



Rothschild Bank AG Zurich

Annual Report 2007/2008

Rothschild Bank AG Zurich

Annual Report for the year ended 31st March 2008



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Key Figures

Rothschild Bank AG Zurich, consolidated



	31.3.2008	31.3.2007	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Consolidated balance sheet				
Total shareholders' equity	400,922	392,278	8,644	2.2
Total assets	2,153,450	1,449,945	703,505	48.5
Consolidated income statement				
Net interest income	23,464	19,063	4,401	23.1
Net commission income	139,763	132,540	7,223	5.4
Results from trading operations	16,602	12,028	4,574	38.0
Gross income	190,483	169,646	20,837	12.3
Total operating expenses	-131,755	-118,882	-12,873	10.8
Consolidated net profit	44,250	35,999	8,251	22.9
Net profit per employee	106	97	9	9.4
Staff				
(at the end of business year)				
Staffing level domestic	263	225	38	16.9
Staffing level abroad	156	148	8	5.4
Total staffing level	419	373	46	12.3

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Chairman's Statement



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The past financial year has been one of continued change for Rothschild Bank AG. Over the year, our activity has been focused on the front-office, hiring 16 new private bankers, on streamlining our back-office and on refining our client offering.

In Private Banking we now have more than 50 relationship managers. We have made several senior appointments in Europe and Asia in response to strong demand for our wealth structuring services. Our front office has now been organised into distinct market groups. In this new structure, all activities and services provided are put under the same leadership, on a country-by-country basis. In the trust business, one global organisational structure has been adopted and a number of initiatives have been undertaken to improve the efficiency of our operations.

We also improved operational efficiency by consolidating our administrative capabilities on to a single platform, based in Zurich. Now, all of our major Private Banking entities work on the same global platform. This is a major achievement and this large, complex project has been completed in a short space of time. The success of the project reflects the efforts of many of our people across the organisation, at a time when they have continued to carry out their day-to-day responsibilities. It is also a product of close cooperation with, and extensive support, from the management and staff of Banque Privée Edmond de Rothschild in Geneva.

One consequence of these operational changes is that the clients of the UK Private Banking business are now booked on our balance sheet. This transition means that our client deposits have risen, by approximately CHF 500 million during the past financial year. These increased customer deposits are placed at high-rated banks with short maturities in order to maintain comfortable liquidity.

During the year, a project has been undertaken to define the key messages about our business. This “value proposition” provides the foundation for all our marketing communications and forms the basis of a compelling proposition to potential clients.

Our commitment to providing objective advice and high levels of personal service have continued to attract new clients. We have also benefited from our strong balance sheet and the stability provided by our international family ownership at a time when many private banks have suffered from the repercussions of the “credit crunch.” We have had no exposure to “sub-prime” securities, no write downs of assets and our stringent credit processes have helped us to remain free from the liquidity issues that have affected many of our peers. In addition, our generally cautious asset allocation has also proved to be the right strategy for our clients in a volatile market environment.

Our gross assets under management (AUM) rose by CHF 807 million or 7% during the financial year. This AUM growth came from both our existing Private Bankers and the new Private Bankers who joined us during the year. In addition, I am also pleased to report that our total income rose by more than 12% last year, to CHF 190.5 million.

Despite significant financial investments in people, systems and infrastructure during the year, our gross profit has risen by 15.7% to CHF 58.7 million. Our net profit per employee has also risen by more than 9%, and, promisingly, this has come at a time of rising staffing levels.

Chairman's Statement



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The investment in new staff has been undertaken to provide a platform for sustainable growth over the long term. However, in the short term, the cost of employing additional new teams initially exceeds the revenues that they generate; we expect this situation to reverse in future years, as the teams become established. In light of this important investment program, the Board of Directors of Rothschild Bank AG has proposed to reduce the size of the dividend payment from CHF 28 million to CHF 22 million. This proposed reduction reflects prudent financial planning for the future taking into account this plan which has the strong commitment of the shareholders.

This important development and reorganisation has meant a lot of change and extra work for the whole staff. They have collectively reacted very positively to the new environment and I want to congratulate them all from the General Manager down the line and thank them for their dedication and hard work.

Finally, on behalf of my fellow Directors, I would like to express my gratitude to our clients for their continued confidence and loyalty.

On behalf of the Board of Directors

Baron Eric de Rothschild

Directors and Swiss Executive Board



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Board of Directors

Chairman

Baron Eric de Rothschild¹⁾

Deputy Chairmen

Baron David de Rothschild¹⁾

Veit de Maddalena¹⁾

Members

Prof. Dr. Edoardo Anderheggen

Dr. Jürg F. Geigy

Gottlieb Knoch¹⁾

Guy Wais

Claude Messulam

Bernard I. Myers^{1) 2)}

Peter Ohnemus

Otto H. Suhner

Dr. Rudolf Tschäni²⁾

Dr. Leonardo Vannotti²⁾

¹⁾ Members of the Committee of the Board

²⁾ Members of the Audit Committee

Swiss Executive Board

General Manager

José Luis Ferrer

Members of the Swiss Executive Board

Daniel Arnold

Thomas Pixner

Peter Wüthrich

M. Gordon Hunt

Christopher Schallenberger

Matthias J. Montani ³⁾

Christoph Schärer

³⁾ from 1st May 2008

Senior Staff and Auditors



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Senior Vice Presidents

Gregg P. Blonigan
Carlo Braunwalder
Ernst A. Furrer

Daniel Maurer
Heinz Nesshold
Jacqueline Rothschild-Dietisheim

Claudio Sacchet
Erich Schwyzer
Felix Züttel

First Vice Presidents

Agnes Arnold
Siegbert Böttinger
Gaudenz Caprez
Michael Curschellas
Marc Dietrich
Luca dal Dosso
Svetlana Driskell
Victor Duarte
Serge Garazi
Thérèse Gindraux-Agopian

Marie-Hélène Guex
Markus Henz
Dr. Urs Peter Kälin
Bruno Knecht
Giovanna Lagutaine Schwarzenbach
Simon Lutch
Dominique Maire
Manuel E. Mariñez-Valera
Sandra Müller Gisler

Lene Nielsen
Dr. Alfred Nordmann
Pedro Oliver
Luigi Roccù
Harold Rudel
Roger Schwarzenbach
Colin Service
Ernst Wegmann
Christian H. Wentzel

Vice Presidents

Thomas Balmer
Robert Baumann
Lenka Beinhoff
Fernando Beltrán de Otálora
Ursizin Blumenthal
Jan Brunschwig
Gabriel Di Nardo
Jaume Domènech
Daniel Emery
Mario Fischer

Flavia Fontana
Urs-Beat Fus
Kurt Immer
Jan Kolar
Leo Kudzielka
Valeria Kühne
Urs Pfister
Benjamin Prior
Davide Rima
Marco Ronchi

Claudia Rutishauser
Michael Sargeant
Daniel Schwarz
Christian Seidl
Marianne Steiger
Andreas Steiner
Lorenz Trautmann
Barbara Vannotti-Holzrichter
Karl Wieland

Internal Audit

Wilfried Bürge,
First Vice President
and Head Internal Audit

Rudolf A. Würmli,
Vice President

Statutory Auditors

KPMG Ltd.

A Consolidated Balance Sheet

as of 31st March 2008 and 2007



Assets

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	Notes	31.3.2008	31.3.2007	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Cash	13	53,711	17,540	36,171	206.2
Money market instruments	9, 13	0	552	-552	-100.0
Due from banks	9, 13, 14	1,418,622	839,865	578,757	68.9
Due from customers	1, 2, 11, 13, 14	308,058	220,004	88,054	40.0
Trading balances in securities and precious metals	3, 9, 13	3,451	7,014	-3,563	-50.8
Financial investments	4, 9, 13	163,794	188,007	-24,213	-12.9
Participations	5, 6	84,782	83,518	1,264	1.5
Fixed assets	6, 7	41,938	40,121	1,817	4.5
Intangible assets	6	982	1,130	-148	-13.1
Accrued income and prepaid expenses		17,063	17,901	-838	-4.7
Other assets	8	61,049	34,293	26,756	78.0
Total assets	15, 16, 17	2,153,450	1,449,945	703,505	48.5

A Consolidated Balance Sheet

as of 31st March 2008 and 2007



Liabilities and shareholders' equity

	Notes	31.3.2008	31.3.2007	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Money market instruments	13	0	100	-100	-100.0
Due to banks	13, 14	121,260	37,435	83,825	223.9
Due to customers, other	10, 13, 14	1,528,335	960,426	567,909	59.1
Accrued expenses and deferred income		54,304	38,104	16,200	42.5
Other liabilities	8	44,511	17,626	26,885	152.5
Valuation adjustments and provisions	11, 12	4,118	3,976	142	3.6
Reserves for general banking risks	11, 12	22,769	22,769	0	0.0
Share capital	12	10,330	10,330	0	0.0
Capital reserve	12	4,620	4,620	0	0.0
Reserves and retained earnings	12	307,804	309,012	-1,208	-0.4
Minority interests in shareholders' equity	12	11,149	9,548	1,601	16.8
Consolidated net profit	12	44,250	35,999	8,251	22.9
of which minority interest in consolidated net profit	12	4,565	5,651	-1,086	-19.2
Total liabilities and shareholders' equity	15, 17	2,153,450	1,449,945	703,505	48.5
Total liabilities to non-consolidated participations and significant shareholders		3,820	3,697	123	3.3

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A Consolidated Off-Balance Sheet Transactions

as of 31st March 2008 and 2007



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	Notes	31.3.2008 1000 CHF	31.3.2007 1000 CHF	Change	
				1000 CHF	%
Contingent liabilities	1, 11, 14, 18	61,868	40,404	21,464	53.1
Irrevocable commitments	1, 19	970	2,708	-1,738	-64.2
Fiduciary transactions	22	3,032,832	2,555,274	477,558	18.7
Derivative instruments	17, 20				
- positive replacement value		41,825	15,907	25,918	162.9
- negative replacement value		41,261	15,806	25,455	161.0
- contract volume		1,691,657	1,612,429	79,228	4.9

B Consolidated Income Statement

for the period 1st April to 31st March



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	Notes	31.3.2008 1000 CHF	31.3.2007 1000 CHF	Change	
				1000 CHF	%
Interest and discount income		61,882	42,358	19,524	46.1
Interest and dividend income on financial investments		5,222	5,456	-234	-4.3
Interest expense		-43,640	-28,751	-14,889	51.8
Net interest income	<i>27</i>	23,464	19,063	4,401	23.1
Commission income on lending activities		396	285	111	38.9
Commission income on asset management		84,804	79,822	4,982	6.2
Commission income on trust and company management services		57,044	54,677	2,367	4.3
Commission income on other services		411	638	-227	-35.6
Commission expense		-2,892	-2,882	-10	0.3
Net commission income	<i>22, 27</i>	139,763	132,540	7,223	5.4
Results from trading operations	<i>24, 27</i>	16,602	12,028	4,574	38.0
Results from the sale of financial investments		-171	5	-176	-3,520.0
Income from non-consolidated participations		9,023	4,193	4,830	115.2
Real estate income		1,802	1,817	-15	-0.8
Total other ordinary results	<i>27</i>	10,654	6,015	4,639	77.1
Total income	<i>27</i>	190,483	169,646	20,837	12.3
Personnel expenses	<i>10, 25, 27</i>	-101,025	-89,938	-11,087	12.3
Operating expenses	<i>26, 27</i>	-30,730	-28,944	-1,786	6.2
Total operating expenses	<i>27</i>	-131,755	-118,882	-12,873	10.8
Gross profit	<i>27</i>	58,728	50,764	7,964	15.7
Depreciation and write-offs of non-current assets	<i>6</i>	-6,179	-4,942	-1,237	25.0
Valuation adjustments, provisions and losses	<i>11</i>	-120	-684	564	-82.5
Result before extraordinary items and taxation		52,429	45,138	7,291	16.2
Extraordinary income		50	260	-210	-80.8
Taxation	<i>11, 12, 28</i>	-8,229	-9,399	1,170	-12.4
Consolidated net profit	<i>12</i>	44,250	35,999	8,251	22.9
of which minority interest in consolidated net profit		4,565	5,651	-1,086	-19.2

B Consolidated Statement of Cash Flows

for the period 1st April to 31st March



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	31.3.2008			31.3.2007		
	Source of funds	Application of funds	Balance 1000 CHF	Source of funds	Application of funds	Balance 1000 CHF
Consolidated net profit incl. minorities	44,250			35,999		
Depreciation of non-current assets	6,179			4,942		
Valuation adjustments and provisions	142				6,092	
Profit recognised in equity (IAS 19)		1,249		1,554		
Accrued income and prepaid expenses	838				1,095	
Accrued expenses and deferred income	16,200			8,346		
Dividend of previous year		28,000			28,000	
Dividend paid to minorities		2,653			4,466	
Cash flow from operating results	67,609	31,902	35,707	50,841	39,653	11,188
Participations		1,264			83,342	
Tangible fixed assets	189	7,212		166	4,661	
Intangible assets	14	839		47	921	
Cash flow from investment activities	203	9,315	-9,112	213	88,924	-88,711
Due to banks over 90 days	8,412			3,501		
Due from banks over 90 days		19,211		18,629		
Money market instruments	452				502	
Due to customers, other	567,909			54,930		
Due from customers		88,054			45,890	
Trading balances in securities and precious metals	3,563			8,719		
Financial investments	24,213				25,986	
Other assets		26,756			13,136	
Other liabilities	26,885			5,042		
Cash flow from banking operations	631,434	134,021	497,413	90,821	85,514	5,307
Cash		36,171			1,040	
Due from banks up to 90 days		559,546		124,197		
Due to banks up to 90 days	75,413				51,221	
Other positions		3,704		280		
Liquidity	75,413	599,421	-524,008	124,477	52,261	72,216
Total source of funds	774,659			266,352		
Total application of funds		774,659	0		266,352	0

C Notes to the Consolidated Financial Statements



Information on the Balance Sheet

1 Listing of collateral of loans and off-balance sheet transactions

		Mortgage collateral 1000 CHF	Other collateral 1000 CHF	Without collateral 1000 CHF	Total 1000 CHF
Due from customers		0	258,138	49,920	308,058
Total loans	Current year	0	258,138	49,920	308,058
	Previous year	0	202,221	17,783	220,004
Contingent liabilities		0	59,513	2,355	61,868
Irrevocable commitments		0	0	970	970
Total off-balance sheet transactions	Current year	0	59,513	3,325	62,838
	Previous year	0	40,253	2,859	43,112

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2 Endangered 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	3,213	0	3,213	3,213
	Previous year	23,287	0	23,287	23,287

3 Trading balances in securities and precious metals

	31.3.2008 1000 CHF	31.3.2007 1000 CHF	Change 1000 CHF	%
Interest bearing securities/exchange listed	0	497	-497	-100.0
Shares	3,451	6,517	-3,066	-47.0
Trading balances in securities and precious metals	3,451	7,014	-3,563	-50.8

4 Financial investments

	Book value		Fair value	
	31.3.2008 1000 CHF	31.3.2007 1000 CHF	31.3.2008 1000 CHF	31.3.2007 1000 CHF
Interest bearing securities/accrual method	158,767	182,278	155,545	182,025
Precious metals	5,027	5,729	5,027	5,729
Total financial investments	163,794	188,007	160,572	187,754
of which eligible for repo based on liquidity requirements	17,991	8,018		

C Notes to the Consolidated Financial Statements



5 Participations

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	31.3.2008	31.3.2007	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Participations without market value	84,782	83,518	1,264	1.5
Total participations	84,782	83,518	1,264	1.5

Companies consolidated

Name	Domicile	Business activity	Share capital in 1000	Participation of votes in %	Participation of capital in %
Rothschild Bank (C.I.) Ltd.	Guernsey	Bank	27000 CHF	100.00	100.00
Rothschild Gestión S.A.	Madrid	Asset management	1648 EUR	100.00	100.00
Equitas SA	Geneva	Asset management	1000 CHF	90.00	90.00
Rothschild Fund Management AG	Zurich	Fund management	2000 CHF	100.00	100.00
Rothschild Vermögensverwaltungs-GmbH	Frankfurt	Asset management	250 EUR	100.00	100.00
RBZ Treuhand AG	Zurich	Fiduciary services	100 CHF	100.00	100.00
Creafin AG	Zurich	Asset management	100 CHF	100.00	100.00
Sagitas AG	Glarus	Fiduciary services	100 CHF	100.00	100.00
Anterana Holdings AG	Glarus	Fiduciary services	100 CHF	100.00	100.00
RBZ (Representative) PTE	Singapore	Asset management	500 SGD	100.00	100.00
Rothschild Private Trust Holdings AG	Zurich	Holding	5000 CHF	56.84	56.84
Rothschild Trust (Schweiz) AG	Zurich	Trust services	500 CHF	100.00	100.00
RTS Geneva SA	Geneva	Trust services	100 CHF	100.00	100.00
Master Nominees	Tortola	Nominee services	– USD	100.00	100.00
Rothschild Trust Cayman Ltd.	George Town	Trust services	400 KYD	100.00	100.00
Rothschild Trust BVI Ltd.	Tortola	Trust services	250 USD	100.00	100.00
RTB Trustees	Tortola	Trust services	– USD	100.00	100.00
Rothschild Trust (Singapore) Ltd.	Singapore	Trust services	316 SGD	100.00	100.00
Rothschild Trust Corp. Ltd.	London	Trust services	250 GBP	100.00	100.00
Rothschild Nominees	London	Nominee services	– GBP	100.00	100.00
Rothschild Trust Guernsey Ltd.	Guernsey	Trust services	1000 GBP	100.00	100.00
Rothschild Trust (Bermuda) Ltd.	Bermuda	Trust services	250 USD	100.00	100.00
Integritas Management Ltd	Hong Kong	Trust services	32 HKD	100.00	100.00
Rothschild Trust Canada Inc.	Charlottetown	Trust services	10 CAD	100.00	100.00
Rothschild Trust Financial Services Ltd.	St. Peter Port	Trust services	– GBP	100.00	100.00
Rothschild Trustee Services (Ireland) Ltd.	Dublin	Trust services	– EUR	100.00	100.00
Rothschild Trust New Zealand Ltd.	Auckland	Trust services	– NZD	100.00	100.00
Rothschild Trust Protectors Ltd.	Charlottetown	Trust services	– CAD	100.00	100.00

Rothschild Bank AG purchased 100% of Rothschild Private Management (CI) Ltd., Guernsey, as at 1st August 2007 for a consideration of CHF 5 million, which approximately equaled the net asset value, from Rothschild Holding AG, the parent company of Rothschild Bank AG. Rothschild Private Management (CI) Ltd. was subsequently amalgamated with Rothschild Bank (CI) Ltd. Guernsey, formerly Rothschild Bank Switzerland (CI) Ltd., Guernsey.

The proportional shareholdings in the above mentioned companies remained unchanged compared to prior year.

C Notes to the Consolidated Financial Statements



Major non-consolidated participations

Name	Domicile	Business activity	Share capital in 1000	Participation of votes in %	Participation of capital in %
Rothschild Bank International Ltd.	Guernsey	Bank	5000 GBP	0.00	40.00

The investment in Rothschild Bank International Ltd. (RBI), formerly N M Rothschild & Sons (CI) Ltd., Guernsey, has a book value of CHF 83.3 million (preferred shares without voting rights). RBI is an affiliated company, which is controlled by Rothschilds Continuation Holdings AG, Zug.

6 Participations and fixed assets

	Historical cost 1000 CHF	Accumulated depreciation write-offs 1000 CHF	Book value previous year 1000 CHF	Additions 1000 CHF	Disposals/ Forex impact 1000 CHF	Depreciation/ Valuation adjustments 1000 CHF	Book value current year 1000 CHF
Participations equity accounted	60		60				60
Other participations	83,458		83,458	1,264			84,722
Total participations	83,518	0	83,518	1,264	0	0	84,782
Bank buildings	31,433	22,533	8,900				8,900
Other properties	47,042	27,942	19,100				19,100
Outfitting costs	14,505	6,681	7,824	3,650	5	2,303	9,166
Other fixed assets	11,973	7,676	4,297	3,562	184	2,903	4,772
Total fixed assets	104,953	64,832	40,121	7,212	189	5,206	41,938
Goodwill	0	0	0				0
Other intangible assets	3,454	2,324	1,130	839	14	973	982
Total intangible assets	3,454	2,324	1,130	839	14	973	982
Total	191,925	67,156	124,769	9,315	203	6,179	127,702

7 Fire insurance value

	31.3.2008 1000 CHF	31.3.2007 1000 CHF
Fire insurance value of real estate	80,508	80,760
Fire insurance value of other fixed assets	29,157	28,143

8 Other assets and other liabilities

	31.3.2008		31.3.2007	
	Other assets 1000 CHF	Other liabilities 1000 CHF	Other assets 1000 CHF	Other liabilities 1000 CHF
Replacement values of all derivative financial instruments	41,825	41,261	15,907	15,806
Compensation accounts, stamp duty, VAT, withholding tax	961	2,059	2,970	1,578
Deferred tax assets/liabilities	118	–	976	–
Pension assets/due to pension schemes	3,103	–	2,301	–
Other assets and liabilities	15,042	1,191	12,139	242
Total other assets and other liabilities	61,049	44,511	34,293	17,626

C Notes to the Consolidated Financial Statements



9 Indication of pledged or assigned assets to secure own commitments and of assets with reservation of title

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Pledged or ceded assets and assets with reservation of title without securities lending and borrowing and without repurchase and reverse repurchase agreements	31. 3. 2008		31. 3. 2007	
	Book value	of which used	Book value	of which used
	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Due from banks	1,381	852	1,254	477
Securities	42,156	0	36,946	0
Total	43,537	852	38,200	477

10 Rothschild Bank Group Pension Plans

Swiss pension plans

The main Swiss pension plan is included in the IAS 19 calculation for defined benefit plans. According to Swiss law it qualifies as a defined contribution plan. This plan is a legally independent foundation "Pensionskasse der Rothschild Bank AG" for which the Group is not liable. The organisation, management and financing of the pension plan comply with the legal requirements and the foundation charter. The plan is funded by contributions from the Group and the employees. Current employees and pensioners receive statutorily determined benefits upon leaving the company or retiring, as well as in the event of death or invalidity.

In addition to the main Swiss pension plan, Rothschild Bank Group maintains an additional plan for certain members of staff. Until March 2008, this plan was considered to be a defined contribution plan according to IAS 19. Due to changes in the foundation charter, this plan will be considered as a defined benefit plan from 31st March 2008 onwards (Reclassification of additional pension scheme as set out in the following tables).

For IFRS purposes the present value of defined benefit obligation is calculated by applying the projected unit credit method. The relevant costs as determined under IAS 19 have been covered by the employer's contribution and are recognised as an expense in personnel expenses. Actuarial gains or losses from changes in actuarial assumptions and experience adjustments used for valuing the assets and liabilities are immediately recognised in the balance sheet with a corresponding adjustment in the statement of recognised income and expense.

UK pension plans

The Group's subsidiaries Rothschild Bank (CI) Ltd., Guernsey, Rothschild Trust Guernsey Ltd., Guernsey, and Rothschild Trust (Bermuda) Ltd., Bermuda, participate in the NMR Overseas Pension Fund, a defined benefit scheme operated for the benefit of employees of certain Rothschild Group entities outside the United Kingdom and outside of Switzerland. These entities have accounted for their share of the assets, the liabilities and the costs of the NMR Overseas Pension Fund, this share being determined by reference to the active, deferred and pensioner membership of the fund.

C Notes to the Consolidated Financial Statements



Other pension plans

Defined contribution plans

The Group's subsidiaries Rothschild Vermögensverwaltungs-GmbH, Frankfurt, and Rothschild Gestión S.A., Madrid, participate in collective pension funds, which are managed externally. The employer contributions are accordingly considered as expenses.

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Additional information on the actuarial calculation of pension obligations

The Group maintains a number of defined contribution pension plans, primarily abroad. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year.

10 Actuarial calculation of pension obligations under defined benefit plans and liabilities to pension plans

	Swiss pension plans		UK overseas pension plan	
	31.3.2008 1000 CHF	31.3.2007 1000 CHF	31.3.2008 1000 CHF	31.3.2007 1000 CHF
Development of obligations and assets				
Present value of funded obligation at start of year	-138,915	-132,799	-41,234	-44,351
Reclassification of additional pension scheme	-22,959		-4,476	
Service cost	-7,945	-5,506	-1,487	-1,896
Past service cost				
Interest cost	-3,820	-4,316	-2,408	-2,251
Curtailments/settlements				4,352
Benefits paid	4,272	3,389	462	544
Actuarial gain/loss on benefit obligation	-7,413	317	5,250	2,368
Forex translation difference			7,672	
Present value of funded obligation at end of year	-176,780	-138,915	-36,221	-41,234
Fair value of plan assets				
Fair value of plan assets at start of year	147,884	135,497	42,936	36,966
Reclassification of additional pension scheme	28,130		4,664	
Expected return on plan assets	5,546	5,081	3,022	2,349
Employer's contributions	6,597	4,447	1,281	4,985
Employees' contributions	1,965	1,687		
Curtailments/settlements				-2,934
Benefits paid	-4,272	-3,388	-462	-544
Actuarial gain/loss on plan assets	-1,921	4,560	-4,555	936
Forex translation difference			-8,158	1,178
Fair value of plan assets at end of year	183,929	147,884	38,728	42,936

C Notes to the Consolidated Financial Statements



10 Actuarial calculation of pension obligations under defined benefit plans and liabilities to pension plans (continued)

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	Swiss pension plans		UK overseas pension plan	
	31.3.2008 1000 CHF	31.3.2007 1000 CHF	31.3.2008 1000 CHF	31.3.2007 1000 CHF
Balance sheet (end of the year)				
Fair value of plan assets	183,929	147,884	38,728	42,936
Defined benefit obligation	-176,780	-138,915	-36,221	-41,234
Funded status	7,148	8,969	2,507	1,703
Unrecognised asset due to IAS 19.58	-6,550	-8,371		
Net assets based on actuarial assumptions	598	598	2,507	1,703
Deferred taxes	-127	-127		
Retained earnings	471	471	2,507	1,703
Profit and loss statement				
Service cost	-7,945	-5,506	-1,487	-1,896
Interest cost	-3,820	-4,316	-2,408	-2,251
Expected return on plan assets	5,546	5,081	3,022	2,349
Net actuarial gain/loss recognised in the year				
Past service cost recognised in the year				1,418
Net periodic pension cost	-6,220	-4,741	-873	-380
Employees' contributions	1,965	1,687		
Expense recognised in the income statement	-4,255	-3,054	-873	-380
Movements in net assets recognised in the balance sheet				
Net actuarial asset calculation at start of year	598	598	1,703	0
Reclassification of additional pension scheme	5,171			
Expense recognised in the profit and loss statement	-4,255	-3,054	-873	-1,176
Employer's contributions	6,597	4,447	1,281	4,985
Prepaid/accrued pension cost	2,342	1,393	408	3,809
Actuarial gain/loss in the year recognised in equity	-7,513	-1,393	-695	
Translation adjustments				-193
Net actuarial asset/obligation calculation at end of year	598	598	2,507	1,703
Actual return on plan assets	3,625	9,641	1,533	3,285

C Notes to the Consolidated Financial Statements



10 Actuarial calculation of pension obligations under defined benefit plans and liabilities to pension plans (continued)

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	Swiss pension plans		UK overseas pension plan	
	31.3.2008 1000 CHF	31.3.2007 1000 CHF	31.3.2008 1000 CHF	31.3.2007 1000 CHF
Information about the recognised actuarial gain (loss)				
Actuarial gain/loss recognised in equity at start of year	-3,684	-2,291	-1,062	-4,366
Actuarial gain/loss in the year	-9,334	4,877	695	3,304
Change in unrecognised plan assets	1,821	-6,269		
Actuarial gain/loss in the year recognised in equity	-7,513	-1,393	-695	3,304
Actuarial gain/loss recognised in equity at end of year	-11,197	-3,684	-1,757	-1,062
Principal actuarial assumptions				
Discount rate	3.3%	2.8%	6.5%	5.4%
Expected net return on plan assets	3.8%	3.8%	6.8%	6.8%
Average future salary increases	2.3%	2.3%	4.6%	4.1%
Future pension increases	0.6%	0.6%	2.3%	3.1%
Allocation of the assets				
Cash	11.2%	7.1%	21.0%	24.0%
Bonds	61.3%	61.1%	14.0%	11.0%
Shares	19.9%	23.8%	54.0%	60.0%
Investment properties	0.0%	0.0%	4.0%	5.0%
Other	7.6%	8.0%	7.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%
Experience adjustments arising on the plan assets and liabilities				
Actual less expected return on assets	-1,921	4,560	-4,555	936
in % of plan assets at start of year	-1.3%	3.4%	-10.6%	2.5%
Experience gains and losses arising on liabilities	-7,413	317	5,250	2,368
in % of present value of funded obligation at start of year	5.3%	-0.2%	-12.7%	-5.3%

C Notes to the Consolidated Financial Statements



10 Actuarial calculation of pension obligations under defined benefit plans and liabilities to pension plans (continued)

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	31. 3. 2008 1000 CHF	31. 3. 2007 1000 CHF
Liabilities to pension plans (due to customers, others)	11,350	8,173
	31. 12. 2008 1000 CHF	31. 12. 2007 1000 CHF
Reserves for employer's contributions	598	598

11 Valuation adjustments and provisions, reserves for general banking risks

	Balance previous year 1000 CHF	Usage in conformity with their purpose 1000 CHF	Recoveries, overdue interest, currency differences 1000 CHF	New creation, charged to income statement 1000 CHF	Reversals, credited to income statement 1000 CHF	Balance current year 1000 CHF
Provisions for deferred taxes	3,553			212		3,765
Valuation adjustments and provisions for credit and country risks	23,287	-20,024	-50			3,213
Valuation adjustments and provisions for other business risks	0					0
Provisions for restructuring costs	0					0
Provisions for pension obligations	0					0
Other provisions	423		-70			353
Total valuation adjustments and provisions	27,263	-20,024	-120	212	0	7,331
Less valuation adjustments directly netted with assets	23,287					3,213
Total valuation adjustments and provisions as per balance sheet	3,976					4,118
Reserves for general banking risks	22,769					22,769

C Notes to the Consolidated Financial Statements



12 Statement of changes in shareholders' equity

	1000 CHF
Share capital	10,330
Capital reserve	4,620
Reserves and retained earnings	309,012
Minority interest in shareholders' equity	9,548
Reserves for general banking risks	22,769
Consolidated net profit incl. minority interests	35,999
Shareholders' equity at beginning of current year	392,278
Dividends paid	-28,000
Dividends paid to minorities	-2,653
Profits/losses directly booked into equity	-1,249
Translation adjustments	-3,879
Negative Goodwill on RPM C.I. acquisition booked to equity	175
Consolidated net profit incl. minority interests	44,250
Shareholders' equity at end of current year	400,922
Share capital	10,330
Capital reserve	4,620
Reserves and retained earnings	307,804
Minority interest in shareholders' equity	11,149
Reserves for general banking risks	22,769
Consolidated net profit incl. minority interests	44,250
Shareholders' equity at end of current year	400,922

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C Notes to the Consolidated Financial Statements



13 Maturity structure of current assets, financial investments and liabilities

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	At sight 1000 CHF	Redeemable by notice 1000 CHF	Maturity within 3 months 1000 CHF	Maturity within 3– 12 months 1000 CHF	Maturity within 1–5 years 1000 CHF	Maturity after 5 years 1000 CHF	Total 31.3.2008 1000 CHF
Cash	53,711						53,711
Money market instruments							0
Due from banks	77,857		1,297,216	43,549			1,418,622
Due from customers		46,025	163,764	61,390	36,879		308,058
Trading balances in securities and precious metals	3,451						3,451
Financial investments	5,153		5,000	20,276	96,936	36,429	163,794
Total current assets	140,172	46,025	1,465,980	125,215	133,815	36,429	1,947,636
Previous year	122,741	51,008	847,639	84,942	109,981	56,671	1,272,982
Money market instruments							0
Due to banks	99,086	820	9,441	11,913			121,260
Due to customers, other	722,598	536,727	246,315	22,695			1,528,335
Total borrowed funds current year	821,684	537,547	255,756	34,608	0	0	1,649,595
Previous year	292,379	538,368	156,519	10,695	0	0	997,961

14 Disclosure of amounts due from and due to affiliated companies as well as loans and exposures to directors and senior executives

	31.3.2008 1000 CHF	31.3.2007 1000 CHF	Change	
			1000 CHF	%
Claims against affiliated companies	79,210	42,220	36,990	87.6
Liabilities against affiliated companies	39,676	10,781	28,895	268.0
Loans and exposures to directors and senior executives	50,685	27,785	22,900	82.4

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 Swiss Executive Board (SEB) 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 Consolidated Financial Statements



15 Balance sheet by domestic and foreign origin

	31.3.2008			31.3.2007		
	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF
Assets						
Cash	53,707	4	53,711	17,532	8	17,540
Money market instruments			0		552	552
Due from banks	102,834	1,315,788	1,418,622	59,207	780,658	839,865
Due from customers	28,271	279,787	308,058	29,432	190,572	220,004
Trading balances in securities and precious metals		3,451	3,451	1,055	5,959	7,014
Financial investments	42,990	120,804	163,794	48,410	139,597	188,007
Participations	50	84,732	84,782	50	83,468	83,518
Fixed assets	40,217	1,721	41,938	37,911	2,210	40,121
Intangible assets	778	204	982	832	298	1,130
Accrued income and prepaid expenses	13,709	3,354	17,063	12,779	5,122	17,901
Other assets	46,238	14,811	61,049	17,173	17,120	34,293
Total assets	328,794	1,824,656	2,153,450	224,381	1,225,564	1,449,945
Liabilities and shareholders' equity						
Money market instruments			0	100		100
Due to banks	48,602	72,658	121,260	1,777	35,658	37,435
Due to customers, other	652,969	875,366	1,528,335	611,979	348,447	960,426
Accrued expenses and deferred income	47,525	6,779	54,304	32,041	6,063	38,104
Other liabilities	42,766	1,745	44,511	17,417	209	17,626
Valuation adjustments and provisions	4,118		4,118	3,976		3,976
Reserves for general banking risks	22,769		22,769	22,769		22,769
Share capital	10,330		10,330	10,330		10,330
Capital reserve	4,620		4,620	4,620		4,620
Reserves and retained earnings	318,953		318,953	318,560		318,560
Consolidated net profit	44,250		44,250	35,999		35,999
Total liabilities and shareholders' equity	1,196,902	956,548	2,153,450	1,059,568	390,377	1,449,945

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C Notes to the Consolidated Financial Statements



16 Geographical analysis of assets

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	31.3.2008		31.3.2007	
	1000 CHF	Share in %	1000 CHF	Share in %
Europe	1,957,282	90.8	1,294,676	89.3
America	139,323	6.5	127,699	8.8
Asia	22,768	1.1	21,271	1.5
Australia, New Zealand	4,315	0.2	2,136	0.1
Others	29,762	1.4	4,163	0.3
Total	2,153,450	100	1,449,945	100.0

C Notes to the Consolidated Financial Statements



17 Balance sheet by currencies in 1000 CHF

	CHF	EUR	GBP	USD	YEN	Other	Total 31.3.2008
Assets							
Cash	52,107	1,453	75	76			53,711
Money market instruments							0
Due from banks	225,067	274,690	415,678	430,680	397	72,110	1,418,622
Due from customers	66,329	165,806	17,329	30,885	22,231	5,478	308,058
Trading balances in securities and precious metals		786		2,665			3,451
Financial investments	130,716	21,166	5,924	961		5,027	163,794
Participations	84,782						84,782
Fixed assets	40,178	1,392	368	0			41,938
Intangible assets	779	107	96				982
Accrued income and prepaid expenses	11,488	2,540	1,980	978	33	44	17,063
Other assets	45,273	5,084	10,692	0			61,049
Total on balance assets	656,719	473,024	452,142	466,245	22,661	82,659	2,153,450
Contingent assets from forex spot, forex forward and forex options transactions	214,626	496,032	310,381	540,051	6,851	279,858	1,847,799
Total assets	871,345	969,056	762,523	1,006,296	29,512	362,517	4,001,249
Liabilities and shareholders' equity							
Money market instruments							0
Due to banks	39,175	39,241	7,927	22,366	11,759	792	121,260
Due to customers, other	145,075	400,568	450,725	447,009	9,426	75,532	1,528,335
Accrued expenses and deferred income	47,206	652	4,753	1,466	5	222	54,304
Other liabilities	43,245	80	1,186				44,511
Valuation adjustments and provisions	3,774	47		297			4,118
Reserves for general banking risks	22,769						22,769
Share capital	10,330						10,330
Capital reserve	4,620						4,620
Reserves and retained earnings	318,953						318,953
Consolidated net profit	44,250						44,250
Total on balance liabilities	679,397	440,588	464,591	471,138	21,190	76,546	2,153,450
Contingent liabilities from forex spot, forex forward and forex options transactions	209,514	521,955	287,013	535,588	6,903	286,307	1,847,280
Total liabilities and shareholders' equity	888,911	962,543	751,604	1,006,726	28,093	362,853	4,000,730
Net position per currency	-17,566	6,513	10,919	-430	1,419	-336	

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C Notes to the Consolidated Financial Statements



Information on Off-Balance Sheet Transactions

18 Analysis of contingent liabilities

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	31.3.2008	31.3.2007	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Guarantees and letters of credit	61,868	40,404	21,464	53.1

19 Irrevocable commitments

	31.3.2008	31.3.2007	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Liability against the Swiss deposit guarantee	970	2,708	-1,738	-64.2

20 Outstanding derivative instruments

		Trading instruments		Contract volume 1000 CHF
		Replacement value positive 1000 CHF	Replacement value negative 1000 CHF	
Foreign exchange				
Forwards		37,180	36,616	1,222,915
Options (OTC)		4,540	4,540	468,506
Shares/Indices		105	105	236
Total before consideration of netting contracts	Current year	41,825	41,261	1,691,657
	Previous year	15,907	15,806	1,612,429

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

21 Analysis of counterparties of derivative instruments

	31.3.2008			31.3.2007		
	Replacement value positive 1000 CHF	Replacement value negative 1000 CHF	Contract volume 1000 CHF	Replacement value positive 1000 CHF	Replacement value negative 1000 CHF	Contract volume 1000 CHF
Banks and derivative exchanges						
– with duration up to 1 year	21,141	19,700	882,410	10,557	4,612	831,052
Customers with collateral	20,684	21,561	809,247	5,350	11,194	781,377
Total	41,825	41,261	1,691,657	15,907	15,806	1,612,429

C Notes to the Consolidated Financial Statements



22 Analysis of fiduciary transactions

	31.3.2008	31.3.2007	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Fiduciary placements with third-party banks	2,504,565	2,551,362	-46,797	-1.8
Fiduciary placements with affiliated banks	525,938	1,364	524,574	38,458.5
Fiduciary credits and other fiduciary financial transactions	2,329	2,548	-219	-8.6
Total	3,032,832	2,555,274	477,558	18.7

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23 Client assets

	31.3.2008	31.3.2007	Change	
	CHF Mio.	CHF Mio.	CHF Mio.	%
Type of client assets				
Other client assets	6,132	6,350	-218	-3.4
Fund assets managed by RBZ Group	58	125	-67	-53.6
Assets with management mandate	5,483	4,391	1,092	24.9
Total client assets (incl. double count)	11,673	10,866	807	7.4
thereof double count	60	131	-71	-54.2
Net new assets	2,540	434	2,106	485.3
thereof net new assets as a result of the purchase of RPMCI (note 5; participations)	1,471	0	1,471	
Custody assets	3,743	2,267	1,476	65.1

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

Assets with management mandate covers both assets deposited with Group companies and assets deposited at third-party institutions for which the Bank holds a management mandate.

Custody assets include assets for which the Bank provides custody services only. These relate mainly to assets from Group Companies. In addition, assets from the Banks' pension schemes and assets of employees are included. CHF 529 million have been reclassified to "Custody Assets" in 2007.

Information on the Income Statement

24 Trading income

	31.3.2008	31.3.2007	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Profit on foreign exchange and bank notes	15,531	11,242	4,289	38.2
Profit on bullion transactions	733	273	460	168.5
Profit on securities	338	513	-175	-34.1
Total	16,602	12,028	4,574	38.0

C Notes to the Consolidated Financial Statements



25 Personnel expenses

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	31.3.2008	31.3.2007	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Salaries and allowances	-79,928	-72,777	-7,151	9.8
Social security contributions	-4,591	-3,930	-661	16.8
Pension contributions	-7,701	-6,994	-707	10.1
Other personnel expenses	-8,805	-6,237	-2,568	41.2
Total	-101,025	-89,938	-11,087	12.3
Staff Rothschild Bank AG	183	157	26	16.6
Staff Rothschild Bank AG and subsidiaries	419	373	46	12.3

26 Other operating expenses

	31.3.2008	31.3.2007	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Occupancy expenses	-5,137	-4,462	-675	15.1
Cost of IT, machinery, furniture, vehicles and other equipment	-4,422	-3,924	-498	12.7
Printing and postage	-1,596	-1,252	-344	27.5
Research, communication and public relations	-5,820	-5,528	-292	5.3
Insurance	-2,729	-2,302	-427	18.5
Travel and Entertainment	-6,622	-5,790	-832	14.4
Legal, audit and consultancy fees, costs in relation to regulators	-2,743	-2,289	-454	19.8
Other operating expenses	-1,661	-3,397	1,736	-51.1
Total	-30,730	-28,944	-1,786	6.2

C Notes to the Consolidated Financial Statements



27 Gross profit by domestic and foreign origin

	31.3.2008			31.3.2007		
	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF	Domestic 1000 CHF	Foreign 1000 CHF	Total 1000 CHF
Net interest income	17,714	5,750	23,464	15,845	3,218	19,063
Net commission income	87,720	52,043	139,763	81,617	50,923	132,540
Results from trading operations	15,880	722	16,602	11,827	201	12,028
Other ordinary results	14,170	-3,516	10,654	10,675	-4,660	6,015
Total gross income	135,484	54,999	190,483	119,964	49,682	169,646
Personnel expenses	-71,786	-29,239	-101,025	-63,360	-26,578	-89,938
Other operating expenses	-22,720	-8,010	-30,730	-20,201	-8,743	-28,944
Total operating expenses	-94,506	-37,249	-131,755	-83,561	-35,321	-118,882
Gross profit	40,978	17,750	58,728	36,403	14,361	50,764

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28 Taxation

	31.3.2008	31.3.2007	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Deferred tax expense	-936	-796	-140	17.6
Costs for current income and capital taxes	-7,293	-8,603	1,310	-15.2
Total	-8,229	-9,399	1,170	-12.4
Unconsidered reduction of taxes on losses carried forward ¹⁾	5,217	5,099	118	2.3

¹⁾ No deferred tax assets on losses were capitalised.

D Consolidation, Accounting and Valuation Principles



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General Principles

The consolidated financial statements have been prepared in accordance with the Swiss Bank Accounting Guidelines of the Swiss Federal Banking Commission (BAG-SFBC).

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 Group has the power, directly or indirectly, usually based on a participation of over 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

There were no changes in the scope of the consolidation.

Accounting and Recording of Transactions

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

Foreign Currency Translation of the Financial Statements

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

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

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

Foreign exchange rates used

	2007/08		2006/07	
	Spot rate	Average rate	Spot rate	Average rate
EUR	1.5685	1.6378	1.6214	1.5869
GBP	1.9720	2.3087	2.3873	2.3402
USD	0.9926	1.1470	1.2129	1.2374

D Consolidation, Accounting and Valuation Principles



Cash, Due from and to Banks, Due to Customers and Money Market Instruments

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

Due from Customers

Due from customers are stated in the balance sheet at their notional 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 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.

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 necessary depreciation.

Fixed Assets

Fixed assets are valued at cost less depreciation over an expected useful lifetime of maximum ten years for fit-out costs and 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, and additional, unscheduled write-off is made. The remaining book value is subsequently written down over the residual useful lifetime. If the review reveals a change in the useful lifetime, the remaining book value is written down as planned over the adjusted useful life. Small investment outlays are charged directly to operating expenses at the time of purchase.

D Consolidation, Accounting and Valuation Principles



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Intangible Assets

Intangible assets acquired are stated at cost less depreciation over a measurable useful life of maximum three years. Review and adjustments of value are carried out in the same way as with tangible assets. Small investment outlays are charged directly to operating expenses at the time of purchase.

Derivative Instruments

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

Liabilities to Pension Plans

In the case of defined benefit pension plans, the pension expenses and obligations are measured according to the projected unit credit method. The corresponding calculations are carried out annually by independent qualified actuaries.

In adopting IAS 19, the excess of the fair value of plan assets over the present value of the benefit obligations of the Swiss pension plan has been recognised as an asset in the Group financial statements only to the extent that economic benefits are available in the form of refunds from the plan or reductions in future contributions to the plan would be possible.

The excess of the present value of the benefit obligations over the fair value of the plan assets of the overseas employees pension fund has been fully recognised as a liability.

Actuarial gains or losses from changes in actuarial assumptions and experience adjustments used for valuing the assets and liabilities of defined benefit plans at fair value at the balance sheet date are immediately recognised in the balance sheet with a corresponding movement in equity.

In the case of defined contribution pension plans, the contributions are expensed when paid.

Valuation Adjustments and Provisions

Claims that a debtor is unlikely to satisfy in 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.

D Consolidation, Accounting and Valuation Principles



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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.

Fiduciary Placement Activities

The Group acts as custodian and in other fiduciary capacities that result in the holding or placing of assets on behalf of customers. These assets and the interest income arising therefrom 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



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General Principles

The Board of Directors of the Bank is responsible for the stipulation of the risk policy. The Board of Directors has released a risk policy, which both takes into account the circumstances of the business activities of the Bank and its subsidiaries and also reflects the capital funds situation of the group, the interest of the shareholders and the regulatory environment. The risk policy is constantly monitored and amended if necessary.

The formal methodology of the risk policy relates primarily to the observance of quantitative risk limits, especially for credit and market risks, and to the qualitative aspects of risk diversification and of working procedures for reducing operational risks. At the same time, great importance is attached to the risk awareness of the management bodies and all group staff. Hence the Board of Directors and the Swiss Executive Board pursue an open risk culture which is also implemented by responsible, careful and professional behaviour from all employees. The group consciously depends on the personal integrity, specialist competence and risk-awareness of each individual and undertakes the necessary steps.

The implementation of the risk policy is delegated to the Swiss Executive Board. Management is supported in this by a risk control unit which is independent from trading and client-related services and monitor compliance with limits and the risk policy.

Credit Risks

Credit risk describes the potential for loss as a result of insolvency of a client or counterparty. A potential loss arises in particular when maturing loans or other obligations to payment are not repaid or cannot be repaid when due. For this reason loans and other credits are only granted after taking into account fundamental principles of caution. Since the banking business is strongly focused on private banking, loans are mainly granted against collateral in the form of pledged investment portfolios.

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

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

Liquidity Risk

Liquidity risk describes the risk that in some circumstances, for example changed market conditions, the Bank might not be able to meet all its payment obligations as they fall due. The Bank maintains liquidity facilities in the form of overdraft lines at correspondent banks and secured finance facilities with clearing institutions for the exceptional event that counterparties or clients do not meet their payment obligations punctually. Compliance with the liquidity rules as set out in the Banking Ordinance is constantly monitored.

E Notes on Risk Management



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Market Risk

Market risk describes the risk that the Bank could suffer losses as a result of changes on the financial markets (interest rates, FX rates, share prices). The business policy of the Bank is to only permit open market risk positions to a small degree in relation to client business volumes and available capital funds.

Trading positions are valued daily. Calculation of risk positions and monitoring of compliance with the limits is performed by a team independent from the trading department.

The Treasury Committee manages interest rate risk in the banking book and monitors the balance sheet structure.

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. In accordance with best practice standards in banking and the Bank's dedication to ensure high quality services for its clients, the Swiss Executive Board has implemented a set of processes and work flows by means of internal policies and procedures on organisation setup and controls, which are designed to maintain operational security at a high level. Particular attention is given to the quality and skills of staff, the segregation of duties, the careful selection of counterparties and the security of the central computer systems and networks. The Internal Audit department reviews the procedures and internal controls at regular intervals. Due to an escalation procedure it is assured that the responsible line management is adequately involved in the reporting and analyses process.

The development and operation of the central computer system is operated in association with Banque Privée Edmond de Rothschild in Geneva. Both banks subscribe to high security standards, which are monitored on a regular basis thus ensuring that bank-client confidentiality is maintained. The Service Level Agreement providing the contractual basis for these standards corresponds to the requirements of the Swiss Federal Banking Commission.

The Board of Directors has considered the main operational risks of the Group and has issued guidelines (principles) for the measurement and limitation of operational risk.

Legal Risks and Compliance

In order to monitor legal and regulatory risks, the Bank maintains a Legal Department and a Compliance Office. These ensure that the Bank's business activities are conducted in accordance with the applicable regulations and the obligation of financial intermediaries to observe due diligence. If required, external legal advice is sought.

Capital adequacy disclosures

Disclosures on capital adequacy according to SFBC-Circular 06/04 are available on www.rothschildbank.com.

Business and Services Provided by Rothschild Bank AG Zurich and Subsidiaries



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

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

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

Portfolio Management

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

Trust and Company Management Services

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

Business and Services Provided by Rothschild Bank AG Zurich and Subsidiaries



Trading

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

Lombard lending

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

Auditors' Report on Consolidated Financial Statements of Rothschild Bank AG



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Report of the Group Auditors
to the Annual General Meeting of
Rothschild Bank AG
Zurich

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement and notes) of Rothschild Bank AG for the year ended 31st March 2008 as presented on pages 8 to 37 of the annual report 2007/08.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss auditing standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the results of operations in according with the accounting guidelines applicable for financial institutes and comply with Swiss law.

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

Zurich, 10th June 2008

KPMG Ltd.

Roland Müller
Auditor in Charge

Corinne Jaeger



Financial Statements of Rothschild Bank AG

Balance Sheet of Rothschild Bank AG

as of 31st March 2008 and 2007



Assets

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	Notes	31.3.2008 1000 CHF	31.3.2007 1000 CHF	Change	
				1000 CHF	%
Cash		53,703	17,531	36,172	206.3
Due from banks	2, 8	843,836	323,707	520,129	160.7
Due from customers	4, 8	291,016	206,054	84,962	41.2
Trading balances in securities and precious metals		3,451	7,015	-3,564	-50.8
Financial investments	2	152,918	176,292	-23,374	-13.3
Participations		140,494	112,223	28,271	25.2
Fixed assets		39,984	37,618	2,366	6.3
Intangible assets		675	754	-79	-10.5
Accrued income and prepaid expenses		9,687	9,462	225	2.4
Other assets	1	42,699	16,427	26,272	159.9
Total assets		1,578,463	907,083	671,380	74.0
Total subordinated claims		0	9,500	-9,500	-100.0
Total due from Group companies and significant shareholders		7,859	23,368	-15,509	-66.4

Balance Sheet of Rothschild Bank AG

as of 31st March 2008 and 2007



Liabilities and shareholders' equity

	Notes	31.3.2008	31.3.2007	Change	
		1000 CHF	1000 CHF	1000 CHF	%
Money market instruments		0	100	-100	-100.0
Due to banks	8	805,496	234,810	570,686	243.0
Due to customers, other	3, 8	335,261	273,373	61,888	22.6
Accrued expenses and deferred income		33,811	23,691	10,120	42.7
Other liabilities	1	42,973	17,029	25,944	152.4
Valuation adjustments and provisions	4	353	424	-71	-16.7
Reserves for general banking risks	4, 7	22,769	22,769	0	0.0
Share capital	5, 6, 7	10,330	10,330	0	0.0
General legal reserve	7	53,500	50,700	2,800	5.5
Other reserves	7	240,500	240,500	0	0.0
Retained earnings brought forward	7	2,556	3,403	-847	-24.9
Net profit	7	30,914	29,954	960	3.2
Total liabilities and shareholders' equity		1,578,463	907,083	671,380	74.0
Total due to Group companies and significant shareholders		704,011	227,304	476,707	209.7

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Off-Balance Sheet Transactions

as of 31st March 2008 and 2007



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	Note	31.3.2008 1000 CHF	31.3.2007 1000 CHF	Change	
				1000 CHF	%
Contingent liabilities		61,568	39,998	21,570	53.9
Irrevocable commitments		970	2,708	-1,738	-64.2
Fiduciary transactions	9	3,410,559	2,885,223	525,336	18.2
Derivative instruments					
– positive replacement value		41,932	16,065	25,867	161.0
– negative replacement value		41,343	15,714	25,629	163.1
– contract volume		1,691,603	1,660,071	31,532	1.9

Income Statement

for the period 1st April to 31st March



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	Notes	31.3.2008 1000 CHF	31.3.2007 1000 CHF	Change	
				1000 CHF	%
Interest and discount income		34,816	19,617	15,199	77.5
Interest and dividend income on financial investments		4,930	5,128	-198	-3.9
Interest expense		-22,232	-8,997	-13,235	147.1
Net interest income		17,514	15,748	1,766	11.2
Commission income on lending activities		365	231	134	58.0
Commission income on asset management		64,274	59,718	4,556	7.6
Commission income on other services		1,813	1,979	-166	-8.4
Commission expense		-2,149	-1,083	-1,066	98.4
Net commission income		64,303	60,845	3,458	5.7
Results from trading operations	11	15,862	11,720	4,142	35.3
Results from the sale of financial investments		-151	8	-159	-1,987.5
Participation income		16,113	13,840	2,273	16.4
Net income from real estate holdings		2,711	2,735	-24	-0.9
Total other ordinary results		18,673	16,583	2,090	12.6
Total income		116,352	104,896	11,456	10.9
Personnel expenses		-58,187	-50,368	-7,819	15.5
Other operating expenses		-17,419	-14,491	-2,928	20.2
Total operating expenses		-75,606	-64,859	-10,747	16.6
Gross profit		40,746	40,037	709	1.8
Depreciation and write-offs of non-current assets		-4,807	-3,768	-1,039	27.6
Valuation adjustments, provisions and losses		-309	-115	-194	168.7
Result before extraordinary items and taxation		35,630	36,154	-524	-1.4
Extraordinary income	12	50	260	-210	-80.8
Taxation		-4,766	-6,460	1,694	-26.2
Net profit		30,914	29,954	960	3.2

Proposal of the Board of Directors to the Annual General Meeting



The following amount is available for distribution:

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	1000 CHF
Net profit for current financial year	30,914
Carried forward from previous year	2,556
	33,470

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

Allocation to general legal reserve	2,200
Allocation to other reserves	0
Distribution of a gross dividend	22,000
Balance to be carried forward	9,270
	33,470

After distribution of the proposed dividend capital resources are as follows:

Share capital	10,330
General legal reserves	55,700
Other reserves	240,500
Reserves for general banking risks	22,769
Balance to be carried forward	9,270
Shareholders' equity after distribution of the dividend	338,569

Notes to the Financial Statements



Information on the Balance Sheet

1 Other assets and other liabilities

	31.3.2008		31.3.2007	
	Other assets 1000 CHF	Other liabilities 1000 CHF	Other assets 1000 CHF	Other liabilities 1000 CHF
Replacement values of all derivative financial instruments	41,932	41,343	16,065	15,714
Compensation accounts, stamp duty, VAT, withholding tax	767	1,630	362	1,304
Other assets and other liabilities	0	0	0	11
Total other assets and other liabilities	42,699	42,973	16,427	17,029

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2 Indication of pledged or assigned assets to secure own commitments and of assets with reservation of title

	31.3.2008		31.3.2007	
	Book value 1000 CHF	of which used 1000 CHF	Book value 1000 CHF	of which used 1000 CHF
Pledged or ceded assets and assets with reservation of title without securities lending and borrowing and without repurchase and reverse repurchase agreements				
Due from banks	1,381	852	1,254	477
Securities	42,156	0	36,946	0
Total	43,537	852	38,200	477

3 Disclosure of liabilities to Rothschild Bank Pension Plan

	BVG pension scheme		Additional supporting foundation	
	31.3.2008 1000 CHF	31.3.2007 1000 CHF	31.3.2008 1000 CHF	31.3.2007 1000 CHF
Cover margin according Swiss GAAP FER 16	20,614	20,320	5,361	6,601
Excess in relation to disclosed liabilities in %	16%	17%	24%	31%
Economic benefit	0	0	0	0
Economic liability	0	0	0	0

The disclosures are based on the annual accounts of the pension schemes as of 31.12.2007 and 31.12.2006 respectively. The volatile markets in the last quarter of the financial year 2007/08 reduced the excess in relation to disclosed liabilities in both schemes only slightly (excess as at 31st March 2008 14.4 % for the pension plan and 20% for Rothschild Bank Foundation respectively).

Notes to the Financial Statements



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	BVG pension scheme		Additional supporting foundation		Total	
	31.3.2008	31.3.2007	31.3.2008	31.3.2007	31.3.2008	31.3.2007
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Accrued contributions	4,155	3,643	1,732	1,715	5,887	5,358
Pension expense	4,155	3,643	1,732	1,715	5,887	5,358
Employer contribution reserve not capitalised	598	598	0	0	598	598

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

Due to pension schemes amount to CHF 11.3 million (last year: CHF 8.2 million).

4 Valuation adjustments and provisions, reserves for general banking risks

	Balance previous year	Special usage and reversals	Change in definition of purpose, reclassifications	Re-	New creation, charged to income statement	Reversals, credited to income statement	Balance current year
				coveries, doubtful interest, currency differences			
	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF	1000 CHF
Valuation adjustments and provisions for credit and country risks	23,287	-20,024	0	-50	0	0	3,213
Other provisions	423	0	0	-70	0	0	353
Total valuation adjustments and provisions	23,710	-20,024	0	-120	0	0	3,566
Less valuation adjustments directly netted with assets	23,287						3,213
Total valuation adjustments and provisions as per balance sheet	423						353
Reserves for general banking risks	22,769						22,769

Notes to the Financial Statements



5 Schedule of share capital

	31.3.2008			31.3.2007		
	Nominal	Number of units	Dividend bearing capital 1000 CHF	Nominal	Number of units	Dividend bearing capital 1000 CHF
	value 1000 CHF			value 1000 CHF		
Capital structure						
Share capital	10,330	103,300	10,330	10,330	103,300	10,330

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6 Significant shareholders and shareholder groups

	31.3.2008		31.3.2007	
	Nominal 1000 CHF	Participation in %	Nominal 1000 CHF	Participation in %
Rothschild Holding AG	10,330	100	10,330	100
Significant Shareholders of Rothschild Holding AG:				
Rothschilds Continuation Holdings AG ¹⁾	7,793	72.67	7,179	66.95
Rothschild Family interests	1,728	16.11	2,341	21.80
Banque Privée Edmond de Rothschild SA	1,016	9.50	1,016	9.50

¹⁾ The majority (approx. 52%) of the share capital of Rothschilds Continuation Holdings AG is directly or indirectly held by a group of shareholders which consists of Rothschild Family members (through Rothschild Concordia SAS) or entities controlled by Rothschild Family members. Other important shareholder of Rothschilds Continuation Holdings AG is Jardine Strategic Investment Holdings GmbH with 20.1%.

Notes to the Financial Statements



7 Statement of changes in shareholders' equity

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	1000 CHF
Share capital	10,330
General legal reserve	50,700
Other reserves	240,500
Reserves for general banking risks ¹⁾	22,769
Retained earnings	33,356
Shareholders' equity at beginning of current year (before profit distribution)	357,655
Dividends out of retained earnings brought forward	–28,000
Net profit	30,914
Shareholders' equity at end of current year (before profit distribution)	360,569
Share capital	10,330
General legal reserve	53,500
Other reserves	240,500
Reserves for general banking risks ¹⁾	22,769
Retained earnings	33,470
Shareholders' equity at end of current year	360,569

¹⁾ From the reserves for general banking risks CHF 7.0 million (previous year CHF 7.0 million) are taxed.

8 Disclosure of amounts due from and due to affiliated companies as well as loans and exposures to directors and senior executives

	31.3.2008	31.3.2007	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Claims against affiliated companies	79,210	42,220	36,990	87.6
Liabilities to affiliated companies	39,676	10,781	28,895	268.0
Loans and exposures to directors and senior executives	50,685	27,785	22,900	82.4

Transactions with affiliated persons and companies (in particular parent and subsidiary companies) such as security transactions, granting loans, and interest accounts are carried out at the conditions offered to third parties. Members of the Swiss Executive Board (SEB) are offered the Bank's normal conditions for employees. Members of the Board are charged at least the Bank's normal conditions for employees.

Information on Off-Balance Sheet Transactions

9 Analysis of fiduciary transactions

	31.3.2008	31.3.2007	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Fiduciary placements with third-party banks	2,325,802	2,340,474	–14,672	–0.6
Fiduciary placements with banks of the Group and affiliated banks	1,082,428	542,201	540,227	99.6
Fiduciary credits and other fiduciary financial transactions	2,329	2,548	–219	–8.6
Total	3,410,559	2,885,223	525,336	18.2

Notes to the Financial Statements



10 Client assets

	31.3.2008	31.3.2007	Change	
	CHF Mio.	CHF Mio.	CHF Mio.	%
Type of client assets				
Other client assets	5,258	5,389	-131	-2.4
Fund assets managed by RBZ Group	58	125	-67	-53.6
Assets with management mandates	3,309	3,595	-286	-8.0
Total client assets (incl. double count)	8,625	9,109	-484	-5.3
thereof double count	60	130	-70	-53.8
Net new assets	617	70	547	781.4
Custody assets	2,090	2,267	-177	-7.8

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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.

Assets with management mandate cover both assets deposited with Group companies and assets deposited at third-party institutions for which the Bank holds a management mandate.

Custody assets include assets for which the Bank provides custody services only. These relate mainly to assets from Group Companies. In addition, assets from the Banks' pension schemes and assets of employees are included. CHF 529 million have been reclassified to "Custody Assets" in 2007.

Information on the Income Statement

11 Trading income

	31.3.2008	31.3.2007	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Profit on foreign exchange and bank notes	14,793	10,934	3,859	35.3
Profit on bullion transactions	733	273	460	168.5
Profit on securities	336	513	-177	-34.5
Total	15,862	11,720	4,142	35.3

12 Extraordinary income

	31.3.2008	31.3.2007	Change	
	1000 CHF	1000 CHF	1000 CHF	%
Release of provision	0	56	-56	-100.0
Recoveries from clients previously written off	50	204	-154	-75.5
Total	50	260	-210	-80.8

Accounting and Valuation Principles of Rothschild Bank AG



50 General Principles

The accounting and valuation principles comply with the Swiss Code of Obligations, the Bank Law, including the Federal Banking Commission guidelines, 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

	31st March 2008	31st March 2007
EUR	1.5685	1.6250
GBP	1.9720	2.3910
USD	0.9926	1.2215

Cash, Due from and to Banks, Due to Customer and Money Market Instruments

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

Due from Customers

Due from Customers are stated in the balance sheet at their notional 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 related as uncollectible are written off against the individual provisions made.

Trading Portfolios in Securities and Precious Metals

Securities and precious metals in trading portfolios 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.

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

Accounting and Valuation Principles of Rothschild Bank AG



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Financial Investments

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

Participations

Participations are stated at cost less any necessary depreciation. The Bank applies a collective valuation method as described in BAG-SFBC para. 17.

Fixed Assets

Fixed assets are valued at cost less depreciation over an expected useful lifetime of maximum ten years for fit-out costs and 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, unscheduled 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.

Intangible Assets

Intangible assets acquired are stated at cost less depreciation over a measurable useful life of maximum three years. Reviews and adjustments of value are carried out in the same way as with tangible assets. 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 recorded in the balance sheet under other assets and other liabilities. Unrealised/realised gains are booked to results from trading operations. All derivative financial instruments are allocated to the trading book.

Pensions

Pension liabilities are treated according Swiss GAAP FER 16. Employer contribution reserves are not capitalised.

Valuation Adjustments and Provisions

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

Accounting and Valuation Principles of Rothschild Bank AG



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Income Tax

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

Fiduciary Placement Activities

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

Contingent Liabilities and Fiduciary Operations

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

Change in Accounting Policies

There were no changes in accounting policies.

Notes on Risk Management



General Principles

The Board of Directors of the Bank is responsible for the stipulation of the risk policy. The Board of Directors has released a risk policy which both takes into account the circumstances of the business activities of the Bank and its subsidiaries and also reflects the capital funds situation of the Group, the interest of the shareholders and the regulatory environment. The risk policy is constantly monitored and amended if necessary.

The formal methodology of the risk policy relates primarily to the observance of quantitative risk limits, especially for credit and market risks, and to the qualitative aspects of risk diversification and of working procedures for reducing operational risks. At the same time, great importance is attached to the risk awareness of the management bodies and all Group staff. Hence the Board of Directors and the Swiss Executive Board pursue an open risk culture which is also implemented by responsible, careful and professional behaviour from all employees. The Group consciously depends on the personal integrity, specialist competence and risk-awareness of each individual and undertakes the necessary steps.

The implementation of the risk policy is delegated to the Swiss Executive Board. Management is supported in this by a risk control unit which is independent from trading and client-related services and monitor compliance with limits and the risk policy.

Credit Risks

Credit risk describes the potential for loss as a result of insolvency of a client or counterparty. A potential loss arises in particular when maturing loans or other obligations to payment are not repaid or cannot be repaid when due. For this reason loans and other credits are only granted after taking into account fundamental principles of caution. Since the banking business is strongly focused on private banking, loans are mainly granted against collateral in the form of pledged investment portfolios.

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

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

Notes on Risk Management



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Liquidity Risk

Liquidity risk describes the risk that in some circumstances, for example changed market conditions, the Bank might not be able to meet all its payment obligations as they fall due. The Bank maintains additional liquidity facilities in the form of overdraft lines at correspondent banks and secured finance facilities with clearing institutions for the exceptional event that counterparties or clients do not meet their payment obligations punctually. Compliance with the liquidity rules as set out in the Bank Ordinance is constantly monitored.

Market Risk

Market risk describes the risk that the Bank could suffer losses as a result of changes on the financial markets (interest rates, FX rates, share prices). The business policy of the Bank is to only permit open market risk positions to a small degree in relation to client business volumes and available capital funds.

Trading positions are valued daily. Calculation of risk positions and monitoring of compliance with the limits is performed by a team independent from the trading department.

The Treasury Committee manages general interest rate risk in the banking book and monitors the balance sheet structure.

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. In accordance with best practice standards in banking and the Bank's dedication to ensure high quality services for its clients, the Swiss Executive Board (SEB) has implemented a set of processes and work flows by means of internal policies and procedures on organisation setup and controls, which are designed to maintain operational security at a high level. Particular attention is given to the quality and skills of staff, the segregation of duties, the careful selection of counterparties and the security of the central computer systems and networks. The Internal Audit department reviews the procedures and internal controls at regular intervals. Due to an escalation procedure it is assured that the responsible line management is adequately involved in the reporting and analysis process.

The central computer system is operated in association with Banque Privée Edmond de Rothschild in Geneva. Both banks subscribe to high security standards, which are monitored on a regular basis thus ensuring that bank-client confidentiality is maintained. The Service Level Agreement providing the contractual basis for these standards corresponds to the requirements of the Swiss Federal Banking Commission.

The Board of Directors has considered the main operational risks of the Group and has issued guidelines (principles) for the measurement and limitation of operational risk.

Legal Risks and Compliance

In order to monitor legal and regulatory risks, the Bank maintains a Legal Department and a Compliance Office. These ensure that the Bank's business activities are conducted in accordance with the applicable regulations and the obligation of financial intermediaries to observe due diligence. If required, external legal advice is sought.

Report of the Auditors



Report of the Statutory Auditors
to the Annual General Meeting of
Rothschild Bank AG
Zurich

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As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Rothschild Bank AG for the year ended 31st March 2008 as presented on pages 40 to 54 of the annual report 2007/08.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatements. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the Company's articles of incorporation.

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

Zurich, 10th June 2008

KPMG Ltd.

Roland Müller
Auditor in Charge

Corinne Jaeger

Head Office, Subsidiaries and Representatives of Rothschild Bank AG



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Head Office

Rothschild Bank AG

Zollikerstrasse 181
8034 Zurich
Telephone +41 (0)44 384 7111
Facsimile +41 (0)44 384 7222
www.rothschildbank.com
contact@rothschildbank.com

Subsidiaries

Equitas SA

Manuel Mariñez
21, rue du Rhône
1204 Geneva
Telephone +41 (0)22 818 5900
Facsimile +41 (0)22 818 5901
contact@rothschildbank.com

Rothschild Gestión, A.V.S.A.

Antonio Rizo Ordoñez
Paseo de la Castellana, nº 21
3º Planta
28046 Madrid
Telephone +34 91 310 7570
Facsimile +34 91 319 4455
contact@rothschild-gestion.com

Rothschild Gestión, A.V.S.A.

Carmen Barceló
Paseo de Gracia, nº 60, 2D
08007 Barcelona
Telephone +34 93 467 5751
Facsimile +34 93 467 5763
contact@rothschild-gestion.com

RBZ (Representative) Pte. Ltd.

Mark Jackman
One Raffles Quay, North Tower
1 Raffles Quay#10-02
Singapore 048583
Telephone +65 6532 08 66
Facsimile +65 6532 41 66
mark.jackman@rothschildbank.com

Rothschild Trust (Switzerland) Ltd.

Chris Schallenberger
Zollikerstrasse 181
8034 Zurich
Telephone +41 (0)44 384 7111
Facsimile +41 (0)44 384 7201
info@rothschildtrust.com

RTS Geneva SA

Marco Jäger
21, rue du Rhône
1204 Geneva
Telephone +41 (0)22 818 5943
Facsimile +41 (0)22 818 5902
info@rothschildtrust.com

Rothschild Vermögensverwaltungs-GmbH

Hayo Willms
Ulmenstraße 18
60325 Frankfurt am Main, Germany
Telephone +49 (0)69 4080 2600
Facsimile +49 (0)69 4080 2655
hayo.willms@rothschild-frankfurt.de

Rothschild Bank (CI) Limited

Peter Rose
St. Julian's Court
St. Julian's Avenue, St. Peter Port
Guernsey, Channel Islands GY1 3UA
Telephone +44 (0) 1481 710521
Facsimile +44 (0) 1481 711272
peter.rose@rothschild.com

Head Office, Subsidiaries and Representatives of Rothschild Bank AG



Rothschild Trust Guernsey Limited

St. Peter's House, Le Bordage
St. Peter Port, Guernsey
Channel Islands GY1 6AX
Telephone +44 (0)1481 707800
Facsimile +44 (0)1481 712686
contact@rothschild.co.uk

Rothschild Trust Corporation Limited

Richard Baldock
New Court, St. Swithin's Lane
London EC4P 4DU, UK
Telephone +44 (0)20 7280 5000
Facsimile +44 (0)20 7929 5239
richard.baldock@rothschild.co.uk

Rothschild Trust BVI Limited

Palm Grove House, PO Box 438
Road Town, Tortola
British Virgin Islands
Telephone +1 284 494 7106
Facsimile +1 284 494 7105

Rothschild Trust Cayman Limited

Brian Balleine
PO Box 10129 APO
5th Floor, Citrus Grove, George Town
Grand Cayman KY1-1002
Cayman Islands, British West Indies
Telephone +1 (0)345 946 7033
Facsimile +1 (0)345 946 7043
brian.balleine@rothschildtrust.com

Rothschild Trust (Singapore) Limited

Mark Jackman
One Raffles Quay, North Tower
1 Raffles Quay#10-02
Singapore 048583
Telephone +65 6532 0866
Facsimile +65 6532 4166
contact@rothschildtrust.com

Representatives

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Hong Kong

Mark Jackman
16/F Alexandra House
16-20 Chater Road
Central, Hong Kong SAR
People's Republic of China
Telephone +852 2116 6300
Facsimile +852 2868 1680
contact@rothschild.com.hk

Tokyo

Hideyuki Suzuki
Suite 515, 5th Floor, Main Building
Imperial Hotel, 1-1-1 Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-8558, Japan
Telephone +81 (0)3 3519 8835
Facsimile +81 (0)3 3519 8838
hideyuki.suzuki@rothschild.co.jp

Affiliated Company

Rothschild Private Management Ltd.

Malcom Roberts
1 King William Street
London EC4N 7AR, UK
Telephone +44 (0)20 7280 5000
Facsimile +44 (0)20 7280 1567
contact@rothschild.com.uk

Group Directory



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Australia

Rothschild Australia Limited

Level 16, 1 O'Connell Street, Sydney
NSW 2000, Australia

Telephone +61 (0)2 9323 2000

Facsimile +61 (0)2 9323 2040

Level 21, 120 Collins Street, Melbourne
Victoria 3000, Australia

Telephone +61 (0)3 9656 4600

Facsimile +61 (0)3 9656 4950

Brazil

N M Rothschild & Sons (Brasil) Limitada

Av. Brigadeiro Faria Lima 2055

18th Floor, Jardim Paulistano
01451-000 São Paulo, Brazil

Telephone +55 (0)11 3039 5828

Facsimile +55 (0)11 3039 5826

Canada

N M Rothschild & Sons Canada Limited

1002, rue Sherbrooke Ouest

Bureau 2300, Montréal
Québec, Canada H3A 3L6

Telephone +1 514 840 1016

Facsimile +1 514 840 1015

BCE Place, TD Canada Trust Tower
161 Bay Street, Suite 3150, PO Box 206
Toronto, Ontario M5J 2S1, Canada

Telephone +1 416 369 9600

Facsimile +1 416 864 1261

Channel Islands

Rothschild Bank International Limited

St. Julian's Court

St. Julian's Avenue, St. Peter Port

Guernsey, Channel Islands GY1 3BP

Telephone +44 (0)1481 713713

Facsimile +44 (0)1481 727705

Chile

BICE Chileconsult Asesorias Financieras S.A.

Teatinos 220, Piso 5, Santiago, Chile

Telephone +56 (0)2 696 3576

Facsimile +56 (0)2 696 5825

China

N M Rothschild China Holding AG

Beijing Representative Office,
Room 912A

Winland International Finance Center
7 Finance Street, Xicheng District

Beijing 100034

People's Republic of China

Telephone +86 10 6655 5660

Facsimile +86 10 6655 5880

Shanghai Representative Office

Suite 3208, Tower 2, Plaza 66

366 Nan Jing Xi Road

Shanghai 200040

People's Republic of China

Telephone +86 21 6288 1528

Facsimile +86 21 6288 1517

N M Rothschild & Sons (Hong Kong) Limited

16/F Alexandra House

16-20 Chater Road, Central

Hong Kong SAR

People's Republic of China

Telephone +852 2525 5333

Facsimile +852 2868 1680

France

Paris Orléans

23 bis avenue de Messine

75008 Paris, France

Telephone +33 (0)1 5377 6510

Facsimile +33 (0)1 4563 8528

Rothschild & Cie Banque

29 avenue de Messine

75008 Paris, France

Telephone +33 (0)1 4074 4074

Facsimile +33 (0)1 4074 9847

Rothschild & Cie

23 bis avenue de Messine

75008 Paris, France

Telephone +33 (0)1 4074 4074

Facsimile +33 (0)1 4074 9847

Rothschild & Cie Gestion

29 avenue de Messine

75008 Paris, France

Telephone +33 (0)1 4074 4074

Facsimile +33 (0)1 4074 4969

Group Directory



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Germany

Rothschild GmbH

Börsenplatz 13–15
60313 Frankfurt am Main, Germany
Telephone +49 (0)69 299 8840
Facsimile +49 (0)69 287 820

India

N M Rothschild & Sons (India) Private Limited

407-408, Level 4, Ceejay House
Dr Annie Besant Road, Worli
Mumbai 400 018, India
Telephone +91 (0)22 4081 7000
Facsimile +91 (0)22 4081 7001

Indonesia

PT Rothschild Indonesia

Jakarta Stock Exchange Building
Tower 1, 15th Floor
Jl. Jend. Sudirman Kav. 52–53
Jakarta 12190, Indonesia
Telephone +62 (0)21 515 3588
Facsimile +62 (0)21 515 3589

Italy

Rothschild SpA

Via Santa Radegonda 8
20121 Milan, Italy
Telephone +39 02 7244 31
Facsimile +39 02 7244 3310

Via S. Nicola da Tolentino 1/5
00187 Rome, Italy
Telephone +39 06 4217 01
Facsimile +39 06 4217 0252

Malaysia

Rothschild Malaysia Sdn Bhd

Letter Box No. 42, 29th Floor
UBN Tower, 10, Jalan P. Ramlee
50250 Kuala Lumpur, Malaysia
Telephone +603 2687 0966
Facsimile +603 2070 1001

México

N M Rothschild & Sons (México) SA de CV

Campos Eliseos 345-8° piso
Polanco, CP 11550 México DF, México
Telephone +52 555 327 1450
Facsimile +52 555 327 1485

Netherlands

Rothschild Europe BV

Herengracht 556
1017 CG Amsterdam, Netherlands
Telephone +31 (0)20 422 2516
Facsimile +31 (0)20 422 2516

Poland

RCF Polska sp. z. o.o.

Warsaw Financial Centre
Emilii Plater 53
00-113 Warsaw, Poland
Telephone +48 (0)22 549 6400
Facsimile +48 (0)22 549 6402

Portugal

Rothschild Portugal – Serviços Financeiros, Limitada

Calçada do Marquês de Abrantes
40-1° Esq., 1200-719 Lisbon, Portugal
Telephone +351 (0)21 397 5378
Facsimile +351 (0)21 397 5476

Russia

RCF BV

Novinsky Passazh (8th Floor)
31 Novinsky Boulevard
123242, Moscow, Russia
Telephone +7 495 775 8221
Facsimile +7 495 775 8222

Singapore

N M Rothschild & Sons (Singapore) Limited

One Raffles Quay, North Tower,
1 Raffles Quay #10-02,
Singapore 048583
Telephone +65 6535 8311
Facsimile +65 6535 8326

South Africa

N M Rothschild & Sons (South Africa) (Pty) Limited

1st Floor, Kagiso House, 16 Fricker Road
Illovo 2196, South Africa
Telephone +27 (0)11 215 6800
Facsimile +27 (0)11 215 6826

Spain

Rothschild España SA

Paseo de la Castellana, 21
4º Planta, 28046 Madrid, Spain
Telephone +34 91 702 2600
Facsimile +34 91 702 2531

Avigunda Diagonal, 442-3º1
08007 Barcelona, Spain
Telephone +34 93 254 7503
Facsimile +34 93 254 7504

Sweden

N M Rothschild & Sons Limited

Strandvägen 7A
114 56 Stockholm, Sweden
Telephone +46 (0)8 586 33590
Facsimile +46 (0)8 660 9791

Group Directory



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Switzerland

Rothschilds Continuation Holdings AG

Baarerstrasse 95, Postfach 735
6301 Zug, Switzerland
Telephone +41 (0)41 720 0680
Facsimile +41 (0)41 720 0683

Turkey

Rothschild Kurumsal Finansman Hizmetleri Limited

Akmerkez Rezidans No. 14 D 2
Akmerkez Is Merkezi Yani
Nispetiye Caddesi, 34340 Etiler
Istanbul, Turkey
Telephone +90 212 371 0800
Facsimile +90 212 371 0809

United Arab Emirates

Rothschild (Middle East) Limited

Dubai International Financial Centre
Gate Precinct Building, 76, The Edge
Level 7, PO Box 506570
Dubai, United Arab Emirates
Telephone +97 14 428 4300
Facsimile +97 14 365 3183

Rothschild Europe

91 Bateen Tower, 8th Floor, C801
11 Bateen Area, 1 Bainunah Street
Abu Dhabi W35, United Arab Emirates
Telephone +97 12 403 0700
Facsimile +97 12 667 9602

United Kingdom

N M Rothschild & Sons Limited

New Court, St. Swithin's Lane
London EC4P 4DU, UK
Telephone +44 (0)20 7280 5000
Facsimile +44 (0)20 7929 1643
Telex 888031

82 King Street
Manchester M2 4WQ, UK
Telephone +44 (0)161 827 3800
Facsimile +44 (0)161 833 0293

67 Temple Row
Birmingham B2 5LS, UK
Telephone +44 (0)121 600 5252
Facsimile +44 (0)121 643 7207

1 Park Row
Leeds LS1 5NR, UK
Telephone +44 (0)113 200 1900
Facsimile +44 (0)113 243 3039

Five Arrows Leasing Group Limited

Heron House, 5 Heron Square
Richmond-upon-Thames
Surrey TW9 1EL, UK
Telephone +44 (0)20 8334 3900
Facsimile +44 (0)20 8332 1636

United States

Rothschild North America Inc. Rothschild Inc. Rothschild Asset Management Inc.

1251 Avenue of the Americas
51st Floor
New York, NY 10020, USA
Telephone +1 (0)212 403 3500
Facsimile +1 (0)212 403 3501

Rothschild Inc.

1101 Connecticut Avenue NW
Suite 700, Washington DC 20036, USA
Telephone +1 (0)202 862 1660
Facsimile +1 (0)202 862 1699

Zimbabwe

MBCA Bank Limited

14th Floor, Old Mutual Centre,
Third Street, Harare, Zimbabwe
Telephone +263 (0)4 701636
Facsimile +263 (0)4 708005