customer deposits	600,402	2,680,103	3,280,504	669,240	2,914,812	3,584,052
Negative replacement values of derivative financial instruments	13,564	19,783	33,347	9,938	42,066	52,004
Accrued expenses and deferred income	40,736	7,034	47,770	40,641	7,058	47,699
Other liabilities	10,294	907	11,201	13,407	1,298	14,705
Provisions	14,862	–	14,862	12,324	360	12,684
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	215,359	–	215,359	258,400	–	258,400
Profit/loss (result of the period)	11,763	–	11,763	18,853	–	18,853
Total liabilities	1,081,330	3,704,394	4,785,725	1,072,794	3,970,248	5,043,042

C Notes to the Consolidated Financial Statements

15 Total assets by group of countries

	31.12.2017		31.3.2017	
	1000 CHF	Share in %	1000 CHF	Share in %
Europe	4,490,002	93.8	4,900,453	97.2
America	48,645	1.0	11,720	0.2
Asia, Australia, New Zealand	87,802	1.8	79,992	1.6
Other	159,276	3.3	50,877	1.0
Total	4,785,725	100.0	5,043,042	100.0

16 Breakdown of assets by credit rating of country group

Bank's own country rating	Standard & Poor's	31.12.2017		31.3.2017	
		Net foreign exposure		Net foreign exposure	
		1000 CHF	Share in %	1000 CHF	Share in %
1	A	70,301	5.8	81,119	6.9
2	Aa	489,500	40.3	561,182	47.7
3	Aaa	557,668	46.0	436,061	37.0
4	B	493	0.0	1,002	0.1
5	Ba	11,062	0.9	2,014	0.2
6	Baa	27,563	2.3	53,957	4.6
7	Caa and below	57,147	4.7	42,380	3.6
Total	Total	1,213,735	100.0	1,177,714	100.0

17 Balance sheet by currency in 1000 CHF

	CHF	EUR	USD	GBP	Other	Total 31.12.2017
Assets						
Liquid assets	3,110,074	275	71	17	94	3,110,531
Amounts due from banks	63,162	122,320	79,390	16,086	21,871	302,829
Amounts due from customers	150,601	554,831	102,616	63,362	26,845	898,256
Mortgage loans	314	1,019	–	228,875	–	230,208
Trading portfolio assets	13	533	–	1,164	–	1,710
Positive replacement values of derivative financial instruments	19,086	–	–	278	–	19,364
Other financial instruments at fair value	–	1,050	–	–	113,089	114,139
Financial investments	–	26,415	–	–	–	26,415
Accrued income and prepaid expenses	21,688	528	735	1,046	–20	23,977
Participations	310	–	–	–	–	310
Tangible fixed assets	41,946	–	–	–	–	41,946
Other assets	1,434	1,058	808	21	12,719	16,041
Total assets shown in balance sheet	3,408,629	708,030	183,621	310,848	174,598	4,785,725
Delivery entitlements from spot exchange, forward forex and forex options transactions	365,843	1,197,839	2,371,759	1,411,167	180,009	5,526,617
Total assets	3,774,472	1,905,869	2,555,380	1,722,015	354,607	10,312,342
Liabilities						
Amounts due to banks	147,638	100,786	414,470	456,572	13,733	1,133,200
Amounts due in respect of customer deposits	463,745	909,021	1,243,150	434,235	230,352	3,280,504
Negative replacement values of derivative financial instruments	33,347	–	–	–	–	33,347
Accrued expenses and deferred income	41,231	3,363	1,794	28	1,354	47,770
Other liabilities	8,383	518	1,252	–	1,047	11,201
Provisions	11,119	3,745	–2	–	–	14,862
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	201,551	–	–	–	–	201,551
Minority interest in equity	8,643	–	–	–	–	8,643
Profit/loss (result of the period)	11,763	–	–	–	–	11,763
Total liabilities shown in balance sheet	970,305	1,017,433	1,660,665	890,835	246,486	4,785,725
Delivery obligations from spot exchange, forward forex and forex options transactions	2,807,574	887,079	900,644	824,377	106,943	5,526,617
Total liabilities	3,777,879	1,904,513	2,561,309	1,715,212	353,429	10,312,342
Net position per currency	–3,408	1,356	–5,929	6,803	1,178	–

C Notes to the Consolidated Financial Statements

Information on Off-Balance Sheet Transactions

18 Analysis of contingent liabilities

	31.12.2017 1000 CHF	31.3.2017 1000 CHF	Change	
			1000 CHF	%
Guarantees to secure credits	37,661	34,390	3,271	9.5

19 Credit commitments

	31.12.2017 1000 CHF	31.3.2017 1000 CHF	Change	
			1000 CHF	%
Commitment to the Swiss deposit guarantee scheme	2,850	2,332	518	22.2
Committed credit facilities	13,215	37,646	-24,431	-64.9
Credit commitments for private equity subscriptions	153,797	201,239	-47,442	-23.6
Revocable commitments	1,838	-	1,838	n/a
Total	171,700	241,217	-69,517	-28.8

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

20 Fiduciary transactions

	31.12.2017 1000 CHF	31.3.2017 1000 CHF	Change	
			1000 CHF	%
Fiduciary investments with third-party companies	781,415	768,848	12,567	1.6
Fiduciary investments with linked companies	59,264	3,509	55,755	>1000
Total	840,679	772,357	68,322	8.8

21 Managed and administered assets

	31.12.2017 CHF Mio.	2016/17 CHF Mio.	Change CHF Mio.	%
Managed assets				
Assets in collective investment schemes managed by the Bank	285	303	-18	-5.9
Assets under discretionary asset management mandates	5,997	6,054	-57	-0.9
Other managed assets	8,244	7,600	644	8.5
Total managed assets (including double counting)	14,526	13,957	569	4.1
of which, double counting	285	303	-18	-5.9
Total managed assets (including double counting) at the beginning of the year	13,957	16,394	-2,437	-14.9
+/- net new money inflow or net new money outflow	-294	-268	-26	9.7
+/- price gains/ losses, interest, dividend and currency gains/ losses, and other effects	863	509	354	69.5
+/- other effects	-	-2,678	2,678	-100.0
Total managed assets (including double counting) at the end of the year	14,526	13,957	569	4.1

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.

Administered 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.

	31.12.2017 CHF Mio.	2016/17 CHF Mio.	Change CHF Mio.	%
Total managed assets (including double counting) at the end of the year	14,526	13,957	569	4.1
Administered assets				
Assets administered for or on behalf of affiliated companies on behalf of the Rothschild & Co group	13,218	11,368	1,850	16.3
External advisory assets	697	546	151	27.7
Group and pension assets	2,124	1,870	254	13.6
Total assets managed or administered by the Bank (excluding double counting)	30,280	27,438	2,842	10.4

C Notes to the Consolidated Financial Statements

Information on the Income Statement

22 Result from trading activities

	2017 1000 CHF	2016/17 1000 CHF
Equity securities (including funds)	289	180
Foreign currencies	9,884	20,198
Commodities/ precious metals	978	1,030
Total result from trading activities	11,150	21,408

23 Negative interest

	2017 1000 CHF	2016/17 1000 CHF
Negative interest paid	-18,349	-21,917
Negative interest received	671	649

24 Personnel expenses

	2017 1000 CHF	2016/17 1000 CHF
Salaries	-63,906	-86,147
of which expenses relating to share-based compensation	-114	-135
Social insurance benefits	-10,601	-15,114
Other personnel expenses	-4,519	-5,978
Total personnel expenses	-79,026	-107,239

25 General and administrative expenses

	2017 1000 CHF	2016/17 1000 CHF
Office space expenses	-3,247	-5,047
Expenses for information and communications technology	-9,646	-11,401
Expenses for vehicles, equipment, furniture and other fixtures	-1,593	-1,697
Fees of audit firms	-925	-1,069
of which for financial and regulatory audits	-925	-1,048
Other operating expenses	-11,806	-15,325
Total	-27,217	-34,539

26 Extraordinary income and expense

	2017 1000 CHF	2016/17 1000 CHF
Other extraordinary income	1,151	87
Transactional tax expense related to prior year	-1,100	-1,500
Other extraordinary expense	-290	-167
Total	-239	-1,580

Other extraordinary income in 2017 relates to the reimbursement of unused renovation costs relating to the sale of real estate.

C Notes to the Consolidated Financial Statements

27 Operating result broken down according to domestic and foreign origin

	2017			2016/17		
	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF
Net result from interest operations	28,758	-6	28,752	33,121	2,078	35,199
Result from commission business and services	59,599	23,104	82,703	79,450	32,030	111,480
Results from trading operations and the fair value option	11,192	-42	11,150	19,159	2,249	21,408
Other ordinary income and expenses	6,499	68	6,567	1,147	4,625	5,772
Total income	106,048	23,124	129,172	132,877	40,982	173,859
Personnel expenses	-67,902	-11,124	-79,026	-90,953	-16,286	-107,239
General and administrative expenses	-21,783	-5,433	-27,216	-24,093	-10,446	-34,539
Total operating expenses	-89,685	-16,558	-106,243	-115,046	-26,732	-141,778
Gross profit	16,363	6,566	22,929	17,831	14,250	32,081

28 Taxation

	2017 1000 CHF	2016/17 1000 CHF
Expenses for current taxes	-2,098	-1,440
Total	-2,098	-1,440
Average tax rate based on operating result	14.9	6.6

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 were no changes in the scope of consolidation in the current year.

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:

	2017		2016/17	
	Spot rate	Average rate	Spot rate	Average rate
EUR	1.1702	1.1688	1.0706	1.0835
GBP	1.3183	1.3232	1.2516	1.2906
USD	0.9745	0.9872	1.0010	0.9877

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

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

Amounts Due from Customers

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

Trading Portfolios in Securities and Precious Metals

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

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

Financial Investments

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

Non-consolidated Participations

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

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

Fixed Assets

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

D Consolidation, Accounting and Valuation Principles

reveals a change in the useful lifetime, the remaining book value is written down as planned over the adjusted useful life. Small investment outlays are charged directly to operating expenses at the time of purchase.

Derivative Instruments

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

Liabilities to Pension Plans

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

Valuation Adjustments and Provisions

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

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

Interest Income and Expense

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

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

Fee and Commission Income and Expense

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

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

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

Operating Lease and Rental Agreements

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

Income Tax

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

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

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

Fiduciary Placement Activities

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

Contingent Liabilities and Fiduciary Operations

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

E Notes on Risk Management

General Principles

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

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

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

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

Credit Risk

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

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

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

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

Counterparties are defined as banks or brokers with which the Bank trades or from which it purchases services. Counterparties are carefully selected on the basis of their creditworthiness, drawing on external ratings. Internal limits have to be approved by the competent bodies according to the risk policy and internal guidelines. Counterparty exposures are monitored daily by the Risk Department and are reviewed regularly by the Bank's Treasury Committee, the ExC and the Audit and Risk Committee.

Liquidity Risk

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

E Notes on Risk Management

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, to the extent feasible, quantitative limits expressed by Key Risk Indicators for the measurement and limitation of operational risk.

Legal Risks and Compliance

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

Business and Services

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

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

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

Portfolio Management

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

Trust and Company Management Services

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

Trading

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

Lombard Lending and Mortgage Lending

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

Report of the Statutory Auditor on the Consolidated Financial Statements



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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 Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Rothschild Bank AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (page 14 to 38) for the financial year from 1 April 2017 to 31 December 2017.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the financial year from 1 April 2017 to 31 December 2017 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the provisions governing the preparation of financial statements for Banks and comply with Swiss law.



Rothschild Bank AG, Zurich
*Report of the Statutory Auditor
on the Consolidated Financial Statements
to the General Meeting of Shareholders*

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

Thomas Dorst
*Licensed Audit Expert
Auditor in Charge*

Cataldo Castagna
Licensed Audit Expert

Zurich, 22 February 2018

Capital Adequacy and Liquidity

Capital key figures

	31.12.2017 1000 CHF	31.3.2017 1000 CHF
Minimum capital required based on risk-oriented requirements	67,977	61,934
Eligible equity	244,223	258,596
of which Common Equity Tier 1 (CET 1)	244,223	258,596
of which Tier 1 Capital	244,223	258,596
Risk-weighted exposures (RWA)	849,708	774,175
CET 1 ratio (Common Equity Tier 1 in % of RWA)	28.7%	33.4%
Tier 1 capital ratio (Tier 1 capital in % of RWA)	28.7%	33.4%
Total capital ratio (in % of RWA)	28.7%	33.4%
Counter-cyclical capital buffer (in % of RWA)	0.0%	0.0%
CET 1 target ratio (in %) according to Annex 8 CAO plus counter-cyclical capital buffer	7.4%	7.4%
T1 target ratio (in %) according to Annex 8 CAO plus counter-cyclical capital buffer	9.0%	9.0%
Total capital ratio (in %) according to Annex 8 CAO plus counter-cyclical capital buffer	11.2%	11.2%
Basel III leverage ratio (Tier 1 capital in % of the total exposure)	4.9%	5.0%
Total exposure (CHF)	4,945,049	5,203,812

Liquidity key figures

	2017 1000 CHF	2016/17 1000 CHF
Average Liquidity Coverage Ratio		
Short-term liquidity coverage ratio (LCR) (in %) in Q4	n/a	172.2%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	n/a	3,383,639
LCR denominator: Total of net cash outflow (CHF)	n/a	1,964,864
Short-term liquidity coverage ratio (LCR) (in %) in Q3	153.5%	157.0%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,198,099	3,171,677
LCR denominator: Total of net cash outflow (CHF)	2,084,181	2,020,165
Short-term liquidity coverage ratio (LCR) (in %) in Q2	157.3%	224.9%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,521,373	3,008,929
LCR denominator: Total of net cash outflow (CHF)	2,239,111	1,337,618
Short-term liquidity coverage ratio (LCR) (in %) in Q1	160.0%	247.4%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,662,625	3,176,561
LCR denominator: Total of net cash outflow (CHF)	2,289,681	1,283,997

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

Comparable Consolidated Income Statement

In relation to the realigned fiscal year and the resulting shortened reporting period, the following table presents a comparable view of the consolidated income statement from April 1, 2016 to December 31, 2016 and April 1, 2017 to December 31, 2017 respectively.

The comparison period, which is unaudited, is presented in a business conform manner and is adjusted for the sale of Rothschild Bank (CI) Limited (RBCI) on October 1, 2016 (the shown figures exclude profit from RBCI prior to its sale).

	9m 2017 1000 CHF	9m 2016 1000 CHF	Change 1000 CHF	%
Subtotal net result from interest operations	28,752	23,816	4,936	20.7
Subtotal result from commission business and services	82,703	82,688	15	0.0
Results from trading operations and the fair value option	11,150	14,572	-3,422	-23.5
Other Ordinary Income	6,567	4,859	1,707	35.1
Total income	129,172	125,936	3,236	2.6
Personnel expenses	-79,026	-83,166	4,140	-5.0
General and administrative expenses	-27,217	-24,593	-2,624	10.7
Subtotal operating expenses	-106,243	-107,759	1,516	-1.4
Gross profit	22,929	18,177	4,752	26.1
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	-5,550	-6,310	760	-12.0
Changes to provisions and other value adjustments, and losses	-3,279	-2,600	-680	26.1
Operating result	14,099	9,267	4,832	52.1
Extraordinary Income	1,151	-	1,151	n/a
Extraordinary expenses	-1,390	-	-1,390	n/a
Taxation	-2,098	-1,793	-305	17.0
Consolidated profit/ loss	11,763	7,474	4,288	57.4

**Parent Company Financial
Statements of**

Rothschild Bank AG

A Balance Sheet

Assets

	Notes	31.12.2017 1000 CHF	31.3.2017 1000 CHF	Change	
				1000 CHF	%
Liquid assets		3,110,527	3,558,830	-448,303	-12.6
Amounts due from banks		284,971	177,892	107,079	60.2
Amounts due from customers	1	898,256	792,762	105,494	13.3
Mortgage loans	1	230,208	234,073	-3,865	-1.7
Trading portfolio assets	2	1,710	2,678	-968	-36.1
Positive replacement values of derivative financial instruments	3	19,364	53,249	-33,885	-63.6
Other financial instruments at fair value	2	113,944	103,316	10,628	10.3
Financial investments	4	26,415	27,931	-1,516	-5.4
Accrued income and prepaid expenses		4,704	2,366	2,338	98.8
Participations		25,054	31,696	-6,642	-21.0
Tangible fixed assets		38,006	37,864	142	0.4
Other assets	5	4,423	3,987	436	10.9
Total assets		4,757,582	5,026,644	-269,062	-5.4

Liabilities and shareholders' equity

	Notes	31.12.2017 1000 CHF	31.3.2017 1000 CHF	Change	
				1000 CHF	%
Amounts due to banks		1,133,409	1,176,307	-42,898	-3.6
Amounts due in respect of customer deposits		3,288,834	3,441,496	-152,662	-4.4
Negative replacement values of derivative financial instruments	3	33,347	52,004	-18,657	-35.9
Accrued expenses and deferred income		33,799	31,912	1,887	5.9
Other liabilities	5	8,208	11,307	-3,099	-27.4
Provisions	8	23,539	21,057	2,482	11.8
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		206,172	241,085	-34,913	-14.5
Profit/loss		7,778	28,981	-21,203	-73.2
Total liabilities and shareholders' equity		4,757,582	5,026,644	-269,062	-5.4

A Off-Balance Sheet Transactions

	Note	31.12.2017 1000 CHF	31.3.2017 1000 CHF	Change 1000 CHF	%
Contingent liabilities	1	37,671	34,390	3,281	9.5
Irrevocable commitments	1	169,862	241,217	-71,355	-29.6
Revocable commitments	1	1,838	0	1,838	n/a

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

Revocable commitments mainly represent the sum of the unused credit limits where the Bank “soft” committed credit limits to clients. Soft commitment means that either the bank or the client have the right to terminate the facility at any time.

B Income Statement

	Notes	2017 1000 CHF	2016/17 1000 CHF	Change 1000 CHF	%
Interest and discount income		51,983	57,432	-5,449	-9.5
Interest and dividend income from financial investments		2	19	-17	-89.5
Interest expense		-23,188	-24,292	1,104	-4.5
Subtotal net result from interest operations		28,796	33,159	-4,363	-13.2
Commission income from securities trading and investment activities		33,692	42,571	-8,879	-20.9
Commission income from lending activities		145	213	-68	-31.9
Commission income from other services		1,353	1,930	-577	-29.9
Commission expense		-4,897	-6,637	1,740	-26.2
Subtotal result from commission business and services		30,293	38,077	-7,784	-20.4
Results from trading operations and the fair value option	16	11,369	19,212	-7,843	-40.8
Income from participations		1,881	1,883	-2	-0.1
Result from real estate		125	193	-68	-35.2
Other ordinary income	17	8,691	13,110	-4,419	-33.7
Subtotal other result from ordinary activities		10,697	15,186	-4,489	-29.6
Total income		81,155	105,634	-24,479	-23.2
Personnel expenses	19	-45,064	-62,251	17,187	-27.6
General and administrative expenses	20	-17,216	-24,013	6,797	-28.3
Subtotal operating expenses		-62,280	-86,264	23,984	-27.8
Gross profit		18,875	19,370	-495	-2.6
Value adjustments on participations and depreciation and amortisation of tangible fixed assets		-6,212	-9,649	3,437	-35.6
Changes to provisions and other value adjustments, and losses		-2,898	-450	-2,448	544.0
Operating result		9,765	9,271	494	5.3
Extraordinary income	21	1,151	22,679	-21,528	-94.9
Extraordinary expenses	21	-1,100	-1,616	516	-31.9
Taxes	22	-2,038	-1,353	-685	50.6
Profit / loss		7,778	28,981	-21,203	-73.2

2017 refers to the 9-month period from April to December 2017, whereas 2016/17 refers to the 12-month period from April 2016 to March 2017.

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

The following total amount is available for distribution:

	1000 CHF
Profit/ loss	7,778
+ /- profit/ loss carried forward	-
+ voluntary retained earnings	206,172
= distributable profit	213,950

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	7,778
New amount carried forward	206,172

B Statement of Changes in Equity

Presentation of the Statement of Changes in Equity

	Bank's capital 1000 CHF	Statutory capital reserve 1000 CHF	Statutory retained earnings reserve 1000 CHF	Reserves for general banking risks 1000 CHF	Voluntary retained earnings reserves and profit/loss carried forward 1000 CHF	Result of the period 1000 CHF	Total 1000 CHF
Equity at 01.04.2017	10,330	-	5,165	7,000	241,085	28,981	292,561
Transfer of profits to retained earnings	-	-	-	-	28,981	-28,981	-
Dividends and other distributions	-	-	-	-	-63,894	-	-63,894
Profit (result of the period)	-	-	-	-	-	7,778	7,778
Equity at 31.12.2017	10,330	-	5,165	7,000	206,172	7,778	236,445

C Notes to the Financial Statements

Information on the Balance Sheet

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

		Secured by mortgage 1000 CHF	Other collateral 1000 CHF	Unsecured 1000 CHF	Total 1000 CHF
Amounts due from customers		–	800,027	98,229	898,256
Mortgage loans (residential property)		230,208	–	–	230,208
Total loans	Current year	230,208	800,027	98,229	1,128,464
	Previous year	234,073	692,639	100,123	1,026,835
Contingent liabilities		–	37,661	–	37,661
Irrevocable commitments		–	153,797	16,065	169,862
Revocable commitments		–	–	1,838	1,838
Total off-balance sheet transactions	Current year	–	191,458	17,902	209,360
	Previous year	–	235,629	39,978	275,607

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	–	–	–	–
	Previous year	816	–	816	816

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

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

Revocable commitments mainly represent the sum of the unused credit limits where the Bank “soft” committed credit limits to clients. Soft commitment means that either the bank or the client have the right to terminate the facility at any time.

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

	31.12.2017 1000 CHF	31.3.2017 1000 CHF	Change 1000 CHF	%
Equity securities	1,710	2,678	–968	–36.1
Other financial instruments at fair value	855	501	354	70.7
Precious metals	113,089	102,815	10,274	10.0
Total	115,654	105,994	9,660	9.1

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

C 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	18,778	32,784	5,789,289
Forward contracts	4,554	7,523	1,198,143
Combined interest rate/ currency swaps	13,946	25,261	4,309,450
Options (OTC)	278	0	281,696
Equity securities/ indices	586	565	81,663
Options (OTC)	586	565	81,663
Total before consideration of netting contracts			
	Current year	19,364	33,347
	Previous year	53,249	52,004
			5,870,952
			7,357,490

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	14,098	5,266	19,364
	Previous year	46,024	7,225	53,249

4 Financial investments

	Book value		Fair value	
	31.12.2017 1000 CHF	31.3.2017 1000 CHF	31.12.2017 1000 CHF	31.3.2017 1000 CHF
Debt securities	26,415	27,931	26,510	28,027
of which, intended to be held to maturity	26,415	27,931	26,510	28,027
Total financial investments	26,415	27,931	26,510	28,027
of which, securities eligible for repo transactions in accordance with liquidity requirements	2,942	6,463	2,964	6,511

Counterparties by rating

	Aaa	Aa1-Aa3	A1-A2	Unrated	Total
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Debt securities					
Book values	-	14,669	11,746	-	26,415
Previous year	2,141	15,046	10,744	-	27,931

Counterparties are rated according to Moody's ratings.

5 Other assets and liabilities

	Other assets		Other liabilities	
	31.12.2017 1000 CHF	31.3.2017 1000 CHF	31.12.2017 1000 CHF	31.3.2017 1000 CHF
Salary debtor and creditor accounts	2,965	3,333	2,121	2,841
Employer contribution reserves	598	598	–	–
Balances arising from internal bank business operations	777	–	3,443	6,545
Value added tax and withholding tax	83	56	1,353	855
Current tax assets and liabilities	–	–	1,291	1,066
Total other assets and other liabilities	4,423	3,987	8,208	11,307

6 Assets pledged or assigned to secure own commitments

	31.12.2017		31.3.2017	
	Book values 1000 CHF	Effective commitments 1000 CHF	Book values 1000 CHF	Effective commitments 1000 CHF
Amounts due from banks	31,919	4,170	29,612	18,452
Financial investments	26,415	26,415	27,931	27,931
Total	58,334	30,586	57,543	46,383

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

C Notes to the Financial Statements

7 Disclosure of liabilities relating to own pension schemes

	31.12.2017 1000 CHF	31.3.2017 1000 CHF	Change 1000 CHF	%
Liabilities to own pension plans	9,851	7,367	2,484	33.7

The disclosure for 2017 is based on an estimate for 'overfunding/underfunding' and actual contributions paid for the Swiss pension schemes. The disclosure for the year 2016/17 is based on the annual accounts of the Swiss pension schemes as of 31.12.2016.

Disclosures on the economic situation of own pension schemes

Employer's contribution reserves (ECR)							
1000 CHF	Nominal value 31.12.2017	Waiver of use 31.12.2017	Creation 2017	Net amount 31.12.2017	Net amount 31.3.2017	Influence of ECR on personnel expenses 2017	Influence of ECR on personnel expenses 2016/17
Personnel Foundation	598	–	–	598	598	–	–

Presentation of the economic benefit/obligation and the pension expenses

1000 CHF	Overfunding/ underfunding 31.12.2017	Economic interest of bank 31.12.2017	31.3.2017	Change in economic interest 2017	Contributions paid 2017	Pension expenses in personnel expenses 2017	Pension expenses in personnel expenses 2016/17
Pension plans with overfunding	1,500	–	–	–	4,733	4,733	6,490

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

8 Provisions and reserves for general banking risks

	Previous year end 1000 CHF	Use in conformity with designated purpose 1000 CHF	Past due interest, recoveries, currency differences 1000 CHF	New creations charged to income 1000 CHF	Releases to income 1000 CHF	Balance at current year end 1000 CHF
Provisions for other business risks	5,288	–653	336	2,893	–94	7,770
Other provisions	15,769	–	–	–	–	15,769
Total provisions	21,057	–653	336	2,893	–94	23,539
Reserves for general banking risks	7,000	–	–	–	–	7,000

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

9 Schedule of bank's capital

	31.12.2017			31.3.2017		
	Total par value 1000 CHF	Number of shares	Capital eligible for dividend 1000 CHF	Total par value 1000 CHF	Number of shares	Capital eligible for dividend 1000 CHF
Share capital fully paid up	10,330	103,300	10,330	10,330	103,300	10,330

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

	Equity securities Number		Equity securities Value in 1000 CHF		Options Number		Options Value in 1000 CHF	
	31.12.2017	31.3.2017	31.12.2017	31.3.2017	31.12.2017	31.3.2017	31.12.2017	31.3.2017
Members of the board of directors	11,402	10,797	407	311	40,000	40,000	271	91
Members of executive bodies	25,508	3,222	911	93	80,000	–	–	–
Employees	2,321	12,321	83	355	–	40,000	–	353
Total	39,231	26,340	1,402	759	120,000	80,000	271	444

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 schemes, 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 the year end closing.

Under the 2014/15, 2015/16 and 2016/17 share plans, persons who have variable compensation which attracts deferrals/retentions and the delivery of non-cash incentives accordingly, as determined by Group Human Resources, were awarded 15 percent of their variable compensation as non-cash instruments. These shares are subject to a lock-up period and vest in three tranches over the three following years.

11 Disclosure of amounts due from and due to related parties

	Amounts due to		Amounts due from	
	31.12.2017	31.3.2017	31.12.2017	31.3.2017
Holders of qualified participations	112,502	109,194	88,965	91,534
Group companies	8,620	15,622	3,349	3,000
Linked companies	1,075,874	1,196,766	19,471	12,783
Other related parties	8,620	91,627	9,319	5,738
Total	1,205,616	1,413,209	121,104	113,055

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.

C Notes to the Financial Statements

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

	31.12.2017		31.3.2017	
	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⁾	9,708	90.5	9,381	87.5
Edmond de Rothschild (Suisse) S.A.	1,016	9.5	1,016	9.5

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.

13 Breakdown of total assets by credit rating of country groups

Bank's own country rating	Standard & Poor's	31.12.2017		31.3.2017	
		Net foreign exposure 1000 CHF	Share in %	Net foreign exposure 1000 CHF	Share in %
1	A	70,301	5.8	81,119	6.9
2	Aa	489,500	40.3	561,182	47.6
3	Aaa	557,668	46.0	436,061	37.0
4	B	493	0.0	1,002	0.1
5	Ba	11,062	0.9	2,014	0.2
6	Baa	27,563	2.3	53,957	4.6
7	Caa and below	57,147	4.7	42,380	3.6
Total	Total	1,213,735	100.0	1,177,715	100.0

Information on Off-Balance Sheet Transactions

14 Breakdown of fiduciary transactions

	31.12.2017	31.3.2017	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Fiduciary placements with third-party companies	781,415	768,848	12,567	1.6
Fiduciary placements with group companies and linked companies	59,264	3,509	55,755	>1000%
Total	840,679	772,357	68,322	8.8

15 Managed assets

	31.12.2017 CHF Mio.	31.3.2017 CHF Mio.	Change CHF Mio.	%
Managed assets				
Assets in collective investment schemes managed by the Bank	285	303	-18	-5.9
Assets under discretionary asset management mandates	3,664	3,885	-221	-5.7
Other managed assets	8,244	7,600	644	8.5
Total managed assets (including double counting)	12,193	11,788	405	3.4
of which, double counting	285	303	-18	-5.9
Total managed assets (including double counting) at the beginning of the year	11,788	11,714	74	0.6
+/- net new money inflow or net new money outflow	-211	-510	299	-58.6
+/- price gains/ losses, interest, dividend and currency gains/ losses	616	584	32	5.5
Total managed assets (including double counting) at the end of the year	12,193	11,788	405	3.4
Custody assets	969	888	81	9.1
Total assets (including double counting)	13,162	12,676	486	3.8

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.

C Notes to the Financial Statements

Information on the Income Statement

16 Result from trading activities

	2017 1000 CHF	2016/17 1000 CHF
Equity securities (including funds)	348	134
Foreign currencies	10,391	18,048
Commodities/ precious metals	630	1,030
Total result from trading activities	11,369	19,212

17 Other ordinary income and expenses

	2017 1000 CHF	2016/17 1000 CHF
Fees from affiliated parties for office services	8,691	13,110
Total	8,691	13,110

18 Negative interest

	2017 1000 CHF	2016/17 1000 CHF
Negative interest paid	-18,349	-21,917
Negative interest received	715	1,850

19 Personnel expenses

	2017 1000 CHF	2016/17 1000 CHF
Salaries	-35,941	-50,838
of which expenses relating to share-based compensation	-103	-133
Social insurance benefits	-7,556	-9,501
Other personnel expenses	-1,567	-1,912
Total personnel expenses	-45,064	-62,251

20 General and administrative expenses

	2017 1000 CHF	2016/17 1000 CHF
Office space expenses	-610	-725
Expenses for information and communications technology	-7,734	-9,707
Expenses for vehicles, equipment, furniture and other fixtures	-1,272	-1,612
Fees of audit firms	-667	-733
of which, for financial and regulatory audits	-667	-682
Other operating expenses	-6,933	-11,236
Total	-17,216	-24,013

21 Extraordinary income and expense

	2017 1000 CHF	2016/17 1000 CHF
Profit on sale of subsidiary	-	22,592
Other extraordinary income	1,151	87
Transactional tax expense related to prior year	-1,100	-1,500
Other extraordinary expense	-	-116
Total	51	21,063

Other extraordinary income in 2017 relates to the reimbursement of unused renovation costs relating to the sale of real estate.

22 Taxation

	2017 1000 CHF	2016/17 1000 CHF
Expenses for deferred taxes	-	-
Expenses for current taxes	-2,038	-1,353
Total	-2,038	-1,353
Average tax rate based on operating result	20.9	4.2

D Accounting and Valuation Principles

General Principles

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

Accounting and Recording of Transactions

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

Foreign Currency Translation of the Financial Statements

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

Foreign exchange rates used

	31.12.2017	31.3.2017
EUR	1.1709	1.0698
GBP	1.3179	1.2533
USD	0.9748	1.0004

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.

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.

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. The positive and negative replacement values are included in the balance sheet under other assets and other liabilities. Unrealised/realised gains are booked to results from trading operations.

Pensions

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 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 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.

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.

E Notes on Risk Management

General Principles

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

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

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

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

Credit Risk

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

The competencies for loan approvals and the monitoring of credit positions are subject to clear rules and supervised by staff members independent of the client advisors. The Board of Directors and the Executive Committee have laid down clear guidelines for loanable values and the pledging of assets (collateral). In general, assets serving as collateral are held in the Bank's custody and pledged in favour of the Bank under contractual agreements. The loanable values of the pledged assets, which are derived from market values, are compared daily to the loan commitments secured and are subject to constant monitoring. If coverage threatens to become insufficient, necessary steps are taken to re-establish the necessary loanable value or to reduce the credit exposure. The Bank can resort to partial or full liquidation of the collateral or call the client for additional assets (margin call). If in exceptional cases no published market value is available for pledged assets, internal valuations calculated using standard banking methods will be applied. General principles have also been set out that aim for appropriate diversification of loan commitments and collateral. The concentration of risks on one client or counterparty or on one group of linked clients or counterparties is constantly monitored and appropriate measures are taken to avoid the emergence of large exposures.

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

Counterparties are defined as banks or brokers with which the Bank trades or from which it purchases services. Counterparties are carefully selected on the basis of their creditworthiness, drawing on external ratings. Internal limits have to be approved by the competent bodies according to the risk policy and internal guidelines. Counterparty exposures are monitored daily by the Risk Department and are reviewed regularly by the Bank's Treasury Committee, the ExC and the Audit and Risk Committee.

Liquidity Risk

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

E Notes on Risk Management

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 oversees 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, to the extent feasible, quantitative limits expressed by Key Risk Indicators for the measurement and limitation of operational risk.

Legal Risks and Compliance

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



Report of the Statutory Auditor on the Financial Statements



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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 (page 46 to 62) for the financial year from 1 April 2017 to 31 December 2017.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the financial year from 1 April 2017 to 31 December 2017 comply with Swiss law and the company's articles of incorporation.



Rothschild Bank AG; Zurich
*Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders*

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

Thomas Dorst
*Licensed Audit Expert
Auditor in Charge*

Cataldo Castagna
Licensed Audit Expert

Zurich, 22 February 2018

Capital Adequacy and Liquidity

Capital key figures

	31.12.2017 1000 CHF	31.3.2017 1000 CHF
Minimum capital required based on risk-oriented requirements	54,816	52,478
Eligible equity	216,268	209,624
of which Common Equity Tier 1 (CET 1)	203,924	197,280
of which Tier 1 Capital	203,924	197,280
Risk-weighted exposures (RWA)	685,229	655,975
CET 1 ratio (Common Equity Tier 1 in % of RWA)	29.76%	30.1%
Tier 1 capital ratio (Tier 1 capital in % of RWA)	29.76%	30.1%
Total capital ratio (in % of RWA)	31.56%	32.0%
Counter-cyclical capital buffer (in % of RWA)	0.0%	0.0%
CET 1 target ratio (in %) according to Annex 8 CAO plus counter-cyclical capital buffer	7.4%	7.4%
T1 target ratio (in %) according to Annex 8 CAO plus counter-cyclical capital buffer	9.0%	9.0%
Total capital ratio (in %) according to Annex 8 CAO plus counter-cyclical capital buffer	11.2%	11.2%
Basel III leverage ratio (Tier 1 capital in % of the total exposure)	4.2%	3.8%
Total exposure (CHF)	4,893,124	5,156,028

Liquidity key figures

	2017 1000 CHF	2016/17 1000 CHF
Average Liquidity Coverage Ratio		
Short-term liquidity coverage ratio (LCR) (in %) in Q4	n/a	179.7%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	n/a	3,387,523
LCR denominator: Total of net cash outflow (CHF)	n/a	1,885,081
Short-term liquidity coverage ratio (LCR) (in %) in Q3	157.3%	155.2%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,521,373	3,171,677
LCR denominator: Total of net cash outflow (CHF)	2,239,111	2,043,314
Short-term liquidity coverage ratio (LCR) (in %) in Q2	157.0%	165.3%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,521,373	3,008,929
LCR denominator: Total of net cash outflow (CHF)	2,244,408	1,820,178
Short-term liquidity coverage ratio (LCR) (in %) in Q1	157.3%	173.5%
LCR numerator: Total high quality liquid assets (HQLA) (CHF)	3,662,625	3,176,561
LCR denominator: Total of net cash outflow (CHF)	2,329,509	1,830,469

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

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