Edmond de Rothschild (France)

Pillar III 2021 |

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A French limited company (S.A.) with an Executive Board and a Supervisory Board with share capital of €83,075,820
Paris Trade and Companies register No. 572,037,026
NAF 2 business code: 6419 Z

Contents

Key figures

Edmond de Rothschild (France)

2021 management indicators (in millions of euros)	**31/12/2021**
Assets under management	53.762,00
Group commitments to clients	1.936,00
Doubtful loans	0.46
Doubtful loans after provisioning	-

This Pillar III report supplements the financial information provided in the annual report of Edmond de Rothschild (France), and contains the regulatory and qualitative disclosures required under Basel III (see Regulation (EU) No 575/2013).

Regulation (EU) No. 2019/876 (CRR2) provides for new provisions, effective from 28 June 2021, relating to the calculation of risk-weighted assets and new ratio requirements.

The main impacts for Edmond de Rothschild (France) are as follows:

- the regulatory requirements for the leverage ratio and the Net Stable Funding Ratio (NSFR) come into effect, with a minimum impact of 3% and 100%, respectively.

- the value at risk of derivatives, previously modelled using the mark-to-market method, is now modelled according to the standard method, corresponding to the sum of the replacement cost and the potential future exposure (see the table on the leverage ratio and the joint declaration below).

- exposures in the form of units or shares of undertakings for collective investment, previously weighted according to the simple weighting method, are now treated according to the mandate-based approach. The underlying exposures of these undertakings for collective investment are weighted using the standardised approach to credit risk (see the table of exposures by Basel category and the table of exposures by risk weighting).

Furthermore, in accordance with Regulation (EU) No. 2021/637, the format of the Pillar 3 tables since 28 June 2021 has changed according to EBA technical standards (EBA/ITS/2020/04).

There are no obstacles to the transfer of capital between the parent company Edmond de Rothschild (Suisse) and Edmond de Rothschild (France), the French prudential supervisory authority (ACPR) monitors Edmond de Rothschild (France) on a consolidated basis. The ratios are established on a consolidated basis at the Edmond de Rothschild (France) level.

Key indicators (in thousands of euros)		**31/12/2021**
Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	181.320
2	Tier 1 capital	297.837
3	Total capital	300.026
Risk-weighted exposure amounts		
4	Total risk exposure amount	1.596.157
Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	18.64%
6	Tier 1 ratio (%)	18.66%
7	Total capital ratio (%)	18.80%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU-7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0.00%
EU-7b	of which: to be made up of CET1 capital (percentage points)	0.00%
EU-7c	of which: to be made up of Tier 1 capital (percentage points)	0.00%
EU-7d	Total SREP own funds requirements (%)	0.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		

8	Capital conservation buffer (%)	2.50%
EU-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%
9	Institution specific countercyclical capital buffer (%)	0.02%
EU-9a	Systemic risk buffer (%)	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.00%
11	Combined buffer requirement (%)	2.52%
EU-11a	Overall capital requirements (%)	10.52%
12	CET1 available after meeting the total SREP own funds requirements (%)	18.80%
Leverage ratio		
13	Total exposure measure	4.843.099
14	Leverage ratio (%)	6.15%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU-14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%
EU-14b	of which: to be made up of CET1 capital (percentage points)	0.00%
EU-14c	Total SREP leverage ratio requirements (%)	0.00%
Leverage ratio buffer requirement and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU-14d	Leverage ratio buffer requirement (%)	0.00%
EU-14e	Overall leverage ratio requirement (%)	3.00%
Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	2.600.253
EU-16a	Cash outflows - Total weighted value	2.427.152
EU-16b	Cash inflows - Total weighted value	886.695
16	Total net cash outflows (adjusted value)	1.540.456
17	Liquidity coverage ratio (%)	168.80%
Net Stable Funding Ratio		
18	Total available stable funding	2.268.703
19	Total Required Stable Funding	1.356.496
20	NSFR ratio (%)	167.27%

Additional information about the recruitment policy

Key information about the recruitment policy, including the overall policy regarding diversity, is set out in the "Statement of Non-Financial Performance" section of Edmond de Rothschild (France)'s annual report.

Recruitment policy for Executive Board members

When selecting Executive Board members, the Bank seeks a balance in terms of age, length of service and experience, as well as a balance between experience and affinity with the Bank's business activities and their culture. In 2020, to seek balanced representation of women and men on its Executive Board, it also put in place a process for selecting Executive Board members, ensuring the presence of at least one male and one female member. When assessing the suitability of an Executive Board candidate, the following are taken into account and assessed:

- reputation criteria,
- experience criteria,
- availability criteria,
- managerial criteria,
- governance criteria.

Based on these criteria and after ensuring that the Executive Board members collectively have the knowledge, skills and experience necessary to understand all of the Bank's activities, including the main risks to which it is exposed, the decision about whether appoint someone to the Executive Board is taken by the Bank's Supervisory Board, subject to approval by the ACPR.

Composition of Edmond de Rothschild (France)'s Executive Board

At 31 December 2021, the Executive Board consisted of three members who manage Edmond de Rothschild (France) in a collegial manner.

It is specified that, due to his new position within the Group as Group Chief Financial Officer (CFO), Philippe Cieutat had to resign from his duties as Chief Executive Officer and member of the Executive Board of Edmond de Rothschild (France) as of 1 October 2021.

To replace Philippe Cieutat, the Supervisory Board decided, at its meeting of 13 September 2021, to appoint in his place, effective as of 1 October 2021:

- as a member of the Executive Board and Chief Executive Officer, Fabrice Coille, previously Group Director of Management Control, a position held within Edmond de Rothschild (Suisse),
- and as a member of the Executive Board and Corporate Secretary, Nicolas Giscard d'Estaing, up until then Secretary General of the Executive Board and Secretary of the Supervisory Board.

Renzo Evangelista has been Chairman of Edmond de Rothschild (France)'s Executive Board since 14 March 2019.

He was born on 24 December 1970 and holds a DESS postgraduate diploma in business law from Université Paris 1 Panthéon Dauphine.

After three years working as a private banking relationship manager at Banque de Gestion Privée Indosuez, he joined the Edmond de Rothschild group in 2000 in the Private Clients Division, first as joint team leader, then in turn as head of the Family Office, Group Manager, Deputy Head of Private Banking (France) and Head of Private Banking (France).

Fabrice Coille has been a member of the Executive Board and Chief Executive Officer of Edmond de Rothschild (France) since 1 October 2021.

Fabrice Coille (born 4 July 1972) holds a post-graduate degree in financial engineering (Université Paris Dauphine) and a degree in Accounting and Finance.

After starting his professional career in 1996 at ING Ferri, he joined Edmond de Rothschild (France) in 2001 where he held various management control responsibilities for over 12 years. After being appointed Head of Management Control for the subsidiary in Paris in 2013, he joined the head office in Geneva in 2014 as Group Director of Management Control.

Nicolas Giscard d'Estaing has been a member of the Executive Board and Corporate Secretary of Edmond de Rothschild (France) since 1 October 2021.

Nicolas Giscard d'Estaing (born 15 October 1955) is a graduate of Institut d'Etudes Politiques de Paris and holds a university diploma in Economic Sciences.

He began his career in 1979 at Crédit Industriel et Commercial in Paris, then joined Edmond de Rothschild (France) in 1984, where he held various functions. He was appointed Secretary General of the Executive Board in January 2017 and Secretary of the Supervisory Board in March 2020.

Allocation of responsibilities among the Executive Board members[1]:

Renzo Evangelista is in charge of strategy and development and of supervising: (i) private banking (including insurance brokerage) and corporate finance, (ii) the asset management subsidiaries, (iii) the sales activities, (iv) the Human Resources Department, (v) the Communications Department and (vi) General Resources.

Fabrice Coille is in charge of supervising: (i) the Finance and Treasury functions, (ii) the Legal Department, (iii) the Operations Department, (iv) the Information Systems Department, (v) the Projects and Organisation Department, (vi) the Execution Desk and (vii) Depositary Control.

Nicolas Giscard d'Estaing is in charge of supervising: (i) the Risk, Permanent Control and Compliance functions, (ii) the CIO function, (iii) Credit, and (iv) the Institutional Relations Department.
The lists of offices held by Renzo Evangelista, Fabrice Coille and Philippe Cieutat in 2021 are provided in the Supervisory Board's Report on Corporate Governance included in the Edmond de Rothschild (France) annual report.

[1] Allocation approved at the Supervisory Board meeting of 13 September 2021

Additional information about the remuneration policy

The key items of the risk management policy are detailed in note 10 of the annual report of Edmond de Rothschild (France).

To supplement the information on the remuneration policy in the "Workforce-related and environmental information" section, this Pillar III report sets out our institution's remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile.

Regulatory context in terms of the remuneration policy

Banking sector

History

The French government order of 3 November 2009 and the professional standards of the French Banking Federation (FBF) require financial institutions to regulate variable remuneration payment practices for financial market professionals and executives, to ensure that financial institutions have a level of equity that would not expose them to risk.

The French government order of 13 December 2010 extends the FBF standards issued on 5 November 2009 – which were reserved for financial market executives and professionals, defined as employees whose performance and remuneration are linked to market instruments – to "risk-taker" employees and all employees within an equivalent remuneration bracket and whose professional activities are likely to have an impact on the firm's risk profile. That order also adopted the FBF criteria regarding payment of variable remuneration to the employees concerned.

Since 2021, remuneration-related regulations have been based on CRD IV (Directive 2019/878/EU of the European Parliament and of the Council (replacing CRD IV in force since 2015), which was transposed into French law by the order of 22 December 2020 and replaced CRBF regulation 97-02 of 21 February 1997.

Asset Management Sector

History

On 23 November 2010, the AFG, AFIC and ASPIM issued common provisions on the remuneration policies of asset management companies. Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (AIFMD), transposed into French law by government order 2013-676 of 27 July 2013, took effect in 2015 (bonuses paid in March 2016). Directive 2014/91/EU, known as UCITS V (where UCITS stands for Undertakings for Collective Investment in Transferable Securities), transposed into French law by government order 2016-312 of 17 March 2016, came into force in 2017 (bonuses paid in March 2018). Its provisions are very similar to those of the AIMFD.

Current remuneration policy

The updated Remuneration Policy for 2021, published on the Group's Intranet (France section), was validated by the Supervisory Board after a favourable opinion from the Remuneration Committee and the Executive Board. The Human Resources, Risk and Compliance Departments were involved in this latest update to the Remuneration Policy. It was subject to an independent review by the Internal Audit.

Key principles of the remuneration policy

In accordance with the European Capital Requirements Directive (CRD IV) and other applicable texts, the Group undertakes to establish, implement and maintain remuneration policies, procedures and practices that promote sound and effective risk management. The Group also takes care to ensure that the policy is consistent with its business strategy, targets, values and long-term interests, as well as those of its clients.

Key principles:

Fairness. The Group monitors compliance with a remuneration policy as a source of team recognition and motivation and ensures that payments for equivalent jobs and responsibilities are allocated fairly. The fairness principle is applied when people are recruited and during their employment contract, and specifically relates to equal pay between men and women.
Please see Edmond de Rothschild (France)'s annual report for more information about the diversity policy

("Diversity and inclusion" section of the Statement of Non-Financial Performance).

Alignment of interests: the Policy actively contributes to attracting new talent, retaining and motivating employees, and to the long-term performance of the Group, in the interests of its customers, shareholders and employees.

The valuation of performance associated with risk management, in accordance with applicable regulations: The total amount of the remuneration packages must not interfere with the Group's ability to strengthen the level of its core capital. The variable remuneration paid to each staff member must be consistent not only with the qualitative and quantitative targets set for him/her individually, but also with the targets of the department and entity to which he/she belongs.

The Group pays particular attention to the connection between the annual individual skills and performance appraisal process and changes in remuneration, which cannot be separated. As such, one of the Group's priorities is the alignment of its earnings and remuneration. If its earnings are unsatisfactory or non-existent, this may cause variable remuneration to be reduced, potentially to zero, in a given year.

The Policy is designed to avoid conflicts of interest and to prevent, through specific arrangements, risk-taking that is excessive or incompatible with the interests of the Group, its entities or their clients. The remuneration of the Group's staff members comprises both fixed and variable components.
In general, an appropriate balance is established between the fixed and variable components of a staff member's overall remuneration. In all circumstances, the fixed portion is a sufficiently large part of overall remuneration to ensure that a fully flexible policy can be implemented regarding the variable portion, particularly in terms of maintaining the option to reduce or to not pay any variable remuneration.

In general, the remuneration of staff members comprises a fixed portion, remunerating the extent to which they meet the requirements of their roles, skills required and experience gained, and a variable portion, some of which may be deferred, with the aim of incentivising staff members by recognising their quantitative and qualitative performance in terms of their conduct regarding risk management, compliance and internal control.

Priorities for 2021:

- anchoring a philosophy of aligning remuneration with Group earnings;
- strengthening the link between remuneration and performance, both individual and collective;
- ensuring that the qualitative and quantitative contributions of control functions to individual and collective plans play a greater role in appraisals and remuneration decisions;
- strengthening the process of taking into account risk management and compliance incidents when assessing performance and remuneration;
- reasserting the importance of using "total remuneration" as a differentiating factor;
- organising effective interaction between decision-makers in both axes of the organisational matrix (Global – Local);
- granting pay rises only on an exceptional basis (bringing pay into line with market levels, rewarding young talent and promotions), in a context in which internal mobility is prioritised over external recruitment;
- strengthening measures in terms of equal pay between men and women and in favour of women returning from maternity leave.

Governance

The roles of the various departments

Fixed and variable remuneration budgets are adopted centrally (at the global level within the Edmond de Rothschild Group), and at the level of entities and departments, taking into account information provided by the Finance Department and the Human Resources Department, actual and forecast results, the cost of risk, liquidity and return on equity, along with qualitative, quantitative, individual and collective comments (regarding the remuneration budgets of the Group's various entities and functions) made by the Risk, Compliance and Internal Control Departments. In particular, those departments report any anomalies and serious or very serious incidents that may be taken into consideration when making decisions on an individual's variable remuneration.

Decisions regarding changes to staff members' pay are initiated by those responsible for the function, entity or department concerned, and are subject to consultation with the Human Resources Department.

An annual report on the variable remuneration of the employees concerned is sent to France's prudential supervisory authority (the ACPR).

Role of the Remuneration Committee and Supervisory Board

The remuneration policy is submitted to the Supervisory Board, which approves it based on the recommendation of the Remuneration Committee.

The Remuneration Committee ensures that the decisions taken regarding the remuneration of the whole Group's staff members are in line with the principles set out in the remuneration policy. It examines the individual remuneration of corporate officers, the key executives of Edmond de Rothschild (France) and Edmond de Rothschild Asset Management (France), the heads of Compliance and Permanent Control and heads of Risk Management at Edmond de Rothschild (France) and Edmond de Rothschild Asset Management (France), and the central head of Internal Audit.

Composition of the Remuneration Committee:

Permanent members:

- Ariane de Rothschild, Chairwoman,
- Véronique Morali, external director;
- Christian Varin, external director;

Guest members:

- François Pauly, Group Chief Executive Officer,
- Renzo Evangelista, Chairman of the Executive Board of Edmond de Rothschild (France),
- Christophe Caspar, Chairman of the Executive Board of Edmond de Rothschild Asset Management (France),
- Diego Gaspari, Global Group Head of Human Resources,
- Jean-Christophe Pernollet, Global Group Head of Risks and Compliance,
- Sandrine Polo, Global Head of Remuneration and Benefits within the Human Resources Department,
- Marie-Charlotte Bonnassieux, Head of Human Resources of Edmond de Rothschild (France),
- Patricia Bouvard, Senior HR Business Partner of Edmond de Rothschild Asset Management.

Edmond de Rothschild (France)'s Remuneration Committee met on 23 February 2022; the meeting comprised two sub-sessions, the first of which focused on Edmond de Rothschild (France) and its subsidiaries and branches, and the second on Edmond de Rothschild Asset Management (France) and its branches. The Supervisory Board, in its 9 March 2022 meeting, approved the proposals of the Remuneration Committee.

Deferred variable remuneration arrangements for the 2021 financial year.

The Remuneration Committee validated the following deferred remuneration systems for identified staff members:

For the Bank and its entities outside the Asset Management and Corporate Finance businesses

The "identified" staff categories adopted in accordance with CRD IV are:

- the members of the Executive Committee, the Executive Board (or Board of Directors as the case may be) and Senior Management,
- the heads of the control functions (Audit, Risk, Compliance) and their direct-reports with managerial responsibilities,
- the heads of the Business Unit and their direct-reports with managerial responsibilities,
- the heads of certain Support functions (including finance, human resources, IT, legal,etc.)
- the heads of Risk Management and the permanent members of the Risk Committee,
- the heads of New Products and permanent members of the New Products Committee,
- the managers of Risk-Takers,
- staff members whose total remuneration is €500,000 or more and/or who are in the top 0.3% in terms of remuneration,
- staff members whose total remuneration is at least equal to that of the Senior Management member with the lowest remuneration.

The remuneration threshold used to determine the risk-takers with deferred variable remuneration and in instruments is:

- variable remuneration of €200,000 or more: deferred amount representing 40% of variable remuneration (60% for top earners)

The arrangements for employees with deferred variable remuneration and in instruments are:

- the deferred variable remuneration is paid subject to a condition of the employees' presence in the Group at the end of the relevant period:
  - for certain risk-takers, deferred variable remuneration is wholly or partly in the form of rights to acquire participation certificates in the Group's Swiss holding company (the "Employee Share Plan"), with one-third vesting in June 2023, one-third in June 2024 and one-third in June 2025 and subject to a 1-year lock-up period, after which the participation certificates will be assignable for a limited period;
  - other deferred variable remuneration (either in addition to the Group Employee Share Plan or comprising the total) takes the form of a cash payment indexed to the share price of the

Group's Swiss holding company ("Group Performance Plan"), with one-third paid in July 2023, one-third in July 2024 and one-third in July 2025;

- for higher earners, the two aforementioned instruments make up five-sixths of deferred remuneration, with the remaining sixth taking the form of a deferred cash payment, with one-third paid in March 2023, one-third in March 2024 and one-third in March 2025. However, that remaining sixth may be paid in part or in whole through the Group's Employee Share Plan instead of in the form of deferred cash.

For Edmond de Rothschild Asset Management (France)

The "identified" staff categories adopted in accordance with AIMFD and UCITS V are:

- the members of the Executive Committee, the Executive Board (or Board of Directors as the case may be) and Senior Management,
- the heads of the control functions (Audit, Risk, Compliance) and their direct-reports with managerial responsibilities,
- the portfolio managers,
- the heads of the Business Unit,
- the heads of certain Support Functions (including the heads of Finance and Marketing and the COO) and Heads of Sales
- the heads and Members of Risk Management Committees
- the managers of Risk-Takers,
- staff members with total remuneration of €500,000 or more,
- staff members whose total remuneration is at least equal to that of the Senior Management member with the lowest remuneration.

The remuneration threshold used to determine the risk-takers with deferred variable remuneration and in instruments is:

- variable remuneration of €200,000 or more: deferred amount representing 40% of variable remuneration (60% for top earners).

The arrangements for employees with deferred variable remuneration instruments are:

- immediate variable remuneration is paid:
  - 50% in the form of instruments (units of the basket representing AIFs and UCITS) vesting immediately at the time of the 1 April 2022 allotment but subject to an 8-month lock-up period after which the units are delivered in cash (December 2022),
  - the remainder in cash in March 2022.

- the deferred variable remuneration is paid subject to a condition of the employees' presence in the Group at the end of the relevant period:

  - 50% in the form of instruments (the "Units of the basket representing AIFs and UCITS Plan") vesting gradually (one-third on 1 April 2023, one-third on 1 April 2024 and one-third on 1 April 2025) and subject to a 12-month lock-up period after which the units are delivered in cash (i.e. in April of the following year for each respective tranche),
  - the remainder:

    - wholly or partly in cash, with one-third paid in March 2023, one-third in March 2024 and one-third in March 2025,

    - for certain risk-takers, wholly or partly in the form of rights to acquire participation certificates in the Group's Swiss holding company (the Group Employee Share Plan), vesting gradually (one-third in March 2023, one-third in March 2024 and one-third in March 2025) and subject to a 1-year lock-up period, after which the participation certificates will be assignable for a limited period. In no event can this Employee Share Plan substitute for the aforementioned instrument.

It should be noted that the indexation of units of the basket representing AIFs and UCITS started on 1 January 2022, three months before the initial grant.

Edmond de Rothschild Private Equity (France) and Edmond de Rothschild REIM in the real-estate sector apply the principle of proportionality within the meaning of the AIMFD. They apply the same variable remuneration threshold as the Bank and Edmond de Rothschild Asset Management, i.e. €200,000. It should be noted that "carried interest" plans exist within Edmond de Rothschild Private Equity. Both companies have received approval from the AMF.

Edmond de Rothschild Corporate Finance benefits from the exemptions provided for by French government decrees 1637-2020 of 22 December and 2020-1635 of 21 December 2020 because it does not carry out any regulated activities, its total assets are significantly less than €5 billion and its activities do not entail any risk to the solvency or liquidity of the group to which it belongs.

Variable/fixed remuneration ratio for the 2021 financial year

In the General Meeting of Shareholders of 5 May 2021, shareholders unanimously approved a maximum ratio of variable to fixed salary components equal to 200% for all employees belonging to the Group's CRD IV-regulated population, for remuneration granted with respect to 2021 and in order to ensure that the Group's remuneration remains competitive.
Those affected by the capping of variable remuneration are not authorised to exercise, directly or indirectly, the voting rights that they may hold as shareholders or holders of equivalent ownership rights giving an entitlement to take part in votes.

Remuneration by business area

(in thousands of euros)	Asset management (including private equity)	Support functions	Independent functions (Control)	Other (private banking including execution desk, corporate finance, insurance)
Total remuneration	22.689	21.005	5.183	45.247

Remuneration – Senior executives* and other risk-takers

In thousands of euros	Executives	Other risk-takers
Number of individuals	20	146
Total fixed remuneration	4.153	16.650
Total variable remuneration	4.126	11.940
of which total variable remuneration granted in year Y and deferred	1.934	4.260
Article 450 h(iii) of the Capital Requirements Regulation (CRR) - Total deferred variable remuneration granted in previous years and not yet paid	1.937	4.924
Guaranteed variable remuneration: number of beneficiaries	1	8
Total guaranteed variable remuneration	161	499
Severance payments: number of beneficiaries	0	4
Article 450 h(v) - Highest severance payment granted to a staff member	0	417

*Executives are staff members who are members of the Executive Board and members of the Supervisory Board.

Regulatory reporting

At 31 December 2021, Edmond de Rothschild (France)'s regulatory reporting scope was the same as its consolidated accounting scope.

Details of entities in Edmond de Rothschild (France)'s consolidated accounting scope are provided in Note 7 to the financial statements in Edmond de Rothschild (France)'s annual report, available on the Edmond de Rothschild (France) website.

This table shows the transition from Edmond de Rothschild (France)'s consolidated accounting balance sheet to its regulatory balance sheet, on the basis of which regulatory capital is calculated.

Assets In thousands of euros	**Consolidated balance sheet**	**Regulatory adjustments**	**Accounting balance sheet, regulatory sub-**
Cash, due from central banks and postal accounts	2.629.937	-	2.629.937
Financial assets at fair value through profit and loss	153.327	-	153.327
Financial assets at fair value through equity	1.384	-	1.384
Securities at amortised cost	4.813	-	4.813
Loans and receivables due from credit institutions, at amortised cost	63.229	-	63.229
Loans and receivables due from clients, at amortised cost	1.421.591	-	1.421.591
Current tax assets	397	-	397
Deferred tax assets	13.447	-	13.447
Accruals and other assets	134.555	-	134.555
Investments in associates	66.132	-	66.132
Property, plant and equipment	38.145	-	38.145
Right-of-use assets	33.071	-	33.071
Intangible assets	21.331	-	21.331
Goodwill	73.925	-	73.925
Non-current assets held for sale	12,284	-	12.284
Total assets	**4.667.568**	**-**	**4.667.568**

Liabilities In thousands of euros	**Consolidated balance sheet**	**Regulatory adjustments**	**Accounting balance sheet, regulatory sub-**
Financial liabilities at fair value through profit and loss	1.417.275	-	1.417.275
Hedging derivatives	-	-	-
Due to credit institutions	51.278	-	51.278
Due to clients	2.488.188	-	2.488.188
Debt securities	-	-	-
Current tax liabilities	1.998	-	1.998
Deferred tax liabilities	-1	-	-1
Accruals and other liabilities	233.833	-	233.833
Provisions	17.882	-	17.882
Subordinated debt	-	-	-
Shareholders' equity	457.115	-	457.115
Shareholders' equity, Group share	453.923	-	453.923
. Capital and related reserves	201.195	-	201.195
. Consolidated reserves	186.637	-	186.637
. Gains and losses recognised directly in equity	9.529	-	9.529
. Results of the financial year	56.562	-	56.562
Minority interests	3.192	-	3.192
Total liabilities	**4.667.568**	**-**	**4.667.568**

Capital and capital requirements

Regulatory capital is calculated according to Basel III rules (see Regulation (EU) No 575/2013). It is made up of the following main items:

- core capital, which comprises paid-up capital, issue premiums, consolidated reserves and the reserves of minority interests,
- deductions comprising investments in financial and non-financial entities, intangible assets, goodwill and other deductions,
- additional core capital consisting of super-subordinated notes issued in 2007.

Regulatory capital requirements cover
four types of risk:

- credit risk: capital requirements are calculated using the standardised approach. Credit risk is broken down by Basel III exposure category (see Article 112 of Regulation (EU) No 575/2013),
- risk with respect to the CVA (Credit Valuation Adjustment) calculated under the standardised approach,
- market risk calculated according to the standardised approach based on three components: interest-rate risk, exchange-rate risk and equity risk,
- operational risk calculated using the standardised approach.

At 31 December 2021, regulatory capital was calculated on the basis of Edmond de Rothschild (France)'s consolidated scope.

In thousands of euros	**31/12/2021**	**31/12/2020**
Share capital	83,076	83,076
Share premium	98,244	98,244
Consolidated reserves	213.674	210,691
Other comprehensive income	-	-
Income for the year	56.562	24,298
Shareholders' equity, Group share	**451.556**	**416,309**
Deduction of income for the year	-56.562	−24,298
Minority interests taken into account	-	-
Regulatory equity (in thousands of euros)	**394.994**	**392.011**
Goodwill	-73.925	-74.313
Equity interests	-22.959	-27.945
Intangible assets	-516	−1,197
Other deductions	-	-
Deductions	**-97.400**	**-103.455**
Tier 1 capital	**297.594**	**288.556**
Additional Tier 1 capital	**243**	**553**
Tier 2 capital	**2.189**	**2.210**
Regulatory capital (in thousands of euros)	**300.026**	**291.319**
Exposures to corporates	43.037	53,101
Exposures to equities/funds	16.270	1.362
Exposures to institutions	11.709	11.820
Other exposures	7.364	32,972
Exposures to sovereigns	-	-
Credit risk	**78.380**	**99.254**
CVA	**637**	**97**
Exchange-rate risk	819	623
Interest-rate risk	4.253	3,523
Equity risk	-	-
Market risk	**5.071**	**4,146**
Operational risk	**43.604**	**41,142**
Capital requirement (in thousands of euros)	**127.692**	**144,640**

In thousands of euros	31/12/2021	31/12/2020
CET1 ratio	**18.64%**	**15.96%**
T1 ratio	**18.66%**	**15.99%**
Total ratio	**18.80%**	**16.11%**

Leverage ratio

In thousands of euros	31/12/2021	31/12/2020
Tier 1 capital	**297.837**	**289.109**
Total assets as per published financial statements	4.667.568	3.905.336
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure for the leverage ratio in accordance with paragraph 13 of Article 429 of Regulation (EU) No. 575/2013)	-	-
Adjustments for derivative financial instruments	44.342	11.965
Adjustments for securities financing transactions (SFTs)	-	-
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	224.900	154.815
Other adjustments	-93.711	-103.455
Total exposure measure for the leverage ratio	**4.843.099**	**3.968.661**
Leverage ratio(*)	**6.15%**	**7.28%**

(*) The leverage ratio in the transitional phase is 6.15% before the application of regulation 2016/200.

The leverage ratio decreased in 2021, due in particular by the increase in Edmond de Rothschild (France)'s balance sheet assets at 31/12/2021. Additional tables are provided in the appendix giving details of the leverage ratio components.

The leverage ratio is calculated every quarter according to the rules for the transitional phase in accordance with regulation 2016/200 of 15 February 2016.

Presentation of the risk management strategy and policy

Senior Management places particular importance on implementing a robust and efficient organisation for managing its risks, in all business lines, markets and regions in which it operates, and on ensuring a balance between fostering a strong risk management culture and encouraging innovation. Senior Management pays particular attention to ensuring the adequacy of risk management resources.

Implementing the strategy through risk tolerance levels

Having established its strategy, Edmond de Rothschild (France) defines a risk tolerance schedule. The sub-group's risk tolerance schedule is validated every year by the Risk Committee.

Risk tolerance may be lower than the actual risk level, and this may sometimes be an ongoing and inevitable occurrence despite best efforts to reduce risk. Edmond de Rothschild (France)'s aim is to keep reputational risk at a "low" level, but recognises that the visibility and profile of the Rothschild name means that it is always open to adverse publicity initiated by those outside the Group. This results in an ongoing "medium" level of reputational risk, despite the "low" risk tolerance.

Risk scores are then compared every quarter with tolerance levels as part of Risk Committee meetings attended by Executive Board members. Where meaningful in terms of the Bank's risk profile, those tolerances are compared with the capital set aside to cover risks.

General principles

Taking into account the activities of the French sub-group and the risks related to it, Management (the Executive Board for the Bank) deems it appropriate to keep capital above the minimum required under current regulations at all times.

Any transaction involving a risk, carried out for the Bank's own behalf or for a third party, must, before it is completed, comply with authorised credit, market and operational risk limits and be consistent with the sub-group's risk policy and existing regulations. Management (the Executive Board for the Bank) ensures that these measures are applied. Any exception to or material departure from those principles must be reported to the Risk Committee. All proprietary trading of currencies, equity securities or debt securities, along with derivatives related to them, is subject to the market limits set out in this document. Edmond de Rothschild (France) seeks to cap proprietary risk-taking by adopting a schedule of strict limits, some of which are checked several times per day.

Financial investments on the balance sheet, along with the management of the sub-group's (and the Bank's) cash position fall within the scope of ongoing asset/liability management and defined limits.

The Executive Board takes the measures needed to ensure that the liquidity of the sub-group and the Bank is always sufficient to cover ordinary activities.

To ensure the proper monitoring and control of risks related to Edmond de Rothschild (France)'s business:

- the Executive Board ensures that there is an internal organisation capable of identifying, measuring, preventing and managing those risks,
- the Executive Board adopts a reporting system capable of providing information at all times regarding the sub-group's exposure to risks as defined in the risk policy,
- every year, the heads of control entities (Central Risk Department, Compliance and Permanent Control Department, Internal Audit) prepare a report on internal control and the risks incurred by the sub-group and the Bank, which is presented to Management (the Executive Board for the Bank), to the Risk Committee and to the Supervisory Board,

The Executive Board is authorised to delegate its powers and authority to special Committees.

Risk categories

The Central Risk Department (CRD), working with the other departments, has defined a set of risk factors. The Bank's risk map shows a list of risks that are subject to:

- quarterly monitoring in Risk Committee meetings,
- classification (from low to critical),
- an overriding monitoring procedure.

In addition, some risks are subject to formal limits and associated escalation processes. The definitions adopted are those stipulated by local regulations or taken from the Risk Policy of the Edmond de Rothschild Group (hereinafter the "Group" or the "Edmond de Rothschild Group"), where they are applicable within Edmond de Rothschild (France).

The risks identified are as follows:

- **credit risk:** Credit risk is the risk of a financial counterparty or a client with which the Group's banks have contractual ties, particularly regarding loans or receivables arising from financial instruments, becoming insolvent (Group definition). It includes:

  - **client credit risk**: risk of credit granted to clients not being repaid in part or in full (loans, overdrafts, guarantees given to third parties),
  - **counterparty risk**: the risk present in all proprietary investments in securities issued by counterparties (commercial paper, certificates of deposit, shares, debt securities or equity securities) or in all contracts in which a counterparty acts as paying or receiving agent (swaps, forward currency contracts),
  - **settlement/delivery risk:** the risk incurred during the period between the time when an instruction to pay for or deliver a sold financial instrument can no longer be cancelled and the time it is honoured (French government order of 3 November 2014),
  - **country risk**: risk of amounts receivable from financial counterparties or clients not being recovered because of difficulties encountered by a country/group of countries or because of payments/repayments being blocked following political and/or legal decisions (Group definition),
  - **custodian risk**: risk arising from the duty of the bank to return securities or cash in a timely manner, because of its role as custodian or valuer/account-keeper (General Regulation of the Autorité des Marchés Financiers),
  - **credit concentration risk**: risk arising from a single exposure or group of exposures that may lead to losses that are sufficiently large (compared with capital, total assets or the overall risk level) to threaten a bank's solidity or its ability to carry out its essential activities (Basel II - 2006).

- **market risk:** market risk arises from Group's financial position being exposed to an adverse movement in market prices, particularly the price of an underlying asset and its implied volatility (Group definition). It includes:

  - **currency risk**: risk arising from foreign exchange positions in the bank's proprietary activities, either because of a residual "book" kept by the bank's trading room or because of investments held by the bank in foreign currencies,
  - **interest-rate risk:** the risk relating to variations in interest rates, arising from all on- and off-balance sheet transactions, with the exception of any operations subject to market risks (French government order of 3 November 2014),
  - **risk relating to the equity, precious metals and commodities markets**: risk arising from "trading book" positions on financial assets in these markets,
  - **market concentration risk**: a market risk exposure that may potentially produce losses large enough to threaten the financial health of a credit institution or its ability to maintain its core activities.

- **third-party risk:** these risks are those that the Bank takes as part of its activities on behalf of third parties, not those taken by clients. These risks include:

  - **liquidity risk**: the risk of payments being suspended or postponed when our clients – investing through mandates or in our funds – request withdrawals, generating a major reputational risk for the Bank,
  - **risk of "strategy drift"**: risk of an asset manager diverging significantly from his/her mandate in terms of performance or risks taken, which could affect the Bank's ability to fulfil its management obligation.

- **liquidity risk**: liquidity risk is the risk that the Group may not be able to meet its needs in terms of cash flow and security interests, present and future, expected and unexpected, without damaging its day-to-day operations or financial position (Group definition). It includes:

  - **short-term liquidity risk**: the risk that the company will not be able to meet its commitments or unwind or settle a position due to market conditions (French government order of 3 November 2014),
  - **asset-liability matching risk**: risk arising from a mismatch in terms of duration, liquidity or any material risk parameter between assets and liabilities on the Bank's balance sheet.

- **operational risk**: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk; operational risk includes risks relating to events that have a low probability of occurring but would have a major impact if they did, along with the risks of internal and external fraud and model-related risks (French government order of 3 November 2014).

- **non-compliance risk**: the risk of legal, administrative or disciplinary sanction, financial loss or reputational damage arising from non-compliance with provisions applicable to banking or finance activities, whether of a legislative or regulatory nature or relating to professional standards and ethics, or instructions from the effective managers, including when following guidance from the supervisory body (French government order of 3 November 2014). It includes:

- **anti-money laundering/combating the financing of terrorism (AML-CFT) risk**: risk of funds from criminal activities flowing into official financial channels. Anyone putting such funds into circulation in this way and anyone who, even through negligence, takes part in preventing the origin of the funds being identified or discovered, is liable for criminal charges.
- **market abuse risk**: risk of using or disclosing inside information in order to acquire, sell or attempt to acquire or sell, recommend the acquisition or sale of, on one's own behalf or on behalf of another, either directly or indirectly, financial instruments to which that information relates or financial instruments to which those instruments are linked (Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse),
- **regulatory risk**: risk arising from non-compliance with legal rules relating to banking and financial activities.

- **strategic risk**: strategic risk is defined as the risk of a loss or a decrease in profits arising from a change in the macroeconomic, competition or regulatory environment in which the Group operates, or a change affecting the Group's business model or the implementation of major strategic decisions it has adopted (Group definition).

- **risk without counterparty:** risk without counterparty, according to FINMA terminology (see the Swiss Federal Capital Adequacy Ordinance), relates to real-estate risk on the balance sheet.

Control organisation

All of these various risks are presented every quarter in meetings of the **Internal Risk Committee**, which is the preferred forum for cross-functional disclosure of risks to the Executive Board, and which operates in the manner set out below.

This committee reviews risks in a cross-functional manner, as well as noting risk levels and changes in risk levels in the most recent quarter in a summary table.

Limits are adopted for the various risks with appropriate timeframes (ranging from intraday to quarterly) and risk levels are translated into potential capital losses.

There is an escalation process for all risks, from simply alerting management to issuing an official warning to the Risk Committee of Edmond de Rothschild (France).

The Head of the Credit Risk Department has the regulatory role of "Head of the Risk Management Function" (or "Head of the Risk Function").

Control methods and arrangements are detailed in the Risk Policy, which sets out the following for each main risk:

- the main procedures applicable,
- the risk-generating departments,
- the first- and second-level risk control departments,
- the reason for taking the risk and the direction of the risk,
- the associated key risk indicators,
- the associated limits,
- the key operational methods for dealing with the risk (committees, reports etc.).

No major matters for attention were referred to the Risk Committee for 2021.

Credit risk

Credit risk exposures by Basel category

The exposures mentioned correspond to Basel risk exposures. Credit risk exposures break down as follows by Basel category:

Exposure category In thousands of euros	**Exposure**	**Risk-weighted exposures**	**Capital requirements**
Exposures to sovereigns	2.643.394	-	-
Exposures to corporates	845.601	537.957	43.037
Exposures to financial institutions	318.206	146.367	11.709
Exposures to equities/funds	152.882	203.371	16.270
Other exposures	92.060	92.060	7.365
Total	**4.052.144**	**979.755**	**78.380**

There was an increase in risk-weighted assets in the "Funds" exposure category resulting from the entry into force of CRR2.
From now on, the standardised approach is no longer applied to funds. It is replaced by a mandate-based approach using the details of the fund's prospectus in order to determine the weighting applicable to funds held by Edmond de Rothschild (France). (see table of credit risk exposures by weighting)

Exposures to derivatives represent 1% of total exposures and 1.34% of total risk-weighted exposures. They are not material.

Exposures to doubtful loans are also not material, with a gross exposure of €456,000, and are fully provisioned.

Credit risk exposures by geographic area

96.61% of risk exposures are in the European Union, including 93.73% in France and 1.40% in Italy.

Exposure category In thousands of euros	**European Union**	of which France	of which Italy	**Europe excl. EU**	of which Monaco	of which Switzer land	**Africa and Middle East**	**North America**	**Asia Pacific**	**Latin America and Caribbean**	**Grand total**
Exposures to sovereigns	2.643.394	2.643.394	-	-	-	-	-	-	-	-	2.643.394
Exposures to corporates	812.892	741.080	40.098	17.124	1.283	9.502	8.963	3.320	535	2.767	845.601
Exposures to financial institutions	223.192	181.958	16.680	81.068	53.530	4.232	-	246	13.444	257	318.207
Exposures to equities/funds	143.258	139.382	-	-	-	-	-	9.624	-	-	152.882
Other exposures	92.060	92.060	-	-	-	-	-	-	-	-	92.060
Total	**3.914.796**	**3.797.875**	**56.778**	**98.191**	**54.813**	**13.734**	**8.963**	**13.190**	**13.979**	**3.025**	**4.052.144**
Percentage	**96.61%**	**93.73%**	**1.40%**	**2.42%**	**1.35%**	**0.34%**	**0.22%**	**0.33%**	**0.34%**	**0.07%**	**100.00%**

Credit risk exposures by business

76.3% of risk exposures concern financial and insurance activities and 18.9% relate to Private Banking clients.

More specifically, exposures in the European Union break down as follows:

- 73.7% relates to the “financial and insurance” activity and
- 18.1% consists of Private Banking exposures.

Exposure category In thousands of euros	Financial and insurance activity	Individuals	Other businesses	Total	Breakdown of financial activity	Breakdown of exposures to individuals
European Union	2.988.213	733.500	193.083	3.914.796	73.7%	18.1%
Europe excl. EU	79.895	18.297	-	98.191	2.0%	0.5%
North America	9.870	3.320	-	13.190	0.2%	0.1%
Africa and Middle East	-	8.826	136	8.963	0.0%	0.2%
Asia-Pacific	13.444	519	16	13.979	0.3%	0.0%
Latin America and Caribbean	1.564	301	1.160	3.025	0.0%	0.0%
Total	**3.092.986**	**764.763**	**194.395**	**4.052.144**	**76.3%**	**18.9%**

Exposures to credit risk by Basel category and remaining maturity

Exposure category In thousands of euros	From 1 to 3 months	From 3 months to 1 year	1-5 years	More than 5 years	Total
Exposures to sovereigns	2.629.936	13.458	-	-	2.643.394
Exposures to corporates	386.246	346.201	38.258	74.896	845.601
Exposures to financial institutions	211.828	66.944	3.986	35.447	318.206
Exposures to equities/funds	200	-	-	152.682	152.882
Other exposures	15,547	76.513	-	-	92.060
Total	**3.243.757**	**503.117**	**42.244**	**263.025**	**4.052.144**

Credit risk exposures by weighting

Credit risk exposures are weighted using the standardised approach, using standard weightings or weightings arising from external ratings awarded by rating agencies Standard & Poor’s, Fitch and Moody’s.

External ratings are used for bank and sovereign counterparties.

In addition, new weightings appeared as from 28 June 2021 (implementation of CRR2) following the mandate-based approach for the funds held by the Bank.

An additional line has been added to group these new weightings that are not standard(“other weightings” line).

Final weighting In thousands of euros	Risk exposure	Risk-weighted exposures	Capital requirements
0%	2.647.768	-	-
2%	21.498	430	34
20%	275.817	55.163	4.413
35%	322.199	112.770	9.022
50%	12.107	6.054	484
70%	234.534	164.174	13.134
100%	408.973	408.973	32.718
150%	54.275	81.413	6.513
250%	32.055	80.138	6.411
other weightings	42.916	70.641	5.651
Total	**4.052.144**	**979.755**	**78.380**

Credit risk mitigation

The risk mitigation policy mainly consists of taking security for credit commitments to clients, along with margin call mechanisms as part of bilateral agreements for derivatives trading.

Additional information is provided in Part 2, Section 1 of Note 10 “Risk management and financial instruments” in the 2021 annual report.

Non-trading book equity exposures

The figures relating to the Edmond de Rothschild (France) equity portfolio are included in the 2021 annual report in section 3.2 “equities and other variable-income securities” of Note 3: “Information On Balance Sheet Items”.

Encumbered assets

An initial disclosure on the encumbered assets of Edmond de Rothschild (France) is available in Note 3.9 to the 2020 financial statements published in the legal bulletin for official announcements. The template required under French government order no. 297, published in the official journal on 24 December 2014, is used, stating encumbered assets at 31 December 2021.

Additional information is provided in this Pillar III report in accordance with the requirements with European Commission Delegated Regulation (EU) 2021/637 of 15 March 2021, based on a template and showing median values of 2021 quarterly figures.

Encumbered and unencumbered assets

		Median values of 2021 quarterly figures			
		Carrying amount of encumbered assets	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
In thousands of euros		010	040	060	090
010	**Assets of the reporting institution**	**14.373**		**4.039.990**	
020	Loans on demand			2.158.443	
030	Equity instruments			146.204	
040	Debt securities			6.715	
050	*of which covered bonds*				
060	*of which asset-backed securities*				
070	*of which issued by general governments*			6.715	
080	*of which issued by financial corporations*			-	
090	*of which issued by non-financial corporations*			-	
100	*Loans and advances other than loans on*			1.280.135	
120	**Other assets**	**14.373**		**432.945**	

Collateral received

		Median values of 2021 quarterly figures	
			Unencumbered
		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued
In thousands of euros		010	040
130	**Collateral received by the reporting institution**	**-**	**-**
140	Loans on demand		
150	Equity instruments		
160	Debt securities		
170	*of which covered bonds*		
180	*of which asset-backed securities*		
190	*of which issued by general governments*		
200	*of which issued by financial corporations*		
210	*of which issued by non-financial corporations*		
220	Loans and advances other than loans on demand		
230	Other collateral received		
240	Own debt securities issued other than own covered bonds or asset-backed securities	-	-
241	Own covered bonds asset-backed securities issued and not yet pledged	-	-
250	**Total assets, collateral received and own debt securities issued**	**14.373**	**-**

Sources of encumbrance

		Median values of 2021 quarterly figures	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
In thousands of euros		010	030
010	**Carrying amount of selected financial liabilities**	**-**	**-**

Market risk

Market risk limits

Limits represent authorised limits for exposure to the various market risks as set by the Executive Board and ratified by the Supervisory Board. The Front Office and Proprietary Risk (financial control) Department must ensure that these limits are complied with at all times.

These limits are expressed in three ways:

- **the absolute carry amount**: this is the maximum acceptable level, in a given currency, of the open position. Business concerned: foreign exchange,
- **sensitivity**: sensitivity is defined as the value of the potential loss resulting from a specific variation in a given risk factor (e.g. interest rate or exchange rate),
- **stop-loss**: the amount of cumulative losses during a one-day period that must not be exceeded unless the position is immediately settled. Activities concerned: all.

Periodic control and reporting

Proprietary Risk Control prepares a summary of risks and results for the Financial Risk Committee at least every month. This Committee holds a full meeting once per month, attended by the CEO, a representative of the Central Risk Department, the Head of the Trading Room, the Heads of Treasury and Commitments, and a representative of the asset management company Edmond de Rothschild Asset Management.
Proprietary Risk Control also compiles a quarterly scorecard summarising changes in the use of market and counterparty risk limits by all desks in the Trading Room. The report is sent to the Head of the Trading Room and to the members of the Executive Board.

2021 report

Treasury activities generated a profit and risk levels remained very low.
The average use of risk limits was 20.7% for foreign-exchange activities and 16.5% for fixed-income activities (limit weighted on a pro rata temporis basis).

The table below summarises the risk exposure in the last two years:

	Year end		Average	
In thousands of euros	2021	2020	2021	2020
Exchange-rate risk*	93	27	95	89
Interest-rate risk**	113	320	242	412

* sensitivity of operational foreign-exchange positions to an 8% change in exchange rates, excluding correlations.
** sensitivity of short-term positions to a uniform, parallel 1% change in interest rates, excluding correlations.

The limits defined for 2021 remain lower than 2% of capital.

Interest-rate risk

The structure of the Bank's balance sheet does not show any material interest-rate risk to its capital: most of its assets and liabilities are aligned with variable interest rates.

Operational risk

Monitoring of operational risk

Operational risk is defined by the French government order of 3 November 2014 as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk; operational risk includes risks relating to events that have a low probability of occurring but would have a major impact if they did, along with the risks of internal and external fraud and model-related risks". This excludes strategic and reputational risks, in accordance with the Basel definition.

To prevent an operational risk from jeopardising the Group's smooth running, Edmond de Rothschild (France) has for several years had an operational risk management system that forms an integral part of its management functions and relies on preventing problems by identifying and assessing risks based on the effectiveness of controls, the adoption of action plans to address processes deemed "risky" and active management of incidents allowing improved control over the associated costs and greater control over processes.
The system is closely monitored by the Bank's Senior Management, which periodically checks that operational risk exposure is in line with the defined risk tolerance.

The main aspects of Edmond de Rothschild (France)'s operational risk management policy are as follows:

- the Bank's position, scale and risk profile mean that the **standardised approach** is used to calculate the capital requirement. At 31 December 2021, the capital set aside to cover operational risks amounted to €43 million,
- in accordance with the Edmond de Rothschild Group framework, Edmond de Rothschild (France)'s Senior Management has defined its operational risk tolerance as "Medium". This tolerance has been applied to 15 core operational risks, linked to Basel categories. Every quarter, Edmond de Rothschild (France) assesses its exposure to tolerance criteria represented by threshold values in terms of net financial impact/absolute value, number of incidents, risk reports assessed according to their severity/criticality and risk indicators. The scorecard presents an analysis of measurements and limit violations with respect to the defined tolerance and identified risk mitigation actions,
- involvement of the Executive Board and Audit Committee, as part of the review and approval of the operational risk management system, in defining the tolerance/threshold values,
- adoption of an annual top-down assessment of operational risks by a designated director who is a member of the Supervisory Board,
- establishment of an organisation making it possible to **give a sense of responsibility to and involve the various entities** in the management of operational risk, which must be an integral part of managerial decisions. At the level of each group entity/department, an operational risk officer is in charge of formally appointing an operational risk correspondent and business-line managers/contributors in charge of collecting information about incidents and helping to identify and rate risks. That officer is in charge of validating the risk map and defining the business activity's key risks and the action plan to be adopted,
- **operational risk management is led by a team of six people reporting to the Central Risk Department.** That team is in charge of coordinating and overseeing the process of rolling out the operational risk management policy, defining standards, the methods and tools shared by the entire Group. It is supported by a network of correspondents located within the entities and departments; in 2021, this network of correspondents comprised 11 people, representing two full-time-equivalent staff members dedicated to operational risk.

Scope of activities covered:

- private banking,
- asset management/Private Banking Investment & Advisory/Real Estate (EdR REIM),
- private equity (Edmond de Rothschild Private Equity),
- corporate finance (Edmond de Rothschild Corporate Finance),
- Execution desk, operations, IT, finance,
- legal/compliance/third-party relations/credit;
- general resources, security, human resources,
- country: France, Italy.

Monitoring system

The operational risk management system involves the following arrangements:

- **entities disclose all operational incidents, whether they have a positive or negative financial impact,** and with no minimum amount. In this way, the Group shows its intention to go beyond the notion of financial loss in order to have a comprehensive view of incidents, particularly those that have an image, regulatory or security impact, and to improve its management of low-cost but high-frequency incidents. The operational risk management team:
    - reviews all of these incidents to ensure that they are analysed properly, that identified security actions are taken and that they are consistent with the risk rating,
    - systematically analyses the most material incidents, working with the entities concerned, in order to adopt action plans where necessary,
    - reports serious incidents – assessed according to a schedule of qualitative and quantitative criteria – to Senior Management,
    - compares the reported financial impacts with the dedicated error accounts and the management of associated provisions,
- **whistleblowing and disclosure process:** Whenever a staff member becomes aware of an incident, he/she must report it to his/her manager and declare it in the system. Edmond de Rothschild (France)'s Senior Management must be alerted about any incident with a value of over €50,000 or rated "Serious". If an incident has a value of over €100,000 or is rated "Serious" with no identified financial impact, the Edmond de Rothschild group's Chief Risk Officer is also informed.
  If an incident has a value of over €500,000, it is regarded as material for Edmond de Rothschild (France) and is reported immediately to the ACPR, the Supervisory Board and the Risk Management Committee. In addition to the quantitative threshold, Edmond de Rothschild (France) has, since December 2017, reported to the ACPR and the supervisory body major **incidents** that have no financial impact but do have an impact in terms of data security/confidentiality or represent major compliance risks. In particular, any major incident that results in action by the crisis management unit, a PSD2 (Payment Services Directive 2) disclosure or a CNIL disclosure (within the meaning of the GDPR) is also reported to the ACPR.
- **Introduction of operational risk mapping** allowing operational risks to be identified and rated for all business lines. The mapping is based on an analysis of processes, discussions with business-line heads, external monitoring, assessments of level-1 controls and the control system, the results of permanent control and audit results, and analysis of incidents that have taken place. Where a risk is rated Critical or High, and to the extent that it can be mitigated, a target risk and an action plan are defined. In the absence of an action plan, the person responsible for the entity must give reasons for accepting the risk, which must be validated by the Internal Risk Committee. The review exercise forms part of an annual plan involving a risk-based approach, presented and validated in an Internal Risk Committee meeting. Net risks rated Critical/High, along with risks related to safety, payment instruments and critical suppliers, are updated annually. Risks are updated on an ongoing basis in the event of any material change (affecting a business line, systems or regulations) and in the event of major or recurring incidents. Risk ratings must undergo a formal, comprehensive review at least every three years.

The system is supplemented by:

- **annual identification of top risks**: the top risks identified since 2016 (IT and physical security) were confirmed in the EdR (France) Risk Committee meeting of 07/12/2021 and the Supervisory Board meeting of 08/12/2021.
- **risk indicator**: in addition to incidents and the risk map, 52 risk indicators were monitored in 2021 in connection with the Edmond de Rothschild group, in relation to the 15 essential operational risks including tolerance thresholds used to measure those risks.
- **employee awareness-raising** regarding the operational risk system. In 2021, 22 private banking employees and 36 Edmond de Rothschild Asset Management employees were trained in the system for collecting incidents and identifying risks, in remote format.
- **monitoring** is based on the following committees:
    - **"Internal Risk Committee"** in which the various risks to which the Group is exposed, including operational risks, are reviewed. Every quarter, this committee brings together representatives from Senior Management, the Central Risk Department, the Compliance and Permanent Control Department, the main business lines and the support functions concerned, and every month, the committee focuses on one business/department. Operational risk reporting involves information about material incidents (analysis of causes and remedial action taken), the progress of major initiatives adopted, highlights arising from updates to the risk map and a summary of exposure measurements regarding the 15 essential operational risks and the associated risk indicators,
    - **"Business-line Operational Risk Committees"** meeting at least every year and covering the main business lines and departments. These committees oversee progress with work associated with implementing the operational risk system and initiatives resulting from risk and incident mapping.

- **Other committees in which operational risks are involved:**
    - **"New Product/Process Committees"**, tasked with identifying and analysing risks before a new product or a new business is launched.
    - a **"Security Committee"** chaired by a member of the Edmond de Rothschild (France) Executive Board, coordinated by a special advisor on information protection and the co-ordination of security initiatives adopted by the various departments concerned. This committee met five times in 2021, with the involvement of and contributions from the Operational Risk team.

This system is described in the procedures disseminated among the staff members of the various entities:

- policy for managing operational risks of the Edmond de Rothschild group (France),
- procedure for notifying CNIL of personal data breaches,
- procedure for notifying the Banque de France/ACPR of major incidents related to payment instruments under the second European Payment Services Directive,
- policy for dealing with incidents that affect net asset value.

When implementing the operational risk management policy, Edmond de Rothschild (France) uses the ORMO tool, which is used by all Group entities. ORMO is a repository for all procedures and processes involved in operational risk management; it allows users to record incidents through work-flow management, rate risks, store risk mapping documentation and list risk indicators. It is an integrated tool for monitoring the second- and third-level internal control system. For all of the Group's key processes, operational risks, incidents, controls, recommendations and action plans are listed in the tool and monitored. The system also allows users to produce the reporting documents required to oversee the system. This tool and the related data are hosted in the Edmond de Rothschild (Suisse) IT infrastructure.

Covid-19

The Covid-19 crisis meant that almost all staff members had to work remotely, with fewer than 10% of the workforce working on-site at the height of the pandemic. The Group was able to rely on the business continuity processes that it had put in place and tested in recent years. No operational incident directly connected with remote working arose during this period. From a health point of view, the aseptic and distancing measures implemented rigorously in the company, in accordance with government protocols, made it possible to limit the spread of the virus internally. Despite the significant spread of the Omicron variant, there was no impact on continuity of services.

Business continuity measures

The Group has prepared an IT Back-up Plan (IBP) and a more general Emergency and Business Continuity Plan (EBCP). These plans were reviewed as part of the Edmond de Rothschild group's new EBCP/IBP system.

IT Back-up Plan (IBP)

The Bank has adopted an IT back-up plan that ensures redundancy for critical activities.

Emergency and Business Continuity Plan (EBCP)

The BCP crisis management system consists of a set of organisational methods, techniques and resources that allow Edmond de Rothschild (France) to prepare for and deal with an incident that requires the Emergency and Business Continuity Plan to be activated. After the crisis, a review is carried out in order to propose ways of improving the system if necessary.

Depending on the type of incident and the number of people concerned, the Bank will use one or more of the following resources:

- dedicated back-up site for the Group, located in Paris in an area less exposed to the risk of flooding/attacks,
- remote access arrangements,
- use of premises/offices available within the Group.

Edmond de Rothschild (France)'s Emergency and Business Continuity Plan is set out in writing and consists of a set of documents comprising:

- a main document summarising the impacts and actions to be taken, called the "Edmond de Rothschild (France) EBCP",
- business impact analyses for each business line and each critical support function,
- documents for staff members.

The organisation of these documents was completely overhauled in 2015, in line with the recommendations of external auditor Advese, which had been appointed in 2014 to carry out an audit of the Bank on this topic. The new main document, called the "Emergency and Business Continuity Plan", replaced the former "Red Plan" and was presented to the Audit Committee in November 2015. It is also the subject of annual presentations when it is updated.

The main crisis scenario involves the inability of teams to reach their workstations following a major external incident. This scenario undergoes systematic real-world testing, rotating between the various departments.

As regards Edmond de Rothschild (France)'s buildings, three types of incidents that could give rise to this main scenario have been reviewed in greater detail:

- explosions/attacks,
- weather events including flooding,
- fire.

The pandemic scenario is the subject of a specific plan, with the premises remaining available with a health protocol and an occupancy gauge adapted to the severity of the epidemic. This plan was updated in light of the COVID-19 health crisis.

The diagram below shows the various stages of the Emergency and Business Continuity Plan in the event of a declared incident:

1. an alert, given following an incident or disaster, which may come from security, IT on-call, external events such as major weather events/attacks, government (pandemic event) or events leading to inaccessibility of the premises or danger to the safety of persons,
2. analysis to assess the severity of the incident and decide whether or not to convene the EBCP units,
3. mobilisation of PUPA units and experts (if necessary) in the PUPA crisis meeting room or by telephone/email if the incident occurs outside working days/hours or in the case of inability to access the premises,
4. the decision, following discussions within the EBCP decision-making unit, regarding the severity of the incident, critical activities underway, etc.,
5. activation of the EBCP if the EBCP decision-making unit decides to do so. This involves initiating all actions to implement the Business Continuity Plan(s),
6. implementation of the continuity plan(s), involving the resumption of priority activities alone in impaired mode,
7. the ramp-up of activities and the number of users present on the backup site. Additional continuity solutions (nomadism, etc.) are being implemented.

The primary responsibility for business continuity lies with the Bank's Supervisory Board and Executive Board. The Executive Board appoints one of its members as the person responsible for managing business continuity. At the Edmond de Rothschild (France) level, the person responsible for the EBCP is the Central Risk Manager.

The EBCP decision-making unit has the responsibility of determining the entity's general strategy during a crisis, which will then be implemented by the EBCP operational unit.
An EBCP monitoring committee, co-ordinated by the person responsible for the EBCP, is in charge of planning and co-ordinating business continuity initiatives.

This committee establishes a timetable at the start of every year to organise IBP and EBCP tests based on predetermined scenarios. In 2019, the scenario tested involved the partial unavailability of various buildings in Paris and branches in Lille, Lyon, Marseille, Nantes and Strasbourg. Some staff members were unable to go to their workplace or the back-up site, and so used remote access arrangements. 151 employees were able to carry out their critical tasks: 89 from the backup site and 62 through remote access. During that exercise, crisis communication was also tested via the various channels put in place, i.e. an emergency telephone number, text messaging and a specific crisis extranet.

Liquidity risk

Risk-generating activities

An institution's liquidity risk is the risk of it being unable to meet its commitments because of the imbalance between its assets and liabilities and its inability to obtain funds on satisfactory financial terms.

Measurement and oversight arrangements

Liquidity monitoring is part of asset-liability management and is organised as follows:

- work meetings are held periodically, attended by the Finance Department and the Central Risk Department (CRD), dealing with specific topics,
- more formally, the CRD produces interest-rate and liquidity mismatch reports along with stress scenarios at each monthly closing. In addition, the securities portfolio and available resources are subject to ongoing monitoring. This information is reported and discussed in Risk Committee meetings,
- it informs discussions in ALM Committee meetings, which are held three or four times per year to define the main strategic priorities and determine the main approaches for managing liquidity over the medium and long term[2]. These committee meetings, led by the Finance Department, are attended by two members of the Executive Board, the Chief Financial Officer, heads of the Execution desk and the Treasury Department and the head of the CRD and Financial Control. Liquidity risks and strategic risks are also discussed in monthly Central Risk Committee meetings.

The risk monitoring and oversight process comprises:

- a system of limits (or alerts) and controls that are calibrated according to the defined liquidity risk tolerance,
- an emergency plan taking into account the results of stress tests,
- IT systems and qualified staff members capable of measuring, overseeing and disclosing, when appropriate, liquidity positions in relation to the defined limits.

The purpose of liquidity risk management is to ensure that the Bank and its consolidated banking subsidiaries can meet their commitments at all times and on an ongoing basis, including during a crisis affecting the institution or the market as a whole and thus affecting the institution's ability obtain sufficient funding, whether or not secured by collateral.

2021 report

The Bank has a structurally positive cash position, which amounted to €2,629 million at 31 December 2021.

In addition, the LCR was 168.8% at 31 December 2021 and remained much higher than the minimum target of 100%.

Since the start of the financial crisis, the Bank has adopted a number of initiatives to maintain its advantage in this respect. It developed and implemented tools (daily operational liquidity reports) and decisions (drafting interbank commitments) as early as September 2007.

Furthermore, it has developed a liquidity stress scenario in order to carry out monthly tests on the balance sheet's ability to withstand a shock involving, among other things, the withdrawal of most client source funds. The assumptions of that stress scenario are revised annually and include:

- the impact of the external environment (deterioration in stock markets, sharp appreciation of the US dollar against the euro) on the valuation of derivative products and therefore on the volume of collateral payments,
- the consequence of large-scale redemptions on the amount of overdrafts granted to mutual funds, thereby impacting available cash.

The Bank's treasury must also hold sufficient liquidity with the Banque de France and banking correspondents to meet expected operational requirements and unexpected cash outflows.

Edmond de Rothschild (France) also pays careful attention to diversifying its funding sources, which is one of the foundations of its liquidity risk management policy. The Bank's liquidity is monitored through a liquidity policy.

The table below shows the diverse nature of its funding sources at 31 December 2021 (excluding current accounts):

[2] Short-term liquidity management is handled by the Capital Markets Department, which takes care of funding the Bank's various entities and investing surplus cash.

In € millions	31/12/2021
Cash advances	987.50
Time deposits	83.50
Certificates of deposit	175.30
Structured EMTNs	295.20

Liquidity coverage ratio (LCR)

The LCR (Liquidity Coverage Ratio) is established in accordance with the European rules of Delegated Act 2015/61. It stood at 168.8% at 31 December 2021 at the Edmond de Rothschild (France) level.

The information used for the disclosure of this ratio is based on the Swiss reporting standards that the "head of the Edmond de Rothschild (Suisse) group" is subject to (see FINMA Circular 2016-01 - Table 48).

The values displayed correspond to the averages of the monthly points for 2021 (weighted average of monthly values before and after weighting).

A summary table below shows the quarterly averages for 2021.

		Average quarterly points for 2021	
In thousands of euros		Unweighted values	Weighted values
High-quality liquid assets (HQLA)			
1	**Total high-quality liquid assets (HQLA)**		**2.004.021**
Cash outflows			
2	**Retail deposits**	**340.396**	**31.977**
3	of which stable deposits	136.716	6.836
4	of which less stable deposits	170.422	24.124
5	**Unsecured wholesale funding**	**1.993.534**	**1.130.138**
6	Of which operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Of which non-operational deposits (all counterparties)	1.993.534	1.130.138
8	Of which unsecured debt		
9	Secured wholesale funding and collateral swaps		
10	**Additional requirements**	**1.310.991**	**975.999**
11	of which outflows related to derivative exposures and other collateral requirements	904.311	904.311
12	Of which outflows related to loss of funding on asset-backed securities, covered bonds and other structured financing instruments, asset-backed commercial paper, conduits, securities investment vehicles and other such financing facilities	23.139	23.139
13	Of which outflows related to committed credit and liquidity facilities	383.541	48.549
14	Other contractual funding obligations		
15	Other contingent funding obligations		
16	**Total cash outflows**		**2.138.114**
Cash inflows			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	61.127	57.983
19	Other cash inflows	843.248	843.248
20	**Total cash inflows**	**904.024**	**900.880**
21	Total high-quality liquid assets (HQLA)		2.004.021

In thousands of euros		Average quarterly points for 2021 Unweighted values	Weighted values
22	Total net cash outflows		1.237.234
23	**Liquidity coverage ratio (%)**		**161.99%**

Below is a breakdown of the quarterly averages:

In thousands of euros		Q1 2021	Q2 2021	Q3 2021	Q4 2021
24	Total high-quality liquid assets (HQLA)	1.628.780	1.880.827	2.191.260	2.315.217
25	Total net cash outflows	1.009.455	1.149.242	1.381.475	1.408.765
26	**Liquidity coverage ratio (%)**	**161.5%**	**163.7%**	**158.6%**	**164.2%**

Net Stable Funding Ratio (NSFR)

The NSFR (Net Stable Funding Ratio) is established in accordance with the European rules of Delegated Act 2019/876. It stood at 167.27% at 31 December 2021 at the Edmond de Rothschild (France) level. It has been required since 28 June 2021 following the implementation of CRR2.

		Unweighted value by residual maturity				
In thousands of euros		No maturity date	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
Available stable funding items						
1	**Capital items and instruments**				**397.426**	
2	Own funds				397.426	397.426
3	Other capital instruments					
4	Retail deposits		362.512			326.261
5	Stable deposits					
6	Less stable deposits		362.512			326.261
7	**Wholesale funding:**		**3.147.993**	**274.535**	**167.495**	**1.545.016**
8	Operational deposits		875.184	89.006	24.457	506.552
9	Other wholesale funding		2.272.809	185.528	143.039	1.038.464
10	**Interdependent liabilities**					
11	**Other liabilities:**		**318.368**			
12	NSFR derivative liabilities					
13	All other liabilities and capital instruments not included in the above categories.		318.368			
14	**Total available stable funding**		**3.828.873**	**274.535**	**564.921**	**2.268.703**
Required stable funding items						
15	Total high-quality liquid assets (HQLA)		394			
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool					
16	Deposits held at other financial institutions for operational purposes					
17	**Performing loans and securities:**		**1.051.920**	**126.744**	**305.465**	**784.240**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut.					

	In thousands of euros	Unweighted value by residual maturity: No maturity date	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions					
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:					
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
22	Performing residential mortgages, of which:		25.328	4.282	179.430	131.435
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		25.328	4.282	179.430	131.435
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		1.026.592	122.462	126.035	652.805
25	Interdependent assets					
26	**Other assets:**					
27	Physical traded commodities					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets		18.708			18.708
30	NSFR derivative liabilities before deduction of variation margin posted		9.316			466
31	All other assets not included in the above categories		2.633.195	-	529.255	529.270
32	**Off-balance sheet items**		**176.902**	**200.635**	**95.557**	**23.655**
33	**Total Required Stable Funding**		**3.890.435**	**327.378**	**930.277**	**1.356.339**
34	**Net Stable Funding Ratio (%)**					**167.27%**

Compliance, reputational and legal risks

Compliance and permanent control system

An independent compliance and permanent control organisation has been set up within the Edmond de Rothschild (France) Group's various business lines in order to carry out ongoing monitoring of risks related to non-compliance with legal rules relating to banking and financial activities.

The Compliance and Permanent Control Department reports to Edmond de Rothschild (France)'s Executive Board and to Edmond de Rothschild (Suisse)'s Group Compliance Officer.

The main role of the Compliance and Permanent Control Department is to define compliance and AML/CFT (anti-money laundering and combating the financing of terrorism) arrangements, to ensure their implementation and to check their application.

Compliance system

The aim of the compliance system is to advise Senior Management and staff members and help them to determine, manage and limit risks relating to non-compliance with rules in force (compliance risk). For that purpose, the Compliance and Permanent Control Department has adopted specific procedures for examining compliance risk, particularly in relation to:

- initiating relationships with third parties (clients, distributors, business providers, market intermediaries). These procedures include ex-ante checks on know-your-customer (KYC) documentation and checks on the suitability of the service offered,
- new product launches or significant changes to existing products,
- checks regarding conduct rules applicable to staff members and the Group,
- checks on the compliance arrangements of subsidiaries and of the branch,
- management of any conflicts of interest,
- the detection and disclosure of transactions that may constitute insider dealing or market manipulation,
- disclosure by staff members of any questions they may have about possible breaches of compliance obligations,
- the anti-corruption code.

The procedure relating to conflicts of interest allows all staff members to inform their compliance unit about a conflict of interest. As regards the detection and disclosure of transactions that may constitute insider dealing or market manipulation. The Compliance and Permanent Control Department has adopted automated tools that help it with its analysis and checks. The whistleblowing procedure allows any staff member to report queries about possible breaches to the compliance unit of the entity or business line to which they belong. When the breach is proven, the Compliance Department decides on the subsequent actions to propose to Senior Management. The whistleblowing system was adjusted in 2018 in line with the new provisions of France's Sapin 2 act.

In addition, as a financial institution, Edmond de Rothschild (France) makes tax-related regulatory disclosures to France's directorate-general of public finances (DGFIP) under the FATCA and AEoI intergovernmental agreements and under European Directive (EU) 2018/822 ("DAC 6") on the mandatory automatic exchange of information relating to cross-border arrangements. Documents collected when clients open accounts include information required for determining the client's status and for disclosures. Changes in circumstances are monitored when updating client information or when US indications of a change in tax residence are detected.

The system is supplemented by staff training and is in addition to the AML-CFT system, which includes tax fraud as one of its transaction monitoring and suspicious transaction reports criteria.

The system also includes staff training regarding efforts to combat market abuse and corruption.

The results of compliance checks are disclosed in reports presented to the Executive Board, Audit Committee and Supervisory Board every quarter. A quarterly report and an annual report are also sent to Edmond de Rothschild (Suisse) as part of Compliance work.

Anti-money laundering/combating the financing of terrorism (AML/CFT)

The Compliance and Permanent Control Department is in charge of setting up the AML/CFT system. There are TRACFIN correspondents within the Compliance and Permanent Control Department and in each Group company. They are in charge of carrying out any suspicious transaction reports.

The system includes:

- drafting internal procedures,
- training employees and raising their awareness about these issues,
- setting up and monitoring tools that allow the detection of suspicious transactions, along with people and entities subject to freezing orders,
- checks that subsidiaries and branches located abroad comply with their vigilance obligations,
- regular reviews of the system.

Internal control within each Group company includes AML/CFT checks as part of its annual control plan. Progress with the control plan and the results of those controls are sent to the Compliance and Permanent Control Department.

In 2021, the focus was on monitoring Group risk indicators and introducing new risk indicators established by Edmond de Rothschild (Suisse). All AML-CFT surveillance systems were updated.

Internal control system

This system is subject to cross-functional monitoring of internal control work done by Edmond de Rothschild (France) entities, through a network of internal controllers. That work is carried out according to a standardised method, in particular by using a Group tool.

Operational risk management controls are implemented in two stages. The first stage consists of identifying, based on the risk map, the Group procedures that present the highest risks, along with the associated first-level controls.
The second stage consists of preparing, on that basis, annual control plans aiming to ensure adequate coverage of risks and identified first-level controls.

Controls carried out by internal controllers are the subject of reports, which may include recommendations to be acted on by operational staff members.

Finally, progress with control plans and the results of those controls are sent every quarter to the Executive Board and the Risk Committee. The results of controls are also taken into account when the operational risk map is updated.

Appendices

Composition of regulatory capital

This table sets out the composition of regulatory capital according to the requirements of Commission Implementing Regulation (EU) No 2021/637 applicable from 28 June 2021.

In thousands of euros		31/12/2021
Common Equity Tier 1 capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	181,320
2	Retained earnings	204.145
3	Accumulated other comprehensive income (and other reserves - include unrealised gains and losses according to the applicable accounting rules)	9.529
EU-3a	Funds for general banking risk	-
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1	-
5	Minority interests (amount allowed in consolidated CET1)	-
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	394.994
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-
8	Intangible assets (net of related tax liability) (negative amount)	-74.441
9	Not applicable	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-
12	Negative amounts resulting from the calculation of expected loss amounts	-
13	Any increase in equity that results from securitised assets (negative amount)	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-
15	Defined-benefit pension fund assets (negative amount)	-
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-22.959
20	Not applicable	-
EU-20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-
EU-20b	of which qualifying holdings outside the financial sector (negative amount)	-
EU-20c	of which securitisation positions (negative amount)	-
EU-20d	of which free deliveries (negative amount)	-

21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-
22	Amount exceeding the 17.65% threshold (negative amount)	-
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those	-
24	Not applicable	-
25	of which deferred tax assets arising from temporary differences	-
EU-25a	Losses for the current financial year (negative amount)	-
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-
26	Not applicable	-
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-
27a	Other regulatory adjustments	
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	-97.400
29	Common Equity Tier 1 (CET1) capital	297.594
Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	-
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	243
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-
35	of which instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 (AT1) capital before regulatory adjustments	243
Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds	-
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
41	Not applicable	-
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-
42a	Other regulatory adjustments to AT1 capital	-
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-
44	Additional Tier 1 (AT1) capital	243
45	Tier 1 capital (T1 = CET1 + AT1)	297.837
Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	-

47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	2.189
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-
49	of which instruments issued by subsidiaries subject to phase out	-
50	Credit risk adjustments	-
51	Tier 2 (T2) capital before regulatory adjustments	-
Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
54a	Not applicable	-
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
56	Not applicable	-
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-
EU-56b	Other regulatory adjustments to T2 capital	-
57	Total regulatory adjustments to Tier 2 (T2) capital	-
58	Tier 2 (T2) capital	2.189
59	**Total capital (TC = T1 + T2)**	**300.026**
60	**Total risk weighted assets**	**1.596.155**
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.64%
62	Tier 1 (as a percentage of risk exposure amount)	18.66%
63	Total capital (as a percentage of risk exposure amount)	18.80%
64	Institution CET1 overall capital requirements	111.996
65	of which capital conservation buffer requirement	39.904
66	of which countercyclical buffer requirement	265
67	of which systemic risk buffer requirement	-
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	-
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	62.4%
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-

73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-
74	Not applicable	-
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangement	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Main features of regulatory own funds instruments

This template sets out the features of regulatory capital instruments in accordance with Commission Implementing Regulation (EU) No 2021/637 applicable from 28 June 2021.

Main features of regulatory own funds instruments		
1	Issuer	EdR France
2	Unique identifier	FR0010484410
3	Governing law(s) of the instrument	French
	Regulatory treatment	
4	Transitional CRR rules	Super-subordinated notes partially maintained under AT1 in accordance with Article 485 of the CRR
5	Post-transitional CRR rules	Super-subordinated notes reclassified as Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Eligible at the sub-consolidated EdR France level
7	Instrument type	Subordinated debt securities
8	Amount recognised in regulatory capital	€2.432 million, i.e. 10% under AT1 (€0.243 million) and 90% under T2 (€2.189 million)
9	Nominal amount of instrument	€50 million
10	Accounting classification	Subordinated debt
11	Original date of issuance	Juin 2007
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	YES
15	Optional call date, contingent call dates and redemption amount	Partial redemption of €29 million in August 2013 Unexercised call option in June 2017, repurchase price of 100% plus annual coupon of 6.36%
16	Subsequent call dates, if applicable	Quarterly post-June 2017
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed until 2017 then floating
18	Coupon rate and any related index	Fixed coupon of 6.364% until 15/06/2017 then 3M Euribor + 2.65%
19	Existence of a dividend stopper	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	MANDATORY
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	MANDATORY
21	Existence of step up or other incentive to redeem	YES
22	Cumulative or non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
30	**Write-down features**	
31	If write-down, write-down trigger(s)	Write-down in August 2013 following contact with one of the holders
32	If write-down, full or partial	Partial write-down of €29 million in August 2013
33	If write-down, permanent or temporary	Permanent write-down of €29 million in August 2013
34	If temporary write-down, description of write-up mechanism	
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Holders of the instrument will be paid after other creditors but before holders of participating loans or participating securities
36	Non-compliant transitioned features	NO

Countercyclical buffer

The calculation and amount of Edmond de Rothschild (France)'s countercyclical buffer are presented in the following tables in accordance with Commission Delegated Regulation (EU) 2021/637 of 15 March 2021 applicable from 28 June 2021.

Edmond de Rothschild (France)'s countercyclical capital buffer

		31/12/2021
In thousands of euros		Amount
10	Total weighted risk exposure amount	1.596.155
20	Institution specific countercyclical buffer rate	0.017%
30	**Institution specific countercyclical buffer requirement**	**265**

At 31 December 2021, Edmond de Rothschild (France)'s countercyclical capital buffer rate was 0.017%.

The countercyclical capital buffer is calculated as the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of Edmond de Rothschild (France) are located.

The weight applied to the countercyclical buffer rate in each country is the proportion of total own funds requirements represented by own funds requirements relating to credit exposures in the territory in question.

In the context of the Covid-19 crisis, many countries have reduced the countercyclical buffer rate applicable to relevant credit exposures located in their territory.

At 31 December 2021, Edmond de Rothschild (France)'s countercyclical capital buffer rate of 0.017% is explained by the rates applicable in Luxembourg (0.5%), Hong Kong (1%), Norway (1%), Czech Republic (0.5%), Slovakia (1%) and Bulgaria (0.5%).

This rate is expected to be around 0.02% at 31 December 2022 due to the activation or increase in requirements announced by certain European countries.

Geographical breakdown of credit exposures relevant for the calculation of the countercyclical capital buffer

.	General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value for IRB approach	Sum of long and short exposures of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB approach	Of which general credit exposures	Of which trading book exposures	Of which securitisation exposures	Total		
In thousands of euros	10	20	30	40	50	60	70	80	90	100	110	120
10 Breakdown by												
Europe	**4.012.988**	**-**	**-**	**-**	**-**	**-**	**74.598**	**-**	**-**	**74.598**	**0.95**	
of which France	3.790.965	-	-	-	-	-	60.025	-	-	60.025	0.77	0.00%
of which Italy	56.778	-	-	-	-	-	3.538	-	-	3.538	0.05	0.00%
of which	38.042	-	-	-	-	-	2.600	-	-	2.600	0.03	0.50%
of which Monaco	54.813	-	-	-	-	-	6.918	-	-	6.918	0.09	0.00%
of which Belgium	10.081	-	-	-	-	-	37	-	-	37	0.00	0.00%
of which	13.734	-	-	-	-	-	811	-	-	811	0.01	0.00%
of which Portugal	3.661	-	-	-	-	-	81	-	-	81	0.00	0.00%
of which United	29.643	-	-	-	-	-	235	-	-	235	0.00	0.00%
of which Germany	10.701	-	-	-	-	-	267	-	-	267	0.00	0.00%
of which the	731	-	-	-	-	-	12	-	-	12	0.00	0.00%
of which Sweden	209	-	-	-	-	-	3	-	-	3	0.00	0.00%
of which Norway	2	-	-	-	-	-	-	-	-	-	0.00	1.00%
North America	**13.190**	**-**	**-**	**-**	**-**	**-**	**1.358**	**-**	**-**	**1.358**	**0.02**	
Asia-Pacific	**13.979**	**-**	**-**	**-**	**-**	**-**	**1.024**	**-**	**-**	**1.024**	**0.01**	
of which China	12.348	-	-	-	-	-	985	-	-	985	0.01	0.00%
of which	590	-	-	-	-	-	27	-	-	27	0.00	0.00%
Rest of the world	**11.987**	**-**	**-**	**-**	**-**	**-**	**1.400**	**-**	**-**	**1.400**	**0.02**	
of which Israel	6.065	-	-	-	-	-	254	-	-	254	0.00	0.00%
20 Total	**4.052.144**	**-**	**-**	**-**	**-**	**-**	**78.380**	**-**	**-**	**78.380**	**1.00**	**0.017%**

Leverage ratio - joint declaration

In thousands of euros		31/12/2021
1	Total assets as per published financial statements	4.667.568
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	44.342
9	Adjustments for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	224.900
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	-93.711
13	**Total exposure measure for the leverage ratio**	**4.843.099**

	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4.640.751
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	2.930
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-
5	(General credit risk adjustments to on-balance sheet items)	-
6	(Asset amounts deducted in determining Tier 1 capital)	-97.400
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**4.546.281**

	Derivative exposures	
8	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	38.092
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transaction	33.826
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-
EU-9b	Exposure determined under Original Exposure Method	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-

11	Adjusted effective notional amount of written credit derivatives	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
13	**Total derivative exposures (sum of rows 4 to 10)**	**71.918**
	SFT exposures	
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
16	Counterparty credit risk exposure for SFT assets	-
EU-16a	Derogation for SFTs: Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-
17	Agent transaction exposures	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-
18	Total securities financing transaction exposures	-
	Other off-balance-sheet exposures	
19	Off-balance sheet exposures at gross notional amount	478.653
20	(Adjustments for conversion to credit equivalent amounts)	-253.753
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-
22	**Other off-balance sheet exposures (sum of lines 19 and 21)**	**224.900**
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-
EU-22k	**(Total exempted exposures)**	
	Capital and total exposure measure	
23	Tier 1 capital	297.837
24	Total exposure measure	4.843.099
	Leverage ratio	
25	Leverage ratio (%)	6.15%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	6.15%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	6.15%
26	Regulatory minimum leverage ratio requirement (%)	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%

EU-26b	of which: to be made up of CET1 capital	0.00%
27	Leverage ratio buffer requirement (%)	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%