

Rothschild & Co Bank AG



2019



Annual Report 2019
Rothschild & Co Bank AG

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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.



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locations

43
countries



Key Figures consolidated

	31.12.2019 1000 CHF	31.12.2018 1000 CHF
Consolidated balance sheet		
Total shareholders' equity	242,538	274,713
Total assets	4,280,622	4,916,340
Consolidated income statement		
Net interest income	39,086	43,555
Net commission income	79,457	111,523
Results from trading operations	12,840	15,405
Total income	148,619	182,736
Total operating expenses	-119,486	-139,432
Gross profit	29,133	43,304
Gross profit per employee	99	97
Consolidated net profit/loss	9,168	38,346
Staff (average full-time positions)		
Staffing level domestic	256	350
Staffing level abroad	39	96
Total staffing level	295	446

Comparable Consolidated Income Statement

In relation to the sale of the Trust Business on February 28th, 2019 and the resulting removal of the Trust Business from the scope of consolidation as at this date, the following table presents a comparable view of the consolidated income statement for the 12 months ended December 31st, 2019 and December 31st, 2018 excluding the results of the Trust Business respectively.

The comparison below, which is unaudited, is presented in a business conform manner and represents the results for 2019 and 2018 excluding the Trust Business respectively.

	2019	2018	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Subtotal net result from interest operations	39,086	43,553	-4,467	-10.3
Subtotal result from commission business and services	73,718	70,169	3,548	5.1
Results from trading operations and the fair value option	12,837	15,436	-2,599	-16.8
Other Ordinary Income	15,444	13,603	1,841	13.5
Total income	141,085	142,761	-1,677	-1.2
Personnel expenses	-79,991	-75,461	-4,530	6.0
General and administrative expenses	-32,115	-27,023	-5,093	18.8
Subtotal operating expenses	-112,106	-102,484	-9,622	9.4
Gross profit	28,979	40,277	-11,299	-28.1
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	-8,819	-9,312	493	-5.3
Changes to provisions and other value adjustments, and losses	-1,747	-3,809	2,062	-54.1
Operating result	18,413	27,156	-8,744	-32.2

Chairman's Statement

Dear Ladies and Gentlemen,

After 25 years with Rothschild & Co I was honoured to be appointed Chairman of the Board of Rothschild & Co Bank AG in September 2019. I take over the Chairmanship from Bruno Pfister at a time when the business is stronger than it has been for many years and we are all thankful for his wise leadership and wish him well in his future endeavours.

2019 saw a number of other changes to the composition of the Board. François Pérol, a managing partner of the Rothschild & Co Group, was appointed as Vice-Chairman. Alexandre de Rothschild stepped down from the Board following his appointment as Executive Chairman of Rothschild & Co Group. And Peter Smith retired after 11 years of service. We are grateful to them all.

The year ended with the appointment to the Board of two external directors, Christian De Prati and Serge Ledermann, with effect from 1st January 2020. They both have many years of experience and an excellent track record as non-executive directors in a number of financial and investment institutions in Switzerland. I am confident they will be a valuable addition to the company and am delighted to welcome them to the board.

I should also mention two changes to the Executive Committee of the Bank. Gabriel Gascon, Head of Private Banking in Geneva, joined the committee in June and Armand Rubli, Head of Legal & Compliance resigned to pursue other opportunities in November 2019.

Economic environment

The global economy slowed for a second year in 2019, and in some cases – most visibly, Germany – came almost to a standstill. A backdrop of ongoing trade tension for a while seemingly threatened a more significant downturn, leading to a pre-emptive loosening of monetary policy at the major central banks – the Federal Reserve, the ECB and the People's Bank of China. In Europe, uncertainty over the UK's pending secession from the European Union, and disruption accompanying president Macron's ongoing reforms in France, also affected business sentiment.

However, by year-end, uncertainties had been at least temporarily eased by a partial US/China trade deal, and by a decisive UK election result. It also became clear that the slowdown had been amplified by the specific difficulties facing two important industries – global autos and US airframes. Meanwhile, consumers, banks and global inflation rates continued to show few signs of excess, even as unemployment rates remained low and the US economy entered a record-breaking eleventh year of expansion, suggesting no obvious need for a more severe retrenchment.

As a result, the year ended with markets positively embracing a mix of stabilising growth, reduced geopolitical risk and interest rates that (again) seemed set to stay even lower for even longer than had previously seemed likely. As a result, what had looked like a challenging year ended up being very positive for investment portfolios.

Continuous commitment to our clients

In a strong market environment, our discretionary assets under management grew in 2019 by some 15% to CHF 4.3bn, while our portfolios delivered top-quartile performance and outperformed their industry competitor benchmark. Our advisory business grew some 50% to

CHF 3.9bn, while our private markets business celebrated in 2019 a +120% growth in commitments in the last 3 years.

In 2019 we have grown our client base successfully with Net New Assets for the year of CHF 429m representing 2.2% of managed assets. This success together with strong investment performance enabled us to increase our Assets under Management by more than CHF5bn. Total assets managed or administrated by the Bank reached CHF 36.2 bn compared with CHF 31.9 bn in 2018. In addition, we were also able to grow our lending book and in particular the volume of the Swiss residential mortgages grew by 36.8% compared to 2018.

As part of our commitment to clients, we have invested heavily in systems to support the investment advisory service we offer clients and to meet the increasingly complex regulatory regime around advisory services.

We have also adapted to the growing demand from clients that our stewardship of their wealth should not be solely about delivering excellent long-term investment performance. We have expanded our advisory service to offer a variety of ways by which clients can reflect their environmental, social and other values in their investment portfolios. In 2020, we will extend this to our discretionary investment offering, integrating environmental, social and governance (ESG) factors in all our investment and decision-making processes and building portfolios which reflect our values as a firm. We firmly believe that investing responsibly is in the best long-term interests of our clients.

The most critical and distinctive feature of the service we provide to our clients is our people. We therefore strengthened and grew our Front Office teams by hiring a number of new colleagues across our offices in Geneva, Frankfurt and Zurich.

Sharpening our focus

In line with our strategy to focus on our core businesses of wealth management and private banking within selected onshore and offshore markets, we finalised in February 2019, the sale of our Trust business and decided to close our Wealth Management office in Hong Kong. We continue to serve a large and valued community of Asian clients from our offices in Zurich and Geneva.

In addition, we were able to strengthen our presence and the brand of the Rothschild & Co Group in Geneva by merging our former subsidiary Equitas S.A. into the Rothschild & Co Bank AG and establishing a new branch, Rothschild & Co Bank AG Geneva, at the old premises at rue de la Corraterie 6. Our Geneva business continues to go from strength to strength.

Financial results

Although the underlying dynamics of the business are strong, with growing numbers of clients and AUM, this is not fully reflected in the results for 2019.

Our results for 2018 and 2019 are affected by a number of exceptional items associated with, inter alia, the disposal of the trust business and the closure of our office in Hong Kong.

On a comparable basis revenues were broadly stable at CHF 141.1m (2018: CHF 142.8m) with healthy growth in Fees and Commissions more than offset by declining Net Interest Income due to low or negative interest rates in several major currencies.

Operating expenses are up 9% year-on-year to CHF 112.1m year-on-year reflecting our ongoing investments in the number of client advisers, and in our systems. As a result, operating profit fell from CHF 27.1m to CHF 18.4m.

Looking forward

Looking ahead, challenges remain not least for the banking sector, where the negative interest rates in the eurozone and Switzerland are damaging. In 2020 we face, among other things, a US presidential election; tough UK-EU trade negotiations; residual uncertainty around eurozone reform; and the uncertain consequences of Coronavirus. Capital markets perhaps offer fewer obvious bargains than at any time in the last decade.

Nonetheless, we think that for our clients' businesses – and their investment portfolios – we have reasons to remain positive: the consumer spending remains resilient and the unemployment low and while the manufacturing sector is giving signs of stabilisation, the inflation remains moderate, giving Central Banks leeway to keep on supporting financial markets with liquidity and low interest rates. In addition, the profitability of companies remains healthy and valuations are not excessive, despite new highs in Markets.

In our own business we see many exciting opportunities and will continue to invest in growth and in bringing our clients ever better service.

On behalf of the Rothschild family and my fellow Directors I would like to express our gratitude to our clients, employees as well as to members of the Executive Committee for a successful 2019. We are lucky to have your trust and support. Despite the expected challenges we are very much looking forward to 2020.

Gary Powell

Chairman of the Board of Directors

Corporate Governance

Board of Directors

Gary Alan POWELL

Chairman of the Board of Directors

Education

Master of Philosophy
King's College London

Master of Natural Sciences
University of Cambridge

Professional background

Since 2018	Rothschild & Co Chairman Wealth Management, Member of the Rothschild & Co Group Executive Committee
2012–2017	Rothschild & Co Head of Group Strategy and Corporate Development, Member of Group Management Committee
2007–2012	Rothschild Wealth Management, London Head of UK Wealth Management, Global Co-Head of Private Clients
2006–2007	Rothschild Wealth Management, London Finance Director
1994–2006	Rothschild Global Advisory, London M&A advisor
1991–1994	Linklaters LLP London Solicitor

François PÉROL

Deputy Chairman of the Board of Directors

Education

Diplôme HECHEC
School of Management

Certificat de Diplome
Paris Institute of Political Sciences (Sciences Po Paris)

Ecole Nationale d'Administration (ENA)

Professional background

Since 2018	Rothschild & Co Managing Partner, Co-Chairman of the Rothschild & Co Group Executive Committee
2009–2018	Groupe BPCE, France Chairman of the Management Board and CEO of Groupe BPCE
2009	Groupe Caisse d'Epargne, France Chairman of the Management Board of Groupe Caisse d'Epargne, CEO of Groupe Banque Populaire
2007–2009	Presidency of the French Republic, Paris Deputy Secretary General
2005–2007	Rothschild & Cie, Paris General Partner
2002–2004	Private Cabinet of the French Minister of Economy, Finance and Industry, Paris Deputy Head of the Private Cabinet
1994–2002	French Treasury Minister of Economy and Finance
1990–1994	General Inspection of Finances, France Auditor

Bruno PFISTER

Member of the Board of Directors¹

Education

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

Geneva Bar Admission
Master of Law

University of Geneva

Professional background

Since 2018	Assepro AG, Herisau Chairman of the Board of Directors
Since 2017	Credit Suisse Asset Management (Switzerland) AG, Zurich Chairman of the Board of Directors
Since 2016	Assura Group, Lausanne Member of the Board of Directors, Chairman of the Investment Committee and Member of the Audit & Risk Committee
Since 2016	SCOR SE, Paris Member of the Board of Directors, Chairman of the Risk Committee
2014 –Sep 2019	Rothschild & Co Bank AG Chairman of the Board of Directors
2002–2014	Swiss Life, Zurich Responsibilities included: Chief Executive Officer, Member of the Group Management, CEO International 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	Keppeler & Maurer, Law Firm, Geneva Trainee and Lawyer

Mark CRUMP

Member of the Board of Directors

Member of the Audit & Risk Committee²

Education

ICAEW, Chartered Accountant (FCA)

Associate Chartered Accountant (ACA)

First class degree, Accounting and Finance,
Kingston University London

Professional background

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

¹ Bruno Pfister was Member of the Board of Directors of Rothschild & Co Bank AG until 31.12.2019

² Rothschild & Co Bank AG Audit & Risk Committee has been abolished as per 01.01.2020

Corporate Governance

Sipko SCHAT

Member of the Board of Directors

Chairman of the Audit & Risk Committee²

Education

Bachelor of Laws

University of Groningen, Netherlands

Professional background

Since 2012	Rothschild & Co SCA Member of the Supervisory Board, Chairman of the Risk Committee and Member of the Audit Committee
Since 2013	OCI NV Senior Independent Director Chairman of Nomination and Remuneration Committee and Member of Audit and Compliance Committee
Since 2016	Trafigura Group Pte Ltd Member of the Supervisory Committee
2014–2018	Vion NV Chairman of the Supervisory Board and Member of the Remuneration 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 Board of Directors³

Member of the Audit & Risk Committee²

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 Independent Member of the Supervisory Board, Chairman of the Audit Committee, Member of the Remuneration and Nomination Committee and Member of the Risk Committee NM Rothschild & Sons Limited (since 2001) Non-executive Director (Chairman from 2015 until 2019)
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

³ Peter A. Smith was Member of the Board of Directors of Rothschild & Co Bank AG until 31.12.2019

Executive Committee⁴

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 & Co Bank AG Chief Executive Officer (since 2016) Head Wealth Management Switzerland (2011-2018) Member of the Rothschild & Co Group Executive Committee (since 2018)
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

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

Professional background

Since 2013	Rothschild & Co Bank AG 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 Corporate & Investment Bank (CACIB), Responsibilities included: Chief Operating Officer Brokerage Division, London (1995–2005), Financial Controller Asset Management Division, Paris (1989–1994)
1986–1989	Ernst & Young, Paris Auditor

Juan Carlos MEJIA PEREZ

Chief Investment Officer

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 & Co Bank AG Chief Investment Officer (since 2015) Senior Portfolio Manager (2012–2015)
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

⁴ Armand Rubli was Member of the Executive Committee and General Counsel of Rothschild & Co Bank AG until 13.11.2019

Corporate Governance

Heinz NESSHOLD

Head of Private Banking Zurich

Education

KV Business School Zurich

Professional background

Since 2007	Rothschild & Co Bank AG Head of Private Banking Zurich Head Market Group International (2011–2018) Deputy Team Head Asia/Middle East (2007–2011) Senior Client Adviser (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

Gabriel GASCON

Head of Private Banking Geneva⁵

Education

Master in Finance
Dauphine University, Paris

Professional background

Since 2012	Rothschild & Co Bank AG Head of Private Banking Geneva (since 2017) Team Head Swiss Onshore (2014-2017) Client Adviser (2012-2014)
2009–2012	Credit Suisse, Geneva Client Advisor
2007–2009	Pergam Advisory (EAM & PE), Geneva Client Advisor
1999–2007	Rothschild & Co, Paris Responsibilities included: IT Analyst, Fund Manager and Junior Client Advisor

Barbara URSPRUNG

Head of Human Resources

Education

Secondary School, Schaffhausen

Professional background

Since 2011	Rothschild & Co Bank AG 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

⁵ Gabriel Gascon became member of the Rothschild & Co Bank AG Executive Committee on 01.06.2019

Executive Committee

Daniel WEBER

Chief Operating Officer

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 & Co Bank AG Chief Operating Officer (since 2018) Head Operations & Client Services (2017–2018) Head Client Services (2013–2016) 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

Thomas ROMER

Head Internal Audit

Statutory Auditors

KPMG AG

A Consolidated Balance Sheet

Assets

	Notes	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change	
				1000 CHF	%
Liquid assets		2,536,622	3,328,592	-791,970	-23.8
Amounts due from banks		262,807	275,058	-12,251	-4.5
Amounts due from customers	1	908,234	856,201	52,034	6.1
Mortgage loans	1	323,430	203,689	119,741	58.8
Trading portfolio assets	2	2,336	1,973	363	18.4
Positive replacement values of derivative financial instruments	3	70,013	48,209	21,804	45.2
Other financial instruments at fair value	2	98,255	103,069	-4,814	-4.7
Financial investments	4, 8	22,921	24,857	-1,936	-7.8
Accrued income and prepaid expenses		12,767	14,659	-1,892	-12.9
Non-consolidated participations	5, 6	68	68	-	-
Tangible fixed assets	6	30,745	38,839	-8,094	-20.8
Other assets	7	12,424	21,126	-8,703	-41.2
Total assets		4,280,622	4,916,340	-635,718	-12.9

Liabilities and shareholders' equity

	Notes	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change	
				1000 CHF	%
Amounts due to banks		1,073,627	1,286,219	-212,592	-16.5
Amounts due in respect of customer deposits		2,813,193	3,216,476	-403,283	-12.5
Negative replacement values of derivative financial instruments	3	95,398	69,223	26,175	37.8
Accrued expenses and deferred income		38,655	48,727	-10,072	-20.7
Other liabilities	7	8,658	14,094	-5,436	-38.6
Provisions	10	8,553	6,888	1,665	24.2
Reserves for general banking risks	10	7,000	7,000	-	-
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		206,255	201,336	4,919	2.4
Minority interest in equity		-	7,916	-7,916	-100.0
Consolidated profit		9,168	38,346	-29,178	-76.1
of which minority interest in consolidated net profit		-453	-200	-253	126.5
Total liabilities		4,280,622	4,916,340	-635,718	-12.9

A Consolidated Off-Balance Sheet Transactions

	Notes	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change 1000 CHF	%
Contingent liabilities	1, 18	115,348	53,210	62,138	116.8
Irrevocable commitments	1, 19	221,546	202,467	19,079	9.4
Revocable commitments	1, 19	-	-	-	

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	2019	2018	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Interest and discount income		103,213	89,104	14,109	15.8
Interest and dividend income from financial investments		19	7	12	171.4
Interest expense		-64,146	-45,556	-18,590	40.8
Subtotal net result from interest operations		39,086	43,555	-4,469	-10.3
Commission income from securities trading and investment activities		76,942	69,411	7,531	10.8
Commission income from lending activities		301	238	63	26.5
Commission income from other services		7,699	44,474	-36,775	-82.7
Commission expense		-5,485	-2,600	-2,885	111.0
Subtotal result from commission business and services 27		79,457	111,523	-32,066	-28.8
Results from trading operations and the fair value option	22, 27	12,840	15,405	-2,565	-16.7
Income from non-consolidated participations		162	533	-371	-69.6
Result from real estate		1,090	377	713	189.1
Other ordinary income		15,984	11,343	4,641	40.9
Total income	27	148,619	182,736	-34,117	-18.7
Personnel expenses	11, 24, 27	-84,374	-104,798	20,424	-19.5
General and administrative expenses	25, 27	-35,112	-34,634	-478	1.4
Subtotal operating expenses	27	-119,486	-139,432	19,946	-14.3
Gross profit	27	29,133	43,304	-14,171	-32.7
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	6	-9,054	-9,929	875	-8.8
Changes to provisions and other value adjustments, and losses	10	-1,917	-4,924	3,007	-61.1
Operating result		18,162	28,451	-10,289	-36.2
Extraordinary income	26	725	16,647	-15,922	-95.6
Extraordinary expenses	26	-4,847	-754	-4,093	542.8
Taxation	28	-4,872	-5,998	1,126	-18.8
Consolidated profit/ loss		9,168	38,346	-29,178	-76.1
of which minority interest in consolidated net profit		-453	-200	-253	126.5

Extraordinary expense in 2019 primarily relates to the loss on disposal of the Trust Business. Extraordinary income in 2018 primarily relates to the release of general banking reserve.

B Consolidated Statement of Cash Flows

	31.12.2019		31.12.2018	
	Cash in-flow	Cash out-flow	Cash in-flow	Cash out-flow
Cash flow from operating activities				
Result of the period	9,168	–	38,346	–
Change in reserves for general banking risks	–	–	–	15,769
Depreciation and amortisation of tangible fixed assets	9,054	–	9,929	–
Provisions and other value adjustments	1,665	–	–	7,974
Accrued income and prepaid expenses	1,892	–	9,318	–
Accrued expenses and deferred income	–	10,072	957	–
Previous year's dividend	–	35,123	–	8,857
Total Cash flow from operating activities	21,779	45,195	58,550	32,600
Cash flow from transactions in respect of participations and tangible fixed assets				
Non-consolidated participations	–	–	242	–
Real estate	–	–	–	–
Tangible fixed assets	–	2,094	–	6,857
Total Cash flow from transactions in respect of participations and tangible fixed assets	–	2,094	242	6,857
Cash flow from banking operations				
Medium and long-term business (> 1 year):				
Amounts due to banks	–	388	–	49
Amounts due in respect of customer deposits	–	–	–	–
Amounts due from banks	–	–	–	–
Amounts due from customers	737	–	36,714	–
Mortgage loans	–	119,740	26,519	–
Financial investments	–	16,197	5,340	–
Short-term business:				
Amounts due to banks	–	212,204	153,067	–
Amounts due in respect of customer deposits	–	403,283	–	64,028
Negative replacement values of derivative financial instruments	26,175	–	35,876	–
Other liabilities	–	5,436	2,893	–
Amounts due from banks	12,251	–	27,770	–
Amounts due from customers	–	52,770	5,341	–
Trading portfolio assets	–	363	–	263
Positive replacement values of derivative financial instruments	–	21,804	–	28,845
Other assets	8,703	–	–	5,087
Other financial instruments at fair value	4,814	–	11,070	–
Financial investments	13,045	–	–	7,592
Liquidity:				
Liquid assets	791,970	–	–	218,061
Total	879,474	879,474	363,382	363,382

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. 01. 2019	10,330	4,620	206,501	7,000	7,916	38,346	274,713
Transfer of profits to retained earnings	–	–	38,546	–	–200	–38,346	–
Currency translation differences	–	–	1,434	–	48	–	1,482
Dividends and other distributions	–	–	–35,123	–	–	–	–35,123
Employee Compensation Plans	–	–	62	–	–	–	62
Acquisition of own shares	–	–	–	–	–	–	–
Disposal of own shares	–	–	–	–	–7,764	–	–7,764
Other allocations to (transfers from) the reserves for general banking risks	–	–	–	–	–	–	–
Consolidated profit (result of the period)	–	–	–	–	–	9,168	9,168
Equity at 31. 12. 2019	10,330	4,620	211,420	7,000	–	9,168	242,538

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		–	812,512	95,722	908,234
Mortgage loans (residential property)		323,430	–	–	323,430
Total loans	Current year	323,430	812,512	95,722	1,231,664
	Previous year	203,689	758,255	97,946	1,059,890
Contingent liabilities		–	115,348	–	115,348
Irrevocable commitments		–	218,012	3,534	221,546
Revocable commitments		–	–	–	–
Total off-balance sheet transactions	Current year	–	333,360	3,534	336,894
	Previous year	–	252,114	3,563	255,677

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	8,510	–	8,510	–1,134

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

	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change 1000 CHF	%
Equity securities	1,348	1,272	76	6.0
Other financial instruments at fair value	988	701	287	40.9
Precious metals	98,255	103,069	–4,814	–4.7
Total	100,591	105,042	–4,451	–4.2

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
	positive 1000 CHF	negative 1000 CHF	
Foreign exchange/ precious metals	70,013	95,398	8,004,099
Forward contracts	17,648	41,939	2,587,271
Combined interest rate/ currency swaps	50,868	51,978	5,024,272
Options (OTC)	1,497	1,481	392,556
Equity securities/ indices	-	-	-
Options (OTC)	-	-	-
Total before consideration of netting contracts	70,013	95,398	8,004,099
	Current year		
	70,013	95,398	8,004,099
	Previous year		
	48,209	69,223	7,903,922

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	65,253	4,760	70,013
Previous year	42,697	5,512	48,209

4 Financial investments

	Book value		Fair value	
	31.12.2019 1000 CHF	31.12.2018 1000 CHF	31.12.2019 1000 CHF	31.12.2018 1000 CHF
Debt securities	22,921	24,857	23,203	24,905
of which, intended to be held to maturity	22,921	24,857	23,203	24,905
Total financial investments	22,921	24,857	23,203	24,905
of which, securities eligible for repo transactions in accordance with liquidity requirements	-	-	-	-

Counterparties by rating

	AA-	A+	A	A-	BBB+	Unrated	Total
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Book values	-	2,178	5,446	15,297	-	-	22,921
Previous year	10,183	6,207	1,127	5,081	2,259	-	24,857

Counterparties are rated according to S&P 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 & Co Bank AG	Zurich	Bank	10,330 CHF	-	-
Rothschild & Co Vermögensverwaltung GmbH	Frankfurt	Asset management	250 EUR	100.0	100.0
Rothschild Wealth Management (Singapore) Ltd. (in liquidation)	Singapore	Asset management	8,500 SGD	100.0	100.0
Rothschild & Co Wealth Management (Hong Kong) Ltd. (in liquidation)	Hong Kong	Asset management	57,000 HKD	100.0	100.0

On February 28, 2019 Rothschild & Co Bank AG completed the sale of the Trust Business and transferred all holdings of Rothschild Private Trust Holdings AG and all its subsidiaries respectively to the purchaser.

On April 1, 2019 Equitas SA was merged with Rothschild & Co Bank AG.

In 4Q 2019 the liquidation of RBZ Treuhand AG was completed.

C Notes to the Consolidated Financial Statements

Non-consolidated participations

	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change 1000 CHF	%
Non-consolidated participations without market value	68	68	–	–
Total non-consolidated participations	68	68	–	–

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	68	–	68	–	–	–	68
Total non-consolidated participations	68	–	68	–	–	–	68
Bank buildings	45,975	37,075	8,900	–	–	–	8,900
Outfitting costs	30,634	28,827	1,807	34	1	606	1,234
Proprietary or separately acquired software	80,427	52,295	28,132	2,060	1,133	8,448	20,611
Total tangible fixed assets	157,036	118,197	38,839	2,094	1,134	9,054	30,745

7 Other assets and other liabilities

	Other assets		Other liabilities	
	31.12.2019 1000 CHF	31.12.2018 1000 CHF	31.12.2019 1000 CHF	31.12.2018 1000 CHF
Salary debtor and creditor accounts	908	3,500	–	–
Employer contribution reserves	–	–	–	–
Balances arising from internal bank business operations	10,016	8,749	5,358	10,270
Value added tax and withholding tax	1,398	486	2,434	2,088
Current tax assets and liabilities	102	1,015	866	1,736
Due from Trust customers	–	7,376	–	–
Total	12,424	21,126	8,658	14,094

8 Assets pledged or assigned to secure own commitments

	31.12.2019		31.12.2018	
	Book values 1000 CHF	Effective commitments 1000 CHF	Book values 1000 CHF	Effective commitments 1000 CHF
Amounts due from banks	42,462	42,462	40,307	40,307
Financial investments	22,921	22,921	24,857	24,857
Total	65,383	65,383	65,164	65,164

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

	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change 1000 CHF	%
Liabilities to own pension plans	18,877	10,329	8,548	82.8

Employer's contribution reserves (ECR)

1000 CHF	Nominal value	Waiver of use	Creation 2019	Net amount	Net amount	Influence of ECR on personnel expenses	Influence of ECR on personnel expenses
	31.12.2019	31.12.2019		31.12.2019	31.12.2018	2019	2018
Personnel Foundation	598	–	–	598	598	–	–

Presentation of the economic benefit/ obligation and the pension expenses

1000 CHF	Overfunding/ underfunding	Economic interest of bank		Change in economic interest	Contributions paid	Pension expenses in personnel expenses	Pension expenses in personnel expenses
	31.12.2019	31.12.2019	31.12.2018	2019	2019	2019	2018
Pension plans with overfunding	6,010	–	–	–	7,769	7,769	9,577

All employees of Rothschild & Co Bank AG 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 2018 is based on an estimate for 'overfunding/underfunding' and actual contributions paid for the Swiss pension schemes. The disclosure for the year 2019 is based on the annual accounts of the Swiss pension schemes as of 31.12.2019.

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	–	–	–	–	–	–
Provisions for pension benefit obligations	–	–	–	–	–	–
Provisions for other business risks	6,888	–261	–116	4,765	–2,723	8,553
Provisions for restructuring	–	–	–	–	–	–
Total provisions	6,888	–261	–116	4,765	–2,723	8,553
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.

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Members of the board of directors	3,811	1,604	106	56	20,000	30,000	65	104
Members of executive bodies	28,793	10,732	800	374	100,000	80,000	323	277
Employees	3,787	4,063	105	141	–	–	–	–
Total	36,391	16,399	1,011	571	120,000	110,000	388	381

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 2015/16, 2016/17, 2017 and 2018 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Holders of qualified participations	21,182	81,385	87,451	89,136
Linked companies	1,055,206	1,360,577	50,131	38,403
Other related parties	27	13,251	57	3,868
Total	1,076,415	1,455,213	137,639	131,407

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 31.12.2019 1000 CHF
Liquid assets	2,536,622	–	–	–	–	–	2,536,622
Amounts due from banks	262,807	–	–	–	–	–	262,807
Amounts due from customers	13,636	–	691,638	200,091	2,870	–	908,234
Mortgage loans	–	–	–	70,565	250,615	2,250	323,430
Trading portfolio assets	2,336	–	–	–	–	–	2,336
Positive replacement values of derivative financial instruments	–	–	16,696	53,226	91	–	70,013
Other financial instruments at fair value	98,255	–	–	–	–	–	98,255
Financial investments	–	–	–	2,175	20,746	–	22,921
Total assets/ financial investments	2,913,655	–	708,334	326,057	274,322	2,250	4,224,618
Previous year	3,721,730	–	704,347	249,032	166,539	–	4,841,648
	–	–	–	–	–	–	–
Amounts due to banks	986,320	–	76,221	11,086	–	–	1,073,627
Amounts due in respect of customer deposits	2,619,559	–	193,634	–	–	–	2,813,193
Negative replacement values of derivative financial instruments	–	–	39,212	56,135	51	–	95,398
Total debt capital/ financial investments	3,605,879	–	309,067	67,221	51	–	3,982,218
Previous year	3,882,850	–	623,782	64,813	473	–	4,571,918

14 Assets and liabilities by domestic and foreign origin

	31.12.2019			31.12.2018		
	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF
Assets						
Liquid assets	2,534,670	1,952	2,536,622	3,328,316	276	3,328,592
Amounts due from banks	164,502	98,305	262,807	210,145	64,913	275,058
Amounts due from customers	177,504	730,730	908,234	164,985	691,216	856,201
Mortgage loans	54,506	268,924	323,430	8,146	195,543	203,689
Trading portfolio assets	13	2,323	2,336	299	1,674	1,973
Positive replacement values of derivative financial instruments	39,474	30,539	70,013	5,296	42,913	48,209
Other financial instruments at fair value	98,255	–	98,255	103,069	–	103,069
Financial investments	–	22,921	22,921	–	24,857	24,857
Accrued income and prepaid expenses	6,037	6,730	12,767	10,107	4,552	14,659
Participations	68	–	68	68	–	68
Tangible fixed assets	30,393	352	30,745	38,704	135	38,839
Other assets	3,525	8,899	12,424	3,113	18,013	21,126
Total assets	3,108,947	1,171,675	4,280,622	3,872,248	1,044,092	4,916,340
Liabilities						
Amounts due to banks	117,878	955,749	1,073,627	128,626	1,157,593	1,286,219
Amounts due in respect of customer deposits	624,561	2,188,632	2,813,193	641,819	2,574,657	3,216,476
Negative replacement values of derivative financial instruments	25,243	70,155	95,398	21,494	47,729	69,223
Accrued expenses and deferred income	34,339	4,316	38,655	47,883	844	48,727
Other liabilities	6,454	2,204	8,658	13,264	830	14,094
Provisions	8,336	217	8,553	6,869	19	6,888
Reserves for general banking risks	7,000	–	7,000	7,000	–	7,000
Bank's capital	10,330	–	10,330	10,330	–	10,330
Capital reserve	4,620	–	4,620	4,620	–	4,620
Retained earnings reserve	211,420	–	211,420	214,417	–	214,417
Profit/loss (result of the period)	9,168	–	9,168	38,346	–	38,346
Total liabilities	1,059,349	3,221,273	4,280,622	1,134,668	3,781,672	4,916,340

C Notes to the Consolidated Financial Statements

15 Total assets by group of countries

	31.12.2019		31.12.2018	
	1000 CHF	Share in %	1000 CHF	Share in %
Europe	4,026,564	94.1	4,638,574	94.4
America	156,690	3.7	192,611	3.9
Asia, Australia, New Zealand	93,391	2.2	80,533	1.6
Other	3,977	0.1	4,622	0.1
Total	4,280,622	100.0	4,916,340	100.0

16 Breakdown of assets by credit rating of country group

Bank's own country rating	Standard & Poor's	31.12.2019		31.12.2018	
		Net foreign exposure		Net foreign exposure	
		1000 CHF	Share in %	1000 CHF	Share in %
1	A	82,326	6.4	70,497	6.1
2	Aa	532,385	41.4	515,467	44.6
3	Aaa	521,380	40.5	491,040	42.5
4	B	1,181	0.1	652	0.1
5	Ba	27,119	2.1	14,433	1.2
6	Baa	44,876	3.5	38,462	3.3
7	Caa and below	78,187	6.1	25,812	2.2
Total	Total	1,287,454	100.0	1,156,363	100.0

17 Balance sheet by currency in 1000 CHF

	CHF	EUR	USD	GBP	Other	Total 31.12.2019
Assets						
Liquid assets	2,534,235	2,269	71	28	19	2,536,622
Amounts due from banks	87,631	61,097	45,084	25,475	43,520	262,807
Amounts due from customers	154,241	578,482	97,918	48,746	28,847	908,234
Mortgage loans	63,956	–	–	259,474	–	323,430
Trading portfolio assets	1,001	76	1,215	44	–	2,336
Positive replacement values of derivative financial instruments	69,932	–	–	81	–	70,013
Other financial instruments at fair value	–	–	–	–	98,255	98,255
Financial investments	–	22,921	–	–	–	22,921
Accrued income and prepaid expenses	10,714	547	455	1,006	45	12,767
Participations	68	–	–	–	–	68
Tangible fixed assets	30,393	352	–	–	–	30,745
Other assets	3,341	1,710	6,702	669	2	12,424
Total assets shown in balance sheet	2,955,512	667,454	151,445	335,523	170,688	4,280,622
Delivery entitlements from spot exchange, forward forex and forex options transactions	242,301	1,454,307	3,559,380	2,320,298	118,364	7,694,650
Total assets	3,197,813	2,121,761	3,710,825	2,655,821	289,052	11,975,272
Liabilities						
Amounts due to banks	121,044	19,883	807,432	96,833	28,435	1,073,627
Amounts due in respect of customer deposits	463,154	1,024,659	858,393	335,876	131,111	2,813,193
Negative replacement values of derivative financial instruments	95,356	–	–	42	–	95,398
Accrued expenses and deferred income	33,474	4,581	365	235	–	38,655
Other liabilities	5,173	2,739	709	30	7	8,658
Provisions	4,858	3,695	–	–	–	8,553
Reserves for general banking risks	7,000	–	–	–	–	7,000
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	206,255	–	–	–	–	206,255
Minority interest in equity	–	–	–	–	–	–
Profit/loss (result of the period)	9,168	–	–	–	–	9,168
Total liabilities shown in balance sheet	965,597	1,055,557	1,666,899	433,016	159,553	4,280,622
Delivery obligations from spot exchange, forward forex and forex options transactions	2,283,032	1,072,919	2,016,619	2,222,939	124,832	7,720,341
Total liabilities	3,248,629	2,128,476	3,683,518	2,655,955	284,385	12,000,963
Net position per currency	-50,816	-6,715	27,307	-134	4,667	-25,691

C Notes to the Consolidated Financial Statements

Information on Off-Balance Sheet Transactions

18 Analysis of contingent liabilities

	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change	
			1000 CHF	%
Guarantees to secure credits	115,348	53,210	62,138	116.8

19 Credit commitments

	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change	
			1000 CHF	%
Commitment to the Swiss deposit guarantee scheme	2,518	2,628	-110	-4.2
Committed credit facilities	1,016	935	81	8.7
Credit commitments for private equity subscriptions	218,012	198,904	19,108	9.6
Revocable commitments	-	-	-	
Total	221,546	202,467	19,079	9.4

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

20 Fiduciary transactions

	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change	
			1000 CHF	%
Fiduciary investments with third-party companies	1,272,116	1,343,609	-71,493	-5.3
Fiduciary investments with linked companies	533,145	446,869	86,276	19.3
Total	1,805,261	1,790,478	14,783	0.8

21 Managed and administered assets

	31.12.2019 CHF Mio.	31.12.2018 CHF Mio.	Change CHF Mio.	%
Managed assets				
Assets in collective investment schemes managed by the Bank	955	202	753	372.8
Assets under discretionary asset management mandates	7,399	6,103	1,296	21.2
Other managed assets	10,785	7,792	2,993	38.4
Total managed assets (including double counting)	19,139	14,097	5,042	35.8
of which, double counting	1,102	202	900	445.5
Total managed assets (including double counting) at the beginning of the year	14,097	14,526	-429	-3.0
+/- net new money inflow or net new money outflow	429	719	-290	-40.3
+/- price gains/ losses, interest, dividend and currency gains/ losses, and other effects	3,871	-800	4,671	-583.9
+/- other effects	742	-348	1,090	-313.2
Total managed assets (including double counting) at the end of the year	19,139	14,097	5,042	35.8

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 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.

	31.12.2019 CHF Mio.	31.12.2018 CHF Mio.	Change CHF Mio.	%
Total managed assets (including double counting) at the end of the year	19,139	14,097	5,042	35.8
Administered assets				
Assets administered for or on behalf of affiliated companies on behalf of the Rothschild & Co group	15,072	14,483	589	4.1
External advisory assets	640	586	54	9.2
Group and pension assets	1,300	2,714	-1,414	-52.1
Total assets managed or administered by the Bank (excluding double counting)	36,151	31,880	4,271	13.4

C Notes to the Consolidated Financial Statements

Information on the Income Statement

22 Result from trading activities

	2019	2018	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Equity securities (including funds)	70	372	-302	-81.2
Foreign currencies	12,518	14,691	-2,173	-14.8
Commodities/ precious metals	252	342	-90	-26.3
Total result from trading activities	12,840	15,405	-2,565	-16.7

23 Negative interest

	2019	2018	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Negative interest paid	-21,300	-23,214	1,914	-8.2
Negative interest received	2,309	917	1,392	151.8

24 Personnel expenses

	2019	2018	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Salaries	-67,719	-83,176	15,457	-18.6
of which expenses relating to share-based compensation	76	-55	131	-238.2
Social insurance benefits	-12,013	-14,891	2,878	-19.3
Other personnel expenses	-4,642	-6,731	2,089	-31.0
Total personnel expenses	-84,374	-104,798	20,424	-19.5

25 General and administrative expenses

	2019 1000 CHF	2018 1000 CHF	Change	
			1000 CHF	%
Office space expenses	-2,858	-4,141	1,283	-31.0
Expenses for information and communications technology	-16,710	-13,494	-3,216	23.8
Expenses for vehicles, equipment, furniture and other fixtures	-1,605	-1,398	-207	14.8
Fees of audit firms	-863	-1,047	184	-17.6
of which for financial and regulatory audits	-863	-1,047	184	-17.6
Other operating expenses	-13,076	-14,554	1,478	-10.2
Total	-35,112	-34,634	-478	1.4

26 Extraordinary income and expense

	2019 1000 CHF	2018 1000 CHF	Change	
			1000 CHF	%
Other extraordinary income	725	16,647	-15,922	-95.6
Transactional tax expense related to prior year	-	-	-	-
Other extraordinary expense	-4,847	-754	-4,093	542.8
Total	-4,122	15,893	-20,015	-125.9

Other extraordinary income in 2019 primarily relates to the refund of withholding tax relating to Verein Vorauszahlung UK.

Other extraordinary expense in 2019 primarily relates to the loss on disposal of the Trust Business.

Other extraordinary income in 2018 related to release of general banking reserve and the settlement/ closing of prior year tax obligations.

Other extraordinary expense in 2018 relates to loss on sale of participations and expense relating to settlement of tax related to sale of real estate in previous year.

C Notes to the Consolidated Financial Statements

27 Operating result broken down according to domestic and foreign origin

	2019			2018		
	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF
Net result from interest operations	39,086	–	39,086	41,379	2,176	43,555
Result from commission business and services	62,048	17,409	79,457	82,567	28,956	111,523
Results from trading operations and the fair value option	12,738	102	12,840	15,014	391	15,405
Other ordinary income and expenses	18,189	–954	17,236	13,533	–1,280	12,253
Total income	132,061	16,557	148,619	152,493	30,243	182,736
Personnel expenses	–73,294	–11,080	–84,374	–88,458	–16,340	–104,798
General and administrative expenses	–30,856	–4,256	–35,112	–26,244	–8,390	–34,634
Total operating expenses	–104,150	–15,336	–119,486	–114,702	–24,730	–139,432
Gross profit	27,911	1,221	29,133	37,791	5,513	43,304

28 Taxation

	2019	2018	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Expenses for current taxes	–4,872	–5,998	1,126	–18.8
Total	–4,872	–5,998	1,126	–18.8
Average tax rate based on operating result	26.8	21.1		

29 Significant events after the balance sheet date

No events have occurred since the balance sheet date which would change the financial position of the Rothschild & Co Bank AG Consolidated and which would require adjustment or disclosure in the 2019 Annual Report now presented.

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% 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

The entities relating to the Trust Business have been removed from the scope of consolidation upon completion of the sale of the Trust Business 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:

	2019		2018	
	Spot rate	Average rate	Spot rate	Average rate
EUR	1.08595	1.11140	1.12878	1.12591
GBP	1.27425	1.27104	1.26285	1.24864
USD	0.96839	0.99318	0.98683	0.98380

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

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

Amounts Due from Clients

Amounts due from clients 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. 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 clients. 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

1. Risk Policy

A prudent approach to risk and active risk management are crucial to protect the reputation of the Bank and the wider Rothschild & Co Group and are prerequisites for the sustained and long-term successful wealth management business of the Bank. The assumption of risk forms an integral part of the business activities of the Bank and is a key factor in the Bank's economic success. The Bank's risk policy, which is firmly integrated in its culture and embedded throughout the organisation, ensures that risks are identified and that an adequate control environment and appropriate mitigating measures are implemented to maintain the Bank's risk profile within the risk appetite defined by the Board of Directors.

To articulate its risk policy, the Board of Directors has issued Risk Regulations which are in line with the external regulations and the policies and procedures of the Rothschild & Co Group. The Risk Regulations set out the basic principles and define the standards for the Bank's approach to risk management and risk control. The Risk Regulations also define the risk categories the Bank is exposed to and the associated risk appetite, together with the roles and responsibilities, organisational structure, methods and processes applied in the management and control of risks. The appropriateness of the Risk Regulations is reviewed at least annually by the Board of Directors.

1.1. Organisational Responsibilities and Risk Governance

Organisational responsibilities and authorisation powers relating to risk management and control have been defined as follows:

- The Board of Directors assumes the ultimate responsibility for the risks the Bank is exposed to
- The Executive Committee is responsible for the operational implementation of the risk policy and for the management and control of all risks
- The heads of the business and operational functions are responsible for managing their respective risks in accordance with the relevant guidelines and policies set out by the Executive Committee
- The Bank's Risk Department owns and maintains the risk management frameworks and is responsible for risk control. In the area of operational risks, the Legal and Compliance Department also plays a significant part in the control activities of the Bank
- To fulfil its organisational responsibilities, the Bank has implemented a three lines of defence risk management model, delineating the key responsibilities for the business and control functions and internal audit to ensure that the Bank has a comprehensive and coherent approach to risk management:
 - 1st line: Business and operational functions assume risk ownership and the responsibility for conducting business activities within the approved risk appetite. The 1st line business functions are accountable for the risks incurred and for establishing effective first line controls and mitigating procedures to contain their risk profile
 - 2nd line: Risk and Compliance functions, responsible for risk oversight, support the Executive Committee in establishing and maintaining an effective risk management framework and definition of risk appetite. The 2nd line of defence is also responsible for monitoring the risk profile and reporting instances where the risk profile exceeds defined risk appetite.

- 3rd line: Internal Audit provides an independent view of adherence to guidelines and policies, and reviews the risk management frameworks on a regular basis to identify and recommend areas for improvement as required.

2. Risk Categories

The Bank has in its Risk Regulations defined the following four risk categories: Credit Risk, Market Risk (Currency and Interest Rate), Liquidity Risk and Operational Risk.

2.1. Credit Risk

Credit Risk describes the potential losses associated with the failure of clients and counterparties to honour their contractual obligations towards the Bank. A loss could materialise in particular when maturing loans or other financial obligations to the Bank are not repaid when due or if it becomes evident that the repayment is no longer secured. To mitigate this risk, loans and other credits are only granted with caution and based on sufficient securitisation. Except for a very limited number of small loans credits are only granted against collateral in the form of well diversified, liquid securities held in custody of the Bank and pledged in favour of the Bank under contractual agreements. The lending value of the collateral is determined in accordance with the capital adequacy requirements set out by the Basel Committee on Banking Supervision (Basel III). Lending values of the different classes of securities are defined and approved by the Board of Directors. The quality of the securities in terms of volatility, liquidity and tradability and the portfolio diversification are taken into consideration in the calculation of lending value.

The loanable values of the pledged assets, which are derived from market values, are compared daily to the loan commitments they secure. If coverage threatens to become insufficient, i.e. if the loan exposures exceed the lending value of the collateral pledged, the risk of credit loss is mitigated through margin calls and ultimately the liquidation of portfolio securities. The aim of these measures is to restore the security cover over the loan exposure either through the reduction of the exposure, by increasing the lending value or by obtaining additional collateral.

To a smaller extent, the Bank also participates in the funding of mortgages in the UK residential real estate market originated by other companies within the larger Rothschild & Co Group. As a complementary service to its Wealth Management business, the Bank also provides mortgages in the Swiss residential real estate market. The maximum lending values assigned to such loans is 65%.

Credit exposures resulting from our lending businesses are reviewed by the Private Client Credit Committee on a quarterly basis. The concentration of risks on one client or counterparty or on one group of linked clients or counterparties is monitored and appropriate measures are taken to avoid the emergence of large exposures. 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. As per 31.12.2019, no provisions for outright credit losses have been made. See also Note 1 of Parent financial statement.

E Notes on Risk Management

Counterparties are defined as banks or brokers with which the Bank trades or places cash deposits, 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 Executive Committee and the Audit and Risk Committee.

Rothschild & Co Bank has both secured and unsecured exposures to these market counterparties. The secured positions result largely from the collateral management of margin obligations and margin calls, as well as collateralisation of OTC derivatives that are eligible for netting. The mitigation of the counterparty risk exposure relies on using cash as easily realisable collateral and is based on contractual netting and collateralisation agreements (ISDA/CSA).

Unsecured exposures mainly relate to money market transactions, nostro accounts and contractual independent amounts (threshold values and minimum transfer amounts) agreed with counterparties for the OTC derivatives margin exchange.

Settlement risks are significantly reduced through the use of Continuous Linked Settlement (CLS), where the Bank is a third party member, for cash settlement. For securities, trading over exchanges and settlement over established clearing houses effectively mitigate settlement risk.

2.2. Market Risk - Currency 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 Treasury and FX Dealing Department is responsible for managing the structure of the balance sheet, the capital and the liquid assets and for monitoring and limiting interest rate risk and currency risk exposure.

The policy of the Bank only permits open market risk positions to a small degree in relation to client business volumes and available capital. Besides these positions the Bank incurs some FX risk through its proprietary FX trading book. These positions are limited to CHF 20m intraday and CHF 12m overnight. Calculation of risk positions and monitoring of compliance with the limits are performed independently by the Risk Department on a daily basis.

To facilitate the securities settlement processes, the Bank has pledged a portfolio of high quality bonds with the clearing houses. The market risk these bonds are exposed to are mitigated by the fact that all these bonds are of relatively short duration and issued by highly rated institutions. The bonds are all denominated in Euro, with the FX exposure being mitigated by the fact that they have been purchased with liabilities in the same currency.

2.3. Market Risk - Interest Rate Risk

Interest rate risk arises through differences in the interest rate commitments on the assets- and liability-sides of the balance sheet and on off-balance sheet positions. The Bank buys and sells derivatives arising from client activities in order to manage market risks. Most of these transactions originate from currency swaps, whereby client deposits in foreign currencies are swapped into Swiss Francs for deposit with the Swiss National Bank. All such transactions are carried out within the guidelines defined by the Bank's Treasury Committee.

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 partially offset by means of Interest Rate

Swaps. The Treasury Committee oversees interest rate risk and monitors the balance sheet structure. This exposure is contained within an overall limit for the aggregate interest rate risk and by sub-limits for each of the four major currencies. Further, the exposure is kept within these boundaries by the relatively short duration, up to 6 months, of the swaps positions.

Our measurement of interest rate risk is based on two models; 1) repricing of all assets and liabilities under a +/- 100Bp shift in interest rates, and 2) the IRRBB EVE model, introduced in 2019, which measures the impact in a percentage of Economic Value of Equity of six different interest rate curve stress scenarios, applied to assets and liabilities in the banking book, only.

The interest rate risk of the Bank measured by model 1, has remained within a range of CHF 2.0m – 2.6m, measured monthly. The IRRBB EVE has varied between 2.1% and 2.3% of Tier 1 Capital, measured quarterly against a limit of 15%.

2.4. Liquidity Risk

Liquidity risk is defined as the risk that the Group is not able to maintain or generate sufficient cash resources to meet its payment obligations as they fall due. Managing liquidity risk is therefore a crucial element in ensuring the future viability and prosperity of the Bank. The Treasury Department is also responsible for monitoring and managing the Bank's liquidity on a daily basis, and the Bank's liquidity risk management framework serves to ensure that sufficient liquidity is available to fulfil payment obligations even under stress scenarios. This liquidity risk management framework comprises a proprietary "liquidity gap" risk measurement system and the calculation of the two quantitative standards set out by the Basel Committee, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR, introduced 1.1.2018). In addition, the liquidity risk management framework comprises a contingency funding plan designed to manage potential liquidity shortfalls. This plan is reviewed and tested by the Treasury Committee annually.

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 continually monitored by the Risk Department and are reported to the Treasury Committee, the Executive Committee and the Audit and Risk Committee. The regulatory parameters LCR and NSFR averaged 140% and 250%, respectively, in the fourth quarter of 2019. Regulatory requirements for both ratios are 100%.

2.5. 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, regulatory sanctions, breaches to information security and privacy requirements 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.

E Notes on Risk Management

All business processes entail operational risks, which are either eliminated, mitigated, transferred or accepted based on cost / benefit considerations. Systematic assessments performed annually aim at identifying and assessing the operational risks in all important business processes in the Bank. These assessments also focus on data protection issues and business continuity management.

2.5.1 Qualitative assessment

The qualitative assessment of operational risks is performed by estimating the probability of the risk materializing into a loss incident and the potential loss this incident could possibly incur. This calculation provides a view on the inherent risk. Once the inherent risk level is established, an assessment of the existing controls and mitigating measures and their effectiveness is performed to determine the residual level of the risk. The residual risks are then considered in order to present the operational risk profile against the defined risk appetite. If the risk appetite limit is persistently exceeded, additional controls and risk mitigating measures are implemented.

2.5.2. Quantitative assessment

For the key operational risks quantitative measures in the form of Key Risk Indicators have been developed to measure and monitor the risk level. For each of these Key Risk Indicators, risk appetite limits have been determined and the risk level is measured against these on a regular basis.

2.5.3. Internal Control System (ICS)

All risks and associated controls recorded as a result of the annual risk review and assessment are documented in the Internal Control System database. Supported by an automated workflow tool, the ICS monitors the performance of all controls and that an assessment of the effectiveness of the controls is made on a regular basis. The ICS is reviewed at least once per year and is adapted and strengthened as necessary should the Bank's risk profile change or gaps in the control environment be detected.

2.5.4. Legal, regulatory and compliance related risks

Considered a subset of operational risks, 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 the 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.

As a Bank regulated by the Swiss financial market authority, the FINMA, Rothschild & Co Bank is subject to wide-ranging regulations and requirements issued by the regulator in Switzerland and in other jurisdictions the Bank and its subsidiaries operate in.

In order to monitor and mitigate legal and regulatory risks, the Bank maintains a Legal and Compliance Department and has implemented the necessary structures and processes designed to increase the employees' awareness of the topic, including training sessions per year on topics such as Anti Money Laundering and Financial Crime. By means of these education sessions and a set of permanent controls, the Compliance 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. The compliance risk management framework and compliance standards are reviewed regularly and will be updated should regulatory and legal developments necessitate adaptation.

Business and Services

Rothschild & Co Bank AG is an independent Swiss bank specializing 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 and secured lending.

The accounts are managed at the head office in Zurich, its branch in Geneva and within the German subsidiary Rothschild & Co Vermögensverwaltung GmbH in Frankfurt and Düsseldorf. In addition, Rothschild & Co Bank AG is represented through the worldwide network of the Rothschild & Co Group.

It has been the principle of Rothschild & Co for generations that clients and their needs are of the highest importance. This principle, together with the personal relationship between the client and the client adviser, 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 & Co 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 & Co Group. An internal investment committee reviews their recommendations. To ensure an optimal allocation, the Bank utilises both third-party products as well as products developed by the Rothschild & Co Group.

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 & Co 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 and other realisable assets. Lombard lending is normally short term and advances are not ordinarily for more than twelve months. Within the credit policies, there are conservative rules regarding the quality of collateral and margin call requirements. The Bank also 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 & Co Bank AG, Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Rothschild & Co Bank AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (page 16 to 41) for the year ended 31 December 2019.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2019 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*

Adrian Walder
Licensed Audit Expert

Zurich, 27 February 2020

KPMG AG, Raffelstrasse 28, CH-8045 Zurich

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Capital Adequacy and Liquidity

Regulatory Key Figures

	31.12.2019 1000 CHF	30.9.2019 1000 CHF	30.6.2019 1000 CHF	31.3.2019 1000 CHF	31.12.2018 1000 CHF
Available capital (amounts)					
Common Equity Tier 1 (CET1)	233,370				228,450
Tier 1	233,370				228,450
Total capital	233,370				228,450
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	955,700				924,988
Minimum capital requirements (CHF)	76,456				73,999
Risk-based capital ratios (as a percentage % of RWA)					
CET1 ratio (%)	24.42%				24.70%
T1 ratio (%)	24.42%				24.70%
Total capital ratio (%)	24.42%				24.70%
Additional CET1 requirements (buffers) as a percentage of RWA					
Capital conservation buffer requirement according to Basel minimum requirements (%)	2.50%				1.88%
Total of bank CET1 specific buffer requirements according to Basel minimum requirements (%)	2.50%				1.88%
CET1 available after meeting the bank's minimum capital requirements (%)	16.42%				16.70%
Target capital ratios according to Annex 8 of the Capital Adequacy Ordinance (CAO) (% of RWA)					
Capital conservation buffer according to CAO, Annex 8 (%)	3.20%				3.20%
Countercyclical capital buffer according to CAO, Art. 44 and Art. 44a (%)	0.0381%				0.0039%
CET1 capital target (%) according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	7.44%				7.40%
T1 capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	9.04%				9.00%
Total capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	11.24%				11.20%
Basel III Leverage Ratio					
Total Basel III leverage ratio exposure measure (CHF)	4,508,752				5,105,149
Basel III Leverage Ratio	5.18%				4.47%
Liquidity Coverage Ratio					
Total HQLA	2,582,909	2,851,024	3,331,765	3,315,612	3,364,376
Total net cash outflow	1,849,064	1,965,861	2,378,577	2,406,335	2,511,237
Liquidity Coverage Ratio (LCR) (%)	139.69%	145.03%	140.07%	137.79%	133.97%

**Parent Company Financial
Statements of**

Rothschild & Co Bank AG

A Balance Sheet

Assets

	Notes	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change	
				1000 CHF	%
Liquid assets		2,536,622	3,328,586	-791,964	-23.8
Amounts due from banks		249,233	258,678	-9,445	-3.7
Amounts due from customers	1	908,234	859,201	49,033	5.7
Mortgage loans	1	323,430	203,689	119,741	58.8
Trading portfolio assets	2	2,337	1,684	653	38.8
Positive replacement values of derivative financial instruments	3	70,013	48,209	21,804	45.2
Other financial instruments at fair value	2	98,255	103,069	-4,814	-4.7
Financial investments	4	22,921	24,857	-1,936	-7.8
Accrued income and prepaid expenses		6,090	4,375	1,715	39.2
Participations		16,931	23,637	-6,706	-28.4
Tangible fixed assets		30,393	35,291	-4,898	-13.9
Other assets	5	12,219	10,980	1,239	11.3
Total assets		4,276,678	4,902,256	-625,578	-12.8

Liabilities and shareholders' equity

	Notes	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change	
				1000 CHF	%
Amounts due to banks		1,073,627	1,286,234	-212,607	-16.5
Amounts due in respect of customer deposits		2,813,220	3,227,521	-414,301	-12.8
Negative replacement values of derivative financial instruments	3	95,398	69,223	26,175	37.8
Accrued expenses and deferred income		34,909	35,924	-1,015	-2.8
Other liabilities	5	6,441	12,848	-6,407	-49.9
Provisions	8	8,336	6,658	1,678	25.2
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		206,291	206,230	61	-
Profit/loss		15,961	35,123	-19,162	-54.6
Total liabilities and shareholders' equity		4,276,678	4,902,256	-625,578	-12.8

A Off-Balance Sheet Transactions

	Note	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change	
				1000 CHF	%
Contingent liabilities	1	115,348	53,210	62,138	116.8
Irrevocable commitments	1	221,546	202,467	19,079	9.4
Revocable commitments	1	-	-	-	

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	2019	2018	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Interest and discount income		103,213	89,138	14,075	15.8
Interest and dividend income from financial investments		19	7	12	171.4
Interest expense		-66,480	-47,666	-18,814	39.5
Subtotal net result from interest operations		36,752	41,479	-4,727	-11.4
Commission income from securities trading and investment activities		55,949	45,857	10,092	22.0
Commission income from lending activities		301	238	63	26.5
Commission income from other services		1,968	1,657	311	18.8
Commission expense		-4,096	-4,825	729	-15.1
Subtotal result from commission business and services		54,122	42,927	11,195	26.1
Results from trading operations and the fair value option	16	12,135	14,969	-2,834	-18.9
Income from participations		2,334	3,767	-1,433	-38.0
Result from real estate		1,145	857	288	33.6
Other ordinary income	17	17,401	13,084	4,317	33.0
Subtotal other result from ordinary activities		20,880	17,708	3,172	17.9
Total income		123,889	117,083	6,806	5.8
Personnel expenses	19	-68,090	-58,190	-9,900	17.0
General and administrative expenses	20	-26,620	-19,035	-7,585	39.8
Subtotal operating expenses		-94,710	-77,225	-17,485	22.6
Gross profit		29,179	39,858	-10,679	-26.8
Value adjustments on participations and depreciation and amortisation of tangible fixed assets		-12,594	-12,229	-365	3.0
Changes to provisions and other value adjustments, and losses		-1,747	-3,758	2,011	-53.5
Operating result		14,838	23,871	-9,033	-37.8
Extraordinary income	21	4,934	16,564	-11,630	-70.2
Extraordinary expenses	21	-33	-754	721	-95.6
Taxes	22	-3,778	-4,558	780	-17.1
Profit/loss		15,961	35,123	-19,162	-54.6

The results of Equitas are included in the results of Parent Company Financial Results since the date of the merger on the 1st of April 2019. Extraordinary income in 2019 primarily relates to the gain on sale of the Trust Business, the gain on merger of Equitas and the refund of withholding tax relating to Verein Vorauszahlung UK.

Extraordinary income in 2018 primarily relates to the release of reserves.

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

The following total amount is available for distribution:

	1000 CHF
Profit/ loss	15,961
+ /- profit/ loss carried forward	-
+ voluntary retained earnings	206,291
= distributable profit	222,252

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	15,961
New amount carried forward	206,291

B Statement of Changes in Equity

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 01.01.2019	10,330	-	5,165	7,000	206,230	35,123	263,848
Transfer of profits to retained earnings	-	-	-	-	35,123	-35,123	-
Dividends and other distributions	-	-	-	-	-35,123	-	-35,123
Employee Compensation Plans	-	-	-	-	61	-	61
Profit (result of the period)	-	-	-	-	-	15,961	15,961
Equity at 31.12.2019	10,330	-	5,165	7,000	206,291	15,961	244,747

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		–	812,512	95,722	908,234
Mortgage loans (residential property)		323,430	–	–	323,430
Total loans	Current year	323,430	812,512	95,722	1,231,664
	Previous year	203,689	758,255	100,946	1,062,890
Contingent liabilities		–	115,348	–	115,348
Irrevocable commitments		–	218,012	3,534	221,546
Revocable commitments		–	–	–	–
Total off-balance sheet transactions	Current year	–	333,360	3,534	336,894
	Previous year	–	252,114	3,563	255,677

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	–	–	–	–

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

	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change 1000 CHF	%
Equity securities	1,349	1,272	77	6.1
Other financial instruments at fair value	988	412	576	139.8
Precious metals	98,255	103,069	–4,814	–4.7
Total	100,592	104,753	–4,161	–4.0

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	70,013	95,398	8,004,099
Forward contracts	17,648	41,939	2,587,271
Combined interest rate/ currency swaps	50,868	51,978	5,024,272
Options (OTC)	1,497	1,481	392,556
Equity securities/ indices	-	-	-
Options (OTC)	-	-	-
Total before consideration of netting contracts	70,013	95,398	8,004,099
	Current year		
	70,013	95,398	8,004,099
	Previous year		
	48,209	69,223	7,903,922

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	65,253	4,760	70,013
	Previous year	42,697	5,512	48,209

4 Financial investments

	Book value		Fair value	
	31.12.2019 1000 CHF	31.12.2018 1000 CHF	31.12.2019 1000 CHF	31.12.2018 1000 CHF
Debt securities	22,921	24,857	23,203	24,905
of which, intended to be held to maturity	22,921	24,857	23,203	24,905
Total financial investments	22,921	24,857	23,203	24,905
of which, securities eligible for repo transactions in accordance with liquidity requirements	-	-	-	-

Counterparties by rating

	AA-	A+	A	A-	BBB+	Unrated	Total
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Debt securities	-	2,178	5,446	15,297	-	-	22,921
Book values	-	2,178	5,446	15,297	-	-	22,921
Previous year	10,183	6,207	1,127	5,081	2,259	-	24,857

Counterparties are rated according to S&P ratings.

5 Other assets and liabilities

	Other assets		Other liabilities	
	31.12.2019 1000 CHF	31.12.2018 1000 CHF	31.12.2019 1000 CHF	31.12.2018 1000 CHF
Salary debtor and creditor accounts	801	1,442	–	–
Employer contribution reserves	–	–	–	–
Balances arising from internal bank business operations	10,020	9,079	3,886	9,573
Value added tax and withholding tax	1,398	459	1,694	1,539
Current tax assets and liabilities	–	–	861	1,736
Total other assets and other liabilities	12,219	10,980	6,441	12,848

6 Assets pledged or assigned to secure own commitments

	31.12.2019		31.12.2018	
	Book values 1000 CHF	Effective commitments 1000 CHF	Book values 1000 CHF	Effective commitments 1000 CHF
Amounts due from banks	42,462	42,462	40,307	40,307
Financial investments	22,921	22,921	24,857	24,857
Total	65,383	65,383	65,164	65,164

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

	31.12.2019 1000 CHF	31.12.2018 1000 CHF	Change 1000 CHF	%
Liabilities to own pension plans	18,877	10,329	8,548	82.8

The disclosure for 2018 is based on an estimate for 'overfunding/underfunding' and actual contributions paid for the Swiss pension schemes. The disclosure for the year 2019 is based on the annual accounts of the Swiss pension schemes as of 31.12.2019.

Disclosures on the economic situation of own pension schemes

Employer's contribution reserves (ECR)							
1000 CHF	Nominal value	Waiver of use	Creation 2019	Net amount	Net amount	Influence of ECR on personnel expenses 2019	Influence of ECR on personnel expenses 2018
	31.12.2019	31.12.2019		31.12.2019	31.12.2018		
Personnel Foundation	598	–	–	598	598	–	–

Presentation of the economic benefit/obligation and the pension expenses

1000 CHF	Overfunding/ underfunding	Economic interest of bank	31.12.2018	Change in economic interest	Contributions paid	Pension expenses in personnel expenses	Pension expenses in personnel expenses
	31.12.2019	31.12.2019		2019	2019	2019	2018
Pension plans with overfunding	6,010	–	–	–	7,769	7,769	9,577

All employees of Rothschild & Co Bank AG 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	6,658	–265	–99	4,765	–2,723	8,336
Other provisions	–	–	–	–	–	–
Total provisions	6,658	–265	–99	4,765	–2,723	8,336
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

	31.12.2019			31.12.2018		
	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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Members of the board of directors	3,811	1,604	106	56	20,000	30,000	65	104
Members of executive bodies	28,793	10,732	800	374	100,000	80,000	323	277
Employees	3,787	4,063	105	141	–	–	–	–
Total	36,391	16,399	1,011	571	120,000	110,000	388	381

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 2015/16, 2016/17, 2017 and 2018 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Holders of qualified participations	21,182	81,385	87,451	89,136
Group companies	27	13,251	57	3,868
Linked companies	1,055,119	1,359,891	47,239	36,272
Other related parties	–	–	–	–
Total	1,076,328	1,454,527	134,747	129,276

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

	31.12.2019		31.12.2018	
	Nominal 1000 CHF	Participation % of Equity	Nominal 1000 CHF	Participation % of Equity
Rothschild & Co Continuation Holdings AG ¹⁾	10,330	100.0		
Significant Shareholders of Rothschild & Co Continuation Holdings AG:				
Concordia Holding SARL	29,343	50.5		
Paris Orléans Holding Bancaire SAS	28,753	49.5		
Rothschild & Co Holding AG ²⁾			10,330	100.0
Significant Shareholders of Rothschild & Co Holding AG:				
Rothschild & Co Continuation Holdings AG ¹⁾			9,708	90.5

¹⁾ Rothschild & Co Continuation Holdings AG is 100% owned by the Rothschild & Co Group, of which 50.5% held by Concordia Holding SARL, 49.5% by Paris Orléans Holding Bancaire SAS

²⁾ During 2019, Rothschild & Co Holding AG was merged into Rothschild & Co Continuation Holdings AG. Rothschild & Co Bank AG became a wholly owned subsidiary of Rothschild & Co Continuation Holdings AG.

13 Breakdown of total assets by credit rating of country groups

Bank's own country rating	Standard & Poor's	31.12.2019		31.12.2018	
		Net foreign exposure 1000 CHF	Share in %	Net foreign exposure 1000 CHF	Share in %
1	A	82,326	6.39	70,497	6.10
2	Aa	532,386	41.35	515,467	44.58
3	Aaa	521,380	40.50	491,040	42.46
4	B	1,181	0.09	652	0.06
5	Ba	27,119	2.11	14,433	1.25
6	Baa	44,876	3.49	38,462	3.33
7	Caa and below	78,187	6.07	25,812	2.23
Total	Total	1,287,455	100.00	1,156,363	100.00

Information on Off-Balance Sheet Transactions

14 Breakdown of fiduciary transactions ¹⁾

	31.12.2019	31.12.2018	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Fiduciary placements with third-party companies	1,272,116	1,343,609	-71,493	-5.3
Fiduciary placements with group companies and linked companies	533,145	446,869	86,276	19.3
Total	1,805,261	1,790,478	14,783	0.8

15 Managed assets

	31.12.2019 CHF Mio.	31.12.2018 CHF Mio.	Change	
			CHF Mio.	%
Managed assets				
Assets in collective investment schemes managed by the Bank	955	202	753	372.8
Assets under discretionary asset management mandates	4,362	3,815	547	14.3
Other managed assets	10,571	7,790	2,781	35.7
Total managed assets (including double counting)	15,888	11,807	4,081	34.6
of which, double counting	955	202	753	372.8
Total managed assets (including double counting) at the beginning of the year	11,807	12,193	-386	-3.2
+/- net new money inflow or net new money outflow	392	497	-105	-21.1
+/- price gains/ losses, interest, dividend and currency gains/ losses	2,947	-535	3,482	-650.8
+/- other effects	742	-348	1,090	-313.2
Total managed assets (including double counting) at the end of the year	15,888	11,807	4,081	34.6
Custody assets	215	1,869	-1,654	-88.5
Total assets (including double counting)	16,103	13,676	2,427	17.7

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

	2019 1000 CHF	2018 1000 CHF	Change	
			1000 CHF	%
Equity securities (including funds)	70	291	-221	-75.9
Foreign currencies	11,813	14,336	-2,523	-17.6
Commodities/precious metals	252	342	-90	-26.3
Total result from trading activities	12,135	14,969	-2,834	-18.9

17 Other ordinary income and expenses

	2019 1000 CHF	2018 1000 CHF	Change	
			1000 CHF	%
Fees from affiliated parties for office services	17,401	13,084	4,317	33.0
Total	17,401	13,084	4,317	33.0

18 Negative interest

	2019 1000 CHF	2018 1000 CHF	Change	
			1000 CHF	%
Negative interest paid	-21,300	-23,214	1,914	-8.2
Negative interest received	2,309	957	1,352	141.3

19 Personnel expenses

	2019 1000 CHF	2018 1000 CHF	Change	
			1000 CHF	%
Salaries	-54,298	-46,286	-8,012	17.3
of which expenses relating to share-based compensation	-76	-48	-28	58.3
Social insurance benefits	-10,788	-9,161	-1,627	17.8
Other personnel expenses	-3,004	-2,743	-261	9.5
Total personnel expenses	-68,090	-58,190	-9,900	17.0

20 General and administrative expenses

	2019 1000 CHF	2018 1000 CHF	Change 1000 CHF	%
Office space expenses	-1,417	-939	-478	50.9
Expenses for information and communications technology	-14,399	-10,787	-3,612	33.5
Expenses for vehicles, equipment, furniture and other fixtures	-1,421	-804	-617	76.7
Fees of audit firms	-733	-749	16	-2.1
of which, for financial and regulatory audits	-733	-749	16	-2.1
Other operating expenses	-8,650	-5,756	-2,894	50.3
Total	-26,620	-19,035	-7,585	39.8

21 Extraordinary income and expense

	2019 1000 CHF	2018 1000 CHF	Change 1000 CHF	%
Other extraordinary income	4,934	16,564	-11,630	-70.2
Transactional tax expense related to prior year	-	-	-	-
Other extraordinary expense	-33	-754	721	-95.6
Total	4,901	15,810	-10,909	-69.0

Other extraordinary income in 2019 primarily relates to the gain on sale of the Trust Business, the gain on merger of Equitas and the refund of withholding tax relating to Verein Vorauszahlung UK.

Other extraordinary expense in 2019 relates to loss on liquidation of RBZ Treuhand AG.

Other extraordinary income in 2018 related to the utilization of untaxed reserves, settlement/ closing of prior year tax obligations, and gain on liquidation of a subsidiary.

Other extraordinary expense in 2018 relates to loss on sale of participations and expense relating to settlement of tax related to sale of real estate in previous year.

22 Taxation

	2019 1000 CHF	2018 1000 CHF	Change 1000 CHF	%
Expenses for deferred taxes	-	-	-	-
Expenses for current taxes	-3,778	-4,558	780	-17.1
Total	-3,778	-4,558	780	-17.1
Average tax rate based on operating result	25.5	19.0		

23 Significant events after the balance sheet date

No events have occurred since the balance sheet date which would change the financial position of the Rothschild & Co Bank AG Parent and which would require adjustment or disclosure in the 2019 Annual Report now presented.

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

	31.12.2019	31.12.2018
EUR	1.0859	1.1288
GBP	1.2743	1.2629
USD	0.9684	0.9868

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

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

Amounts Due from Clients

Amounts due from clients 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. 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

1. Risk Policy

A prudent approach to risk and active risk management are crucial to protect the reputation of the Bank and the wider Rothschild & Co Group and are prerequisites for the sustained and long-term successful wealth management business of the Bank. The assumption of risk forms an integral part of the business activities of the Bank and is a key factor in the Bank's economic success. The Bank's risk policy, which is firmly integrated in its culture and embedded throughout the organisation, ensures that risks are identified and that an adequate control environment and appropriate mitigating measures are implemented to maintain the Bank's risk profile within the risk appetite defined by the Board of Directors.

To articulate its risk policy, the Board of Directors has issued Risk Regulations which are in line with the external regulations and the policies and procedures of the Rothschild & Co Group. The Risk Regulations set out the basic principles and define the standards for the Bank's approach to risk management and risk control. The Risk Regulations also define the risk categories the Bank is exposed to and the associated risk appetite, together with the roles and responsibilities, organisational structure, methods and processes applied in the management and control of risks. The appropriateness of the Risk Regulations is reviewed at least annually by the Board of Directors.

1.1. Organisational Responsibilities and Risk Governance

Organisational responsibilities and authorisation powers relating to risk management and control have been defined as follows:

- The Board of Directors assumes the ultimate responsibility for the risks the Bank is exposed to
- The Executive Committee is responsible for the operational implementation of the risk policy and for the management and control of all risks
- The heads of the business and operational functions are responsible for managing their respective risks in accordance with the relevant guidelines and policies set out by the Executive Committee
- The Bank's Risk Department owns and maintains the risk management frameworks and is responsible for risk control. In the area of operational risks, the Legal and Compliance Department also plays a significant part in the control activities of the Bank
- To fulfil its organisational responsibilities, the Bank has implemented a three lines of defence risk management model, delineating the key responsibilities for the business and control functions and internal audit to ensure that the Bank has a comprehensive and coherent approach to risk management:
 - 1st line: Business and operational functions assume risk ownership and the responsibility for conducting business activities within the approved risk appetite. The 1st line business functions are accountable for the risks incurred and for establishing effective first line controls and mitigating procedures to contain their risk profile
 - 2nd line: Risk and Compliance functions, responsible for risk oversight, support the Executive Committee in establishing and maintaining an effective risk management framework and definition of risk appetite. The 2nd line of defence is also responsible for monitoring the risk profile and reporting instances where the risk profile exceeds defined risk appetite.

- 3rd line: Internal Audit provides an independent view of adherence to guidelines and policies, and reviews the risk management frameworks on a regular basis to identify and recommend areas for improvement as required.

2. Risk Categories

The Bank has in its Risk Regulations defined the following four risk categories: Credit Risk, Market Risk, Liquidity Risk and Operational Risk.

2.1. Credit Risk

Credit Risk describes the potential losses associated with the failure of clients and counterparties to honour their contractual obligations towards the Bank. A loss could materialise in particular when maturing loans or other financial obligations to the Bank are not repaid when due or if it becomes evident that the repayment is no longer secured. To mitigate this risk, loans and other credits are only granted with caution and based on sufficient securitisation. Except for a very limited number of small loans credits are only granted against collateral in the form of well diversified, liquid securities held in custody of the Bank and pledged in favour of the Bank under contractual agreements. The lending value of the collateral is determined in accordance with the capital adequacy requirements set out by the Basel Committee on Banking Supervision (Basel III). Lending values of the different classes of securities are defined and approved by the Board of Directors. The quality of the securities in terms of volatility, liquidity and tradability and the portfolio diversification are taken into consideration in the calculation of lending value.

The loanable values of the pledged assets, which are derived from market values, are compared daily to the loan commitments they secure. If coverage threatens to become insufficient, i.e. if the loan exposures exceed the lending value of the collateral pledged, the risk of credit loss is mitigated through margin calls and ultimately the liquidation of portfolio securities. The aim of these measures is to restore the security cover over the loan exposure either through the reduction of the exposure, by increasing the lending value or by obtaining additional collateral.

To a smaller extent, the Bank also participates in the funding of mortgages in the UK residential real estate market originated by other companies within the larger Rothschild & Co Group. As a complementary service to its Wealth Management business, the Bank also provides mortgages in the Swiss residential real estate market. The maximum lending values assigned to such loans is 65%.

Credit exposures resulting from our lending businesses are reviewed by the Private Client Credit Committee on a quarterly basis. The concentration of risks on one client or counterparty or on one group of linked clients or counterparties is monitored and appropriate measures are taken to avoid the emergence of large exposures. 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. As per 31.12.2019, no provisions for outright credit losses have been made. See also Note 1 of Parent financial statement.

E Notes on Risk Management

Counterparties are defined as banks or brokers with which the Bank trades or places cash deposits, 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 Executive Committee and the Audit and Risk Committee.

Rothschild & Co Bank has both secured and unsecured exposures to these market counterparties. The secured positions result largely from the collateral management of margin obligations and margin calls, as well as collateralisation of OTC derivatives that are eligible for netting. The mitigation of the counterparty risk exposure relies on using cash as easily realisable collateral and is based on contractual netting and collateralisation agreements (ISDA/CSA).

Unsecured exposures mainly relate to money market transactions, nostro accounts and contractual independent amounts (threshold values and minimum transfer amounts) agreed with counterparties for the OTC derivatives margin exchange.

Settlement risks are significantly reduced through the use of Continuous Linked Settlement (CLS), where the Bank is a third party member, for cash settlement. For securities, trading over exchanges and settlement over established clearing houses effectively mitigate settlement risk.

2.2. Market Risk - Currency 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 Treasury and FX Dealing Department is responsible for managing the structure of the balance sheet, the capital and the liquid assets and for monitoring and limiting interest rate risk and currency risk exposure.

The policy of the Bank only permits open market risk positions to a small degree in relation to client business volumes and available capital. Besides these positions the Bank incurs some FX risk through its proprietary FX trading book. These positions are limited to CHF 20m intraday and CHF 12m overnight. Calculation of risk positions and monitoring of compliance with the limits are performed independently by the Risk Department on a daily basis.

To facilitate the securities settlement processes, the Bank has pledged a portfolio of high quality bonds with the clearing houses. The market risk these bonds are exposed to are mitigated by the fact that all these bonds are of relatively short duration and issued by highly rated institutions. The bonds are all denominated in Euro, with the FX exposure being mitigated by the fact that they have been purchased with liabilities in the same currency.

2.3. Market Risk - Interest Rate Risk

Interest rate risk arises through differences in the interest rate commitments on the assets- and liability-sides of the balance sheet and on off-balance sheet positions. The Bank buys and sells derivatives arising from client activities in order to manage market risks. Most of these transactions originate from currency swaps, whereby client deposits in foreign currencies are swapped into Swiss Francs for deposit with the Swiss National Bank. All such transactions are carried out within the guidelines defined by the Bank's Treasury Committee.

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 partially offset by means of Interest Rate Swaps. The Treasury Committee oversees interest rate risk and

monitors the balance sheet structure. This exposure is contained within an overall limit for the aggregate interest rate risk and by sub-limits for each of the four major currencies. Further, the exposure is kept within these boundaries by the relatively short duration, up to 6 months, of the swaps positions.

Our measurement of interest rate risk is based on two models; 1) repricing of all assets and liabilities under a +/- 100Bp shift in interest rates, and 2) the IRRBB EVE model, introduced in 2019, which measures the impact in a percentage of Economic Value of Equity of six different interest rate curve stress scenarios, applied to assets and liabilities in the banking book, only.

The interest rate risk of the Bank measured by model 1, has remained within a range of CHF 2.0m – 2.6m, measured monthly. The IRRBB EVE has varied between 2.1% and 2.3% of Tier 1 Capital, measured quarterly against a limit of 15%.

2.4. Liquidity Risk

Liquidity risk is defined as the risk that the Group is not able to maintain or generate sufficient cash resources to meet its payment obligations as they fall due. Managing liquidity risk is therefore a crucial element in ensuring the future viability and prosperity of the Bank. The Treasury Department is also responsible for monitoring and managing the Bank's liquidity on a daily basis, and the Bank's liquidity risk management framework serves to ensure that sufficient liquidity is available to fulfil payment obligations even under stress scenarios. This liquidity risk management framework comprises a proprietary "liquidity gap" risk measurement system and the calculation of the two quantitative standards set out by the Basel Committee, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR, introduced 1.1.2018). In addition, the liquidity risk management framework comprises a contingency funding plan designed to manage potential liquidity shortfalls. This plan is reviewed and tested by the Treasury Committee annually.

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 continually monitored by the Risk Department and are reported to the Treasury Committee, the Executive Committee and the Audit and Risk Committee. The regulatory parameters LCR and NSFR averaged 140% and 250%, respectively, in the fourth quarter of 2019. Regulatory requirements for both ratios are 100%.

2.5. 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, regulatory sanctions, breaches to information security and privacy requirements 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.

All business processes entail operational risks, which are either eliminated, mitigated, transferred or accepted based on cost / benefit

E Notes on Risk Management

considerations. Systematic assessments performed annually aim at identifying and assessing the operational risks in all important business processes in the Bank. These assessments also focus on data protection issues and business continuity management.

2.5.1. Qualitative assessment

The qualitative assessment of operational risks is performed by estimating the probability of the risk materializing into a loss incident and the potential loss this incident could possibly incur. This calculation provides a view on the inherent risk. Once the inherent risk level is established, an assessment of the existing controls and mitigating measures and their effectiveness is performed to determine the residual level of the risk. The residual risks are then considered in order to present the operational risk profile against the defined risk appetite. If the risk appetite limit is persistently exceeded, additional controls and risk mitigating measures are implemented.

2.5.2. Quantitative assessment

For the key operational risks quantitative measures in the form of Key Risk Indicators have been developed to measure and monitor the risk level. For each of these Key Risk Indicators, risk appetite limits have been determined and the risk level is measured against these on a regular basis.

2.5.3. Internal Control System (ICS)

All risks and associated controls recorded as a result of the annual risk review and assessment are documented in the Internal Control System database. Supported by an automated workflow tool, the ICS monitors the performance of all controls and that an assessment of the effectiveness of the controls is made on a regular basis. The ICS is reviewed at least once per year and is adapted and strengthened as necessary should the Bank's risk profile change or gaps in the control environment be detected.

2.5.4. Legal, regulatory and compliance risks

Considered a subset of operational risks, 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 the 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.

As a Bank regulated by the Swiss financial market authority, the FINMA, Rothschild & Co Bank is subject to wide-ranging regulations and requirements issued by the regulator in Switzerland and in other jurisdictions the Bank and its subsidiaries operate in.

In order to monitor and mitigate legal and regulatory risks, the Bank maintains a Legal and Compliance Department and has implemented the necessary structures and processes designed to increase the employees' awareness of the topic, including training sessions per year on topics such as Anti Money Laundering and Financial Crime. By means of these education sessions and a set of permanent controls, the Compliance 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. The compliance risk management framework and compliance standards are reviewed regularly and will be updated should regulatory and legal developments necessitate adaptation.

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 & Co Bank AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Rothschild & Co Bank AG, which comprise the balance sheet, income statement, statement of changes in equity and notes (page 50 to 67) for the year ended 31 December 2019.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2019 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*

Adrian Walder
Licensed Audit Expert

Zurich, 27 February 2020

KPMG AG, Raffelstrasse 28, 8045 Zurich

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Capital Adequacy and Liquidity

Regulatory Key Figures

	31.12.2019 1000 CHF	30.9.2019 1000 CHF	30.6.2019 1000 CHF	31.3.2019 1000 CHF	31.12.2018 1000 CHF
Available capital (amounts)					
Common Equity Tier 1 (CET1)	228,787				205,157
Tier 1	228,787				205,157
Total capital	228,787				205,157
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	900,812				764,655
Minimum capital requirements (CHF)	72,065				61,172
Risk-based capital ratios (as a percentage % of RWA)					
CET1 ratio (%)	25.40%				26.83%
T1 ratio (%)	25.40%				26.83%
Total capital ratio (%)	25.40%				26.83%
Additional CET1 requirements (buffers) as a percentage of RWA					
Capital conservation buffer requirement according to Basel minimum requirements (%)	2.50%				1.88%
Total of bank CET1 specific buffer requirements according to Basel minimum requirements (%)	2.50%				1.88%
CET1 available after meeting the bank's minimum capital requirements (%)	17.40%				18.83%
Target capital ratios according to Annex 8 of the Capital Adequacy Ordinance (CAO) (% of RWA)					
Capital conservation buffer according to CAO, Annex 8 (%)	3.20%				3.20%
Countercyclical capital buffer according to CAO, Art. 44 and Art. 44a (%)	0.0404%				0.0047%
CET1 capital target (%) according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	7.44%				7.40%
T1 capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	9.04%				9.00%
Total capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	11.24%				11.20%
Basel III Leverage Ratio					
Total Basel III leverage ratio exposure measure (CHF)	4,504,808				5,067,495
Basel III Leverage Ratio	5.08%				4.05%
Liquidity Coverage Ratio					
Total HQLA	2,582,909	2,851,024	3,331,765	3,315,597	3,364,376
Total net cash outflow	1,849,244	1,966,633	2,384,661	2,413,630	2,517,287
Liquidity Coverage Ratio (LCR) (%)	139.67%	144.97%	139.72%	137.37%	133.65%



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