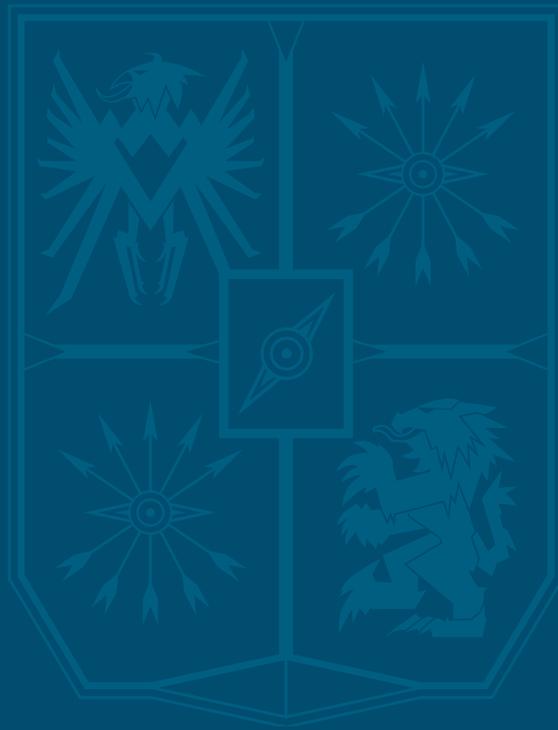




EDMOND  
DE ROTHSCHILD



ANNUAL REPORT 2012  
BANQUE PRIVÉE  
EDMOND DE ROTHSCHILD S.A.



EDMOND  
DE ROTHSCHILD

Banque Privée Edmond de Rothschild SA

Annual Report 2012



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# Message from the Chairman of the Board of Directors

Thousands of explanations have been suggested for the financial crisis. But what if the deep-seated reason were simply an abdication of responsibility? It is time we opened our eyes and reacted.

The ongoing crisis shows the extent to which governments have shirked their responsibilities.

Just as a pandemic spreads quickly if left untreated, unbridled national debt has overwhelmed our risk evaluation systems. A government's status as an issuer no longer guarantees a safe haven. The well-known quandary of government bonds versus equities is irrelevant. This goes to show that sovereign risk is not the refuge it used to be in the twentieth century.

Some countries have assumed their responsibilities and taken drastic measures. Others have not.

European governments, particularly France's, are sharply increasing the tax burden both on companies and on individuals. Yet they need to weigh these decisions carefully because capital — be it human or financial — nowadays moves easily and quickly.

By contrast, Switzerland has chosen a different path. When key decisions have to be made, public referendums are organised, underscoring the country's common sense approach. This is what has made Swiss democracy so robust for the past 700 years. I am convinced that Switzerland will soon show the world that there is more to its banking system than secrecy. Its principal features are professional wealth management and high-quality services. The same is true for Luxembourg, where lawmakers are constantly attuned to economic realities.

Switzerland and Luxembourg are exceptions, though. Most European countries have been undermined by governments obsessed by re-election. To woo voters, they have been quick to make unreasonable promises that have contributed, year after year, to destabilising public finances. Today, saddled with huge debt burdens, they are unable to repay either the principal or the interest.

Worse, although the monetary policy pursued since the launch of the euro has done its job of controlling inflation, it has led to downward convergence of euro zone interest rates, which no longer reflect the major differences among Europe's economies. As a result, during the first decade of this century, Greece was able to borrow for 50 basis points less than Germany. This policy's perverse effect has been to devalue the currency while lessening the value of work.

These economic policies were irresponsible because they started by rewarding the line of least resistance, then sought to impose huge tax increases to tackle the debt burden. The consequences, however, reach well beyond the financial arena. The decline of education and the demotivation of scientific researchers are even more worrying. Researchers, just like entrepreneurs, are forced to emigrate in order to carry on their profession under half-way decent conditions. This brain drain is a direct threat to our future.

The State has the duty and power to create the conditions for companies to operate competitively in a global market by reducing their social charges and taxes. It is time to abandon the worn-out economic model based on debt, high public spending and ever increasing statutory levies. Competitiveness, work, innovation, knowledge and research will be the key drivers of Europe's growth. It is vital not only to take bold action to cut the cost of labour so that companies can compete on even terms in an increasingly tough world market, but also to create a business-friendly environment and make the region more attractive. Governments can set an example by trimming expenditures and reallocating part of their outlays to investing in the future.

Responsibility also means no longer shifting the burden of our cowardice onto future generations but starting to prepare for their future by rediscovering the meaning of effort and initiative. Companies have the duty and power to create value and growth by rewarding and promoting their staff. One way to achieve that goal is through skill enhancement. Entrepreneurs hope to attract and retain new talent by giving people the chance to flourish through top-flight technical or industrial resources and

new knowledge. Companies depend on this to survive and grow. In Europe, like the world, value creation depends on companies of all sizes, listed or not.

Shareholders also have to face their responsibilities, in the real economy and in every business activity. Accordingly, as both shareholder and Chairman of this Group, I consider my responsibilities as crucial.

It is my duty to create the conditions for my Group to be successful in the years ahead. This obviously means that our decisions must make long-term sense. In addition, our business model has to change when conditions so demand. After 15 years of growth, this is the case today. The economic and financial crisis affects the financial world so profoundly that changing tack has become an absolute necessity. That is why I have appointed a new management team and will continue, as in the past, to seek out and recruit the top talents and the best developers and innovators for the Group.

All the members of the Edmond de Rothschild Group are also responsible for supporting the shift toward renewal and change. To this end, I will support and assist all our teams, with the unflinching and dedicated support of my wife Ariane.

The reason for this daily commitment is our sense of responsibility towards our clients. That commitment applies to the entire company. Ariane and I share this vision for the Group with Christophe de Backer, whose mission is to implement it in each entity. We monitor all the new financial products entering the market, analysing their risks and returns in utmost detail to make rigorous choices. We continue to focus on professional training because this is a mandatory condition for our Group to maintain its leadership as experts in our businesses.

Our clients come first, and we are committed to providing them with products and services that meet their needs.

The future rests on this collective responsibility, not on extreme individualism, whose harmful effects are now plain to see. This profound crisis, which we could shortly

overcome if we keep our commitments, could have been the final warning. It may also be a chance to restore a sense of responsibility and ethics that had fallen badly by the wayside in the past few decades, both in government and in business. Economic recovery and future prosperity is sustainable if we learn all the lessons of the total collapse we have avoided on several occasions since 2008.

We are all concerned — governments, businesses, shareholders, staff and clients. In our Group, responsibility is more than a lofty goal or a token word. It is part of our DNA, our adrenalin. It has shaped our sustainable, wealth-based vision of asset management for over two centuries. And it underlies a sincere, deeply held and shared determination to prepare the future for forthcoming generations — starting today.



Baron Benjamin de Rothschild

# Message from the Executive Committee Chairman

Those who had predicted an end to the crisis in 2012 were mistaken. Everywhere, even in emerging countries, growth has faltered. The gap between new economies and Europe is growing wider. The latter is permanently handicapped by the weight of its deficits. The recession has hit some European countries very hard and there is still the latent threat of a crisis for the Euro. At the same time, regulatory requirements have increased in the financial sector, both at a local and global level. This has engendered real complexity that may even restrict financing of the economy. Finally, clients of financial institutions are demonstrating an ever increasing aversion to risk and modifying their behaviour accordingly.

We anticipated and analysed the development of these trends. We did this for our clients in order to protect them against the most severe consequences. We did it for ourselves too. As early as 2011 we understood that the new economic climate would not allow us to continue doing business as we had done up until 2008-2009. Profitability was going to be more difficult to achieve if we did not adapt our model according to the lessons learned from the crisis.

This was not the obvious approach. In fact, the Group's development over the last fifteen years under the leadership of Benjamin de Rothschild was based on powerful drivers. During that period the Group had increased assets under management by a factor of five and its workforce and sites worldwide by a factor of three. The work conducted by its managers and teams was worthy of the greatest respect - and I wish to congratulate them here. Finally, the Edmond de Rothschild Group had already demonstrated its ability to overcome crises that were often very violent.

It required all the clairvoyance of Ariane and Benjamin de Rothschild to change a system that seemed destined to win in any circumstances. They based their decision on one simple and powerful belief: this is not just another crisis. What we are observing today is not merely cyclical. The major factors for equilibrium in tomorrow's world are taking shape before our eyes. The profitability drivers in the banking sector are not the same. The role of finance needs to be redefined. Only the financial institutions that can evolve at the same pace as our changing world will be able to rise above the pack. The Edmond de Rothschild

Group has serious advantages: a prestigious brand name, creative teams, quality service, loyal clients, an international presence and stable shareholders. However, in order to ensure sustainable prosperity, it had to change.

Were we going to abandon what once were our strengths and our identity? Of course not! When he announced, in his 2011 message, the planned reorganisation of the Group, Benjamin de Rothschild referred to a famous quote from *The Leopard*: "If we want things to stay as they are, things will have to change." In keeping with our core beliefs and values, we decided to review our organisation, without, however, renouncing what makes us unique. We decided to change in order to better preserve our identity.

2012 was therefore marked by the implementation of a strategic plan by a new senior management team.

Our decentralisation policy had reached its limits. We possess unparalleled talents and know-how in our three reference countries - Switzerland, Luxembourg and France - and in their networks of offices, branches and subsidiaries throughout the world. We decided to make them work together more efficiently for our clients. Very quickly the complementary nature of their skills emerged. The creativity of individuals in each country was combined. Ten key initiatives were outlined in a roadmap for this sharing of skills and experience. In the course of the year we saw new energy being released. Those who only yesterday worked on a local basis embarked on a fruitful cooperation extending beyond borders and departments. This heightened cooperation will allow us to rally our talents and strengthen our procedures by promoting best practices. Geographical differences have been redefined within the framework of a bona fide Group that is both homogeneous and consistent.

It was important to optimise our Group, while avoiding the pitfalls of standardisation. We did not compromise on our key distinguishing features: personalised advisory services, attention to our clients' needs and innovation. Therefore our primary concern was to help combine, on the one hand, a modern, efficient and rationalised banking model and, on the other hand, a range of highly customised products and services.

The Edmond de Rothschild Group aims to be the efficient, innovative and responsive financial partner that our clients expect in a fragile and changing economic environment, but also the banker they can turn to at any time for an answer to their most personal questions.

The changes in our two main businesses reflect this ambition.

In private banking, at a time when other financial players are choosing an industrialized approach to customer service inspired by retail banking, we have chosen increased customisation of our services, adapting them even further to local situations. We have broadened the means available to our clients for contacting their financial adviser and transmitting their instructions. Establishing a long-term personal private banking relationship, dedicating time to listening and offering personalised advisory services based on specific knowledge of each client's situation remain our top priorities. Technology does not weaken our relations with clients. Instead it should help bring us together.

In asset management, concern for performance has led us to combine the Group's strengths in both production and distribution. With these larger and stronger "factories" we can offer all asset classes in a coordinated way within the Group. To ensure greater consistency, asset management will be the responsibility of a single manager. This will allow us to centralise various issues, but also to steer the organisation and product range with greater precision. At the same time, we will preserve our rapid turnaround times in responding to our clients and our capacity to offer them personalised services.

Our other businesses have shown a similar development. In mergers and acquisitions, we plan to ramp up collaboration with the Group's wealth management departments. The alliance of these two fields of expertise will allow us to provide a better global response to the concerns of entrepreneurs, whose professional challenges are often linked to important wealth management issues. Solutions to transfer issues, capital raising and external growth will be even quicker and more effective.

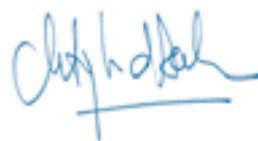
The same holds true for the private equity business, which offers entrepreneurs appropriate financial solutions as their companies grow. This is closely correlated with the private

banking and asset management businesses. Finally, institutional and funds services, run from Luxembourg, propose complete financial engineering solutions that complete our range of services for investors.

Thus redeployed, our businesses can today rival specialised actors as well as global generalists. Our size, history, brand and independence are all advantages in this competition. To speed up our development, the Group will continue to pursue its international expansion, particularly in regions with strong growth such as Asia, the Middle East and South America, either in partnership with local players or independently.

Ariane and Benjamin de Rothschild have demonstrated their desire to make our Group an efficient and long-term partner for our clients. This same determination and ability to adapt has guided the Rothschild family's success across two and a half centuries. The Group's teams have energetically embraced this new direction. Their exemplary behaviour is essential. I am proud to have observed this attitude in action everywhere in the Group this year.

Today the Edmond de Rothschild Group is ready to tackle the challenges of a complex and changing economic climate. I am convinced our clients are aware of the serenity and optimism engendered by these changes. It is for them we remain mobilised and it is they who will naturally benefit, first and foremost, from our efforts.



Christophe de Backer

# 2012 turned out well, finally

The re-election of US President Barack Obama overshadowed the defeat of Nicolas Sarkozy in France, the leadership change in China and the return of the right-wing Liberal Democrats in Japan. From a political standpoint, at least, last year was unexpectedly smooth and quiet.

Although Europe remained one of the prime sources of systemic risk for the markets, even the victory of François Hollande, coming just as the integrity of the Euro Zone was threatened, had no major impact. And actually, Hollande has proved a pragmatic president. Aware that without the agreement of Angela Merkel nothing was possible in Euro-land, after insisting loudly that austerity was not a programme and managing to secure a place for growth in Europe's revamped economic policy objectives, Hollande cast his lot with the German powerhouse.

Meanwhile in the US, no president had ever been allowed back into the White House for a second term with such a dismal economic record. The country remained deeply scarred by the subprime crisis and intensely divided along dogmatic party lines. Yet during his first four years in office, Obama had demonstrated not only determination but also, like Hollande, the ability to find a practical way out of hostile circumstances. While companies and consumers spent less, the former in reaction to poor economic visibility and the latter out of trepidation in the face of soaring unemployment, the US administration kept public expenditure at a high level. It showed little regard for the staggering . As a consequence the debt ceiling had to be raised twice, amid agonising and gridlock. Fortunately for the president, the chairman of the US Federal Reserve, Ben Bernanke, has provided invaluable support. An expert on the Great Depression of the 1930s, he is committed to not repeating the same monetary policy errors that were made at the time and has done much to stabilise the US economy.

## Central banks have kept growth alive

Milton Friedman, an ardent free-market advocate, winner of the 1976 Nobel Prize in economics and one of the most influential economists of the 20th century, maintained that US inflation was created in Washington and nowhere else. In his opinion it was central banks that unleashed inflationary spirals by printing too much money.

By propping up a system overburdened by debt (and debt that is often of doubtful quality at that), central banks nowadays disregard Friedman's premise that inflation originates in debt monetisation. Interest rates could go up sharply if the massive liquidity that they have injected into the financial system were withdrawn. In short it will be difficult for the Fed, for example, to revert to a conventional monetary policy.

2012 featured a display of force by the world's leading central banks that marked a major turning point in monetary policy history. Mario Draghi, president of the European Central Bank, initiated a paradigm change by promising to do "whatever it takes" to save the euro. The ECB is now empowered to buy the sovereign bonds of struggling countries in unlimited quantities if the governments in question ask for help. The US Federal Reserve likewise opted for drastic, unconventional measures that included a promise to keep buying debt securities until US unemployment eased to less than 6.5%.

By sailing into these hitherto uncharted waters, central banks sought to demonstrate not only that they were providing a genuine safety net but that they were ready to continue shoring up the financial system until their national economies pulled out of their slump. On the face of it their gamble has paid off. Despite the recession and record unemployment that have dogged the Euro Zone, major progress has been made in allaying investors' fears. The effects of the ECB's Outright Monetary Transactions programme, launched last September, could be felt throughout the final quarter of 2012. The determination of political leaders to preserve European Monetary Union was equally palpable, pulling the rug from under the feet of those who had bet on the Euro Zone's break-up.

The ECB's vow to step in if needed sufficed to reassure the markets. Meanwhile the EU Commission, under heavy pressure, also took decisive action to foster greater political unity. Most notably it laid the groundwork for a banking union. The question remains, however, as to whether central banks and governments will be able to exit their unconventional monetary and economic policies. More to the point, how will they do so and at what price? Obviously the most important challenge facing monetary authorities will be to bring interest rates back up to normal levels without triggering a recession.

## Inflation is already here

Investors are afraid that unbridled money creation could cause inflation to spin out of control. But, the fact is, we already have inflation—in the financial markets. Confounding initial forecasts and worries about the structural problems of the developed economies, 2012 turned out to be an exceptional year with all the asset classes rising in value.

The central banks' gambit was successful: their desire to keep real interest rates in negative territory prompted investors to put their cash to work. For the first time in over forty years, dividend yields in Europe amply exceeded corporate bond yields. Moreover large companies can generally claim healthy balance-sheets and hefty cash flows, ensuring that they will continue to pay and perhaps even raise their dividends. This should maintain the spread between payout ratios and bond yields. Finally, with AAA-rated sovereign bonds practically having lost their "risk free" status since the onset of the debt crisis, it is as if investors were being prodded into buying equities. Stockmarkets are therefore liable to continue climbing, for lack of an alternative, via an expansion of P/E ratios.

After thirty years of declining yields, with a concomitant and impressive rise in prices, 2012 may well have marked the final sprint of the bull run in long-dated bonds. Certainly last year will stand out in the financial annals of the 21st century, at least as regards the yields on the benchmark sovereign issues, which ebbed to all-time lows. The 10-year US Treasury yield, for example, reached 1.38% on 25 July.

The emerging debt markets also posted solid returns. These countries continued to enjoy better fundamentals than the developed world as a whole. Their GDP growth was stronger, their trade balances were sounder and their public debt ratios were significantly lower. Moreover, the Chinese economy managed to avoid a hard landing and has turned back up since the beginning of 2013. Finally corporate debt (particularly its riskier segments) delivered fine performances that will be difficult to repeat in the same proportions.

In view of real interest rates, which had rarely descended so deep into negative territory, the gold price might have been expected to soar to new records. Actually gold did rise in 2012 (for the twelfth year in a row), climbing 7.1%. But 2013 has got off to a disappointing start, with the price back at its July 2012 level. This probably marks a time-out in gold's uptrend as the fundamentals that have driven it this far are still in place.

## Governments need to mend their ways

Although the aggressive, unconventional strategies of central banks in the developed countries (a euphemism for monetisation of public debt) appear to be paying off, it is high time that the governments concerned—especially in Japan and Europe—returned to a more orthodox approach to handling their public finances.

More to the point, they have to undertake long-needed economic reforms and resign themselves to living within their means, as they did before the advent of deficit spending. To do so they will have to redefine the role of the state in redistributing wealth, in providing services like education and in channelling capital investment. With few exceptions, as they stand now, social security systems in the industrialised world fail to take account of population ageing. Thus, major adjustments will have to be made. The commitments inherent in national old-age pension plans will have to be revised downwards because they are quickly becoming unsustainable in the present context. Ultimately employees will have to pay higher contributions and work longer.

Governments will moreover have to pass on some of their expenses to individuals, implying a partial “privatisation” of social solidarity. For example, care for the elderly, a service that is now generally provided by the state, may in future revert to families.

### Saved by America's new industrial revolution?

Besides these badly needed adjustments, it is the United States that may help provide the impetus needed for Europe and Japan to get back on the road to sustainable growth. America of course has the advantages afforded by healthier demographics and a strong immigrant mentality. Yet it is also experiencing a kind of modern-day New Deal thanks to breakthroughs in fossil-fuel extraction and manufacturing. According to the International Energy Agency, the US is set to become the world's foremost oil-producing country by 2020 and a net exporter of petroleum products by 2030. Aided by rapidly rising shale oil and gas output, it will no longer need to import fossil fuels. Moreover, as a consequence of the subprime crisis and ensuing recession, US wages have fallen even as they have risen sharply in Asia and particularly in China. The renewed competitiveness of America's labour market should prompt companies to bring home some of the production facilities that they offshored to benefit from low costs abroad. If this process gains traction, it will boost domestic job creation and economic expansion.

Thus the US trade deficit should go on declining, providing a fillip for the dollar. Eventually America could be reinstated as the world's number one growth driver, and that would be excellent news not only for Europe but also for the entire planet.

Go America, go.

Jean-Sylvain Perrig  
*Chief Investment Officer*

# Governing bodies of Banque Privée Edmond de Rothschild SA, Geneva

## Board of Directors

### Chairman

Baron Benjamin de Rothschild

### Vice-Chairwoman

Baroness Benjamin de Rothschild

### Secretary

Manuel Dami<sup>1)</sup>  
Jean Laurent-Bellue<sup>2)</sup>

### Members

John Alexander<sup>1)</sup>  
Luc Argand  
Walter Blum Gentilomo<sup>1)</sup>  
Michel Cicurel<sup>3)</sup>  
Rajna Gibson Brandon<sup>2)</sup>  
François Hottinger  
Klaus Jenny  
Veit de Maddalena  
Claude Messulam<sup>2)</sup>  
Jacques-André Reymond  
E. Trevor Salathé  
Guy Wais<sup>1)</sup>

## Board Committee<sup>4)</sup>

### Chairman

Baron Benjamin de Rothschild

### Vice-Chairman

E. Trevor Salathé

### Secretary

Manuel Dami

### Members

John Alexander  
Michel Cicurel  
Klaus Jenny

## Audit Committee<sup>5)</sup>

Klaus Jenny  
Jacques-André Reymond  
Jean Laurent-Bellue<sup>2)</sup>  
E. Trevor Salathé

## Internal Auditors

### Senior Vice-Presidents

François Maendly  
Maurice Moser

### First Vice-Presidents

Serge Cochet  
Dan Protti  
Philippe Rebmann

## Independent Auditors

PricewaterhouseCoopers SA

<sup>1)</sup> = until 26 April 2012

<sup>2)</sup> = since 26 April 2012

<sup>3)</sup> = until 9 November 2012

<sup>4)</sup> = met for the last time on 23 February 2012

<sup>5)</sup> = at 31 December 2012



# Corporate Governance

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# Corporate governance

## Introduction

On 25 March 2002, the Federation of Swiss Business published a Swiss Code of Best Practice containing standards for corporate governance. These standards are meant as recommendations, not as legally enforceable rules, and they primarily concern publicly traded Swiss companies.

The current Guidelines on Corporate Governance (the “Guidelines”) issued by SIX Swiss Exchange (“SIX”) on 29 October 2008 became effective 1 July 2009. They state when and how matters involving corporate governance should be reported, based on art. 8 of Switzerland’s Stock Exchanges and Securities Trading Act (SESTA) and articles 1-6 and 49 et seq of SIX’s Listing Regulations. The Guidelines mainly apply to issuers incorporated in Switzerland whose equity securities are traded on SIX.

The major concerns underlying these “codes of conduct” are to limit economic risks, safeguard companies’ reputations and promote responsibility. Corporate governance is anchored in a set of principles designed to protect shareholders by ensuring transparency, the issuance of clear information and a balance at the highest level between the company’s executives, on the one hand, and its owners, on the other. At the same time, these principles uphold decision-making power and efficiency.

The main information required by the SIX Guidelines that came into force on 1 July 2009 is disclosed in the following pages. There are also cross-references to items included elsewhere in this report. Our Bank’s Articles of Association and Bylaws can be found on the Bank’s website: [www.edmond-de-rothschild.ch](http://www.edmond-de-rothschild.ch) / About Us / Investor Relations – Legal Documents.

# 1. Group structure and shareholders

## 1.1. Group structure

### 1.1.1. Presentation of the Group operating structure

#### Board of Directors

##### **Chairman**

Baron Benjamin de Rothschild

##### **Vice-Chairwoman**

Baroness Benjamin de Rothschild

##### **Secretary**

Manuel Dami<sup>1)</sup>

Jean Laurent-Bellue<sup>2)</sup>

##### **Members**

John Alexander<sup>1)</sup>

Luc Argand

Walter Blum Gentilomo<sup>1)</sup>

Michel Cicurel<sup>3)</sup>

Rajna Gibson Brandon<sup>2)</sup>

François Hottinger

Klaus Jenny

Veit de Maddalena

Claude Messulam<sup>2)</sup>

Jacques-André Reymond

E. Trevor Salathé

Guy Wais<sup>1)</sup>

#### Executive Committee

##### **Chairman and Chief Executive Officer**

Claude Messulam<sup>1)</sup>

Christophe de Backer<sup>2)</sup>

##### **Vice-Chairman and Deputy Chief Executive Officer**

Sylvain Roditi<sup>4)</sup>

Manuel Leuthold<sup>2)</sup>

##### **Members**

Jean-Pierre Pieren<sup>1)</sup>

*Deputy Chief Executive Officer*

Luc Baatard

*Trading Rooms*

Frédéric Binggeli

*In charge of a wealth management group*

Alexandre Col

*Asset Management*

Philippe Currat

*General Secretary*

Michel Lusa

*In charge of a wealth management group*

*In charge of Private banking ad interim<sup>5) 6)</sup>*

Martin Leuthold

*Chief Financial Officer*

Bernard Schaub

*In charge of a wealth management group*

For further information on the Board of Directors and the Executive Committee, please refer to pp 21 and seq. and pp 30 et seq respectively of this Annual Report.

**Early 2013, the composition of the Executive Committee was changed and put online on our website.**

**[www.edmond-de-rothschild.ch](http://www.edmond-de-rothschild.ch) / About us / Press releases**

#### Internal Auditors

##### **Senior Vice-Presidents**

François Maendly

Maurice Moser

#### Independent Auditors

PricewaterhouseCoopers SA

<sup>1)</sup> = until 26 April 2012

<sup>2)</sup> = since 26 April 2012

<sup>3)</sup> = until 9 November 2012

<sup>4)</sup> = until 1 June 2012

<sup>5)</sup> = since 1 June 2012

<sup>6)</sup> = the appointment of Hervé de Montlivault as Deputy Chief Executive Officer and Head of Private Banking, was announced in a press release on 19 February 2013 (see our website)

## 1.1.2. / 1.1.3. Group legal structure

The fully consolidated entities of the Banque Privée Edmond de Rothschild Group are listed on pp. 52-55 of this report.

## 1.2. Major shareholders (at 31.12.2012)

	Par value (in CHF '000)	Percentage of share capital (in %)	Percentage of voting rights (in %)
<b>Major shareholders</b>			
Edmond de Rothschild Holding SA <sup>(1)</sup>	36,379.5	80.8	86.7
Rothschild Holding AG, Zurich <sup>(2)</sup>	3,800.0	8.4	9.4

(1) The entire share capital of Edmond de Rothschild Holding SA is directly or indirectly controlled by members of the de Rothschild family. 17% of the company's share capital (representing 6.77% of voting rights) is owned by Baroness Edmond de Rothschild and 66.33% (representing 89.84% of voting rights) by Baron Benjamin de Rothschild. The financial statements of Edmond de Rothschild Holding SA are available on request in writing to the company (PO Box 5254, 1211 Geneva 11).

(2) Rothschild Holding AG, Zurich is owned by 1) Eric de Rothschild, Paris; 2) David de Rothschild, Paris; 3) Alexandre de Rothschild, Paris; 4) Stéphanie Lifford de Buffévent, Paris; 5) Louise de Rothschild, Paris; 6) Financière de Tournon SAS, Paris; 7) Financière de Reux SAS, Paris; 8) Béro SCA, Paris; 9) Ponthieu Rabelais SAS, Paris; 10) Integritas Investments BV, Amsterdam; 11) Rothschild Trust (Schweiz) AG, Zurich; 12) AYRE Corporation (1972) Limited, Amsterdam; 13) Edouard de Rothschild, Paris; 14) Holding Financier Jean Goujon SAS Paris, (together the above-mentioned persons/entities represent the "RCSAS-Group"); 15) Rothschild Concordia SAS, Paris; 16) Philippe de Nicolay, Paris; 17) Olivier Pécoux, Paris; 18) François Henrot, Paris; 19) Compagnie Financière Martin-Maurel SA, Marseille; 20) Eranda Foundation, UK;

21) PO Gestion SAS, Paris; 22) PO Commandité SAS, Paris (together persons/entities 1), 2), 3), 6), 8), 9) and 13) to 22) represent the "PO-Group"; Rothschild Holding AG, Zurich owns 20,000 registered shares and 3,598 bearer shares of Banque Privée Edmond de Rothschild SA, Geneva, representing 8.4% of the total share capital and 9.4% of voting rights.

Rothschild Holding AG, Zurich owns a controlling interest in Rothschild Concordia SAS, Paris, which controls Concordia Holding Sàrl, Paris. Concordia Holding controls Rothschild Concordia AG, Zug, which in turn owns a controlling stake in Rothschilds Continuation Holdings AG, Zug. Rothschilds Continuation Holdings AG controls Rothschild Holding AG, Zurich, which owns a direct holding in Banque Privée Edmond de Rothschild SA, Geneva.

In 2012, in accordance with section 20 para. 1 of the Federal Act on Stock Exchanges and Securities Trading (SESTA), the Bank reported changes to Rothschild Holding AG, Zurich, notably as regards the composition of RCSAS-Group which now includes Edouard de Rothschild and Holding Financier Jean Goujon.

## 1.3. Cross-holdings (at 31.12.2012)

	Number of shares owned	Percentage of share capital (in %)	Percentage of voting rights (in %)
<b>Cross-holdings</b>			
Rothschild Holding AG, Zurich	10,161	9.5	9.5

## 2. Capital structure

### 2.1. Share capital

	Par value (in CHF '000)	Number of shares	Capital ranking for dividend (in CHF '000)
<b>Share capital</b>			
Fully paid registered shares at CHF 100.– par value	20,000	200,000	20,000
Fully paid bearer shares at CHF 500.– par value	25,000	50,000	25,000
<b>Total share capital</b>	<b>45,000</b>		

### 2.2. Specific indications regarding authorised and contingent capital

Banque Privée Edmond de Rothschild SA has no authorised or contingent capital.

### 2.3. Changes in share capital

	2012	2011	2010	2009	
	(in CHF '000)				
<b>Share capital</b>	<b>Total</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>
200,000 fully paid registered shares with a par value of CHF 100.–		20,000	20,000	20,000	20,000
50,000 fully paid bearer shares with a par value of CHF 500.–		25,000	25,000	25,000	25,000

### 2.4. Shares and non-voting certificates

The 200,000 unlisted registered shares with a par value of CHF 100 and the 50,000 bearer shares with a par value of CHF 500 listed on the SIX (stock market capitalisation on 31.12.2012: CHF 1.501 billion; ISIN: CH0001347498; Swiss security number: 134749TK) confer the same entitlements in proportion to their par value, in accordance with art. 7 para. 2 and 3 of our articles of incorporation. The registered and bearer shares are fully paid up.

Under art. 6 para. 5 and 6 of the articles of incorporation, the restricted registered shares confer preferential membership rights: each share, regardless of its par value (art. 15 para. 1),

entitles the owner to one vote at the Annual General Meeting. Again in respect of membership rights, art. 18 para. 4 of the articles of incorporation provides that each group of shareholders (i.e. the owners of bearer or registered shares) may demand to be represented on the Board of Directors by at least one member of its choice.

## 2.5. Dividend-right certificates

Banque Privée Edmond de Rothschild SA has not issued any dividend-right certificates.

General Meeting and by an absolute majority of the par value of the shares represented (art. 15 para. 6 of the Articles of Association and art. 704 para. 1 of the Swiss Code of Obligations).

## 2.6. Transferability restrictions and registration of nominees

### 2.6.1. Transferability restrictions and provisions governing dispensations

In order for an owner or usufructuary of registered shares to exercise the voting rights and other rights accruing to him, he must first be accepted as a shareholder by the Board of Directors and have his name entered in the Bank's share register.

Under art. 6 para. 5 of the Articles of Association, the Board of Directors may refuse the transfer of title to or use of registered shares on valid grounds, having due regard for either the corporate purpose or the Bank's desire to preserve its financial independence and, in particular, its family character.

### 2.6.2. Grounds for granting dispensations during the reporting year

No dispensations were granted in 2011 and none were requested.

### 2.6.3. Eligibility of nominees

There is no provision for dispensations from the rules governing nominees referred to in item 2.6.1. above (art. 6 of the Articles of Association).

### 2.6.4. Procedure and conditions for lifting transferability restrictions

Any amendment to the provisions of the articles of Association relating to registered share transferability restrictions (art. 6 of the Articles of Association) must be approved by a two-thirds majority of the votes represented at the Annual

## 2.7. Convertible bonds and options

Banque Privée Edmond de Rothschild SA has not issued any convertible bonds or options.

# 3. Board of Directors

## 3.1. Members of the Board of Directors

The Board of Directors is made up of 11 <sup>1)</sup> members, who in accordance with industry practice do not exercise an executive function within the Bank. Notwithstanding this, some of them do exercise managerial duties within the Group, or did so in the past.

### Baron Benjamin de Rothschild

**Chairman, French, 1963**

#### Education/training

1984 Master's in Business and Management, Pepperdine University (California)

#### Career summary

1985 BP, London

1985-1987 LCF Rothschild Group, Geneva and Paris (now the Edmond de Rothschild Group)

1989 Founded Compagnie Benjamin de Rothschild – *Chairman*

#### Present duties

Since 1997 Chairman of the Edmond de Rothschild Group

#### Directorships

Chairman of:

- Edmond de Rothschild Holding SA (Switzerland)
- Holding Benjamin et Edmond de Rothschild, Pregny SA (Switzerland)
- Banque Privée Edmond de Rothschild SA (Switzerland)
- Banca Privata Edmond de Rothschild Lugano SA (Switzerland) (*until 1 May 2012*)
- Banque Privée Edmond de Rothschild Europe (Luxembourg)
- La Compagnie Benjamin de Rothschild SA (Switzerland)
- The Caesarea Edmond Benjamin de Rothschild Development Corporation Ltd (Israel)
- The Edmond de Rothschild Foundation (USA)
- Edmond de Rothschild SA (*formerly Chairman of the Supervisory Board until 23 May 2012*)

Director of:

- Banque de Gestion Edmond de Rothschild Monaco (Monaco) (*until 1 May 2012*)
- La Compagnie Fermière Benjamin et Edmond de Rothschild SA
- La Compagnie Vinicole Baron Edmond de Rothschild SA
- Rothschild Continuation Holdings AG (Switzerland)
- La Compagnie Générale Immobilière de France (Cogifrance)
- EBR Ventures

Chairman of the Supervisory Board of Société Française des Hôtels de Montagne (SFHM)

Member of the Supervisory Board of Les Domaines Barons de Rothschild (Lafite)

### Baroness Benjamin de Rothschild

**Vice-Chairwoman, French, 1965**

#### Education/training

1984 A-levels, Kinshasa (Zaire) - Nantes Academy

1988 BBA in Finance, Pace University, New York

1990 MBA in Financial management, Pace University, New York

#### Career summary

1988-1990 Financial analyst, then currency dealer at Société Générale, Australia and New York

1990-1995 Currency dealer at AIG, New York. Helped launch Paris subsidiary and developed business in Europe

#### Directorships

Chairwoman of

- BeCitizen SAS (Paris) (*until end-February 2012*)
- EDR Communication
- Administration et Gestion SA

Vice-Chairwoman of

- Edmond de Rothschild SA (*formerly Vice-Chairwoman of the Supervisory Board until 23 May 2012*)
- Banque Privée Edmond de Rothschild Europe (Luxembourg)
- OPEJ

Vice-Chairwoman of the Supervisory Board of Société Française des Hôtels de Montagne (SFHM)

Honorary Vice-Chairwoman of RIT Capital Partners (London)

Director of:

- Edmond de Rothschild Holding SA (Switzerland)
- Holding Benjamin et Edmond de Rothschild Pregny SA (Switzerland)
- Baron et Baronne Associés (holding company of SCBA Société Champenoise des Barons Associés)
- Banque Privée Edmond de Rothschild SA (Switzerland)
- LCFR Banque (Paris)

Member of the Supervisory Board of:

- SIACI Saint-Honoré
- Milestone

<sup>1)</sup> = at 31 December 2012

Jean Laurent-Bellue  
**Secretary<sup>1)</sup>, French, 1951**

#### Formation

1974 Institut d'Etudes Politiques de Paris  
1975 *Licences* in Literature and Law  
1977 MBA from the Hautes Etudes Commerciales

#### Career summary

1978-1980 Executive with the Compagnie du Midi Group  
1980-1987 Institut de Développement Industriel (IDI), first as a budget controller and later in charge of marshalling equity investments and managing the portfolio of holdings  
1987-1999 Various duties with the Crédit Commercial de France Group relating to corporate finance and private equity:  
- 1987-1999: CEO of Nobel, in charge of investments  
- 1993: Central Manager and a member of the Executive Board of CFF  
- 1994-1998: in charge of corporate finance in Paris and London (Charterhouse Bank)  
- 1998-1999: responsible for private equity in Paris and London (Charterhouse Development Capital)  
2000-2004 Member of the Executive Board of Crédit Lyonnais Group  
2004 LCF Edmond de Rothschild Group (now Edmond de Rothschild Group) as a member of the Executive Board of La Compagnie Financière Edmond de Rothschild Banque and Chairman of the Executive Board of Edmond de Rothschild Corporate Finance  
2009-2011 Secretary-General of the Executive Board of Compagnie Financière Saint Honoré and Chairman of the Board of Directors of Edmond de Rothschild Corporate Finance

#### Present duties

Since Jan. 2011 Group Secretary-General at Edmond de Rothschild Holding SA, Geneva  
Member of the Boards of Directors of Banque Privée Edmond de Rothschild SA, Geneva and CFSH, Paris

#### Other directorships

Since 1999 Director and member of the Supervisory Board of KPMG Associés  
Since 2005 Director and member of the Supervisory Board of KPMG SA and KPMG ASSOCIES (SA)  
Since 2008 Member of the Supervisory Board of d'Edmond de Rothschild Private Equity Partners

Manuel Dami<sup>1)</sup>  
**Secretary, Swiss, 1930**

John Alexander<sup>1)</sup>  
**Member, British, 1941**

Luc J. Argand  
**Member, Swiss, 1948**

#### Education/training

1968 Diploma in Classical Studies, Collège Calvin (Geneva)  
1968-1972 University of Geneva  
1972 Master's in Law, University of Geneva  
1972-1974 Articled at Antoine Hafner Solicitors  
1974 Admitted to the Geneva Bar  
1976 MBA, INSEAD

#### Career summary and present duties

1977-1981 Trained at La Compagnie Financière Benjamin & Edmond de Rothschild; Goldman Sachs, New York; NMR, London  
Worked for Banque Privée Edmond de Rothschild SA, Geneva  
1982-present Partner of Pfyffer & Associés Solicitors, Geneva  
Since 1986 Director of Banque Morval SA, Geneva  
1993-present Director of Banque Privée Edmond de Rothschild SA Geneva  
Director of Compagnie Benjamin de Rothschild SA Genève  
Director of Holding Benjamin et Edmond de Rothschild SA, Pregny  
1996-1998 President of the Geneva Bar Association  
1990-present Arbitrator for the Court of Arbitration for Sport, Lausanne  
1998-2007 Member of the Geneva Magistrates' Upper Council  
2004-present Member of the Geneva Notaries' Supervisory Commission  
2005-2011 President of the Geneva Auto Show  
Since 2007 Director of Banque Syz & Co SA, Geneva

<sup>1)</sup> = since 26 April 2012

<sup>2)</sup> = see reference on page 25

Walter Blum Gentilomo <sup>1)</sup>  
**Member, Swiss, 1941**

Michel Cicurel <sup>1)</sup>  
**Member, French, 1947**

Rajna Gibson Brandon <sup>1)</sup>  
**Member, Swiss, 1962**

#### Education /training

- 1987 PhD, summa cum laude, Economic and Social Sciences (Specialization in Finance), University of Geneva, Switzerland
- 1982 *Licence* in Commercial and Industrial Sciences (Business Administration), University of Geneva, Switzerland

#### Career summary

- Since 2009 Director, Geneva Finance Research Institute, University of Geneva
- Since 2008 Swiss Finance Institute Professor of Finance at the University of Geneva
- Since 2006 Director of Research at the Swiss Finance Institute (SFI)
- Since 2001 Director and Deputy Director of the National Centre of Competence in Research, Financial Valuation and Risk Management (FINRISK)
- 2000-2008 Professor of Finance, Swiss Banking Institute, University of Zurich
- 1991-2000 Professor of Finance, Ecole des HEC, University of Lausanne
- 1993-1997 Director of Master's programme in Banking and Finance, Ecole des HEC, University of Lausanne

#### Regulatory bodies

- 1997-2004 Member of the Swiss Federal Banking Commission
- 1995-1996 Member of the Swiss Takeover Board

#### Directorships

- Since 2000 Member of Swiss Re

François Hottinger  
**Member, Swiss, 1943**

#### Education/training

- 1965 French Banking Association courses at the Sorbonne
- 1966-1967 Trained at BNP (ex BNCI), Paris
- 1967-1968 Trained in the commercial banking department of Banque Hottinguer & Cie, Paris
- 1968 Trained at Baring Bros, London

#### Career summary

- 1969-1992 Managing partner of Banque Hottinguer & Cie, Zurich
- 1975-1990 Managing partner of Banque Hottinguer & Cie, Paris
- 1992-2008 Managing partner of JFE Hottinger & Co, Zurich

#### Present duties

- Since 1970 Director of Banque Privée Edmond de Rothschild SA, Geneva
- Since 1992 Director of Hottinguer Corporate Finance SA, Paris (formerly Jean-Philippe Hottinguer & Cie, Corporate Finance SA, Paris)
- Since 1992 Director of Messieurs Hottinguer Gestion Privée SA, Paris (formerly Jean-Philippe Hottinguer & Cie, Gestion Privée SA, Paris)
- Since 1995 Director of Bolux Sicav, Luxembourg
- Since 1998 Chairman of the supervisory board of Banque Hottinguer, Paris (formerly Banque Jean-Philippe Hottinguer & Cie, Paris)
- Since 2009 Partner of JCE Hottinger & Co, Zurich

Klaus Jenny  
**Member, Swiss, 1942**

#### Education/training

- 1967 M. Sc. in Economics (major in banking), University of Saint Gallen)
- 1973 Ph. D. in Economics, University of Saint Gallen)
- 1975 Master's in Law, Glaris Canton
- 1986 Program for Senior Executives, Massachusetts Institute of Technology

#### Career summary

- 1972-1998 Credit Suisse / Credit Suisse Group from 1987  
Member of the Executive Board  
Member of the Executive Board Committee  
Member Executive Board of Credit Suisse Group  
CEO of Credit Suisse Private Banking
- Since 1999 Self-employed financial consultant for companies, institutions and private clients

<sup>1)</sup> = since 26 April 2012

<sup>1)</sup> = see reference on page 25

## Directorships

Since 2000	Maus Frères SA
Since 2001	Téléverbier SA
Since 2009	Assivalor SA
Since 2009	Edmond de Rothschild Holding SA
Since 2010	Banque Privée Edmond de Rothschild SA
	Various other directorships for smaller companies and assignments for boards of charitable foundations

## Veit de Maddalena

### Member Swiss, 1967

## Education/training

1988-1994	University of Bern <i>licentiatus rerum politicarum – Business Administration</i>
1998-1999	London Business School, London Master's in Science and Finance

## Career summary

1994-1995	Credit Suisse, Chiasso – Assistant to the Regional Manager
1996	Credit Suisse Private Banking, Lugano – Assistant to a member of the Executive Committee, CSPB
1997-1998	Credit Suisse Private Banking, London – Head of Client Management
1999-2002	Credit Suisse (Monaco) SAM, Monaco – Chairman and CEO Member of the Credit Suisse Private Banking Market Group 2 Management Committee
2003-2006	Credit Suisse Trust Group – Chairman and CEO Member of the International Private Banking Management Committee
2006-2007	Rothschild Bank AG, Zurich – Chairman and CEO

## Present duties

Since 2008	Rothschild Wealth Management & Trust Chairman, CEO and member of the Group Management Committee
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## Directorships

Banque Privée Edmond de Rothschild SA  
Charles Rodolphe Brupbacher Foundation  
Chairman of Rothschild Private Trust Holding AG  
INSEAD Advisory Council

## Claude Messulam <sup>1)</sup>

### Member, Swiss, 1951

## Education/training

1974	Master's in Commerce, University of Geneva
1975	Certificat du troisième cycle d'enseignement romand en gestion d'entreprise
1984	Federal Chartered Accountant's certificate

## Career summary

1974-1976	CETECOM SA
1976-1987	Deloitte & Touche
1988-1990	Partner in charge of bank auditing in French Switzerland for Deloitte & Touche
1991-1993	Banque Privée Edmond de Rothschild SA, Senior Vice-President and member of the Executive Committee
1994-2000	Banque Privée Edmond de Rothschild SA, Chief Executive Officer and Vice-Chairman of the Executive Committee
2001-2012	Banque Privée Edmond de Rothschild SA, Chief Executive Officer and Chairman of the Executive Committee <sup>2)</sup>

## Directorships

Since 22.6.2012	Vice-Chairman of Holding Benjamin et Edmond de Rothschild Pregny SA, Pregny-Chambésy Edmond de Rothschild Holding SA Banque Privée Edmond de Rothschild SA, Geneva
Since 26.4.2012	La Compagnie Benjamin de Rothschild SA, Meyrin – <i>Vice Chairman</i>
Until 25.5.2012	Banca Privata Edmond de Rothschild Lugano SA
Until 24.4.2012	Banque Privée Edmond de Rothschild Europe SA, Luxembourg Banque de Gestion Edmond de Rothschild - Monaco
Until 11.5.2012	Banque Privée Edmond de Rothschild Ltd, Nassau
Until 3.5.2012	LCF Edmond de Rothschild Limited, London – <i>Chairman</i>
Until 20.6.2012	LCF Edmond de Rothschild Prifund, Luxembourg – <i>Chairman</i>
Until 25.5.2012	La Compagnie Financière Edmond de Rothschild Banque, Paris
Until 23.5.2012	Compagnie Financière Saint-Honoré, Paris
Until 23.5.2012	Rothschild Bank AG, Zurich
Until July 2012	Rothschild Holding AG, Zurich
Until July 2012	Edmond de Rothschild Informatique, Geneva – <i>Chairman</i>
Until 27.6.2012	Edmond de Rothschild International Funds Ltd (EDRIF) Hamilton, Bermuda
Until 31.12.2012	

<sup>1)</sup> = Member of the Board of Directors since 26 April 2012

<sup>2)</sup> = position held until 26 April 2012

## Jacques-André Reymond

**Member, Swiss, 1937**

### Formation

1959	Master's in Law, University of Geneva
1962	Master's in Commerce, University of Geneva
1963	Degree from the Institute of Comparative Law, New York University
1966	Admitted to the Geneva Bar
1973	Ph. D. in Law, University of Geneva

### Career summary

1964-1965	Articled at Shearman & Sterling, New York
1965-1966	Articled at Helg, Picot, Grandjean, Geneva
1966-1968	Worked for Lenz Solicitors
1968-1996	Worked for and in 1972 became a partner of Sandoz, Mayor, Moreillon & Reymond Solicitors
1974-1998	Professor of commercial and tax law at the Faculty of Law, University of Geneva, Dean from 1989 to 1993

### Present duties

Solicitor, honorary professor at the University of Geneva, member of the Board of Directors of Banque Privée Edmond de Rothschild SA, member of the Board of Directors of Edmond de Rothschild Holding SA, Chairman of the Bureau of Edmond de Rothschild Holding SA and Vice-Chairman of the Audit Committee of Banque Privée Edmond de Rothschild SA

Since 1989	Vice-Chairman of Compagnie Benjamin de Rothschild SA, Geneva
Since 1995	Vice-Chairman of Arbinter-Omnivalor SA, Geneva (company absorbed by Banque Privée Edmond de Rothschild SA in 2009)
Since 2000	Director and Vice-Chairman of the Board of Banque Privée Edmond de Rothschild SA, Geneva
Since 2000	Managing Director of Banque de Gestion Edmond de Rothschild, Monaco
Since 2008	Director of Edmond de Rothschild Gestion Monaco – SAM, Monaco

## Guy Wais \*)

**Member, Swiss, 1942**

Besides Claude Messulam, former Chief Executive Officer of the Bank, none of the Directors had a close business relationship with Banque Privée Edmond de Rothschild SA or with a Group company.

## E. Trevor Salathé

**Member, Swiss and British, 1925**

### Education/training

1946	Master's in Law, University of Geneva
1948	Admitted to the Geneva Bar
1953	Trained in various departments of Société Bancaire de Genève

### Career summary, present duties and directorships

1954-1959	Executive Assistant with Société Bancaire de Genève
1959-2000	Managing Director of Banque Privée SA (which became Banque Privée Edmond de Rothschild SA in 1987)
Since 1972	Vice-Chairman of Banca Privata Edmond de Rothschild Lugano SA
Since 1985	Director and member of the Board Committee of Edmond de Rothschild Holding SA
Since 1988	Vice-Chairman of Banque Privée Edmond de Rothschild Europe, Luxembourg

\*) Manuel Dami, John Alexander, Walter Blum Gentilono, Michel Cicure and Guy Wais, directors for many years, did not seek reelection in 2012. Their résumés are available in previous annual reports on the Bank's website.

[www.edmond-de-rothschild.ch/presentation/documents/annual-reports.aspx](http://www.edmond-de-rothschild.ch/presentation/documents/annual-reports.aspx)

## 3.2. Other activities and vested interests

Luc Argand is Chairman of the Geneva Notaries' Supervisory Commission.

## 3.3. Election and terms of the Directors

The Directors are elected for three-year terms until they reach the age of 70 during the calendar year when their term ends. Thereafter they may be elected for one-year terms. The average age of the Directors presently stands at 62.

The following table provides details of the length of Board members' current terms

Director	Member of the Board since	Term ends
Baron Benjamin de Rothschild	1985	2015
Baroness Benjamin de Rothschild	2009	2015
M. Jean Laurent-Bellue	2011	2014
* M. Luc J. Argand	1993	2014
* M <sup>me</sup> Rajna Gibson Brandon <sup>2)</sup>	2012	2015
* M. François Hottinger	1969	2014
* M. Klaus Jenny	2010	2013
* M. Veit de Maddalena	2009	2015
M. Claude Messulam <sup>2)</sup>	2012	2015
* M. Jacques-André Reymond	1996	2013
* M. E. Trevor Salathé	1959	2013

\* Fulfil the independence requirements provided in FINMA circular 08/24 "Supervision and internal control - banks".

Members of the Board of Directors are elected by individual ballot at an Annual General Meeting of shareholders.

## 3.4. Organisational structure

### Board of Directors

The Bank's Bylaws, an amended version of which will come into force in April 2013 (see p. 27), provide as follows:

1. In addition to its wealth management and securities dealing core business, the Bank operates as the parent company of a banking and financial group as defined in Swiss legislation and rules on banking. As a result, the duties and powers of the Bank's governing bodies have increased (art. 2.1. of the Bylaws);
2. The Bylaws state the required level of skills, experience, diligence, availability, loyalty and independence for each governing body (art. 1.4., 3 and 4 of the Bylaws);
3. The Bank points out that the members of its governing bodies must organise their personal and work relationships so as to avoid as much as possible any conflict of interests with the Bank and the banking and financial group of which it is the parent company ( art. 3.1.1.7., 3.2.1.6., 3.3.1.6. and 3.4.1.5 of the Bylaws);
4. Both for itself and for the banking and financial group of which it is the parent company, the Bank broadens the duties and reinforces the powers of the Audit Committee (art. 3.3.2. of the Bylaws) and the Internal Auditors (art. 4 of the Bylaws), as well as of the Compliance Office and Risk Management Department (art. 3.1.2. of the Bylaws);
5. The Bank consolidates the internal monitoring, information management, reporting (art. 3.4.2. of the Bylaws) and risk management systems (art. 3.1.2 of the Bylaws);
6. Finally, in a document appended to the Bylaws the Bank's Board of Directors sets out its policy in detail regarding counterparty, market, reputational and operating risks (art. 5 and 8 of the Bylaws).

<sup>1)</sup> = at 31 December 2012

<sup>2)</sup> = Elected at the Annual General Meeting on 26 April 2012

The Board of Directors, made up of 11 members <sup>1)</sup>, is chaired by Baron Benjamin de Rothschild. Baroness Benjamin de Rothschild and Jean Laurent-Bellue <sup>2)</sup> respectively hold the offices of Vice-Chairman and Secretary. The Board of Directors operates as a collegial body. Resolutions are passed by an absolute majority of the directors present and in the event of a tie, the Chairman has the casting vote. In special circumstances Board resolutions may be passed by circular as prescribed in the Bylaws.

### **Committees**

In accordance with the Bank's Articles of Association and Bylaws, the Board of Directors is empowered to set up supervisory committees composed of its members. It has created an Audit Committee and formerly had a Board Committee, but this was dissolved in November 2011. The last meeting of the Board Committee was held on 23 February 2012.

#### **The Committee of the Board of Directors (Board Committee)**

The Board of Directors delegated some of its powers (notably relating to loans, liabilities and management oversight) to the Board Committee until this was dissolved in February 2012. The Board Committee was made up of six members, all of whom belonged to the Board of Directors. Baron Benjamin de Rothschild served as Chairman of this Committee, E. Trevor Salathé as Vice-Chairman and Manuel Dami as Secretary. The other three members of the Board Committee were John Alexander, Michel Cicurel and Klaus Jenny. Resolutions were passed by an absolute majority of the directors present and in the event of a tie, the Chairman had the casting vote. In special circumstances, Board Committee resolutions could be passed by circular as prescribed in the Bylaws.

At end-2011, the Board of Directors decided to dissolve the Board Committee, strictly complying with the principle of separation between control and executive functions. This decision involved amending the Bylaws.

The new Bylaws were approved by the Board of Directors and by FINMA in March 2013. They will come into force in April 2013.

In the meantime, the powers that were delegated to the Board Committee have been divided between the Board of Directors and the Executive Committee. When the new Bylaws come into force, the said powers will be redistributed among the Board of Directors, the Executive Committee and the Pay and Appointments Committee (the "Pay Committee") that was recently set up (*see p. 28*).

In 2012 the Board of Directors met seven times and the Board Committee once on 23 February 2012 for its last meeting. On average, meetings of the Board of Directors last half a day. The work of the Board of Directors is based on agendas drawn up by its Secretary and by the Chairman of the Executive Committee (*see section 3.6 below*). Minutes are taken at the meetings of the Board of Directors and the Board Committee; they are duly numbered and signed jointly by the Chairman and Secretary.

Each meeting follows a standing agenda that includes the following items: 1) reading and approval of the minutes of the previous meeting; 2) a report by the Chairman of the Board of Directors; 3) finances; 4) a report by the Chief Executive Officer (CEO); 5) comments by independent Directors; 6) a report by the Chief Operating Officer (COO); 7) reports by the Internal Auditors; 8) any other business.

<sup>1)</sup> = at 31 December 2012

<sup>2)</sup> = before 26 April, these functions were held by E. Trevor Salathé (Vice-Chairman) and Manuel Dami (Secretary)

## Audit Committee

Under the Bylaws the Board of Directors has delegated part of its powers to an Audit Committee made up of at least three Board members. Their powers primarily include acting as a liaison unit between the Independent Auditors and the Board of Directors and supervising the activities of the Internal Auditors, the Compliance Office and the Risk Management Department. The Board has appointed four of its members (Klaus Jenny as Chairman, Jacques-André Reymond as Vice-Chairman, Jean Laurent-Bellue<sup>1)</sup> and E. Trevor Salathé) to form the Audit Committee.

All four of these members have the necessary independence, skills and experience.

## Pay Committee

As part of the Bank's reorganisation in 2012, the Board of Directors resolved among other things to set up a Pay Committee (see section 5 below).

Acting for the Board of Directors, the Pay Committee is composed of at least three members, all from the Board of Directors. Its main job will be to establish guidelines on remuneration in general and approve the salaries and bonuses of the Bank's staff and Executive Committee as proposed by the relevant bodies. The Pay Committee will also be responsible for preliminarily advising the Board of Directors on the appointment and removal of members of the Executive Committee and the Board of Directors and persons in charge of managing and representing the Bank.

The Board of Directors has appointed four of its members to form the Pay Committee: Baroness Benjamin de Rothschild (Chairwoman), Luc J. Argand, Jean Laurent-Bellue (Secretary) and Klaus Jenny. This Committee will hold meetings at least twice a year when the amendments to the Bylaws come into force.

The preparatory, decisional and advisory qualifications of the aforementioned Committees appear in the Bylaws.

## 3.5. Powers

The Board of Directors is the Bank's highest governing body and is responsible for supervising and monitoring its operations. Under the statutes and the Articles of Association (art. 22), it has the widest powers of oversight as regards how the Bank's business is managed. Aided by its committees, it sets the general strategy of the Bank and Group. It lays down the principles pertaining to organisation, management and control and ensures that they are applied. It supervises on a consolidated basis all the Swiss and foreign entities that together comprise the Banque Privée Edmond de Rothschild Group. The Board of Directors has delegated oversight of the Bank's day-to-day business to the Executive Committee (see section 4 below).

The Board of Directors has no official terms of reference. Its powers and those of its Committees are clearly delineated in the Bank's Articles of Association and Bylaws ([www.edmond-de-rothschild.ch](http://www.edmond-de-rothschild.ch), About Us/Investor Relations /Legal Documents).

## 3.6. Information and control instruments

### Description of reporting by the Executive Committee and the management information system

At each meeting of the Board of Directors, the Chief Executive Officer and/or the Deputy Chief Executive Officer report on the major decisions taken by the Executive Committee and on the operations dealt with, presenting those matters that fall within the jurisdiction of the Board of Directors. However, the Chief Executive Officer and his Deputy may only participate in Board meetings in an advisory capacity.

<sup>1)</sup> = from 26 April 2012. Prior to this date, the Audit Committee was comprised of five members: E. Trevor Salathé (Chairman), Jacques-André Reymond (Vice-Chairman), Manuel Dami (Secretary), Guy Wais and Klaus Jenny. Manuel Dami and Guy Wais did not seek an extension of their terms, which ended on 26 April 2012.

To help them perform their oversight obligations, at each meeting the members of the Board of Directors are given among other documents a monthly progress report that primarily includes the Chief Executive Officer's comments, the summarised monthly accounts of the various Group entities comparing actual business performance with the budget and, finally, a list of the Group's financial investments and holdings.

At meetings the Board members also receive a quarterly report on risks noting, inter alia: the level of shareholders' equity; major risks, if any; market, interest rate and counterparty risks in the banking industry; the level of cash reserves; and risks of a legal and reputational nature.

The Board of Directors has also put facilities in place that are designed to monitor and supervise management at the Group level. These facilities are outlined on pp. 64 et seq. of this annual report.

Between meetings of the Board of Directors and the Board Committee, the Chairman and Deputy Chairmen of the Executive Committee keep the Chairman of the Board of Directors regularly informed on major executive decisions.

Other members of the Executive Committee, as well as other Bank executives, employees, internal auditors and external advisers or experts whose presence is needed, may also be invited to the meetings of the Board of Directors and the Board Committee. However, these persons may only participate in an advisory capacity.

### **Description of the internal auditing system**

Pursuant to the applicable regulations and laws (art. 9 para. 4 AMLO, art. 20 para. 2 SESTO, margin No. 9 and 54 et seq FINMA Circ. 08/24), the Board of Directors has an Internal Auditing Dept that is immediately subordinated to it in the chain of command. The chief internal auditor and his assistant are appointed by the Board on the advice of the Board Committee, to which they report directly. The rights and obligations of the Internal Auditing Dept are set out in the Bank's Bylaws and in the internal auditors' Charter and

Ethical Code. In particular, the Internal Auditing Dept has access to all the documents of the Bank and of the consolidated affiliates that it audits.

The Internal Auditing Dept currently has a staff of 12.

It draws up an auditing programme each year that is discussed and approved by the Audit Committee. In addition to a detailed list of assignments planned for the current year, this programme contains a summary of the departments and functions that have been audited over the past three years and of those for which a review is scheduled in the three coming years.

This programme is also discussed with the Independent Auditors.

A separate report is drafted for each area audited. The Executive Committee's view on each item is included in the report, along with a deadline for implementing the recommended steps. At its meetings the Audit Committee deals with the Internal Auditing Dept's reports in the presence of the chief internal auditor and resolves to take additional measures when necessary. The Chief Internal Auditor is asked to attend the meetings of the Audit Committee as an external Secretary and even in some cases to meetings of the Board of Directors. In certain circumstances the Chairman of the Board of Directors or of the Audit Committee may assign special tasks to the Chief Internal Auditor.

The Independent Auditors draw up an auditing plan for each financial year and submit it to the Audit Committee for discussion and implementation. The 2012 auditing plan was presented to the Board Committee at its meeting on 4 September 2012. The Audit Committee meets regularly with representatives of the Independent Auditors.

### **Description of the risk control and management system**

Please refer to pp. 64-67 of the "Notes to the consolidated financial statements".

## 4. Executive Committee

The Executive Committee<sup>1)</sup> is comprised of nine members appointed by the Board of Directors and operates as a collegial body, holding weekly meetings that on average last half a day. In 2012 it met 49 times. Resolutions are passed by an absolute majority of the members present, provided they form a quorum. In the event of a tie, the Chairman has the casting vote. The Executive Committee's resolutions may also be passed by circular as prescribed in the Bylaws. Minutes are taken at the meetings of the Executive Committee; they are duly numbered and signed by the Chairman and Vice-Chairman. Each meeting follows a standing agenda that covers the full range of the Bank's operations.

Each of the Bank's departments is placed under the supervision of a member of the Executive Committee (*see Group structure and shareholders, p. 17*). At meetings members report to the rest of the Committee on any major developments that have occurred in their area of responsibility.

The members of the Executive Committee receive documents and statistics issued weekly, monthly or quarterly by the departments and groups concerned. In particular, they receive a progress report containing the following: the Chief Executive Officer's comments; various statistics including summarised monthly accounts comparing actual business performance with the budget; monthly lists of financial investments; the financial statements of the various entities forming the Banque Privée Edmond de Rothschild Group; a report on risk control noting market, interest rate and counterparty risks; the level of shareholders' equity; and risks of a legal and reputational nature (cf. compliance). The Executive Committee can also rely on the supervision and monitoring facilities described in section 3.6 above. These facilities are honed year after year to enhance their effectiveness.

To help it perform its duties, the Executive Committee has set up the following committees: a Management Committee; a Strategy Committee; a Standing Committee for Operations; a Credit Committee; a Risk Committee; a Product Risk Committee<sup>2)</sup>; a Fees Committee; a Compliance Committee;

a Security Committee; an IT Steering Committee; an Asset & Liability Management Committee; a Trading Committee and a Training Committee.

Minutes are taken at the meetings of these committees. They are numbered, dated and signed, and a copy is re-mitted to each member of the Executive Committee.

Other Bank executives, as well as employees, internal auditors and external advisers or experts may also be invited to the meetings of the Executive Committee. However, these persons may only participate in an advisory capacity.

<sup>1)</sup> = at 31 December 2012

<sup>2)</sup> = replaced from 1 January 2013 by the New Products and Services Committee

## 4.1. Members of the Executive Committee

Christophe de Backer  
**Chairman, French, 1962**

**Chief Executive Officer**

### Education / training

1986 Institut Supérieur de Gestion - Paris

### Career summary

2001-2011 HSBC France  
2001-2007 Deputy Chief Executive Officer  
2007-2010 Managing Director  
2010-2011 Chief Executive Officer

### Present duties

Since 26 May 2012 Edmond de Rothschild Group  
– Chairman of the Executive Committee  
Since 26 April 2012 Banque Privée Edmond de Rothschild SA, Geneva  
– Chairman of the Executive Committee  
and Chief Executive Officer

### Directorships

Since July 2012 Edmond de Rothschild Ltd, London – *Chairman*  
Since May 2012 Compagnie Benjamin de Rothschild SA, Geneva  
– *Vice-Chairman*  
Since April 2012 Banque Privée Edmond de Rothschild Europe,  
Luxembourg

Claude Messulam <sup>1) 3)</sup>  
**Chairman, Swiss, 1951**

**Chief Executive Officer**

Sylvain Roditi <sup>2) \*)</sup>  
**Deputy Chairman, Swiss, 1951**  
**Deputy Chief Executive Officer**

Jean-Pierre Pieren <sup>3) \*)</sup>  
**Member, Swiss, 1943**  
**Deputy Chief Executive Officer**

Manuel Leuthold  
**Vice-Chairman, Switzerland, 1959**

**Deputy Chief Executive Officer**

### Education / training

1981 LLM, University of Geneva  
1984 Master's in Economics, University of Geneva

### Career summary

1984-1996 UBS Genève, credit, commodity & trade finance  
1997-2008 UBS Lausanne, head of French Switzerland  
2009-2011 UBS Zurich, head of Corporate & Institutional Banking,  
Vice-Chairman, Wealth Management & Swiss Banking

### Present duties

Since 2012 COO, Deputy CEO and Vice-Chairman of the  
Executive Committee

### Directorships

Banca Privata Edmond de Rothschild Lugano SA  
– *Chairman*  
Banque Privée Edmond de Rothschild Europe SA,  
Luxembourg  
Banque de Gestion Edmond de Rothschild - Monaco,  
Monaco  
Banque Privée Edmond de Rothschild Ltd, Nassau  
– *Chairman*  
LCF Edmond de Rothschild Limited, London  
LCF Edmond de Rothschild holdings (CI), Guernsey  
LCF Edmond de Rothschild Asset Management (CI) Ltd,  
Guernsey  
LCF Edmond de Rothschild (CI) Ltd, Guernsey  
Edmond de Rothschild Informatique SA, Geneva  
– *Chairman*  
Edmond de Rothschild Communication SA, Geneva

<sup>1)</sup> = see CV on page 24

<sup>2)</sup> = until 31 May 2012

<sup>3)</sup> = until 26 April 2012

<sup>\*)</sup> = see page 34

Luc Baatard

**Member, Swiss, 1957**

**Senior Vice-President**

**Education/training**

1967-1976	College certificate (Economics / Sciences stream) from Institut Florimont, Geneva
1977-1978	Trained at Messel & Co, London and Drexel, London
1978-1979	Trader in eurobonds at Merrill Lynch, London
1979-1981	Master's in Commerce (major in Banking), University of Geneva

**Career summary**

1981-1982	Securities analyst at Merrill Lynch, New York and then at Thomson McKinnon, New York
1983-1984	Assigned to manage Omnivalor, Geneva on behalf of Banque Privée Edmond de Rothschild SA
1984-2007	CEP of Arbinter-Omnivalor SA, Geneva

**Present duties**

Since 1996	Member of the Executive Committee of Banque Privée Edmond de Rothschild SA, Geneva
Since 2010	In charge of Capital Markets
Since 2011	In charge of Trading and Structured Solutions
Since 2012	In charge of Forex and Cash Management

**Directorships**

Since 1989	Compagnie Benjamin de Rothschild SA, Geneva
Since 1995	Banca Privata Edmond de Rothschild Lugano SA, Lugano
Since 1996	Banca Privata Edmond de Rothschild Lugano SA; Banque Privée Edmond de Rothschild Europe, Luxembourg; Compagnie Benjamin de Rothschild SA Geneva

Frédéric Binggeli

**Member, Swiss, 1961**

**Senior Vice-President**

**Education/training**

1979	College certificate type 3
1985	M. Sc. in Economics, University of Geneva
1993	Series 7 and 3 National Association of Securities Dealers

**Career summary**

1985-1986	Peat Marwick, Geneva, assistant auditor
1987-1991	Lombard, Odier & Cie, Geneva, securities analyst
1991-1993	Sogenal, Geneva, securities analyst

1993-1994	Merrill Lynch, Geneva, broker
1994-1996	Tetra Investment Management (family office of the Tetra Pak Group), Pully, in charge of equity investments
Since 1996	Banque Privée Edmond de Rothschild SA, Geneva

**Present duties**

Senior Vice-President and member of the Executive Committee of Banque Privée Edmond de Rothschild SA in charge of a wealth management group  
Vice-Chairman of the Strategy Committee  
Member of a number of other committees  
Writer of financial columns

**Directorships**

Holding Benjamin et Edmond de Rothschild  
Pregny SA, Pregny-Chambésy

Alexandre Col

**Member, French and Swiss, 1963**

**Senior Vice-President**

**Education/training**

1987	Licence in Economics (business administration), Ecole des hautes études commerciales, University of Lausanne
1991	Licence in Political Science, University of Lausanne
1991	Licence in Economics (economics), Ecole des hautes études commerciales, University of Lausanne
1993	M. Sc. in Political Science, University of Lausanne
1993	Graduate studies in Economics (economic relations), Institut d'études politiques, Paris

**Career summary**

Since 1994	Banque Privée Edmond de Rothschild SA, Geneva, Investment Fund Dept
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**Present duties**

Since 2000	Head of the Investment Fund Dept of Banque Privée Edmond de Rothschild SA, Geneva
Since 2010	Member of the Executive Committee of Banque Privée Edmond de Rothschild SA Head of the Investment Fund Dept Member of the Board of the Personnel Welfare Foundation of Banque Privée Edmond de Rothschild SA

**Directorships**

Chairman of ACH Management SA  
Chairman of Edmond de Rothschild Real Estate SICAV  
Chairman of NOVA SICAV  
Chairman of Matterhorn Fund

Chairman of *Prifund Conseil* SA  
Chairman of *Prifund Conseil* (Bahamas) SA  
Multi Alternatif Alpha SICAV –

#### Other offices

Member of Alternative Investment Management Association Limited (AIMA), Londres  
Chairman of the Regulatory Circle, a committee of the Swiss Fund Association's Alternative Investments Council (AIC), Basel  
Member of the European Fund and Asset Management Association (EFAMA), Bruxelles  
Member of the Transparency Council Funds of Hedge Funds (TCF), Winterthur

Philippe Currat <sup>1)</sup>

**Member, Swiss, 1948**

#### Senior Vice-President

##### Education/training

1972 Master's in Law, University of Fribourg  
1976 Admitted to the Fribourg Bar

##### Career summary

1976-1977 Credit Depts of UBS, Fribourg and Zurich  
1977-1979 Legal Dept of Banque Hentsch & Cie, Geneva  
1979-1981 Partner of Etude Nouveau and Weck, Nordmann & Bussey Solicitors, Fribourg.  
1981-1986 Secretary of the Federal Banking Commission (deputy to the Head of the Legal Dept)

##### Present duties

Since 1987 Senior Vice-President and member of the Executive Committee of Banque Privée Edmond de Rothschild SA, Geneva Secretary General

##### Directorships

Since 1988 Chairman of the Board of Directors of Privaco Family Office SA, Geneva  
Since 2010 Edmond de Rothschild Communication SA, Geneva  
Since 2011 Privaco Family Office SA, Hong Kong

Martin Leuthold

**Member, Swiss, 1952**

#### Senior Vice-President

##### Education/training

1975 University of Zurich Business School, Business Economist degree  
1982 Certification as Chartered Account and Financial Controller, Geneva

##### Career summary

1975-1978 Procter & Gamble, Geneva finance and accounting Finance & Accounting  
1978-1980 Arthur Andersen SC, Geneva, assistant to the worldwide controller  
1980-1988 Ferrier Lullin & Cie SA, Geneva, assistant to the CFO

##### Present duties

Since 1988 Chief Financial Officer of Banque Privée Edmond de Rothschild SA, Geneva  
Since 1990 Member of the Board of the Personnel Welfare Foundation of Banque Privée Edmond de Rothschild SA  
Since 2010 Senior Vice-President and member of the Executive Committee of Banque Privée Edmond de Rothschild SA

##### Directorships

Representación B.P. Edmond de Rothschild SA Montevideo  
Rotomobil SA Pregny  
Rouiller, Zurkinden & Cie Finance SA Fribourg  
Copri III SA Luxembourg  
Priasia Ltd, Tortola (BVI)  
Privaco family Office, Geneva  
Privaco Family Office, Hong Kong

Michel Lusa

**Member, Swiss, 1949**

#### Senior Vice-President

##### Education/training

1974 Master's in Law, University of Lausanne  
1974 Master's in Economics, University of Lausanne  
1979 Admitted to the Geneva Bar

##### Career summary

1979-1987 Asset manager at UBS, Geneva  
1987-1992 Headed the Middle East section of the Wealth Management Dept at UBS, Zurich

<sup>1)</sup> = until 9 November 2013

1992-1998 Headed the Wealth Management Dept at UBS, Geneva  
1998 Managing Director and Regional Market Manager for the Middle East, Israel and Africa at UBS SA, Geneva

#### Present duties

Since 1999 Senior Vice-President and member of the Executive Committee of Banque Privée Edmond de Rothschild SA, Geneva in charge of Investment Research and Private banking (ad interim)

#### Directorships

LCF Edmond de Rothschild *Prifund*, ECH Investment Ltd and Rouiller, Zurkinden & Cie Finance SA, Fribourg  
LCH Investments NV (since 26 June 2012)  
ECH (since 23 October 2012), previously ECH Investments Ltd (until 23 October 2012)

### Bernard Schaub

**Member, Swiss, 1955**

#### Senior Vice-President

#### Education/training

1979 Master's in Law, University of Geneva

#### Career summary

1980-1983 Various internships with companies in Switzerland the US

1983-1995 Ferrier Lullin, Geneva

1983 Junior securities analyst

1984 Portfolio manager

1990 Head of the Independent Managers Dept

1992 Member of the Executive Committee and Co-head of the Portfolio Mgt Dept

Since 1995 Banque Privée Edmond de Rothschild SA, Geneva  
Senior Vice-President in charge of administration in the Portfolio Mgt Dept

#### Present duties

Since 1999 Member of the Executive Board of Banque Privée Edmond de Rothschild SA Personnel Welfare Foundation

Since 2000 Senior Vice-President and member of the Executive Committee of Banque Privée Edmond de Rothschild SA, in charge of a wealth management group and of the Hong Kong branch

#### Directorships

Since 1997 Director of Priasia Ltd

Since 2000 Director of LCF Edmond de Rothschild *Prifund*

Since 2005 Chairman of Priasia Ltd

\*) Jean-Pierre Pieren and Sylvain Roditi, Deputy Chief Executive Officers for many years, stepped down on 26 April 2012 and 31 May 2012 respectfully. Their résumés are available in previous annual reports that can be found on our website at

[www.edmond-de-rothschild.ch/presentation/documents/annual-reports.aspx](http://www.edmond-de-rothschild.ch/presentation/documents/annual-reports.aspx)

## 4.2. Other activities and vested interests

The members of the Executive Committee have no other activities or vested interests within the meaning of art. 4.2. of the SIX Guidelines on Corporate Governance.

## 4.3. Management contracts

No such contracts exist at Banque Privée Edmond de Rothschild SA

# 5. Remuneration, profit-sharing and loans

## Introduction

Our remuneration policy forms part of the strategy, culture and nature of our Group's business and of each entity's local specificities. As such it falls within the scope of the general policy of the Edmond de Rothschild Group, whose aim is to foster staff loyalty and encourage each employee to promote our long-term success through entrepreneurship and risk control.

The policy is moreover based on the guidelines contained in Circular 2010/1 – “Remuneration schemes” issued by the Swiss Financial Market Supervisory Authority (FINMA), subject to the applicable regional rules.

## Powers

Under art. 3.1.2 of our Bylaws the Board of Directors is responsible for drawing up the general remuneration policy and the rules on the Board members' remuneration.

Based on the annual proposals of the Executive Committee, the Board of Directors approves the overall package relating to salary adjustments and bonuses for the staff and the Executive Committee.

Supervision of each individual's remuneration is delegated by the Board to one of its members or to a committee, depending on the entity.

In the amendments to the Bylaws (*mentioned on p. 28*) effective from April 2013, the Board of Directors set up a Pay Committee, taking into account the guidelines set out in FINMA's Circular 2010/1 – Pay systems, which banks are advised to follow.

Acting for the Board of Directors, the Pay Committee's main job will be to establish guidelines on remuneration in general and approve the salaries and bonuses of the Bank's staff and Executive Committee as proposed by the relevant bodies. The Pay Committee will also be responsible for

preliminarily advising the Board of Directors on the appointment and removal of members of the Executive Committee and the Board of Directors and persons in charge of managing and representing the Bank.

The Board of Directors has appointed four of its members to form the Pay Committee: Baroness Benjamin de Rothschild (Chairwoman), Luc J. Argand, Jean Laurent-Bellue (Secretary) and Klaus Jenny. This Committee will hold meetings at least twice a year when the amendments to the Bylaws come into force.

## Remuneration

### Guidelines

Remuneration includes a fixed annual salary and a bonus, both of which are paid in cash.

In order to spread profits over time and guarantee risk control, certain employees with strategic duties receive their bonus on a deferred basis.

Remuneration is set according to employees' duties, skills, responsibilities and experience. It also takes account of market conditions, thanks to our participation in industry surveys.

To avoid conflicts of interest, the fixed salaries of the persons in charge of auditing, compliance, the legal field, control and risk management form the bulk of their remuneration. This is submitted to the Audit Committee or its equivalent.

The Bank pays no signing bonuses. Compensation is granted in certain cases where a new employee has lost earnings due to his job change.

Pursuant to the Bylaws, the remuneration scheme and the objectives assigned to employees must not induce them not to abide by the internal control mechanisms and rules of compliance.

## Board of Directors

Each member of the Board of Directors is paid fixed fees that vary depending on whether or not he serves on certain committees.

## Executive Committee and other managers

The members of the Executive committee and other managers receive a fixed annual salary and a discretionary bonus in line with the Bank's earnings.

These bonuses are based on the Bank's earnings and on the quantitative and qualitative achievements of the concerned managers. Only in six cases are they subject to a detailed, binding calculation. The bonuses are paid within 30 days following the meeting of the Board of Directors at which the financial statements are approved.

A bonus is not granted if a manager's work contract is terminated owing to misfeasance or to non-compliance with our Group's values, or if he has decided unilaterally to resign.

A limited number of the Group's senior executives have agreements providing for severance pay should the Bank terminate their work contract without just cause. Such pay may not exceed three years' remuneration.

Members of the Executive Committee have the same personnel welfare plan as the staff.

Benefits such as company cars or vehicle allowances may be granted at our Luxembourg subsidiary.

## Non-managerial employees

The remuneration of non-managerial employees consists of a fixed annual salary and a discretionary bonus.

Bonuses are based on employees' performance. They are paid at the end of the calendar year and usually amount to one to two months' pay.

## Stock option plans

### Geneva

The Bank is studying the appropriateness and implications of implementing a remuneration scheme that would include stock options and deferred payments.

### Luxembourg

Our Luxembourg subsidiary (BPERE) has added two plans to the variable portion of pay. They are designed to motivate the beneficiaries in the medium/long term and take future business development into account.

The aim of the first plan is to foster loyalty among key managers by allotting them stock options with a four-year lifespan. The charge amounts to 10% of consolidated net profit. Each year the Board of Directors sets the terms of the plan for a new four-year period. This remuneration is payable only to beneficiaries who remain at BPERE at the end of the relevant period.

A similar plan has been implemented in the subsidiary's Belgian branch. It consists in allotting free shares that can be later converted into warrants. The conversion takes place at the end of a three-year period and the new warrants are inalienable for a one-year period. Each year the Board of Directors sets the terms of the plan for a new three-year period. This remuneration is payable only to beneficiaries who remain at the branch at the end of the relevant period.

The second plan, known as the profit-sharing scheme, provides an incentive to senior managers by giving them a stake in the five-year real growth of BPERE's value. It consists of stock options granted irrevocably to the beneficiaries for a portion of the subsidiary's shares. The options expire at end-June in the year following the last year of the plan, and the options must be held at least two years before being exercised. The plan ends with a cash settlement or an issue of warrants, thereby allowing the parent company to retain control of its shareholder base. The actual value of the shares is determined once a year by an independent auditor appointed by the Bank, using a valuation method certified by PricewaterhouseCoopers SA.

This scheme was implemented for a five-year period from 1 January 2011 and consists in allotting 8.33% of the subsidiary's shares. The plan was terminated early by mutual agreement in October 2012 on the basis of a valuation at 31 December 2011.

The cost of these profit-sharing schemes is provisioned annually in the subsidiary's financial statements.

### **Monaco**

Our Monaco subsidiary also has a profit-sharing scheme aimed at motivating senior managers and rewarding loyalty. There were six beneficiaries in 2012. The plan takes the actual growth of the entity's value into account, and consists in granting stock options with a five-year lifespan. These may only be settled in cash when they are exercised. The actual value of the subsidiary's shares is determined once a year by independent appraisers appointed by the subsidiary.

### **Other Group entities**

No profit-sharing schemes are currently in force at the other Group entities.

### **Remuneration, stock options and loans in 2012**

In accordance with articles 663 b bis and 663 c section 3 of the Swiss Code of Obligations, the remuneration and loans granted to current members of the Bank's governing bodies are indicated in Note 15 to the Bank's financial statements (*pp. 110 et seq.*).

In 2012 no remuneration was paid to past members.

The variable portion of remuneration in the reporting year accounted for 30.7% of the entire Group payroll (as against 35.3% in 2011) and represented 59.7% of the total remuneration of the Executive Committee (as against 65.3% in 2011).

To allow easier comparisons between reporting years, these percentages do not take extraordinary events into account.

# 6. Shareholders' rights

## 6.1. Limitation and representation of voting rights

Under art. 6 para. 4 of the Articles of Association, the name and permanent address of the owners and usufructuaries of registered shares are entered in the Bank's share register. Only the owners and usufructuaries of registered shares whose inclusion in the share register is endorsed by a director may legitimately exercise the Company-related rights attaching to a registered share. Para. 5, 6 and 8 of the Articles of Association state the grounds on which the Board of Directors may refuse to grant such an endorsement.

Moreover, an owner of registered shares may only be represented at an Annual General Meeting by another owner of registered shares in possession of a written proxy (cf. art. 14, para. 2). Holders of bearer shares must merely produce such shares or comply with any other formality required by the Board of Directors (under art. 14, para. 3 of the Articles of Association) in order to exercise their rights.

## 6.2. Quorums

Annual General Meetings are deemed validly held when over half the shares are represented. In cases where this quorum is not achieved, a second meeting may be convened with the same agenda (cf. art. 15, para. 2 of the Articles of Association). The second meeting may not take place until at least 30 days have elapsed and it will be deemed validly held regardless of the number of shares represented. This must be mentioned in the notice (art. 15, para. 3).

## 6.3. Notice of Annual General Meetings

The rules pertaining to notices of AGMs are set forth in articles 11, 12 and 31 of the Articles of Association, which draw on the provisions of the Swiss Code of Obligations.

## 6.4. Items on the agenda

The rules pertaining to agendas and deadlines are set forth in articles 11 and 12 of the Articles of Association, which draw on articles 699 *et seq* of the Swiss Code of Obligations.

### **Article 11 of the Articles of Association**

*General Meetings shall be convened by the Board of Directors and, if necessary, by the Auditors, the liquidators or the representatives of bondholders.*

*One or more shareholders together representing at least 10 per cent of the capital stock may also request that a General Meeting be convened.*

*Shareholders representing shares with a total par value of CHF 1 million may request that an item be included in the agenda. Convocations and inclusion of items in the agenda must be requested in writing, mentioning the topics of discussion and proposals.*

### **Article 12 para. 1 and 2 of the Articles of Association**

*General Meetings shall be convened at least 20 days prior to the date on which they are to be held, in accordance with the procedures provided in article 31 of the Company's notices.*

*Items included in the agenda must be referred to in the notice of the General Meeting, together with the proposals of the Board of Directors and the shareholders who requested the convocation of the meeting or the item's inclusion.*

## 6.5. Entries in the share register

In accordance with Company practice, the deadline for entering unlisted registered shares falls on the day the AGM agenda is notified.

# 7. Take-overs and defensive measures

## 7.1.

The Bank has included in art. 6 para. 3 of its Articles of Association a clause providing that bidders are not required to make a formal take-over bid pursuant to articles 32, 52 and 53 of the Swiss Stock Exchanges and Securities Trading Act (SESTA).

## 7.2.

No member of the Bank's senior management (Board of Directors, Executive Committee and other senior officers) has signed a contract protecting him/her from a transfer of control by the Bank.

# 8. Independent Auditors

## 8.1. Duration of the Auditors' mandate and of the Chief Auditor's term of service

Since 1982 PricewaterhouseCoopers SA, Geneva has audited the parent company financial statements of Banque Privée Edmond de Rothschild SA, Geneva. The financial statements of the Banque Privée Edmond de Rothschild Group are also audited by PricewaterhouseCoopers SA. Beresford Caloia has served as Chief Auditor for our account since 2012.

## 8.2. Auditing fees

Banque Privée Edmond de Rothschild SA in 2012 paid a total of CHF 567,000 in auditing fees to PricewaterhouseCoopers SA, Geneva, within the meaning of this provision of the Guidelines on Corporate Governance.

## 8.3. Additional fees

The Bank paid additional fees totalling CHF 39,000 (for tax consulting services) within the meaning of provision 8.2 of the Guidelines on Corporate Governance.

## 8.4. Consultation with the Independent Auditors

PricewaterhouseCoopers SA draws up an auditing plan each year. It drafts one report on its review of the annual financial statements and another on its prudential audit. The auditor in charge of our account discusses these reports with the Audit Committee. The auditing plan was presented to the Board Committee at its meeting on 4 September 2012. The Independent Auditors' findings in respect of the annual financial statements are presented and discussed with the Audit Committee and then presented to the Board of Directors for approval at its meeting in March.

The Independent Auditors have access to the Audit Committee at all times, as well as to the Executive Committee and to the Internal Auditing Dept., all of whom they meet with regularly.

PricewaterhouseCoopers SA is hired on an annual basis. The company's qualifications, performance and fees are assessed each year by the Audit Committee or the Board of Directors.

As required by FINMA, the auditor in charge of our account is replaced every seven years.

# 9. Information policy

Banque Privée Edmond de Rothschild SA provides the fullest disclosure possible to its existing and potential shareholders, as well as to its employees and the general public. This information is mainly conveyed in our annual reports, at press conferences on annual results, through interviews given to the financial media and securities analysts, at General Meetings and on the Bank's website ([www.edmond-de-rothschild.ch](http://www.edmond-de-rothschild.ch), About Us/Investor Relations).

Details on risk policy and management and on the calculation of consolidated shareholders' equity are available on the Bank's website ([www.edmond-de-rothschild.ch](http://www.edmond-de-rothschild.ch), About Us/Investor Relations).

## Events and calendar

### 4 March 2013:

- Publication of the notice of the Annual General Meeting of shareholders and agenda in the *FOSC* (full text), *Le Temps*, *L'Agefi*, the *Neue Zürcher Zeitung* and *Finanz und Wirtschaft* (summarised editions).
- Press conference on 2013 results in Geneva.
- Publication of a media release summarising our financial report in the electronic media and the press, with a copy sent to our online subscribers.

### 5 April 2013:

- Publication of the annual report.

### 26 April 2013:

- Annual General Meeting of shareholders in Geneva, at the Château de Pregny.

### 22 August 2013:

- Publication of our semi-annual results in the *FOSC*.
- Publication of a media release summarising our financial report in the electronic media and the press, with a copy sent to our online subscribers.

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in "About Us/Investor Relations/Financial Information"



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# Key figures

Banque Privée Edmond de Rothschild Group

	2012	2011	Change	
			(in CHF)	(in %)
<b>Consolidated profit and loss account</b> (in thousands of CHF)				
Net interest income	42,065	64,842	(22,777)	(35.1)
Fee and commission income	465,372	504,158	(38,786)	(7.7)
Results of trading operations	91,435	87,851	3,584	4.1
Operating expenses (personnel costs and other overheads)	521,865	491,431	30,434	6.2
<b>Group net income</b>	<b>66,351</b>	<b>125,064</b>	<b>(58,713)</b>	<b>(46.9)</b>
<b>Profitability</b>				
% return on equity (net income/average shareholders' equity) <sup>2)</sup>	5.1	9.8	-	-
% return on assets (net income/average assets)	0.5	1.0	-	-
<b>Shares</b> (in CHF)				
Earnings per bearer share after deducting portion due to minority interests	682	1,326	(644)	(48.6)
Earnings per registered share after deducting portion due to minority interests	136	265	(129)	(48.7)
<b>Consolidated balance sheet</b> (in thousands of CHF)				
Due from banks	7,794,129	7,391,811	402,318	5.4
Advances to customers	1,663,056	1,388,619	274,437	19.8
Due to banks	306,574	259,125	47,449	18.3
Customer deposits	13,067,443	11,737,138	1,330,305	11.3
<b>Shareholders' equity<sup>1)</sup></b>	<b>1,337,439</b>	<b>1,381,474</b>	<b>(44,035)</b>	<b>(3.2)</b>
Balance sheet total	15,199,069	14,015,149	1,183,920	8.4
<b>Assets under management</b> (in millions of CHF)				
Total assets under management (includes double reporting)	101,598	96,378	5,220	5.4
of which: - double reporting	9,607	9,993	(386)	(3.9)
- net inflow of fresh funds	2,481	1,150	1,331	115.7
<b>Group personnel</b> (number of employees)				
Average number of employees	1,785	1,688	97	5.7
- in Switzerland	708	668	40	6.0
- abroad	1,077	1,020	57	5.6
Total number of employees at year-end	1,811	1,732	79	4.6
Number of employees at year-end, converted into full-time jobs	1,755	1,683	72	4.3

1) Including Group net income before payment of dividend by parent company and minority interests

2) After appropriation of the parent company's earnings

# Report of the Directors

to the shareholders on the consolidated accounts of Banque Privée Edmond de Rothschild SA at the general meeting on 26 April 2013

Dear Shareholders,

2012 featured a tough and uncertain economic environment in most of the countries around us. The uncertainty affected our clients' behaviour and curbed their propensity to invest. Meanwhile our industry also saw increasingly heavy regulatory pressure that demanded considerable effort and adaptation on the part of all our departments.

Despite these daunting operating conditions, we were able to win new clients thanks to our drive and our reputation for prudent management. This resulted in a net inflow of fresh funds totalling CHF 2.5 billion.

Assets under management stood at CHF 101.6 billion at 31 December 2012, compared with CHF 96.4 billion a year earlier. This figure reflects the positive impact of financial asset prices as well as a minor currency effect.

Thanks to our position as a wealth management company under stable family control, we have the strength needed to meet the challenges ahead and to continue striving for excellence while constantly adapting our organisational structure to the changes that are reshaping our industry. Today we must know not only how to keep our business model in line with new regulatory developments but also how to go on expanding both our domestic and international operations.

**In Switzerland** we pursued the tilt begun in 2011 towards onshore clients. This segment enjoyed further growth last year.

2012 also saw changes in the senior management of Banque Privée Edmond de Rothschild SA. Claude Messulam stepped down as Chief Executive Officer after 21 years of service along with Jean-Pierre Pieren, Deputy CEO, who took a well-deserved retirement. They were replaced by Christophe de Backer, the new Chairman of our Executive Committee, and Manuel Leuthold, Deputy CEO and Chief Operating Officer. A new head of Human Resources,

Jean-Luc Besençon, was appointed in September 2012, along with a new head of Compliance, Yves Aeschlimann. Finally, the appointment of Hervé de Montlivault as the new head of our Private Banking Department and Deputy CEO was announced in early 2013.

In order to be well positioned in the face of new challenges in the coming years, we are reorganising our Asset Management Department. In addition to adapting to the new regulations imposed by Switzerland's revamped Collective Investment Schemes Act (CISA) and the EU's Alternative Investment Fund Managers Directive (AIFMD), we decided to combine all our traditional and alternative funds of funds operations in a single business segment directed from the Group level.

At the same time we broadened our offering of Swiss property funds by launching Helvetia, a second subfund in our Edmond de Rothschild Real Estate SICAV. The assets of this umbrella fund exceeded CHF 600 million at end-2012.

We are proud to report that our Group's expertise in investment fund management won more honours last year. *Prifund Alpha Uncorrelated*, one of our funds of hedge funds, garnered three prestigious awards in Geneva, Zurich and London for its remarkable return over 10 years.

Meanwhile our Group continued to grow its wealth management business in Switzerland and abroad.

## Swiss network

### Geneva, Fribourg, Lausanne and Lugano

Banque Privée Edmond de Rothschild SA (BPER) has a strong presence in Geneva and also operates through its branches in Fribourg (headed by Patcick Zurkinden) and Lausanne (headed by Roland Humbert).

Banca Privata Edmond de Rothschild Lugano SA, our subsidiary in Ticino directed by Luca Venturini, registered stepped-up growth in 2012. This was due in part to the acquisition of Sella Bank AG, which will provide an important new axis of business development in the years ahead. The subsidiary reported a net profit of CHF 11.8 million, up 12.6% on the 2011 figure.

## International network

### Branch and representative office

#### Hong Kong

Our Hong Kong branch has been up and running since receiving all the necessary operating licences early last year. It is meant to spearhead our expansion in Asia. 2012 was a launch year featuring high operating costs and, as yet, low revenues. As a consequence the branch posted a loss of CHF 14 million accumulated over the start-up period. The Edmond de Rothschild Group's Hong Kong operations will be streamlined in 2013, primarily with a view to enhancing our business performance.

#### Dubai

Our inroads into the Gulf region are important for strategic reasons. The representative office that our Group opened in Dubai in 2011 marks a first step in the right direction.

## Subsidiaries

### Luxembourg

Led by Marc Ambroisien, who took over as CEO from Frédéric Otto, Banque Privée Edmond de Rothschild Europe, Luxembourg (BPERE) last year pursued its strategy of long-term growth in its core businesses of private banking, asset management and investment funds administration.

Business throughout BPERE's international network expanded further in 2012. The joint venture with the Nikko Sumitomo group in Tokyo enjoyed continuing success.

Net profit at our Luxembourg subsidiary totalled EUR 34.7 million, as against 40.3 million in 2011, illustrating strong resilience to a tough operating environment.

### United Kingdom

Our London subsidiary, Edmond de Rothschild Limited, is headed by Richard Briance. Its operations form into four main lines of business:

- bond dealing
- emerging market funds
- advisory services in corporate finance, mergers & acquisitions and borrowing
- managing funds of hedge funds (including Leveraged Capital Holdings).

In 2012 our Group formed an alliance in this last business segment with RIT Capital Partners, a publicly traded investment trust chaired by its founder, Lord Jacob Rothschild. This led to the establishment in July of a new company, EDRRIT, owned 41% by Edmond de Rothschild Limited and 10% by Compagnie Financière Edmond de Rothschild Banque, Paris (BPER's sister company).

This agreement had no impact on BPER's 2012 financial statements and may be revoked by the parties. The creation of EDRRIT marked the first step in what could become a closer association involving other asset classes in 2013 between RIT Capital Partners and the Edmond de Rothschild Group.

At the beginning of 2013 Edmond de Rothschild Limited set up a new merchant banking business in the UK.

In 2012 our London subsidiary suffered a net loss of CHF 0.224 million (GBP 0.15 million), compared with a profit of CHF 4 million (GBP 2.9 million) in 2011.

### **Guernsey**

In Guernsey LCF Edmond de Rothschild (CI) Limited provides asset risk management services on a consulting basis as well as under discretionary mandates. The company is a shareholder of the Channel Islands Stock Exchange, for which it handles the listing of investment funds and notes. It also operates in the fixed-income segment.

### **Monaco**

Our Monaco subsidiary, Banque de Gestion Edmond de Rothschild - Monaco, is 54.85% owned by the Edmond de Rothschild Group and is headed by Giampaolo Bernini.

The subsidiary's assets under management jumped 21% in 2012 to EUR 4.29 billion. The net inflow of fresh money totalled EUR 293 million. Net profit came to CHF 7.3 million (EUR 6.1 million) in 2011, down 1.6% on the previous year's level of CHF 7.4 million (EUR 6 million).

### **Bahamas**

Under the guidance of Gian Fadri Pinoesch, Banque Privée Edmond de Rothschild Ltd continued to grow steadily. Our Nassau subsidiary generated a net profit of CHF 9.6 million, down 4.2% on the 2011 figure (CHF 10.1 million).

## **Roundup of 2012 results**

### **Consolidated profit and loss account**

Group net profit came to CHF 66.4 million, marking a drop of 46.9% on the year-earlier level of CHF 125.1 million.

### **Revenue**

Interest income totalled CHF 42.1 million, down 35.1% compared with the 2011 figure (CHF 64.8 million).

Income from fees and commissions fell 7.7% to CHF 465.4 million from CHF 504.2 million the previous year.

Results of trading operations amounted to CHF 91.4 million, up 4.1% on their 2011 level of CHF 87.9 million. The increase was largely due to a higher profit on securities dealing.

Other ordinary results totalled CHF 32.3 million, marking a drop of 23.6% on the year-earlier figure. This item comprises dividends deriving from non-consolidated holdings.

### **Expenses**

The average number of staff employed by our Group last year was 1785, up from 1688 in 2011. Personnel expenses amounted to CHF 386 million, compared with CHF 357 million the previous year, marking an increase of 8.1%.

Other operating expenses rose 1% to CHF 135.8 million from CHF 134.4 million in 2011.

Total operating expenses came to CHF 521.9 million, 6.2% higher than the year-earlier level.

### **Gross profit**

Group gross profit was down 47.4% and totalled CHF 109.3 million, versus CHF 207.7 million in 2011.

Depreciation of fixed assets worked out to CHF 40.3 million, or 11.7% more than in the previous year.

Extraordinary income amounted to CHF 38.9 million, up sharply on the 2011 figure. This item chiefly includes the release of provisions no longer required for operating purposes and a release from the reserve for general banking risks.

Extraordinary expenses totalled CHF 8.8 million, or 61.8% less than the CHF 23 million reported the previous year. They chiefly comprised an allocation to the reserve for general banking risks.

Taxes came to CHF 16.8 million, down 43.3% on the year-earlier figure of CHF 29.7 million.

### **Balance sheet review**

The consolidated balance sheet total stood at CHF 15.2 billion at end-2012, up 8.4% on the year-earlier level.

Current assets including cash, bank deposits, loans to customers, mortgage bills, claims arising from money market paper and securities and precious metals held for trading purposes totalled CHF 13.5 billion, marking an increase of 10.9% versus the previous year's figure.

Financial investments amounted to CHF 1.125 billion, as against CHF 1.074 billion in 2011. This rise stemmed mainly from the stock of precious metals used to cover our clients' metal accounts and, to a lesser extent, from equity investments.

Fixed assets stood at CHF 256.6 million, up from CHF 248.7 million at end-2011.

Adjustment accounts totalled CHF 92.8 million, compared with CHF 93.5 million the previous year.

"Other assets" came to CHF 169.1 million, sharply lower than the end-2011 figure (CHF 361.5 million). This primarily reflected a decrease in the positive replacement values of open derivative instruments.

On the liabilities side, borrowed funds comprised of debits on money market paper and sums due to banks and customers

together amounted to CHF 13.4 billion, or 88% of the balance sheet total, up 11.5% from CHF 12 billion the previous year, mostly owing to the higher level of clients' deposits.

"Other liabilities" totalled CHF 235.2 million, compared with CHF 382.7 million at end-2011. The 38.5% decrease was partly due to the decline in the negative replacement values of open derivative instruments.

Valuation adjustments and provisions totalled CHF 69.6 million, up by CHF 4.1 million on the previous year.

The reserve for general banking risks fell 7.8% to CHF 287.4 million from its year-earlier level of CHF 311.7 million.

Prior to the dividend payout, Group capital and reserves stood at CHF 1.3 billion, representing 8.8% of the balance sheet total.

### **Capital ratio**

Return on equity worked out to 5.1%. Shareholders' equity as required by the BIS (under the Basel II rules) came to CHF 307.2 million. Eligible capital totalled CHF 1.1 billion. The BIS ratio (eligible capital in relation to shareholders' equity required under Swiss law) was 29.5%, well above the 12% legal minimum.

## Outlook for 2013

In 2013 private banking will continue to chafe under the increasing burden of regulation and under mounting pressure on banking secrecy. This will have an impact on our profitability.

More than ever we will have to stay on the leading edge of our businesses and beef up our human and technological resources. The quality of our customer service depends on this, as does our competitiveness.

The new senior management team that took over in April 2012, led by Christophe de Backer, laid out a new strategy for the Edmond de Rothschild Group as a whole. As it is implemented over the next four years, this plan will gradually improve business performance in our two core segments, private banking and asset management. It should also enable us to achieve substantial savings by pooling a number of responsibilities and cost items at the Group level.

Our attitude will remain guarded, however, in view of the rapid changes reshaping the financial industry and persistent volatility in the markets.

We cannot conclude this report without expressing our gratitude to you, our shareholders, and to our clients for their abiding trust.

The Board of Directors

# Report of the statutory auditor

to the general meeting of Banque Privée Edmond de Rothschild SA, Geneva

## Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Banque Privée Edmond de Rothschild SA, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 52 to 90), for the year ended 31 December 2012.

### Board of Directors' Responsibility

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

### Auditor's Responsibility

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

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

### Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks and comply with Swiss law.

## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

*PricewaterhouseCoopers SA*

*Beresford Caloia*

*Alain Lattafi*

*Audit Expert*

*Audit Expert*

*Auditor in charge*

Geneva, 20 March 2013

# Consolidated subsidiaries

at 31 December 2012

Fully consolidated entities of the Banque Privée Edmond de Rothschild Group

## In Switzerland

### Parent company

Banque Privée Edmond de Rothschild SA  
Geneva  
*CHF 45.000m<sup>2)</sup>*

### Bank

Banca Privata Edmond de Rothschild Lugano SA  
Lugano  
*100%<sup>1)</sup>* *CHF 5.000m<sup>2)</sup>*

### Service companies

Privaco Family Office SA  
Geneva  
*100%<sup>1)</sup>* *CHF 2.100m<sup>2)</sup>*

Les Conseillers du Léman Associés SA  
Geneva<sup>5)</sup>  
*100%<sup>1)</sup>* *CHF 0.100m<sup>2)</sup>*

### Financial and asset management companies

Rouiller, Zurkinden & Cie Finance SA  
Fribourg  
*100%<sup>1)</sup>* *CHF 0.600m<sup>2)</sup>*

Cefeo Investimenti SA  
Lugano<sup>3)</sup>  
*100%<sup>1)</sup>* *CHF 0.100m<sup>2)</sup>*

Castinvest SA  
Geneva<sup>1)</sup>  
*100%<sup>1)</sup>* *CHF 0.100m<sup>2)</sup>*

Priadvisory Holding SA  
Geneva<sup>4)</sup>  
*100%<sup>1)</sup>* *CHF 3.120m<sup>2)</sup>*

1) Direct and/or indirect holding by parent company

2) Share capital

3) Wholly owned by Banca Privata Edmond de Rothschild Lugano SA, Lugano

4) Wholly owned by Banque Privée Edmond de Rothschild Europe, Luxembourg

5) Wholly owned by Privaco Family Office SA, Geneva

## Abroad

### Banks

Banque Privée Edmond de Rothschild Europe Luxembourg	100 % <sup>1)</sup>	EUR 31.500m <sup>2)</sup>
Banque Privée Edmond de Rothschild Ltd, Nassau Bahamas	100 % <sup>1)</sup>	CHF 15.000m <sup>2)</sup>
Banque de Gestion Edmond de Rothschild - Monaco Monaco <sup>3)</sup>	54.85 % <sup>1)</sup>	EUR 12.000m <sup>2)</sup>

### Service and real estate companies

COPRI III SA Luxembourg	100 % <sup>1)</sup>	EUR 0.747m <sup>2)</sup>
Immobilière du 3 Joseph II Luxembourg <sup>7)</sup>	100 % <sup>1)</sup>	EUR 0.064m <sup>2)</sup>
Privaco Family Office (HK) Ltd Hong Kong <sup>8)</sup>	100 % <sup>1)</sup>	HKD 12.000m <sup>2)</sup>

### Trust and asset management companies

LCF Edmond de Rothschild Fund Management Ltd UK <sup>4)</sup>	80 % <sup>1)</sup>	GBP 0.250m <sup>2)</sup>
LCF Edmond de Rothschild Conseil SA Luxembourg <sup>5)</sup>	100 % <sup>1)</sup>	EUR 0.050m <sup>2)</sup>
LCF Edmond de Rothschild Asset Management (CI) Limited Guernsey <sup>6)</sup>	100 % <sup>1)</sup>	GBP 0.005m <sup>2)</sup>
Privaco Trust Limited New Zealand <sup>8)</sup>	100 % <sup>1)</sup>	NZD 0.050m <sup>2)</sup>
Privaco Services Limited New Zealand <sup>8)</sup>	100 % <sup>1)</sup>	NZD 0.000001m <sup>2)</sup>
Edmond de Rothschild Corporate Finance SA Spain <sup>9)</sup>	89.80 % <sup>1)</sup>	EUR 1.000m <sup>2)</sup>
LCF Edmond de Rothschild Client Nominees Limited UK <sup>10)</sup>	80 % <sup>1)</sup>	GBP 1.000m <sup>2)</sup>

1) Direct and/or indirect holding by parent company

2) Share capital

3) Owned 34% by Banque Privée Edmond de Rothschild SA, Geneva, 18% by Banca Privata Edmond de Rothschild Lugano SA, Lugano and 5.21% by Incentive Management SAM, Monaco

4) Wholly owned by Edmond de Rothschild Limited, London

5) Owned 99.99% by Banque Privée Edmond de Rothschild Europe, Luxembourg and 0.01% by Edmond de Rothschild Investment Advisors, Luxembourg

6) Wholly owned by La Compagnie Privée de Finance (Jersey), Jersey

7) Wholly owned by Banque Privée Edmond de Rothschild Europe, Luxembourg

8) Wholly owned by Privaco Family Office SA, Geneva

9) Owned 51% by Edmond de Rothschild Limited, London and 49% by Banque Privée Edmond de Rothschild Europe, Luxembourg

10) Wholly owned by LCF Edmond de Rothschild Securities, London

## Abroad

### Financial and brokerage firms

Edmond de Rothschild Limited London 80 % <sup>1)</sup>	GBP 1.000m <sup>2)</sup>	LCF Edmond de Rothschild (CI) Limited Guernsey <sup>5)</sup> 100 % <sup>1)</sup>	GBP 0.000002m <sup>2)</sup>
LCF Edmond de Rothschild Securities Limited UK <sup>3)</sup> 80 % <sup>1)</sup>	GBP 1.000m <sup>2)</sup>	Testafid Anstalt Vaduz <sup>6)</sup> 100 % <sup>1)</sup>	CHF 0.020m <sup>2)</sup>
Edmond de Rothschild International Funds Ltd Bermuda <sup>4)</sup> 62.28 % <sup>1)</sup>	USD 0.400m <sup>2)</sup>	Rhoninvest Establishment Vaduz <sup>1)</sup> 100 % <sup>1)</sup>	CHF 0.020m <sup>2)</sup>
Edmond de Rothschild Investment Advisors Luxembourg <sup>9)</sup> 100 % <sup>1)</sup>	EUR 0.125m <sup>2)</sup>	Incentive Management SAM Monaco <sup>7)</sup> 54.74 % <sup>1)</sup>	EUR 0.150m <sup>2)</sup>
LCF Edmond de Rothschild Holdings (CI) Limited Guernsey <sup>5)</sup> 100 % <sup>1)</sup>	GBP 0.040m <sup>2)</sup>	Priglobal Advisory Limited Cayman Islands <sup>8)</sup> 100 % <sup>1)</sup>	EUR 0.000001m <sup>2)</sup>
La Compagnie Privée de Finance (Jersey) Jersey 100 % <sup>1)</sup>	GBP 0.005m <sup>2)</sup>		

1) Direct and/or indirect holding by parent company

2) Share capital

3) Wholly owned by Edmond de Rothschild Limited, London

4) Owned 32.25% by Banque Privée Edmond de Rothschild SA, Geneva, 2.25% by Banca Privata Edmond de Rothschild Lugano SA, Lugano, 14.75% by Banque Privée Edmond de Rothschild Europe, Luxembourg, 14.75% by Edmond de Rothschild Limited, London, 2.25% by Banque de Gestion Edmond de Rothschild-Monaco, Monaco

5) Wholly owned by La Compagnie Privée de Finance (Jersey), Jersey

6) Wholly owned by Banca Privata Edmond de Rothschild Lugano SA, Lugano

7) Owned 99.80% by Banque de Gestion Edmond de Rothschild-Monaco, Monaco

8) Wholly owned by Priadvisory Holding SA, Geneva

9) Owned 99.92% by Banque Privée Edmond de Rothschild Europe, Luxembourg and 0.08% by LCF Rothschild Conseil SA, Luxembourg

Prifund Conseil SA Luxembourg <sup>3)</sup> 100% <sup>1)</sup>	EUR 0.078m <sup>2)</sup>	Privaco (Uruguay) SA Montevideo <sup>6)</sup> 100% <sup>1)</sup>	USD 0.037m <sup>2)</sup>
Representación B.P. Edmond de Rothschild SA Montevideo 100% <sup>1)</sup>	USD 0.014m <sup>2)</sup>	Mizen Finance Corp. BVI 100% <sup>1)</sup>	USD 0.0005m <sup>2)</sup>
Priasia Limited BVI 100% <sup>1)</sup>	USD 0.0003m <sup>2)</sup>	Clancey Advisory Corp. BVI 100% <sup>1)</sup>	USD 0.0005m <sup>2)</sup>
Edmond de Rothschild Conseil & Courtage d'assurances Monaco <sup>8)</sup> 54.47% <sup>1)</sup>	EUR 0.150m <sup>2)</sup>	LCF Fund Advisory Ltd Bahamas <sup>5)</sup> 62.28% <sup>1)</sup>	USD 0.050m <sup>2)</sup>
Iberian Renewable Energies GP, S.à r.l. Luxembourg <sup>9)</sup> 100% <sup>1)</sup>	EUR 0.013m <sup>2)</sup>	Adjutoris Conseil Luxembourg <sup>7)</sup> 100% <sup>1)</sup>	EUR 0.031m <sup>2)</sup>
Prifund Conseil Bahamas SA Bahamas 100% <sup>1)</sup>	EUR 0.070m <sup>2)</sup>	Edmond de Rothschild Gestion Monaco - SAM Monaco <sup>10)</sup> 54.47% <sup>1)</sup>	EUR 0.150m <sup>2)</sup>
ECH Investments Ltd Cayman Islands <sup>4)</sup> 43.15% <sup>1)</sup>	EUR 0.251m <sup>2)</sup>	Edmond de Rothschild PBM LLP UK <sup>11)</sup> 76.92% <sup>1)</sup>	GBP 780m <sup>2)</sup>

1) Direct and/or indirect holding by parent company

2) Share capital

3) Wholly owned by Banque Privée Edmond de Rothschild SA, Geneva

4) Owned 19.92% by Banque Privée Edmond de Rothschild SA, Geneva, 4.98% by LCF Edmond de Rothschild Asset Management Ltd UK, 7.47% by Banque Privée Edmond de Rothschild Europe, Luxembourg, 22.68% by Edmond de Rothschild International Funds Ltd, Bermuda

5) Wholly owned by Edmond de Rothschild International Funds Ltd, Bermuda

6) Wholly owned by Privaco Family Office SA, Geneva

7) Owned 99.68% by Banque Privée Edmond de Rothschild Europe, Luxembourg, 0.32% by Edmond de Rothschild Investment Advisors, Luxembourg

8) Owned 99.30% by Banque de Gestion Edmond de Rothschild-Monaco, Monaco

9) Wholly owned by Banque Privée Edmond de Rothschild Europe, Luxembourg

10) Owned 99.30% by Banque de Gestion Edmond de Rothschild-Monaco, Monaco

11) Owned 96% by Edmond de Rothschild Limited, London

# Consolidation principles

The consolidated financial statements of the Banque Privée Edmond de Rothschild Group have been prepared in accordance with the provisions of the Federal Law on Banks and Savings Banks, its implementing ordinance (OB), the guidelines issued by FINMA (the Swiss Financial Market Supervisory Authority) and the provisions on the drawing up of financial statements in the Listing Rules of the Swiss Exchange. The financial statements provide a true picture of the Group's assets, financial situation and earnings.

## Scope of consolidation

### Group companies

The consolidated financial statements of the Banque Privée Edmond de Rothschild Group include the financial statements of the major companies operating in the banking and financial sector, as well as the real estate companies in which the parent company holds, directly or indirectly, a majority interest (for details of the companies concerned, refer to pages 52-55).

### Changes in the scope of consolidation

The following companies were consolidated during the reporting period:

- Privaco Services Limited, New Zealand
- LCF Edmond de Rothschild Client Nominees Limited, UK
- EDRRIT Limited, UK
- Edmond de Rothschild PBM LLP, UK

On 29 November 2012, Banca Privata Edmond de Rothschild Lugano SA entered into an agreement to purchase the entire share capital of Sella Bank AG, Lugano. The acquisition was completed on 28 February 2013, with Sella Bank AG being absorbed by Banca Privata Edmond de Rothschild Lugano SA. The merger took effect retroactively to 1 January 2013.

EDRRIT, a joint venture by RIT Capital Partners plc and the Edmond de Rothschild Group, was created in July 2012 as part of a cooperation agreement between the two venture

partners. Edmond de Rothschild Limited, the London subsidiary of Banque Privée Edmond de Rothschild SA, owns 41% of EDRRIT, while its sister bank La Compagnie Financière Edmond de Rothschild owns 10%. This agreement may be revoked by either party. The earnings generated by the joint venture are considered deferred income and are included under "Other liabilities".

### Holdings accounted for using the equity method

Associated companies in which the Group owns a 20% to 50% interest are consolidated using the equity method; the value shown under "Holdings" represents the Group's share in the equity and net income of these entities, rather than the value of the shares under our control.

The companies concerned are La Compagnie Benjamin de Rothschild SA (34.68%), ACH Management SA (38%), LCF EdR Nikko Cordial Japon (50%) and LCH Investment NV (44%), LCF Edmond de Rothschild Asset Management Limited (41%) and EDRRIT Limited (41%).

The difference resulting from the first consolidation is included in "Retained earnings". The impact of applying the Group's accounting principles to these affiliated companies has been considered as minor on the consolidated financial statements. As a consequence, the equity application is based on the unadjusted accounts of the companies held.

Equity stakes accounted for under the equity method are shown under "Non-consolidated holdings".

The Group's share in the profits of companies consolidated using the equity method is presented as a separate item in the consolidated profit and loss account.

### Other holdings

Majority interests of lesser impact or whose sale is envisaged, as well as other stakes of less than 50%, are disclosed under "Non-consolidated holdings".

## Consolidation methods

### **Full consolidation method**

The financial statements of all companies within the Group are fully consolidated.

All assets and liabilities, as well as expenses and income of Group companies, are fully integrated (line-by-line).

Intercompany balance sheet items and profit and loss transactions between consolidated Group companies are set off against each other.

Off-balance sheet items are also fully consolidated and set off when they relate to intercompany transactions within the Group.

Dividends are eliminated through reserves. The entitlement of third-party shareholders (minority interests) to equity and net income is disclosed separately.

### **Capital consolidation**

The capital invested in the Group's banks and investment, asset management and real estate companies is consolidated in accordance with the purchase method.

The positive or negative differences arising from the first consolidation are disclosed under "Intangible assets" and "Retained earnings" respectively.

The value of the Bank's treasury stock, or own shares in BPER SA, is deducted from capital and reserves and reported under "Additional paid-in capital and other reserves" at the shares' cost price. Dividends and the proceeds of subsequent sales are directly allocated to "Additional paid-in capital and other reserves".

## Newly acquired companies

As a rule, newly acquired companies are included in the consolidated financial statements in the year of their acquisition.

## Closing date for consolidated accounts

The consolidated companies all end their financial year on 31 December except for Priadvisory Holding SA, *Prifund Conseil SA* and *Prifund Conseil (Bahamas) SA* whose financial years conclude on 30 November.

# Valuation policies

## Translation of financial statements in foreign currency

Transactions in foreign currency are reported at the exchange rate applicable on the date of the relevant transaction. Profits and losses arising from the settlement of these transactions are reported in the profit and loss account, along with profits and losses arising from the conversion at the exchange rate on the balance sheet date of claims and liabilities on money market placements denominated in foreign currency.

The balance sheets of fully consolidated companies expressed in foreign currency are translated into Swiss francs at the year-end exchange rate, except for shareholders' equity which is translated at historical rates.

The profit and loss accounts of Group companies are translated at yearly average exchange rates.

In the case of foreign companies consolidated using the equity method, the year-end market rate is applied to the Group's share of equity expressed in foreign currency. The Group's share of the net income of these affiliated companies is translated at the annual average exchange rate.

Translation differences resulting from full consolidation and from the equity method are reported as shareholders' equity in "Retained earnings".

The exchange rates used to convert sums in foreign currency are as follows:

	2012		2011	
	Closing rate	Average 2012 rate	Closing rate	Average 2011 rate
<b>Major currencies</b>				
USD	0.91	0.93	0.94	0.88
GBP	1.48	1.48	1.46	1.41
EUR	1.21	1.20	1.22	1.23

## Transaction bookings and balance sheet reporting

Since 31 Dec. 2006 the balance sheet and profit and loss statement have been drawn up on the basis of settlement dates.

## Results of forex and precious metals transactions

Trading positions in forex and precious metals are evaluated at year-end rates and prices.

Forward positions are estimated at year-end at the forward rate for the remainder of the period. Forex differences are recorded in the profit and loss account.

Income and expenses expressed in foreign currency are translated at the market rate prevailing on the transaction date.

## Fixed assets and financial investments

Fixed assets are stated at cost less depreciation (see Note 8), except for the equity stakes in associated companies consolidated as per the equity method. These are shown under "Non-consolidated holdings".

## Income and expenses

The income and expenses generated by the Group companies are accounted for in the period to which they relate.

## Personnel welfare liabilities

Contributions are reported as personnel expenses in the profit and loss account for the year to which they relate.

Each year the Group determines whether it has derived any economic benefits or commitments from personnel welfare plans for Group staff. If any are found, they are stated in the balance sheet pursuant to rule 16 of the Swiss accounting principles (GAAP RPC 16). The difference in relation to the corresponding amount reported the previous year is included in "Personnel expenses" in the profit and loss account.

This annual study is based on contracts, on financial statements bearing a closing date no older than 12 months and drawn up in accordance with GAAP RPC 16 (in the case of Swiss pension funds) and on any other relevant calculations.

## Other balance sheet and profit and loss items

The accounting principles and valuation policies concerning other items are set out in the Notes to the Consolidated Financial Statements.

# Consolidated balance sheet

at 31 December 2012 (in thousands of CHF)

	Notes	2012	2011	Change	
				(in CHF '000)	(in %)
<b>Assets</b>					
Cash and other liquid assets	18	3,716,986	3,300,618	416,368	12.6
Claims arising from money market paper	1, 18	259,543	17,703	241,840	1,366.1
Due from banks	2, 18	7,794,129	7,391,811	402,318	5.4
Due from customers	3, 18	1,639,676	1,377,405	262,271	19.0
Mortgage loans	3, 18	23,380	11,214	12,166	108.5
Total advances to customers	4, 20	1,663,056	1,388,619	274,437	19.8
Securities and precious metals trading portfolios	5, 18	18,216	32,081	(13,865)	(43.2)
Financial investments	6, 18	1,125,788	1,074,457	51,331	4.8
Non-consolidated holdings	7, 8	101,561	92,122	9,439	10.2
Fixed assets	8	256,629	248,669	7,960	3.2
Intangible assets	8	1,278	14,088	(12,810)	(90.9)
Accrued income and prepaid expenses		92,811	93,484	(673)	(0.7)
Other assets	9	169,072	361,497	(192,425)	(53.2)
<b>Total assets</b>	8, 19, 21, 22, 23	<b>15,199,069</b>	<b>14,015,149</b>	<b>1,183,920</b>	<b>8.4</b>
Subordinated amounts receivable		2,540	2,437	103	4.2
Due from non-consolidated Group companies and qualifying shareholders	7, 14	45,390	41,600	3,790	9.1

# Consolidated balance sheet

at 31 December 2012 (in thousands of CHF)

	Notes	2012	2011	Change	
				(in CHF '000)	(in %)
<b>Liabilities</b>					
Liabilities arising from money market paper	18	965	48	917	1,910.4
Due to banks	18	306,574	259,125	47,449	18.3
Due to customers on savings or deposit accounts	18	7,087	7,358	(271)	(3.7)
Other amounts due to customers	11, 18	13,060,356	11,729,780	1,330,576	11.3
Total due to customers		13,067,443	11,737,138	1,330,305	11.3
Accrued expenses and deferred income		181,797	189,215	(7,418)	(3.9)
Other liabilities	12	235,236	382,684	(147,448)	(38.5)
Valuation adjustments and provisions	13	69,615	65,465	4,150	6.3
Reserves for general banking risks	13	287,423	311,734	(24,311)	(7.8)
Share capital	14	45,000	45,000	-	-
Additional paid-in capital and other reserves		92,096	93,644	(1,548)	(1.7)
Retained earnings	15	880,220	832,756	47,464	5.7
Treasury stock		(66,045)	(56,016)	(10,029)	17.9
Minority interests in shareholders' equity	16	32,394	29,292	3,102	10.6
Consolidated net income		66,351	125,064	(58,713)	(46.9)
<i>of which: - minority interests</i>		6,945	8,800	(1,855)	(21.1)
Total Group capital and reserves	17	1,337,439	1,381,474	(44,035)	(3.2)
<b>Total liabilities</b>	19, 21, 23	<b>15,199,069</b>	<b>14,015,149</b>	<b>1,183,920</b>	<b>8.4</b>
Subordinated liabilities		-	-	-	-
Due to non-consolidated holdings and qualifying shareholders	7, 14	22,164	20,663	1,501	7.3

## Off-balance sheet transactions

Contingent liabilities	4, 20, 24, 25	298,395	324,056	(25,661)	(7.9)
Irrevocable liabilities	4	78,302	54,688	23,614	43.2
Liabilities for unpaid share capital and additional capital contributions	4	2,107	2,347	(240)	(10.2)
Derivative instruments	26				
Positive replacement values		142,383	344,719	(202,336)	(58.7)
Negative replacement values		141,230	337,189	(195,959)	(58.1)
Underlying values		19,997,453	22,505,565	(2,508,112)	(11.1)
Fiduciary transactions	27	3,435,510	5,769,088	(2,333,578)	(40.4)

# Consolidated profit and loss account

for the year ended 31 December 2012 (in thousands of CHF)

	Notes	2012	2011	Change	
				(in CHF '000)	(in %)
Interest and discount income	29	44,375	70,565	(26,190)	(37.1)
Interest and dividend income on trading portfolios	29	75	120	(45)	(37.5)
Interest and dividend income on financial investments	29	4,526	4,731	(205)	(4.3)
Interest payable	30	6,911	10,574	(3,663)	(34.6)
Interest income, net		42,065	64,842	(22,777)	(35.1)
Commission income on lending activities		1,370	1,365	5	0.4
Commission income on securities and investment transactions	31	514,906	556,675	(41,769)	(7.5)
Commission income on other services	32	59,608	70,486	(10,878)	(15.4)
Commissions payable		110,512	124,368	(13,856)	(11.1)
Fee and commission income, net		465,372	504,158	(38,786)	(7.7)
Results of trading operations	33	91,435	87,851	3,584	4.1
Proceeds from the sale of financial investments		1,384	4,927	(3,543)	(71.9)
Income from holdings		18,062	21,989	(3,927)	(17.9)
<i>of which: - holdings reported using the equity method</i>		11,706	14,635	(2,929)	(20.0)
<i>- other non-consolidated holdings</i>		6,356	7,354	(998)	(13.6)
Real estate income		1,889	1,835	54	2.9
Other ordinary income	34	14,379	15,064	(685)	(4.5)
Other ordinary expenses		3,391	1,530	1,861	121.6
Other ordinary results		32,323	42,285	(9,962)	(23.6)
<b>Total operating income</b>		<b>631,195</b>	<b>699,136</b>	<b>(67,941)</b>	<b>(9.7)</b>
Personnel expenses	35	386,050	356,982	29,068	8.1
Other operating expenses	36	135,815	134,449	1,366	1.0
<b>Total operating expenses</b>		<b>521,865</b>	<b>491,431</b>	<b>30,434</b>	<b>6.2</b>
<b>Gross profit</b>		<b>109,330</b>	<b>207,705</b>	<b>(98,375)</b>	<b>(47.4)</b>
Depreciation of fixed assets	8,37	40,269	36,038	4,231	11.7
Valuation adjustments, provisions and losses	38	16,008	6,137	9,871	160.8
<b>Result before extraordinary items and taxes</b>		<b>53,053</b>	<b>165,530</b>	<b>(112,477)</b>	<b>(67.9)</b>
Extraordinary income	39	38,943	12,275	26,668	217.3
Extraordinary expenses	39	8,804	23,047	(14,243)	(61.8)
Taxes	40	16,841	29,694	(12,853)	(43.3)
<b>Consolidated net income</b>	41, 42, 43	<b>66,351</b>	<b>125,064</b>	<b>(58,713)</b>	<b>(46.9)</b>
<i>of which: - minority interests' share in consolidated net income</i>		6,945	8,800	(1,855)	(21.1)

# Consolidated cash flow statement

at 31 December 2012 (in thousands of CHF)

	2012			2011		
	Source of funds	Application of funds	Balance	Source of funds	Application of funds	Balance
Consolidated net income	66,351	-		125,064	-	
Depreciation of fixed assets	40,269	-		36,038	-	
Accrued income and prepaid expenses	673	-		23,122	-	
Accrued expenses and deferred income	-	7,418		12,509	-	
Valuation adjustments and provisions	4,150	-		4,317	-	
Reserve for general banking risks	-	24,311		16,767	-	
Previous year's dividend	-	78,750		-	69,750	
Other changes in reserves and minority interests	-	5,777		-	16,358	
Net cash used in/provided by operating activities (results of operations)	111,443	116,256	(4,813)	217,817	86,108	131,709
Share capital						
Additional paid-in capital	-	1,548		424	-	
Net cash used in/provided by transactions involving shareholders' equity	-	1,548		424	-	
Non-consolidated holdings	-	9,606		-	1,332	
Real estate	-	-		-	76,322	
Other fixed assets	-	46,644		-	23,511	
Intangible assets	10,772	-		-	7,436	
Exchange rate changes	620	-		2,090	-	
Net cash used in/provided by transactions involving financial investments and fixed assets	11,392	56,250	(44,858)	2,090	108,601	(106,511)
Claims arising from money market paper	-	241,840		100,303	-	
Liabilities arising from money market paper	917	-		-	24	
<b>Money market transactions</b>	<b>917</b>	<b>241,840</b>	<b>(240,923)</b>	<b>100,303</b>	<b>24</b>	<b>100,279</b>
Due from banks	-	402,318		1,219,191	-	
Due to banks	47,449	-		13,417	-	
Financial investments	-	51,331		-	275,784	
Securities and precious metals trading portfolios	13,865	-		1,079	-	
<b>Banking and trading activities</b>	<b>61,314</b>	<b>453,649</b>	<b>(392,335)</b>	<b>1,233,687</b>	<b>275,784</b>	<b>957,903</b>
Due from customers	-	262,271		260,367	-	
Mortgage loans	-	12,166		2,963	-	
Savings and deposit accounts	-	271		-	379	
Other amounts due to customers	1,330,576	-		1,630,564	-	
Medium-term bank bonds	-	-		-	-	
<b>Transactions with customers</b>	<b>1,330,576</b>	<b>274,708</b>	<b>1,055,868</b>	<b>1,893,894</b>	<b>379</b>	<b>1,893,515</b>
Other assets	192,425	-		-	2,937	
Other liabilities	-	147,448		-	2,114	
<b>Other balance sheet items</b>	<b>192,425</b>	<b>147,448</b>	<b>44,977</b>	<b>-</b>	<b>5,051</b>	<b>(5,051)</b>
Cash and other liquid assets	-	416,368		-	2,972,268	
<b>Liquid assets</b>	<b>-</b>	<b>416,368</b>	<b>(416,368)</b>	<b>-</b>	<b>2,972,268</b>	<b>(2,972,268)</b>
Net cash used in/provided by banking activities	1,585,232	1,534,013	51,219	3,227,884	3,253,506	(25,622)
<b>Total cash flows</b>	<b>1,708,067</b>	<b>1,708,067</b>		<b>3,448,215</b>	<b>3,448,215</b>	

# Notes to the consolidated financial statements

## Description of operations and disclosure of staff size

Banque Privée Edmond de Rothschild SA, the Edmond de Rothschild Group's flagship entity, is an all-service bank specialising in wealth management for private and institutional clients. It is a member of SIX Swiss Exchange.

Converted to full-time jobs, the number of staff employed by the Banque Privée Edmond de Rothschild Group stood at 1755 at end-2012 versus 1683 a year earlier.

Through its network of branches and subsidiaries in Switzerland and abroad, the Group conducts on its clients' behalf all the operations customarily performed by private banking institutions. Fee and commission business on behalf of clients mainly includes portfolio management, fiduciary deposits and payment transactions, along with trading in securities, precious metals and derivative instruments. The Group also manages and administers investment funds.

In addition, the Group actively deals in debt instruments, equities, currencies, precious metals and derivatives on a proprietary basis, but does not engage in commodity trading.

## Disclosure of accounting principles and valuation policies

The general accounting and consolidation principles are set out under a separate heading.

All assets, liabilities and off-balance sheet transactions reported under the same heading in the Notes to the consolidated financial statements.

## Description of our risk control and management system

### Risk management

#### Risk policy

Banque Privée Edmond de Rothschild SA ("the Bank") and its subsidiaries in Switzerland and abroad ("the Group") are mainly active in wealth management for private clients. The Group's operations also include managing Investment funds and providing investment advisory services. As the Group's parent company, the Bank is responsible for supervising risk control and management throughout the Group.

A joint risk policy drawn up by the Bank and approved by the Board of Directors sets the general guidelines that apply to all the Group entities. Taking account of these guidelines and local regulations, each affiliate sets up its own section in charge of identifying, monitoring and mitigating the risks to which it is exposed.

Large human and technical resources have been made available for the supervision and organisational structure of the Group's risk control units.

Risk management is set up as follows:

- The Board of Directors determines the components of risk management the Group's risk appetite.
- The Audit Committee supervises and assesses the operational aspects of risk management. It monitors risks periodically by examining reports compiled at regular intervals or on request by the Risk Control and Management Dept.
- The Executive Committee is responsible for implementing procedures designed to identify, analyse, evaluate and monitor all risks incurred by the Bank and the Group. Together with the Risk Committee it oversees implementation of the risk policy laid down by the Board of Directors and ensures that all important information on the status of the aforementioned risks is collected, processed and notified to the designated management and supervisory bodies.

- Department heads are in charge of anticipating, preventing and managing the main occurrences that could affect the attainment of their business objectives and the underlying operational processes.
- The Risk Manager sees to it that the Group's risk management guidelines and methods are incorporated into decision-making and operational processes. He monitors risk exposure and compliance with the relevant limits, and reports on risk status to the Bank/Group. Each Group entity has a Risk Control and Management unit that reports regularly to the Bank's Risk Manager.
- The Bank and its subsidiaries are a subgroup of Edmond de Rothschild Holding SA ("the Holding Company"), which controls the Edmond de Rothschild Group ("the EdR Group"). As such the Holding Company is regulated by FINMA on a consolidated basis. To satisfy FINMA's requirements regarding management and control of the risks faced by the EdR Group, the Holding Company has set up a Risk Council combining the heads of the risk units of all the EdR Group's entities, who together report to the Group's Chief Financial Officer. An operating charter was drafted for this Council setting out certain guidelines that reflect the EdR Group's business strategy. The charter is backed up by frequent exchanges and collaboration between the Council's participants.

### **Interest rate and liquidity risks**

The **liquidity risk** is the risk that the Group might not be able to meet its present and future cash flow and collateral requirements, whether expected or unexpected, without harming its daily operations or financial situation. The **interest rate risk** resides in the vulnerability of the Group's net worth or net interest margin to an adverse movement in market interest rates.

The Bank and its subsidiaries take a prudent approach to cash management, not only by choosing first-class counterparties but also by giving preference to overnight and/or short-term deposits. Our emphasis is on safeguarding our commitments to clients, in normal and stress situations alike. We moreover seek to match resources to their use, in terms of both duration and maturities. Finally, the Bank and

the Group scrupulously comply with the liquidity ratios required by the current legal provisions and participate actively in tests relating to the new rules under the Basel III accords, which will soon enter into force.

The risks attaching to liquidity and interest rate positions/maturities are gauged by using the most up-to-date balance sheet management techniques and by tracking these items with dedicated software. An Asset and Liability Management (ALM) Committee drafts and oversees the implementation of rules on managing liquidity, interest rate and forex risks. It is also responsible for optimising cash management and ensuring structural control of the balance sheet.

### **Credit risk**

*This is the risk that a client, bank or other counterparty might not be able to honour an obligation towards the Group.*

### **Counterparty banks**

The counterparty banks that the Group deals with are selected rigorously and kept under close scrutiny. Our exposure to them is monitored continuously by a team of controllers, and the limits that we have granted to each are updated periodically or in real time if so required by a deteriorating situation. To minimise the counterparty risk attaching to correspondent banks, we give preference to reverse repo agreements and to depositing cash directly with central banks. All the Group entities use the limits system and monitor the risk of counterparty concentration.

### **Clients**

The credit facilities that we grant to clients are mainly short-term advances secured by their investments and, to a lesser extent, loans in connection with their business activities. Clients who have assets deposited with a Group entity may also be granted a mortgage for the purchase of a primary residence. Applications for credit facilities are subject to stringent analysis, and the pledged securities are assigned a collateral ratio according to their liquidity, valuation, credit rating and diversification in terms of asset class and geographical spread.

Daily monitoring of the client credit risk is handled by a special team that also administers outstanding loans.

## Financial investments

The Group's financial services companies may invest part of their capital and liquidity in first-class financial assets, including but not limited to bonds and other debt securities that meet strict credit-rating standards. These Investments must be such that they diversify the Group's liquidity across medium-term instruments while also garnering regular returns. They are subject to specific limits and are chosen by employees of our own investment research departments. Monitoring the limits and portfolios is the responsibility of the ALM Committee, to which reports are submitted regularly.

## Market risk

*This lies in the vulnerability of the Group's financial situation to adverse swings in market prices and especially in the underlying value and implied volatility of currencies, equities, precious metals and commodities.*

Securities dealing on a propriety basis forms a very small part of the Group's business. In currencies and precious metals we chiefly operate on behalf of clients and build only small nostro positions. The limits granted to traders are low, and their use of these is monitored constantly with software by separate risk management and internal control services.

## Operational risk

*This is the risk of loss that the Group would suffer owing to the inadequacy or failure of internal procedures, staff, IT systems or external occurrences.*

The Group's entities have adopted a policy aimed at monitoring and mitigating the following operational risks that are inherent in their private banking, asset management and/or investment fund administration segments:

- strategic and business risks
- internal and external fraud
- negligence regarding confidentiality and/or banking secrecy protection requirements
- flawed practices in managing client assets and collective investment schemes

- business disruptions resulting from system failures and other extraordinary causes.

The Risk Control and Management Dept has a unit focused on operational risks that suggests ways to improve our risk management and internal control capabilities. Its responsibilities include:

- devising the methodology for managing operational risks (based primarily on the Basel II and III rules), submitting this methodology to the Risk Committee for approval and overseeing its implementation
- recording operational incidents, analysing them and evaluating measures designed to prevent their recurrence.

This unit is tied in with the Bank's supervision and internal control system. It collaborates closely with the Internal Control Dept in gauging the relevance and effectiveness of the Group's controls and action plans, with a view to mitigating those risks that have been identified as high and/or critical. It uses specially designed software deployed throughout the Group. It reports to senior management periodically or as required by the circumstances on the status of operational risks and on incidents.

A business continuity and organisational plan has been drawn up to deal with possible crisis situations that the Bank has identified and that could totally or partially disrupt our operational processes. Human and technical resources including an entire infrastructure have been deployed that would enable us to provide essential services at reduced capacity and return to normal. Given our Bank's objectives in terms of business continuity following a disaster or major incident, this plan and the related tests and drills will be further developed in 2013.

## Outsourcing

Our Bank does not outsource services within the meaning of FINMA circular 2008/7.



		2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)	
<b>1</b>	<b>Claims arising from money market paper</b>	<b>Total</b>	<b>259,543</b>	<b>17,703</b>	<b>1,366.1</b>
	Rescriptions and treasury bills		15,742	17,682	(11.0)
	Other bills and money market paper		243,801	21	-
			<b>259,543</b>	<b>17,703</b>	
<b>2</b>	<b>Due from banks</b>	<b>Total</b>	<b>7,794,129</b>	<b>7,391,811</b>	<b>5.4</b>
	Due from banks		2,524,924	2,637,006	(4.3)
	Reverse repos		5,269,205	4,754,805	10.8
			<b>7,794,129</b>	<b>7,391,811</b>	
<b>3</b>	<b>Due from customers</b>	<b>Total</b>	<b>1,663,056</b>	<b>1,388,619</b>	<b>19.8</b>
	Current account overdrafts		682,028	610,544	11.7
	Advances and fixed term loans		957,648	766,861	24.9
	<b>Total due from customers</b>		<b>1,639,676</b>	<b>1,377,405</b>	<b>19.0</b>
	<b>Mortgage loans</b>		<b>23,380</b>	<b>11,214</b>	<b>108.5</b>
			<b>1,663,056</b>	<b>1,388,619</b>	

Current account overdrafts, advances and fixed term loans and mortgage loans are shown at face value, less any required adjustments.

	Mortgage collateral	Other collateral	Unsecured	Total
<b>4 Schedule of collateral</b> (in thousands of CHF)				
<b>Loans</b>				
Due from customers	17,564	1,457,543	164,569	1,639,676
Mortgage loans:				
- residential property	23,380	-	-	23,380
<b>Total 2012</b>	<b>40,944</b>	<b>1,457,543</b>	<b>164,569</b>	<b>1,663,056</b>
<b>Total 2011</b>	<b>20,910</b>	<b>1,247,049</b>	<b>120,660</b>	<b>1,388,619</b>
<b>Off-balance sheet transactions</b>				
Contingent liabilities	-	283,058	15,337	298,395
Irrevocable liabilities	-	58,414	19,888	78,302
Liabilities for unpaid-in capital	-	-	2,107	2,107
<b>Total 2012</b>	<b>-</b>	<b>341,472</b>	<b>37,332</b>	<b>378,804</b>
<b>Total 2011</b>	<b>-</b>	<b>359,988</b>	<b>21,103</b>	<b>381,091</b>

	Gross value	Estimated proceeds from sale of collateral	Net value	Individual valuation adjustments
<b>Nonperforming loans</b> (in thousands of CHF)				
<b>Total 2012</b>	<b>13,620</b>	<b>-</b>	<b>13,620</b>	<b>13,607</b>
<b>Total 2011</b>	<b>13,288</b>	<b>-</b>	<b>13,288</b>	<b>13,287</b>

Delinquent claims, i.e. claims for which the borrower is unlikely to honour his future commitments, are evaluated on an individual basis and the resulting depreciation is covered by itemised valuation adjustments. Off-balance sheet transactions, primarily involving contingent liabilities, guarantees and derivative instruments, are also included in this review. A claim is deemed delinquent when there is substantive evidence that future principal and interest payments due under contract are unlikely to be made or are over 90 days in arrears. Interest is deemed in arrears when overdue for more than 90 days. Nonperforming loans and overdue interest do not appear in the profit and loss account, but are reported instead in "Valuation adjustments and provisions".

2012  
(in CHF '000)

2011  
(in CHF '000)

Change  
(in %)

5 Securities and precious metals trading portfolios	Total	18,216	32,081	(43,2)
Debt instruments		3,416	6,391	(46,5)
<i>of which: - listed</i>		3,416	6,391	(46,5)
Equity paper		14,769	25,675	(42,5)
Precious metals		31	15	106,7
		<b>18,216</b>	<b>32,081</b>	

Securities are reported at their fair value on the balance sheet date (securities traded on a recognised Stock Exchange or representative market; if these conditions are not fulfilled, the securities are evaluated at their lowest quoted price); capital gains and losses are recorded under "Results of trading operations".

Regarding balance sheet reporting of treasury stock, see **Note 17**.

6 Financial investments	Total	1,125,788	1,074,457	4.8
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	2012		2011	
	Book value	Fair value	Book value	Fair value
Debt instruments	256,011	262,223	262,797	266,911
<i>of which: - intended to be held until maturity</i>	178,698	181,667	180,882	183,228
<i>- reported as per lowest valuation</i>		80,556	81,915	83,683
Equity paper	56,600	62,946	28,172	33,542
<i>of which: - qualifying equity stakes (min. 10% of capital or votes)</i>	-	-	-	-
Precious metals	813,177	813,177	783,488	783,488
Buildings	-	-	-	-
	<b>1,125,788</b>	<b>1,138,346</b>	<b>1,074,457</b>	<b>1,083,941</b>
<i>of which: - securities eligible for repo agreements under liquidity regulations</i>	142,709	-	181,616	-

Interest-bearing securities that are intended to be held until maturity are evaluated using the accrual method. Capital gains and losses are calculated for the duration of issues, i.e. until their redemption date. Interest-bearing securities that are not intended to be held until maturity appear at their lowest valuation. When the market value of listed securities is below their acquisition price or when the price of unlisted securities is below the net asset value of the issuing company, the difference is charged to "Other ordinary expenses". Precious metals held to set off commitments towards clients are stated at their fair value. Regarding balance sheet reporting of treasury stock, see **Note 17**.

	2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)	
<b>7 Non-consolidated holdings</b>	<b>Total</b>	<b>101,561</b>	<b>92,122</b>	<b>10.2</b>
With market value	-	-	-	
With no market value	101,561	92,122	10.2	
	<b>101,561</b>	<b>92,122</b>		
Holdings valued as per the equity method	55,049	45,556	20.8	
Other non-consolidated holdings	46,512	46,566	(0.1)	
	<b>101,561</b>	<b>92,122</b>		
"Holdings valued as per the equity method" includes significant interests owned by the Group (20-50% of the relevant company's share capital).				
Differences arising from the first equity consolidation:				
- positive, included under "Retained earnings"	2,365	2,365		
- negative, shown under "Intangible assets"	-	-		
Companies consolidated on the balance sheet using the equity method:				
- La Compagnie Benjamin de Rothschild SA, Meyrin, owned by: Banca Privata Edmond de Rothschild Lugano SA, Lugano (17.34%) and Banque Privée Edmond de Rothschild SA, Geneva (17.34%) Total share capital CHF 11,534,000.-				
- ACH Management SA, Luxembourg, owned by: Banque Privée Edmond de Rothschild SA, Geneva (27%), Edmond de Rothschild Limited, London (10%) and Edmond de Rothschild International Funds Ltd, Bermuda (1%) Total share capital USD 87,590				
- LCF EdR Nikko Cordial, Japan, owned by: Banque Privée Edmond de Rothschild Europe, Luxembourg (50%) Total share capital JPY 100,000,000				
- LCF Edmond de Rothschild Asset Management Limited, UK, wholly owned by EDRRIT Limited Total capital GBP 250,000				
- EDRRIT Limited, 41% owned by Edmond de Rothschild Limited, London Total capital GBP 277,778				
- LCH Investment NV, Netherlands Antilles, owned by: Banque Privée Edmond de Rothschild SA, Geneva (43%) Edmond de Rothschild Limited, London (0.5%) and Edmond de Rothschild International Funds Ltd, Bermuda (0.5%) Total share capital USD 2,000				
Due from or to holdings consolidated using the equity method:				
Due from customers	1	1		
Adjustments accounts	451	92		
Other assets	86	631		
<b>Total assets</b>	<b>538</b>	<b>724</b>	<b>(25.7)</b>	
Due to banks	-	-		
Other amounts due to customers	11,677	3,155		
Other liabilities	297	1,041		
<b>Total liabilities</b>	<b>11,981</b>	<b>4,196</b>	<b>185.5</b>	

The other equity stakes are evaluated at their acquisition price less any write-offs to allow for long-term capital losses. Other capital losses are shown in the balance sheet as "Valuation adjustments and provisions" and in the relevant item of the profit and loss account.

Acquisition value at 1 January 2012	Accumulated depreciation at 1 January 2012	Group value at 1 January 2012
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## 8 Schedule of non-current assets (in thousands of CHF)

Holdings consolidated using the equity method	45,556	-	45,556
Other holdings	47,016	(450)	46,566
<b>Non-consolidated holdings</b>	<b>92,572</b>	<b>(450)</b>	<b>92,122</b>
Bank premises	236,704	(48,086)	188,618
Other buildings	13,200	(4,069)	9,131
Other fixed assets	277,821	(226,901)	50,920
<b>Total fixed assets</b>	<b>527,725</b>	<b>(279,056)</b>	<b>248,669</b>
Goodwill	74,980	(71,924)	3,056
Other intangible assets	97,934	(86,902)	11,032
<b>Intangible assets</b>	<b>172,914</b>	<b>(158,826)</b>	<b>14,088</b>

	2012 (in CHF '000)	2011 (in CHF '000)
Fire insurance value of bank premises	197,205	196,176
Fire insurance value of other buildings	13,410	13,257
Fire insurance value of other fixed assets	123,132	122,676
Commitments: future leasing instalments under operating leases	-	-

### Fixed assets

Increases and decreases in the value of holdings consolidated using the equity method are shown under "Investments" and "Divestitures" respectively.

Investments in new fixed assets which are to be used for more than one financial year and exceed the balance-sheet reporting threshold are stated at their purchase value. Investments in existing fixed assets are reported as assets if their market or usage value increases for an extended period or if their useful life increases significantly.

Fixed assets are reported in subsequent years at their purchase value less accumulated depreciation. They are written down according to a predetermined schedule throughout their useful life, and the correctness of their value is reviewed each year. If this assessment reveals a change in an asset's projected useful life or a decrease in its actual worth, the residual book value is either amortised as per the new schedule or written down accordingly at the end of the reporting period. Planned and additional unplanned write-downs are stated as expenses under "Depreciation of fixed assets" in the profit and loss account. If the reason for a write-down ceases to exist, the relevant asset is re-evaluated.

Land and buildings are amortised on a straight-line basis over their useful life, set at 66 years.

Other fixed assets comprising furniture, equipment and fixtures (including renovations) are amortised on a straight-line basis over a useful life, set at two to five years depending on their nature.

Profits on sales of fixed assets are included in "Extraordinary income" and losses in "Extraordinary expenses".

### Goodwill

If the cost of an acquisition exceeds the net value of its assets as assessed according to the Group principles, the difference is considered goodwill and stated in the balance sheet. The differences arising from a company's first-time full consolidation or consolidation at equity are amortised in the profit and loss account over a five-year period.

### Other intangible assets

Other intangible assets when acquired are reported in the balance sheet if it is believed that they will provide the Group with financial benefits over a number of years. Other intangible assets created by the Group itself do not appear at their fair value; following their valuation, they are reported in the balance sheet at their purchase price and amortised in the profit and loss account at their residual value over a five-year useful life. The currency of the residual value is reviewed each year. If this review reveals a change in the duration of their useful life or a decrease in their actual worth, the Group amortises the residual book value in accordance with the new useful life or by means of an unplanned write-down.

Forex adjustments	Redesignations	Investments and newly consolidated assets	Divestitures and assets no longer consolidated	Depreciation, including changes in scope of consolidation	Group value at 31 December 2012
(113)	-	9,606	-	-	55,049
(54)	-	-	-	-	46,512
<b>(167)</b>	-	<b>9,606</b>	-	-	<b>101,561</b>
(231)	-	-	-	(4,647)	183,740
-	-	-	-	(274)	8,857
(223)	10,772	36,707	(835)	(33,309)	64,032
<b>(454)</b>	<b>10,772</b>	<b>36,707</b>	<b>(835)</b>	<b>(38,230)</b>	<b>256,629</b>
-	-	-	-	(1,778)	1,278
1	(10,772)	-	-	(261)	-
<b>1</b>	<b>(10,772)</b>	-	-	<b>(2,039)</b>	<b>1,278</b>

		2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>9 Other assets</b>	<b>Total</b>	<b>169,072</b>	<b>361,497</b>	<b>(53.2)</b>
Positive replacement value of derivative instruments		142,383	344,719	(58.7)
Set-off account		7	-	-
Other		26,682	16,778	59.0
		<b>169,072</b>	<b>361,497</b>	

	2012		2011	
	Book value of assets	Actual encumbrance	Book value of assets	Actual encumbrance
<b>10 Assets pledged or assigned to cover own liabilities and assets subject to reservation of ownership</b> (in thousands of CHF)				
Securities pledged to a Stock Exchange to cover settlements	29,447	-	24,955	-
Other	-	-	-	-
Assets pledged or assigned to cover own liabilities	29,447	-	24,955	-
Total encumbrances covering own liabilities	29,447	-	24,955	-

	2012	2011
<b>Securities lending and repurchase agreements</b>		
Claims arising from cash pledged as collateral under securities borrowing and reverse repo agreements	5,269,205	4,754,805
Securities received as collateral under securities lending agreements and securities received under borrowing or reverse repo agreements which the Bank has been authorised without restriction to sell or pledge subsequently	5,334,138	4,738,324
<i>of which: - those of the above securities which were sold or pledged</i>	-	-

The fees earned or paid as a result of securities lending are reported as per the duration of the loan and appear respectively as interest income or interest charges. Repos and reverse repos are used to finance and refinance the purchase of special kinds of equities. They are stated as loans secured by financial instruments or as deposits secured by shares from the Bank's treasury stock. They are stated as advances secured by securities or as deposits for which the Bank has pledged securities. The interest income arising from reverse repos and the interest charges arising from repos are reported as per the duration of the relevant transactions.

		2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>11 Disclosure of commitments to own pension plans</b>	<b>Total</b>	<b>46'303</b>	<b>52'700</b>	<b>(12,1)</b>

Commitments to own pension plans (joint and employer foundations alike) are stated under "Other amounts due to customers".

<b>12 Other liabilities</b>	<b>Total</b>	<b>235,236</b>	<b>382,684</b>	<b>(38.5)</b>
Negative replacement value of derivative instruments		141,230	337,189	(58.1)
Set-off account		90	98	(8.2)
Other		93,916	45,397	106.9
		<b>235,236</b>	<b>382,684</b>	

For 2012 the "Other" line mainly includes the profit generated by the creation of the joint venture described on p. 56 in the "Consolidation principles" section.

	Situation at end-2011	Uses and releases as designated	Changes in scope of consolidation	Recoveries, interests at risk and forex differences	New provisions charged to profit and loss account	Releases reported in profit and loss account	Situation at end-2012
<b>13 Valuation adjustments and provisions</b>							
<b>Reserves for general banking risks</b> (in thousands of CHF)							
Provision for taxes and deferred taxes	39,164	-	-	(89)	61	(3,935)	35,201
Valuation adjustments and provisions for default and other risks:							
- valuation adjustments and provisions for default risks (credit and country risks)	16,785	(79)	-	238	190	(29)	17,105
- other provisions	22,803	(194)	-	(234)	10,097	(1,559)	30,913
Subtotal	39,588	(273)	-	4	10,287	(1,588)	48,018
<b>Total valuation adjustments and provisions</b>	<b>78,752</b>	<b>(273)</b>	<b>-</b>	<b>(85)</b>	<b>10,348</b>	<b>(5,523)</b>	<b>83,219</b>
Less valuation adjustments deducted directly from assets:	13,287						13,604
<i>of which: - customers</i>	13,287						13,604
<b>Total valuation adjustments and provisions as per balance sheet</b>	<b>65,465</b>						<b>69,615</b>
<b>Reserves for general banking risks</b>	<b>311,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,866</b>	<b>(32,177)</b>	<b>287,423</b>

Reflecting the Group's cautious stance, valuation adjustments and provisions are allocated on an individual basis to all discernible risks of loss. Valuation adjustments and provisions that become economically unnecessary during the course of a financial year are released and reported under the relevant heading in the profit and loss account. Individual valuation adjustments are deducted from the relevant balance sheet items. Deferred taxes mainly relate to temporary changes in reserves for general banking risks. They are calculated based on the average tax rate foreseen at the time the balance sheet is drawn up.

Reserves for general banking risks form part of consolidated shareholders' equity. The portion accruing to the Group minority shareholders is deducted from these reserves.

#### Litigation

The Group is involved in a number of judicial proceedings in relation to its normal business. The general business environment entails certain legal risks whose impact on our financial situation and profitability is difficult to gauge at the current stages of these proceedings. In line with our policy, the Group creates provisions for pending or contingent procedures when senior management believes that these could give rise to a loss or a financial liability, or when the dispute is likely to be settled in the form of a transaction and the amount of the obligation or loss can be reasonably estimated. For certain procedures, however, the Group is not able to reasonably estimate the size of the loss, for example because of the complexity of the proceedings, the fact that they are only at a preliminary stage, the uncertainty they entail or for other objective reasons.

#### Reallowances

In a ruling of principle handed down in October 2012, the Swiss Supreme Court decided that trailer fees paid to banks by third parties, in relation to investment funds or structured products under a discretionary management mandate entered into with a client, could create an actual or potential conflict of interest. The Supreme Court believed that in such cases a bank might not act in the best interest of its client. As a consequence, in accordance with Swiss legislation on agency, the bank must not only inform its client of the existence of trailer fees received from a third party in the performance of a management mandate but must also remit such fees to the client, failing his agreement to forgo such remittance under the applicable laws. The fee schedules of the Group's Swiss banking subsidiaries (namely Banque Privée Edmond de Rothschild SA and Banca Privata Edmond de Rothschild Lugano SA) allow for the fact that trailer fees received from third parties accrue to the subsidiaries, which incur high payroll and organisational costs to provide their clients with top-quality services. The trailer fees pay part of the costs thus incurred by the subsidiaries and thus benefit their clients by enabling the subsidiaries to charge them less. In accordance with the applicable laws, the ranges of the trailer fees received from third parties appear in the subsidiaries' Terms of Business.

Banks are nevertheless studying the long-term implications of the Supreme Court's ruling, as well as their existing fee schedules and contractual documents (particularly the waiver clause introduced a few years ago), developments in the applicable legislation and the types of management mandate concerned. The purpose of this study is to provide a basis for taking appropriate steps in respect of clients and business associates.

		2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>14 Share capital</b>	<b>Total</b>	<b>45,000</b>	<b>45,000</b>	<b>-</b>
	200,000 fully paid registered shares with a par value of CHF 100.–	20,000	20,000	-
	50,000 fully paid bearer shares with a par value of CHF 500.–	25,000	25,000	-
		<b>45,000</b>	<b>45,000</b>	
For treasury stock, see <b>Note 17</b> .				
Due to and from qualifying shareholders:				
	Due from customers	44,687	37,638	
	Other assets	165	3,238	
	<b>Total claims</b>	<b>44,852</b>	<b>40,876</b>	<b>9.7</b>
	Other amounts due to customers	9,867	15,215	
	Other liabilities	316	1,252	
	<b>Total liabilities</b>	<b>10,183</b>	<b>16,467</b>	<b>(38.2)</b>

<b>15 Retained earnings and other reserves</b>	<b>Total</b>	<b>880,220</b>	<b>832,756</b>	<b>5.7</b>
	Retained earnings	962,295	914,164	5.3
	Passive difference from consolidation and equity consolidation	7,224	7,224	-
	Accrued currency translation differences	(89,299)	(88,632)	0.8
		<b>880,220</b>	<b>832,756</b>	

<b>16 Minority interests in shareholders' equity</b>	<b>Total</b>	<b>32,394</b>	<b>29,292</b>	<b>10.6</b>
	Minority shareholders' share in retained earnings	43,302	40,267	7.5
	Minority shareholders' share in accrued currency translation differences	(10,908)	(10,975)	(0.6)
		<b>32,394</b>	<b>29,292</b>	

## 17 Statement of changes in shareholders' equity

### Share capital at beginning of year

Share capital	45,000	45,000
Additional paid-in capital	93,644	93,220
Retained earnings at beginning of year (including minority interests' share in shareholders' equity)	862,048	798,542
<i>of which: - currency translation differences</i>		(96,456)
Reserves for general banking risks	311,734	294,967
Group net income	125,064	149,898
Treasury stock	(56,016)	(56,300)
<b>Total shareholders' equity at beginning of the reporting period</b>	<b>1,381,474</b>	<b>1,325,327</b>
Capital increase/decrease	-	-
Allocations to/releases from reserves for general banking risks	(24,311)	16,767
Dividend	(78,750)	(69,750)
Other allocations to/releases from retained earnings	4,852	(13,491)
Net income	66,351	125,064
Treasury stock buybacks (at purchase price)	(28,199)	(18,280)
Sales of treasury stock (at purchase price)	18,170	18,564
Profit or loss on sales of treasury stock	(1,548)	424
Currency translation differences	(600)	(3,151)
<b>Total shareholders' equity at end of the reporting period</b>	<b>1,337,439</b>	<b>1,381,474</b>
<i>of which: - share capital</i>	45,000	45,000
<i>- additional paid-in capital</i>	92,096	93,644
<i>- retained earnings (including minority interests' share in shareholders' equity)</i>	912,614	862,048
<i>of which: - currency translation differences</i>		(99,607)
<i>- reserves for general banking risks</i>	287,423	311,734
<i>- Group net income</i>	66,351	125,064
<i>of which: - minority interests' share in net income</i>		8,800
Treasury stock	(66,045)	(56,016)

The minority shareholders are considered as providers of funds to the Group. As a consequence, their interest is treated as Group equity. Similarly, net income attributable to minority interests is included in consolidated net income.

### Own shares deducted from shareholders' equity

#### Treasury stock included in securities and precious metals trading portfolio

- number of own shares at 1 January 2012	113	113
- number of shares purchased during the reporting year	387	418
- number of shares sold during the reporting year	(360)	(418)
<b>- number of own shares at 31 December 2012</b>	<b>140</b>	<b>113</b>

#### Treasury stock reported as financial investments

- number of own shares at 1 January 2012	2,221	2,191
- number of shares purchased during the reporting year	875	330
- number of shares sold during the reporting year	(400)	(300)
<b>- number of own shares at 31 December 2012</b>	<b>2,696</b>	<b>2,221</b>

	On demand	Callable	Within 3 months	In 3 to 12 months	In 12 months to 5 years	After 5 years	Total
<b>18 Maturity profile of current assets, financial investments and borrowed funds</b> (in thousands of CHF)							
<b>Current assets</b>							
Cash and other liquid assets	3,716,986	-	-	-	-	-	3,716,986
Claims arising from money market paper	133	-	259,239	171	-	-	259,543
Due from banks	554,310	-	7,222,739	17,080	-	-	7,794,129
Due from customers	-	682,027	388,521	485,074	24,182	59,872	1,639,676
Mortgage loans	-	23,380	-	-	-	-	23,380
Securities and precious metals held for trading purposes	18,216	-	-	-	-	-	18,216
Immobilisations financières	869,775	-	26,887	28,529	184,689	15,908	1,125,788
<b>Total 2012</b>	<b>5,159,420</b>	<b>705,407</b>	<b>7,897,386</b>	<b>530,854</b>	<b>208,871</b>	<b>75,780</b>	<b>14,577,718</b>
<b>Total 2011</b>	<b>5,033,199</b>	<b>822,332</b>	<b>6,648,833</b>	<b>454,704</b>	<b>169,422</b>	<b>76,799</b>	<b>13,205,289</b>
<b>Borrowed funds</b>							
Liabilities arising from money market paper	965	-	-	-	-	-	965
Due to banks	255,368	-	51,206	-	-	-	306,574
Due to customers on savings or deposit accounts	-	7,087	-	-	-	-	7,087
Other amounts due to customers	12,631,866	2,758	238,721	172,689	14,322	-	13,060,356
<b>Total 2012</b>	<b>12,888,199</b>	<b>9,845</b>	<b>289,927</b>	<b>172,689</b>	<b>14,322</b>	<b>-</b>	<b>13,374,982</b>
<b>Total 2011</b>	<b>10,985,856</b>	<b>205,187</b>	<b>731,716</b>	<b>60,652</b>	<b>20</b>	<b>12,880</b>	<b>11,996,311</b>

	2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>19 Due from and to affiliated companies</b>			
Due from banks	7,882	24,082	
Due from customers	-	12	
Adjustment accounts	1,767	2,297	
Other assets	7,352	6,708	
<b>Total claims</b>	<b>17,001</b>	<b>33,099</b>	<b>(48.6)</b>
Due to banks	3,441	-	
Other amounts due to customers	15,885	6,771	
Adjustment accounts	927	1,158	
Other liabilities	3,726	6,183	
<b>Total commitments</b>	<b>23,979</b>	<b>14,112</b>	<b>69.9</b>

Affiliated companies include the majority holdings of Edmond de Rothschild Holding SA, which are not part of the Banque Privée Edmond de Rothschild Group.

All transactions with affiliated parties are carried out on the usual terms, both at the Bank in Switzerland and at our foreign subsidiaries.

	2012		2011	
	Loans	Number of members	Loans	Number of members
<b>20 Loans granted to the governing bodies of the Bank</b>				
<b>Guarantee commitments on behalf of the governing bodies of the Bank</b>				
<b>Remuneration paid to the governing bodies of the Bank</b>				
<b>Loans granted to the governing bodies</b> (in thousands of CHF)				
- to members of boards of directors	51,285	7	39,649	6
- to members of executive committees	2,092	6	4,015	5
- to internal auditors	-	-	-	-
- to independent auditors	-	-	-	-
<b>Total</b>	<b>53,377</b>	<b>13</b>	<b>43,664</b>	<b>11</b>
	Commitments	Number of members	Commitments	Number of members
<b>Guarantee commitments on behalf of</b> (in thousands of CHF)				
- members of boards of directors	581	7	341	4
- members of executive committees	823	9	896	10
- internal auditors	37	5	31	4
- independent auditors	-	-	-	-
<b>Total</b>	<b>1,441</b>	<b>21</b>	<b>1,268</b>	<b>18</b>

	2012			2011		
	Swiss	Foreign	Total	Swiss	Foreign	Total
<b>21 Breakdown of Swiss and foreign assets and liabilities</b> (in thousands of CHF)						
<b>Assets</b>						
Cash and other liquid assets	2,720,931	996,055	3,716,986	2,481,473	819,145	3,300,618
Claims arising from money market paper	255,805	3,738	259,543	17,045	658	17,703
Due from banks	583,286	7,210,843	7,794,129	231,493	7,160,318	7,391,811
Due from customers	144,158	1,495,518	1,639,676	103,930	1,273,475	1,377,405
Mortgage loans	16,880	6,500	23,380	11,214	-	11,214
Securities and precious metals held for trading purposes	31	18,185	18,216	332	31,749	32,081
Financial investments	948,486	177,302	1,125,788	923,999	150,458	1,074,457
Non-consolidated holdings	74,259	27,302	101,561	83,438	8,684	92,122
Fixed assets	185,970	70,659	256,629	182,219	66,450	248,669
Intangible assets	1,278	-	1,278	8,102	5,986	14,088
Accrued income and prepaid expenses	21,567	71,244	92,811	23,719	69,765	93,484
Other assets	97,823	71,249	169,072	104,339	257,158	361,497
<b>Total assets</b>	<b>5,050,474</b>	<b>10,148,595</b>	<b>15,199,069</b>	<b>4,171,303</b>	<b>9,843,846</b>	<b>14,015,149</b>

## Liabilities

Liabilities arising from money market paper	965	-	965	48	-	48
Due to banks	10,800	295,774	306,574	4,189	254,936	259,125
Customer savings and deposit accounts	6,450	637	7,087	6,790	568	7,358
Other amounts due to customers	1,553,908	11,506,448	13,060,356	1,464,582	10,265,198	11,729,780
Accrued expenses and deferred income	74,324	107,473	181,797	77,761	111,454	189,215
Other liabilities	64,256	170,980	235,236	276,637	106,047	382,684
Valuation adjustments and provisions	44,129	25,486	69,615	35,918	29,547	65,465
Reserves for general banking risks	232,865	54,558	287,423	246,969	64,765	311,734
Share capital	45,000	-	45,000	45,000	-	45,000
Additional paid-in capital and other reserves	91,165	931	92,096	92,713	931	93,644
Retained earnings	668,644	211,576	880,220	657,623	175,133	832,756
Treasury stock	(66,045)	-	(66,045)	(56,016)	-	(56,016)
Minority interests' share in shareholders' equity	-	32,394	32,394	-	29,292	29,292
Consolidated net income	(16,945)	83,296	66,351	14,465	110,599	125,064
<b>Total liabilities</b>	<b>2,709,516</b>	<b>12,489,553</b>	<b>15,199,069</b>	<b>2,866,679</b>	<b>11,148,470</b>	<b>14,015,149</b>

The breakdown of Swiss and foreign origin is based on the location of the registered office of the debtor, creditor or the body issuing the shares or debt instruments. In the case of mortgage-backed securities and property, the place of the security interest applies.

	2012		2011	
	Value	% share	Value	% share
<b>22 Breakdown of consolidated assets by country/country group</b> (in thousands of CHF)				
<b>Assets</b>				
Switzerland	5,050,474	33.2	4,171,303	29.8
Europe excluding Switzerland	9,554,396	62.8	9,226,880	65.8
North America	134,895	0.9	179,866	1.3
South America	69,005	0.5	42,851	0.3
Asia / Pacific	55,569	0.4	29,285	0.2
Caribbean	273,591	1.8	324,823	2.3
Africa Middle East	61,139	0.4	40,141	0.3
<b>Total assets</b>	<b>15,199,069</b>	<b>100.0</b>	<b>14,015,149</b>	<b>100.0</b>

### 23 Breakdown of consolidated assets and liabilities by currency

(in thousands of CHF)

#### Assets

Cash and other liquid assets	2,718,273	384	992,329	6,000	3,716,986
Claims arising from money market paper	-	73,769	108,869	76,905	259,543
Due from banks	6,562	3,777,359	3,298,335	711,873	7,794,129
Due from customers	156,374	345,966	975,735	161,601	1,639,676
Mortgage loans	23,380	-	-	-	23,380
Securities and precious metals held for trading purposes	157	5,704	8,505	3,850	18,216
Financial investments	255,931	7,785	29,229	832,843	1,125,788
Non-consolidated holdings	88,873	184	7,760	4,744	101,561
Fixed assets	193,261	72	62,601	695	256,629
Intangible assets	1,278	-	-	-	1,278
Accrued income and prepaid expenses	29,369	4,186	56,925	2,331	92,811
Other assets	98,227	214	62,012	8,619	169,072
Total positions reported as assets	3,571,685	4,215,623	5,602,300	1,809,461	15,199,069
Delivery claims arising from spot, forward and options transactions	2,177,636	7,365,196	7,967,327	3,002,168	20,512,327
<b>Total assets 2012</b>	<b>5,749,321</b>	<b>11,580,819</b>	<b>13,569,627</b>	<b>4,811,629</b>	<b>35,711,396</b>
<b>Total assets 2011</b>	<b>6,571,355</b>	<b>12,302,339</b>	<b>13,640,193</b>	<b>4,267,300</b>	<b>36,781,187</b>

#### Liabilities

Liabilities arising from money market paper	965	-	-	-	965
Due to banks	6,582	128,985	94,364	76,643	306,574
Customer savings and deposit accounts	7,087	-	-	-	7,087
Other amounts due to customers	1,683,621	4,151,422	5,481,068	1,744,245	13,060,356
Accrued expenses and deferred income	78,637	1,568	89,381	12,211	181,797
Other liabilities	66,170	682	147,771	20,613	235,236
Valuation adjustments and provisions	55,863	-	13,752	-	69,615
Reserves for general banking risks	232,865	-	54,558	-	287,423
Share capital	45,000	-	-	-	45,000
Additional paid-in capital and other reserves	91,165	-	931	-	92,096
Retained earnings	703,124	1,522	139,350	36,224	880,220
Treasury stock	(66,045)	-	-	-	(66,045)
Minority interests' share in shareholders' equity	5	588	23,804	7,997	32,394
Consolidated net income	(29,002)	822	97,474	(2,943)	66,351
Total positions reported as liabilities	2,876,037	4,285,589	6,142,453	1,894,990	15,199,069
Delivery commitments arising from spot, forward and options transactions	2,922,657	7,278,967	7,393,708	2,916,995	20,512,327
<b>Total liabilities 2012</b>	<b>5,798,694</b>	<b>11,564,556</b>	<b>13,536,161</b>	<b>4,811,985</b>	<b>35,711,396</b>
<b>Net position per currency</b>	<b>(49,373)</b>	<b>16,263</b>	<b>33,466</b>	<b>(356)</b>	<b>-</b>
<b>Total liabilities 2011</b>	<b>6,559,329</b>	<b>12,291,784</b>	<b>13,588,415</b>	<b>4,341,659</b>	<b>36,781,187</b>

		2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>24 Contingent liabilities</b>	<b>Total</b>	<b>298,395</b>	<b>324,056</b>	<b>(7.9)</b>
Irrevocable guarantees in the form of avals, sureties and guarantees (including guarantee commitments under irrevocable letters of credit), advance payment guarantees and endorsement obligations from rediscounting		225,039	263,194	(14.5)
Performance bonds, bid bonds, letters of indemnity and other service guarantees (including service guarantees in the form of irrevocable letters of credit)		73,356	60,862	20.5
		<b>298,395</b>	<b>324,056</b>	

For guarantee commitments made on behalf of the Bank's governing bodies, see **Note 20**. These commitments are reported in "Off-balance sheet transactions" at their face value.

<b>25 Guarantee commitments for third parties</b>	<b>Total</b>	<b>298,395</b>	<b>324,056</b>	<b>(7.9)</b>
Surety bonds		4,121	3,655	12.7
Guarantees		294,274	320,401	(8.2)
		<b>298,395</b>	<b>324,056</b>	

	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Underlying values	Positive replacement values	Negative replacement values	Underlying values
<b>26 Open interest in derivative instruments</b> (in thousands of CHF)						
<b>Interest rate products</b>						
Forward contracts including FRAs	-	-	-	-	-	-
Swaps	-	409	7,000	-	-	-
Futures	-	-	-	-	-	-
OTC options	-	-	-	-	-	-
Traded options	-	-	-	-	-	-
<b>Forward contracts</b>						
Combined interest and currency swaps	120,487	72,849	13,549,420	-	-	-
Futures	19,288	63,578	6,033,899	-	-	-
OTC options	-	-	-	-	-	-
Traded options	2,375	2,394	303,755	90	7	50,346
Equity index products	-	-	-	-	-	-
<b>Futures</b>						
OTC options	-	1,850	11,000	-	-	-
Traded options	-	-	-	-	-	-
Other	143	143	42,033	-	-	-
Forward contracts	-	-	-	-	-	-
<b>OTC options</b>						
Traded options	-	-	-	-	-	-
Total before impact of netting agreements	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (négociables)	-	-	-	-	-	-
<b>Total before impact of netting agreements</b>						
<b>2012</b>	<b>142,293</b>	<b>141,223</b>	<b>19,947,107</b>	<b>90</b>	<b>7</b>	<b>50,346</b>
<b>2011</b>	<b>344,621</b>	<b>337,189</b>	<b>22,451,966</b>	<b>98</b>	<b>-</b>	<b>53,599</b>
			Positive replacement values (accumulated)		Negative replacement values (accumulated)	
<b>Total after impact of netting agreements</b>						
<b>2012</b>			<b>142,383</b>			<b>141,230</b>
<b>2011</b>			<b>344,719</b>			<b>337,189</b>

The derivative instruments used by the Group include exchange-traded futures, OTC forwards, exchange-traded options, OTC options and swaps.

Derivative instruments are traded by the Group on behalf of clients and on a proprietary basis. Transactions involving options, futures and swaps for our own account are used to hedge financial investments and to control interest rate and currency risks.

Derivative instruments are reported at their fair value. The positive and negative replacement values represent the Bank's claims and obligations respectively, should the Bank enter into contracts identical to the initial ones with other counterparties. The positive and negative replacement values are shown in the balance sheet under "Other assets" and "Other liabilities" respectively, and in the profit and loss account under "Results of trading operations". The fair value is either the market price (if the instrument is traded on an efficient, liquid market), the price quoted by market makers or the price determined using valuation models. The underlying value represents the net claim arising from trading in derivative instruments for own account or on behalf of customers (contract value).

(Note 26 cont'd next page)

(Note 26 cont'd)

	2012			2011		
	Positive replacement values	Negative replacement values	Underlying values	Positive replacement values	Negative replacement values	Underlying values
<b>Open interest in derivative instruments</b> (in thousands of CHF)						
Banks and derivatives exchanges						
- expiring in less than 1 year	103,800	44,788	10,846,866	123,100	281,996	14,278,130
- expiring in more than 1 year	29	385	2,367	26	203	4,414
Secured customers	38,554	96,057	9,148,220	221,593	54,990	8,223,021
<b>Total</b>	<b>142,383</b>	<b>141,230</b>	<b>19,997,453</b>	<b>344,719</b>	<b>337,189</b>	<b>22,505,565</b>

	Total	2012	2011	Change
		(in CHF '000)	(in CHF '000)	(in %)
<b>27 Fiduciary transactions</b>	<b>Total</b>	<b>3,435,510</b>	<b>5,769,088</b>	<b>(40.4)</b>
Fiduciary deposits with other banks		3,357,571	5,552,724	(39.5)
Fiduciary loans		77,939	216,364	(64.0)
		<b>3,435,510</b>	<b>5,769,088</b>	
<b>28 Assets under management*</b>				
Assets invested in funds managed by the Bank		15,974,539	17,531,954	(8.9)
Assets under discretionary management		20,729,405	21,180,495	(2.1)
Other assets		64,894,281	57,665,377	12.5
<b>Total assets under management (incl. double reporting)</b>		<b>101,598,225</b>	<b>96,377,826</b>	<b>5.4</b>
<i>of which: - double reporting</i>		9,607,052	9,993,465	(3.9)
<i>- net deposits/withdrawals of fresh money</i>		2,481,288	1,149,820	115.8

Assets under management include investments in funds managed by the Bank, assets held under discretionary management mandates (including under custody with depositaries) and other assets held for investment purposes ("Other assets").

Assets under custody are owned by institutional clients whose only objective is to hold deposits.

"Net deposits/withdrawals of fresh money" includes account openings and closures as well as deposits and withdrawals by existing clients. Changes in assets due to performance (e.g. price variations, interest and dividend payments and bank charges) are not considered to be deposits/withdrawals.

\* For 2012 assets under management are presented on the basis of a new, single definition of this item adopted by the Edmond de Rothschild Group. 2011 figures have been restated to provide a valid comparison.

<b>29 Interest and discount income</b>	<b>Total</b>	<b>44,375</b>	<b>70,565</b>	<b>(37.1)</b>
Due from banks		23,655	44,938	(47.4)
<i>of which: - reverse repo interest</i>		11,001	30,329	(63.7)
Claims arising from money market paper		574	349	64.5
Advances to customers		20,146	25,278	(20.3)
		<b>44,375</b>	<b>70,565</b>	
Interest and dividend income on trading portfolios		75	120	(37.5)
Interest and dividend income on financial investments		4,526	4,731	(4.3)

		2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>30 Interest payable</b>	<b>Total</b>	<b>6,911</b>	<b>10,574</b>	<b>(34.6)</b>
To banks		1,685	1,485	13.5
On customer deposits		5,226	9,089	(42.5)
		<b>6,911</b>	<b>10,574</b>	

<b>31 Commission income on securities and investment transactions</b>	<b>Total</b>	<b>514,906</b>	<b>556,675</b>	<b>(7.5)</b>
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This heading covers brokerage fees, custody fees, management fees, advisory fees and commissions on investment activities (fiduciary loans and deposits, gold, currency options, futures, investment trusts, securities transfers and new issues).

<b>32 Commission income on other service operations</b>	<b>Total</b>	<b>59,608</b>	<b>70,486</b>	<b>(15.4)</b>
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Commissions on other services consist of administration fees charged to customers and commissions for safe rentals, money transfers, cheques and other services.

<b>33 Results of trading operations</b>	<b>Total</b>	<b>91,435</b>	<b>87,851</b>	<b>4.1</b>
Securities trading (including equity product and index derivatives)		26,567	18,300	45.2
Forex trading (including forex derivatives)		64,102	68,528	(6.5)
Precious metals (including precious metals derivatives)		766	1,023	(25.1)
		<b>91,435</b>	<b>87,851</b>	

Income and expenses arising from trading portfolios – profits and losses on trades, along with interest and dividends – are included in “Results of trading operations”. The Group does not debit portfolio refinancing costs to these results. Results of securities lending and borrowing appear in “Interest income, net”.

<b>34 Other ordinary income</b>	<b>Total</b>	<b>14,379</b>	<b>15,064</b>	<b>(4.5)</b>
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This heading mainly covers fees received, coupon collection income and VAT refunds.

		2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>35 Personnel expenses</b>	<b>Total</b>	<b>386,050</b>	<b>356,982</b>	<b>8.1</b>
Salaries		315,023	289,384	8.9
Employee benefits:				
- statutory social security		26,647	24,768	7.6
- contributions to pension funds		29,427	27,401	7.4
Other personnel expenses		14,953	15,429	(3.1)
		<b>386,050</b>	<b>356,982</b>	

“Salaries” covers the payroll of permanent and temporary staff, plus bonuses, fees paid to directors and supplementary allowances.

#### Personnel welfare plans

The staff of the parent company and of some affiliates are insured by the Personnel Welfare Foundation for the Staff of Banque Privée Edmond de Rothschild SA and Allied Companies (the “Joint Foundation”). Its purpose is to protect the staff of its member companies from the economic consequences of old age, disability and death. The Joint Foundation is semi-autonomous and operates on the basis of actual contributions (the “primacy of contributions” principle). Contribution rates increase with age. Employers pay in two-thirds of contributions and employees one-third. Death and disability coverage is financed by the Employers’ Personnel Welfare Foundation for the Staff of Banque Privée Edmond de Rothschild SA and Allied Companies (the “Employers’ Foundation”). Administrative overheads are covered by member employers. Employees are jointly liable in full within the Joint Foundation.

The Foundation’s latest audited financial statements showed a funding ratio of 93.43% at 31 Dec. 2011 (as against 101.10% at 31 Dec. 2010).

Thanks to last year’s positive return on the Foundation’s assets, we can estimate a funding ratio between 97% and 98% at end- 2012. The Foundation Council decided to pay 1% interest on vested assets for 2012 and also decided not to index pensions.

The Board of Directors believes that any funding ratio surplus as defined in RPC 16 of the Swiss GAAP will be used for the benefit of employees and that, as a consequence, no profit will arise for the member companies.

The member companies whose staff are insured by the Joint Foundation also pay into the Employers’ Foundation in favour of the staff of Banque Privée Edmond de Rothschild SA and of the member companies. The purpose of the Foundation is to make payments on a voluntary basis to the Foundation in favour of the Staff of Banque Privée Edmond de Rothschild. Such benefits are financed by the member companies’ voluntary contributions. The employers are jointly liable in full within the Employers’ Foundation.

In order to strengthen the constituent entities’ sense of belonging to the Edmond de Rothschild Group and to benefit from the synergies in occupational pensions that a “Group” approach can generate, the boards of the Group’s three affiliated personnel welfare foundations –the Personnel Welfare Foundation for the Staff of Banque Privée Edmond de Rothschild SA, (the “Joint Foundation”), the Employer’s Foundation in favour of the staff of Banque Privée Edmond de Rothschild SA and Allied Companies (the “Employer’s Foundation”) and the Edmond de Rothschild Personnel Welfare Foundation– decided to amalgamate as one from January 2013. The funding ratio of the new entity at 1 January 2013 will be well above 100%.

At 31 Dec. 2012 there was no employer contributions reserve.

(Note 35 cont’d next page)

(Note 35 cont'd)

	2011	2011	2010			2011	2010
	Funding surplus / deficit	Entity's share		Change v. previous year	Period-adjusted contributions	Personnel welfare costs included in personnel expenses	
<b>Economic benefits / commitments and personnel welfare expenses</b> (in thousands of CHF)							
Employer's funds / Employer's personnel welfare institutions	16,772	-	-	-	5,342	5,342	5,159
Personnel welfare institutions with a surplus funding ratio	(23,779)	-	-	-	22,059	22,059	22,624
Personnel welfare institutions with no proprietary assets	-	-	-	-	-	-	-
<b>Total</b>					<b>27,401</b>	<b>27,401</b>	<b>27,783</b>

	2012				2011			
	CH	EU	Other countries	Total	CH	EU	Other countries	Total
<b>Group personnel</b> (number of employees)								
Average number of employees	708	1,006	71	<b>1,785</b>	668	965	55	<b>1,688</b>
Total number of employees at year-end	718	1,019	74	<b>1,811</b>	686	982	64	<b>1,732</b>
Number of employees at year-end, converted into full-time jobs	691	990	74	<b>1,755</b>	662	957	64	<b>1,683</b>

		2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>36 Other operating expenses</b>	<b>Total</b>	<b>135,815</b>	<b>134,449</b>	<b>1.0</b>
Cost of premises		23,066	22,206	3.9
Equipment costs:				
- IT systems		30,344	27,617	9.9
- machines		734	612	19.9
- furniture		1,024	1,083	(5.4)
- vehicles		467	461	1.3
Other operating expenses:				
- office supplies		8,816	8,911	(1.1)
- communications costs		21,970	19,570	12.3
- professional fees and other expenses		48,843	53,989	(9.5)
- VAT		551	-	-
		<b>135,815</b>	<b>134,449</b>	

		2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>37 Depreciation of non-current assets</b>	<b>Total</b>	<b>40,269</b>	<b>36,038</b>	<b>11.7</b>
Consolidated holdings		-	3	(100.0)
Fixed assets:				
- land and buildings		4,921	3,496	40.8
- office furniture, machines and equipment		33,309	23,180	43.7
Intangible assets		2,039	9,359	(78.2)
		<b>40,269</b>	<b>36,038</b>	

In the case of non-consolidated holdings shown at cost, only provisions for permanent capital depreciation are shown under this heading; see **Note 7**. Depreciation of fixed assets is set out in **Note 8**.

<b>38 Valuation adjustments, provisions and losses</b>	<b>Total</b>	<b>16,008</b>	<b>6,137</b>	<b>160.8</b>
Valuation adjustments and provisions		10,287	3,034	239.1
Losses		5,721	3,103	84.4
		<b>16,008</b>	<b>6,137</b>	

The breakdown of funds allocated to valuation adjustments and provisions is shown in **Note 13**.

<b>39 Extraordinary income and expenses</b>				
Extraordinary income		38,943	12,275	217.3
Extraordinary expenses		8,804	23,047	(61.8)

"Extraordinary income" mainly derives from the release of other provisions that are no longer required for operating purposes and a release from the general reserve for banking risks.

"Extraordinary expenses" mainly includes allocations in 2012 and 2011 of CHF 7.9 million and CHF 22.7 million respectively to the reserve for general banking risks.

<b>40 Taxes</b>	<b>Total</b>	<b>16,841</b>	<b>29,694</b>	<b>(43.3)</b>
Current taxes		20,715	26,811	(22.7)
Deferred taxes		(3,874)	2,883	-
		<b>16,841</b>	<b>29,694</b>	

Corporate taxes are calculated on the basis of the financial statements of each individual Group company and charged to the accounting period in which they were incurred. Tax provisions are set out in **Note 13**.

<b>41 Consolidated net income</b>	<b>Total</b>	<b>66,351</b>	<b>125,064</b>	<b>(46.9)</b>
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The share of minority interests in net income is incorporated in consolidated net income based on the Group unity principle explained in **Note 17**.

**42 Earnings per share**

Group earnings after deduction of portion due to minority interests (in thousands of CHF)	59,406	116,264
Weighted average of number of shares outstanding		
Bearer shares (par value CHF 500.-)	50,000	50,000
Registered shares (par value CHF 100.-)	200,000	200,000
Weighted average of number of shares used to calculate earnings per share (with a par value of CHF 500.-) after deducting own shares held by the Bank (Treasury stock)	87,164	87,666
Earnings per bearer share (in CHF)	681.54	1,326.22
Earnings per registered share (in CHF)	136.31	265.24

	2012			2011		
	Swiss	Foreign	Total	Swiss	Foreign	Total
<b>43 Breakdown of Group results by Swiss and foreign origin</b> (in thousands of CHF)						
Interest and discount income	21,107	23,268	44,375	28,625	41,940	70,565
Interest and dividend income on trading portfolios	57	18	75	66	54	120
Interest and dividend income on financial investments	4,346	180	4,526	4,553	178	4,731
Interest payable	839	6,072	6,911	1,545	9,029	10,574
Interest income, net	24,671	17,394	42,065	31,699	33,143	64,842
Commission income on lending activities	756	614	1,370	779	586	1,365
Commission income on trading operations and investments	225,598	289,308	514,906	223,134	333,541	556,675
Commission income on other services	27,364	32,244	59,608	26,292	44,194	70,486
Commissions payable	47,481	63,031	110,512	46,380	77,988	124,368
Fee and commission income, net	206,237	259,135	465,372	203,825	300,333	504,158
Results of trading operations	39,910	51,525	91,435	43,454	44,397	87,851
Proceeds from the sale of financial investments	784	600	1,384	5,215	(288)	4,927
Total income from holdings	16,050	2,012	18,062	17,602	4,387	21,989
Real estate income	1,371	518	1,889	1,242	593	1,835
Other ordinary income	8,290	6,089	14,379	10,553	4,511	15,064
Other ordinary expenses	980	2,411	3,391	1,408	122	1,530
Other ordinary results	25,515	6,808	32,323	33,204	9,081	42,285
Personnel expenses	209,755	176,295	386,050	190,408	166,574	356,982
Other operating expenses	66,849	68,966	135,815	65,825	68,624	134,449
Operating expenses	276,604	245,261	521,865	256,233	235,198	491,431
Gross profit	19,729	89,601	109,330	55,949	151,756	207,705
Depreciation of fixed assets	29,260	11,009	40,269	25,213	10,825	36,038
Valuation adjustments, provisions and losses	12,454	3,554	16,008	1,768	4,369	6,137
Result before extraordinary items and taxes	(21,985)	75,038	53,053	28,968	136,562	165,530
Extraordinary income	23,393	15,550	38,943	8,203	4,072	12,275
Extraordinary expenses	8,142	662	8,804	11,784	11,263	23,047
Taxes	10,211	6,630	16,841	10,922	18,772	29,694
<b>Consolidated net income</b>	<b>(16,945)</b>	<b>83,296</b>	<b>66,351</b>	<b>14,465</b>	<b>110,599</b>	<b>125,064</b>

This breakdown of results by Swiss and foreign origin is based on the location of business operations.

# Financial report

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# Key figures

of Banque Privée Edmond de Rothschild SA, Geneva

	2012	2011	Change	
			(in CHF '000)	(in %)
<b>Balance sheet</b> (in thousands of CHF)				
Due from banks	3,224,857	3,031,382	193,475	6.4
Advances to customers	626,232	508,271	117,961	23.2
Due to banks	871,905	670,861	201,044	30.0
Customer deposits	5,818,279	5,459,098	359,181	6.6
Shareholders' equity (after appropriation)	664,922	684,028	(19,106)	(2.8)
Balance sheet total	7,783,184	7,443,327	339,857	4.6
<b>Profit and loss account</b> (in thousands of CHF)				
Interest income, net	20,808	27,495	(6,687)	(24.3)
Fee and commission income, net	177,809	175,365	2,444	1.4
Results of trading operations	35,710	40,715	(5,005)	(12.3)
Operating expenses (personnel costs and overheads)	272,021	241,506	30,515	12.6
Net income	30,322	101,551	(71,229)	(70.1)
<b>Staff</b>				
Number of employees at year-end (converted into full-time jobs)	644	607	37	6.1
<b>Profitability</b>				
% return on equity (net profit / average shareholders' equity after profit appropriation)	4.5	15.1	-	-
% return on assets (net profit / average assets)	0.4	1.5	-	-
<b>Shares</b>				
Dividend (in thousands of CHF)	56,250	78,750	(22,500)	(28.6)
Dividend (% of share capital)	125	175	(50)	(28.6)
Stock market capitalisation (in thousands of CHF)	1,500,600	1,968,000	(467,400)	(23.8)
<b>Data per bearer share:</b>				
- net income per share (CHF)	337	1,128	(791)	(70.1)
- dividend (CHF)	625	875	(250)	(28.6)
- quoted price at 31.12 (CHF)	18,300	24,000	(5,700)	(23.8)
- gross yield (%)	3.4	3.6	-	-

The Bank's registered shares are reported at their 31 Dec. 2012 value less 20%.

# Report of the Directors

to the shareholders of Banque Privée Edmond de Rothschild SA  
at the ordinary general meeting on 26 April 2013

## Balance sheet review

At 31 Dec. 2012 the Bank's balance sheet total stood at CHF 7.8 billion, marking a rise of CHF 340 million on the year-earlier figure.

On the assets side, cash and claims arising from money market paper totalled CHF 2.4 billion, up CHF 180 million compared with the previous year.

Funds due from banks rose by CHF 193.5 million to CHF 3.2 billion, including CHF 3 billion held with correspondents under reverse repo agreements.

Cash, bank deposits and money market claims together came to CHF 5.7 billion. This item accounts for 72.8% of the balance sheet total.

Loans to clients rose to CHF 626.2 million, marking a 23.2% increase on the end-2011 level, and represented 8% of the balance sheet total.

Securities and precious metals held for trading purposes totalled CHF 3.8 million, down sharply (by 77.4%) on the previous year's level.

Financial investments stood at CHF 971.5 million, up by CHF 37 million on the year-earlier figure. Most of this rise was attributable to the stock of precious metals used to cover our clients' metal accounts.

Long-term holdings amounted to CHF 223.7 million, practically unchanged compared with CHF 223.4 million in 2011.

Fixed assets came to CHF 165.4 million, marking a drop of CHF 1.3 million on the level at end-Dec. 2011.

Other assets amounted to CHF 109.3 million, as against CHF 283.1 million the previous year. The decrease (CHF 173.8 million) was due to the sharply lower replacement value of open forward currency contracts at the end of the reporting year.

On the liabilities side, funds due to banks rose by CHF 201 million to CHF 871.9 million, chiefly reflecting cash management at the Group level.

At 31 Dec. 2012 client deposits totalled CHF 5.8 billion as against 5.5 billion a year earlier. They accounted for 74.8% of the balance sheet total.

Other liabilities came to CHF 122.7 million, down sharply as a result of the lower replacement values of open forward currency contracts at the end of the reporting period.

Valuation adjustments, provisions and losses fell by CHF 5.9 million to CHF 174.5 million.

Following appropriation of net income, shareholders' equity will amount to CHF 664.9 million, or 8.5% of the balance sheet total.

On that basis return on equity at end-2012 worked out to 4.5%. Applying the BIS rules under Basel II, required shareholders' equity totalled CHF 124 million while eligible capital came to CHF 506.5 million. The BIS ratio stood at 32.7%.

## Roundup of results

The Bank's net profit at 31 Dec. 2012 came to CHF 30.3 million, marking a decrease of 70.1% compared with the year-earlier figure.

### Revenue

Interest income fell 24.3% compared with the previous year, totalling CHF 20.8 million.

Income from fees and commissions amounted to CHF 177.8 million, up 1.4% on the 2011 level of CHF 175.4 million.

Results of trading operations came to CHF 35.7 million, compared with CHF 40.7 million the previous year.

Other ordinary results dropped 26.1% to CHF 102.3 million. The decrease was due, in particular, to the lower dividends collected on our long-term holdings, sales of financial investments and the change in value of our treasury stock.

## Expenses

Operating expenses totalled CHF 272 million, up 12.6% on the 2011 level. Personnel expenses rose by 14.9% and other operating costs by 6.4%.

At CHF 64.6 million gross profit was down 54% compared with the year-earlier figure (CHF 140.5 million).

Depreciation of fixed assets totalled CHF 29.2 million, marking an increase of CHF 4.9 million on the previous year.

Valuation adjustments, provisions and losses increased by CHF 5.6 million from the end-2011 level to CHF 19 million.

Taxes due on our 2012 earnings are estimated at CHF 7.5 million, down 10.6% on the year-earlier figure.

## Approval of the financial statements

We hereby submit the financial statements for fiscal year 2012 for your approval, together with our proposal for the allocation of available income.

## Proposal of the Board of Directors concerning the appropriation of earnings

Net income for 2012	CHF	30,322,222.-
Net income brought forward from previous year	CHF	4,643,306.-
<b>soit un solde disponible de</b>	<b>CHF</b>	<b>34,965,528.-</b>

which we propose to appropriate as follows:

Payment of a 125% ordinary dividend on 200,000 registered shares with a par value of CHF 100 CHF 20,000,000 at 125%	CHF	25,000,000.-
50,000 bearer shares with a par value of CHF 500 CHF 25,000,000 at 125%	CHF	31,250,000.-
<b>Total ordinary dividend</b>	<b>CHF</b>	<b>56,250,000.-</b>
Allocation to statutory general reserves		Nil
Release from special reserve	CHF	(25,821,375.-)
Net income carried forward	CHF	4,536,903.-
<b>Total</b>	<b>CHF</b>	<b>34,965,528.-</b>

Subject to your acceptance of our proposal, the dividend will be made payable on Coupon No. 26 from 8 May 2013 at all the domestic counters of UBS, Credit Suisse, Rothschild Bank AG and Banque Privée Edmond de Rothschild SA, at the rate of CHF 125 per registered share with a par value of CHF 100 and CHF 625 per bearer share with a par value of CHF 500, less 35% withholding tax.

Following the release of CHF 25,821,375 from the special reserve, shareholders' equity will amount to CHF 664,921,903, or 8.5% of the balance sheet total.

## Elections as per our Articles of Association

The terms of three directors, Klaus Jenny, E. Trevor Salathé and Jacques-André Reymond, expire on the date of the 2013 General Meeting. We propose that they be re-elected for the one-year term prescribed in article 19 of the Bank's Articles of Association.

We further propose that Maurice Monbaron be elected for the three-year term provided for in our Articles of Association.

The vote will take place by individual ballot.

Finally, we propose that for 2013 PricewaterhouseCoopers SA be re-appointed as the Independent Auditors of the Bank and the Group.

We cannot conclude this report without expressing our gratitude to you, our shareholders, and to our clients for their abiding trust.

The Board of Directors

## Outlook for 2013

In 2013 private banking will continue to chafe under the increasing burden of regulation and under mounting pressure on banking secrecy. This will have an impact on our profitability.

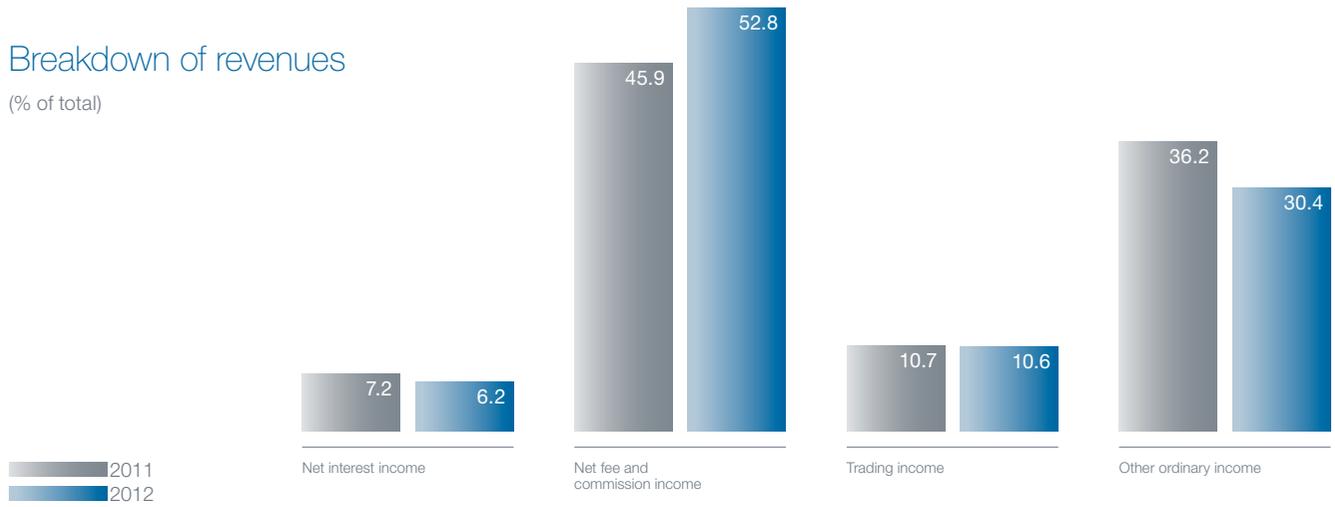
More than ever we will have to stay on the leading edge of our businesses and beef up our human and technological resources. The quality of our customer service depends on this, as does our competitiveness.

The new senior management team that took over in April 2012, led by Christophe de Backer, laid out a new strategy for the Edmond de Rothschild Group as a whole. As it is implemented over the next four years, this plan will gradually improve business performance in our two core segments, private banking and asset management. It should also enable us to achieve substantial savings by pooling a number of responsibilities and cost items at the Group level.

Our attitude will remain guarded, however, in view of the rapid changes reshaping the financial industry and persistent volatility in the markets.

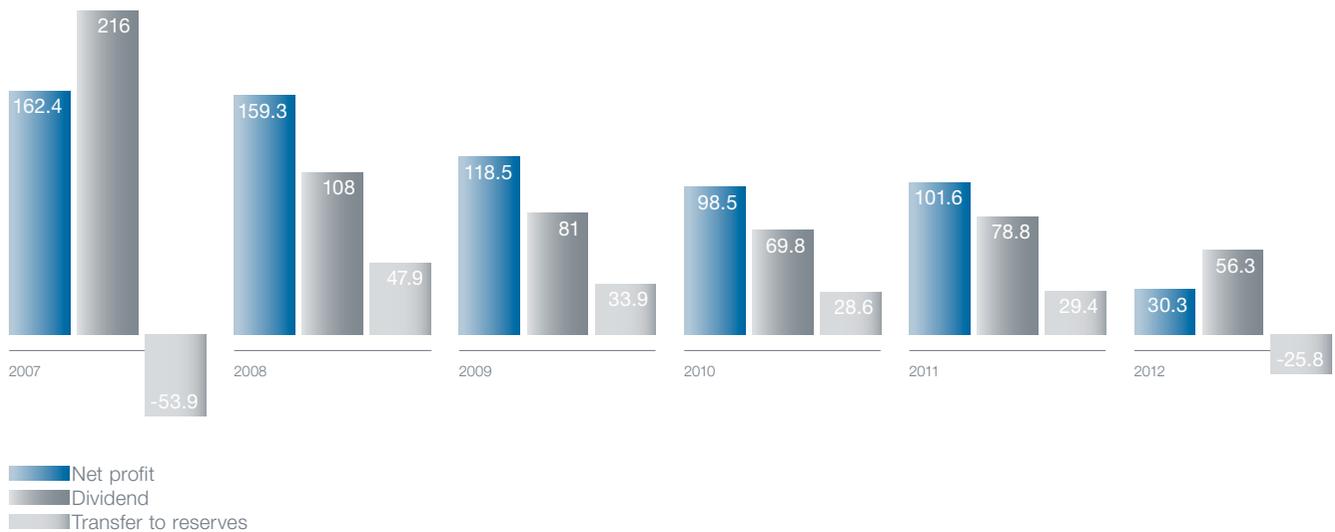
## Breakdown of revenues

(% of total)



## Allocation of profit

(in millions of CHF)



# Report of the statutory auditor

to the general meeting of Banque Privée Edmond de Rothschild SA, Geneva

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Banque Privée Edmond de Rothschild SA, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 100 to 114), for the year ended 31 December 2012.

### **Board of Directors' Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion**

In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

*PricewaterhouseCoopers SA*

*Beresford Caloia*

*Audit Expert*

*Auditor in charge*

*Alain Lattafi*

*Audit Expert*

Geneva, 20 March 2013

# Balance sheet

before profit appropriation at 31 December 2012 (in thousands of CHF)

	Notes	2012	2011	Change	
				(in CHF '000)	(in %)
<b>Assets</b>					
Cash and other liquid assets		2,179,244	2,240,464	(61,220)	(2.7)
Claims arising from money market paper		258,690	17,024	241,666	1,419.6
Due from banks	1	3,224,857	3,031,382	193,475	6.4
Due from customers		603,225	497,644	105,581	21.2
Mortgage loans		23,007	10,627	12,380	116.5
Total advances to customers		626,232	508,271	117,961	23.2
Securities and precious metals held for trading purposes	2	3,816	16,848	(13,032)	(77.4)
Financial investments	3	971,527	934,504	37,023	4.0
Holdings	4	223,687	223,387	300	0.1
Fixed assets	5	165,429	166,716	(1,287)	(0.8)
Accrued income and prepaid expenses		20,416	21,647	(1,231)	(5.7)
Other assets	6	109,286	283,084	(173,798)	(61.4)
<b>Total assets</b>	7, 14	<b>7,783,184</b>	<b>7,443,327</b>	<b>339,857</b>	<b>4.6</b>
Subordinated amounts receivable		-	-	-	-
Amounts due from Group companies and qualifying shareholders	4, 11	115,448	253,508	(138,060)	(54.5)
<b>Liabilities</b>					
Liabilities arising from money market paper		679	33	646	1,957.6
Due to banks		871,905	670,861	201,044	30.0
Due to customers in the form of savings		-	-	-	-
Other amounts due to customers	8	5,818,279	5,459,098	359,181	6.6
Total due to customers		5,818,279	5,459,098	359,181	6.6
Accrued expenses and deferred income		73,894	75,168	(1,274)	(1.7)
Other liabilities	9	122,713	294,934	(172,221)	(58.4)
Valuation adjustments and provisions	10	174,542	180,455	(5,913)	(3.3)
Reserves for general banking risks	10	50,000	50,000	-	-
Share capital	11	45,000	45,000	-	-
General statutory reserve		119,385	119,385	-	-
Other reserves		471,822	435,561	36,261	8.3
<i>of which: - treasury stock</i>		49,337	53,304	(3,967)	(7.4)
Net profit brought forward		4,643	11,281	(6,638)	(58.8)
Net profit for the year		30,322	101,551	(71,229)	(70.1)
Total shareholders' equity before profit appropriation	11, 12, 13	721,172	762,778	(41,606)	(5.5)
<b>Total liabilities</b>	14	<b>7,783,184</b>	<b>7,443,327</b>	<b>339,857</b>	<b>4.6</b>
Subordinated liabilities		-	-	-	-
Due to Group companies and qualifying shareholders	4, 11	873,922	646,924	226,998	35.1

# Balance sheet

at 31 December 2012 (in thousands of CHF)

	Notes	2012	2011	Change	
				(in CHF '000)	(in %)
<b>Off-balance sheet transactions</b>					
Contingent liabilities	16	193,599	187,134	6,465	3.5
Irrevocable liabilities		26,052	13,400	12,652	94.4
Liabilities for unpaid share capital and additional capital contributions		2,107	2,309	(202)	(8.7)
Derivative instruments:					
- positive replacement values		107,555	281,299	(173,744)	(61.8)
- negative replacement values		107,286	276,128	(168,842)	(61.1)
- underlying values		15,085,233	18,125,569	(3,040,336)	(16.8)
Fiduciary transactions	17	1,493,066	2,337,514	(844,448)	(36.1)

# Profit and loss account

for the year ended 31 December 2012 (in thousands of CHF)

	Notes	2012	2011	Change	
				(in CHF '000)	(in %)
Interest and discount income		19,961	29,556	(9,595)	(32.5)
Interest and dividend income on trading portfolios		45	56	(11)	(19.6)
Interest and dividend income on financial investments		2,620	2,367	253	10.7
Interest payable		1,818	4,484	(2,666)	(59.5)
Interest income, net		20,808	27,495	(6,687)	(24.3)
Commission income on lending activities		859	759	100	13.2
Commission income on securities and investment transactions		202,970	202,499	471	0.2
Commission income on other services		24,179	23,472	707	3.0
Commissions payable		50,199	51,365	(1,166)	(2.3)
Fee and commission income, net		177,809	175,365	2,444	1.4
Results of trading operations	18	35,710	40,715	(5,005)	(12.3)
Proceeds from the sale of financial investments		162	6,307	(6,145)	(97.4)
Income from holdings		110,405	122,943	(12,538)	(10.2)
Proceeds from real estate		1,009	903	106	11.7
Other ordinary income		7,328	9,419	(2,091)	(22.2)
Other ordinary expenses		16,637	1,163	15,474	1,330.5
Other ordinary results		102,267	138,409	(36,142)	(26.1)
Personnel expenses		202,338	176,039	26,299	14.9
Other operating expenses		69,683	65,467	4,216	6.4
Operating expenses		272,021	241,506	30,515	12.6
Gross profit		64,573	140,478	(75,905)	(54.0)
Depreciation of fixed assets		29,196	24,289	4,907	20.2
Valuation adjustments, provisions and losses		18,991	13,373	5,618	42.0
Result before extraordinary items and taxes		16,386	102,816	(86,430)	(84.1)
Extraordinary income	19	21,451	7,134	14,317	200.7
Extraordinary expenses	19	19	17	2	11.8
Taxes		7,496	8,382	(886)	(10.6)
<b>Net income for the reporting year</b>		<b>30,322</b>	<b>101,551</b>	<b>(71,229)</b>	<b>(70.1)</b>

# Notes to the financial statements

## Overview of accounting policies

The financial statements of Banque Privée Edmond de Rothschild SA, Geneva have been prepared in accordance with the provisions of the Swiss Code of Obligations, the Federal Law on Banks and Savings Banks and its implementing ordinance (OB) as revised on 1 February 1995, and the guidelines issued by FINMA (the Swiss Financial Market Supervisory Authority). The Bank's separate financial statements provide as true a picture as possible of its assets, financial situation and earnings. Hidden ("latent") reserves are included in the profit and loss account under the headings "Depreciation of fixed assets", "Valuation adjustments, provisions and losses" and "Extraordinary expenses". Released hidden reserves are included in "Extraordinary income".

## Description of the Bank's operations and staff size

Banque Privée Edmond de Rothschild SA is a full-service bank specialising in wealth management for private and institutional clients. It is a member of the Swiss Exchange and became an accredited dealer in transferable securities on 3 April 1998.

Converted to full-time jobs, the number of staff employed by Banque Privée Edmond de Rothschild SA stood at 644 at end-2012 versus 607 a year earlier.

Through its network of branches and subsidiaries in Switzerland and abroad, the Bank conducts on its clients' behalf all the operations customarily provided by private banking institutions. Fee and commission business for the account of clients mainly includes portfolio management, fiduciary deposits and payment transactions, along with trading in securities, precious metals and derivative instruments.

The Bank also actively deals in debt instruments, equities, currencies, precious metals and derivatives on a proprietary basis, but does not engage in commodity trading.

The Bank does not outsource its services.

## Accounting and valuation principles

The financial statements of the parent company have been drawn up in accordance with the accounting principles of the Group, with the exception of the following items:

### Holdings

This item comprises of interests in associated establishments of either a long-term or infrastructural nature (regardless of the percentage stake). These holdings are stated, at most, at their acquisition value.

### Fixed assets

This item includes Bank premises, other buildings, furniture, machines and equipment, as well as intangible assets.

Fixed assets are evaluated at their acquisition cost, less the relevant depreciation for each fixed asset category.

## Risk management

The principles adopted by the Group regarding control of market, credit, interest rate and country risks also apply to the parent company.

		2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>1 Due from banks</b>	<b>Total</b>	<b>3,224,857</b>	<b>3,031,382</b>	<b>6.4</b>
Due from banks on		237,051	300,812	(21.2)
reverse repos		2,987,806	2,730,570	9.4
		<b>3,224,857</b>	<b>3,031,382</b>	

<b>2 Securities and precious metals portfolios held for trading purposes</b>	<b>Total</b>	<b>3,816</b>	<b>16,848</b>	<b>(77.4)</b>
Swiss shares and other securities:				
- banks		2,562	2,712	(5.5)
<i>of which: - treasury stock</i>		2,562	2,712	
- Other		-	140	(100.0)
Foreign shares and other securities		1,254	13,996	(91.0)
		<b>3,816</b>	<b>16,848</b>	

		2012 (number of shares)	2011 (number of shares)	Change (in %)
<b>Treasury stock owned by Banque Privée Edmond de Rothschild SA, Geneva at 31 December</b>	<b>Total</b>	<b>140</b>	<b>113</b>	<b>23.9</b>

Treasury stock transactions are reported at the market price on the trade date and are carried out as part of the Bank's customary trading operations.

		2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>3 Financial investments</b>	<b>Total</b>	<b>971,527</b>	<b>934,504</b>	<b>4.0</b>
<b>Swiss bonds:</b>				
Federal Government		9,587	8,407	
Cantons and municipalities		2,422	2,116	
Banks		22,193	21,535	
Financial services companies		1,351	1,000	
Insurance		3,964	2,861	
Industrial enterprises		12,369	12,553	
		<b>51,886</b>	<b>48,472</b>	<b>7.0</b>
<b>Swiss shares and other securities:</b>				
Banks		49,337	53,304	
<i>of which: - treasury stock</i>		49,337	53,304	
		<b>49,337</b>	<b>53,304</b>	<b>(7.4)</b>
<b>Foreign bonds:</b>				
Public corporations		6,774	4,933	
Other		60,100	58,184	
		<b>66,874</b>	<b>63,117</b>	<b>6.0</b>
<b>Foreign shares and other securities</b>		<b>742</b>	<b>1,148</b>	<b>(35.4)</b>
<b>Precious metals</b>		<b>785,749</b>	<b>756,992</b>	<b>3.8</b>
<b>Units of investment trusts</b>		<b>16,939</b>	<b>11,471</b>	<b>47.7</b>
		<b>971,527</b>	<b>934,504</b>	

		2012 (number of shares)	2011 (number of shares)	Change (in %)
<b>Treasury stock owned by Banque Privée Edmond de Rothschild SA, Geneva at 31 December</b>		<b>2,696</b>	<b>2,221</b>	<b>21.4</b>



	2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>5 Fire insurance value of fixed assets</b>			
Bank premises	130,185	128,429	1.4
Furniture, machines and equipment	89,125	89,125	-

	<b>Total</b>	<b>109,286</b>	<b>283,084</b>	<b>(61.4)</b>
<b>6 Other assets</b>				
Positive replacement value of derivative instruments		107,555	281,299	(61.8)
Set-off account		7	-	-
Other		1,724	1,785	(3.4)
		<b>109,286</b>	<b>283,084</b>	

	2012		2011	
	Book value of assets	Actual encumbrance	Book value of assets	Actual encumbrance
<b>7 Own liabilities subject to reservation of ownership</b> (in thousands of CHF)				
Securities pledged to a Stock Exchange to cover settlements and as collateral for payment transactions	26,575	-	22,196	-
Mortgage notes pledged for own premises	-	-	-	-
Other	-	-	-	-
Assets pledged or assigned to cover own liabilities	26,575	-	22,196	-
Assets subject to reservation of ownership	-	-	-	-
Total assets pledged or assigned and subject to reservation of ownership for own commitments	26,575	-	22,196	-

	2012	2011
<b>Securities lending and repurchase agreements</b>		
Claims arising from cash pledged as collateral under securities borrowing and reverse repo agreements	2,987,806	2,730,570
Liabilities arising from cash received as collateral under securities lending and repo agreements	-	-
Securities held for own account and tendered as collateral under securities borrowing and repo agreements	-	-
<i>of which: - those which the recipient has been authorised without restriction to sell or pledge subsequently</i>	-	-
Securities received as collateral under securities lending agreements and securities received under borrowing or reverse repo agreements which the Bank has been authorised without restriction to sell or pledge subsequently	2,989,758	2,655,446
<i>of which: - those of the above securities which were sold or pledged</i>	-	-

The fees earned or paid as a result of securities lending are reported as per the duration of the loan and appear respectively as interest income or interest charges. Repos and reverse repos are used to finance and refinance the purchase of special kinds of equities. They are stated as loans secured by financial instruments or as deposits secured by shares from the Bank's treasury stock. They are stated as advances secured by securities or as deposits for which the Bank has pledged securities. The interest income arising from reverse repos and the interest charges arising from repos are reported as per the duration of the relevant transactions.

		2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>8 Commitments to own pension plans</b>	<b>Total</b>	<b>46,303</b>	<b>51,700</b>	<b>(10.4)</b>

Indications regarding personnel welfare plans can be found in **Note 35** to the Consolidated Accounts.

<b>9 Other liabilities</b>	<b>Total</b>	<b>122,713</b>	<b>294,934</b>	<b>(58.4)</b>
Set-off account		107,286	276,128	(61.1)
Negative replacement value of derivative instruments		90	98	(8.2)
Other		15,337	18,708	(18.0)
		<b>122,713</b>	<b>294,934</b>	

	Situation at end-2011	Uses and releases as designated	Redesi- gnations (transfers)	Recoveries, interests at risk and currency differences	New provisions charged to profit and loss account	Releases reported in profit and loss account	Situation at end-2012
<b>10 Valuation adjustments and provisions</b>							
<b>Reserves for general banking risks</b> (in thousands of CHF)							
Valuation adjustments and provisions for default and other risks:							
- valuation adjustments and provisions for default risks (credit and country risks)	12,058	(29)	-	45	24	-	12,098
- valuation adjustments and provisions for other operating risks	-	-	-	-	-	-	-
- other provisions	176,955	(194)	-	-	15,431	(21,150)	171,042
Subtotal	189,013	(223)	-	45	15,455	(21,150)	183,140
<b>Total valuation adjustments and provisions</b>	<b>189,013</b>	<b>(223)</b>	<b>-</b>	<b>45</b>	<b>15,455</b>	<b>(21,150)</b>	<b>183,140</b>
Less valuation adjustments set off directly against assets:	8,558						8,598
<i>of which: - customers</i>	8,558						8,598
<b>Total valuation adjustments and provisions as per balance sheet</b>	<b>180,455</b>						<b>174,542</b>
<b>Reserves for general banking risks</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000</b>

Reserves for general banking risks are not taxed.

	2012			2011		
	Par value (in CHF '000)	Number of shares	Capital ranking for dividend (in CHF '000)	Par value (in CHF '000)	Number of shares	Capital ranking for dividend (in CHF '000)
<b>11 Share capital</b>						
Fully paid registered shares at CHF 100.– par value	20,000	200,000	20,000	20,000	200,000	20,000
Fully paid bearer shares at CHF 500.– par value	25,000	50,000	25,000	25,000	50,000	25,000
<b>Total share capital</b>	<b>45,000</b>			<b>45,000</b>		

See **Notes 1 and 2** for treasury stock.

(Note 11 cont'd next page)

(Note 11 cont'd)

	2012			2011		
	Par value	Percentage of capital	Percentage of voting rights	Par value	Percentage of capital	Percentage of voting rights
	(in CHF '000)	(in %)	(in %)	(in CHF '000)	(in %)	(in %)
<b>Major shareholders</b>						
Edmond de Rothschild Holding SA <sup>(1)</sup>	36,379.5	80.8	86.7	36,169.5	80.4	86.5
Rothschild Holding AG, Zürich <sup>(2)</sup>	3,800.0	8.4	9.4	3,800.0	8.4	9.4

(1) The entire share capital of Edmond de Rothschild Holding SA is directly or indirectly controlled by members of the de Rothschild family. 17% of the company's share capital (representing 6.77% of voting rights) is owned by Baroness Edmond de Rothschild and 66.33% (representing 89.84% of voting rights) by Baron Benjamin de Rothschild.

(2) Rothschild Holding AG, Zurich is owned by 1) Eric de Rothschild, Paris; 2) David de Rothschild, Paris; 3) Alexandre de Rothschild, Paris; 4) Stéphanie Lifford de Buffévent, Paris; 5) Louise de Rothschild, Paris; 6) Financière de Tournon SAS, Paris; 7) Financière de Reux SAS, Paris; 8) Béro SCA, Paris; 9) Ponthieu Rabelais SAS, Paris; 10) Integritas Investments BV, Amsterdam; 11) Rothschild Trust (Schweiz) AG, Zurich; 12) AYRE Corporation (1972) Limited, Amsterdam; 13) Edouard de Rothschild, Paris; 14) Holding Financier Jean Goujon SAS Paris, (together the above-mentioned persons/entities represent the "RCSAS-Group"); 15) Rothschild Concordia SAS, Paris; 16) Philippe de Nicolay, Paris; 17) Olivier Pécoux, Paris; 18) François Henrot, Paris; 19) Compagnie Financière Martin-Maurel SA, Marseille; 20) Eranda Foundation, UK; 21) PO Gestion SAS, Paris; 22) PO Commandité SAS, Paris (together

persons/entities 1), 2), 3), 6), 8), 9) and 13) to 22) represent the "PO-Group"); Rothschild Holding AG, Zurich owns 20,000 registered shares and 3,598 bearer shares of Banque Privée Edmond de Rothschild SA, Geneva, representing 8.4% of the total share capital and 9.4% of voting rights.

Rothschild Holding AG, Zurich owns a controlling interest in Rothschild Concordia SAS, Paris, which controls Concordia Holding Sàrl, Paris. Concordia Holding controls Rothschild Concordia AG, Zug, which in turn owns a controlling stake in Rothschilds Continuation Holdings AG, Zug. Rothschilds Continuation Holdings AG controls Rothschild Holding AG, Zurich, which owns a direct holding in Banque Privée Edmond de Rothschild SA, Geneva.

In 2012, in accordance with section 20 para. 1 of the Federal Act on Stock Exchanges and Securities Trading (SESTA), the Bank reported changes to Rothschild Holding AG, Zurich, notably as regards the composition of RCSAS-Group which now includes Edouard de Rothschild and Holding Financier Jean Goujon.

	2012			2011		
	Number of shares held	Per cent stake in share capital	Per cent of total voting rights	Number of shares held	Per cent stake in share capital	Per cent of total voting rights
		(in %)	(in %)		(in %)	(in %)
<b>Cross-holdings</b>						
Rothschild Holding AG, Zurich	10,161	9.5	9.5	10,161	9.5	9.5

	2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)
<b>Due to and from qualifying shareholders</b>			
Due to and from Edmond de Rothschild Holding SA, the only shareholder with a qualifying interest in the parent company:			
Due from customers	44,687	37,638	
Other assets	165	3,238	
<b>Total claims</b>	<b>44,852</b>	<b>40,876</b>	<b>9.7</b>
Other amounts due to customers	9,867	15,215	
Other liabilities	316	1,252	
<b>Total liabilities</b>	<b>10,183</b>	<b>16,467</b>	<b>(38.2)</b>

	2012 (in CHF '000)	2011 (in CHF '000)	2010 (in CHF '000)	Change (in %)
<b>12 Schedule of shareholders' equity before appropriation of available earnings</b>				
Shareholders' equity at beginning of the reporting period:				
- share capital	45,000	45,000	45,000	-
- general statutory reserve	119,385	119,385	119,385	-
- reserves for general banking risks	50,000	50,000	50,000	-
- other reserves	435,561	403,076	366,143	8.1
<i>of which: - treasury stock</i>	53,304	53,249	34,430	0.1
Reported profit	112,832	109,655	126,047	2.9
<b>Total shareholders' equity at beginning of the reporting period</b> (before appropriation of available earnings)	<b>762,778</b>	<b>727,116</b>	<b>706,575</b>	<b>4.9</b>
Allocated to/released from reserves	6,822	3,861	3,077	76.7
Less dividend deducted from net income of previous year	(78,750)	(69,750)	(81,000)	12.9
Net income	30,322	101,551	98,464	(70.1)
<b>Total shareholders' equity at end of the reporting period</b> (before appropriation of available earnings)	<b>721,172</b>	<b>762,778</b>	<b>727,116</b>	<b>(5.5)</b>
<i>of which: - share capital</i>	45,000	45,000	45,000	
<i>- general statutory reserve</i>	119,385	119,385	119,385	
<i>- reserves for general banking risks</i>	50,000	50,000	50,000	
<i>- other reserves</i>	471,822	435,561	403,076	
<i>of which: - treasury stock</i>	49,337	53,304	53,249	
<i>- reported profit</i>	34,965	112,832	109,655	

<b>13 Shareholders' equity after appropriation of available earnings</b>				
Shareholders' equity before appropriation of net income	721,172	762,778	727,116	(5.5)
Less dividend	(56,250)	(78,750)	(69,750)	(28.6)
<b>Total shareholders' equity after appropriation of available earnings</b>	<b>664,922</b>	<b>684,028</b>	<b>657,366</b>	<b>(2.8)</b>
<i>of which: - share capital</i>	45,000	45,000	45,000	
<i>- general statutory reserve</i>	119,385	119,385	119,385	
<i>- reserves for general banking risks</i>	50,000	50,000	50,000	
<i>- other reserves</i>	446,000	465,000	431,700	
<i>of which: - treasury stock</i>	49,337	53,304	53,249	
<i>- reported profit</i>	4,537	4,643	11,281	

<b>14 Due to and from affiliated companies</b>				
Due from banks	416	434		
Accrued income and prepaid expenses	390	487		
Other assets	2,116	-		
<b>Total claims</b>	<b>2,922</b>	<b>921</b>		<b>217.3</b>
Other amounts due to customers	2,093	2,648		
Accrued expenses and deferred income	-	542		
Other liabilities	24	-		
<b>Total liabilities</b>	<b>2,117</b>	<b>3,190</b>		<b>(33.6)</b>

Affiliated companies are companies in which Edmond de Rothschild Holding SA has a majority stake and that are not part of the Banque Privée Edmond de Rothschild Group.

All transactions with affiliated parties are carried out on the usual terms at the Bank in Switzerland and at our foreign subsidiaries.

	2012		2011	
	Loans granted to the Bank's governing bodies	Guarantee commitments on behalf of the Bank's governing bodies	Loans granted to the Bank's governing bodies	Guarantee commitments on behalf of the Bank's governing bodies
<b>15 Loans granted to the Bank's governing bodies</b>				
<b>Guarantee commitments on behalf of the Bank's governing bodies</b>				
<b>Remuneration paid to the Bank's governing bodies</b> (in thousands of CHF)				
<b>Board of Directors</b>	<b>45,307</b>	<b>21</b>	<b>37,917</b>	<b>21</b>
Baron Benjamin de Rothschild <i>Chairman</i>	44,791	-	37,637	-
Baroness Benjamin de Rothschild <i>Vice-Chairwoman</i>	-	-	-	-
Jean Laurent-Bellue <i>Secretary (since 26.04.2012)</i>	-	-	-	-
Luc J. Argand	1	18	-	-
Rajna Gibson Brandon <i>(since 26.04.2012)</i>	-	-	-	-
François Hottinger	-	-	-	-
Klaus Jenny	-	-	-	-
Veit de Maddalena	-	-	-	-
Claude Messulam <i>(since 26.04.2012)</i>	515	4	-	-
Jacques-André Reymond	-	-	-	-
E. Trevor Salathé	-	-	-	-
Manuel Dami <i>(until 26.04.2012)</i>	-	-	280	21
John Alexander <i>(until 26.04.2012)</i>	-	-	-	-
Walter Blum Gentilomo <i>(until 26.04.2012)</i>	-	-	-	-
Michel Cicurel <i>(until 09.11.2012)</i>	-	-	-	-
Daniel Yves Trèves <i>(until 28.04.2011)</i>	-	-	-	-
Guy Wais <i>(until 26.04.2012)</i>	-	-	-	-
<b>Executive Committee</b>	<b>777</b>	<b>139</b>	<b>901</b>	<b>115</b>
Philippe Currat	630	8	626	11
<b>Internal Auditors</b>	<b>-</b>	<b>37</b>	<b>-</b>	<b>31</b>
<b>Independent Auditors</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>46,084</b>	<b>198</b>	<b>38,818</b>	<b>167</b>

The loans in question are current account overdrafts (either temporary or in the form of confirmed credit lines) and/or fixed-term advances either unsecured or secured (by securities pledged with the Bank) and floating- or fixed-rate mortgage loans.

Mortgage interest is charged at the usual market rates. However, as in the case of loans granted to Bank employees, members of the governing bodies receive a 25% rebate on the applicable interest rate up to a maximum amount of CHF 750,000.

At 31 Dec. 2012 the relevant mortgage rates ranged from 0.7% to 2.5% and the interest rates charged on lombard loans from 1.5% to 3.5% in the major currencies. The value of loans granted to members of the Executive Committee totalled 777 (in thousands of CHF). The value of loans granted to executive members of the Board of Directors amounted to 45,307 (in thousands of CHF).

(Note 15 cont'd next page)

(Note 15 cont'd)

	2012				2011			
	Fixed fees		Bonus		Fixed fees		Bonus	
	Cash	Number of shares	Cash	Number of shares	Cash	Number of shares	Cash	Number of shares
<b>Remuneration paid to members:</b> (in thousands of CHF)								
<b>Board of Directors</b>	<b>1,621</b>	<b>-</b>	<b>120</b>	<b>-</b>	<b>2,199</b>	<b>-</b>	<b>2,011</b>	<b>-</b>
Baron Benjamin de Rothschild <i>Chairman</i>	-	-	-	-	-	-	-	-
Baroness Benjamin de Rothschild <i>Vice-Chairwoman</i>	-	-	-	-	-	-	-	-
Jean Laurent-Bellue <i>Secretary (since 26.04.2012)</i>	169	-	-	-	32	-	-	-
Luc J. Argand	64	-	-	-	64	-	-	-
Rajna Gibson Brandon <i>(since 26.04.2012)</i>	64	-	-	-	-	-	-	-
François Hottinger	62	-	-	-	62	-	-	-
Klaus Jenny	168	-	-	-	64	-	-	-
Veit de Maddalena	60	-	-	-	189	-	-	-
Claude Messulam <i>(since 26.04.2012)</i>	124	-	-	-	-	-	-	-
Jacques-André Reymond	151	-	-	-	60	-	-	-
E. Trevor Salathé	314	-	120	-	422	-	123	-
Manuel Dami <i>(until 26.04.2012)</i>	139	-	-	-	219	-	-	-
John Alexander <i>(until 26.04.2012)</i>	123	-	-	-	433	-	1,888	-
Walter Blum Gentilomo <i>(until 26.04.2012)</i>	56	-	-	-	187	-	-	-
Michel Cicurel <i>(until 09.11.2012)</i>	64	-	-	-	128	-	-	-
Daniel Yves Trèves <i>(until 28.04.2011)</i>	-	-	-	-	213	-	-	-
Guy Wais <i>(until 26.04.2012)</i>	63	-	-	-	126	-	-	-
<b>Executive Committee</b>	<b>7,244</b>	<b>-</b>	<b>30,948</b>	<b>-</b>	<b>5,717</b>	<b>-</b>	<b>12,454</b>	<b>-</b>
Claude Messulam <i>(until 26.04.2012)</i>	233	-	19,071	-	822	-	3,777	-
<b>Total</b>	<b>8,865</b>	<b>-</b>	<b>31,068</b>	<b>-</b>	<b>7,916</b>	<b>-</b>	<b>14,465</b>	<b>-</b>

(Note 15 cont'd next page)

(Note 15 cont'd)

	2012		2011	
	Employee welfare expenses	Total	Employee welfare expenses	Total
<b>Remuneration paid to members:</b> (in thousands of CHF)				
<b>Board of Directors</b>	-	<b>1,741</b>	-	<b>4,210</b>
Baron Benjamin de Rothschild <i>Chairman</i>	-	-	-	-
Baroness Benjamin de Rothschild <i>Vice-Chairwoman</i>	-	-	-	-
Jean Laurent-Bellue <i>Secretary (since 26.04.2012)</i>	-	169	-	32
Luc J. Argand	-	64	-	64
Rajna Gibson Brandon <i>(since 26.04.2012)</i>	-	64	-	-
François Hottinger	-	62	-	62
Klaus Jenny	-	168	-	64
Veit de Maddalena	-	60	-	189
Claude Messulam <i>(since 26.04.2012)</i>	-	124	-	-
Jacques-André Reymond	-	151	-	60
E. Trevor Salathé	-	434	-	545
Manuel Dami <i>(until 26.04.2012)</i>	-	139	-	219
John Alexander <i>(until 26.04.2012)</i>	-	123	-	2,321
Walter Blum Gentilomo <i>(until 26.04.2012)</i>	-	56	-	187
Michel Cicurel <i>(until 09.11.2012)</i>	-	64	-	128
Guy Wais <i>(until 26.04.2012)</i>	-	63	-	126
Daniel Yves Trèves <i>(until 28.04.2011)</i>	-	-	-	213
<b>Executive Committee</b>	<b>1,162</b>	<b>39,354</b>	<b>1,123</b>	<b>19,294</b>
Claude Messulam <i>(until 26.04.2012)</i>	42	19,346	125	4,724
<b>Total</b>	<b>1,162</b>	<b>41,095</b>	<b>1,123</b>	<b>23,504</b>

Since the fees paid to each individual are decided after the closing date of the annual financial statements, the above-mentioned fees are stated as per the accrual method.

(Note 15 cont'd next page)

(Note 15 cont'd)

		2012		2011	
		Number of bearer shares	Number of registered shares	Number of bearer shares	Number of registered shares
<b>Ownership of shares in BPER SA, Geneva:</b>					
<b>Board of Directors and related persons</b>		<b>1,178</b>	<b>7</b>	<b>826</b>	<b>9</b>
Baron Benjamin de Rothschild	<i>Chairman</i>	101	-	236	-
Baroness Benjamin de Rothschild	<i>Vice-Chairwoman</i>	1	1	-	1
Jean Laurent-Bellue	<i>Secretary (since 26.04.2012)</i>	-	1	-	1
Luc J. Argand		67	1	67	1
Rajna Gibson Brandon	<i>(since 26.04.2012)</i>	-	1		
François Hottinger		10	1	10	1
Klaus Jenny		-	1	-	1
Veit de Maddalena		1	-	1	-
Claude Messulam	<i>(since 26.04.2012)</i>	500	-		
Jacques-André Reymond		5	-	5	-
E. Trevor Salathé		260	1	270	1
Manuel Dami	<i>(until 26.04.2012)</i>	36	-	40	-
John Alexander	<i>(until 26.04.2012)</i>	-	-	-	1
Walter Blum Gentilomo	<i>(until 26.04.2012)</i>	197	-	197	1
Michel Cicurel	<i>(until 09.11.2012)</i>	-	-	-	1
Daniel Yves Trèves	<i>(until 28.04.2011)</i>	-	-	-	-
Guy Wais	<i>(until 26.04.2012)</i>	-	-	-	-
<b>Executive Committee and related persons</b>		<b>43</b>	<b>-</b>	<b>1,183</b>	<b>-</b>
Christophe de Backer	<i>General Manager</i>	-	-	-	-
Manuel Leuthold	<i>Deputy General Manager</i>	-	-	-	-
Luc Baatard		2	-	2	-
Frédéric Binggeli		-	-	-	-
Alexandre Col		-	-	4	-
Philippe Currat		-	-	-	-
Martin Leuthold		-	-	4	-
Michel Lusa		-	-	-	-
Bernard Schaub		5	-	5	-
Claude Messulam	<i>(until 26.04.2012)</i>	-	-	1,075	-
Sylvain Roditi	<i>(until 31.05.2012)</i>	36	-	88	-
Jean-Pierre Pieren	<i>(until 26.04.2012)</i>	-	-	5	-
<b>Total</b>		<b>1,221</b>	<b>7</b>	<b>2,009</b>	<b>9</b>

On 23 March 2012 the Bank and the former Chief Executive Officer signed an agreement relating to the redemption over a two-year period of 1075 own shares held by the former CEO. The agreement provides for a floor and a ceiling price. In the performance of the agreement, 575 shares were bought back by the Bank in May 2012. The residual redemption obligation generated a non-realised loss of CHF 1.85 million at 31 December 2012.

		2012 (in CHF '000)	2011 (in CHF '000)	Change (in %)	
<b>16</b>	<b>Guarantees to third parties</b>	<b>Total</b>	<b>193,599</b>	<b>187,134</b>	<b>3.5</b>
	Surety bonds		4,098	3,488	17.5
	Guarantees		189,501	183,646	3.2
			<b>193,599</b>	<b>187,134</b>	
<b>17</b>	<b>Fiduciary transactions</b>	<b>Total</b>	<b>1,493,066</b>	<b>2,337,514</b>	<b>(36.1)</b>
	Fiduciary deposits with banks outside the Group		1,405,436	2,074,306	(32.2)
	Fiduciary deposits with Group banks		87,630	260,298	(66.3)
	Fiduciary loans		-	2,910	(100.0)
			<b>1,493,066</b>	<b>2,337,514</b>	
<b>18</b>	<b>Results of trading operations</b>	<b>Total</b>	<b>35,710</b>	<b>40,715</b>	<b>(12.3)</b>
	Securities trading (including equity product and index derivatives)		1,605	(104)	-
	Forex trading (including forex derivatives)		33,379	39,786	(16.1)
	Precious metals (including precious metals derivatives)		726	1,033	(29.7)
			<b>35,710</b>	<b>40,715</b>	
<b>19</b>	<b>Extraordinary income and expenses</b>				
	Extraordinary income		21,451	7,134	200.7
	Extraordinary expenses		19	17	11.8

"Extraordinary income" mainly includes releases from other provisions that were no longer needed for operating purposes. These amounted to CHF 21.2 million in 2012 and CHF 6.0 million in 2011.

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- LCF Edmond de Rothschild (CI) Limited  
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(Details page 117)

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