2015 Annual Report

Edmond de Rothschild (France)

47, rue du Faubourg Saint-Honoré - 75401 Paris Cedex 08, France
Telephone : +33 (0)1 40 17 25 25
Fax : +33 (0)1 40 17 24 02
Telex : Lacof 280 585 - Swift : COFIFRPP
Website: www.edmond-de-rothschild.fr
A public company with executive and supervisory boards and capital of €83,075,820
R.C.S. Paris B 572 037 026
Code NAF 2 : 6419 Z

Contents

Letter from Ariane and Benjamin de Rothschild

to the Annual General Meeting of Shareholders

Global economic growth shifted down a further notch in 2015, responding to the slowdown in emerging markets. China was, of course, at the forefront of concerns because of the debt burden carried by Chinese corporations. But thankfully, changes are afoot in China: the focus of growth is shifting towards consumer spending and the services industry, which is fundamentally a good sign that the economy is coming of age. The downside is that China's unshackling of its financial markets has made the transition process less stable and fuelled volatility in financial markets.

Last year, price swings in financial assets were also exacerbated by US monetary policy. As the Federal Reserve pondered its options at length, emerging economies felt the squeeze and also suffered from falling commodity prices. By contrast, the ECB acted with determination, reviving economic growth in spite of the political issues that the euro area is facing.

2015 showed how important it is to factor the behaviour of monetary authorities into economic analysis. More than ever, central banks were the prime movers behind asset prices. Some even adopted negative interest rates, which would have been inconceivable not so long ago.

We must get used to this new economic and financial order. Events and circumstances must be seen in a different light, and different 'tools of the trade' are needed. Economies have always been cyclical, but what were once mere upswings and downswings have become boom-and-bust cycles, occurring in quicker succession. Part of the explanation is central bank intervention but another is technological innovation, which is speeding up the pace of change as well as breaking down barriers between once-distinct industries and products, all within a marketplace that has become global in every sense of the word.

We live in a world where disruption has become the norm and adaptability a prerequisite for success.

More than any other sector, the financial services industry has had to ring the changes and become more accountable –sometimes at the behest of governments and regulators, and sometimes just because it was the right thing to do.

We expect upheavals to continue, but they also offer a unique opportunity for our Group. In fact, only those banks that can capitalise on change, by moving with the times, laying a long-term foundation and innovating, will succeed in tomorrow's world.

The more exacting the requirements, the higher the industry's standards will be, and the better the situation will be for independent niche operators like the Edmond de Rothschild Group.

Last year represented a further milestone in our plans. By taking back executive management of the Group, we have placed business development and client acquisition at the centre of our shared and individual priorities.

Of this we have always been sure: if we want to influence existing and potential clients and heighten our attractiveness in their eyes, our Group must be united. At no time has that been truer than in today's testing times. Furthermore, our scale grants us an advantage in an industry that is still trying to find its feet. We play to our strengths by emphasising what sets us apart.

Our expertise and approachability are enabling us to attract new clients and retain existing ones. Recent advances in the areas of economic research, real-estate investment and private equity have further reinforced our distinctiveness.

We are renowned not only for our high-calibre staff but also for our competitive spirit. We are making the most of our diversity and investing in the financial expertise and leadership skills of our employees, so that we stay ahead of changes in markets and shifts in client expectations. The ingredients of our success, to date, have been a passion for excellence, corporate accountability, a people-centred philosophy and a commitment to the long term. By affirming the progressive attitude and boldness that are part of our Group's culture, we are giving a tangible expression to the time-honoured Rothschild tradition.

In 2015, the Edmond de Rothschild Group's net inflows exceeded the historic milestone of CHF10 billion. Returns on assets were kept intact despite the volatile state of markets, the relentless pressure on our margins and the Swiss National Bank's decision to abandon the minimum exchange rate.

In all our geographical locations, our financial results show that we are resilient, committed to modernisation and ready to take the fight to the competition. And we are collectively dedicated to the development of our business activities.

In 2016, there will be challenges but we have also set our sights high. We see an opportunity to forge even closer links with our clients by ensuring that their investments fulfil the goals they have set and achieve the returns they desire, notwithstanding the current turbulent conditions.

We are resolutely optimistic for the future.

A. de Rothschild

Ariane de Rothschild
Chairwoman of the Group Executive Committee

Benjamin de Rothschild

Benjamin de Rothschild
Chairman of the Edmond de Rothschild Group

Key figures

Edmond de Rothschild Group

31 December 2015

EDMOND DE ROTHSCHILD: UNIQUE AMONG BANKS

The Edmond de Rothschild Group is uniquely positioned in the world of finance. We are fully in tune with the new global paradigm but, at the same time, we cultivate values that have fallen by the wayside at many other banks. The family tradition gives the Group an acute sense of what the "long term" means, as reflected in the way we manage clients' assets: creativity does not preclude cautiousness; and while our business may break new ground, risk is always well managed.

We have strong positions in Private Banking and Asset Management – our two core businesses – and we also operate in Corporate Finance, Private Equity and Institutional & Fund Services.

THE EDMOND DE ROTHSCHILD GROUP TODAY

We provide a bespoke service for an international client base consisting of wealthy families, entrepreneurs and major institutions.

OUR LINES OF BUSINESS

Private Banking
Corporate Finance

Asset Management
Private Equity
Institutional & Fund Services

OUR STRENGTHS

- The stability and solidity of an independent financial group
- Unsurpassed attention to individual client needs combined with global expertise
- Services tailored to latest economic developments – the result of in-depth, proactive analysis
- Access to a comprehensive range of financial products and services

THE EDMOND DE ROTHSCHILD GROUP IN FIGURES

CHF163 billion in assets under management (€150 billion)

48% Private Banking
➩ CHF77.2 billion under management (€71.7 billion)

52 % Asset Management
➩ CHF84.9 billion under management (€78.4 billion)

23,8% Ratio de solvabilité (ratio FINMA)

2,800 employees at 31 December 2015

GLOBALLY ACTIVE

Americas

The Bahamas
Brazil [1]
Chile
Uruguay

Europe and Mediterranean Basin

Germany
Belgium
Spain
France
Guernsey
Italy
Israel
Luxembourg
Monaco
Portugal
United Kingdom
Switzerland

Asia and Midlle East

China/Hong Kong
United Arab Emirates
Japan [1]

[1] Partnership ventures

Key figures

Edmond de Rothschild (France)

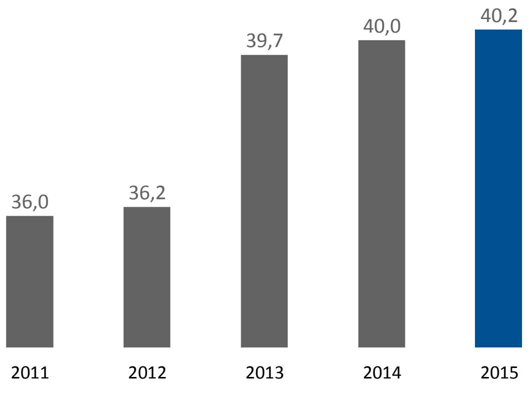
31 december 2015

Shareholder base at 31 December 2015

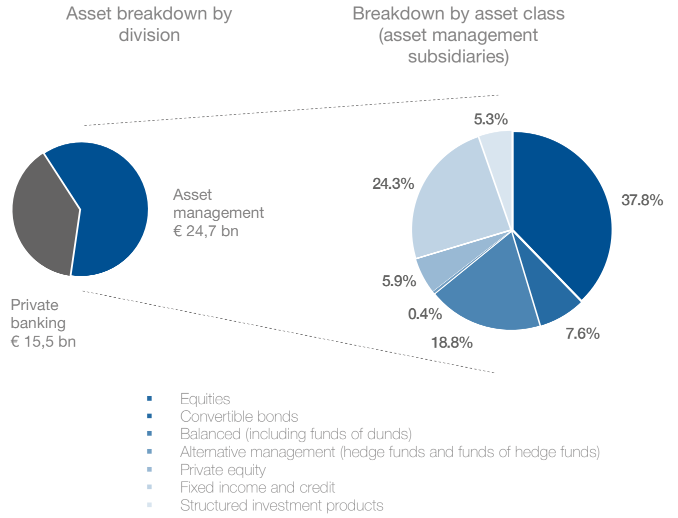
Edmond de Rothschild (France) is 88.65%-owned by Edmond de Rothschild S.A., the French holding company of the Edmond de Rothschild group. Caisse de dépôt et placement du Québec is also a shareholder in Edmond de Rothschild (France), with an interest of 10.42%. The remaining equity is primarily held by the Bank's workforce.

Total assets under management

In billions of euros



Breakdown of assets managed by division and asset class (asset management subsidiaries)



Locations in France

France
Bordeaux, Lille, Lyon, Marseille, Nantes, Paris, Strasbourg and Toulouse

CONSOLIDATED HIGHLIGHTS (in millions of euros)

Balance sheet	2013	2014	2015
Total assets	2.264	2.223	2.553
Group share of shareholders' equity*	319	343	344
Client loans	473	510	550
Client deposits	1.273	1.063	1.195

The robustness of the Bank's financial position was reflected in Tier One and Core Tier One** capital adequacy ratios of 18.20% and 17.75%, respectively, at the end of 2015. The minimum regulatory requirement is 8%.
The Liquidity Coverage Ratio (LCR), which is the EU standard, stood at 182.2% compared with a minimum regulatory requirement of 60%.

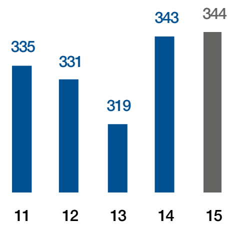
Income statement	2013	2014	2015
Net banking income	315	327	315
Gross operating income	32	27	33
Net income	25	26	33
of which attributable to equity holders of the parent	*20*	*22*	*31*
Average headcount (number)	**910**	**895**	**890**

* Excluding net income for the year.

** These ratios are calculated in accordance with prudential regulations on the basis of the consolidated equity of Edmond de Rothschild S.A., the Bank's parent company.

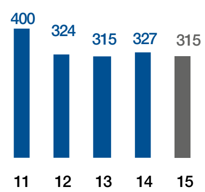
Equity attributable To equity holders of the parent*

In millions of euros



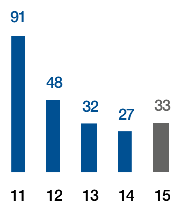
Net banking income

In millions of euros



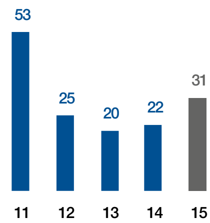
Gross operating income

In millions of euros

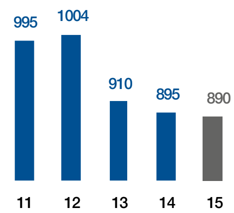


Net income Attributable to equity Holders of the parent

In millions of euros



Average headcount (number)



* Excluding net income for the year.

Management Report

Governance

Edmond de Rothschild (France) is a limited company governed by a Supervisory Board and an Executive Board. This two-tier structure satisfies the corporate-governance principles of the Group, wherein the executive management of a company must be separate from oversight tasks.

SUPERVISORY BOARD

Chairman
Benjamin de Rothschild

Deputy Chairman
René de La Serre

Members
Ariane de Rothschild
Véronique Morali
Louis-Roch Burgard
Jean Dumoulin
Jean Laurent-Bellue
Daniel Trèves
Christian Varin
Edmond de Rothschild S.A. (until 22 May 2015)
représentée par Christophe de Backer (until 31 January 2015)

Non-Voting Member
François Boudreault

Secretary
Patricia Salomon

EXECUTIVE BOARD

Chairman
Vincent Taupin

Members
Jean-Hervé Lorenzi
Philippe Cieutat

AUDITORS

Statutory Auditors
Cabinet Didier Kling & Associés
PricewaterhouseCoopers Audit

Alternate Auditors
Dominique Mahias
Boris Etienne

STANDING COMMITTEES IN SUPPORT OF THE SUPERVISORY BOARD

THE AUDIT COMMITTEE

The Audit Committee takes its members from the Supervisory Board. It meets at least once a quarter and is convened by its Chairman. It may request any information or personal testimony that it requires or deems helpful for the fulfilment of its duties.

The Audit Committee, which currently comprises Jean Laurent-Bellue (Chairman), Véronique Morali, Jean Dumoulin and Louis-Roch Burgard, is chiefly tasked with:

— ensuring that the accounting policies adopted for drawing up the parent-company and consolidated financial statements are relevant and applied consistently year after year, and verifying the relevance of the accounting standards applied;
— examining, before presentation to the Supervisory Board, the parent-company and consolidated financial statements as well as budgets and forecasts;
— overseeing quality and compliance with internal control procedures and appraising the information received from senior management, in-house committees, and internal and external auditors;
— examining the Internal Audit Department's annual audit plan before approval is given by the Board;
— ensuring compliance with applicable statutory and regulatory provisions;
— conducting a broad assessment of the risk control framework.

The Audit Committee last year met before each meeting of the Supervisory Board. It prepared a working schedule, with the March and September meetings being devoted to examining the financial statements and holding discussions with the Auditors. The other two meetings involved risk assessments, auditing work and internal controls. The Audit Committee reports its actions, opinions and recommendations to the Supervisory Board.

THE REMUNERATION COMMITTEE

The Remuneration Committee takes its members from the Supervisory Board. It meets at least once a year and is convened by its Chairman or the Secretary of the Supervisory Board at the request of the Supervisory Board's Chairman. The Remuneration Committee, which currently comprises Benjamin de Rothschild (Chairman), Ariane de Rothschild, Véronique Morali and Christian Varin, is chiefly tasked with:

— making recommendations to the Supervisory Board on all components of remuneration regarding every member of the Company's Supervisory and Executive Boards;
— commenting on the Company's remuneration policy to the Supervisory Board and expressing any recommendations that it may have regarding existing systems of remuneration and profit-sharing.

Last year, the Remuneration Committee examined the Bank's remuneration policy, which was then submitted to the Supervisory Board, and reviewed compensation-related measures in accordance with the applicable regulations.

Terms of office

It is recommended that, at the Annual General Meeting, shareholders should renew the terms of office of Supervisory Board members Jean Dumoulin, and that of non-voting member François Boudreault, both of which are expiring.
A list of all members of the Supervisory and Executive Boards of the Bank, together with duties performed in other companies during 2015, is shown below.

SUPERVISORY BOARD

Benjamin de Rothschild

• Chairman of:
— Edmond de Rothschild Holding S.A. *(Switzerland)*
— Holding Benjamin et Edmond de Rothschild, Pregny S.A. *(Switzerland)*
— Edmond de Rothschild (Suisse) S.A.
— Edmond de Rothschild (Europe) *(Luxembourg)* (until 28 April 2015)
— Edmond de Rothschild Asset Management (Suisse) S.A. (until 27 May 2015)
— The Caesarea Edmond Benjamin de Rothschild Development Corporation Ltd (Israël)
• Chairman of the Board of Directors of Edmond de Rothschild S.A.
• Chairman of the Supervisory Board of:
— Edmond de Rothschild (France)
— Société Française des Hôtels de Montagne (S.F.H.M.)
• Director of:
— La Compagnie Fermière Benjamin et Edmond de Rothschild S.A.
— La Compagnie Vinicole Baron Edmond de Rothschild S.A.
— Rothschild Continuation Holdings A.G. *(Switzerland))*
— La Compagnie Générale Immobilière de France (Cogifrance)
— EBR Ventures
• Member of the Supervisory Board of Domaines Barons de Rothschild (Lafite)

René de La Serre

• Deputy Chairman of Edmond de Rothschild (France)
• Director of:
— Edmond de Rothschild Holding S.A. *(Switzerland)*
— iDealwine S.A.
• Representative of Belgafond on the Board of Aluthéa S.A.S.

Ariane de Rothschild

• Chairwoman of:
— Edmond de Rothschild Communications S.A. *(Switzerland)*
— Administration et Gestion S.A. *(Switzerland)*
— Edmond de Rothschild (Europe) *(Luxembourg)* (since 28 April 2015; previous to this, she was Deputy Chairwoman)
• Deputy Chairwoman of the Board of Directors of:
— Edmond de Rothschild Holding S.A. *(Switzerland)* (until 1 February 2015)
— Edmond de Rothschild S.A.
— Holding Benjamin et Edmond de Rothschild Pregny S.A. *(Switzerland)*
— Edmond de Rothschild (Suisse) S.A.
— OPEJ
• Deputy Chairwoman of the Supervisory Board, Société Française des Hôtels de Montagne (S.F.H.M.)
• Honorary Deputy Chairwoman of IT Capital Partners *(UK)*
• Director of:
— Baron et Baronne Associés (holding company of S.C.B.A. Société Champenoise des Barons Associés)
— Edmond de Rothschild Private Equity S.A. *(Luxembourg)*
• Member of the Supervisory Board of:
— Edmond de Rothschild (France)
— SIACI Saint-Honoré (until 6 May 2015)
— Milestone

Louis-Roch Burgard

• Member of the Supervisory Board, Edmond de Rothschild (France)
• Director of:
— Macquarie Autoroutes de France (since 19 February 2015)
— Eiffarie (since 20 February 2015)
— APRR (since 20 February 2015)
— AREA (since 20 February 2015)
— ADELAC (since 16 April 2015)

Jean Dumoulin

- Member of the Supervisory Board, Edmond de Rothschild (France)
- Non-voting board member, Edmond de Rothschild Asset Management
- Member of the Independent Review Committee (IRC) of *Fonds de Placement de la Corporation de Services du Barreau du Québec (Canada)*

Jean Laurent-Bellue

- Deputy Chairman of the Supervisory Board of:
— Milestone (until 6 May 2015)
- Member of the Supervisory Board of:
— Edmond de Rothschild (France)
— KPMG S.A.
— KPMG Associés
- Director of:
— Edmond de Rothschild Holding S.A. *(Switzerland)* (since 18 June 2015)
— Edmond de Rothschild (Suisse) S.A.
— Holding Benjamin et Edmond de Rothschild – Pregny S.A. *(Switzerland)*
— Edmond de Rothschild S.A.
— Rotomobil
- Member of the Supervisory Board of:
— Sisaho International (since 6 May 2015)
— Siaci Saint-Honoré (since 20 July 2015)
- Non-excutive Director of RIT Capital Partners plc *(UK)*

Véronique Morali

- Chairwoman of Executive Board, Webedia
- Chairwoman of:
— Fimalac Développement *(Luxembourg)*
- Director and Deputy Chairwomen of Fitch Group, Inc. *(USA)*
- Director of:
— Edmond de Rothschild Holding S.A. *(Switzerland)*
— Edmond de Rothschild S.A.
— Coca-Cola Enterprises Inc. *(USA)*
— Fitch, Inc. *(USA)* (term ending in 2015)
— SNCF Mobilités (since 16 July 2015)
- Member of the Supervisory Board of:
— Publicis Groupe
— Edmond de Rothschild (France)
- Manager of:
— Fimalac Tech Info (until 11 September 2015)
— Fimalac Services Financiers (until 11 May 2015)
- Board member ot the following non-profit organisations or charities :
— Founding Chairwoman of Force Femmes (terms ending in 2015)
— Founding Chairwoman of Terrafemina
— Réunion des Musées Nationaux et du Grand Palais des Champs-Elysées (term ending in 2015)

Daniel Trèves

- Board chairman of EDRRIT Limited *(UK)* (since 11 May 2015)
- Director of:
— Huniel Conseil *(Switzerland)*
— Edmond de Rothschild (Europe) *(Luxembourg)* (until 28 April 2015)
— Compagnie Benjamin de Rothschild Conseil S.A. *(Switzerland)*
— Associated Investors *(British Virgin Islands)*
— Rolex Holding *(Switzerland)*
— Rolex S.A. *(Switzerland)*
— Edmond de Rothschild Private Equity (Luxembourg)
- Member of the Supervisory Board, Edmond de Rothschild (France)

Christian Varin

- Director of:
— Aminter *(Belgium*
— Groupe Josi *(Belgium)*
— Helse
— AEA *(Singapore)*
— Yareal *(Netherlands)*
— Gingko *(Luxembourg)*
— Edmond de Rothschild S.A.
— Edmond de Rothschild (Europe) *(Luxembourg)*
- Member of the Supervisory Board of:
— Edmond de Rothschild (France)
— Edmond de Rothschild Private Equity (France)

Edmond de Rothschild S.A.

- Director of:

— Cogifrance

— Financière Eurafrique

- Member of the Supervisory Board, Edmond de Rothschild (France) (until 22 May 2015)

Christophe de Backer

- Chief Executive Officer of Edmond de Rothschild Holding SA *(Switzerland)* (jusqu'au 13.01.2015)
- Chairman of the Supervisory Board, Edmond de Rothschild Asset Management (France) (until 31 January 2015)
- Chairman of the Board Directors of:

— Edmond de Rothschild (Europe) *(Luxembourg)* (until 5 February 2015)

— Edmond de Rothschild (UK) Limited (until 26 January 2015)

— EDRRIT Limited *(UK)* (until 31 January 2015)

- Director of Edmond de Rothschild Private Equity S.A. *(Luxembourg)* (until 26 January 2015)
- Member of the Supervisory Board of:

— Siaci Saint-Honoré (until 30 January 2015)

— Milestone (until 30 January 2015)

- Permanent Representative of Edmond de Rothschild Holding S.A. on the Board of Directors of Edmond de Rothschild S.A. (until 31 January 2015)
- Permanent Representative of Edmond de Rothschild S.A. on the Supervisory Board of de Edmond de Rothschild (France) (until 31 January 2015)

EXECUTIVE BOARD

Vincent Taupin

- Chairman of the Executive Board, Edmond de Rothschild (France)
- Executive Manager of Edmond de Rothschild S.A.
- Chairman of the Board of Directors, Edmond de Rothschild (Italia) SGR SpA
- Chairman of the Supervisory Board, Edmond de Rothschild Corporate Finance
- Direcor of:

— Financière Boréale (previously, Chairman of the Board of Directors, until 26 May 2015)

— Edmond de Rothschild (Israel) Limited

— China Investment Partners (Hong Kong) Limited

— Groupement Immobilière et Financière

— France-Israël Chamber of Commerce and Industry

- Member of the Supervisory Board of Sisaho International (since 6 May 2015)
- Permanent Representative of Edmond de Rothschild (France) on the Supervisory Boards of:

— Edmond de Rothschild Asset Management (France)

— Edmond de Rothschild Assurances et Conseils (France)

— Edmond de Rothschild Private Equity (France)

- Permanent Representative of Edmond de Rothschild S.A. on the Board of Directors of Cogifrance
- Non-voting board member, Edmond de Rothschild Investment Partners (since 5 January 2015, previously member of the Supervisory Board

Jean-Hervé Lorenzi

- Member of the Executive Board, Edmond de Rothschild (France)
- Deputy Chairman of the Supervisory Board of:

— Edmond de Rothschild Asset Management (France)
— Edmond de Rothschild Investment Partners (since 5 January 2015, previously member of the Supervisory Board)
— Edmond de Rothschild Private Equity (France)

- Director of:

— BNP Paribas Cardif

- Member of the Supervisory Board of Euler Hermès
- Représentative of Edmond de Rothschild (France) on the Board of Directors of Fonds Stratégiques de Participations
- Manager of Edmond de Rothschild Europportunities Management II S.a.r.l.
- Non-voting board member of:

— Milestone (until 6 May 2015)
— Siaci Saint-Honoré (until 6 May 2015)

Philippe Cieutat

- Chairman of the Board of Directors, Financière Boréale (since 26 May 2015)
- Member of the Executive Board, Edmond de Rothschild (France)
- Deputy Executive Manager of Edmond de Rothschild S.A.
- Manager of CFSH Luxembourg Sarl (since 5 February 2015)
- Director of Edmond de Rothschild (Italia) SGR SpA (since 27 April 2015)

Report of the Executive Board

The first six months of 2015 were marked by sharp market gains whereas the rest of the year suffered the effects of the slump in Asia and the downswing on equity markets. In this volatile economic and financial context, the net income attributable to equity holders of Edmond de Rothschild (France) advanced by 39.7% to €30.6 million.

Assets under management ended the year 3.2% higher at €40.2 billion[1], up from €38.9 billion at the end of 2014 (based on an adjusted scope).
Following a net outflow of €1.3 billion in 2014, the net outflow of funds was limited to €0.3 billion in 2015, reflecting strong net new money of €1.2 billion in Private Banking but a net outflow of €1.3 billion from Asset Management and fund redemptions amounting to €0.1 billion in Private Equity.

[1] Including funds of the company Edmond de Rothschild Investment Partners, treated as an associate since 1 January 2015.

Additionally, financial markets ended the year higher than where they had started despite the drawdown in the final quarter of 2015, and this had a beneficial impact on the value of client assets in Asset Management and, to a lesser extent, in Private Banking as well.

The following results were affected by the change in consolidation method for Edmond de Rothschild Investment Partners, which has been treated as an associate since 1 January 2015 after being consolidated until 2014.
Furthermore, results in 2014 were impacted by exceptional items in 2014, chiefly the sale of EdR Capital Partners, a private equity firm, to Bridgepoint, organisational changes in Private Banking, and capital gains and impairment charges on the Private Equity portfolio. The following review, focusing on the profitability of each business segment, makes clear reference to these non-recurring items as well as to the change in consolidation method affecting Edmond de Rothschild Investment Partners.

In thousands of euros	2015	2014	Change (%)
Net banking income	**315.441**	**326.858**	**−3,5%**
Operating expenses	−282.627	−299.530	−5,6%
- Personnel expenses	*−157.059*	*−170.648*	
- Other operating expenses	*−106.774*	*−129.774*	
- Depreciation, amortisation and impairment	*−18.794*	*−40.874*	
Gross operating income	**32.814**	**27.328**	**20,1%**
Cost of risk	−1.256	243	
Operating income	**31.558**	**27.571**	**14,5%**
Share in net income of associates	9.824	5.431	
Net gains or losses on other assets	6.309	−4.649	
Changes in the value of goodwill	−1.671	−2.283	
Income (loss) before tax	**46.020**	**26.070**	**76,5%**
Income tax	−13.332	−232	
Net income	**32.688**	**25.838**	**26,5%**
Net income attributable to non-controlling interests	2.120	3.964	
Net profit - Recurring net profit of the Group	**30.568**	**21.874**	**39,7%**
Exceptional operations	-	-	
Net profit - Publishable net profit of the Group	**30.568**	**21.874**	**39,7%**
Cost income ratio*	83,6%	86,3%	

* Personnel expenses and other operating expenses as a percentage of net banking income (NBI).

NET BANKING INCOME

Net banking income fell 3.5% to €315.4 million in 2015 but advanced by 4.4% when adjusted for the disposal of Edmond de Rothschild Capital Partners and the change in consolidation method for Edmond de Rothschild Investment Partners.

This increase reflected the following contrasting developments:

- a 5.5% rise in management and advisory fees, driven by strong momentum in private banking and the positive outcome of risks relating to Chinagora in the context of asset management (see below for more details);
- a 4.3% advance in performance-related fees to €12.8 million, compared with €12.3 million in 2014;
- a 4.8% decline in transaction fees (including front-end fees);
- a sizeable increase in on-balance sheet business relative to 2014, resulting from a high level of currency transactions, a solid showing from lending operations and capital gains realised on the private-equity portfolio. The prior year was marked by impairment charges taken on some positions in the private equity portfolio;
- a higher contribution from corporate advisory services relative to 2014.

Gross margin came to 76bp, which was 5bp lower than in 2014. It was stable when adjusted for Edmond de Rothschild Investment Partners and Edmond de Rothschild Capital Partners.

OPERATING EXPENSES

Operating expenses totalled €282.6 million, a decline of 5.6% relative to 2014; these costs were stable, edging up by 0.4%, when adjusted for Edmond de Rothschild Investment Partners and Edmond de Rothschild Capital Partners.

Personnel expenses totalled €157.1 million, a decline of 8.0% relative to 2014; these costs edging down by 2.2% when adjusted for Edmond de Rothschild Investment Partners and Edmond de Rothschild Capital Partners.

Other operating expenses rose by 3.2% to €106.8 million, reflecting investments to develop the Israel private bank, asset management and the private-equity platform.

OPERATING INCOME

Based on the above net banking income and operating expenses, gross operating income amounted to €32.8 million versus €27.3 million in 2014. Adjusted for the contributions from Edmond de Rothschild Capital Partners and Edmond de Rothschild Investment Partners, gross operating income advanced by 59.5%. This resulted in a cost/income ratio of 84%, which was 2 percentage points lower than in 2014 (3 points excluding Edmond de Rothschild Investment Partners and Edmond de Rothschild Capital Partners).

Including a net cost of risk of -€1.2 million (+€0.2 million in 2014), consolidated operating income amounted to €32.7 million versus €25.8 million in 2014.

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The share in net income of associates increased by €4.4 million to €9.8 million. The increase in this income was chiefly the result of strong business momentum at Edmond de Rothschild (Monaco) and, to a lesser extent, Zhonghai FMC. Gains and losses on other assets comprised the capital gain arising from the change in consolidation method for Edmond de Rothschild Investment Partners (+€6.5 million).

Non-controlling interests amounted to €2.1 million, representing a decline relative to the previous year, following the buyout of minorities in Edmond de Rothschild Assurances et Conseils (France) in June 2015 and the deconsolidation and treatment of Edmond de Rothschild Investment Partners as an equity associate. The tax charge was €13.3 million, versus €0.2 million in 2014, for which non-recurring tax income of €11.3 million from the divestment of Edmond de Rothschild Capital Partners was entered.

Net income attributable to equity holders of the parent amounted to €30.6 million, which was 39.7% higher than in the previous year.

INCOME BY DIVISION

Profitability in the Private Banking division improved markedly in 2015. Income from the Asset Management division was steady over the full year, although this concealed strong momentum in the first six months followed by the impact of declining equity markets, beginning in the summer as Asian markets started to slump. The negative contribution from Private Equity reflected investments required to create a consistent business platform. Profitability increased for Other Activities and Proprietary Trading under the impetus of increased currency trading and the non-recurrence of exceptional items that had marked financial results in 2014.

SUMMARISED INCOME AND PROFITABILITY BY DIVISION

	Private Banking		Asset Management		Other Activities and Proprietary Trading		Group	
In thousands of euros	2015	2014	2015	2014	2015	2014	2015	2014
Net banking income	**98,786**	**93,335**	**182,828**	**32,349**	**30,081**	**21,405**	**315,441**	**326,858**
Operating expenses	(94,152)	(90,683)	(146,616)	(27,742)	(36,349)	(37,579)	(282,627)	(299,530)
- Personnel expenses:	*(56,735)*	*(56,419)*	*(77,175)*	*(14,525)*	*(20,652)*	*(24,387)*	*(157,059)*	*(170,634)*
. direct	*(42,869)*	*(41,621)*	*(56,321)*	*(11,770)*	*(14,901)*	*(21,856)*	*(116,309)*	*(129,760)*
. indirect	*(13,866)*	*(14,798)*	*(20,854)*	*(2,755)*	*(5,751)*	*(2,531)*	*(40,750)*	*(40,874)*
- Other operating expenses	*(29,627)*	*(26,773)*	*(60,869)*	*(12,554)*	*(13,337)*	*(11,710)*	*(106,774)*	*(111,527)*
- Depreciation, amortisation and impairment	*(7,790)*	*(7,491)*	*(8,572)*	*(663)*	*(2,360)*	*(1,482)*	*(18,794)*	*(17,369)*
Gross operating income	**4,634**	**2,652**	**36,212**	**4,607**	**(6,268)**	**(16,174)**	**32,814**	**27,328**
Cost of risk	17	243	-	-	(1,273)	-	(1,256)	243
Operating income	**4,651**	**2,895**	**36,212**	**4,607**	**(7,541)**	**(16,174)**	**31,558**	**27,571**
Share in net income of associates	6,206	5,181	1,086	-	2	-	9,824	5,431
Net gains or losses on other assets	-	-	-	-	6,309	(4,649)	6,309	(4,649)
Changes in the value of goodwill	-	-	-	(1,783)	-	(500)	(1,671)	(2,283)
Income (loss) before tax	**10,857**	**8,076**	**37,298**	**2,824**	**(1,230)**	**(21,323)**	**46,020**	**26,070**
Cost income ratio*	87.4%	89.1%	75.5%	84.0%	ns**	ns**	83.6%	86.3%

* Personnel expenses and other operating expenses as a percentage of net banking income (NBI).

Private Banking

Highlights of 2015

- Over €15.5 billion under management
- Solid, well-balanced net inflow of funds, exceeding €1.1 billion, reflecting strong momentum across all departments
- Wider range of services at heart of Private Banking's proactive differentiation strategy

Private banking is the original business of the Edmond de Rothschild group. In France, it endeavours to serve the expectations of families who are selling on their business, for example, or have accumulated or inherited wealth.

For that purpose, Edmond de Rothschild offers a specialist range of investments, advice and services, ranging from financial planning to legal and tax analysis and advice on life insurance. For those selling a family-owned company, it knows how to address inheritance issues and can also advise on philanthropic ventures. All this expertise is co-ordinated by the private banker – the linchpin of the client relationship.

STRONG NEW-MONEY AND INVESTING TRENDS

Even though interest rates were low and market volatility high, Private Banking in 2015 recorded exceptional net new money amounting to upwards of €1.2 billion, reflecting dedication from staff in all departments and strong sales activity across all markets.

In this setting, operating investments were kept up in an effort to prepare for upcoming major changes within the industry, making it easier for bankers to perform their duties. This, in turn, assists with the end goal of making continual progress in meeting clients' needs. For example, Edmond de Rothschild (France) continued to expand digital services and procedures such as online banking, consolidated financial reporting and CRM. A new department, Client Solutions, was formed within the Private Banking division. This cross-disciplinary team henceforth supports bankers in optimising the range of banking and investments solutions offered to clients and improving accessibility thereto.

VALUE PROPOSITION AT THE CENTRE OF CAPABILITIES

Private Banking last year continued diversifying and increasing the specialisation of its services. This included the establishment of a property advisory business, built around a team of industry experts who had joined Edmond de Rothschild Corporate Finance in 2014. Serving private clients, this team can assist in disposals or acquisitions of property developments with values upwards of €30 million.

A Group-wide review led to an optimised lending policy, which gave bankers additional leeway for meeting their clients' financing needs. Lending capacity is often decisive in relation to competitor banks, much in the same way as asset management and advice on estate planning.

Another event in 2015 was the appointment of Muriel Tailhades as Chief Investment Officer.

The Active Advisory range of services, aimed at non-discretionary clients interested in playing a more active part in investment decision-making, was expanded further.

The Bank in 2015 offered two new unlisted investment vehicles: ERES 3, a long-standing investment fund through which families can diversify investments globally as opportunities arise; and Quadrant, a private-equity multi-manager fund which brought this asset class within the reach of clients whose financial wealth lies between €2 million and €4 million. This fund invests in six funds managed by the Group, covering several private-equity lines, from venture and development capital to LBOs and co-investments. Its regional coverage spans France, Europe, China and the US.

Last year also marked the realisation of a new business approach designed specially for women. Edmond de Rothschild (France) now offers personal advice and support to give women the keys to optimising the management of their wealth, making informed decisions and organising family matters.

Lastly, Edmond de Rothschild Assurances et Conseils (France) maintained efforts to provide access to new investments as alternatives to euro-denominated funds, and guarantee – in the context of life-insurance policies – attractive performances in spite of the low interest rates. Life-insurance broking generated gross premium income of €212 million in 2015.

As a result of the above client-focused measures, Edmond de Rothschild (France) was once again rated by Décideurs magazine as the leading private bank in the Key Players category.

SUPPORTING BUSINESS LEADERS

Private Banking inflows continued to show the appeal of the Bank's services to entrepreneurs, which are based on a wide range of capabilities catering to SMEs and their managers, such as consulting, M&A, financial and wealth engineering, and private equity. Synergies with the Corporate Advisory Service team also make it possible to offer tailored solutions for buyouts, capital raising and acquisitions.

This commitment to entrepreneurs is embodied in a range of partnerships. For the eighth year running, the Bank has supported the Entrepreneur of the Year Award alongside EY and L'Express. This event is an excellent opportunity for meeting with business owners from every corner of France and raising the Bank's profile. Since 2010, the focus has been on promoting women entrepreneurs in partnership with Croissance Plus. Another series of meetings took place in 2015.

BREAKDOWN OF PRIVATE BANKING RESULTS

In thousands of euros	2015	2014	Change (%)
Net banking income	**98.786**	**93.335**	**5,8%**
Operating expenses	−94.152	−90.683	3,8%
- Personnel expenses:	*−56.735*	*−56.419*	
. direct	*−42.869*	*−41.621*	
. indirect	*−13.866*	*−14.798*	
- Other operating expenses	*−29.627*	*−26.773*	
- Depreciation, amortisation and impairment	*−7.790*	*−7.491*	
Gross operating income	**4.634**	**2.652**	**74,7%**
Cost of risk	17	243	
Operating income	**4.651**	**2.895**	**60,7%**
Share in net income of associates	6.206	5.181	
Net gains or losses on other assets	-	-	
Changes in the value of goodwill	-	-	
Income (loss) before tax	**10.857**	**8.076**	**34,4%**
Cost income ratio*	87,4%	89,1%	

* Personnel expenses and other operating expenses as a percentage of net banking income (NBI).

NET BANKING INCOME

The private banking model, based on developing close relations with and support for entrepreneurs, generated gross inflows of approximately €3.5 billion and net inflows of €1.1 billion – chiefly in France (€808 million) and Israel (€320 million).
Average assets under management also increased significantly (+6.8%), reflecting strong sales momentum and favourable market conditions in the first six months of the year.

Net banking income totalled €98.8 million in 2015, representing an increase of 5.8% relative to 2014.Gross margin was unchanged at 65bp.

The increase in net banking income was founded on:
— a 6.6% increase in management and advisory fees, stemming from the 6.8% increase in average assets under management and an increasingly profitable allocation in terms of life-insurance policies;
— a 2.5% increase in transaction fees relative to 2014, resulting from strong inflows in France;
— a 7.1% rise in income from on-balance sheet business, following more extensive lending.

Net banking income from Private Banking accounted for 31.3% of consolidated net banking income in 2015 compared with 28.6% in 2014.

OPERATING EXPENSES

Operating expenses for Private Banking totalled €94.2 million in 2015, representing an increase of 3.8%, or €3.5 million, over 2014 (€90.7 million).
Personnel expenses came to €56.7 million, rising by a minor 0.6%, or €0.3 million, relative to 2014, primarily as a result of full-year payroll costs associated with the Israel and Italy private-banking teams who joined in 2014.
Other expenses rose 10.7%, stemming from the full-year effect of overheads relating to new staff intake in Israel as well as depreciation charges on IT projects.

OPERATING INCOME

The rise in net banking income more than covered the increase in overheads, leading to a 74.5% advance in gross operating income excluding non-recurring items to €4.6 million. Consequently, the cost/income ratio improved by 2 percentage points relative to 2014 to 87%.
As in earlier years, the cost of risk was minimal, reflecting the high quality of the division's commitments and risk management.

INCOME (LOSS) BEFORE TAX

Including the contribution from Edmond de Rothschild (Monaco), Private Banking's pre-tax income excluding non-recurring items amounted to €10.9 million in 2015, representing a 34.4% increase over the previous year.

Asset Management

Highlights of 2015

- Over €23 billion under management
- Inception of Edmond de Rothschild Fund Global Data, a fund investing in big data
- Major business achievements with institutional clients

Edmond de Rothschild Asset Management operates on the basis of firm convictions. Though part of a larger wealth-management group, three-quarters of assets under management stem from external clients. Boasting wide-ranging specialisation, the business model is founded on active management underpinned by strong research and an innovation strategy aiming to deliver long-run performance over a timeframe compatible with clients' own investment horizons.

The range of solutions available from Edmond de Rothschild Asset Management comprises investment funds and managed accounts for institutional investors together with open-ended UCITS marketed to private clients by partner financial institutions (private banks, investment companies and insurers) and independent financial advisors.

In keeping with its expansion plans, Edmond de Rothschild Asset Management completed implementation of an ambitious CRM system that will comprehensively and automatically monitor the placing of its products and the profile of its clients across all product ranges and geographical areas in which staff are active.

NEW PRODUCTS

Last year was a time of innovation, with the inception of the Edmond de Rothschild Fund Global Data[1] themed fund, which harnesses the underlying growth of the 'big data' industry by investing directly in global stocks. These are selected using bottom-up analysis, leading to formation of a portfolio based on individual convictions. This will position the fund to take advantage of the technological and societal quantum leap represented by big data, at a time when investors are under-exploiting its potential for value creation.

Last year also saw the inception of Edmond de Rothschild Equity Europe Solve, an investment fund adapted to the prudential constraints faced by insurers – leveraging Edmond de Rothschild Asset Management's expertise in derivatives-based equity-risk management.

Another fund launched in 2015 was the SRI (socially responsible investment) fixed-income fund Edmond de Rothschild Euro Sustainable Credit. In addition, Edmond de Rothschild Asset Management (France) took a further mature step in its commitment to SRI by signing the Montreal Carbon Pledge, according to which it has undertaken to measure and disclose the carbon footprint of its investments on a yearly basis. In September 2015, the fund previously called Edmond de Rothschild Euro SRI became Edmond de Rothschild Euro Sustainable Growth as a better reflection of its market position. Not only does it factor in ESG criteria but it also invests in companies with sustainable growth potential.

DISTINCTIVE FUND PERFORMANCES

Assets under management of Edmond de Rothschild Signatures Financial Bonds, which uses an opportunity-driven strategy to capture value in cases linked to regulatory changes (such as Basel III and Solvency II), last year exceeded the €1 billion mark. This fund – which invests in subordinated debt paper issued by banks and insurers – has generated an annualised performance of nearly 5% since its inception.[2] The net inflow of over €500 million added to the fund in 2015 demonstrates market recognition of the fund's expertise in this segment. At 31 December 2015, four funds in our range exhibited assets under management exceeding the €1 billion mark.

[1] Edmond de Rothschild Fund Global Data is a subfund of the Luxembourg-registered Edmond de Rothschild Fund (EdRF) SICAV. It is licensed by the CSSF.
[2] C-units, data series from 4 April 2011 to 31 December 2015.

Edmond de Rothschild Fund Emerging Bonds gained a remarkable 19.6% over the year, whereas its benchmark added 0.75%.[1] Similar performances were turned in by European equity funds, with Edmond de Rothschild Fund Europe Value & Yield gaining by 12.55% in 2015 versus the benchmark increase of 8.22%.[2]

In its capacity as an investment manager, Edmond de Rothschild Asset Management was singled out for the third consecutive year at the 2015 Investors Awards, ranking third among the most popular French and global asset managers. This ranking takes into account the full scope of its activities: from long-term performance and innovation to communications, management and SRI.

HUGE ACHIEVEMENTS WITH INSTITUTIONS AND DISTRIBUTORS IN FRANCE AND ABROAD

The Bank's popularity amongst institutional investors was confirmed as Italian, German and French clients opened new managed accounts with Edmond de Rothschild Asset Management. New distribution partnerships were also formed, chiefly in France as well as in Belgium. Edmond de Rothschild Asset Management also signed several distribution agreements with large insurance companies looking to increase the proportion of unit-linked business within their life-insurance inflows. Boosting the number of unit-linked policies has become a central part of insurers' growth strategies arising from Solvency II regulatory developments.

ENHANCING EXPERTISE AND BUILDING TEAMS IN THE UK AND OTHER KEY MARKETS

Edmond de Rothschild Asset Management's London base, which has existed since 2012, stands out from competitors by offering specialist investment expertise, such as currency overlays, quantitative management, infrastructure debt and funds of hedge funds. Encouraged by initial successes, the UK wing has continued expanding, this time by enhancing expertise in fixed-income management. The Asset Allocation & Sovereign Debt team, which before was primarily based in Paris, last year added team members in the UK. Similarly, the Convertible Bond team had three London-based fund managers in early 2016. Local sales teams also saw fresh intake.

Signalling a determination to expand in several key markets, Edmond de Rothschild Asset Management furthermore opened an office in Zurich and a base in Beijing.

BREAKDOWN OF ASSET MANAGEMENT RESULTS

In thousands of euros	2015	2014	Change (%)
Net banking income	**182,828**	**179,769**	**1.7%**
Operating expenses	(146,616)	(143,526)	2.2%
- Personnel expenses:	*(77,175)*	*(75,303)*	
. direct	*(56,321)*	*(54,513)*	
. indirect	*(20,854)*	*(20,790)*	
- Other operating expenses	*(60,869)*	*(60,490)*	
- Depreciation, amortisation and impairment	*(8,572)*	*(7,733)*	
Gross operating income	**36,212**	**36,243**	**(0.1)%**
Cost of risk	-	-	
Operating income	**36,212**	**36,243**	**(0.1)%**
Share in net income of associates	1,086	250	
Net gains or losses on other assets	-	-	
Changes in the value of goodwill	-	-	
Income (loss) before tax	**37,298**	**36,493**	**2.2%**
Cost income ratio*	75.5%	76.0%	

* Personnel expenses and other operating expenses as a percentage of net banking income (NBI).

Past performance is not a reliable indication of future returns

[1] Performance of EUR A-units of EdRF Emerging Bonds (ex Edmond de Rothschild Emerging Bond) subfund, part of the Luxembourg-registered Edmond de Rothschild Fund SICAV, versus JP Morgan EMBI Global Hedged index between 31 December 2014 and 31 December 2015

[2] Performance of EUR A-units of the EdRF Europe Value & Yield (ex Edmond de Rothschild Europe Value & Yield) subfund, part of the Luxembourg-registered Edmond de Rothschild Fund SICAV, versus the MSCI Europe (NR) index between 31 December 2014 and 31 December 2015

NET BANKING INCOME

Assets under collective management at year-end totalled €23.3 billion, stable relative to end-2014. In actual fact, this consisted of a positive performance effect (+€1.3 billion) and an equivalent sum of net outflows. Outflows chiefly concerned equity and asset-allocation funds and should in no way detract from the marketing inroads made by the bond-fund range (+€855 million) and institutional solutions (including the Strategic Investment Fund, which saw inflows of €350 million).

Net banking income advanced by 1.7%, under the impetus of:

— a 3.8% advance in management fees, resulting primarily from the positive resolution of the risk relating to the Chinagora fund. Adjusted for this, management fees edged down in 2015, hurt by market conditions in the fourth quarter;
— an increase in outperformance fees of €0.5 million;
— a 6.9% drop in transaction fees.

As a result, gross margin was 75bp, down 1bp relative to 2014.

OPERATING EXPENSES

Total operating expenses rose by 2.2% to €146.6 million.
Personnel expenses rose by 8.5% to €77.2 million, compared with €71.1 million in the previous year, reflecting the full-year effect of 2014 staff intake. Other operating expenses (€69.5 million) rose by 2%, as a result of investments supporting international expansion in asset management.

OPERATING INCOME

The increase in net banking income combined with the limited rise in operating expenses resulted in a stable gross operating income at €36.2 million.
The cost/income ratio for this division stood at 76% in 2015, unchanged in relation to 2014.

INCOME (LOSS) BEFORE TAX

After the contribution from associates, mainly Edmond de Rothschild Limited in London and Zhonghai FMC, pre-tax income excluding non-recurring items for Asset Management amounted to €37.3 million.

Private Equity

Highlights of 2015

- Strong investing momentum
- Busy year for biotech
- Inception of ERES III fund I

Private equity is a strategic business at Edmond de Rothschild group, delivering added-value investment solutions that conjoin uniquely with private banking services. The divisional strategy, which focuses on supporting entrepreneurs and helping SMEs grow, takes the long view – in keeping with the culture and values of the Rothschild family.

In France, with over 25 years of experience and close to €1.45 billion under management, the private equity division boasts leading-edge expertise in growth capital (small and mid caps), life sciences, minority co-investments and growth SMEs in China.

BUSY YEAR FOR BIOTECH

The BioDiscovery range had a successful 2015, featuring one trade sale (GlycoVaxyn to GSK for $210 million for a 4.2x multiple and an IRR of 28%) and initial public offerings on Euronext Paris (Poxel, raising €25 million, and Cellnovo, for €32 million). Several listed companies in the portfolio raised additional capital in a combined amount of €122 million. This high rate of activity led to new payouts for investors in BioDiscovery 3, thanks to which the milestone of returns exceeding the size of the fund was reached. Specifically, €161 million, that is 114% of amounts drawn down, has been returned to investors. At the same time, BioDiscovery 4 continued to deploy actively, investing in four new targets in Europe and the US. Each of these companies is an innovator: GamamAbs is a French company researching the treatment of gynaecological cancers; Sanifit is a Spanish firm investigating ways to combat cardiovascular calcification; Reviral is a UK firm investigating respiratory tract infections caused by RSV; and Autonomic Technologies is a US-German firm that is developing electrostimulation devices for treating severe headaches. Consequently, BioDiscovery 4 contains 11 companies, equating to around 70% of the fund's target portfolio.

So far, the total amount of capital raised for life sciences funds by Edmond de Rothschild Investment Partners, which has established itself as a reference in Europe, stands at €453 million.

BRISK RATE OF GROWTH-CAPITAL ACQUISITIONS AND EXITS

Having raised a record €300 million in September 2014, the Winch 3 team had a busy 2015 on two different fronts. First of all, the fund continued investing heavily, acquiring four equity interests over the year for a total amount of €67 million: Eurogiciel, Altavia, Exclusive Networks and Rougnon. These investments increased the fund's capital deployment to 37%. Additionally, Winch 2 entered into an active liquidity-raising phase in the form of two exits yielding strong capital gains: Cyclef and Avantage (the holding company of Voyageurs du Monde). The rate of portfolio company sales is set to accelerate in 2016 as the Winch 2 fund has several transactions in closing phase. In early 2016, Winch 3 signed the emblematic sale of TVN to US firm Harmonic.

Commitments to Cabestan Capital, a fund specialising in French SMEs, were drawn down at a rate of 76%. The four investments conducted in 2015 increased the number of portfolio companies to 15. As such, 2015 was a strong year for capital deployment as well as investment returns, which amounted to €3.7 million. Lastly, the team grew in April with the appointment of David Robin as a Partner.

The Partenariat innovation/local-investment funds chalked up impressive sales, resulting in the return of €76 million to limited partners, compared with the total inflow of €120 million for all investment vehicles combined. These funds rank amongst the top performers in their respective vintage years.

EXCEPTIONALLY STRONG PERFORMANCES AND SALE PROCEEDS FROM CO-INVESTMENT FUNDS

The value of the ERES portfolio increased by 15% in 2015, ranking it amongst the best-performing funds in its vintage year (amongst the top quartile of funds beginning in 2011 according to Preqin). The fund's latest three investments (Exclusive Networks, Worley and Athena) totalled a commitment of €25 million, with 92% of capital deployed. Distributions were exceptionally strong, with 62% of funds returned to investors as at the end of 2015. The final months were especially profitable, as three new disposals were signed (Royal Automobile Club, Duff & Phelps and APR Energy) in the amount of €58 million.

As a consequence, distributions represented 91% of capital commitments at the beginning of 2016. These results are the indication of an intelligent private-equity strategy that is both flexible and global in its scope. They also convey the competitive edge conferred upon this business through membership of the wider Edmond de Rothschild group. The ERES team saw intake in June with the appointment of Jean-François Félix as Managing Director. The above indicators bode well for the ERES III fund's current round of financing, which began in November 2015 with the aim of raising €250 million.

BREAKDOWN OF PRIVATE EQUITY RESULTS

In thousands of euros	2015	2014	Change (%)
Net banking income	**3,746**	**32,349**	**(88.4)%**
Operating expenses	(5,510)	(27,742)	(80.1)%
- Personnel expenses:	*(2,497)*	*(14,525)*	
. direct	*(2,218)*	*(11,770)*	
. indirect	*(279)*	*(2,755)*	
- Other operating expenses	*(2,941)*	*(12,554)*	
- Depreciation, amortisation and impairment	*(72)*	*(663)*	
Gross operating income	**(1,764)**	**4,607**	**(138.3)%**
Cost of risk	-	-	
Operating income	**(1,764)**	**4,607**	**(138.3)%**
Share in net income of associates	2,530	-	
Net gains or losses on other assets	-	-	
Changes in the value of goodwill	(1,671)	(1,783)	
Income (loss) before tax	**(905)**	**2,824**	**(132.0)%**
Cost income ratio*	145.2%	84.0%	

* Personnel expenses and other operating expenses as a percentage of net banking income (NBI).

NET BANKING INCOME

Private-equity funds under management totalled €1.4 billion at 31 December 2015, representing a 9% decline relative to 31 December 2014. This reflected repayments dictated by the lifecycles of Edmond de Rothschild Investment Partners and ERES funds. Net banking income (adjusted for consolidation effects relating to Edmond de Rothschild Investment Partners and Edmond de Rothschild Capital Partners) contracted by 25.5% versus the prior year after the ERES investment phase came to an end, automatically reducing the basis for calculating management fees.

OPERATING EXPENSES

Operating expenses rose to €5.5 million, reflecting investment to form the private-equity platform and the Edmond de Rothschild Private Equity (France) management company, which received its AMF licence in October 2015.

OPERATING INCOME

The gross operating loss stood at €1.8 million in 2015, reflecting the above developments.

INCOME (LOSS) BEFORE TAX

After the contribution from associates, mainly Edmond de Rothschild Investment Partners, pre-tax income excluding non-recurring items for Private Equity amounted to €0.8 million.

Other Activities and Proprietary Trading

CORPORATE ADVISORY SERVICES

Highlights of 2015

- 23 transactions advised on by the corporate finance unit
- First real-estate transactions
- Exceptional portfolio of divestiture mandates for independent companies

Advising companies and their shareholders is a long-standing business at the Group and a distinguishing element of its business model in France in comparison to direct banking competitors. Edmond de Rothschild advises entrepreneurs and families, as well as financial investors and industrial groups, on capital transactions involving their industrial and property assets. Investors of the family-office type can therefore have access of asset diversification solutions.

The team focuses on the small- and mid-cap market segment (i.e. with enterprise values ranging from €30 million to €500 million). Independence, freedom from conflicts of interest and unmatched transactional experience with family-owned firms, all the while supporting clients in France and abroad, are the characteristics distinguishing the unit from the competition.

GLOBAL SERVICE TAILORED TO PRIVATE BANKING CLIENTS

Corporate finance offers a wide array of advisory services on all the issues faced by entrepreneurs and companies, irrespective of business sector. Covering new investors (LBO, MBO or capital raising) and acquisitions as well as demergers, disposals and delistings, the combined advisory expertise of the Corporate Finance and Private Banking teams covers every angle: from strategy, industrial issues and shareholders to legal and tax matters, in every possible permutation.

To meet the needs of a global client base and its attendant challenges, the Corporate Finance team is structured locally but acts globally. Based in France (Paris and Lyon) and the UK (London), the team is capable of working on cross-border transactions through its network of corporate-finance experts. These capabilities help support the Group's private banking operations in winning new clients, wherever this may be. The execution team saw new intake in 2015 with the appointment of three new members in Paris. The number of transactions finalised during the year was up by more than 15%.

ROBUST BUSINESS…

Last year set new records for M&A activity but not in France, where the market shrank by 29% to a value of $163.5 billion. Nevertheless, corporate finance teams achieved a strong result, with 23 transactions carried out – demonstrating the appropriateness of operating a single strategy. The team furthermore places a premium on discretion and attentiveness to clients.

Emblematic transactions last year included the Almerys spin-off and the sale of Vuarnet. Staff also supported Julhiet through its MBO and its concurrent link-up with Sterwen. They also provided assistance in the sale of Adit, Sicame and Belgium's second-largest cinema group.

… DISTINGUISHED BY FIRST REAL-ESTATE TRANSACTIONS

Two real-estate transactions were carried out in 2015 following the intake of property expertise within the team in 2014. A family office was advised over the acquisition of an office building. The other transaction involved advisory services provided to an investment fund for the development of an office complex with a floor space of several thousand square metres, situated in the Paris area.

RESULTS OF OTHER ACTIVITIES AND PROPRIETARY TRADING

In thousands of euros	2015	2014	Change (%)
Net banking income	**30.081**	**21.405**	**40,5%**
Operating expenses	−36.349	−37.579	−3,3%
- Personnel expenses:	*−20.652*	*−24.401*	
. direct	*−14.901*	*−21.870*	
. indirect	*−5.751*	*−2.531*	
- Other operating expenses	*−13.337*	*−11.697*	
- Depreciation, amortisation and impairment	*−2.360*	*−1.481*	
Gross operating income	**−6.268**	**−16.174**	**−61,2%**
Cost of risk	−1.273	-	
Operating income	**−7.541**	**−16.174**	**−53,4%**
Share in net income of associates	2	-	
Net gains or losses on other assets	6.309	−4.649	
Changes in the value of goodwill	-	−500	
Income (loss) before tax	**−1.230**	**−21.323**	**−1**
Cost income ratio*	ns	ns	

* Personnel expenses and other operating expenses as a percentage of net banking income (NBI).

NET BANKING INCOME

Corporate Advisory Services

Following the usual seasonal trend, the number of transactions finalised in the second quarter increased sharply, leading to a revenue of €11.5 million, which was €2.4 million higher than in 2014.

Proprietary Trading

Revenue from Proprietary Trading was up €6.2 million relative to 2014. This chiefly reflected the non-recurrence of the prior-year exceptional items: impairment on positions held in the private equity portfolio and the impact of the disposal of Edmond de Rothschild Capital Partners.

OPERATING EXPENSES

Corporate Advisory Services

Despite the full-year effect of the Axcior team coming on board, expenses were kept under control (-0.1%). The gross operating loss was €2.1 million, which was €2.5 million better than in 2014.

Proprietary Trading

Operating expenses fell by 5.1% to €22.7 million.

INCOME (LOSS) BEFORE TAX

The pre-tax loss before non-recurring items of the Other Activities and Proprietary Trading division improved significantly, amounting to €1.2 million compared with a loss of €21.3 million in 2014.

OUTLOOK FOR 2016

Edmond de Rothschild (France) continues to nurture strong ambitions in both Private Banking and Asset Management amid a complex and volatile macroeconomic environment.

In 2016, the French private bank will continue consolidating its position at the high end of the market, as befits a specialist bank.

In Asset Management, the long tradition of innovation will be maintained so that investors receive products tailored to prevailing market conditions and to delivering increasing returns.
Capabilities for cross-border fund distribution will be increased in order to speed up global development, helped by the prominent flagship funds that are part of our range.

In private equity, building on achievements from previous years, several funds are likely to be created in 2016. The ERES III fund will be incepted in the first six months of 2016.

One of the priority tasks in 2016 will be the implementation of measures for adapting to MiFID2 with the goal of safeguarding the Group's profitability in France.

CHANGES IN INVESTMENTS IN SUBSIDIAIRES AND ASSOCIATES

During the year, Edmond de Rothschild (France) undertook the following key transactions:

- Mergers

— In November 2015, Edmond de Rothschild (France) absorbed its wholly owned subsidiaries EMINVEST and VALSE INVEST. EMINVEST and VALSE INVEST's assets and liabilities were transferred to Edmond de Rothschild (France) on the basis of their carrying amounts.

- Acquisitions

— In June 2015, Edmond de Rothschild (France) acquired an interest in Edmond de Rothschild Private Equity China Investment S.C.A., a company registered in Luxembourg. The Bank's stake at 31 December 2015 was 28.01%.

— In June 2015, Edmond de Rothschild (France) acquired all the shares held by the sole non-controlling shareholder in Edmond de Rothschild Assurances et Conseils (France). Edmond de Rothschild (France) owned this company outright as at 31 December 2015.

— Last year, Edmond de Rothschild (France) acquired shares in Edmond de Rothschild Asset Management (France). At 31 December 2015, its interest was broadly unchanged, rising to 98.78% from 98.28% at 31 December 2014.

— On 31 December 2015, Edmond de Rothschild Boulevard Buildings Ltd, in agreement with its sole shareholder Edmond de Rothschild (France), increased its capital by issuing new shares, converting some of its liabilities to the Bank into equity.

CONSOLIDATED BALANCE SHEET

At 31 December 2015, consolidated total assets amounted to €2,553.3 million, which was 14.8% higher than at 31 December 2014 (€2,223.5 million).

This increase in total assets reflected a material increase in central bank assets – a corollary of the improved overall liquidity position of the Bank – and prudent cash management in a context offering limited interest-rate opportunities. The increase in loans and receivables due from clients resulted from the Group's strong business momentum.

ASSETS

In thousands of euros	31.12.2015	31.12.2014
Cash, due from central banks and postal accounts	914,318	782,646
Financial assets at fair value through profit and loss	45,101	63,085
Available-for-sale financial assets	257,268	238,597
Loans and receivables due from credit institutions	349,068	177,503
Loans and receivables due from clients	550,256	510,141
Financial assets held to maturity	-	-
Current and deferred tax assets	218,533	245,753
Long-term assets	218,805	205,771
Total assets	**2,553,349**	**2,223,496**

LIABILITIES

In thousands of euros	31.12.2015	31.12.2014
Financial liabilities at fair value through profit and	651,479	443,659
Due to credit institutions	17,884	23,705
Due to clients	1,195,286	1,062,988
Current and deferred tax liabilities	285,904	295,977
Provisions	25,151	25,654
Subordinated debt	-	-
Equity attributable to equity holders of the parent	374,683	365,076
Non-controlling interest	2,962	6,437
Total liabilities	**2,553,349**	**2,223,496**

COMMITMENTS GIVEN AND RECEIVED BY THE GROUP

In thousands of euros	31.12.2015	31.12.2014
Commitments given		
Loan commitments	160.848	176.239
Guarantee commitments	165.362	197.816
Commitments received		
Loan commitments	-	-
Guarantee commitments	40.332	40.332

MAIN CHANGES IN CONSOLIDATED ASSETS

Cash, due from central banks and postal accounts shows the Bank's demand deposits with the ECB and the Banque de France. As indicated above, the significant increase in this line item was the consequence of the broad-based improvement in the Bank's liquidity position as well as prudent cash management in a context of low or, at times, negative interest rates.

Total **financial assets at fair value through profit and loss fell** to €45.1 million at 31 December 2015, down from €63.1 million at 31 December 2014.

This line item chiefly comprises euro-area government bonds acquired in connection with structured UCITS funds (€12.7 million), futures contracts carried at fair value (€4.3 million) to hedge market risks incurred through structured products (€26.6 million).

Available-for-sale financial assets, net of other than temporary impairment (OTTI), were measured at fair value. They amounted to €257.3 million at the end of 2015, up 7.8% relative to 31 December 2014 (€238.6 million). This line item corresponds mainly to positions in Group UCITS held by the Bank for supplying seed money or sponsoring funds, or by subsidiaries.

It also includes German government bonds (€56.5 million at 31 December 2015) and French government bonds (€15.7 million at 31 December 2015), which are hedged for interest-rate risk.

Loans and receivables due from credit institutions, made up of demand deposits (ordinary accounts and overnight loans) and term repo transactions, rose by 96.65% to €349.1 million at the end of 2015 compared with €177.5 million at the end of 2014.
This increase was due chiefly to the rise in repo transactions (accounting for €149.9 million) and higher ordinary overdrafts (€21.7 million).

Loans and receivables due from clients (net of provisions), consisting of ordinary overdrafts and loans, advanced by 7.9% to €550.3 million at 31 December 2015 compared with €510.1 million at 31 December 2014. This was due primarily to an increase in overdrawn accounts (excluding UCITS funds), which rose by €65.2 million as well as a €3.4 million increase in lending.
Debit positions on UCITS current accounts fell year on year, from €69.3 million to €40.8 million at 31 December 2015.

Tax assets and other assets were down by 11.1%, reflecting recovery of a receivable associated with a private-equity distribution. That was partly offset by increased fee re-invoicing by Edmond de Rothschild Asset Management (France) to Edmond de Rothschild Asset Management (Luxembourg).

Long-term investments stood at €218.8 million at 31 December 2015 compared with €205.8 million at 31 December 2014. Most of the change in this line item was represented by investments in associates.

MAIN CHANGES IN CONSOLIDATED LIABILITIES

Financial liabilities at fair value through profit and loss totalled €651.5 million at 31 December 2015, up 46.84% relative to 31 December 2014 (€443.7 million). This chiefly reflected more active issuance of negotiable debt securities by Edmond de Rothschild (France) in the amount of €209.7 million.

Due to credit institutions corresponds to current accounts, on which balances decreased to €13.8 million at the end of 2015, from €17.2 million at the end of 2014.

Due to clients comprises ordinary accounts in credit, term deposits and savings accounts, and repo transactions with Group in-house funds for cash-management purposes. This line item rose in total by €132.3 million, or 12.5%, to €1,195.3 million at 31 December 2015. The change was due chiefly to the rise in demand deposits of €88.4 million (relating to private clients, non-financial companies and UCITS) and a reduction in repo transactions with the Group's in-house UCITS, which stood at €46.5 million at the end of 2015 compared with €60.2 million one year earlier.

Provisions fell from €25.7 million at the end of 2014 to €25.2 million at 31 December 2015. The decrease was mainly due to a net reversal of provisions in connection with staff disputes and reversal of a provision relating to Chinagora.

After taking into account the profit for the year (€30.6 million), **equity attributable to holders** of the parent rose by 2.63% to €374.7 million at 31 December 2015.

Non-controlling interests amounted to €3.0 million at 31 December 2015 versus €6.4 million at the end of 2014.

COMMITMENTS GIVEN AND RECEIVED BY THE GROUP

Loan commitments given to clients, which included commitments to invest in certain of the Group's private equity funds, amounted to €160.8 million compared with €176.2 million at the end of 2014. This decrease conveyed a rise in overdraft authorisations (€16.4 million) that was cancelled out by a decline in commitments on securities receivable (€31.8 million).

Guarantees given by the Group fell by 16.4% to €165.4 million (versus €197.8 million at 31 December 2014).
They chiefly concern administrative and financial guarantees to clients and guarantees to investors in structured, formula and cushion funds.

Guarantees received, specifically from credit institutions, were unchanged relative to 2014 at €40.3 million.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY BALANCE SHEET

At 31 December 2015, the Bank's total assets amounted to €2.524 billion, representing an increase of 17.3% relative to the previous year, for which the figure was €2.152 billion.

The main balance sheet items, in thousands of euros, were as follows:

Assets	31.12.2015	31.12.2014
Cash accounts and interbank operations	1,234,475	933,371
Loans to customers	674,139	654,215
Other financial accounts	217,402	222,191
Securities and fixed assets	398,032	342,184
Total	**2,524,048**	**2,151,961**

Liabilities	31.12.2015	31.12.2014
Cash accounts and interbank operations	226.449	232.349
Client deposits	1.296.693	1.231.104
Borrowings represented by securities	480.247	201.447
Other financial accounts	220.393	200.005
Subordinated debt	21.730	21.732
Shareholders' equity	278.536	265.324
Total	**2.524.048**	**2.151.961**

On the asset side, **cash accounts and interbank operations** represented 49% of the Bank's total assets, amounting to €1.234 billion compared with €933 million at the end of 2014, representing an increase of €301 million (+32%). Cash deposited with the ECB and the Banque de France amounted to €913 million at the end of 2015, or 36% of total assets (versus €782 million and 36% at the end of 2014), reflecting conservative cash management in a context of low interest rates. Current accounts with financial institutions increased from €51 million at the end of 2014 to €70 million at the end of 2015.

Term deposits with credit institutions, which at 31 December 2015 comprised securities bought under repo transactions, amounted to €250 million at the end of 2015 compared with €100 million at the end of 2014.

Loans to clients amounted to €674 million at the end of 2015 compared with €654 million at the end of 2014, representing an increase of 3%. This stemmed mainly from client overdrafts.

Other financial accounts stood at €217 million, compared with €222 million one year previously, a decrease of –2%.

Securities and non-current assets amounted to €398 million at 31 December 2015, compared with €342 million at 31 December 2014, rising by 16% as a result of capital raising into private equity UCITS funds and the acquisition of shareholdings in Group subsidiaries.

On the liabilities side, **cash accounts and interbank operations** amounted to €226 million at the end of 2015 compared with €232 million at 31 December 2014, as a result of term loans.

Client deposits rose by 5% to €1,296 million versus €1,231 million at the end of 2014, primarily as a result of the rise in demand deposits, partly offset by a small decline in UCITS current accounts pertaining to the Group. Additionally, repo transactions with the UCITS of the Group fell from €60 million at the end of 2014 to €47 million at the end of 2015, resulting from the ongoing decline in interest rates.
Clients' term deposits fell by €32 million.

Debt securities amounted to €480 million compared with €201 million one year earlier. They consisted mainly of Euro Medium Term Notes (EMTN) issued in connection with structured products and certificates of deposits.

Other financial accounts amounted to €220 million versus €200 million at the end of 2014, representing an increase of €20 million, owing chiefly to a rise in security deposits received.

Subordinated debts, which amounted to €22 million at 31 December 2015 (unchanged from 31 December 2014), includes only the undated super-subordinated notes issued by the Bank in June 2007 to strengthen the Group's regulatory capital.

Items relating to **shareholders' equity** are as follows:

In thousands of euros	(1) 31.12.2015	(1) 31.12.2014
Capital	83.076	83.076
Reserves	130.522	130.522
Retained earnings	34.225	40.608
Total	**247.823**	**254.206**

(1) Before appropriation of net income for the year.

Net income for the year came to €30.7 million compared with €11.1 million for 2014, representing an increase of 177%.

PARENT COMPANY INCOME STATEMENT

The Bank's condensed income statement, in thousands of euros, is as follows:

	2015	2014
Net banking income	181.596	178.449
Personnel expenses	−90.444	−101.618
Other operating expenses	−56.256	−56.441
Depreciation and amortisation	−12.399	−12.031
Gross operating income	22.497	8.359
Cost of risk	17	242
Net gains or losses on other assets	−4.216	−11.785
Non-recurring items	−1.016	2
Income tax	13.431	14.300
Net income	**30.713**	**11.118**

Net banking income

Net banking income rose 1.8% to €181.6 million, versus €178.4 million in 2014.

This represented an increase of €3.2 million, which stemmed mainly from a sharp 8.9% rise in asset management fees to €79 million compared with €72.6 million in 2014, resulting in turn from higher managed-portfolio fees and an exceptional €3.3 million gain from the close-out of a market transaction associated with asset management. Trading transactions continued to be impacted by a historically low interest rate environment. In contrast, developments in currency markets added €1.9 million to net banking income between 2014 and 2015.

Net banking income also reflected a € 4.9 million drop in revenue from the securities portfolio and other income, chiefly attributable to lower re-invoicing of support services to Group companies.

Operating expenses, depreciation and amortisation

At €159.1 million, **operating expenses** including personnel costs, depreciation and amortisation were 6.5% lower than in 2014 (€170.1 million).

This €11 million decrease can be broken down into:

— a 11% drop in personnel expenses to €90.4 million compared with €101.6 million in 2014;

— stable other operating expenses at €56.3 million versus €56.4 million in 2014;

— depreciation and amortisation amounting to €12.4 million compared with €12 million.

After personnel expenses, overheads and depreciation, **gross operating income** amounted to €22.5 million compared with €8.4 million in 2014.

Non-operating items

The net **cost of risk** was positive in 2015, as in 2014, reflecting the high quality of the Bank's commitments and its risk-management policy.

Net gains or losses on other assets culminated in a loss of €4.2 million versus a net loss of €11.8 million in 2014. This was primarily due to impairment of long-term financial assets amounting to €7.7 million, in association with the subsidiary CFSH Luxembourg. This impairment was offset by the reversal of a €2.5 million provision associated with subsidiary Edmond de Rothschild (Israel) Ltd, for which a provision of €10.5 million had earlier been set aside.

Non-recurring items showed a net negative €1 million, reflecting recognition of a negative run-off on subsidiaries Eminvest and Valse Invest.

Within the context of the **Group's tax** consolidation, income tax showed a positive balance of €13.4 million compared with a positive €14.3 million in 2014.

Net income amounted to €30.7 million compared with €11.1 million in 2014, representing an increase of €19.6 million.

SHARE CAPITAL

The share capital of €83,075,820 at 31 December 2015 was distributed as follows :

Edmond de Rothschild S.A.	4,909,543	representing	88.64%
Caisse de Dépôt et Placement du Québec	577,064	representing	10.42%
EDRRIT Limited	24,172	representing	0.44%
Various Group's employees shareholders	25,074	representing	0.45%
Other minority shareholders	2,535	representing	0.05%
Total	**5,538,388**	**representing**	**100.00%**

There were no employee shareholders within the meaning of Article L225-102 of the French Commercial Code at 31 December 2015.

INFORMATION RELATING TO ARTICLE 223c and 223d OF THE FRENCH GENERAL TAX CODE

Edmond de Rothschild (France) recorded a total amount of €466,751 in connection with expenditure covered by Article 39-04 of the French General Tax Code (extravagant expenditure).

INFORMATION ON PAYMENT TERMS (Articles L441-6-1 and D441-4 of the French Commercial Code)

At year-end 2015, the company's payables to its suppliers were as follows by maturity (in euros):

Payable schedule in euros	Gross amount	Amount due	Accrued income		
			Within 30 days	Within 45 days	In more then 60 days
2014	854.323	425.551	426.532	679	1.562
2015	3.202.819	97.668	3.017.353	83.236	4.562

INFORMATION ON AGREEMENTS COVERED BY ARTICLE L225-102-1 OF THE FRENCH COMMERCIAL CODE

Article L225-102-1 of the French Commercial Code stipulates that, unless concerning ordinary operations contracted on normal terms, agreements entered into, either directly or through an intermediary, between, depending on the case, one of the members of the Executive Board or the Supervisory Board, the CEO, one of the deputy executive managers, one of the directors or one of the shareholders with a share of voting rights exceeding 10%, of a company on the one hand, and another company in which the former company owns, either directly or indirectly, over 50% of the share capital on the other hand, must be mentioned in the management report.

At 31 December 2015, no such agreement had been brought to the attention of our Company.

INFORMATION ON DELEGATIONS OF AUTHORITY COVERED BY ARTICLE L225-100 (7) OF THE FRENCH COMMERCIAL CODE

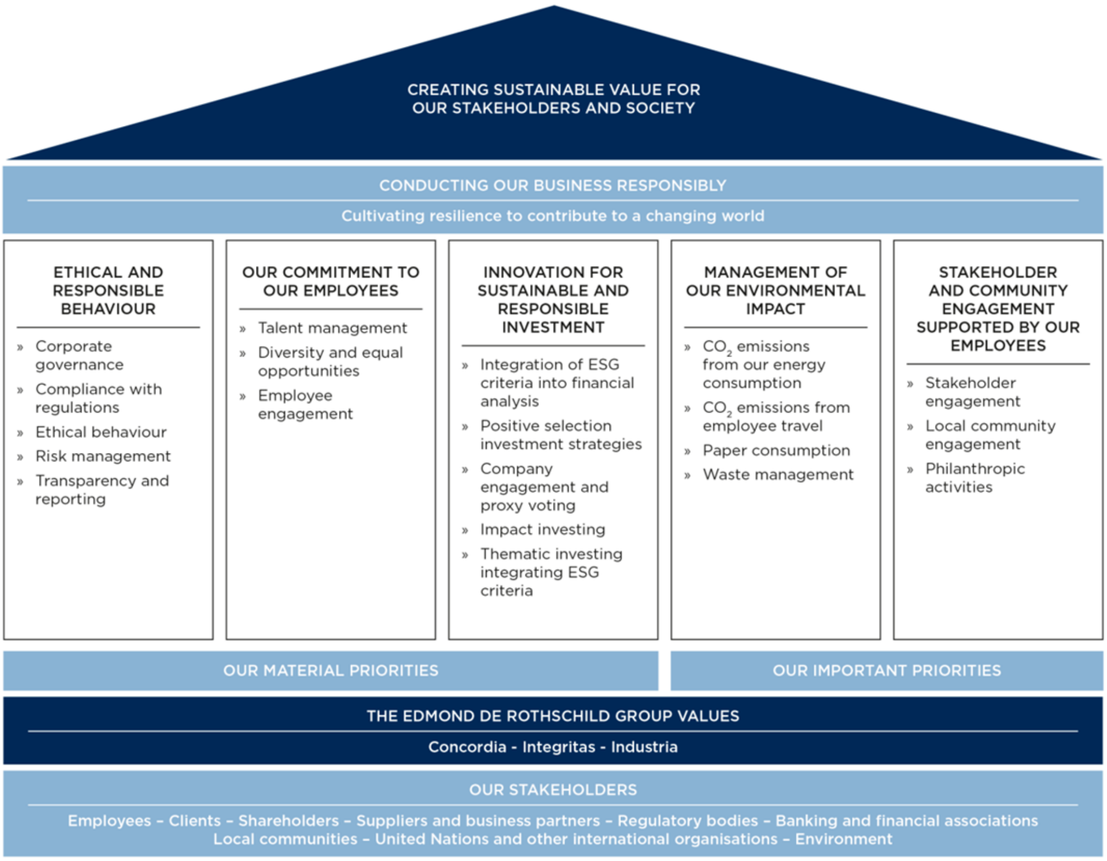
Pursuant to Article L225-100 (7) of the French Commercial Code, please be informed that no delegation of authority or powers regarding the possibility of increasing the Company's capital in application of Articles L225-129.1 to L225-129.2 of said Commercial Code was in force as at 31 December 2015.

Social and environmental information

In 2014, the Edmond de Rothschild Group performed a materiality review on the topic of sustainability to identify the key material issues with an impact on the Company's performance, its stakeholders or sustainable development in general. This materiality assessment resulted in the definition of the five pillars of its sustainability strategy on which the Group will focus over the next five years (see image below). The first three represent material issues that directly impact our performance and stakeholders, while the last two reflect our dedication to sustainability overall in line with our corporate identity and values.

This chapter outlines the sustainability practices of Edmond de Rothschild (France), which reflect the Group's overall strategy and serve to illustrate our commitment in this domain.
More information was provided in the 2014 Sustainability Report, which was the Group's first.

Edmond de Rothschild (France) has been a signatory of the United Nations Global Compact since 2011 as well as a member of the United Nations Environment Programme Finance Initiative. These international initiatives seek to harmonise economic and social development with environmental stewardship in order to balance the interests of both current and future generations.
As part of our commitment to our employees, we also support the International Labour Organisation's fundamental conventions and the United Nations Guiding Principles on Business and Human Rights. Edmond de Rothschild Asset Management (France) and Edmond de Rothschild Investment Partners have signed the United Nations-supported Principles for Responsible Investment, which favours a long-term vision in private wealth management and asset management. Since September 2015, Edmond de Rothschild Asset Management (France) has also been a signatory to the Montreal Carbon Pledge, under which it has made commitments to measuring the carbon footprint of its investments.



REPORTING SCOPE [1]

The implementation of a new HR information system means that more workforce-related data cover all of Edmond de Rothschild (France) in 2015. The reporting scope will therefore be stated in the table of indicators.

The "Edmond de Rothschild (France)" scope includes the Bank in France and all its subsidiaries and branches abroad, i.e. in Chile, China, Hong Kong, Israel, Italy and Spain.

Where the scope is stated as "France", this means that the indicators relate only to the Bank in France, without its subsidiaries or branches abroad.

Because the system was set up progressively within the foreign subsidiaries and branches during the year, the following indicators are only available for France in 2015: recruitment, departures, turnover, internal transfers and promotions.

Environmental data and data relating to ethics and compliance training (Business Ethics section) cover the entire Edmond de Rothschild (France) scope.

SOCIAL INFORMATION

In 2015, Human Resources (HR) teams in France worked very closely with all managers to give them the best possible support in managing their teams' performance.

A new Group Head of Human Resources was also appointed in 2015. Emanuela Bonadiman's expertise and experience will be particularly valuable in dealing with the talent management challenges that the Group is facing during its current phase of development.

Finally, new HR management software was rolled out during the year. It will gradually integrate the various HR processes, making it easier to manage them consistently across the Group.

The HR strategy remains focused on attracting the best talent, along with developing and retaining existing staff. The strategy promotes a performance- and results-based culture that is consistent with the Group's values and requires exemplary conduct from all staff, at a time when regulations are becoming increasingly strict.

EMPLOYMENT

WORKFORCE

The Bank and its subsidiaries had 950 employees worldwide, of 25 different nationalities, as at 31 December 2015. In France, 20 different nationalities were represented.

	2011	2012	2013	2014	2015
Employees in France	858	826	747	761	793
Employees outside France	156	148	143	149	157
Total employees	**1,014**	**974**	**890**	**910**	**950**

The workforce in France has a high proportion (84.7%) of management-level employees. It is split evenly between men and women, with women representing 45% of the workforce.

In 2015, there were slight increases in the average length of service (9.9 years) and the average age of employees (42.6 years) in France.

At 31 December 2015, almost 98% of the workforce (across both scopes) had a permanent contract. In France, 48.5% of permanent roles were occupied by women, as opposed to 47.5% across the whole of Edmond de Rothschild (France).

	Scope	2013	2014	2015
Management-level employees as a proportion of the Workforce	France	82%	84%	85%
- Women	France	44%	48%	45%
Average length of service	France	9.5	9.3	9.9
Average length of service	EdR (France)	-	-	9.0
Average age	France	42.2	42.0	42.6
Average age	EdR (France)	-	-	42.3
Proportion of workforce on permanent contracts	France	-	97%	98%
- Women	France	-	49%	49%
Proportion of workforce on permanent contracts	EdR (France)	-	-	98%
- Women	EdR (France)	-	-	47%

RECRUITMENT AND DEPARTURES

The following figures relate solely to the Bank in France (see "reporting scope" section at the top of this page).

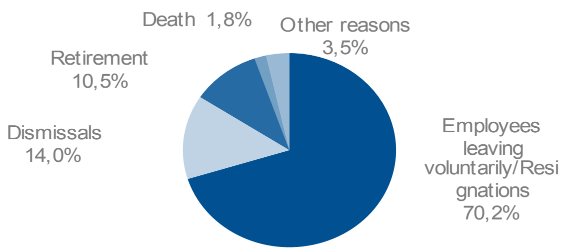
Of the 135 people recruited in 2015, 59 were on fixed-term contracts (including 37 auxiliary staff during holiday periods) and 43% were women.

57 employees with a permanent contract left the company. 44% of these employees were women and 40% were aged over 45.

Employee turnover decreased from 11% in 2014 to 8% in 2015. This indicator is calculated by dividing the number of employees who left a permanent contract by the monthly average headcount.

[1] A change in the status of Edmond de Rothschild Investment Partners would have caused it to be excluded from the scope of social and environmental reporting for 2015. That exclusion will require us to change our reporting processes and will not be effective until 2016.

Reason for leaving



	2012	2013	2014	2015
Number of recruitments	101	72	153	135
- number of short-term contracts	58	52	66	59
- % of women	55%	58%	48%	43%
Number of departures among permanent contracts	141	150	78	57
-% of women	58%	51%	47%	44%
- % of employees above 45	6%	22%	59%	40%
Turnover	9%	13%	11%	8%

In 2015, therefore, the workforce stabilised, with a reduction in both new hires (-12%) and departures (-27%). Conversely, internal transfers increased in 2015, with 58 staff members changing roles, including eight who transferred abroad and two who arrived in France from another Group entity. International transfers are included in recruitment and departures because the Group's various entities have distinct legal statuses.

Encouraging internal transfers is a Group policy. In 2015, we introduced career reviews and a Mobility Committee, along with a dedicated intranet site, making it easier for employees to transfer within the Group and for the Group to fill vacancies.

WORKING TIME

4% of the workforce, mostly women, have chosen to work part-time. All requests to switch to a part-time schedule were approved in 2015.

After the agreement in 2014 for IT security staff, all employees are now covered by the time off in lieu (TOIL) system, which is used to reduce their average work week.

ANNUAL PERFORMANCE REVIEWS

Annual employee performance reviews were identified as a key indicator of performance in Edmond de Rothschild Group's sustainability strategy.

In 2015, 84% of Edmond de Rothschild (France)'s employees participated in all steps of the review process (versus 71% in 2014). This process, which is harmonised across the whole Group, was reviewed in 2015. It now enables employees to carry out self-assessments before meeting with their managers. Employees are then appraised on the basis of their performance and a set of behaviours that reflect the Group's values and ambitions. Particular importance was also placed on defining SMART targets that are also aligned with the Group's priorities.

Human Resources rolled out a broad training and communication programme in 2015 to ensure that both appraisers and those being appraised understood the issues involved in the exercise. Appraisals are not just carried out to ensure that each employee is contributing to the Group's performance but also to:

- identify talent,
- recognise staff performance,
- highlight development and training needs,
- discuss internal transfer opportunities.

More than 582 people attended training sessions, consisting of workshops about the new system, changes in the process and resources available on the intranet (practical guide, e-learning and "inspirational" videos).

	Scope	2013	2014	2015
Number of employees promoted to internal vacant positions during the year	France	-	13	58[a]
- % of women	France	-	69%	40%
Number of employees promoted during the year	France	13	81	62
- % of women	France	54%	54%	44%

[a] Some internal transfers are also regarded as promotions and in that case are included in the number of staff promoted during the year.

REMUNERATION POLICY

Edmond de Rothschild Group believes that strengthening the link between performance (individual or collective) and reward (salary, promotion or mobility) helps reinforce transparency and fairness so as to increase employee motivation and commitment, thus creating the conditions for the achievement of our common goals.

The remuneration policy in France was formalised in March 2010, in application of the French decree of 3 November 2009 and the professional standards of the French Banking Federation, issued on 5 November 2009, requiring financial institutions to maintain their shareholders' equity at a level that does not expose them to risk. The policy was amended to reflect the decree of 13 December 2011 as well as provisions on the remuneration policy of wealth-management companies published jointly on 23 November 2010 by the French wealth-management and investment associations AFG, AFIC and ASPIM.

The remuneration policy stipulates that corporate officers, market operators and traders, as well as individuals with internal audit and risk-management responsibilities receive the variable portion of their salary on a deferred, staggered timetable.

Each year, the Finance, Human Resources, and Compliance and Risk Control departments review and set out specific rules governing the application of these principles. The rules are then submitted to Edmond de Rothschild (France)'s Remuneration Committee for approval.

Our remuneration policy has changed to comply with CRD IV, applicable from 2014 to remuneration paid in March 2015, and with AIMFD, applicable from 2015 to remuneration paid in March 2016.
Primary changes include broadening the regulated workforce to include asset management employees, revising pay structures for these employees and reinforcing rules on the monitoring and publication of remuneration information. In respect of AIMFD, a new system will be set up in March 2016 for the payment of any deferred portion of the variable remuneration of risk-taker Asset Management employees. The system allows the deferred remuneration of those employees to be indexed to the weighted average return on a basket of Edmond de Rothschild Asset Management funds that represents their expertise.
In 2016 – for variable remuneration granted in March 2017 at the earliest – the UCITS V (Undertakings for Collective Investment in Transferable Securities) regulation will apply to UCITS and will also cover remuneration aspects. Its provisions will be very similar to those of the AIMFD regulation. The Group has anticipated UCITS V by applying, for several years already, a deferred remuneration principle, including for UCITS managers.

These two regulations aim to improve the quality of risk management, as well as ensuring that the relevant people and companies have a firmer grip on risk and that their interests are aligned with those of their clients.

The update of the aforementioned remuneration policy provisions will be validated by the Supervisory Board in March 2016 based on a proposal by the Remuneration Committee.

	2011	2012	2013	2014	2015
Annual payroll (in thousands of euros)	86,385	99,428	83,045	91,352	83,735
Increase in the fixed component	2.6%	2.6%	1.3%	4.5%	3.5%
Percentage of variable component relative to fixed component on (31/12/(N-1))	39.0%	36.8%	39.0%	46.0%	43.9%

* Based on annual administrative payroll declaration (DADS)

Wages paid totalled almost €84 million, down 8% from €91 million in 2014. The increase in wages paid is the result of collective pay increases negotiated for certain employee groups during mandatory annual negotiations, as well as individual salary increases.

Under Articles L. 511-71 and L. 511-73 of the French Monetary and Financial Code, shareholders at the Annual General Meeting must be consulted each year on the overall compensation – comprising all salary components – paid to certain employees during the year under review. These employees include company executives and categories of employees (including employees whose duties require risk-taking, employees with an oversight function and any employee whose overall income puts them in the same remuneration bracket) whose professional duties have a material impact on the company's or group's risk profile.
Shareholders will therefore be asked for their opinion, on an advisory basis, regarding remuneration paid in 2015 to the aforementioned people.
In addition, Article L. 511-78 of the French Monetary and Financial Code now limits the variable salary component to 100% of the fixed component for all group regulated employees, unless shareholders at the Annual General Meeting approve, giving reasons, a higher figure of up to 200%. In order to ensure that group salaries remain competitive, we submitted a motion to shareholders to set the maximum ratio of variable to fixed salary components at 200% for all group regulated employees with respect to 2016. The motion passed in the May 2015 Annual General Meeting, and will be submitted again to shareholders in relation to 2016.

TRAINING

Our human resources strategy supports and prepares employees – and the Group – to master future challenges by developing the technical/business and interpersonal skills of our employees.

Our approach is mostly qualitative, involving custom training. The "Impact & Performance" programme is based on technical and business modules and behavioural development, and was taken by 80 Private Banking managers in 2015.
A pilot training course on communication and effective teamworking was also rolled out for Asset Management and Private Banking staff. Feedback was positive, and so the course will be offered more widely in France in 2016.
The reduction in training expenditure in 2015 reflects efforts to reduce operating expenses at the Group level. However, tax credits and the general adoption of collective courses meant that the number of people signing up for training rose sharply, from 660 in 2014 to 789 in 2015, showing our desire to continue offering high-quality training to our people.

In 2016, a "Learning Management System" will be integrated into the new HR information system that was deployed in 2015. It will be synchronised with the annual performance appraisal module, to improve the way we identify training needs and make it easier to supervise training plans.

Classification of training by categories	2015
Technical/business skills	36%
Interpersonal/managerial skills	40%
Beginners and advanced language training	15%
IT skills	7%
Security and quality assurance	2%

	2011	2012	2013	2014	2015
% of employees who attended at least one training course	53%	54%	63%	58%	58%
% of women among trainees	48%	46%	47%	53%	53%
Total training hours	8,138	8,949	7,195	11,417	10 371[a]
Annual budget for training (in thousands of euros)	1,614	1,919	1,608	2,076	1,412
- share paid to the training insurance funds	39%	39%	40%	35%	60%[b]

[a] In France, sessions lasting at least three hours count as training. Figures published in Groupe Edmond de Rothschild's sustainable development report differ from these figures because they include training sessions lasting less than three hours.
[b] The percentage of the training budget paid to training insurance funds increased in 2015 because of the reduction in training expenditure and a regulatory change that increased our tax contribution for training.

DIVERSITY AND EQUAL OPPORTUNITY

Edmond de Rothschild Group attaches great importance to diversity in the workplace and is convinced that diversity helps us meet the demands of the market, create new opportunities and drive innovation.

Promoting equal professional opportunities for men and women is therefore a key element of our human resources philosophy. Efforts are also directed at fostering generational diversity and hiring individuals with disabilities.

In France, the Bank adheres to the agreement on professional equality for men and women, signed on 20 December 2012 and amended on 22 February 2013. This agreement set out the following objectives:

- hiring: percentage of women hired equal to percentage of female applicants (± 5%)
- training: percentage of women participating in training equal to percentage of women in the company (± 5%)
- promotions: 45% of management-level employees to be women by the end of 2015
- remuneration: a Professional Equality Committee, comprising representatives for both employees and top management, meets every year to review any salary differences between men and women and provide recommendations.

Figures available in the table below show that we have achieved these targets and even exceeded them in some cases. Analysis by Human Resources has shown that there is no wage disparity between men and women doing similar jobs and with similar experience. Human Resources is also raising managers' awareness about this matter, particularly in pay reviews and especially for women returning from maternity leave.

The percentage of senior managers who are women is also rising steadily. In 2015, four women were appointed to senior management roles, and so women now make up 22% of the Bank's Executive Committee in France.

	Scope	2012	2013	2014	2015
Percentage of women in workforce	EdR (France)	-	-	-	47.4%
Percentage of women in workforce	France	-	-	48.0%	48.5%
Percentage of women in the year's new recruits	France	55.0%	58.0%	59.0%	43.0%
Percentage of women among candidates	France	-	-	-	41.0%
Percentage of women among trainees	France	46.0%	47.0%	53.0%	53.0%
Percentage of women among total management-level employees	France	43.2%	43.8%	44.6%	45.4%
Percentage of women among total senior managemer	France	23.5%	23.6%	25.4%	27.2%

An agreement relating to the French "Generation Contract" was signed on 16 December 2013 with trade unions. The goal of the agreement is to encourage the integration of young people in the company, while also integrating and retaining older employees. During its initial three-year term, particular care is being taken to ensure that these groups are afforded equal opportunities, particularly through training initiatives and interviews.

The proportion of employees aged over 50 increased from 21% in 2014 to 24.2% in 2015.

After the application of new legislation on vocational training, experience appraisals – adopted as part of the Generation Contract agreement – were replaced by vocational appraisals. In 2015, those appraisals were therefore conducted first and foremost with older employees. Our Human Resources team uses these appraisals as an opportunity to give employees the chance of mentoring a young recruit, and is planning to make greater use of that opportunity in 2016.

In 2015, the whole Human Resources team received training on the subject of end-of-career management. During the year, five people approaching retirement age received support – including advice and part-time working – to help them transition smoothly to retirement.

Edmond de Rothschild Group actively seeks to integrate young people in the workplace. In France, the Bank contributed to this effort, with 90 interns and 26 students under work/study contracts – corresponding to 42 full-time equivalents. As a result, the Bank is going beyond its commitment under the Generation Contract agreement. In addition, it recruited four young people (two on work/study contracts and two trainees) on permanent contracts and a further six (one on a work/study contract and five trainees) on fixed-term contracts.

Each year, the Bank pursues partnerships with specific schools and training programmes not only to develop a talent pool for its own future workforce, but also to contribute actively to professional education for students. The Bank and its French subsidiaries participated in recruitment forums at prestigious, top-tier French universities throughout 2015 and contributed to eight events hosted at the following establishments: EDHEC, ESCP Europe, Neoma Business School Reims, Université Paris-Dauphine, Celsa, EM Lyon, ESCP Europe and SciencesPo Paris.

In June 2015, the Bank signed a disability agreement for companies in the UES (a legally recognised group of integrated companies in France1), for a period of three years. One of the commitments under this agreement is to increase the percentage of disabled people in the workforce to 1.3% by the end of 2017. The Bank has also undertaken to hire two disabled workers per year.

We have adopted a disability initiative to implement the agreement, to raise awareness and encourage involvement among our staff, to monitor the situation of disabled people within the Group, and to manage the allotted budget.

The Human Resources team also supports disabled employees when they have specific needs in areas such as their working environment or work organisation, using external resources – such as ergonomists – where necessary.

At the end of 2015, there were four disabled employees within the UES, and specific adjustments have been made to the working conditions of two of them.

LABOUR RELATIONS

Employee representative elections for the UES[1] were held in November 2015. Through these elections, new contact people were elected for all employee representative bodies, i.e., the Works Council, employee delegates and the Health and Safety Committee (HSC[2]). For the first time, the election took place electronically, leading to a 15-point increase in turnout compared with previous elections.

In 2015, seven agreements were signed within the UES regarding issues including disabilities, salaries, incentive plans and working time.

The Works Council and Health and Safety Committee were regularly informed and consulted on key projects involving the overall progress of UES entities and employee working conditions. The Works Council also organised social and cultural activities.

EMPLOYEE HEALTH AND WELL-BEING AND PSYCHOSOCIAL-RISK PREVENTION

One indicator of workplace wellness,'employee absenteeism[5]; rose slightly to 4.5% in 2015.

	2011	2012	2013	2014	2015
Absenteeism	-	5.4%	4.6%	4.4%	4.5%

Our workplace accident frequency rate[3] was 5 in 2015 (2.5 in 2014), and the injury severity rate4 was 0.04 (0.1 in 2014). That represents 50 days lost out of a total 1,211,678 hours worked (78% less than in 2013).

A working-time agreement has been in place since 2014 with the IT security team to ensure a better work-life balance for the employees concerned.

Management training sessions are held to raise awareness among team leaders on how to prevent workplace stress, whether job-related or due to organisational changes in the working environment.

More than 165 managers honed their interpersonal skills in 2015, either through one-on-one guidance on specific issues or within a more extensive training programme.

In 2016, a new training programme will be rolled out among managers, increasing their knowledge and awareness in this area.

[1] The UES comprises the following companies: Edmond de Rothschild (France), Edmond de Rothschild Asset Management (France), Edmond de Rothschild Corporate Finance, Edmond de Rothschild Investment Partners, Edmond de Rothschild Private Equity (France) and Edmond de Rothschild Assurances et Conseils (France).

[2] The terms of office of HSC members due to expire in 2014 were extended for an additional year so that all terms of office would begin at the same time, thereby improving employee representation throughout in all bodies.

[3] 3 The accident frequency rate is calculated as follows: $\frac{\text{No. of accidents resulting in lost working time x 1,000,000}}{\text{No. of hours worked}}$

[4] The injury severity rate is calculated as follows: $\frac{\text{No. days compensated x 1,000}}{\text{No. of hours worked}}$

[5] No. of sick days taken throughout the year / no. of employees with permanent or fixed-term contracts (excluding employees on work/study contracts).

ENVIRONMENTAL INFORMATION

Edmond de Rothschild (France)[1] has been formally committed to reducing its environmental impact since 2011. Its efforts are an integral part of Edmond de Rothschild Group's sustainability strategy. Three environmental priorities were defined during the materiality review carried out to identify the sustainability issues most relevant to the Group's business:

1. greenhouse gas emissions, primarily due to
    a. direct energy consumption and
    b. business travel
2. paper consumption
3. waste management

A new reporting tool was deployed in 2014 to monitor the Group's overall environmental performance and identify best practices and action items. It provides a precise snapshot of the environmental performance of all Edmond de Rothschild (France) entities.

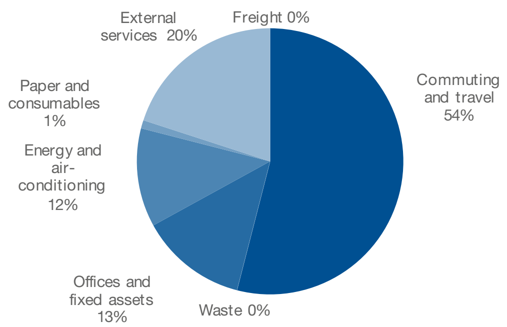
This new reporting process enables even more precise reports to help us satisfy the requirements of the Bilan Carbone® and Article 225 of French Act no. 2010-788 of 12 July 2010 (also known as Grenelle 2).

2015 results show that our environmental footprint was stable in absolute terms. Given that our workforce increased by 6%, that means that we reduced our footprint per employee.

However, Edmond de Rothschild (France)'s carbon footprint rose 3% in terms of total emissions, mainly because of improved data reporting. The main increases were in travel between work and home (which is now calculated mainly on the basis of actual instead of estimated figures) and IT hardware. CO2 emissions per employee fell 4%.

CARBON FOOTPRINT

Greenhouse gas emissions in 2015
8,368 tonnes of CO_2 equivalent



	2011	2012	2013	2014	2015
EdR France CO_2 emissions (tonnes CO_2 equivalent)	10,752	9,249	8,667	8,141	8,368
CO_2 emissions for per employee (t. CO_2 eq.)	8.0	8.2	8.2	7.7	7.4

ENERGY CONSUMPTION

In 2014, the IT department completed its migration of the Bank's computer rooms to data centres featuring premium infrastructure. These data centres, whose design and operation are adapted to business-critical requirements, deliver a secure, optimised IT environment. They add significant value to our green IT strategy, including solutions to manage electricity consumption and requirements regarding equipment climate control.

French entities represent 90% of the total energy consumption of Edmond de Rothschild (France). Power consumption per employee fell 7.4% in 2015. Total consumption fell only slightly and electricity consumption rose 3.3%, but the 6% increase in the workforce led to a decline in per-employee consumption. Our General Resources department made some large investments in 2015, replacing two boilers with more efficient models and replacing 21 windows with double glazing. In France, LED lighting is gradually being installed in the buildings owned by the Bank.

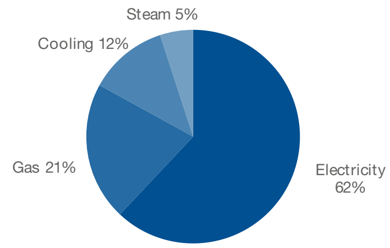
Renewable energy now makes up 13.6% of the power consumed by Edmond de Rothschild (France).

	2011	2012	2013	2014	2015
EdR (France) energy consumption (MWh)	7,333	7,769	8,822	6704[a]	6,583
Share of electricity consumption in total energy consumption	-	4,288	4,392	3963[a]	4,093
Energy consumption per employee (MWh)	5	7	8	6,3[a]	5.8

[a] Energy figures in the 2014 report were as follows:
- EdR France energy consumption (MWh) 6,683
- Share of electricity consumption in total energy consumption (MWh) 3,986
- Energy consumption per employee (MWh) 6

These figures included reporting errors which have been corrected.

Energy consumptions in 2015
6,583 MWh



[1] All references to Edmond de Rothschild (France) include the Bank in France and all its subsidiaries and branches abroad (Germany, Chile, China, Spain, Hong Kong, Israel and Italy). Environmental indicators cover all Edmond de Rothschild (France) entities.

BUSINESS TRAVEL AND TRAVEL BETWEEN WORK AND HOME

Transport continues to account for most of Edmond de Rothschild (France)'s carbon footprint, making up over half of its emissions. However, the number of kilometres travelled for business purposes was relatively stable in 2015. Distance travelled by aircraft fell 4%, while distance travelled by train rose 17%. Transport-related emissions increased 6% because almost 55% of business travel took place by aircraft, as opposed to 31% for all travel.

We cannot comment on changes in travel between work and home, because we changed our calculation method to make the data more reliable. Calculations are now based on actual figures for France, where 86% of Edmond de Rothschild (France)'s employees live. We have included travel between work and home in our carbon footprint calculation in order to have a full overview of our environmental impact, although we have very little scope for reducing emissions in that category.

Carbon footprint calculations also took into account our IT assets, purchases of external goods and services, and waste management.

SUSTAINABLE USE OF RESOURCES

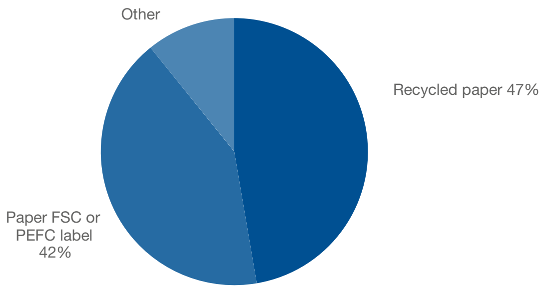
After several years in which we reduced paper consumption by between 9% and 16% per year, there was a 1% increase in 2015. However, consumption per employee continued to fall from 60kg to 57kg (-4%). Measures to minimise printing are being adopted in France and should reduce paper consumption further.

At 99%, virtually all of the paper used in France – which accounts for around 90% of paper consumption – is recycled and carries the FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) label. In our foreign subsidiaries and branches, the proportion is 14%.

Our overall water consumption fell 17% in 2015, although that was mainly due to improved reporting, since 79% of the indicator is now based on actual data as opposed to 38% previously.

We are continuing to pursue efforts commenced in 2014 to take into account social and environmental considerations relating to the practices of our suppliers and subcontractors.

Paper consumption in 2015
64.3 tonnes



	2011	2012	2013	2014	2015
EdR (France) paper consumption (tonnes)	96.8	81.6	74.4	63.4	64.3
Paper consumption per employee (kg)	72	72	70	60	57

	2014	2015
EdR (France) water consumption (m³)	13,396	11,172
Water consumption per employee (m³)	13	10

WASTE MANAGEMENT

In France, we use a company called ATF Gaia to dispose of all IT equipment that is no longer required. This specialised service provider picks up our old equipment, wipes all data (complete with a data deletion certificate) and determines what can be resold, upgraded or recycled.

We also made 90 donations of computer equipment in good working order to schools and charities, up from 46 in 2014.

Sorting bins are in place at all of the Bank's sites in Paris to encourage employees to recycle responsibly. In 2015, 97 kilos of aluminium, 6.4 tonnes of plastic and 566 toner cartridges were collected on site. Paper to be recycled is transferred from employees' individual waste baskets to secure containers, which are then processed by a specialised company, Shred-It. A total of 92.7 tonnes of paper were recycled in 2014, the equivalent of 1,483 trees

	2013	2014	2015
Recycled waste paper (tonnes)	83.5	113.2	96.3
Recycled waste plastic (tonnes)	9	6.6	6.6
Recycled waste aluminium (kg)	540	700	97[a]
Recycled toners (units)	594	579	566

[a] The sharp drop in recycled waste aluminium resulted in a change in the way our provider makes estimates. We will pay close attention to this indicator next year in order to assess its reliability.

BIODIVERSITY

Edmond de Rothschild (France) has been committed to raising awareness of biodiversity issues since 2012 by placing three beehives – benefiting some 90,000 bees – in the immediate surroundings of one of our Paris buildings. A fourth hive will be installed in 2016, home to a further 30,000 bees.

In 2015, our branch in Israel joined in with this initiative, working with a local beekeeper who harvests honey for the Group.

In 2015, 480kg of honey was harvested and almost 2,000 jars were given to clients around the world, to draw their attention to biodiversity issues.

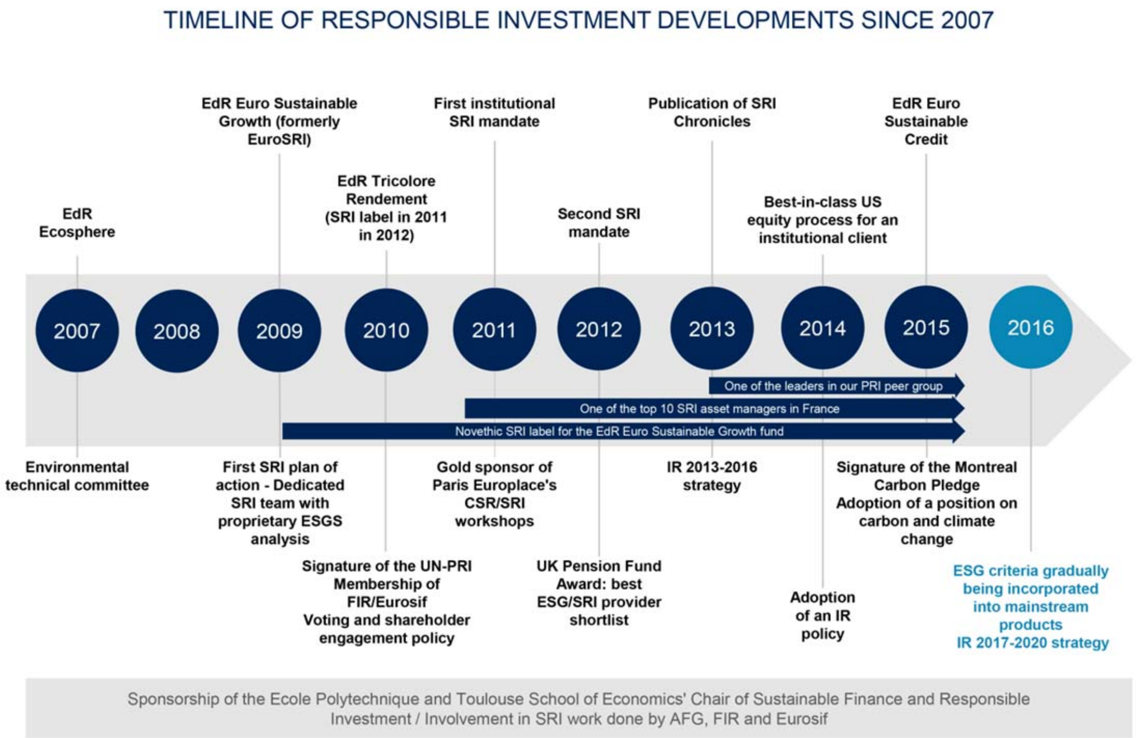
2015 WIDER SOCIETAL COMMITMENTS TO SUSTAINABILITY

RESPONSIBLE INVESTMENT

Responsible investment was without question the main theme of 2015. In France, there were several major advances: the adoption of the "act on energy transition for green growth", the introduction of two French government labels – one relating to Socially Responsible Investing (SRI) and the other relating to energy and ecological transition for the climate (TEEC) – a further large increase in SRI assets under management and the integration of ESG issues into mainstream asset management. There was also significant progress at the international level, with a particular focus on the environment in relation to the COP 21 meeting in Paris. Throughout 2015, that resulted in a series of unprecedented commitments by governments, companies and investments around the world. Edmond de Rothschild and its subsidiaries are committed to this environmental movement, which fits perfectly with its sustainability strategy. In 2015, we showed that commitment through efforts to protect natural resources and combat climate change. Those efforts culminated with Ariane de Rothschild's COP 21 speech on 5 December 2015, in which she reasserted the Group's aim of "creating the conditions for sustainability in order to support progress in our societies and the success of future generations".

EDMOND DE ROTHSCHILD ASSET MANAGEMENT (FRANCE)

Timeline of Edmond de Rothschild Asset Management (France)'s commitment to Responsible Investment



Signature of the Montreal Carbon Pledge: commitment to combating climate change

Following on from the COP 21 commitments made by its parent company, and in accordance with its Responsible Investment Policy, Edmond de Rothschild Asset Management (France) showed its dedication to combating climate change by signing the Montreal Carbon Pledge in 2015.

This initiative, which is supported by the UN-PRI – to which it has also been a signatory since 2010[1] – was supported by more than 120 investors around the world by the end of 2015[2], representing over $10,000 billion of assets under management. As signatory, Edmond de Rothschild Asset Management (France) has undertaken to make gradual efforts to measure and report on the carbon footprint of its investments.

[1] More information about Edmond de Rothschild Asset Management (France)'s responses during the latest annual UN-PRI reporting session can be found at http://www.edmond-de-rothschild.com/SiteCollectionDocuments/asset-management/isr/EDRAM-EN-Public-Transparency-Report.pdf.

[2] http://montrealpledge.org/

It fulfilled that commitment on 1 December 2015 for part of its equity investments covering France/eurozone/Europe equity portfolios (excluding midcaps), representing around 60% of its equity assets under management[1]. Indicators calculated by the in-house SRI team, based on the data it collects, show the quality of our proprietary extra-financial analysis.

Although this measurement activity does not always produce an immediate reduction in the CO_2 footprint of the portfolios concerned, it represents the first step towards factoring carbon risk into our portfolio management. It also:

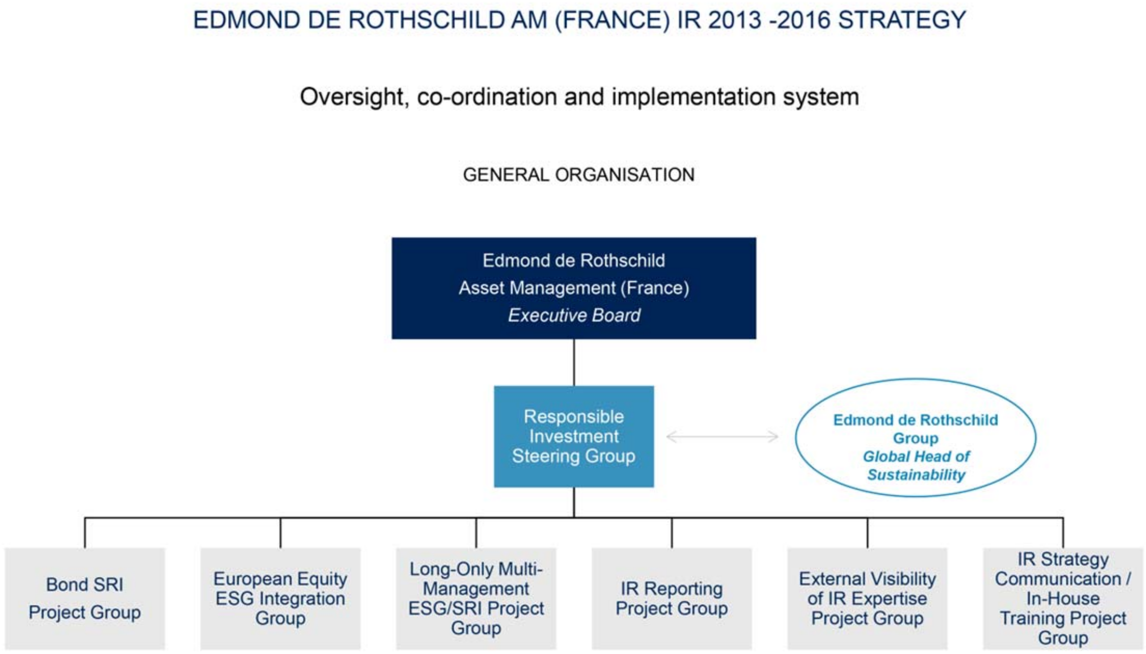
- raises awareness about carbon issues among all stakeholders,
- emphasises Edmond de Rothschild Asset Management (France)'s desire for transparency.

In addition to publishing its first measure of its portfolios' carbon footprint, Edmond de Rothschild Asset Management (France) sought to create the best possible conditions for fulfilling that commitment, including:

- training for its European equity management team, which discussed carbon risk in the first meeting of its Equity ESG Integration Committee;
- involvement in the AFG's COP 21 working party, which presented the results of a survey on "climate solutions[2]" adopted by member asset management companies, along with figures on the carbon footprint of their funds.

In addition, more than 10 articles on responsible investment and/or the commitments made by Edmond de Rothschild Asset Management (France) were published on the Group intranet during the year, raising awareness of this subject among all staff.

Ongoing implementation of the 2013-2016 Responsible Investment Strategy



Edmond de Rothschild Asset Management (France)'s 2013-2016 Responsible Investment Strategy is driven by the Responsible Investment Steering Group which meets twice a year and reports directly to the Executive Board. Since it was introduced, the Strategy has been implemented by six project groups.

With the momentum generated by these projects and with deployment of the 2013-2016 Responsible Investment Strategy coming to an end, Edmond de Rothschild Asset Management (France) has started discussions to renew the strategy for the 2017-2020 period. It is already working with Groupe Edmond de Rothschild on extending the strategy's scope of application to all its management hubs.

[1] http://www.edmond-de-rothschild.com/SiteCollectionDocuments/asset-management/isr/EDRAM-FR-EN-empreinte-carbone-carbon-footprint.pdf

[2] Results of the AFG "savings solutions for combating climate change" survey were presented as part of COP 21 on 4 and 9 December 2015 in the "finance and insurance climate solutions" pavilion in the Grand Palais. For more information (in French only), visit: http://www.afg.asso.fr/index.php?option=com_docman&task=doc_download&gid=4842&Itemid=82.

In 2015, Edmond de Rothschild Asset Management (France)'s responsible investment strategy resulted in:

- the realisation of projects launched in 2014, including the SRI bond project, which on 1 September 2015 led to the launch of Edmond de Rothschild Asset Management (France)'s first open-end SRI credit fund: EdR Euro Sustainable Credit. This eurozone credit fund applies a best-in-universe SRI strategy to bonds that are mostly investment-grade, but with some high-yield paper for diversification purposes. The fund focuses on companies that are the most responsible in terms of ESG and have the best reporting. This gives asset managers an additional analysis perspective, enabling them to assess issuers in greater depth and have greater confidence regarding exposure to default risk. Edmond de Rothschild Asset Management (France) also adopted its first ESG analysis approach for eurozone sovereign issuers: after an initial period of testing with the Asset Allocation and Sovereign Debt teams, this approach will be formalised in 2016.formal in 2016.

- Two new Project Groups working on ESG integration were set up in 2015: one for European equities and the other for long-only multi-management and ESG/ISR integration. The purpose of those two groups is to adopt formal methods for making ESG an integral part of analysis and/or investment processes in these two investment areas, in accordance with market best practice.

- *EdR Euro SRI* became *EdR Euro Sustainable Growth* and obtained its seventh SRI label. Since its launch in 2009, the EdR *Euro SRI* fund has adjusted its ESG analysis and asset management process, so that the two aspects work more in synergy. Accordingly, the fund, which was renamed *EdR Euro Sustainable Growth* on 1 September 2015, now aims to select growth stocks exposed to the upturn in investment in Europe and with a long-term sustainability policy. The fund will focus on stocks that operate in the fields of energy transition, healthcare, research and education, digital technologies and mobility, thereby generating greater synergies between financial and extra-financial investment ideas. The fund's analyst/asset managers also regularly track five ESGS[1] indicators, which give a better idea of the portfolio's extra-financial impact. On 25 September 2015, EdR Euro Sustainable Growth obtained SRI Novethic[2] label for the seventh consecutive year. This label is awarded to Socially Responsible Investment (SRI) funds whose managers systematically take into account environmental, social and governance criteria (ESG). It is an indication that the portfolio's composition is partly determined by ESG analysis.

Responsible Investment expertise in brief

Edmond de Rothschild Asset Management (France)'s open-end SRI funds

Edmond de Rothschild Asset Management (France)'s range of open-end SRI funds

Fund	SRI strategy	AuM at 31/12/2015 (€ million)	*Performance* *(Source: Morningstar - 31/12/2015)*
Edmond de Rothschild Tricolore Rendement	ESGS commitment	1,564	★★★★
Edmond de Rothschild Euro Sustainable Growth	ESGS positive selection / Best-in-universe	36	★★★
Edmond de Rothschild Euro Sustainable Credit *	ESGS positive selection / Best-in-universe	46	★★

** SRI fund launched in September 2015*
Source : Edmond de Rothschild Asset Management (France)

[1] ESGS: Environmental, Social, Governance, Stakeholder
[2] For more information about the ISR Novethic label, visit: http://www.novethic.fr/isr-et-rse/le-label-isr.html.

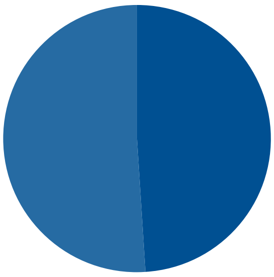
Edmond de Rothschild Asset Management (France)'s open-end SRI funds are managed in-house using proprietary ESGS analysis, which is performed year-round. In 2015, the SRI team analysed the ESGS performance of 138 companies and met with the management teams of 39 companies to discuss extra-financial issues.

Growth in SRI assets under management and one of France's top 10 SRI players

Edmond de Rothschild Asset Management (France)'s SRI assets under management amounted to €3,374.5 million at 31 December 2015 as opposed to €2,853 million a year earlier, split between our three open-end SRI funds and institutional mandates.

Edmond de Rothschild Asset Management (France) SRI equity funds and management agreements – AuM covered by ESG* strategies in 2015

€ 3,374.5 million



15% of Edmond de Rothschild Asset Management (France)'s assets under management
AuM up 18% compared with 2014

Source: Edmond de Rothschild Asset Management (France), figures at 31/12/2015

* Open-end funds and mandates. Socially responsible investing by positive selection entails identifying companies that perform well on ESG criteria. Our efforts in this matter are based on regular dialogue with corporate executives.

With SRI assets under management up 18%, 2015 was a very good year for several reasons: markets performed well and fund inflows were good, but also Edmond de Rothschild Asset Management (France) set up a "best-in-universe" SRI credit fund, allowing it to provide its proprietary SRI expertise to clients across several asset classes. SRI funds made up 15% of Edmond de Rothschild Asset Management (France)'s assets under management at the end of 2015 as opposed to 12.7% at end-2014, showing the growing importance of its SRI offering.

Edmond de Rothschild Asset Management (France) maintained its competitive position in the French SRI market at the end of 2015, ranking eighth in Novethic's league table of asset management companies distributing private-label funds in France (across all asset classes).

Support for and promotion of extra-financial research

Edmond de Rothschild Asset Management (France) continued to support research by the Toulouse School of Economics and the Chair of Sustainable Finance and Responsible Investment of the Ecole Polytechnique in Paris, and to cover the results of their work in its in-house publications. We also continued the publication of our SRI Chronicles, launched in 2013 to highlight responsible-investment issues. Each edition puts forward the academic perspective on SRI, featuring a researcher's point of view on current topics. In 2015, those topics included the treatment of ESG issues by investor relations managers at French listed companies, employee representation in the governance bodies of French companies, and the results of a Toulouse School of Economics study on the choices and behaviour of retail banking and bancassurance customers with respect to SRI.

With the same objective of promoting SRI to a broader audience, we put the spotlight on EdR Euro Sustainable Growth's management team in our "*Ateliers d'experts*" event, which attracted more than 200 investors on 8 September 2015 and dealt with the theme of "companies facing the challenge of sustainability as adopted by Millennials".

Shareholder engagement policy

Ongoing active voting policy

As shareholders, we maintained a high level of voting activity in 2015, taking part in 755 AGMs as opposed to 679 in 2014. Edmond de Rothschild Asset Management (France) voted against 22% of motions, a 5-year high, taking firm positions on themes such as top-up pension plans, capital increases through contributions in kind, "say on pay" and arrangements for charitable donations.

	2011	2012	2013	2014	2015
Number of annual general meetings in which EdRAM (France) participated	661	754	759	679	755
Voting rate in the AGMs of equity investees	80%	92%	85%	75%	81%
Number of resolutions voted on	7,338	7,873	9,071	8,559	10,838
Percentage of votes "against" a resolution	15%	18%	21%	20%	22%

Opposition to France's Florange act and support for the "one share, one vote" principle

Edmond de Rothschild Asset Management (France) took action against planned arrangements under France's "recovery of the real economy" act of 29 March 2014 (known as the Florange act), which alters the rights of non-controlling shareholders by systematically giving double voting rights to shares that have been registered for more than two years (Article L.225-123 of the French Commercial Code). As an independent asset management company, Edmond de Rothschild Asset Management (France) has always supported equal shareholder rights in the form of one voting right per share owned. Edmond de Rothschild Asset Management (France)'s voting policy explicitly disapproves of double voting rights, in line with AFG recommendations. Accordingly, a circular was sent on 13 January 2015 to the chairmen of around 20 companies whose shares are held by certain funds managed by Edmond de Rothschild Asset Management (France), to encourage them to add motions to their 2015 AGM agendas to amend their articles of association so that the principle of "one share, one vote" is restored.

In the specific case of Vivendi, Edmond de Rothschild Asset Management (France) joined forces with PhiTrust to request the addition of a motion to restore the "one share, one vote" principle in its 17 April 2015 AGM. The Edmond de Rothschild Tricolore Rendement fund voted in favour of the motion in respect of its 2,100,000 shares, and in total nine shareholders (including three from outside France) representing 26.54 million shares (1.96% of the capital) voted in favour of it. The motion was therefore added to the agenda of the 17 April 2015 meeting, but unfortunately did not receive the two-thirds majority required for it to pass.

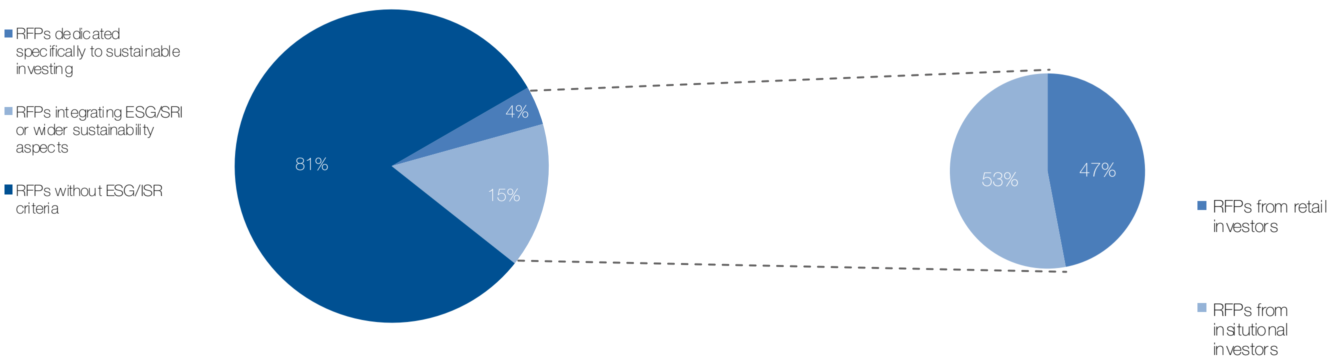
Action against climate change

Continuing its commitment to combating climate change, Edmond de Rothschild Asset Management (France) in 2015 joined a coalition of around 60 global investors representing almost $2,000 billion of assets under management. The coalition sent a letter to oil and gas companies, asking them to provide information on their capital expenditure at a time of rising costs, on their carbon-intensive exploration projects and on the impact of a possible reduction in demand for petroleum products by 2020.

Requests for Proposals (RFPs) showing investor interest in responsible investment

The number of RFPs from institutional and retail investors including ESG/SRI criteria is a key indicator of how the responsible investment is changing, and a useful measure for our Asset Management business. These investors are the pioneers in their market, and they play a vital role in its evolution.
The chart below shows that 19% of the RFPs to which Edmond de Rothschild Asset Management (France) responded in 2015 included criteria relating to sustainable investment and/or sustainability in general. The proportion was higher in France than in the Group's other markets. Analysis by the teams in charge of RFP responses shows that equities still represent the asset class most concerned by ESG/SRI requests (40%). There is also a trend towards taking into account "low carbon" criteria. At the end of 2015, Edmond de Rothschild Asset Management (France) was selected, following an RFP process, for the virtual management of a global equity portfolio, with the combined aims of reducing the portfolio's carbon footprint and achieving good returns.
To give the full picture of these results, it should be noted that the largest French players in the ISR/ESG area will issue new RFPs for the majority of their assets in 2016.

RFPs to which Edmond de Rothschild Asset Management (France) responded in 2015



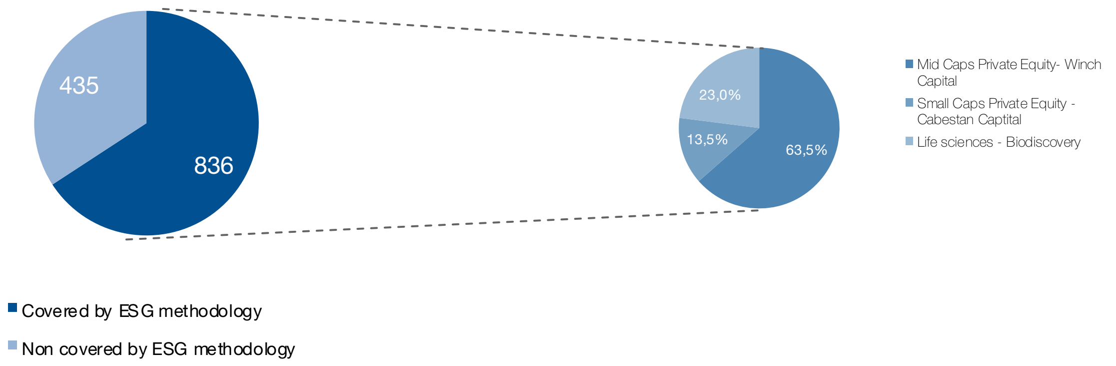
EDMOND DE ROTHSCHILD INVESTMENT PARTNERS

In 2015, Edmond de Rothschild Investment Partners (EdRIP), which is part of the Edmond de Rothschild Private Equity platform, continued to implement its responsible investment policy. Established in 2012, the policy is formalised by EdRIP's Responsible Investment Charter, which aims to encourage companies to adopt best environmental, social and governance (ESG) practices.

The policy is applied throughout the entire investment cycle, from the project selection process (using an assessment framework) to the actual investment, in connection with which Edmond de Rothschild Investment Partners commits to integrate ESG criteria in its shareholder policies and practices. Annual reporting to investors on investments raised in dedicated funds from 2010 onwards includes an ESG section showing results for key indicators for each participation during the financial year. These reports also include the progress made on different ESG projects defined with the manager at the time of investment.

One significant event in 2015 was the fundraising by EDF PE China 2. The same ESG approach will be applied to all of the fund's assets. Also a signatory of the United Nations Principles for Responsible Investment (UN-PRI), Edmond de Rothschild Investment Partners participated in the PRI Reporting Framework in 2015.

Assets managed by Edmond de Rothschild Investment Partners at end of 2015 (€m)



COMMUNITY ENGAGEMENT AND PHILANTHROPY: CLOSE COLLABORATION WITH THE EDMOND DE ROTHSCHILD FOUNDATIONS

SUPPORTING DIVERSITY WITH PASSERELLES

For the fifth year in a row, Edmond de Rothschild (France) supported the professional-integration programme PasserElles, offered by the non-profit recruitment agency Mozaïk RH. This programme, initially funding by the Edmond de Rothschild Foundations, is aimed at young female graduates from different backgrounds looking for employment. It combines group workshops, individual coaching by recruitment professionals and personalised support by a sponsor from the company. Edmond de Rothschild (France) encouraged its employees to participate as a mentor in 2015. In addition, all Group staff had the opportunity to volunteer occasionally in the programme's newest venture, Coup de Pouce.

For the programme that began in October 2015, 27 participants (26 in France and 1 in Switzerland) volunteered to be mentors. In 2014, we had 31 mentors. The programme remains open all year in order to attract new mentors.

When mentors and mentees meet, they discuss highly practical matters like how to make the most of their strengths, how to network, and how to prepare for an interview or a new job. Most mentors use their own networks to help mentees find a job.

Mentors also receive support, in the form of a practical guide and two meetings with Mozaïk RH teams, at the start of the programme and in the middle of the year.

WORKING WITH SOCIAL ENTREPRENEURS AS PART OF SCALE UP

The Bank also continued its commitment to the Scale Up programme, created by the Edmond de Rothschild Foundations and the ESSEC Business School to support the development of businesses that have a positive impact on society and/or the environment. In this programme, selected companies are sponsored for one year by certain Edmond de Rothschild (France) employees, who share their expertise on strategy, finance, fundraising and communication. In addition to professional skills sponsorship, Scale Up also offers structured educational opportunities and pro bono legal assistance, giving the company's leadership the tools necessary to define, implement and finance their growth.

In the five years since its inception, the programme, with its combined economic and social impact, has been recognised as unique in France. To strengthen its position further, the programme has since 2015 been open only to companies (SA, SAS, SARL) requiring over €200,000 of financing. The six companies who completed the programme in 2015 – AfB, The Green Link, Phenix, Simplon.co, Gourmet Spiruline and Ti'Hameau – were aided by experts from the Group's corporate advisory services, private equity and wealth management divisions.

The programme ends with a pitch event held as part of ESSEC's entrepreneurship-focused Impact Day. It is an opportunity for participating companies to present their business plans to potential investors, while allowing the general public to find out about their projects. The companies are all leaders in their field. Several of them are already in the process of raising new funds.

As well as helping companies attain new scale, one of its objectives is to create a space where socially innovative companies can rub shoulders with the world of traditional finance. It is a win-win approach, since it opens up new financing possibilities for the former, and gives the latter a new way of applying its expertise.

A practical French-language guide called "*Changer d'Échelle : manuel pour maximiser l'impact des entreprises sociales*" ("Changing scale: a manual for maximising the impact of social enterprises"), has been published by the Edmond de Rothschild Foundations and ESSEC Business School. It can be downloaded free of charge at www.programmescaleup.org.

OPEJ: COMMUNITY SUPPORT FOR YOUNG PEOPLE

The OPEJ-Baron Edmond de Rothschild Foundation was created in 1944 to aid children orphaned by the Second World War. Today, the OPEJ (Organisation for the Protection of Children and Youth) works with the government to help 3- to 21-year-olds who have been mistreated, abandoned, abused and neglected to reconstruct their lives, fully realise their identity and become an integral part of society. The foundation makes it a priority to restore and maintain family ties, which is why it also supports families who are no longer able to provide for their children.

To celebrate OPEJ's 70th anniversary, Edmond de Rothschild (France) strengthened its ties with the Foundation by encouraging its staff to get involved in its work. In 2015, Edmond de Rothschild (France) employees were invited to mentor a young person for one year.

This mentoring is a way of supplementing the work done by educators, by giving the young mentee an external contact who takes an interest in his/her future outside of OPEJ's educational efforts. To maintain these relationships and the grass-roots work done by these mentors, they receive constant support and advice from the young person's key educator and OPEJ staff.

The first programme was a big success, because the number of staff volunteering exceeded the number of young people requiring mentors. In the end, 20 mentors were selected and 21 more employees were able to take part in the "Opération cartables" ("Operation schoolbag") community support day held at the Maison d'Enfants in Rueil Malmaison in July 2015. During that event, mentors worked with children to prepare 70 schoolbags and reorganise a storage room and help the children put on a dance show.

Seven members of the Group's Communication Department also helped OPEJ with several initiatives including updating its website and organising its 70th anniversary gala evening.

ACTIVE COLLABORATION WITH SOCIAL ENTERPRISES

Through its Scale Up programme, Edmond de Rothschild (France) has turned toward some of these social enterprises in a commercial capacity, supporting business models that combine social impact and financial sustainability.

The collaboration with Puerto Cacao, which began in 2011 as part of the Scale Up programme, ended in September 2015 because the Edmond de Rothschild group wanted to update the range of chocolates it gives to its clients at the end of each year. A new collaboration was set up with Original Beans, a company that does not take part in the Scale Up programme but which includes sustainability in every aspect of its business.

In 2015, we continued our relationship with Les Soieries du Mékong (Scale Up 2013), a young company founded by a group of creative minds that combines the creativity of French fashion with the skill of Cambodian weavers to create scarves and accessories made of hand-woven silk. Les Soieries du Mékong addresses the issue of women's independence in Cambodia by providing training as well as long-term personal and financial assistance to its craftswomen. The group commissioned Les Soieries du Mékong to produce gifts given to clients at the end of the year.

Edmond de Rothschild (France) uses Farinez'vous (Scale Up 2012), an organic bakery that promotes solidarity by employing individuals re-entering the workforce. In 2014 and 2015, it organised clothing collections for Tissons la Solidarité (Scale Up 2013), which helps women re-enter the workforce via fashion and dressmaking activities. Over an 8-month period, 80 employees donated two tonnes of clothing.

As in previous years, Edmond de Rothschild (France) continued to do business with companies employing disabled employees. An example of this is our collaboration in 2015 with Handiprint in printing services, and we continued to work with ATF Gaia (Scale Up 2012), which specialises in the environmentally friendly recycling of electric and electronic equipment. The company also provides long-term work for employees with disabilities, who make up 80% of its production workforce.

RAISING EMPLOYEE AWARENESS OF SUSTAINABILITY

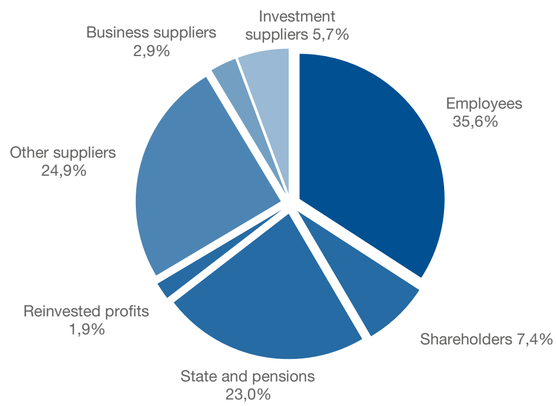
Edmond de Rothschild (France) employees are made aware of environmental, social and responsible-investment issues throughout the year, in particular through news published on the Group’s intranet. Over 25 articles were published in 2015 on topics as varied as impact investing, diversity, our work to support various social initiatives, the UN Sustainable Development Goals and COP 21.

The Group's Global Head of Sustainability also organised several meetings to provide information and raise awareness about responsible and sustainable investment, and about carbon risk. The meetings were attended by Asset Management sales and management teams and by Private Banking staff.

STAKEHOLDER ENGAGEMENT

In addition to its work with social enterprises, Edmond de Rothschild (France) engages with its stakeholders through daily interactions with clients, employees and their representatives, suppliers and subcontractors, national and financial authorities, and other economic actors.

Banking revenues by expense item or appropriation
€ 329 millions



In 2015, the Edmond de Rothschild Group published its first sustainability report, covering all its entities for the first time. By adopting the highest reporting standards – i.e. compliance with GRI4 guidelines and third-party verification of quantitative data – we wanted to show our commitment to transparency with respect to our stakeholders. We made the report available to the general public via the website, and we provided hard copies to clients and partners in our branches.

Sustainability and its impact on companies and financial performance was also the theme of a presentation to more than 200 investors in the expert workshops organised by our Asset Management business in September 2015.

On 5 December 2015, as part of COP 21 in Paris, Ariane de Rothschild spoke at the opening session of the Global Landscape Forum, explaining the role of the financial sector in creating a sustainable, low-carbon economy, and what the Group is doing to contribute to it. In particular, she focused on the agroforestry strategy of our Private Equity business in South America and Africa, which involves formal co-operation between various public- and private-sector stakeholders.

On 4 December 2015, 49 people took part in an event at Edmond de Rothschild (France)'s offices, which brought together stakeholders involved or interested in this agroforestry strategy. Those present included Paul Oquist Kelley, a government minister from Nicaragua and Eric Ponçon, founder of Nicafrance, the first agroforestry company in Nicaragua to receive investment from the fund.

BUSINESS ETHICS

In 2015, the Edmond de Rothschild Group adopted a Code of Ethics, to be implemented in early 2016. Edmond de Rothschild (France)'s Code of Conduct is fully in line with this new Code of Ethics, and a copy of it is already provided to all employees when they join. It is also available on the Bank's intranet. The Compliance and Control department enforces full compliance with the ethical rules set out in the Code of Conduct. This Code states, explains and supplements the laws, regulations and best ethics practices regularly observed in France.

All employees must, at all times, perform their duties with the required ethical behaviour, skill, care and diligence. They are expected to work in the clients' best interest and preserve the integrity of the financial markets. Based on the fundamental duty to know one's client, the Code reminds employees of the Bank's obligations in the fight against money laundering and the funding of terrorist activities. It also covers the prevention of market abuse, ethics provisions applicable to employees as well as rules relating to the use of IT and communication resources.

Every year, all Edmond de Rothschild (France) staff are required to take a training course on efforts to combat money laundering and terrorist financing. Since 2015, Edmond de Rothschild Asset Management (France) has used an industry e-learning system developed by the AFG (Association Française de la Gestion Financière), which is more suited to the asset management business. The programme that began in December 2015 remained open until the end of January 2016, and 100% of the target employees took the course.

Also in 2015, 20 classroom-based training sessions were held for Private Banking and insurance brokerage staff on the same subject.

During the year, therefore, 1,089 hours of anti-money laundering and terrorist financing training were provided to 527 Edmond de Rothschild (France) employees, corresponding to 98% of the eligible population.

In 2015, 74 Asset Management employees also received training on regulatory reminders relating to fund management and marketing documents; 101 hours of training were provided and 66% of the eligible population was covered.

In Private Banking, the Compliance and Control Department held 14 training sessions relating to market abuse, which were attended by 217 private bankers (96% of the eligible population, 326 hours of training).

E-learning courses on the implementation of FATCA (US Foreign Account Tax Compliance Act) were taken by 52 Private Banking employees, as opposed to 162 in 2014. FATCA is a federal US law that requires all US taxpayers, including those living abroad, to declare their foreign accounts to US tax authorities. It also requires Foreign Financial Institutions to identify accounts held by US taxpayers in order to report those meeting certain criteria to US tax authorities on an aggregate basis.

In 2016, a training plan will be rolled out with an external provider on the implementation of the Automatic Exchange of Information agreement. This multilateral agreement concerns the systematic reporting of information relating to various categories of investment income (dividends, interest etc.) to the tax authorities. Automatic Exchange of Information is intended to combat tax fraud.

In addition, the French market authority, AMF, requires investment service providers to verify that individuals performing certain duties either for them or under their authority have a basic understanding of 12 regulatory and ethics topics as well as financial techniques. Knowledge can be verified by an in-house or external, AMF-approved exam. Edmond de Rothschild (France) opted for external tests administered by Bärchen.

Certain employees were grandfathered out of the certification exam. All individuals in positions requiring the exam as at 1 July 2010 are deemed to demonstrate the minimum competency level required by the regulation so long as they do not change employers.

REPORTING METHODOLOGY FOR WORKFORCE-RELATED, ENVIRONMENTAL AND SOCIAL INFORMATION

1. Selection of indicators

In order to monitor the performance of the sustainability approach followed since 2011, the Bank identified the most relevant indicators pertaining to its business dealings and influence. In doing so, it referenced the French decree implementing Article 225 of the Grenelle 2 act, the principles of the United Nations Global Compact and various recognised CSR benchmarks.

Certain key indicators were highlighted because they provide a clear picture of our environmental, workforce-related and social issues, and because they support appropriate decisions-making and actions:

- Environment: the Bilan Carbone®, applied to all of the Bank's activities, which is a global indicator of greenhouse gas emissions; direct energy consumption; and paper consumption.
- Social: headcount and movements, payroll trends, the proportion of employees who took part in annual performance appraisals, employee training and the percentage of women among management-level employees.
- Wider sustainability: assets managed according to SRI standards, ethical and compliance training.
- Some indicators required by the decree are not included in the report insofar as they are irrelevant to the Bank's services. These indicators are noted in the concordance table further on in this text.

2. Reporting scope

In 2015, the introduction of the new HR information system allowed us to extend the reporting scope to all Edmond de Rothschild (France) subsidiaries and branches for the following indicators: average length of service, average age, percentage of people on permanent contracts, percentage of women on permanent contracts, percentage of employees working part time and percentage of women in the workforce. In addition, there are the indicators that we already produced for that reporting scope in previous years: total workforce, payroll and annual performance appraisals. Other workforce-related indicators apply only to the Bank in France (i.e. excluding foreign subsidiaries and branches).

The workforce table includes employees with permanent and fixed-term contracts as well as vocational trainees. All other workforce indicators are calculated for employees with permanent and fixed-term contracts only, i.e. 765 individuals employed by the Bank in France and 922 for Edmond de Rothschild (France) (including foreign subsidiaries and branches).

Environmental indicators cover all of the Bank's sites, unless otherwise indicated. In the past, certain data used to calculate the Bilan Carbone® was unavailable, mainly for sites outside France. As a result, estimates based on extrapolation or equivalence were used. However, a new reporting system reduced the percentage of estimated data further in 2015. Over 95% of the 2015 environmental data were collected by individuals with access to the required information, either through Edmond de Rothschild (France) or the foreign entity directly. The workforce numbers used to calculate environmental ratios include FTE figures for vocational trainees, other trainees and interim employees as at 31 December 2015, along with service providers working in our premises in France, making a total of 1,117 people.

3. Organisation, resources and monitoring

The Sustainability department, which reports to the Director of Human Resources (a member of the Edmond de Rothschild Group's Executive Committee) is in charge of co-ordinating the resources dedicated to managing CSR indicators, in collaboration with the employees appointed by the appropriate subsidiaries and departments.

Specific tools and procedures, including the definition of each indicator and its calculation methodology, were used:

- Environmental indicators were managed using the online tool FigBytes, which collected, consolidated and stored data.
- The Bank's annual carbon footprint was calculated in accordance with the methodology of the Association Bilan Carbone, taking into account direct and indirect emissions (scopes 1, 2 and 3), but excluding emissions related to any investments made.
- The collection of workforce-related indicators relies on the online HR information system. Once that system's functions have been deployed, it will provide all information required for HR management. These indicators are then consolidated by the Human Resources department, which is careful to take into account the specific features of each country's labour regulations.
- Data regarding the Bank's wider sustainability commitments was aggregated in three categories from information submitted by the appropriate entities. These categories were philanthropic activities, responsible investments and responsible purchasing strategies.

CSR indicators were monitored and validated on three levels: first at an operational level within the entity itself, then by the Sustainability department and finally by the departments directly concerned by the various subjects. The purpose of this three-tier approach is to guarantee that reported information is genuine and consistent over time.

Environmental, social and wider sustainability information published in this report in compliance with Grenelle 2	
Subject to Article R. 225-105(3), the Board of Directors or Executive Board meeting the criteria in Article R. 225-104(1) discloses the information below in its report, in application of Article L. 225-102-1(5) (Decree no. 2012-557 of 24 April 2012 implementing Grenelle 2 on obligations regarding corporate transparency in social and environmental matters):	This table refers the reader to the pages on which the information is presented. Alternatively, it explains why the information is omitted.

WORKFORCE-RELATED INFORMATION	
a) Employment	
- Total workforce and employee distribution by gender, age and geographic area	p.40
- New hires and departures	p.40-41
- Remuneration and salary trends	p.41-42
b) Work organisation	
- Organisation of working time	p.41
- Absenteeism	p.44
c) Labour relations	
- Organisation of employee consultations, namely the procedures used to inform, consult and negotiate with employees	p.44
- Summary of collective agreements	p. 44
d) Health and safety	
- Occupational health and safety conditions	p.44
- Summary of agreements signed with trade unions or employee representatives regarding occupational health and safety	p. 44
- Workplace accidents, including frequency and severity, and occupational illnesses	p. 44

e) Training	
- Training policies implemented	p.42
- Total number of training hours	p.43-43
f) Equal opportunity	
- Measures taken to foster equality between men and women	p.43
- Measures taken to foster the employment and integration of individuals with disabilities	p. 44
- Anti-discrimination policy	p.43-44
g) Promotion of and compliance with the International Labour Organisation conventions on:	
- the freedom of association and the right to collective bargaining	p.39 and p.44
- the elimination of discrimination in employment and occupation	
- the abolition of forced or compulsory labour	
- the effective abolition of child labour	

ENVIRONMENTAL INFORMATION	
a) General environmental policy	
- Organisational strategy for taking into account environmental issues and, where appropriate, assessment and certification steps	p.45
- Efforts to train and inform employees on environmental protection	p.54
- Means designated for the prevention of environmental risks and pollution	EdR Group is not confronted with environmental risks or pollution, as its business is in the service industry
- Amount set aside for provisions and guarantees regarding environmental risks	EdR Group is not confronted with environmental risks, as its business is in the service industry
b) Pollution and waste management	
- Measures to prevent, reduce or remedy serious air, water and soil contamination	EdR Group does not cause significant air, water or soil contamination, as its business is in the service industry
- Measures to prevent, recycle and eliminate waste	p.46
- Consideration of loud noise and all other forms of pollution specific to certain lines of business	EdR Group's business does not generate loud noises or any other form of specific pollution
c) Sustainable use of resources	
- Water consumption and supply as based on local parameters	EdR Group's business focuses on financial services and does not significantly impact water consumption, which is limited to the daily quantities consumed by employees p.46
- Consumption of raw materials and measures taken to increase efficiency in use	p.46
- Energy consumption and measures taken to improve energy efficiency and promote the use of renewable energies	p.45
- Soil use	EdR Group's business focuses on financial services and does not significantly impact soil use; sites are not located in sensitive areas
d) Climate change	
- Greenhouse gas emissions	p.45
- Adjustments made in response to consequences of climate change	- Given the nature of its business, EdR Group is not confronted with the consequences of climate change
e) Protection of biodiversity	
- Measures taken to protect or foster biodiversity	p.46

SOCIAL INFORMATION	
a) Territorial, economic and social impact of business activities	
- on regional employment and development	p.54
- on local or neighbouring populations	p.53- 54
b) Stakeholder relationships	
- Conditions for dialogue with stakeholding individuals or organisations	p.54
- Partnerships or sponsorships	p.53-54
c) Subcontractors and suppliers	
- Inclusion of social and environmental issues in purchasing policy	p.46
- Extent of reliance on subcontractors and inclusion of social and environmental obligations when dealing with suppliers and subcontractors	p.46
d) Fair practice	
- Action taken to prevent corruption	p.55
- Measures taken to benefit consumer health and safety	p.47-52
e) Other contributions to promote human rights	
- Other contributions to promote human rights	p.47-54

Information not available

Report by one of the Statutory Auditors, designated as an independent third-party organisation, on the consolidated workforce-related, environmental and social information included in the Management Report

Year ended 31 December 2015

To the shareholders,

In our capacity as a statutory auditor of Edmond de Rothschild (France), designated as an independent third party and accredited by COFRAC under number 3-1060,[1], we hereby present to you our report on the consolidated workforce-related, environmental and social information relating to the financial year ended 31 December 2015 presented in the management report (hereinafter "CSR Information") in accordance with Article L.225-102-1 of the French Commercial Code.

RESPONSIBILITIES OF THE COMPANY

It is the responsibility of the Chairman of the Executive Board to prepare a management report including the CSR Information required under Article R.225-105-1 of the French Commercial Code, in accordance with the Edmond de Rothschild group's Workforce-Related Reporting Procedure and Environmental and Social Reporting Procedure (hereinafter the "Procedures"), a summary of which is provided in the Management Report. Copies of these Procedures are available on request from the Sustainable Development Department of the Edmond de Rothschild Group.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the profession's code of conduct and Article L.822-11 of the French Commercial Code. We have also set up a quality control system that includes documented policies and procedures to ensure compliance with rules of conduct, professional standards, and applicable legal and regulatory texts.

STATUTORY AUDITOR RESPONSIBILITIES

Il nous appartient, sur la base de nos travaux :

- certify that the required CSR Information is presented in the management report or, where it is omitted, explained pursuant to the third paragraph of Article R.225-105 of the French Commercial Code (Declaration on the inclusion of CSR Information);
- express a conclusion with moderate assurance that the CSR Information, taken as a whole, is fairly presented in all material aspects in accordance with the Procedures ("Substantiated opinion on the accuracy of the CSR Information").

Our audit was performed by a team of six people between November 2015 and March 2016 and lasted approximately three weeks. To assist us in our audit, we called on our CSR experts.
We conducted the audit described below in accordance with professional standards[2] applicable in France and with the government decree of 13 May 2013 defining arrangements under which the independent third-party organisation must perform its audit and, concerning the substantiated opinion of accuracy, with international standard ISAE 3000[3].

1. DECLARATION OF THE INCLUSION OF CSR INFORMATION

Nature and extent of the audit

Based on interviews conducted with the managers of the departments concerned, we familiarised ourselves with the company's approach to sustainable development based on the workforce-related and environmental consequences of the company's activities and its social commitments and, where appropriate, the resulting actions or programmes.
We compared the CSR Information presented in the management report with the list provided for by Article R.225-105-1 of the French Commercial Code.
In the absence of certain consolidated information, we checked that explanations were provided in accordance with paragraph 3 of Article R.225-105 of the French Commercial Code.
We checked that the CSR Information covered the consolidation, i.e. the company and its subsidiaries within the meaning of Article L.233-1 of the French Commercial Code and the companies it controls within the meaning of Article L.233-3 of the French Commercial Code, subject to limitations set out in the "Reporting

[1] The scope of which can be consulted at www.cofrac.fr

[2] This shall be adapted if a member of the network is designated "OTI: « normes professionnelles »" (Independent Third-Party: "professional standards")

[3] ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Methodology for Workforce-Related, Environmental and Social Information" chapter.

Conclusion

On the basis of our work and taking account of the aforementioned limitations, we certify that the required CSR Information is included in the management report.

2. SUBSTANTIATED OPINION ON THE ACCURACY OF CSR INFORMATION

Nature and extent of the audit

We conducted around ten interviews with the people responsible for preparing the CSR Information from the departments handling the information-gathering processes and, where appropriate, those responsible for the internal audit and risk management procedures, in order to:

- assess whether the Procedures were appropriate in terms of their relevance, completeness, reliability, neutrality and ability to be understood, taking into account, where appropriate, sector best practice;
- confirm the implementation of a process for collecting, compiling, processing and checking the CSR Information to ensure its completeness and consistency and to understand the internal audit and risk management procedures used to prepare the CSR Information.

We decided the nature and extent of our tests and checks based on the category and importance of the CSR Information in relation to the characteristics of the company, the workforce-related and environmental issues involved in its activities, its sustainable development policies and sector best practice.

For the CSR Information that we considered the most important:[4]:

- or the parent company, we consulted the documentary sources and conducted interviews to corroborate qualitative information (regarding the organisation, policies and actions), analysed the quantitative information, carried out spot checks on calculations and the consolidation of data and checked that the data are consistent and agree with the other information contained in the Management Report;
- based on a representative sample of entities which we selected[5] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to check that procedures were correctly applied and identify possible omissions, and carried out detailed tests based on sample data, consisting of checking the calculations made and reconciling data from the supporting documents. The selected sample covered 89% of the workforce and 74-90% of the quantitative environmental information presented.

For the other consolidated CSR Information, we assessed its consistency in relation to our knowledge of the company.

Finally, we assessed the adequacy of explanations relating to any total or partial absence of certain information.

We consider that the sampling methods and sample sizes we adopted by exercising our professional judgement allow us to express a conclusion with moderate assurance; a higher level of assurance would have required more extensive review work. Due to the use of sampling techniques, as well as other limitations inherent in the operation of any information and internal audit system, the risk of failing to detect a significant anomaly in the CSR Information cannot be completely eliminated.

Conclusion

Based on this audit, we have not found any significant anomaly that would mean that the CSR Information, taken as a whole, is not accurately presented in accordance with the Procedures.

Neuilly-sur-Seine, April 14, 2016

One of the Statutory Auditors of Edmond de Rothschild (France)

PricewaterhouseCoopers Audit

Jacques Lévi
Partner

Sylvain Lambert
Parner in the Sustainable Development Department

[4] The most important CSR Information is identified in the appendix to this report.

[5] Edmond de Rothschild (France), Edmond de Rothschild SGR S.p.a (Milan, Italy)

APPENDIX: LIST OF INFORMATION WE CONSIDERED THE MOST IMPORTANT

Quantitative workforce-related information

- Total workforce at 31 December 2015, breakdown by gender and geographic region, percentage of employees on permanent contracts;
- Staff arrivals and departures broken down by reason;
- Gender equality – percentage of women among total management-level employees and total senior managers in France, percentage of women in the year's new recruits;
- Annual payroll, percentage increase in the fixed component, percentage of variable component relative to fixed component (for 2014);
- Percentage of staff who took part in all stages of the annual performance appraisal process;
- Number of hours of training, proportion of employees who attended at least one training session during the year and the proportion of women among trainees;
- Number of hours of training on themes relating to ethics and compliance, and the number of employees receiving such training.

Qualitative workforce-related information

- Organisation of working hours
- Diversity and equal opportunity
- Employee relations
- Remuneration policy

Quantitative environmental information

- Consumption of energy by source
- Business travel by train, plane and car as well as commuting
- Greenhouse gas emissions (scopes I, II and III)

Qualitative social information

- Territorial, economic and social impact of the company's activities
- Responsible investing and assets managed in accordance with ESG strategies
- Active policy of collaboration with social enterprises
- Business ethics
- Skills sponsorship and pro bono work

Report of the Chairman of the Supervisory Board

On corporate governance and internal control

(Article L.225-68 of the French Commercial Code)

The purpose of this report, pursuant to the provisions of Article L.225-68 of the French Commercial Code, is to give account of the composition of the Supervisory Board, the application of equal gender representation in regard to the Supervisory Board, work preparation and organisation methods, and the internal control and risk management procedures implemented by the Company.

In particular, the Company makes no reference to a corporate governance code. However, its governance principles are akin to those contained in the MiddleNext Corporate Governance Code for Midcap Companies.

This report was approved by the Supervisory Board on 15 March 2016.

CORPORATE GOVERNANCE STRUCTURE OF EDMOND DE ROTHSCHILD (FRANCE)

Edmond de Rothschild (France) is a limited company governed by a Supervisory Board and an Executive Board. The Supervisory Board oversees the management tasks performed by the Executive Board based on the separation of powers between executive management and the supervisory function.

COLLECTIVE DECISION-MAKING BY THE EXECUTIVE BOARD

The Executive Board comprises three members that collectively manage the affairs of the Company. The three members of the Executive Board are competent executives and are noted as such in a submission to the French Prudential Supervisory Authority. In accordance with the law and the Company's Articles of Incorporation, the Executive Board must report on its stewardship before the Supervisory Board no fewer than four times per year, or more frequently if called for by particular circumstances.

The powers and structure of the Executive Board were examined by the Supervisory Board on 18 March 2014 and 27 November 2014.

In November 2015, the Chairman of the Executive Board reorganised the work of committees that manage the Bank’s affairs:

- The Executive Board, which provides overall leadership for the Bank, meets on a weekly basis;
- The Business Coordination Committee, which coordinates sales and marketing between the various entities of Edmond de Rothschild (France), meets bimonthly;
- The Operations Committee, which coordinates support functions and cross-divisional projects between the various entities of Edmond de Rothschild (France), meets bimonthly;
- The Management Committee, which administers the business segments and support functions, meets monthly.

SUPERVISORY BOARD PROVIDING STRINGENT OVERSIGHT

The Supervisory Board is tasked with ensuring, on behalf of the shareholders, that the business is managed optimally. The Chairman of the Supervisory Board organises and guides the Board’s efforts, with the particular duty of ensuring that Board members are capable of fulfilling their mandate.

Composition of the Board

<u>Members:</u>
Benjamin de Rothschild, Chairman
René Barbier de la Serre, Deputy Chairman
Ariane de Rothschild
Véronique Morali
Louis-Roch Burgard
Jean Dumoulin
Jean Laurent-Bellue
Daniel Trèves
Christian Varin
<u>Non-Voting Member:</u>
François Boudreault

Workings of the Supervisory Board

The Supervisory Board comprises nine members, with a 22% proportion of female members, plus one non-voting member. It is chaired by the Baron Benjamin de Rothschild. The Deputy Chairman of the Supervisory Board is René Barbier de La Serre, who also chairs the Audit Committee. Three members of the Supervisory Board are independent in regard to the Edmond de Rothschild Group.

Members are appointed to the Supervisory Board upon authorisation of the Ordinary General Meeting of Shareholders.

The Supervisory Board operates according to established rules of procedure (last revised on 23 May 2014), which are officially provided to its members. These rules of procedure stipulate that the Supervisory Board must be kept informed about all major events affecting the Company, that it should ensure shareholders receive appropriate information, and that it must make sure that the Company operates procedures for identifying, measuring and monitoring commitments and exposures as well as proper internal controls. Members of the Supervisory Board receive remuneration based on an allocation scheme, determined by the Board, one criterion of which is attendance of meetings by members.

The timetable for meetings of the Supervisory Board is determined in the final quarter of the preceding year. The four meetings usually take place in March, May, September and November. Additional meetings are held when required by special events.

In 2015, the Supervisory Board met on the following dates:

- 17 March
- 22 May
- 8 September
- 27 November

In 2015, the attendance rate of the Supervisory Board in respect of its meetings was 88%. Board meetings usually began at 10am and ended at 1pm.

Under the rules of procedure, the Supervisory Board discusses its workings once per year. It also specifies the compliance obligations pertaining to the members of the Supervisory Board in regard to conflicts of interest and confidentiality.

Members of the Supervisory Board receive written notification, by ordinary mail, to attend meetings with at least a fortnight's notice. Ten days before the meeting, they receive an electronic mail containing the documentation for the meeting, which is also submitted to them as a hard copy before the meeting begins. This paperwork always comprises the minutes of the previous Board meeting, for approval. Members of the Executive Board are invited to attend meetings of the Supervisory Board. The Statutory Auditors are invited to attend Supervisory Board meetings at which financial statements are reviewed and can, in general, be invited to attend a meeting of the Supervisory Board if their attendance is deemed worthwhile.

The members of the Supervisory Board are invited to attend the Ordinary General Meeting of Shareholders.

Members of the Works Council are invited to attend meetings of the Supervisory Board and the Ordinary General Meeting of Shareholders.

Tasks of the Supervisory Board

The standard documentation provided to Board members systematically contains the following: the draft minutes of the previous Supervisory Board meeting; a presentation of the business and financial results of Edmond de Rothschild (France) for the period since the last meeting; commentary outlining the business of each division together with financial results; and the list of significant credit amounts, irrespective of counterparty, with details of collateral held. A verbal report is given by the Chair of the Audit Committee concerning periodic controls, continuous controls and risk monitoring. The documentation submitted to members of the Supervisory Board in respect of the March meeting also contains the parent-company and consolidated financial statements together with a report on risk calibration and surveillance and an internal-control report, drawn up pursuant to the government decree dated 3 November 2014. The documentation submitted to members of the Supervisory Board in September includes the audited half-year accounts.

Members of the Supervisory Board may request that the Communications Department supply them with any additional information required for the performance of their duties. Such information is expedited to them as soon as possible.

THE AUDIT AND REMUNERATION COMMITTEE

The rules of procedure of the Supervisory Board also set out the precise workings of the two standing committees, which are the Audit Committee and the Remuneration Committee.

The Audit Committee

The Audit Committee, chaired by Jean Laurent-Bellue, is composed of four members. This committee, which has its own set of rules, is tasked with assisting the Supervisory Board in its mission to oversee the proper workings of the Bank. Its remit covers the following:
- the quality of accounting and financial information produced within the group made up of Edmond de Rothschild (France) and its subsidiaries;
- the effectiveness of the organisational structure and the implementation of internal controls and risk mitigation within the aforementioned group;
- observance of the applicable regulations and the principles laid down by the group as concerns compliance. L'efficacité de l'organisation et de la mise en œuvre du contrôle interne et de la maîtrise des risques au sein de ce même Groupe,

The Audit Committee meets as often as required but no less than four times per year. In 2015, it met on the following dates:
- 16 March
- 21 May
- 7 September
- 26 November

The Chief Internal Auditor, the Head of the Compliance and Control Department and the Head of the Central Risk Department are invited to its meetings in an advisory capacity. The Chairman of the Executive Board and the Chief Financial Officer of Edmond de Rothschild (France) both have a standing invitation to Audit Committee meetings. Minutes of these meetings are circulated to all members of the Executive Board and made available to members of the Supervisory Board. The Chair of the Audit Committee himself gives a presentation of its deliberations before the Supervisory Board.

No less than twice per year, the Audit Committee meets representatives of the Statutory Auditors to review, in their presence, the scope of their auditing tasks and the special assignments that may be entrusted to them. The Audit Committee reviews the half-year and full-year financial statements in conjunction with the Executive Board Chairman, the Chief Financial Officer and the Statutory Auditors.

The Remuneration Committee

The Remuneration Committee makes decisions regarding the general remuneration policy of the Bank's group of companies, based on recommendations by the Executive Board, and ensures every year that this policy is properly applied. It makes recommendations to the Supervisory Board on all components of remuneration regarding the members of the Executive Board.

The Remuneration Committee is chaired by the Baron Benjamin de Rothschild and makes decisions at least once per year. Under banking regulations, the Company issues a yearly report on remuneration policy and practices. This report is lodged with the French Prudential Supervisory Authority.
The Remuneration Committee, through its deliberations, ensures that:
- its review of remuneration comprises all of its components;
- each item proposed is in the Company's general interest;
- remuneration corresponds to the practices prevailing the banking and financial services industry;
- remuneration is performance-related;
- all components of remuneration comply with specific regulations.

REMUNERATION OF CORPORATE OFFICERS

The remuneration of corporate officers is determined in accordance with terms proposed by the Remuneration Committee and approved by the Supervisory Board.
Remuneration comprises a fixed and variable component.

This variable portion, pursuant to applicable regulations (CRD IV for the Bank), is subject to a 40% deferral for corporate officers (and all other risk bearers) whose variable component is equal to or greater than €100,000 and a 60% deferral for those whose variable component is equal to or greater than €300,000.

This deferred portion can be settled in the form of deferred cash payments and/or as part of the Group's LTIP (Long-Term Incentive Plan), which corresponds to future entitlements to participation certificates in the Swiss holding company of the Edmond de Rothschild Group.
The LTIP award is discretionary, not systematic.
The Group LTIP is still subject to approval by the Board of Directors of Edmond de Rothschild Holding, in Switzerland, on 22 March 2016, and approval by this entity's General Meeting of Shareholders in June 2016.

Pension plans

The members of the Executive Board, under the terms of their employment contracts, benefit from provisions applicable to the Bank's employees in regard to membership of the ARRCO and AGIRC (KLESIA) supplementary pension funds.
They also benefit from the supplementary pension scheme applicable to management-level bank employees (CGIS Mornay scheme provided by KLESIA).

SPECIAL ARRANGEMENTS APPLYING TO THE PARTICIPATION OF SHAREHOLDERS AT THE GENERAL MEETING

The arrangements governing the participation of shareholders in general meetings are set forth under Article 20 of the Articles of Incorporation.

INTERNAL CONTROL – ORGANISATION AND WORKINGS

As with corporate governance, internal control is organised according to the principle separating operational and supervisory roles. This arrangement consists of a strict separation between "front-office" units (e.g. sales departments and trading floors) and support services (e.g. back-office, middle-office, accounting and risk-monitoring units). The Company has, on one hand, a handbook of procedures promoting this separation principle and, on the other, a framework of control processes underpinned by dedicated controllers, organised by level of oversight. Concerning accounting and financial information transmitted to the Supervisory Board, the shareholders and oversight bodies, internal-control procedures are designed to guarantee the trustworthiness and reliability of such information and ensure that disclosure and publication times have been respected.

INTERNAL CONTROL – ORGANISATION AND WORKINGS

Internal-control arrangements within Edmond de Rothschild (France) are based on the following principles:

- a high level of dedication from corporate bodies and the Audit Committee;
- a dense network of 17 internal controllers for the business segments and subsidiaries, plus 6 staff members that monitor compliance; internal controllers based in France report to the Head of Compliance and Control Department but also have a dotted-line reporting relationship with the head of their business segment; these employees, which have a duty to provide regular reports, apply a uniform control methodology;
- a Central Risk Department, which in 2015 started monitoring operational risks as well, has 7 permanent staff members and 12 risk-control liaisons;
- an Internal Audit Department with four staff members;
- high-grade coordination between the various levels of supervision;
- special attention paid to compliance with regulations:
  - government decree of 3 November 2014 on internal control
  - Basel Committee recommendations
  - AMF General Regulations
  - MiFID
- The allocation of clearly demarcated resources between periodic controls (conducted by the Internal Audit Department) and recurring controls (carried out by dedicated internal controllers and the Compliance and Control Department).

The main purpose of periodic audits is assessing the relevance and consistency of compliance and recurring controls.

The internal control system is organised by four successive levels.

The first level is enacted at the level of operations staff, who follow procedures and use computer programmes that automatically comprise a level of self-monitoring.

The second level of control is implemented by line managers, the network of permanent internal controllers and risk controllers. These staff are independent of front-offices and are tasked with first-line monitoring of credit, market and operational risks. They also implement and update a risk map. The role of the dedicated internal controllers chiefly involves ensuring the existence, relevance and effective application of procedures governing the conduct of business activities. To guarantee their independence, dedicated internal controllers may commonly work with the head of the entity in question but ultimately report to the Compliance and Control Department.

The third level is applied by the Internal Audit Department, whose remit covers all the business lines of the Company and its subsidiaries. The Internal Audit Department, on the basis of a comprehensive long-term plan, conducts audits that verify the relevance and proper functioning of first- and second-level controls as well as ensuring the absence of major risks. It furthermore conducts comprehensive audits of business segments (or parts thereof), support teams and ad hoc cross-divisional assignments. To guarantee its independence, the Internal Audit Department reports to the Company's Executive Board as well as reporting on its work to the Audit Committee and the Supervisory Board; the performance of its duties is governed by the Internal Audit Charter. The Internal Audit Department is part of the Internal Audit sector of the Edmond de Rothschild Group.

A fourth level of control is represented by the Supervisory Board, specifically through the Audit Committee that the Supervisory Board has formed from among its members.

RISK MANAGEMENT

General risk-management policy

Edmond de Rothschild (France) chiefly operates within the sphere of private banking, asset management, private equity and corporate advisory services.
In this setting, the risk-management policy aims to:

- provide stringent checks on the development of various activities, most notably market and credit operations in such a way that the risks undertaken represent limited exposure and are proportionate to expected returns;
- encourage liquid financing arrangements, with plentiful long-term funds and applications with a high degree of negotiability.

The Central Risk Department, in addition to its own role in monitoring financial risks, is tasked with leading the Risks sector, with a special responsibility for organising cross-department committees that review of risks inherent to the Bank's business activities. In conjunction with its liaison officers and in observance of the Group Risk Charter, it draws up a Risk Policy that is then submitted to the Audit Committee.

Counterparty-credit risk management

The credit-counterparty risks incurred by Edmond de Rothschild (France) originate from the granting of loans of commitments to private banking clients, occasional overdrafts of UCITS funds managed by the asset-management companies of the Edmond de Rothschild (France) group of companies and capital guarantees given to some UCITS funds. This risk category also includes over-the-counter market transactions entered into as part of proprietary trading activities, principally as bank counterparties and large corporations with satisfactory credit ratings.

Credit risks are generally accepted on condition that the expected return provides satisfactory coverage of the risk of loss in the event of default by the client or counterparty. While guarantees are generally sought, this is never a substitute for an ex-ante analysis of the risks. Financing for clients is overseen by the Commitments Committee.

Over-the-counter transactions with bank or commercial counterparties are screened every six months by a bespoke committee. Limits in terms of amount and duration (and sometimes rating as well) are fixed and compliance monitored continuously by the various entity heads and by the Central Risk Department. To reduce counterparty risks in regard to off-balance sheet transactions, framework and collateral agreements have been established in every case for several years.

Any deterioration in the quality of a counterparty deemed to be material triggers the immediate review of authorisations granted to the entity during the weekly Commitments Committee meeting. Since 2011, the Central Risk Department has implemented its own method for scoring counterparties; this method was audited by PwC in 2012.

In 2013, Edmond de Rothschild (France) furthermore conducted an in-depth review of risks incurred by its portfolio of long-term investments, resulting either from the sponsoring of funds originated by its own asset-management subsidiaries or from other investments, assessed by its ALM Committee.

Market risk management

Within Edmond de Rothschild (France), market risks result from:

- proprietary trading activities carried out by the Bank's Capital Markets Department and Cash Management Department;
- the ownership of UCITS funds managed by the asset-management companies of Edmond de Rothschild (France) in the context of the seed-fund policy, EMTNs in the context of product structuring or sponsoring investments in regard to funds of its private-equity subsidiaries.

Authorised limits for maximum exposure to the various market risks are set by the Executive Board and submitted to the Supervisory Board for approval. These limits are expressed in terms of the absolute value of the assets held, sensitivity, stop-losses and maximum potential loss.

Traders in the Capital Markets Department, the Cash Management Department and the product-structuring front office must at all times comply with market risk limits.

In addition, the Bank's Financial Control team (which is part of the Central Risk Department and strictly independent of the front office) verifies compliance with market risk limits for all activities carried out by the Capital Markets Department, on the basis of daily reporting. For structuring, compliance with market risk limits is monitored on a weekly basis.

Liquidity and financing risk management

Liquidity, i.e. the immediate availability of investments or the possibility of rapid resale for a reasonable cost, for example in response to withdrawals or unexpected early redemption requests, is one of the basic principles of the Bank's cash and asset/liability management policy. The Bank is aware that its prudent, or indeed conservative, approach reduces the opportunities of optimising returns in situations where a longer maturity would generate additional margins.

The policy is primarily managed by central co-ordination of decisions regarding investments:

- at the level of the Capital Markets Department for cash management;
- at the level of the Finance Department, following an Executive Board decision, for securities portfolios.

Refinancing of the client loan portfolio is also centrally coordinated by the trading room through the use of internal contracts.

The Asset and Liability Management Committee carries out three to four checks per year to ensure compliance with this policy. Since the interbank liquidity crisis broke in September 2007, the Financial Control team has also issued daily reports on operational liquidity. In addition, Financial Control has developed a liquidity stress scenario, updated in March 2012 (for harmonisation across the Group), 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 stress-test results are positive since the Bank retains a liquidity credit balance.

The Bank pays careful attention to diversifying its funding sources, which is one of the foundations of its liquidity risk management policy.

Management of overall interest-rate risk

The overall interest-rate risk to which Edmond de Rothschild (France) is exposed is consistently low. Client loans and other financing are mainly linked to floating-rate benchmarks (particularly Euribor) and refinanced internally (with the trading room) on a similar basis.

Edmond de Rothschild (France) manages its exposure to overall interest-rate risk in the context of a sensitivity limit reflecting the net present value of the loss incurred in the event of a uniform adverse movement in the various yield curves.

Management of overall exchange-rate risk

The overall exchange-rate risk of the Bank's investment portfolio relates to its investments denominated in foreign currencies. This chiefly results from on-balance sheet investments relating to sponsoring in respect of the private-equity business of Edmond de Rothschild (France) group of companies, either directly or indirectly.
When the amounts are significant, the Bank may have to protect investments against exchange-rate risk by borrowing an equivalent amount of the currency. However, marginal exchange-rate risk is often carried to the balance sheet as an integral part of the investment strategy.

PROCESS FOR PRODUCING ACCOUNTING AND FINANCIAL INFORMATION

Internal-control arrangements also apply to the production of accounting and financial information. In this respect, the Company's individual and consolidated accounting records are maintained by the Accounting Department, which is rigorously independent of the operating entities. It also operates according to the principle whereby every mission-critical task is carried out by at least two staff members.

Primarily using information transmitted by the back offices, the Accounting Department manages the accounts of the Bank (both parent company and consolidated) and those of majority-owned subsidiaries. It applies the accounting principles and rules that are in force. The accounts of subsidies registered in other countries are managed locally. The consolidation process relies on the transmission of detailed information, using a standard reporting package completed by each subsidiary.

The Accounting Department consolidates profit and loss each month as well as conducting a detailed review of the individual financial statements of each subsidiary. The half-year financial statements (to 30 June) are audited by the Statutory Auditors.

Furthermore, a meeting is held at least quarterly, under the auspices of the Chairman of the Executive Board, to review doubtful loans and provisions for litigation as well as determining the appropriate allocations to and reversals from provisions. The Legal Department, Chief Accountant and Chief Internal Auditor also take part in this meeting.

The Accounting Department has an internal control unit whose task is to analyse the financial statements and detect potential mistakes.
Additionally, the financial statements of the Company require dual certification, by two independent auditing firms.

The parent-company financial statements (Report of the Executive Board and parent-company accounts) and consolidated financial statements (Management Report of Edmond de Rothschild (France) and consolidated accounts) are presented to the Audit Committee and the Supervisory Board.

The Statutory Auditors, as stated above, present their work to the Audit Committee for the purposes of account-closing. They are also invited to meetings of the Supervisory Board that review the financial statements.

The Accounting Department ensures that financial statements are published on time.

Benjamin de ROTHSCHILD
Chairman of the Supervisory Board

Observations of the Supervisory Board

On the report of the Executive Board and on the financial statements for the year ended 31 December 2015

To the Shareholders,

In accordance with French law, the company's Executive Board has submitted to us within the prescribed time limit, for our examination and review, the financial statements for 2015 together with its report to be presented to you at the Annual General Meeting.

We have examined the report and have no observations to make or any information to add concerning the company's management or the financial statements for 2015. The financial statements are a confirmation of the information provided to us during the year.

We recommend that you approve these financial statements at the Annual General Meeting of Shareholders.

The Supervisory Board

Consolidated Financial Statements and Notes

IFRS CONSOLIDATED BALANCE SHEET

In thousands of euros		31.12.2015	31.12.2014
Assets			
Cash, due from central banks and postal accounts	3.1	914,318	782,646
Financial assets at fair value through profit and loss	3.2	45,101	63,085
Available-for-sale financial assets	3.3	257,268	238,597
Loans and receivables due from credit institutions	3.4	349,068	177,503
Loans and receivables due from clients	3.5	550,256	510,141
Financial assets held to maturity	3.6	-	-
Current tax assets		17,274	17,407
Deferred tax assets		13,747	16,746
Accruals and other assets	3.8	187,512	211,600
Investments in associates	3.9	75,531	62,192
Tangible assets	3.10	43,958	41,403
Intangible assets	3.11	23,520	25,667
Goodwill	3.12	75,796	76,509
Total assets		**2,553,349**	**2,223,496**

In thousands of euros		31.12.2015	31.12.2014
Liabilities and equity			
Financial liabilities at fair value through profit and loss	3.13	651,479	443,659
Derivatives used for hedging purposes	3.14	4,116	6,554
Due to credit institutions	3.15	13,768	17,151
Due to clients	3.16	1,195,286	1,062,988
Borrowings represented by securities		-	-
Current tax liabilities		16,394	12,909
Deferred tax liabilities		1,100	1,375
Accruals and other liabilities	3.7	268,410	281,693
Provisions	3.17	25,151	25,654
Subordinated debt	3.18	-	-
Equity		377,645	371,513
Equity attributable to equity holders of the parent		374,683	365,076
. Share capital and related reserves		*201,195*	*201,195*
. Reserves		*95,401*	*105,123*
. Unrealised or deferred gains and losses		*47,519*	*36,884*
. Earnings for the period		*30,568*	*21,874*
Net income attributable to non-controlling interests		2,962	6,437
Total liabilities and equity		**2,553,349**	**2,223,496**

IFRS CONSOLIDATED INCOME STATEMENT

In thousands of euros		31.12.2015	31.12.2014
+ Interest and similar revenues	4.1	16,963	17,815
- Interest and similar expenses	4.2	(14,565)	(11,739)
+ Fee income	4.3	397,776	411,038
- Fee income (expense)	4.3	(103,401)	(89,839)
+/- Net gains or losses on financial instruments at fair value through profit and loss	4.4	6,521	4,155
+/- Net gains or losses on available-for-sale financial assets	4.5	7,363	6,612
+ Other revenues	4.6	15,278	16,308
- Other expenses	4.6	(10,494)	(27,492)
Net banking income		315,441	326,858
- General operating expenses	4.7	(263,833)	(282,161)
- Depreciation, amortisation and impairment of intangible and tangible assets		(18,794)	(17,369)
Gross operating income		32,814	27,328
+/- Cost of risk	4.8	(1,256)	243
Operating income		31,558	27,571
+/- Share in net income of associates	3.9	9,824	5,431
+/- Net gains or losses on other assets	4.9	6,309	(4,649)
+/- Changes in the value of goodwill		(1,671)	(2,283)
Income (loss) before tax		46,020	26,070
- income tax	4.10	(13,332)	(232)
Net income		32,688	25,838
- Net income attributable to minority interests		(2,120)	(3,964)
Net income attributable to equity holders of the parent		**30,568**	**21,874**
Earnings per share (in euro)		5.36	3.79
Diluted earnings per share (in euro)		5.36	3.79

STATEMENT OF NET INCOME AND GAINS (LOSSES) RECOGNISED DIRECTLY IN EQUITY

In thousands of euros	31.12.2015	31.12.2014
Net income	**32,688**	**25,838**
Translation adjustment	4,498	4,127
Deferred outflows from change in fair value of hedging derivatives (*)	(10)	(89)
Change in fair value of available-for-sale financial assets (*)	10,841	20,997
Actuarial gains or losses on defined-benefit plans (*)	(1,771)	(1,049)
Total gains and losses recognised directly in equity	**13,558**	**23,986**
Net income and gains and losses recognised directly in equity	**46,246**	**49,824**
Attributable to equity holders of the parent	*44,259*	*45,801*
Attributable to minority interests	*1,987*	*4,023*

(*) Net of tax.

CASH FLOW STATEMENT

In thousands of euros	31.12.2015	31.12.2014
Cash flow from operations		
Net income for the period	**32,688**	**25,838**
Net gain or loss on assets and liabilities held for sale	(5,334)	19,117
Net gain or loss on disposals	(6,309)	4,649
Net allocations to depreciation and provisions	16,510	(15,714)
Income from associates	(9,824)	(5,431)
Reclassification of net gain or loss on financial instruments at fair value through profit and loss	(6,521)	(4,155)
Other unrealised income and expenses	460	9
Net gain/loss on financing activities	-	-
Income tax expense (including deferred taxes)	13,332	232
Cash from operating activities before results on financing activities and taxes	35,002	24,545
Income tax paid	(6,852)	(16,245)
Net increase/decrease from transactions with credit institutions	(149,873)	(62,656)
Net increase/decrease from transactions with clients	89,317	(246,347)
Net increase/decrease from transactions in other financial assets and liabilities	223,585	505,065
Net increase/decrease from transactions in other non-financial assets and liabilities	11,495	(23,086)
Net cash generated by operations	**202,674**	**181,276**
Funds from investing activities		
Purchases of tangible and intangible assets	(17,596)	(17,036)
Purchases of long-term financial assets	(18,447)	(4,234)
Change in guarantee deposits	-	-
Dividends received from associates	7,826	3,911
Disposals of long-term assets	1,718	408
Net cash generated by investing activities	**(26,499)**	**(16,951)**
Funds from financing activities		
Increase/decrease in cash generated by financing activities	-	-
Increase/decrease in cash from transactions with shareholders	(20,271)	(19,804)
Net cash generated by (used in) financing activities	**(20,271)**	**(19,804)**
Effect on cash and cash equivalents of changes in exchange rates	885	275
Net change in cash and cash equivalents	**156,789**	**144,796**
Net balance on cash and amounts due from central banks	782,646	395,965
Money-market funds qualified as cash equivalents	101	69,360
Net balance on demand deposits with and loans from credit institutions	60,213	232,839
Cash and cash equivalents at beginning of the year	**842,960**	**698,164**
Net balance on cash and amounts due from central banks	914,318	782,646
Money-market funds qualified as cash equivalents	101	101
Net balance on demand deposits with and loans from credit institutions	85,330	60,213
Cash and cash equivalents at end of the year	**999,749**	**842,960**
Change in net cash	**156,789**	**144,796**

STATEMENT OF CHANGES IN EQUITY

In thousands of euros	31.12.2014	Capital increase	Appropriation of net income	Other changes	31.12.2015
Interest of equity holders of the parent in:					
– Capital	83,076	-	-	-	83,076
– Share premiums	98,244	-	-	-	98,244
– Equity instruments (undated super–subordinated notes)	19,875	-	-	-	19,875
– Interest on equity instruments (undated super–subordinated notes)	(13,335)	-	-	(850)	(14,185)
– Elimination of treasury shares	-	-	-	-	-
– Other reserves	118,458	-	4,373	(13,245)	109,586
– Unrealised or deferred gains/losses on available–for–sale financial assets	36,884	-	-	10,635	47,519
– 2014 net income	21,874	-	(21,874)	-	-
Subtotal	**365,076**	**-**	**(17,501)**	**(3,460)**	**344,115**
– 2015 net income	-	-	-	30,568	30,568
Total attributable to equity holders of the parent	**365,076**	**-**	**(17,501)**	**27,108**	**374,683**
Minority interests in:	-	-	-	-	-
– Reserves	2,473	-	3,964	(5,595)	842
– 2014 net income	3,964	-	(3,964)	-	-
– 2015 net income	-	-	-	2,120	2,120
Total minority interests	**6,437**	**-**	**-**	**(3,475)**	**2,962**

(*) The "Other changes" column includes a €15,140 thousand negative impact from the acquisition of a 10% stake in Edmond de Rothschild Assurances et Conseils from non-controlling interests, and a €4,472 thousand positive impact from exchange differences.

Notes to the Consolidated Financial Statements

NOTE 1 – PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1.1. BACKGROUND

In compliance with EU Regulation 1606/2002 of 19 July 2002 concerning the application of international accounting standards by entities issuing publicly traded debt securities, and in connection with the regular issue of publicly traded debt securities, Edmond de Rothschild (France) prepared its financial statements in accordance with International Financial Reporting Standards (IFRSs) for the first time in 2007.
Edmond de Rothschild (France)'s financial statements are prepared in accordance with IAS/IFRS standards and IFRIC interpretations applicable at 31 December 2015 as adopted by the European Union (see http://ec.europa.eu/finance/accounting/ias/index_en.htm).

They were approved by the executive board on 7 March2016. They were reviewed by the Audit Committee on 14 March 2016 and by the Supervisory Board on 15 March 2016.

1.2. COMPLIANCE WITH ACCOUNTING STANDARDS

- **Applicable accounting standards**

The Group has applied IFRIC 21 "Levies" since 1 January 2015.
The entry into force of other mandatorily applicable standards, did not have any effect on the 2015 financial statements.
The Group did not opt for early application of any new standards, amendments or interpretations adopted by the European Union where their application in 2015 was only optional.

- **New standards published but not yet applicable**

IFRS 9 "Financial Instruments" was published in July 2014 but has not yet been approved by the European Union and is not yet applicable. IFRS 9 will eventually replace IAS 39, and deals with the classification of financial instruments, impairment and hedging transactions.
The financial impact of IFRS 9 is currently being analysed by the Group.

1.3. USE OF ESTIMATES

The preparation of financial information involves the use of estimates and assumptions regarding future circumstances.
In addition to available information, making estimates requires an element of judgment, particularly as regards the following:
— impairment of variable-income financial assets, classified as "available-for-sale assets";
— impairment tests performed on intangible assets;
— impairment tests performed on investments in associates;
— determining whether or not a market is active for the purposes of using a value measurement technique.
The Group also considers that among the other accounting aspects requiring the use of judgment, the most important concern provisions, pension liabilities and share-based payments.

1.4. CONSOLIDATION METHODS

The consolidated financial statements were prepared on the basis of the separate financial statements of Edmond de Rothschild (France) and all controlled subsidiaries and subsidiaries subject to significant influence.

- **Fully consolidated companies**

Companies under the sole control of Edmond de Rothschild (France) are fully consolidated.
Full consolidation involves replacing the value of shares in the subsidiaries with each item of those companies' financial statements, then eliminating transactions between the parent and subsidiaries and between subsidiaries. Non-controlling interests in the equity and earnings of subsidiaries are stated separately in the consolidated balance sheet and income statement
The Group has control over a subsidiary where it has power over the entity (generally by holding the majority of voting rights, directly or indirectly), where its relations with the subsidiary expose it or entitle it to variable returns and where it has the ability to influence those returns because of the power it exerts.

• **Associates**

Companies over which the Group exercises significant influence are accounted for under the equity method. Significant influence is defined as the power to participate in the financial and operating policies of a subsidiary but not to control those policies. Significant influence is often exercised by representation on the Board of Directors, Executive Board or Supervisory Board, participation in strategic decisions, interchange of managerial personnel or dependence on technical information.

Significant influence is presumed to exist when a company holds, directly or indirectly, at least 20% of the voting rights in a subsidiary. Investments in associates are initially stated at cost including attributable goodwill and subsequently adjusted to reflect changes in the Group's share of net assets. Gains and losses on transactions between the Group and associates are eliminated to the extent of the investment, unless the transaction results in permanent impairment of the asset transferred.

• **Special purpose entities**

These are legal entities designed so that voting rights are not the determining factor in establishing control over the entity. That is the case where the entities undertake solely administrative tasks and where their relevant activities are managed through contractual arrangements. The main criteria for assessing whether the Group controls a special purpose entity are as follows:

— the activities and purpose of the company;
— the way the entity was structured;
— the risks borne by the company and those transferred and borne by the Group;
— exposure to and ability to control the entity's variable returns.

The Group consolidates two entities meeting those criteria, i.e. "Groupement Immobilière Financière" and "Edmond de Rothschild Investors Assistance".

1.5. CHANGES IN THE SCOPE OF CONSOLIDATED COMPANIES

On 5 January 2015, Edmond de Rothschild Private Equity (France) sold to Montalivet SA a 9% stake in Edmond de Rothschild Investment Partners, reducing its stake in the latter company to 51%. The company was converted into a French partnership limited by shares (société en commandite par actions) on the same date, and as a result Edmond de Rothschild Private Equity (France) is deemed to have lost control over Edmond de Rothschild Investment Partners within the meaning of accounting standards. EdRIP is therefore now accounted for under the equity method, having previously been fully consolidated.

Eres Participations III Sarl, Edmond de Rothschild Advisory Management (Beijing) Co. Ltd – a wholly owned subsidiary of Edmond de Rothschild Asset Management (Hong Kong) – and Bridge Management Sarl were created in 2015.

The Group's stake in Edmond de Rothschild Assurances et Conseils rose from 90% to 100% after it agreed to acquire all remaining shares in the company. Half of the shares were bought when the contract was signed in June 2015, and the second half of the shares was bought in January 2016. That second purchase represented a firm undertaking generating rights and obligations from June 2015, and so a liability was recognised in relation to that undertaking to purchase shares.

In November 2015, Edmond de Rothschild (France) absorbed its wholly owned French holding companies Eminvest and Valse Invest.

1.6. CONSOLIDATION PRINCIPLES

• **Reporting date**

The consolidated financial statements were prepared on the basis of the separate financial statements of each Group company at 31 December 2015.

• **Elimination of inter-company transactions**

All payables, receivables, commitments, revenues and expenses resulting from transactions between fully consolidated companies are eliminated, as are inter-company gains and losses on sales of assets. Dividends received from consolidated companies are eliminated from consolidated earnings.

• **Goodwill**

Business combinations completed before 1 January 2010

The Group accounted for business combinations using the purchase method. The acquisition cost was measured as the total fair value, at the date of acquisition, of the assets given, liabilities incurred or assumed and equity instruments issued in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

At the acquisition date, the assets, liabilities, off-balance sheet items and contingent liabilities of the acquired entities that are identifiable under IFRS 3 "Business Combinations" were measured individually at fair value, whatever their purpose.

The analysis and expert assessments necessary for initial measurement of these items, and any corrections resulting from new information, had to take place within 12 months of the date of acquisition.

Upon the first consolidation of an investment, the difference between the acquisition cost of the shares and the share of adjusted net assets acquired was, after analysis, allocated between corrections to the values of balance sheet items and to the commitments of the consolidated company, and intangible assets that meet the criteria defined in IAS 38. The residual balance was treated as goodwill. Positive goodwill was reported in the consolidated balance sheet under the heading "Goodwill". Negative goodwill was immediately recognised in profit and loss. If the Group increases its percentage interest in an entity it already controls, the acquisition of further shares gives rise to recognition of additional goodwill, determined by comparing the purchase price of the shares and the share of net assets acquired.

Goodwill is carried in the balance sheet at cost. Goodwill on acquisitions of associates is included under the heading "Investments in associates".

Business combinations completed after 1 January 2010

The rules set out above have been modified by the adoption of the revised IFRS 3. The main changes are as follows:

— Changes in interests that do not result in a loss of control (additional purchases or disposals that do not result in a loss of control) only affect equity and have no impact on goodwill.
— Contingent liabilities of the acquiree are only recorded in the consolidated balance sheet if they represent a present obligation on the date control is acquired if and their market value can be reliably estimated.
— Costs directly related to the business combination constitute a separate transaction from the combination itself and are recognised in profit and loss.
— Any contingent consideration is included in the purchase price at its market value on the acquisition date. After the 12-month evaluation period following the business combination, changes in the value of any contingent consideration classified as a financial liability are recognised in profit and loss.
— On the date control is acquired over an entity, any previously held interest in the latter is remeasured at market value through profit and loss.

In the case of a step acquisition, goodwill is determined by reference to market value at the date control is acquired, and not by reference to the assets and liabilities acquired at the time of each exchange transaction.

Measurement of goodwill

The Group regularly reviews goodwill and carries out impairment tests at least once a year, or whenever there is evidence of impairment. At the date of acquisition, goodwill is allocated to one or more cash-generating units likely to obtain benefits from the acquisition. Any impairment of goodwill is determined by reference to the recoverable amount of the cash-generating unit(s) to which it is allocated.

When the recoverable amount of the cash-generating unit, determined by experts on the basis of value in use or fair value less costs to sell, is lower than its carrying amount value, an irreversible impairment loss is recorded in the consolidated income statement, under the heading “Changes in the value of goodwill”.

• Deferred taxes

Deferred taxes are recognised when temporary differences are identified between the carrying amounts of balance sheet assets and liabilities for reporting and tax purposes, and where those differences will affect future tax payments.

Deferred taxes are determined using the liability method. Under this method, deferred taxes recorded in previous periods are adjusted when tax rates are changed and the resulting difference is taken to profit and loss. Deferred tax assets are only recognised when it is likely that the consolidated company will have sufficient taxable income to utilise the deferred tax asset within a given time horizon.

• Translation of foreign currency financial statements

The Group’s consolidated financial statements are prepared in euros. The financial statements of entities whose functional currency is not the euro are translated into euros using the closing rate method. Under this method, all assets and liabilities, both cash and non-cash, are translated at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average rate during the period. Translation gains or losses, both on balance sheet and income statement items, are recognised, for the portion attributable to the Group, in shareholders’ equity under “Translation differences”, and for the portion attributable to third parties, under “Non-controlling interests”.

• Commitments to buy out the shares of non-controlling shareholders in fully consolidated companies

Apart from purchase commitments to beneficiaries of bonus share plans and stock option plans, the Group may make commitments to buy out the shares of non-controlling shareholders in certain fully consolidated Group subsidiaries.

The Group’s corresponding purchase commitments are option-like (sales of put options). The strike price of these options is calculated using a formula predefined contractually when the entities were acquired.

For purchase commitments concluded until 31 December 2009, under IAS 32, IFRS 3 and IAS 27, the Group recognises as a liability the put options sold to the non-controlling shareholders in entities under the Group's sole control. That liability is initially recognised at the estimated strike price of the put options.

The consideration of this liability is deducted from non-controlling interests, and any balance credited to goodwill.

Subsequent changes to this liability due to changes in the options’ strike price and in the carrying amount of the non-controlling interests are recognised entirely by adjusting the amount of goodwill (partial goodwill method).

NOTE 2 – ACCOUNTING POLICIES, VALUATION METHODS AND EXPLANATORY NOTES

• **Conversion of transactions in foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into euros using official exchange rates as published by the Banque de France at the balance sheet date. Unrealised foreign exchange gains and losses are recorded in profit and loss. Spot foreign exchange transactions are measured at the official spot rates at the end of the period. The resulting gains and losses are recorded in profit and loss. Forward exchange contracts are measured at the rate for the residual term at the balance sheet date, with the impact of changes in fair value taken to profit and loss.

Non-monetary assets in foreign currencies, particularly investments in non-consolidated subsidiaries and associates denominated in foreign currencies, are recorded in the balance sheet at the euro equivalent of their historical foreign-currency cost, using exchange rates prevailing at the date of acquisition or subscription. Unrealised foreign exchange gains and losses related to these assets are only recognised in profit and loss upon disposal or recognition of impairment, or when the fair value is hedged for foreign exchange risk.

Financial assets and liabilities

Upon initial recognition, financial assets and liabilities are measured at fair value including acquisition costs (except for financial instruments recognised at fair value through profit and loss). They are classified in the categories described below:

Loans and receivables

- Loans made to clients in the course of commercial banking activities are included in the balance sheet item “Transactions with clients”. They are initially measured at fair value, and subsequently adjusted at the closing date to their amortised cost based on the effective interest rate, which takes into consideration cash flows resulting from all the contractual terms of the instrument. Impairment losses may be recorded on these items (see section on “Impairment of financial assets”). This category also includes securities purchased under repurchase agreements.
- The value of securities purchased under repurchase agreements for cash is recognised as the relevant amount of cash received. Remuneration on these agreements is recorded in profit and loss using the amortised cost method.
- After initial recognition, transactions with credit institutions not originally designated as “at fair value through profit and loss” are subsequently measured at amortised cost based on the effective interest rate. Remuneration related to securities purchased under repurchase agreements with banks is recorded using the amortised cost method in the same way as repurchase agreements with financial clients.

Financial assets and liabilities at fair value through profit and loss

These instruments make up a very small proportion of assets held for trading, and are carried at fair value at the closing date, with changes in fair value recorded in profit and loss under the heading “Net gains or losses on financial instruments at fair value through profit and loss”. This item also includes non-derivative financial assets and liabilities that the Group has designated from the outset as “at fair value through profit and loss” under the fair value option allowed by IAS 39 in the amendment adopted by the European Union on 15 November 2005. The Group’s objectives in applying this option are as follows:

- to apply fair value measurement to certain hybrid instruments in order to avoid separating embedded derivatives, which need distinct reporting. Structured EMTNs and BMTNs (euro medium-term notes and negotiable medium-term notes) issued by the Bank belong to this category;
- to eliminate or significantly reduce discrepancies in the accounting treatment of certain financial assets and liabilities. Edmond de Rothschild (France) therefore measures all forward cash management operations at fair value through profit and loss. The Bank’s cash management is based on the following principles:

  1. the arrangement of term loans and borrowings with banks or financial clients;
  2. the acquisition or issuance of negotiable debt securities on the interbank market;
  3. where necessary, the hedging of each of these items using interest-rate derivatives.

When an item recognised at amortised cost is hedged by a financial asset that would be classified as an available-for-sale asset, with changes in fair value recorded in equity, use of the fair value option can eliminate the distortion that arises from different accounting treatments for financial assets and liabilities that share the same interest-rate risk, and experience changes in fair value that tend to be mutually offsetting.

Similarly, when an interbank loan not originally recognised as a hedging relationship undergoes the same changes in fair value (due to exposure to interest-rate risk) but in the opposite direction, use of the fair value option can reduce the distortion that would have arisen from recording the loan at amortised cost and the derivative at fair value through profit and loss.

Finally, this category of financial assets and liabilities includes the positive or negative fair values (without offsetting) of derivatives that have not been designated as hedging instruments.

Financial assets held to maturity

“Financial assets held to maturity” comprise fixed-income, fixed-maturity securities that the Group is able and willing to hold to maturity. They are measured upon acquisition at amortised cost, with inclusion of any premiums and discounts reflecting the difference between the acquisition value and redemption value of such securities, and including acquisition expenses. Income received on these securities is reported in profit and loss under the heading “Interest and similar revenues”.

Available-for-sale financial assets

"Available-for-sale financial assets" comprise fixed-income or variable-income securities that do not belong to the above two categories, i.e. they are non-derivative financial assets to be held for an unspecified period, which the Group may sell at any time. At the reporting date, available-for-sale financial assets are measured at fair value with the impact of changes in value, excluding accrued or vested income, shown in a specific equity item "Unrealised or deferred gains and losses". When such financial assets are sold or permanently impaired, and only in such cases, the Group recognises the changes in fair value in profit and loss under the heading "Net gains or losses on available-for-sale financial assets". Revenue from variable-income securities classified as available-for-sale financial assets is also recorded under the same heading. Revenue from fixed-income securities in this category are classified as "Interest and similar revenues on financial instruments".

• Reclassification of financial assets

On 15 October 2008, the European Union adopted amendments to IAS 39 "Financial instruments: recognition and measurement" and IFRS 7 "Financial instruments: disclosures".

They gave rise to the following reclassifications:

for a non-derivative financial asset no longer held for sale in the near future, from "Financial assets measured at fair market value through profit and loss"

. to "Loans and receivables" - where the asset meets that definition at the reclassification date and the Group is able and willing to hold it for the foreseeable future or to maturity;

. to other categories where justified by exceptional circumstances and provided the reclassified assets meet the conditions applicable to the receiving portfolio.

from "Available-for-sale financial assets"

. to "Loans and receivables" on the same conditions as before for "Financial assets measured at fair market value through profit and loss";

. to "Financial assets held to maturity" for assets with a maturity date.

• Impairment of financial assets

Financial assets carried at amortised cost

At each balance sheet date, the Group assesses whether there is any objective evidence that a financial asset, taken individually, is impaired due to one or more events that occurred after the initial recognition of the asset ("loss event"), where the impact of that loss event (or those loss events) on the estimated future cash flows of the financial asset can be reliably estimated.

If there is objective evidence of an impairment loss on loans and receivables or financial assets classified as held-to-maturity, the impairment is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows recoverable taking into account the effect of guarantees, discounted at the financial asset's original effective interest rate. The amount of the impairment loss is included in "Cost of risk" in profit and loss, and the value of the financial asset is reduced through the recognition of impairment. Increases and decreases in impairment provisions due to changes in the probability of recovery are recorded in "Cost of risk", while the reversal over time of the discounting effects is treated as financial income from impaired receivables and included in "Interest and similar revenues" in profit and loss.

Available-for-sale financial assets

When there is objective evidence that an available-for-sale financial asset is permanently impaired, the impairment loss is recognised in profit and loss. In the case of a variable-income security quoted on an active market, a significant fall in price (more than 20%) below the acquisition value or a prolonged fall in price (more than 12 months) is an indication of possible impairment that prompts the Group to perform a qualitative analysis. Where applicable, impairment is determined on the basis of the quoted price.

When a non-permanent decline in the fair value of an available-for-sale financial asset has been recorded directly in equity under "Unrealised or deferred gains and losses" and there is subsequent objective evidence that the asset is permanently impaired, the Group recognises the cumulative unrealised loss previously recorded in equity in profit and loss under "Cost of risk" for debt instruments, and under "Net gains and losses on available-for-sale financial assets" for variable-income securities.

The amount of the cumulative loss is the difference between the acquisition cost (net of any principal repayments and amortisation) and the present fair value, less any impairment loss previously recognised in profit and loss in respect of the financial asset.

Impairment losses recognised in respect of an equity instrument classified as available-for-sale are only reversed through profit and loss when the financial instrument is sold. Once impairment has been recorded on an equity instrument, any additional loss of value constitutes additional impairment. However, for debt instruments, impairment may be reversed through profit and loss if their value subsequently rises.

• Derivatives and hedges

IAS 39 requires all derivatives, except derivatives designated for accounting purposes as cash flow hedges (see below), to be stated at fair value with changes in fair value recognised in profit and loss. Derivatives are recorded in the balance sheet at the trade date. They fall into two categories:

Trading derivative financial instruments

Derivatives are automatically classified as held for trading unless they qualify for accounting purposes as hedging instruments. They are carried in the balance sheet under "Financial assets at fair value through profit and loss" where their fair value is positive, and under "Financial liabilities at fair value through profit and loss" where their fair value is negative. Changes in the fair value of derivatives are recorded in profit and loss under "Net gains or losses on financial assets at fair value through profit and loss".

Income and expenses recorded at the time of interim payments of interest differentials or on settlement of the final payment under the derivative contract are recorded in profit and loss under "Interest and similar revenues" or "Interest and similar expenses".

Gains and losses resulting from derivatives being unwound before their contractual expiry date are recorded in profit and loss under "Net gains or losses on financial assets at fair value through profit and loss".

Hedging derivative financial instruments

To classify a financial instrument as a hedging derivative, the Group must document the hedging relationship from its inception.

The documentation must identify the asset, liability or future transaction hedged, the nature of the risk being hedged, the type of derivative instrument used, and the valuation method to be used to assess the effectiveness of the hedge.

The designated hedging derivative must be highly effective in offsetting changes in the fair value or cash flows resulting from the hedged risk; that effectiveness is assessed at the inception of the hedge, then on an ongoing basis throughout its duration. Hedging derivatives are reported in the balance sheet under "Hedging derivatives".

Depending on the nature of the hedged risk, the Group must designate the hedging derivative as a fair-value hedge, a cash-flow hedge or a hedge of currency risk related to a net investment in a foreign operation. All derivative financial instruments held by the Group are fair-value hedges measured at fair value through profit and loss.

- **Non-current assets**

Operating non-current assets are carried in the balance sheet at cost. Property, plant and equipment and intangible assets qualifying for depreciation or amortisation are depreciated or amortised over their period of use within the company.

Intangible assets

Intangible assets primarily comprise purchased software and contract portfolios:

— Intangible assets with an unlimited useful life are subject to annual impairment tests from the end of the second six-month period. These tests may be carried out at any time during the year, provided the date remains unchanged from one year to the next. For intangible assets first recognised during the current period, an impairment test is carried out before the end of the year.

— Intangible assets with a limited useful life are carried at acquisition cost less cumulative amortisation and impairment. They are amortised over their useful life. The useful life is the shorter of the useful life as defined by law and the expected economic life of the asset. Purchased software is amortised over a period of between one and three years.

— Intangible assets are subject to impairment tests if events or new circumstances indicate a risk that the carrying amount may be irrecoverable.

Property, plant and equipment

Equipment, furniture, fixtures and fittings and real-estate assets are stated at cost, less any depreciation. Depreciation is generally applied on a straight-line basis over the asset's useful life, which is generally between 4 and 10 years, and 25 years for real-estate assets.

Property, plant and equipment is subject to impairment tests if events or new circumstances indicate a risk that the carrying amount may be irrecoverable.

Gains or losses on sales of operating assets are recorded under "Net gains or losses on other assets".

The Group's property, plant and equipment does not include any investment property.

- **Financial liabilities at amortised cost**

Debt instruments issued by the Group that are not classified as financial liabilities at fair value through profit and loss are initially measured at cost, which corresponds to the fair value of the amounts borrowed, net of transaction costs.

At the balance sheet date, those liabilities are measured at amortised cost using the effective interest rate method. Accrued interest on those liabilities is recorded under related payables, with a balancing entry in profit and loss.

Due to credit institutions and amounts owed to clients

Amounts due to credit institutions and clients are broken down according to their initial term or the nature of the amounts due: demand deposits and term deposits for credit institutions; special savings accounts and other deposits for clients. Liabilities related to securities sold under demand or term repurchase agreements with credit institutions or clients are included in both these categories.

They are recorded at the price at which the securities were sold. Securities sold under repurchase agreements remain in their original asset category in the balance sheet and are measured according to the specific rules for the relevant portfolio; income on those securities is also recognised as though they were still part of the portfolio.

Debt securities

Debt securities mainly comprise "bons de caisse" (interest-bearing notes), interbank market securities, negotiable debt instruments and bonds, but exclude subordinated notes, which are reported under "Subordinated debt". Accrued interest payable on these securities is recorded under related payables, with a balancing entry in profit and loss.

- **Provisions**

With the exception of provisions for credit risks or employee benefits, provisions represent liabilities of uncertain timing and amount. Provisions are only established when the Group has a legal or constructive obligation towards a third party as a result of past events, and it is probable or certain that the obligation will cause an outflow of resources to the benefit of that third party without receiving any consideration of at least equivalent value.

The amount of the expected outflow of resources is discounted to determine the amount of the provision where the effect of such discounting is material.

Increases and decreases in these provisions are recorded in profit and loss under items corresponding to the nature of the relevant future expenditure.

- **Treasury shares**

Treasury shares are shares in the parent company Edmond de Rothschild (France) and its fully consolidated subsidiaries.

Treasury shares held by the Group for any purpose are deducted from consolidated shareholders' equity, and related gains or losses are eliminated from consolidated profit and loss.

• **Income tax**

Edmond de Rothschild (France) and some of its subsidiaries have opted to form a tax consolidation group. The parent company and those subsidiaries have agreed that the advantage or disadvantage arising from the tax consolidation (difference between the consolidated tax charge and the total of the tax charges of the companies calculated independently) is recognised immediately in the parent company's income statement.

Income tax for the year includes current and deferred taxes. Income tax is recorded in profit and loss, unless it relates to an item directly recorded in equity, in which case it is recorded in equity.

Current taxes are the forecast taxes payable on taxable income for the period, calculated at the rates in force at the balance sheet date, and any adjustment of taxes due in respect of previous years. Current tax assets and liabilities are offset when Edmond de Rothschild (France) intends to pay the net amount and is legally authorised to do so.

Deferred taxes are recognised based on timing differences between the carrying amount and tax base of balance sheet assets and liabilities. As a rule, all taxable timing differences lead to recognition of deferred tax liabilities, whereas deferred tax assets are recognised where the probability exists of sufficient future taxable profit to utilise the deductible timing differences. Deferred tax assets and liabilities are offset when the entity is legally authorised to do so, provided they relate to the same tax consolidation group and are governed by the same tax authorities. Deferred taxes are not discounted to present value.

Deferred taxes related to actuarial gains and losses on defined-benefit plans are recorded directly in equity. Deferred taxes arising from the adjustment to fair value of available-for-sale assets and cash-flow hedges (recorded directly in equity) are themselves recorded directly in equity and transferred to profit and loss when the increase or decrease in fair value is taken to profit and loss.

In France, the standard corporate income tax rate is 33.33%. Additionally, there is the general social security contribution on earnings of 3.3% (after an allowance of €0.76 million) introduced in 2000, and an exceptional contribution applicable to profitable companies with annual revenues over €250 million, at a rate of 10.7%, for periods ending on or before 30 December 2016. Furthermore, France's second mini-budget for 2012 established an additional 3% tax on distributions made by companies, regardless of the beneficiary. Long-term capital gains on investments in subsidiaries and associates are exempt, subject to fees and charges equal to 12% of the gross amount of the capital gains being taxed at the ordinary rate. Moreover, under arrangements for parent companies and subsidiaries in which the parent owns at least 5%, net income from investments is tax-exempt, subject to 5% of fees and charges being taxed at the ordinary rate.

For the 2015 financial year, the tax rate used to determine the deferred taxes of French companies was 34.43% for income taxed at the ordinary rate. For income taxed at the reduced rate, the rates used were 4.13% and 15.50%.

• **Methods for determining the fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged or a liability settled between well informed, consenting parties in an arm's-length transaction. The Group distinguishes three categories of financial instruments depending on the consequences of their characteristics on the method of measuring their value, and it uses that classification for disclosing certain information in the notes to the financial statements:

Level 1 category: financial instruments that are quoted on an active market;

Level 2 category: financial instruments whose value is measured by reference to observable parameters;

Level 3 category: instruments whose value is measured by reference to parameters that are wholly or partly non-observable; a non-observable parameter is defined as a parameter whose value is measured by reliance on assumptions or correlations based neither on trading prices observable on the markets for the given instrument at the valuation date, nor on observable market data available at that date.

A financial instrument is regarded as quoted on an active market if prices are readily and regularly available from a stock exchange, broker, dealer, pricing service or regulatory agency and if those prices represent actual transactions regularly occurring in the market under arm's length conditions.

Instruments traded on active markets

Where a financial instrument is traded on an active market and quoted prices are available for that instrument, the fair value of the financial instrument is represented by its market price.

Instruments not traded on active markets

If the market for a financial instrument is not active, its fair value is determined using observable market data and valuation techniques.

Depending on the financial instrument, those techniques use data from recent transactions and discounted future cash flow models based on rates applicable at the balance sheet date.

Structured liabilities and index-linked derivatives

In determining the fair value of structured liabilities and the indexed component of index-linked derivatives, not all valuation parameters are observable. Therefore, the fair value of the financial instrument at the time of the transaction is deemed to be the transaction price, and the commercial margin is recorded in profit and loss over the life of the product.

While structured liabilities are outstanding, since they are not quoted on an active market, the valuation parameters agreed with the counterparties at the instruments' inception are not modified. For redemptions of negotiable debt securities issued, the fair value of the redeemed securities is the transaction price, and the portion of the commercial margin not yet recognised is taken to profit and loss.

Cash receivables and payables

For fixed-rate liabilities, which are generally due to mature within one year, where there is no active market, fair value is deemed to be the present value of future cash flows discounted at the market rate at the balance sheet date. Market rates are determined based on standard internal valuation models using certificate-of-deposit yield curves.

Similarly, for purchased fixed-rate debt securities, fair value is determined by discounting expected future cash flows at market rates.

Loans and other financing to clients

Edmond de Rothschild (France) considers that, because of the multi-year frequency of adjustments, the fair value of variable-rate loans can be considered equal to their carrying amount.

For loans with a variable rate that is adjusted once a year and fixed-rate loans, fair value is determined by discounting recoverable future cash flows relating to principal and interest over the loans' remaining life, at the interest rate applicable to new lending during the year for loans of the same category and with similar maturities.

Interest-rate derivatives

The fair value of interest-rate derivatives and of the interest-rate component of index-linked derivatives is determined on the basis of internal valuation models incorporating observable market data. Thus the fair value of interest-rate swaps is calculated by discounting future interest cash flows at rates derived from zero-coupon swap curves.

Forward foreign-exchange contracts

Forward foreign-exchange contracts are treated as financial derivatives and carried in the balance sheet at fair value, with changes in fair value taken to profit and loss. The fair value of a forward foreign-exchange contract is determined by the forward rate for the contract's remaining life at the balance sheet date.

- **Cost of risk**

In terms of credit risk, the cost of risk includes additions to and releases from impairment of fixed-income securities and loans and receivables due from clients and credit institutions, additions to and releases from provisions relating to financing and guarantee commitments given, losses on receivables written off and amounts recovered on receivables formerly written off.

- **Fees**

The Group records fee income in profit and loss according to the nature of the services concerned. Fees received for non-recurring services are immediately taken to profit and loss. Fees for ongoing services are recorded progressively in profit and loss over the duration of the service provided. Fees that are an integral part of the effective return on a financial instrument are treated as an adjustment to the effective return on the financial instrument.

- **Employee-benefit commitments**

The Group recognises four categories of benefit as defined by IAS 19:

1. Short-term benefits, for which payments are immediately expensed: remuneration, profit-sharing, employee savings and paid leave.

2. Post-employment benefits, measured using an actuarial method, with provisions set aside for defined-benefit plans (except French compulsory defined-contribution plans, which are directly expensed): pension benefits, supplementary pension plans and termination benefits for retiring employees.

Post-employment benefits are classified as either defined-contribution plans or defined-benefit plans, depending on the actual economic impact on the company.

In **defined-contribution plans**, liabilities are covered by contributions, which are recognised as expenses as and when they are paid to the independent pension bodies that manage subsequent payment of the pensions.

The company's obligation is limited to payment of a contribution, with no associated commitment concerning the amount of the benefits paid out. The contributions paid are included in the expenses of the period.

In **defined-benefit plans**, the actuarial risk and investment risk are borne by the company. They cover several types of commitment, principally "additional supplementary" pension plans and termination benefits for retiring employees. A provision is recorded in liabilities to cover the total value of those pension commitments. They are valued annually by an independent actuary at the balance-sheet date.

In accordance with IAS 19, the Group uses the projected unit credit method to calculate its employee-benefit commitments. This retrospective method uses projections regarding career-end salaries and prorated final-benefit entitlements based on length of service, taking into account actuarial assumptions regarding the employee's probable future period of service with the company, future remuneration levels, life expectancy and personnel turnover.

Actuarial gains and losses, determined for each plan, include the effect of differences between actuarial assumptions previously adopted and actual outcomes, and the effect of changes in actuarial assumptions.

The Group applies IAS 19 revised regarding the recognition of actuarial gains and losses on defined-benefit pension plans. All such gains and losses are recorded under other comprehensive income in the period in which they are recognised. When the plan is funded by assets, those assets are measured at fair value at the closing date and deducted from the value of the commitments recorded. The annual amount included in personnel expenses in respect of defined-benefit plans includes the following:

— the additional benefits earned by each employee (current service cost);
— the financial cost resulting from the unwinding of discounts;
— interest income generated by plan assets (net interest on the net liability or asset);
— past service cost;
— the effect of plan curtailments or settlements.

The Group recognises past service cost in expenses on a straight-line basis over the average period remaining until the benefit entitlements are vested. Past service cost refers to the increase in the present value of the obligation arising from employee service in previous periods, resulting from the introduction of a new plan or from changes occurring during the period.

3. Other long-term benefits, measured in the same way as post-employment benefits and fully provisioned: these include long-service awards, *Compte Epargne Temps* working-time savings accounts and deferred remuneration.

4. Termination benefits, redundancy payments and voluntary redundancy payments. These benefits are fully covered by provisions once the relevant agreement has been signed.

- **Share-based payments**

IFRS 2 "Share-based payment" requires transactions settled in shares and similar instruments to be reported in the income statement and the balance sheet.

The Group's share-based payment plans fall within the scope of IFRS 2 as they are settled through the allotment of equity instruments.

IFRS 2 applies to plans granted after 7 November 2002 (the date of publication of the exposure draft) for which rights had not yet vested at the date of transition to IFRS (1 January 2006 for the Edmond de Rothschild (France) group).

Edmond de Rothschild (France) and its subsidiaries have awarded various stock option and bonus share plans. Stock options and bonus shares are expensed and included in "Personnel expenses", with a balancing entry in shareholders' equity as and when rights vest. The expense is measured on the basis of the overall value of the plan at the date it is awarded by the governing bodies. In exceptional cases where the employee receives the benefits immediately, the expense is recognised at the grant date.

If no market exists for the instruments concerned, mathematical valuation models are used. Options awarded are measured at fair value on their grant date, applying the Black-Scholes model. This measurement is performed by the Group.

The total plan expense is determined by multiplying the unit value of the option by the estimated number of options vested at the end of the vesting period, allowing for the probability of the beneficiaries remaining with the Company at that time.

At each balance-sheet date, the number of options expected to be exercised is revised to adjust the plan's initially determined overall cost, and the expense recognised since the beginning of the plan is adjusted accordingly.

Amounts received when options are exercised are credited to "Share capital" (at their nominal value) and "Share premiums".

- **Cash-flow statement**

Cash and cash equivalents consists of the net balances of cash accounts, amounts due from central banks and postal accounts, and the net balances of demand deposits with and loans from credit institutions.

Changes in cash generated by operating activities reflect cash flows generated by the Group's business, including cash flows related to held-to-maturity financial assets and negotiable debt securities.

Changes in cash generated by investing activities result from cash flows related to acquisitions and disposals of consolidated subsidiaries and associates and acquisitions and disposals of real property.

Changes in cash related to financing activities comprise cash inflows and outflows from operations with shareholders, cash flows related to subordinated debt, bonds, and debt securities other than negotiable debt instruments.

- **Earnings per share**

Earnings per share are calculated by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. Diluted earnings per share reflect the impact of potential dilution on earnings and the number of shares resulting from the exercise of options under the various plans (bonus share and stock option plans) granted by Edmond de Rothschild (France) and its subsidiaries, in accordance with IAS 33. No account is taken of plans that have no dilutive impact. Net income for the calculation of basic and diluted earnings per share corresponds to net income attributable to owners of the parent, adjusted for undated super-subordinated notes issued by Edmond de Rothschild (France).

NOTE 3 – ANALYSIS OF BALANCE SHEET ITEMS

3.1. CASH, DUE FROM CENTRAL BANKS AND POSTAL ACCOUNTS

In thousands of euros	31.12.2015	31.12.2014
Cash	1,116	852
Central banks	913,192	781,784
Postal accounts	10	10
Subtotal	**914,318**	**782,646**
Related receivables	-	-
Total	**914,318**	**782,646**

3.2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

In thousands of euros	31.12.2015	31.12.2014
Treasury notes and similar securities	-	-
Bonds and other fixed-income securities	-	-
Equities and other variable-income securities	28	28
Subtotal	**28**	**28**
Trading securities and related receivables	-	-
Subtotal	**28**	**28**
Interest rate instruments – futures	4,324	6,604
Interest rate instruments – options	-	-
Foreign exchange instruments – futures	-	3,991
Foreign exchange instruments – options	-	-
Equity and index-linked instruments – futures	21,537	19,090
Equity and index-linked instruments – options	-	-
Related receivables on trading derivatives	5,108	6,193
Subtotal	**30,969**	**35,878**
Subtotal - trading securities	**30,997**	**35,906**
Fair value of amounts due from credit institutions	255	9,798
Fair value of transactions with clients	1,148	-
Subtotal	**1,403**	**9,798**
Fair value of loans and related receivables	-	-
Subtotal - loans and receivables measured at fair value through profit and loss under the fair value option	**1,403**	**9,798**
Fair value of treasury notes and similar securities	10,399	12,030
Fair value of bonds and other fixed-income securities	-	3,001
Subtotal	**10,399**	**15,031**
Fair value of debt securities and related receivables	2,302	2,350
Subtotal - fixed income securities measured at fair value through profit and loss under the fair value option	**12,701**	**17,381**
Fair value of equities and other variable-income securities	-	-
Subtotal	**-**	**-**
Fair value of equities and other variable - income securities and related receivables	-	-
Subtotal - variable income securities measured at fair value through profit and loss under the fair value option	**-**	**-**
Subtotal - financial assets measured at fair value through profit and loss under the fair value option	**14,104**	**27,179**
Total financial assets at fair value through profit and loss	**45,101**	**63,085**

The total notional amount of trading derivatives was €5.333 million at 31 December 2015 as opposed to €5.414 million at 31 December 2014. The notional value of derivatives indicates only the volume of the Group's business on the financial instruments markets, without reflecting the market risks related to those instruments.

3.3. AVAILABLE-FOR-SALE ASSETS

In thousands of euros	31.12.2015	31.12.2014
Treasury notes and similar securities	**72,190**	**74,502**
Quoted	72,190	74,502
Unquoted	-	-
Related receivables	-	-
including Impairment	-	-
Bonds and other fixed-income securities	**228**	**258**
Quoted	-	-
Unquoted	187	258
Related receivables	41	-
including Impairment	-	-
Equities and other variable-income securities	**130,922**	**113,653**
Quoted	3,000	6,619
Unquoted	127,922	107,034
Related receivables	-	-
including Impairment	*(5,173)*	*(7,332)*
Long-term equity securities	**53,928**	**50,184**
Quoted	9,483	8,366
Unquoted	44,445	41,818
Related receivables	-	-
including Impairment	*(2,963)*	*(2,958)*
Other available-for-sale financial assets	**-**	**-**
Quoted	-	-
Unquoted	-	-
Related receivables	-	-
including Impairment	-	-
Total available-for-sale financial assets	**257,268**	**238,597**
Including securities lent	-	-

After disposals from the Edmond de Rothschild LBO Side Fund, €2.1 million was released from permanent impairment charges.

An additional €0.4 million of permanent impairment charges were recorded in 2015 on private equity investments.

Treasury notes and similar securities include positions in euro-zone government bonds purchased by Financière Boréale, the interest-rate risk on which is covered by a fair value hedge.

3.4. DUE FROM CREDIT INSTITUTIONS

In thousands of euros	31.12.2015	31.12.2014
Due from credit institutions		
– Demand deposits	*99,062*	*77,367*
– Time deposits (*)	*250,001*	*100,123*
Subtotal	**349,063**	**177,490**
Related receivables	5	13
Total gross value	**349,068**	**177,503**
Impairment	-	-
Total net value	**349,068**	**177,503**

(*) The increase in amounts due from credit institutions in the form of term deposits resulted from the completion of repo transactions.

3.5. TRANSACTIONS WITH CLIENTS

In thousands of euros	31.12.2015	31.12.2014
Overdrafts	397,852	361,122
Other loans and financing	-	-
– Loans	*152,402*	*149,019*
– Securities received under resale agreements	*2*	*-*
– Trade notes	*-*	*-*
Subtotal	**550,256**	**510,141**
Doubtful loans	1,308	2,513
Impairment of doubtful loans	(1,308)	(2,513)
Total net value	**550,256**	**510,141**
Including related receivables	*458*	*458*
Fair value of transactions with clients	**551,250**	**510,926**

3.6. FINANCIAL ASSETS HELD TO MATURITY

The Group does not have any financial assets held to maturity.

3.7. PLEDGED ASSETS

A-Assets

		Carrying amount of pledged assets	Fair value of pledged assets	Carrying amount of non-pledged assets	Fair value of non-pledged assets
		010	040	060	090
010	Assets of the reporting entity	67,353		2,485,996	
030	Equity instruments			260,409	260,409
040	Debt securities	50,892	50,892	222,439	222,439
120	Other assets	16,461		2,003,148	

B- Guarantees received

		Carrying amount of pledged assets	Fair value of pledged assets
		010	040
130	Guarantees received by the entity concerned	250,113	
150	Equity instruments		
160	Debt securities	250,113	
230	Other guarantees received		
240	Own debt securities in issue, other than own covered bonds or asset-backed securities		

C - Pledged assets/guarantees received and related liabilities

		Related liabilities, contingent liabilities or loaned securities	Assets, guarantees received and own debt securities in issue, other than covered bonds or securities backed by pledged assets
		010	030
010	Carrying amount of selected financial liabilities	46,530	28,710

Government bonds held by Financière Boréale make up most of the Edmond de Rothschild (France) group's pledged assets, via repo transactions.

Repo transactions include two activities:
- Mutual funds for which the Bank is custodian and Edmond de Rothschild Asset Management (France) is the asset manager: securities held by Financière Boréale are sold by Edmond de Rothschild (France) to the funds as part of repo transactions.
- Short-term placements of cash with other banks in return for government securities that qualify as highly liquid assets for the purposes of calculating the short-term liquidity coverage ratio (LCR).

72% of Row 120 "Other assets", column 60 comprises the Group's assets held with the Banque de France and client loans. Intangible assets make up 5% of that item, derivatives 1.8%, other non-current assets 2.2% and tax credits less than 1%.

3.8. ACCRUAL ACCOUNTS, OTHER ASSETS AND LIABILITIES

	31.12.2015		31.12.2014	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
Items under collection	1,115	-	111	-
Guarantee deposits paid (*)	63,761	-	58,629	-
Deferred charges	8,079	-	5,834	-
Accrued income	93,354	-	76,126	-
Deferred income	-	119	-	111
Accrued expenses	-	97,222	-	76,599
Other miscellaneous assets and liabilities (**)	21,203	171,069	70,900	204,983
Total	**187,512**	**268,410**	**211,600**	**281,693**

(*) of which €11,120 thousand related to collateral at 31 December 2015 versus €16,308 thousand of deposits paid at 31 December 2014.
(**) of which €22,683 thousand related to collateral at 31 December 2015 versus €19,670 thousand of other liabilities at 31 December 2014.

3.9. INVESTMENTS IN ASSOCIATES

In thousands of euros	31.12.2015	31.12.2014
Edmond de Rothschild (Monaco)	30,141	25,646
Edmond de Rothschild (UK) Ltd.	4,509	6,177
Zhonghai Fund Management Co. Ltd.	32,296	30,369
Edmond de Rothschild Investment Partners	8,845	-
China Investment Partners (Shanghai) Ltd	191	-
China Investment Partners (Hong Kong) Ltd	(451)	-
Investments in associates	**75,531**	**62,192**

Condensed financial information at 31 December 2015:

Edmond de Rothschild (Monaco)

In thousands of euros	31.12.2015
Current assets	1,735,081
Non current assets	91,592
Current liabilities	1,635,707
Non current liabilities	190,966
Net banking income	50,165
Share in net income	**6,206**

Zhonghai Fund Management Company Ltd

In thousands of euros	31.12.2015
Current assets	67,846
Non current assets	37,577
Current liabilities	22,511
Non current liabilities	82,912
Net banking income	61,510
Share in net income	**2,323**

3.10. PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	31.12.2014	Acquisitions/ transfers in	Disposals/ transfers out	Other Changes	31.12.2015
Gross value					
Land and buildings	51,926	1,817	-	2,202	55,945
Hardware	23,410	955	-	33	24,398
Fixtures and fittings and other fixed assets	43,367	2,127	(158)	(152)	45,184
Tangible assets in progress	4	-	-	-	4
Total	**118,707**	**4,899**	**(158)**	**2,083**	**125,531**
Depreciation - Impairment					
Buildings	(20,594)	(560)	-	(26)	(21,180)
Hardware	(20,810)	(1,507)	-	(32)	(22,349)
Fixtures and fittings and other fixed assets	(35,900)	(2,217)	66	7	(38,044)
Total	**(77,304)**	**(4,284)**	**66**	**(51)**	**(81,573)**
Net book value	**41,403**	**615**	**(92)**	**2,032**	**43,958**

3.11. INTANGIBLE ASSETS

In thousands of euros	31.12.2014	Acquisitions/ transfers in	Disposals/ transfers out	Other Changes	31.12.2015
Gross value					
Contract portfolio and other contractual rights	12,320	-	-	-	12,320
Other intangible assets	104,004	12,698	-	(219)	116,483
Intangible assets in progress	93	-	(93)	-	-
Total	**116,417**	**12,698**	**(93)**	**(219)**	**128,803**
Depreciation - Impairment					
Intangible assets	(90,750)	(14,510)	-	(23)	(105,283)
Total	**(90,750)**	**(14,510)**	**-**	**(23)**	**(105,283)**
Net book value	**25,667**	**(1,812)**	**(93)**	**(242)**	**23,520**

Contract portfolios were assessed individually for impairment and found not to be impaired.

3.12. GOODWILL

In thousands of euros	31.12.2015	31.12.2014
Gross value at the beginning of the period	**76,509**	**77,707**
Acquisitions and other increases	-	962
Sales and other decreases	-	-
Translation adjustment	958	123
Impairment	(1,671)	(2,283)
Net value at the end of the period	**75,796**	**76,509**

Goodwill items are tested individually for impairment. This test is performed at the same time every year or when an indication of impairment arises, and any impairment is then taken to income. The test consists of checking that the recoverable amount of an investment remains higher than its carrying amount, the recoverable amount being the higher of fair value less costs to sell and value in use.

As regards value in use, the discounted cash flow figures used are based on activity assumptions validated by management and extrapolated over a period of several years, and then indefinitely on the basis of a long-term growth rate to calculate the terminal value.

The rate used to discount future cash flows is determined with reference to market data. The growth rate used to calculate the terminal value is based on forecasts regarding economic growth and sustainable long-term inflation.

Sensitivity tests are also performed to measure the impact on value in use of changes to the discount rate and the long-term growth rate.

The approach involving fair value less costs to sell consists of determining, on the basis of the best available information, the amount (less costs to sell) that could be obtained from selling the asset in an arm's length transaction between well informed, consenting parties.

The valuations used are sensitive to the net income of the structures concerned, and to assets-under-management multiples (based on observable transactions in the private banking and asset management markets over the preceding 15 months) and net-income multiples within a sample of listed private banks and asset managers.

The tests show that a change of +/- 0.2 points in the discount rate and the long-term growth rate produces a change in the recoverable amount of goodwill relating to Edmond de Rothschild (Israel) Ltd. of between -4.2% and +4.7%, with no need for impairment.

In the event of a change of +/- 1 point in the discount rate and of +/- 0.5 points in the long-term growth rate, Edmond de Rothschild Corporate Finance's recoverable amount remains higher than its carrying amount and varies by between -10.0% and +13.3%.

In thousands of euros	Net value		Impairment		Acquisitions	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Edmond de Rothschild (Israel) Ltd.	39,891	39,891	-	-	-	-
Edmond de Rothschild Assurances et Conseils (France)	23,704	22,746	-	-	-	462
Edmond de Rothschild Corporate Finance, Paris	5,753	5,753	-	-	-	-
Edmond de Rothschild Europportunities Management II S.à r.l.	4,481	4,481	-	(500)	-	500
CFSH Luxembourg S. à r.l.	1,579	3,012	(1,433)	(1,702)	-	-
Edmond de Rothschild Europportunities Management S.à r.l.	371	371	-	-	-	-
Edmond de Rothschild Europportunities Management S.à r.l.	-	238	(238)	(81)	-	-
Other	17	17	-	-	-	-
Total	**75,796**	**76,509**	**(1,671)**	**(2,283)**	**-**	**962**

3.13. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

In thousands of euros	31.12.2015	31.12.2014
Interest rate instruments – futures	5,332	8,159
Interest rate instruments – options	-	-
Foreign exchange instruments – futures	84	251
Foreign exchange instruments – options	-	-
Equity and index-linked instruments – futures	19,178	17,617
Equity and index-linked instruments – options	-	-
Subtotal	**24,594**	**26,027**
Related payables on trading derivatives	2,507	2,574
Subtotal - trading securities	**27,101**	**28,601**
Due to credit institutions	212,566	215,722
Transactions with clients	1,687	189
Subtotal	**214,253**	**215,911**
Related payables	183	34
Subtotal - loans and payables measured at fair value through profit and loss under the fair value option	**214,436**	**215,945**
Negotiable debt instruments	408,800	198,612
Bonds	-	-
Other borrowings represented by securities	-	-
Subtotal	**408,800**	**198,612**
Related payables	1,142	501
Subtotal - borrowings represented by securities measured at fair value through profit and loss	**409,942**	**199,113**
Subtotal - financial liabilities measured at fair value through profit and loss under the fair value option	**624,378**	**415,058**
Total financial liabilities at fair value through profit and loss	**651,479**	**443,659**

	31.12.2015		
In thousands of euros	Fair value	Amount repayable at maturity	Difference between fair value and amount repayable at maturity
Financial liabilities measured at a fair value through profit and loss under the fair value option	624,378	624,963	585

	31.12.2014		
In thousands of euros	Fair value	Amount repayable at maturity	Difference between fair value and amount repayable at maturity
Financial liabilities measured at a fair value through profit and loss under the fair value option	415,058	415,400	342

3.14. HEDGING DERIVATIVES

	31.12.2015		31.12.2014	
In thousands of euros	Negative market value	Positive market value	Negative market value	Positive market value
Hedging of non-derivative financial instruments	**4,116**	**-**	**6,554**	**-**
– Foreign exchange derivatives	-	-	-	-
– Interest rate derivatives	4,116	-	6,554	-
Cash flow hedges of non-derivative financial instruments	**-**	**-**	**-**	**-**
– Foreign exchange derivatives	-	-	-	-
– Interest rate derivatives	-	-	-	-
Derivatives used for hedging	**4,116**	**-**	**6,554**	**-**

3.15. DUE TO CREDIT INSTITUTIONS

In thousands of euros	31.12.2015	31.12.2014
Due to credit institutions		
– Demand deposits	13,732	17,152
– Time deposits	-	-
Subtotal	**13,732**	**17,152**
Related payables	36	(1)
Total due to credit institutions	**13,768**	**17,151**

3.16. TRANSACTIONS WITH CLIENTS

	31.12.2015			31.12.2014		
In thousands of euros	Demand deposits	Time deposits	Total	Demand deposits	Time deposits	Total
Special savings accounts						
– Special savings accounts	-	57,774	57,774	-	39,635	39,635
– Related payables	-	-	-	-	-	-
Subtotal	**-**	**57,774**	**57,774**	**-**	**39,635**	**39,635**
Other deposits	-	-	-	-	-	-
– Demand deposits	980,739	-	980,739	892,373	-	892,373
– Time deposits	-	35,193	35,193	-	70,596	70,596
– Securities delivered under repurchase agreements	-	46,530	46,530	-	60,226	60,226
– Other miscellaneous payables	-	75,000	75,000	-	-	-
– Related payables	39	11	50	22	136	158
Subtotal	**980,778**	**156,734**	**1,137,512**	**892,395**	**130,958**	**1,023,353**
Total	**980,778**	**214,508**	**1,195,286**	**892,395**	**170,593**	**1,062,988**
Fair value of transactions with clients	**-**	**-**	**1,195,276**	**-**	**-**	**1,062,904**

3.17. PROVISIONS

In thousands of euros	Provisions for restructuring	Provisions for legal and tax risks	Provisions for post employment benefit commitments	Provisions for loan and guarantee commitments	Provisions for loss on contracts	Other provisions	Total book value
At 31.12.2014	**-**	**-**	**7,927**	**-**	**-**	**17,727**	**25,654**
Increase in provisions	-	-	810	-	-	6,444	7,254
Provisions used	-	-	-	-	-	(4,454)	(4,454)
Unused provisions reversed to profit and loss	-	-	(1,010)	-	-	(3,729)	(4,739)
Other movements	-	-	1,556	-	-	(120)	1,436
At 31.12.2015	**-**	**-**	**9,283**	**-**	**-**	**15,868**	**25,151**

Other provisions include provisions relating to disputes with staff and third parties.

A provision of €5.5 million had been accrued in 2014 to cover the risk that the asset management company (Edmond de Rothschild Asset Management (France)) and/or the holder of the Qualified Foreign Institutional Investors quota (Edmond de Rothschild (France)) would have to bear part of the tax on capital gains realised in China between 2009 and 2014 that cannot be borne by the relatied funds.

Since the Group has obtained the benefit of the double taxation agreement between France and China, the expense borne by Edmond de Rothschild Asset Management (France) will not exceed around €2.8 million (of which €1.7 million was paid in January 2016). Accordingly, €2.7 million was released from provisions in 2015.

Regarding the Madoff criminal case, the Group believes that in relation to its third-party management and/or custody activities, the risk of litigation to which it might be exposed is not material. The examination of the investment process implemented by both the management company Edmond de Rothschild Investment Managers Gestion (which merged with Edmond de Rothschild Asset Management (France) on 30 November 2012), and the Private Banking division showed that the former had satisfactorily implemented internal due diligence procedures governing the selection of underlying funds and that the management decisions taken by the latter were generally consistent with the authorisation granted to the Bank, both regarding the eligibility of the instruments purchased and the limits on investment. In respect of these third-party management and/or custody activities, clients' total exposure to Madoff funds (based on a 31 December 2008 valuation of the funds) is €42.9 million.

Cash flows related to the additional supplementary pension plan are detailed in Note 6.1.A.

3.18. EQUITY INSTRUMENTS: UNDATED SUPER-SUBORDINATED NOTES

In June 2007 the Bank issued €50 million of undated super-subordinated notes. After discussions with one of the noteholders, the Bank made an offer to repurchase part of the notes with a nominal amount of €29 million, at a discount of 7.5%. After obtaining the authorisation of the ACP on 12 July 2013, €29 million of notes were repurchased and cancelled in August 2013.

In the event of the issuer's liquidation, holders of these notes will be paid only after other creditors but before holders of participating loans or participating securities.

The undated super-subordinated notes carry financial covenants:

- non-payment of interest in the event of insufficient capital related to non-compliance with prudential capital adequacy ratios or a deterioration in the Bank's financial position;

- reduction of accrued interest due and payable and then of the nominal value of the notes if the Bank has not taken action to remedy the capital situation within a specific period.

Given the discretionary nature of the decision on the payment of interest on the super-subordinated notes, which is related to the payment of dividends, these notes have been classified as equity instruments and related reserves.

The main financial characteristics of these notes are as follows:

Issue date	Optional early redemption date (call option)	Rate until early redemption	Rate after early redemption	Interest step-up from the optional early redemption date
June 2007	June 2017 then quarterly	6.36% (1)	3-month Euribor +2.65%	+ 100 basis points

(1) Rate fixed by reference to the 10-year swap rate in euros at 4 June 2007: 4.71% + 1.65%

3.19. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

At 31 December 2015

In thousands of euros	Gross amounts of financial assets	Amounts set off on balance sheet	Net amounts stated on balance sheet	Impact of netting agreements and similar accords	Financial instruments received as collateral	Net amounts
Financial assets at fair value through profit and loss						
-Trading securities	36,060	(5,063)	30,997	-	(22,683)	8,314
-Loans and receivables measured at fair value through profit and loss under the fair value option	1,403	-	1,403	-	-	1,403
-Fixed income securities measured at fair value through profit and loss under the fair value option	12,701	-	12,701	-	-	12,701
Loans and receivables due from credit institutions and clients	899,324	-	899,324	-	-	899,324
-Of which repurchase transactions	*250,001*	-	*250,001*	-	*(250,001)*	-
Accruals and other assets	187,512	-	187,512	-	-	187,512
-Of which security deposits granted	*63,761*	-	*63,761*	-	-	*63,761*
Other assets not subject to set-off	1,421,412	-	1,421,412	-	-	1,421,412
TOTAL ASSETS	**2,558,412**	**(5,063)**	**2,553,349**	**-**	**(22,683)**	**2,530,666**

At 31 December 2015

In thousands of euros	Gross amounts of financial liabilities	Amounts set off on balance sheet	Net amounts stated on balance sheet	Impact of netting agreements and similar accords	Financial instruments received as collateral	Net amounts
Financial liabilities at fair value through profit and loss						
-Trading securities	32,164	(5,063)	27,101	-	(11,120)	15,981
-Borrowings at fair value through profit and loss under the fair value option	214,436	-	214,436	-	-	214,436
-Borrowings represented by securities at fair value through profit and loss under the fair value option	409,942	-	409,942	-	-	409,942
Due to credit institutions and clients	1,209,054	-	1,209,054	-	-	1,209,054
-Of which repurchase transactions	*46,530*	-	*46,530*	-	*(46,530)*	-
Accruals and other liabilities	268,410	-	268,410	-	-	268,410
-Of which security deposits granted	*20,609*	-	*20,609*	-	-	*20,609*
Other liabilities not subject to set-off	46,761	-	46,761	-	-	46,761
TOTAL LIABILITIES	**2,180,767**	**(5,063)**	**2,175,704**	**-**	**(11,120)**	**2,164,584**

At 31 December 2014

In thousands of euros	Gross amounts of financial assets	Amounts set off on balance sheet	Net amounts stated on balance sheet	Impact of netting agreements and similar accords	Financial instruments received as collateral	Net amounts
Financial assets at fair value through profit and loss						
-Trading securities	44,088	(8,182)	35,906	-	(19,670)	16,236
-Loans and receivables measured at fair value through profit and loss under the fair value option	9,798	-	9,798	-	-	9,798
-Fixed income securities measured at fair value through profit and loss under the fair value option	17,381	-	17,381	-	-	17,381
Loans and receivables due from credit institutions and clients	687,644	-	687,644	-	-	687,644
-Of which repurchase transactions	*100,123*	-	*100,123*	-	*(100,123)*	-
Accruals and other assets	211,600	-	211,600	-	-	211,600
-Of which security deposits granted	*58,629*	-	*58,629*	-	-	*58,629*
Other assets not subject to set-off	1,261,167	-	1,261,167	-	-	1,261,167
TOTAL ASSETS	**2,231,678**	**(8,182)**	**2,223,496**	**-**	**(19,670)**	**2,203,826**

At 31 December 2014

In thousands of euros	Gross amounts of financial liabilities	Amounts set off on balance sheet	Net amounts stated on balance sheet	Impact of netting agreements and similar accords	Financial instruments received as collateral	Net amounts
Financial liabilities at fair value through profit and loss						
-Trading securities	36,784	(8,182)	28,601	-	(16,308)	12,293
-Borrowings at fair value through profit and loss under the fair value option	215,945	-	215,945	-	-	215,945
-Borrowings represented by securities at fair value through profit and loss under the fair value option	199,113	-	199,113	-	-	199,113
Due to credit institutions and clients	1,080,139	-	1,080,139	-	-	1,080,139
-Of which repurchase transactions	*60,226*	-	*60,226*	-	*(60,226)*	-
Accruals and other liabilities	281,693	-	281,693	-	-	281,693
-Of which security deposits granted	*20,609*	-	*20,609*	-	-	*20,609*
Other liabilities not subject to set-off	46,492	-	46,492	-	-	46,492
TOTAL LIABILITIES	**1,860,166**	**(8,182)**	**1,851,983**	**-**	**(16,308)**	**1,835,675**

3.20. TRANSFERS OF FINANCIAL ASSETS

Financial assets transferred by the Group but only partially derecognised mainly include units in FCPR venture capital funds included in the disposal of Edmond de Rothschild Capital Partners on 5 August 2014.

The bank has retained exposure to these assets, which were recognised on the balance sheet in an amount of €12.317 million at 31 December 2015.

The Group has a €250.001 million receivable relating to repo transactions, and liabilities associated with securities sold under repo transactions amounted to €46.530 million at 31 December 2015 (as opposed to €60.226 million at 31 December 2014).

NOTE 4 – ANALYSIS OF INCOME STATEMENT ITEMS

4.1. INTEREST AND SIMILAR REVENUES

In thousands of euros	31.12.2015	31.12.2014
On transactions with credit institutions	**300**	**653**
– Demand deposits and interbank loans	300	608
– Loan and guarantee commitments	-	-
– Securities under repurchase/resale agreements	-	45
On transactions with clients	**6,995**	**7,295**
– Demand deposits and loans	6,878	7,255
– Loan and guarantee commitments	-	-
– Securities under repurchase/resale agreements	117	40
On financial instruments	**9,668**	**9,867**
– Financial assets held to maturity	-	-
– Available-for-sale financial assets	46	51
– Financial assets measured at fair value through profit and loss under the fair value option	2,985	3,050
– Interest income on derivatives	6,637	6,766
Total interest and similar revenues	**16,963**	**17,815**

4.2. INTEREST AND SIMILAR EXPENSES

In thousands of euros	31.12.2015	31.12.2014
On transactions with credit institutions	**(3,076)**	**(659)**
- Demand deposits and interbank loans	(2,389)	(573)
- Loan and guarantee commitments	-	-
- Securities under repurchase/resale agreements	(687)	(86)
On transactions with clients	**(430)**	**(761)**
- Demand deposits and loans	(417)	(705)
- Loan and guarantee commitments	-	-
- Securities under repurchase/resale agreements	(13)	(56)
On financial instruments	**(11,059)**	**(10,319)**
- Debt securities	(6,783)	(2,140)
- Interest income on derivatives	(4,276)	(8,179)
Total interest and similar expenses	**(14,565)**	**(11,739)**

4.3. FEE INCOME AND EXPENSES

	31.12.2015		31.12.2014	
In thousands of euros	Income	Expenses	Income	Expenses
Cash and interbank transactions	-	(8)	-	(7)
Transactions with clients	292	-	322	-
Securities transactions	-	-	-	-
Foreign exchange transactions	19	-	39	-
Off balance sheet transactions	-	-	-	-
– Securities commitments	*118*	-	*119*	-
– Commitments on forward financial instruments	*6,411*	*(3,691)*	*6,657*	*(3,905)*
Financial services	390,936	(99,702)	403,901	(85,927)
Releases from allowances (provisions)	-	-	-	-
Total fees	**397,776**	**(103,401)**	**411,038**	**(89,839)**

4.4. NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

In thousands of euros	31.12.2015		31.12.2014	
	Trading portfolio	Portfolio measured at fair value under the fair value option	Trading portfolio	Portfolio measured at fair value under the fair value option
Net gains or losses on financial assets at fair value through profit and loss	-	(1,171)	-	546
Net gains or losses on financial liabilities at fair value through profit and loss	-	(1,071)	-	(5,022)
Net gains or losses on derivatives	2,009	-	4,681	-
Net gains or losses on foreign exchange transactions	6,754	-	3,950	-
Total net gains or losses on financial instruments at fair value through profit and loss	**8,763**	**(2,242)**	**8,631**	**(4,476)**

The value of government bonds acquired by Financière Boréale fell by €2.581 million in 2015. The interest-rate risk relating to these financial instruments is hedged by derivatives, which produced a net gain of €215 thousand recognised under net gains or losses on financial instruments at fair value through profit and loss.

4.5. NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

Net gains or losses on available-for-sale financial assets include net gains and losses on non-derivative financial assets classified neither as loans and receivables nor as held-to-maturity investments.

In thousands of euros	31.12.2015	31.12.2014
Net gains or losses on available-for-sale bonds and other fixed-income securities	-	-
Net gains or losses on available-for-sale long-term investments	3,358	6,936
Lasting impairment of long-term investments	(459)	(2,949)
Net gains or losses on available-for-sale other variable-income securities	4,469	2,635
Lasting impairment of variable-income securities	(5)	(10)
Total net gains or losses on available-for-sale financial assets	**7,363**	**6,612**

Interest income on available-for-sale fixed-income securities is included in “Interest margin” (notes 4.1 and 4.2) and any impairment loss caused by issuer insolvency is included in “Cost of risk” (note 4.8).

4.6. OTHER REVENUES AND EXPENSES

In thousands of euros	31.12.2015	31.12.2014
Expenses transferred to other companies	1,150	1,354
Miscellaneous revenues	2,768	1,854
Miscellaneous	11,360	13,100
Other revenues	**15,278**	**16,308**
Revenues transferred to other companies	(8,569)	(7,620)
Miscellaneous	(1,925)	(19,872)
Other expenses	**(10,494)**	**(27,492)**

4.7. GENERAL OPERATING EXPENSES

In thousands of euros	31.12.2015	31.12.2014
Wages and salaries	(99,171)	(112,735)
Pension expenses	(9,573)	(9,717)
Social security costs	(30,629)	(28,179)
Voluntary employee profit-sharing	(361)	(476)
Employee profit-sharing	(3,936)	(3,151)
Payroll taxes	(10,342)	(11,702)
Allocations to provisions for personnel expenses	(5,524)	(7,900)
Reversals of provisions for personnel expenses	2,477	3,226
Subtotal - Personnel expenses	**(157,059)**	**(170,634)**
Taxes other than on income	(5,703)	(5,975)
Rental expenses	(15,303)	(18,215)
Cost of external services	(83,487)	(83,748)
Travel expenses	(2,336)	(2,808)
Miscellaneous operating expenses	-	(833)
Allocations to provisions for administrative expenses	-	-
Reversals of provisions for administrative expenses	55	52
Subtotal - Administrative expenses	**(106,774)**	**(111,527)**
Total general operating expenses	**(263,833)**	**(282,161)**

4.8. COST OF RISK

In thousands of euros	31.12.2015	31.12.2014
Allocations to provisions for credit risk	(1,227)	-
Net losses on receivables written off	(1,247)	(69)
Reversals of provisions for credit risk	1,215	294
Reversals of other provisions	-	-
Amounts recovered on receivables formerly written off	3	18
Total cost of risk	**(1,256)**	**243**

4.9. NET GAINS OR LOSSES ON OTHER ASSETS

In thousands of euros	31.12.2015	31.12.2014
Losses on sales of intangible and tangible assets	(177)	(945)
Gains on sales of intangible and tangible assets	-	213
Gain (loss) on disposals of investments in consolidated companies	6,486	(3,917)
Total net gains or losses on other assets	**6,309**	**(4,649)**

The "Gain/(loss) on disposals of investments in consolidated companies" item corresponds to the dilution gain realised when the Group lost control of Edmond de Rothschild Investment Partners.

4.10. INCOME TAX EXPENSE AND EFFECTIVE TAX RATE

In thousands of euros	31.12.2015	31.12.2014
Consolidated net income	**32,688**	**25,838**
Income tax	**13,332**	**232**
Income before tax	**46,020**	**26,070**
Provisions and expenses not deductible for tax purposes	5,319	3,034
Dividends received from affiliated companies and related restatements	2,636	2,225
Share in net income of associates	(9,824)	(5,431)
Untaxed consolidation restatements	(6,515)	3,691
Non-taxable miscellaneous income and other deductions	(4,365)	(7,626)
Items taxed at reduced rates	(2,005)	(22,440)
Pre-tax income taxable at standard tax rate	**31,266**	**(477)**
Tax rate	38.00%	38.00%
Theoretical tax expense at standard rate	**11,881**	**(181)**
Pre-tax income taxable at reduced rate	**2,005**	**22,440**
Tax rate	17.10%	17.10%
Theoretical tax expense at reduced rate	**343**	**3,837**
Theoretical income tax expense	**12,224**	**3,656**
Unrecognised tax losses arising in the year	1,721	(89)
Unrecognised tax losses used	(2,724)	(5,629)
Allocations to/reversals of provisions set up for tax purposes	-	-
Tax credits	(38)	(53)
Tax differential on earnings of foreign entities	(132)	(1,052)
Save or load generated by the tax consolidation	-	-
Tax assessment and tax income on previous years	1,495	4,016
Miscellaneous	786	(617)
Income tax calculated	**13,332**	**232**
- Including current tax charge	*10,816*	*17,064*
- Including deferred tax charge	*2,516*	*(14,202)*
- Including allocations to/reversals of provisions set up for tax purposes	-	*(2,630)*
Income before tax	46,020	26,070
Income tax	13,332	232
Average effective tax rate	**28.97%**	**0.89%**
Standard tax rate in France (including the 5% contribution)	38.00%	38.00%
Impact of permanent differences	(10.53)%	(5.99)%
Impact of reduced-rate taxation	(0.91)%	(17.99)%
Tax differential on earnings of foreign entities	(0.29)%	(4.03)%
Impact of losses for the year and utilisation of tax losses brought forward	(2.18)%	(21.93)%
Impact of other items	4.88%	12.83%
Average effective tax rate	**28.97%**	**0.89%**

At 31 December 2015, the amount of deferred tax relating to tax loss carryforwards amounted to €10.0 million, versus €12.5 million at 31 December 2014.

NOTE 5 – NOTE ON COMMITMENTS

In thousands of euros	31.12.2015	31.12.2014
Commitments given		
Loan commitments		
To credit institutions	-	-
To clients	160,848	176,239
Guarantee commitments		
To credit institutions	-	-
To clients	165,362	197,816
Commitments received	-	-
Loan commitments		
From credit institutions	-	-
From clients	-	-
Guarantee commitments		
From credit institutions	40,332	40,332
From clients	-	-

The beneficiaries of bonus share plans and stock option plans granted by Edmond de Rothschild S.A. (EdR S.A.) or other Group companies have entered into liquidity agreements with the issuing entities. Under the terms of those agreements, the issuing companies undertake to purchase and the beneficiaries to sell the shares issued or allocated under these plans, subject to certain conditions. These agreements are discussed in greater detail in Note 6.2. Since December 2005, it has been agreed between EdR S.A. and Edmond de Rothschild (France) that EdR S.A. would systematically be substituted for Edmond de Rothschild (France) in the performance of these contracts, and EdR S.A. reserves the right to use a third-party substitute. The agreement between Edmond de Rothschild (France) and EdR S.A. also covers the other commitments to buy out non-controlling shareholders' interests existing within the Group.

The following table lists the number of shares by issuer that are subject to liquidity agreements on matured plans:

Issuer	Number of shares
Edmond de Rothschild (France)	27,548
Edmond de Rothschild Asset Management (France)	44,737

NOTE 6 – EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

6.1. EMPLOYEE BENEFITS UNDER IAS 19

In accordance with IFRS 1 First-time adoption of IFRSs, since 1 January 2006 the Group has measured and recognised employee benefits under the rules set out in IAS 19.
When it first applied IFRSs, the Group opted to apply the exception allowed in IFRS 1, allowing all actuarial gains and losses not amortised at 1 January 2006 to be taken to equity at that date.

6.1.A. PENSION COSTS – DEFINED-BENEFIT PLANS

An additional supplementary pension plan set up in December 2004 was closed on 31 December 2012, although its provisions were maintained for beneficiaries born before 31 December 1953.
It applies to a category of executives for whom the existing basic and complementary pension plans provide a significantly lower rate of income replacement than for other categories of personnel.
This plan is a defined-benefit plan expressed in terms of the overall final pension (limited in time) or in terms of the top-up pension it provides in addition to the basic pensions.
Payment of benefits is conditional on the employee remaining in the company until retirement. The plan provides for the purchase of an annuity upon retirement to settle the obligation to the beneficiary.
The beneficiaries of this additional supplementary pension plan are senior management, members of the General Management Committee, and senior executives defined in the 35-hour working week agreement as executives not covered by the normal classification.

The basis for determining the reference remuneration and calculating the additional pension is gross annual salary plus bonuses received, before any applicable tax or social security charges.
The guaranteed additional pension is equal to 10% of the reference remuneration between four and eight times the annual limit defined by French social security legislation at the date of settlement of the pension, plus 20% of the portion of the reference remuneration between 8 and 22 times that limit.

This additional pension is payable in addition to the mandatory basic and supplementary pensions. Gains and losses resulting from its first application are treated in accordance with the rules for changes of accounting method.

The Group therefore allocated the impact of this change of method, net of deferred taxes, to equity at the date of its first application (€8.381 million). That impact resulted from the recognition of previously unrecognised post-employment benefits, in a pre-tax amount of €12.825 million. Benefit commitments were discounted at the rate of 4.25%.

The value of the commitments at 31 December 2015 was determined by qualified actuaries, applying the following assumptions:

— discount rate of 2% over the duration of the plan (1.8 years);
— inflation rate of 1.75% over the duration of the plan (1.8 years);
— expected return on plan assets of 2%;
— expected rate of salary increases, net of inflation, of 0.5%.

The discount rate was chosen on the basis of the average yields observed on bonds maturing in 10 years or more, issued by eurozone companies with AA ratings. Based on the iBoxx Euro Corporate index, that rate was the same as the rate used for the previous measurement, i.e. 2%.

Taxation of annuities: Article 113 of French act 2003-775 of 21 August 2003 on pension reform alters the way in which social security contributions, the general social contribution (CSG) and the tax to repay social-security debt (CRDS) apply to employers' contributions to funding pension benefits. In return for exempting contributions from social security charges, a tax payable exclusively by the company was established.

The 2010 social security financing act doubled the tax levied on annuities exceeding one-third of the annual social security ceiling, raising it from 8% to 16%.

The 2011 social security financing act subsequently modified the basis for applying this tax. The allowance was eliminated and the 16% tax thus applies from the first euro of the annuity, for all annuities paid after 1 January 2001.

The Group had previously opted for the tax on annuities, but at the end of 2011 it chose to change options as allowed by the 2011 social security financing act for defined-benefit plans consistent with article L.137-11. It is now taxed at 12% based on all contributions paid into the fund.

That rate is set by article 32 of France's 16 August 2012 mini-budget at 24% for all payments in respect of periods beginning after 31 December 2012.

In addition to the foregoing tax, an additional 30% contribution to be paid by employers from the first euro was established on annuities exceeding eight times the annual ceiling and paid from 1 January 2010.

The 2015 social security financing act, adopted on 22 December 2014, increased the surtax on top-up pension plans from 30% to 45%. The increase in that surtax applies to all annuities paid from 1 January 2015 that exceed eight times the annual social security ceiling.

An URSSAF administrative circular published by ACOSS in April 2015 clarified that the surtax applies to all annuities paid from 1 January 2015, regardless of the date on which they started to be drawn. The previous 30% surtax was only due on annuities drawn from 2010.

The matter was referred as a constitutional priority by the Conseil d'Etat to the Constitutional Court, which on 22 November 2015 found that the 45% surtax was unconstitutional, because there was no mechanism mitigating the cliff effect caused by applying the surtax from the first euro.

Applied to annuities paid from 1 January 2015, the surtax would only have been claimable from 1 January 2016 and will therefore never be levied.

At 31 December 2015, the amount of commitments came to €28.065 million before tax and the fair value of assets was €24.313 million, resulting in a provision of €3.752 million.

- **Financial assets representing commitments (for the additional supplementary pension)**

Portfolio structure	31.12.2015	31.12.2014
Equities	31.20%	31.00%
Bonds	60.10%	59.50%
Real estate	5.50%	5.80%
Money market and Other	3.20%	3.70%
Actual return on plan assets	2.00%	2.00%

- **Defined-benefit post-employment benefits (additional supplementary pension)**

In thousands of euros	31.12.2015	31.12.2014
Present value of the commitment	28,065	25,064
- Value of plan assets	(24,313)	(24,221)
Financial position of plan	**3,752**	**843**
- Unrecognised past service cost	-	-
Provision	**3,752**	**843**

6.1.B. TERMINATION BENEFITS FOR RETIRING EMPLOYEES

Termination benefits for retiring employees are a post-employment benefit and are part of the defined-benefit plan category.
Entitlements to termination benefits for retiring employees in Group companies are defined by the following collective agreements:

— the French national collective agreement for banks (no. 1361) for all companies;
— the French national collective agreement for insurance and/or reinsurance brokerage firms (no. 3110) for Edmond de Rothschild Assurances et Conseils (France).

The following remuneration basis is used to calculate the benefit payable to retiring employees:

— for the national collective agreement for banks, 1/13th of the average remuneration the beneficiary received or would have received over the past 12 months, excluding any standard or exceptional bonus and any variable component of pay;
— for the national collective agreement for consultancy firms, 1/12th of the remuneration the beneficiary received or would have received over the past 12 months excluding any bonuses and additional payments for overtime, travel or secondment;
— for the national collective agreement for insurance brokerages, 1/12th of the remuneration the beneficiary received or would have received over the past 12 months.

The compensation cannot be lower than the retirement compensation defined by French employment law.
These arrangements are not funded by an insurance policy.
The actuarial method used to value the liability is the projected unit credit method.
Actuarial gains and losses on the plan for termination benefits for retiring employees are recorded in other comprehensive income. The Group has opted to apply the amendment to IAS 19 allowing actuarial gains and losses related to experience adjustments and/or changes in assumptions to be recognised in equity. The discount rate chosen is based on the yields on long-term corporate bonds at the time of measurement (yield shown by the iBoxx € Corporate AA 10+ index). That rate was the same as that used in the previous measurement, i.e. 2%.

The gross liability was €6.857 million at 31 December 2014 and €5.250 million at 31 December 2015.

Service cost was €520 thousand in 2015, the cost of discounting was €105 thousand, actual benefits paid came to €95 thousand and the actuarial gain with respect to 2015 was €704 thousand.

- **Defined-benefit post-employment benefits (additional supplementary pension and termination benefits for retiring employees)**

Breakdown of the expense recognised

In thousands of euros	31.12.2015	31.12.2014
Current period service cost	(549)	(254)
Interest cost	(620)	(798)
Expected return on plan assets	469	632
Actuarial gains and losses	-	-
Amortisation of past service cost	-	-
Amortisation of actuarial gains and losses	-	-
Effect of any plan curtailments or settlements	(55)	(48)
Effect of overfunding	1,009	-
Net expense recognised	**254**	**(468)**

(*)Change in assumption related to the variable portion of salaries used to calculate termination benefits for retiring employees

- **Defined-benefit post-employment benefits**

Main actuarial assumptions (termination benefits for retirging employees)	31.12.2015	31.12.2014
Discount rate	2.00%	2.00%
Expected long-term inflation	1.75%	2.00%
Salary increase		
-Clerical workers	*2.75%*	*3.00%*
-Executives and Senior Management	*3.25%*	*3.50%*
-Senior executives	*3.75%*	*4.00%*
Rate of employer's social security charges and taxes	61.90%	61.90%
Mortality rates	TGH-TGF 05	TGH-TGF 05

Main actuarial assumptions (additional supplementary pension)	31.12.2015	31.12.2014
Discount rate	2.00%	2.00%
Expected return on plan assets	2.00%	2.00%
Salary increase rates, net of inflation	0.50%	0.00%
Average remaining working life of employees	1.8 year	3.1 years
Mortality rates	TGH-TGF 05	TGH-TGF 05

- **Analysis of sensitivity of post-employment benefit commitments to changes in the main actuarial assumptions**

Impact of the change (additional supplementary pension)	31.12.2015
Change of (0.50%) in the discount rate: 1.50% (2.00% - 1.50%)	
– Impact on present value of commitments at 31 December 2015	*0.01%*
– Impacton net total expense in 2015	*(24.55)%*
Change of +0.50% in the discount rate: 2.50% (2.00% + 0.50%)	
– Impact on present value of commitments at 31 December 2015	*(0.01)%*
– Impact on net total expense in 2015	*24.55%*

- **Defined-benefit post-employment benefits (additional supplementary pension and termination benefits for retiring employees)**

Changes in provision

In thousands of euros	31.12.2015	31.12.2014
Provision/asset at the beginning of the period	**7,700**	**5,584**
– Expense recognised in profit and loss	*851*	*932*
– Employer's contribution to plan assets	-	-
– Benefits directly paid by the employer (unfunded)	*(95)*	*(464)*
– Changes in consolidation scope (acquisitions and disposals)	*(319)*	*(36)*
– Actuarial gains or losses	*1,875*	*1,684*
– Other movements	*(1,010)*	-
Provision/asset at the end of the period	**9,002**	**7,700**

- **Defined-benefit post-employment benefits (additional supplementary pension and termination benefits for retiring employees)**

Recognition of commitments

In thousands of euros	31.12.2015	31.12.2014
Change in the value of commitments		
Present value of the commitment at the beginning of the period	31,921	29,088
– Past service cost	*644*	*719*
– Discount expense	*621*	*797*
– Employee contributions	-	-
– Actuarial gains or losses	*2,509*	*2,612*
– Benefits paid by the employer and/or the fund	*(1,106)*	*(1,307)*
– Plan liquidation or reduction	*55*	*48*
– Amendment to plan	-	-
– Changes in consolidation scope (acquisitions and disposals)	*(319)*	*(36)*
– Other movements	*(1,010)*	-
Total present value of the commitment at the end of the period (A)	**33,315**	**31,921**
Change in plan assets and reimbursement rights	-	-
Fair value of plan assets at the beginning of the period	24,221	23,504
– Return on plan assets	*469*	*632*
– Actuarial gains or losses	*634*	*928*
– Employer contributions	-	-
– Employee contributions	-	-
– Plan liquidation or reduction	-	-
– Amendment to plan	-	-
– Changes in consolidation scope (acquisitions and disposals)	-	-
– Other changes (translation adjustment)	-	-
– Benefits paid by the fund	*(1,011)*	*(843)*
Fair value of plan assets at the end of the period (B)	**24,313**	**24,221**
Funding status		
Financial position (A) – (B)	9,002	7,700
– Unrecognised actuarial gains or losses	-	-
– Unrecognised past service cost	-	-
– Adjustment due to limit on plan assets	-	-
Provision/asset	**9,002**	**7,700**

6.1.C. DEFERRED COMPENSATION

The Group's remuneration policy is in accordance with the French ministerial decree of 3 November 2009 relating to the remuneration of employees whose professional activities may affect the risk exposure of credit institutions, and with the professional standards of the French Banking Federation (FBF) issued on 5 November 2009.

That remuneration policy was approved by the Bank's Supervisory Board on 23 March 2010 after a favourable opinion from the Remuneration Committee.

It was adjusted in line with the new provisions of the decree of 13 December 2010.

The Group applies the aforementioned professional standards, taking into account individual employee performance, competition in its markets, long-term objectives and the interests of shareholders.

Regulatory environment

The Decree of 3 November 2009 and the professional standards of the French Banking Federation have required 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 Decree 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. It also adopted the FBF criteria regarding payment of variable remuneration to the employees concerned.

In addition, the AFG, AFIC and ASPIM issued common provisions on the remuneration policies of asset management companies on 23 November 2010. The CRD IV directive (2013/36/EU), adopted by the European Parliament and Council on 26 June 2013, was transposed into French law by the order of 3 November 2014, replacing CRBF regulation 97-02 of 21 February 1997.

Governance and formalisation of existing practices

In accordance with the aforementioned texts, an annual report on the variable remuneration of the employees concerned is to be sent to France's prudential supervisory authority (Autorité de Contrôle Prudentiel). The process for determining remuneration and the resulting budgets must be examined by the Bank's Remuneration Committee.

The Bank's system

1 – "Risk-taker" employees

The employees concerned are:

- Members of the Executive Committee, the Executive Board (or Board of Directors as the case may be) and Senior Management
- Heads of Control Functions (Audit, Risk Management, Compliance) and those with managerial responsibilities that report to them
- Heads of Business Units and those with managerial responsibilities that report to them
- Heads of certain Support Functions (including Finance, HR, IT, Legal etc.)
- Heads of Risk Management and Members of Risk Management Committees
- Heads of New Products and Members of New Products Committees
- Managers of Risk-Takers
- Employees whose total remuneration is €500,000 or more and/or employees in the top 0.3% in terms of remuneration
- Employees whose total remuneration is at least equal to that of the Senior Management member with the lowest remuneration

The calculation of variable remuneration for "risk-taker" employees complies with the following guidelines:

Bonuses must be partially deferred on a straight-line basis over a minimum of three years when they reach a certain level of variable remuneration and/or total remuneration.

Since variable remuneration with respect to 2015 reached a certain threshold, 40-60% will be paid in cash and spread over three years.

2 – Managers, sales staff of asset management companies

Under AIFMD, Edmond de Rothschild Asset Management (France) has adjusted its remuneration policy, and particularly its practices in terms of deferred variable remuneration for fund managers and other categories of staff covered by the Directive ("Material Risk-Takers").

The main characteristics of the policy are as follows:

- 40-60% of the variable remuneration granted to a beneficiary is deferred for three years
- At least 50% of the variable remuneration is linked to a basket of securities that represents the Group's various asset-management skills
- Payment of deferred remuneration is subject to beneficiaries' continued employment within the company and the various conditions set out in AIFMD (no excess risk-taking, company's financial position etc.), which may reduce its amount between the grant date and vesting date.

To enable the company to cope with a sharp increase in the basket's value, a hedging mechanism will be used.

Remuneration expense is recognised gradually to reflect the fact that its vesting depends on the beneficiaries' continued employment within the company.
Where the fund's returns increase, the hedged portion of the variable remuneration payable will not be remeasured. The hedging asset will continue to be measured at historical cost. The unhedged portion will be covered by a provision.
If the fund's returns decrease, the hedging asset will be written down (to market value), and the variable remuneration payable will be reduced.

Adoption of the Long Term Incentive Plan (LTIP)

The Edmond de Rothschild Group has adopted a plan under which shares in Edmond de Rothschild Holding S.A. (the unlisted Swiss holding company of the Edmond de Rothschild Group) are granted free of charge to certain Group employees ("Beneficiaries").
This plan is intended to increase retention of key staff and help ensure that the interests of employees and shareholders are aligned.

The plan's main characteristics are as follows:

- The Beneficiaries are granted rights to receive EdRH shares over a three-year vesting period (one third per year, i.e. tranches vesting in March 2017, March 2018 and March 2019) for the 2015 plan.
- The Beneficiaries own the shares on the vesting date, but they only acquire economic rights, not voting rights. They have the status of "participation certificates" under Swiss law.
- The shares received can only be sold after the lock-up period has expired.
- The timeframe for selling them is limited, since each year's plan has a seven-year life. Shares can only be sold back to Edmond de Rothschild Holding S.A.

Participation certificates will be transferred to Edmond de Rothschild (France) Beneficiaries by Edmond de Rothschild Holding S.A.
Under the contract between Edmond de Rothschild Holding S.A. and Edmond de Rothschild (France), Edmond de Rothschild Holding S.A. will bill Edmond de Rothschild (France) for the cost of acquiring its own shares to be transferred to French Beneficiaries.

An expense is recorded with respect to services rendered by employees. Since there is no undertaking to pay any cash sum to employees, the plan qualifies as equity-settled (IFRS 2.43B), which has the following accounting consequences:

- An expense is determined at the grant date and is not subsequently remeasured, except to take account of changes in service and/or performance conditions (IFRS 2.B57).
- The expense is spread over the period during which the services are rendered, with a balancing entry in an equity account representing the parent company's contribution (IFRS 2.B53).
- That period is the period during which the beneficiaries render services to the Group on the basis of the conditions of continued employment that must be met for the rights to vest. The expense for the 2015 is being spread between 1 January 2015 and the vesting dates, i.e. over 2.25, 3.25 and 4.25 years for the tranches due to vest in March 2017, March 2018 and March 2019 respectively.

6.2. SHARE-BASED BENEFIT PLANS GOVERNED BY IFRS 2

6.2.A. DESCRIPTION OF STOCK OPTION AND BONUS SHARE PLANS

Year	2008	2009	2009	2010	2010	2010	2010
Plan type	Free share allocations 18	Subscription option 25	Subscription option 26	Purchase option 28	Purchase option 28 Bis	Purchase option 28 Ter	Purchase option 30
Date of Executive Board autorisation	01/10/08	01/07/09	01/07/09	01/07/10	01/07/10	01/07/10	01/07/10
Allocation date	01/10/08	01/07/09	01/07/09	01/07/10	01/07/10	01/07/10	01/07/10
Immediate allocation							
Unavailability period	55 months	4 years	4 years	4 years	5 years	6 years	4 years
Definite shares allocation date	01/05/13	01/07/13	01/07/13	01/07/14	01/07/15	01/07/16	01/07/14
Length of lock-in period							
Options expiry date	30/09/2013	30/09/2013	30/09/2013	30/09/2014	30/09/2015	30/09/2016	30/09/2014
Terms and procedures for payment	EDRAM Stock	LCFEDRB Stock	LCFEDRB Stock	LCFEDRB Stock	LCFEDRB Stock	LCFEDRB Stock	EDRAM Stock
Beneficiaries	EDRAM Employees	LCFEDRB Employees	LCFEDRB Employees	LCFEDRB Employees	LCFEDRB Employees	LCFEDRB Employees	EDRAM Employees
Number of options granted (1)	49,905	7,500	20,000	19,580	19,580	19,592	863
Exercise price (or share price on the date of grant)	124.24	149.71	149.71	117.00	117.00	117.00	115.80
Performance conditions	No	No	No	No	No	No	No
Conditions in the event of leaving the Group:							
- Resignation	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited
- Dismissal	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited
- Retirement	Maintained	Maintained	Maintained	Forfeited	Forfeited	Forfeited	Forfeited
- Death	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained
Number of options taken up, of free options definitively allocated in 2015					2,779		
Cancelled ab initio	15,295			19,580	16,801	16,804	863
Cancelled and replaced	20,120						
Number of options or existing free options on 31/12/2014					6,468	6,478	
Number of options or existing free options on 31/12/2015						2,788	
Fair value as % of grant price	30.38%	42.82%		24.07%	25.99%	27.41%	24.07%
Valuation method used	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes

(1) At the grant date.

2010	2010	2010	2010	2010	2010	2010	2010	2011
Purchase option 30 Bis	Purchase option &	Purchase option 32	Purchase option 32 Bis	Purchase option 32 Ter	Subscription option 33	Subscription option 33 Bis	Subscription option 33 Ter	Free share allocations 35
01/07/10	01/07/10	01/07/10	01/07/10	01/07/10	01/07/10	01/07/10	01/07/10	01/07/11
01/07/10	01/07/10	01/07/10	01/07/10	01/07/10	01/07/10	01/07/10	01/07/10	01/07/11
5 years	6 years	4 years	5 years	6 years	4 years	5 years	6 years	2 years
01/07/15	01/07/16	01/07/14	01/07/15	01/07/16	01/07/14	01/07/15	01/07/16	01/07/13
								2 years
30/09/15	30/09/16	30/09/14	30/09/15	30/09/16	30/09/14	30/09/15	30/09/16	
EDRAM Stock	EDRAM Stock	EDRAM Stock	EDRAM Stock	EDRAM Stock	EDRAM Stock	EDRAM Stock	EDRAM Stock	LCFEDRB Stock
EDRAM Employees	EDRAM Employees	EDRAM Employees	EDRAM Employees	EDRAM Employees	EDRAM Employees	EDRAM Employees	EDRAM Employees	LCFEDRB Employees
863	864	20,375	20,375	20,405	9,733	9,733	9,729	18,327
115.80	115.80	146.00	146.00	146.00	146.00	146.00	146.00	141.00
No	No	No	No	No	No	No	No	No
Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited
Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited
Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited
Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained
863			13,706			2,972		
		20,375	6,669	6,680	9,733	6,761	6,761	3,799
863	864		13,934	13,953		2,972	2,968	
	864			13,725			2,968	
25.99%	27.41%	24.07%	25.99%	27.41%	24.07%	25.99%	27.41%	91.83%
Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	

Year	2011	2011	2011	2011	2011	2011	2011
Plan type	Free share allocations 35	Purchase option 36	Purchase option 36 Bis	Purchase option 36 Ter	Free share allocations 37	Subscription option 38	Subscription option 39
Date of Executive Board autorisation	01/07/11	01/07/11	01/07/11	01/07/11	01/07/11	30/11/10	30/11/10
Allocation date	01/07/11	01/07/11	01/07/11	01/07/11	01/07/11	30/11/10	30/11/10
Immediate allocation						OUI	
Unavailability period	2 years	4 years	5 years	6 years	2 years	1 years	4 years
Definite shares allocation date	01/07/13	01/07/15	01/07/16	01/07/17	01/07/13	30/11/13	30/06/14
Length of lock-in period	2 years				2 years		
Options expiry date		30/09/2015	30/09/2016	30/09/2017			
Terms and procedures for payment	LCFEDRB Stock	EDRAM Stock	EDRAM Stock	EDRAM Stock	EDRAM Stock	EDRIS Stock	EDRIS Stock
Beneficiaries	EDCF Employees	EDRAM Employees	EDRAM Employees	EDRAM Employees	EDRAM Employees	EDRIS Employees	EDRIS Employees
Number of options granted (1)	709	1,527	1,527	1,526	33,540	53,602	12,685
Exercise price (or share price on the date of grant)	141.00	158.20	158.20	158.20	158.20	352.82	352.82
Performance conditions	No	No	No	No	No	No	No
Conditions in the event of leaving the Group:							
- Resignation	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited
- Dismissal	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited
- Retirement	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Maintained	Maintained
- Death	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained
Number of options taken up, of free options definitively allocated in 2015		790					
Cancelled ab initio		737	737	736	10,805	53,602	12,685
Cancelled and replaced							
Number of options or existing free options on 31/12/2014		790	790	790			
Number of options or existing free options on 31/12/2015			790	790			
Fair value as % of grant price	91.83%	19.45%	20.92%	22.00%	88.28%	28.75%	23.09%
Valuation method used		Black & Scholes	Black & Scholes	Black & Scholes		Black & Scholes	Black & Scholes

(1) At the grant date.

2011	2011	2011	2011	2011	2011	2012	2012	
Subscription option 39 bis	Subscription option 39 ter	Subscription option 40	Subscription option 40 bis	Subscription option 40 ter	Free share allocations 41	Free share allocations 41 bis	Free share allocations 42	
30/11/10	30/11/10	30/11/10	30/11/10	30/11/10	01/07/12	01/07/12	01/07/12	
30/11/10	30/11/10	30/11/10	30/11/10	30/11/10	01/07/12	01/07/12	01/07/12	
5 years	6 years	4 years	5 years	6 years	2 years	2 years	2 years	
30/06/15	30/06/16	30/06/14	30/06/15	30/06/16	01/07/14	01/07/14	01/07/14	
EDRIS Stock	EDRIS Stock	EDRIS Stock	EDRIS Stock	EDRIS Stock	LCFEDRB Stock	LCFEDRB Stock	EDRAM Stock	
EDRIS Employees	EDRIS Employees	EDRIS Employees	EDRIS Employees	EDRIS Employees	LCFEDRB Employees	LCFEDRB Employees	EDRAM Employees	
12,685	12,686	3,037	3,037	3,038	8,181	3,242	24,085	422,531
352.82	352.82	352.82	352.82	352.82	128.00	128.00	136.200	
No	No	No	No	No	No	No	No	
Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	
Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited	
Maintained	Maintained	Maintained	Maintained	Maintained	Forfeited	Forfeited	Forfeited	
Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	
								21,110
12,685	12,686	3,037	3,037	3,038	4,977		4,350	253,233
								20,120
								50,870
								21,925
23.90%	24.30%	23.09%	23.90%	24.30%	91.23%	91.23%	87.06%	
Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes				

6.2.B. EXPENSE RECOGNISED IN PROFIT AND LOSS

The expense mentioned opposite relates to stock option and bonus share plans granted since 7 November 2002 and for which rights had not yet vested at the date of transition to IFRS (1 January 2006). All these plans are fully settled in shares of the parent company or subsidiaries.

In thousands of euros	31.12.2015	31.12.2014
Net expense from share purchase option plans	(429)	(47)
Net expense from share subscription option plans	(31)	(55)
Net expense from free share allocation plans	-	93
Total expense recognised in profit and loss	**(460)**	**(9)**

6.2.C. STOCK OPTION PLAN STATISTICS

Plan statistics	Number of options 2010 plans	Number of options 2011 plans	Number of options 2012 plans	Number of options 2013 plans	Number of options 2014 plans	Number of options 2015 plans	Total
Options outstanding at 31 December 2014	**48,500**	**2,370**	**-**	**-**	**-**	**-**	**50,870**
– Awarded in 2015	-	-	-	-	-	-	-
– Cancelled in 2015	(7,835)	-	-	-	-	-	(7,835)
– Cancelled and replaced in 2015	-	-	-	-	-	-	-
– Exercised in 2015	(20,320)	(790)	-	-	-	-	(21,110)
– Expired in 2015	-	-	-	-	-	-	-
Options outstanding at 31 December 2015	**20,345**	**1,580**	**-**	**-**	**-**	**-**	**21,925**

Weighted average residual contractual term: 6.43 months.

Weighted average fair value of existing options at the grant date: €36.64

Weight average share price at the excercice date: €93.91

- **Main assumptions used for valuing plans**

Main assumptions	31.12.2015	31.12.2014
Average residual term of plan (months)	70	64
Risk-free interest rate	2.49%	2.35%
Rate of forfeiture of rights	47.69%	28.70%
Estimated dividend rate	5.63%	5.56%
Volatility at award date	31.18%	31.52%

6.2.D. VALUE ATTRIBUTED TO BONUS SHARES AND OPTIONS AWARDED

In compliance with IFRS 2, bonus shares and options awarded are measured at their fair value on their grant date, with no subsequent adjustment. Only assumptions concerning the population of beneficiaries (forfeiture of rights) may be revised during the vesting period, leading to readjustment of the expense.

If one plan is replaced by another, the Group recognises the marginal effects of increases in the total fair value or of any other change favourable to the members of staff.

- **Bonus shares**

The Group amortises the grant value of bonus shares over the vesting period on a straight-line basis, based on the current share price at the grant date discounted at a rate equal to the average dividend rate observed over the past three years.

- **Stock-options**

The Group uses the Black-Scholes model to value options (European call options), with the following parameters:

— strike price: stock option exercise price;

— benchmark price: current share price;

— volatility: based on a representative sample;

— market interest rate for the period under consideration;

— dividend rate: average over three years, capped at the interest rate adopted;

— period: period between the grant date of the stock option and the earliest possible exercise date.

— .

NOTE 7 – ADDITIONAL INFORMATION

7.1. CONSOLIDATED COMPANIES

	Percentage held		Percentage controlled	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Fully consolidated companies				
Holding companies				
• Financière Boréale **	100.00	100.00	100.00	100.00
• EdR Real Estate (Eastern Europe) Cie SàRL *	62.73	62.73	62.73	62.73
• CFSH Luxembourg SàRL *	100.00	100.00	100.00	100.00
• CFSH Secondary Opportunities SA *	98.00	98.00	98.00	98.00
• Edmond de Rothschild Europportunities Invest II SàRL *	99.14	99.44	99.14	99.44
• Edmond de Rothschild Europportunities Invest SàRL *	87.39	98.60	87.39	98.60
• Câblinvest SàRL *	100.00	99.79	100.00	100.00
• Câblinvest II SàRL *	98.37	99.79	100.00	100.00
• Valse Invest	-	100.00	-	100.00
• Eminvest	-	100.00	-	100.00
• Bridge Management SàRL	98.78	-	100.00	-
• Eres Participations III S.à.r.l	98.37	-	100.00	-
Investment companies				
• Edmond de Rothschild Securities (Hong Kong) Limited *	100.00	100.00	100.00	100.00
Management companies				
• Edmond de Rothschild Asset Management (France) **	98.78	98.28	98.78	98.28
• Edmond de Rothschild (Italia) SGR. SpA *	75.50	75.50	75.50	75.50
• Edmond de Rothschild Private Equity (France) **	100.00	100.00	100.00	100.00
• Edmond de Rothschild Europportunities Management SàRL	100.00	100.00	100.00	100.00
• Edmond de Rothschild Europportunities Management II SàRL	68.68	68.68	68.68	68.68
• EdR Real Estate (Eastern Europe) Management SàRL *	100.00	100.00	100.00	100.00
• LCFR UK PEP Limited *	100.00	100.00	100.00	100.00
• Edmond de Rothschild Asset Management (Hong-Kong) Limited *	98.78	98.28	100.00	100.00
• Edmond de Rothschild Asset Management (Chile) S.A.*	98.78	98.28	100.00	100.00
• Edmond de Rothschild Investment Partners China SàRL *	100.00	100.00	100.00	100.00
• Edmond de Rothschild Advisory Management (Beijing) Co., Limited	98.78	-	100.00	-
Advisory companies				
• Edmond de Rothschild Corporate Finance **	100.00	100.00	100.00	100.00
• Edmond de Rothschild Entreprises Patrimoniales Transactions **	100.00	100.00	100.00	100.00
• Edmond de Rothschild (Israël) Ltd *	100.00	100.00	100.00	100.00
• Edmond de Rothschild Asia Limited *	100.00	100.00	100.00	100.00
Insurance companues				
• Edmond de Rothschild Assurances et Conseils (France)	100.00	90.00	100.00	90.00
Other				
• Edmond de Rothschild Boulevard Buildings Ltd *	100.00	100.00	100.00	100.00
• Groupement Immobilière Financière	100.00	100.00	100.00	100.00
• Edmond de Rothschild Investors Assistance	100.00	100.00	100.00	100.00
Associates				
Bank				
• Edmond de Rothschild (Monaco)	42.77	42.77	42.77	42.77
Investment company				
• Edmond de Rothschild (UK) Ltd *	20.00	20.00	20.00	20.00
Mangement company				
• Zhonghai Fund Management Co. Ltd *	25.00	25.00	25.00	25.00
• Edmond de Rothschild Investment Partners	51.00	60.00	51.00	60.00
Sociétés de Conseil				
•China Investment Partners (Hong Kong) Limited. * (1)	51.00	60.00	100.00	100.00
•China Investment Partners (Shanghai) Limited. * (1)	51.00	60.00	100.00	100.00

* Foreign company.
** Company included in the tax group in 2015.
(1) In 2015, the corporate names of these entities were altered.

7.2. AVERAGE NUMBER OF EMPLOYEES

	31.12.2015	31.12.2014
French companies	735	748
- Operatives	*136*	*140*
- Executives and Senior Management	*599*	*608*
Foreign companies	155	147
Total	**890**	**895**

In accordance with the provisions of the French Commercial Code, the Group publishes a breakdown by category of its average number of salaried and seconded employees during the period. The number of workers employed part-time or for less than the full year is taken into account in proportion to the average time worked as compared to the full-time hours laid down by agreement or statute.

7.3. BUSINESS LOCATIONS AND OPERATIONS AT 31 DECEMBER 2015

Article L.511-45 of the French Monetary and Financial Code as amended by order 2014-158 of 20 February 2014 requires credit institutions to publish information relating to their business operations and activities included in their scope of consolidation in each state and territory.

• Business operations by country

COUNTRY	ACTIVITY
CHILE	
Edmond de Rothschild Asset Management (Chile) S.A.	Asset Management
CHINA	
Zhonghai Fund Management Co. Ltd.	Asset Management
Edmond de Rothschild Advisory Management (Beijing) Co Limited	Asset Management
China Investment Partners (Shanghai) Limited	Business Advice / Financial Engineering
FRANCE	
Edmond de Rothschild (France)	Bank
Edmond de Rothschild Asset Management (France)	Asset Management
Edmond de Rothschild Investment Partners	Asset Management
Valse Invest	Operations for Own Accounts (purchase and sale of investments)
Eminvest	Operations for Own Accounts (purchase and sale of investments)
Financière Boréale	Asset Management
Edmond de Rothschild Corporate Finance	Business Advice / Financial Engineering
Edmond de Rothschild Private Equity (France)	Asset Management
Edmond de Rothschild Entreprises Patrimoniales Transactions	Business Advice / Financial Engineering
Groupement Immobilière Financière	Other
Edmond de Rothschild Investors Assistance	Other
Edmond de Rothschild Assurances et Conseils (France)	Insurance Brokerage
BRITAIN	
Edmond de Rothschild (UK) Ltd.	Private Banking
LCFR UK PEP Limited	Asset Management
HONG KONG	
Edmond de Rothschild Asset Management (Hong Kong) Limited	Asset Management
Edmond de Rothschild Asia Limited	Business Advice / Financial Engineering
Edmond de Rothschild Securities (Hong Kong) Limited	Operations for Own Accounts (purchase and sale of investments)
China Investment Partners (Hong Kong) Limited	Asset Management
ISRAEL	
Edmond de Rothschild (Israël) Ltd.	Asset Management
Edmond de Rothschild Boulevard Buildings Ltd.	Real Estate Management
ITALY	
Edmond de Rothschild (Italia) SGR SpA	Private Banking
LUXEMBOURG	
Edmond de Rothschild Europportunities Management SàRL	Asset Management
EdR Real Estate (Eastern Europe) Cie SàRL	Operations for Own Accounts (purchase and sale of investments)
Edmond de Rothschild Europportunities Invest SàRL	Operations for Own Accounts (purchase and sale of investments)
Cablinvest SàRL	Operations for Own Accounts (purchase and sale of investments)
CFSH Secondary Opportunities S.A	Operations for Own Accounts (purchase and sale of investments)
CFSH Luxembourg SàRL	Operations for Own Accounts (purchase and sale of investments)
Bridge Management SàRL	Operations for Own Accounts (purchase and sale of investments)
Eres Participations III SàRL	Operations for Own Accounts (purchase and sale of investments)
Edmond de Rothschild Europportunities Management II SàRL	Asset Management
Edmond de Rothschild Europportunities Invest II SàRL	Asset Management
Cablinvest II SàRL	Operations for Own Accounts (purchase and sale of investments)
EdR Real Estate (Eastern Europe) Management SàRL	Asset Management
Edmond de Rothschild Investment Partners China SàRL	Asset Management
MONACO	
Edmond de Rothschild (Monaco)	Private Banking

• Other information (in thousands of euros)

COUNTRY	Revenues	Net Banking Income	Staff	Earnings Before Taxes	Income Taxes	Including Current Taxes	Including Deferred Taxes
CHILI	441	27	2	(796)	(39)	(100)	61
CHINA	53	28	2	2,345	(2)	(2)	-
FRANCE	969,112	279,444	785	33,142	(10,404)	(7,609)	(2,795)
BRITAIN	-	-	-	(1,260)	-	-	-
HONG KONG	1,225	6,468	19	(2,269)	(653)	(655)	3
ISRAEL	12,436	17,381	60	2,456	(902)	(1,119)	216
ITALY	10,314	5,842	21	2,492	(400)	(400)	-
LUXEMBOURG	25,474	6,251	1	3,706	(932)	(931)	(1)
MONACO	-	-	-	6,206	-	-	-
TOTAL	**1,019,054**	**315,441**	**890**	**46,020**	**(13,332)**	**(10,816)**	**(2,516)**

7.4. UNCONSOLIDATED SPECIAL PURPOSE ENTITIES

A special purpose entity is an entity designed so that voting rights or similar rights are not the determining factor in establishing control over the entity.

The Group carries out transactions with sponsored special purpose entities through its fund management activities. Funds are offered to institutional and individual clients, and the Group handles distribution and commercial monitoring in respect of the funds.

In 2015, €34 million was invested with respect to sponsoring (for a total exposure of €83 million at 31 December 2015). New commitments taken in 2015 amount to €6 million, giving a residual amount of €50 million at end-of 2015.

The Group uses a "carried interest" mechanism, in line with market practices.

7.5. POST-BALANCE SHEET EVENTS

In order to simplify the Group's ownership organisation, a plan to sell Edmond de Rothschild (Israël) to Edmond de Rothschild (Suisse) was submitted to the Supervisory Board on 15 March 2016.

The consolidated annual financial statements contained in this document were finalised by the Executive Board on 7 March 2016 and will be presented for approval at the Annual General Meeting of 20 May 2016.

7.6. DISCLOSURES CONCERNING CAPITAL

Pursuant to French Banking and Financial Regulation Committee regulation 2000-03, the solvency ratio is assessed at the level of Edmond de Rothschild S.A., which meets capital adequacy requirements.

At 31 December 2015, the capital of Edmond de Rothschild (France) amounted to €83,075,820, consisting of 5,538,388 shares with par value of €15 each.

7.7. AUDITORS' FEES

Auditors' fees shown in the income statement for the 2015 financial year are as follows:

	PricewaterhouseCoopers Audit				Cabinet Didier Kling et Associés				Others				Total			
	Amount (Non recoverable VAT)		%		Amount (Non recoverable VAT)		%		Amount (Non recoverable VAT)		%		Amount (Non recoverable VAT)		%	
In thousands of euros	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Statutory Auditors' fees, fees for certification and audit of the separate and consolidated financial statements																
- Issuer	227	**185**	28%	**26%**	169	**158**	63%	**45%**	-	-	-	-	396	**343**	34%	**31%**
- Consolidated subsidiaries	405	**433**	50%	**62%**	99	**190**	37%	**55%**	53	**14**	60%	**30%**	557	**637**	47%	**58%**
Fees concerning other checks and investigations directly related to the Statutory Auditors' work																
- Issuer	55	**62**	7%	**9%**	-	-	-	-	35	**33**	39%	**70%**	90	**95**	8%	**9%**
- Consolidated subsidiaries	130	**24**	16%	**3%**	1	-	-	-	1	-	1%	-	132	**24**	11%	**2%**
Subtotal audit	**817**	**704**	**100%**	**100%**	**269**	**348**	**100%**	**100%**	**89**	**47**	**100%**	**100%**	**1,175**	**1,099**	**100%**	**100%**
Other services provided by the networks to fully consolidated subsidiaries																
Legal, tax, social	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others				-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal others prestations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**817**	**704**	**100%**	**100%**	**269**	**348**	**100%**	**100%**	**89**	**47**	**100%**	**100%**	**1,175**	**1,099**	**100%**	**100%**

NOTE 8 – OPERATING SEGMENTS

The Group's operations are organised around two strategic business lines (Asset Management and Private Banking) and one further business line (Other Activities and Proprietary Trading).

Private Banking covers a range of services including:
— portfolio and private asset management, asset engineering and family office services;
— corporate advisory services for family-owned businesses.

Asset Management covers the following four types of management:
— equities, diversified assets, and convertible bonds;
— funds of funds, both traditional and hedge funds;
— fixed income and credit, as well as structured, quantitative and direct alternative asset management;
— private equity funds.

The "Other Activities and Proprietary Trading" business line includes:
— under Other Activities, corporate advisory services provided by the dedicated subsidiary Edmond de Rothschild Corporate Finance, including M&A advisory, business valuations and financial engineering, and the proprietary activities of the Capital Markets Department;
— under Proprietary Trading, management of the Group's assets (particularly its securities portfolio), the Bank's financing activities for all of its businesses, expenses related to this business line's specific activities and its co-ordination role within the Group, and income and expenses not directly attributable to the other business lines.

• **Methodologies**

Each business line's management accounts are intended to:
— show the results of each business line as if it were an independent entity;
— provide a fair view of their results and profitability over the period.

The main conventions used in establishing these accounts are as follows:
— each business line's net banking income corresponds to the revenues generated by its business, net of fees passed on to business providers;
— each business line's management expenses comprise its direct costs, its share of expenses related to the logistical and operational support provided by the Bank, and a share of the Group's overheads;
— provisions are allocated between the business lines to reflect the risk inherent in each business line's activities. Provisions that cannot be allocated to a business line are allocated to Proprietary Trading.

A detailed analysis of each business line's results and its contribution to Group earnings is provided below.

	Private Banking		Asset Management		Other Activities and Proprietary Trading		Group	
In thousands of euros	2015	2015	2015	2015	2015	2014	2015	2014
Net banking income	**98,786**	**93,335**	**182,828**	**3,746**	**30,081**	**21,405**	**315,441**	**326,858**
Operating expenses	(94,152)	(90,683)	(146,616)	(5,510)	(36,349)	(37,579)	(282,627)	(299,530)
Personnel expenses	(56,735)	(56,419)	(77,175)	(2,497)	(20,652)	(24,387)	(157,059)	(170,634)
– direct	*(42,869)*	*(41,621)*	*(56,321)*	*(2,218)*	*(14,901)*	*(21,856)*	*(116,309)*	*(129,760)*
– indirect	*(13,866)*	*(14,798)*	*(20,854)*	*(279)*	*(5,751)*	*(2,531)*	*(40,750)*	*(40,874)*
Other operating expenses	(29,627)	(26,773)	(60,869)	(2,941)	(13,337)	(11,710)	(106,774)	(111,527)
Depreciation, amortisation and impairment	(7,790)	(7,491)	(8,572)	(72)	(2,360)	(1,482)	(18,794)	(17,369)
Gross operating income	**4,634**	**2,652**	**36,212**	**(1,764)**	**(6,268)**	**(16,174)**	**32,814**	**27,328**
Cost of risk	17	243	-	-	(1,273)	-	(1,256)	243
Operating income	**4,651**	**2,895**	**36,212**	**(1,764)**	**(7,541)**	**(16,174)**	**31,558**	**27,571**
Share in net income of associates	6,206	5,181	1,086	2,530	2	-	9,824	5,431
Net gains or losses on other assets	-	-	-	-	6,309	(4,649)	6,309	(4,649)
Changes in the value of goodwill	-	-	-	(1,671)	-	(500)	(1,671)	(2,283)
Income (loss) before tax	**10,857**	**8,076**	**37,298**	**(905)**	**(1,230)**	**(21,323)**	**46,020**	**26,070**
Income tax	(1,259)	(782)	(14,957)	960	1,924	17,881	(13,332)	(232)
Net income	**9,598**	**7,294**	**22,341**	**55**	**694**	**(3,442)**	**32,688**	**25,838**

NOTE 9 – TRANSACTIONS WITH RELATED PARTIES

Edmond de Rothschild (France) is a subsidiary of Edmond de Rothschild S.A. (EdR S.A.), which it itself a subsidiary of Edmond de Rothschild Holding S.A. (EdRH), the ultimate owner being Baron Benjamin de Rothschild.

All transactions took place in the ordinary course of business and on terms comparable to the terms of transactions with similar parties or, where relevant, with other employees.
Parties related to the Edmond de Rothschild (France) group are companies consolidated by Edmond de Rothschild (France) and by the EdRH group. In accordance with IAS 24, directors (members of the Supervisory Board) and managers (members of the Executive Board) of Edmond de Rothschild (France), their spouses and dependent children are also considered related parties.

TRANSACTIONS WITH RELATED COMPANIES

Note 7.1 lists all companies consolidated by Edmond de Rothschild (France).
Since transactions and year-end outstanding balances with fully consolidated Group companies are totally eliminated through consolidation, the table below only shows data for transactions with companies over which the Group has significant influence and which are accounted for by the equity method.

- **Transactions with associates**

Note 3.9 lists all companies accounted for by the equity method.

In thousands of euros	31.12.2015	31.12.2014
Financial assets at fair value through profit and loss	-	-
Loans and receivables due from credit institutions	-	-
Accruals and other assets	2,811	-
Assets	**2,811**	**-**
Financial liabilities at fair value through profit and loss	100,007	-
Due to credit institutions	1,208	2,150
Due to clients	960	-
Accruals and other liabilities	1,852	501
Liabilities	**104,027**	**2,651**
+ Interest and similar revenues	-	-
- Interest and similar expenses	(10)	-
+ Fee income	2,956	-
- Fee expense	(3,569)	(2,172)
+ Other revenues	1,285	-
- Other expenses	(17)	-
Net banking income	**645**	**(2,172)**
- General operating expenses	(1,331)	(442)
Gross operating income	**(686)**	**(2,614)**

- **Transactions with the parent company**

Relations between Edmond de Rothschild (France) and its principal shareholder Edmond de Rothschild S.A. (EdR S.A.) cover three areas.

— Business: EdR S.A. has in the past played a role in the Group's business development, in particular providing seed money for the Group's investment funds. At the request of Edmond de Rothschild (France), it could continue to play that role in the future, but on a smaller scale;
— Control: EdR S.A. holds 88.64% of the Bank's capital;
— A service provision relationship under a management and assistance agreement: under an agreement dated 7 October 1997 and amended on 30 December 1999, Edmond de Rothschild (France) provides EdR S.A. with general assistance and management services including (i) management of its securities portfolio in accordance with the policies and instructions issued from time to time by EdR S.A.'s management; (ii) submission of reports and analyses to EdR S.A.'s Executive Board and Supervisory Board regarding proposed investments; and (iii) all day-to-day management operations of an administrative, legal, tax and financial nature.

In particular, Edmond de Rothschild (France) provides EdR S.A. with the staff necessary to perform these duties.
This agreement is renewable by tacit agreement from year to year, but may be terminated by either party subject to notice by 30 June of each year. More generally, Edmond de Rothschild (France) invoices all services provided to EdR S.A. during the relevant period (for the amount determined at the end of EdR S.A.'s accounting period).

In thousands of euros	31.12.2015	31.12.2014
Loans and receivables due from credit institutions	-	-
Accruals and other assets	406	396
Assets	**406**	**396**

In thousands of euros	31.12.2015	31.12.2014
Due to clients	126,042	54,101
Accruals and other liabilities	-	-
Liabilities	**126,042**	**54,101**

In thousands of euros	31.12.2015	31.12.2014
+ Interest and similar revenues	-	-
- Interest and similar expenses	-	-
+ Fee income	28	15
- Fee expense	-	-
+ Other revenues	357	349
- Other expenses	-	-
Net banking income	**385**	**364**
- General operating expenses	-	-
Gross operating income	**385**	**364**

- **Transactions with other related parties**

These are transactions with EdRH and its subsidiaries, and with EdR S.A.'s subsidiaries.

In thousands of euros	31.12.2015	31.12.2014
Financial assets at fair value through profit and loss	-	-
Loans and receivables due from credit institutions	9,019	1,695
Loans and receivables due from clients	-	-
Accruals and other assets	29,457	3,504
Assets	**38,476**	**5,199**

In thousands of euros	31.12.2015	31.12.2014
Financial liabilities at fair value through profit and loss	111,562	215,289
Due to credit institutions	785	8,662
Due to clients	4,043	3,945
Accruals and other liabilities	16,532	32,364
Provisions	1,509	1,464
Liabilities	**134,431**	**261,724**

In thousands of euros	31.12.2015	31.12.2014
+ Interest and similar revenues	46	72
- Interest and similar expenses	(633)	(107)
+ Fee income	32,160	6,913
- Fee expense	(15,444)	(5,617)
Net gains or losses on available-for-sale financial assets	29	-
+ Other revenues	2,442	585
- Other expenses	(104)	(164)
Net banking income	**18,496**	**1,682**
- General operating expenses	(6,394)	(7,182)
Gross operating income	**12,102**	**(5,500)**

TRANSACTIONS WITH RELATED NATURAL PERSONS

In thousands of euros	31.12.2015	31.12.2014
Loans and overdrafts	19,116	19,304
Assets	**19,116**	**19,304**

In thousands of euros	31.12.2015	31.12.2014
Time deposits	463	299
Liabilities	**463**	**299**

In thousands of euros	2015	2014
+ Interest and similar revenues	145	9
Net banking income	**145**	**9**
Gross operating income	**145**	**9**

MANAGEMENT REMUNERATION

- **Remuneration and benefits paid to members of the management bodies**

In thousands of euros	2015	2014
Remuneration paid (*)	2,943	3,661
Total	**2,943**	**3,661**

(*) Gross amount including social security costs paid by the employer.

NOTE 10 – RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

PART 1
GENERAL RISK MANAGEMENT POLICY

SECTION 1 – INTERNAL CONTROL

To meet the requirements of its regulators, the Bank has set up an internal control system that enables it to manage risk on a consolidated basis.

The components of this system are designed to provide the corporate bodies and the Audit Committee with an accurate view of the risks so that they can be managed appropriately.

The experience gained in this process by the internal control teams, and the close involvement of the corporate bodies, means that a consolidated view of risk can be established for the Bank itself, but also for its clients.

The internal control system is organised on three levels:

— First level: in addition to operational staff and their line managers, a network of controllers and compliance officers within departments and operating subsidiaries constitutes the first level of internal control;

— Second level: the Compliance and Control Department oversees the proper implementation of internal control measures at the first level, and the Central Risk Department ensures the consolidated monitoring of financial risks in the Bank's activities;

— Third level: the Internal Audit Department applies third-level controls to all of the Bank's structures. During specific or group-wide assignments, it reports on the quality of internal control, possible improvements and the security of processes. The maturity of the risk management system and controls performed by the second-level control entities give the Internal Audit Department a reliable foundation on which to base its investigations, on which it reports directly to the Audit Committee.

SECTION 2 – DESCRIPTION OF SECOND-LEVEL ENTITIES

The Compliance and Control Department and the Central Risk Department are second-level control entities that each work very closely with the first-level compliance officers of their respective business lines to set targets, continuously improve methods and tools and co-ordinate control activities.

More specifically:

— The Compliance and Control Department is tasked with implementing continuous monitoring mechanisms.

It lies at the second level of the control system and oversees the implementation of first-level controls by the operational departments and provides assistance to the business lines. This entails informing and training employees to provide them with adequate knowledge of the regulations and the internal procedures governing their activities. It also ensures compliance with the ethics policies applicable to employees and in the context of efforts to combat money laundering and the financing of terrorism.

— The Central Risk Department (CRD), an essential link in the second-level internal control system, consists of three units tasked with monitoring:

A) Risks relating to proprietary activities (Financial Control), including counterparty, liquidity and market risks.

B) Risks relating to the management of assets for third parties and borne by asset managers within the Bank and its asset management subsidiaries.

C) Operational risks relating to potential process and system failures and fraud. Alongside these monitoring tasks, the CRD implements and updates a risk map, which may give rise to action plans or alerts based on a formal escalation policy.

In addition to its own role in monitoring financial risk, the Central Risk Department is also responsible for leading the Group's risk management organisation, including setting up cross-functional committees that review the overall risks inherent in the Bank's activities.

The Compliance and Control Department ensures the operational compliance of this risk management organisation.

SECTION 3 – INTERNAL CONTROL CONSOLIDATION AT EdR GROUP LEVEL

Harmonised methods for assessing and calculating risk allow risks to be consolidated at the level of the Swiss holding company.

The consolidated risk management system that the Edmond de Rothschild Group intends to put in place will involve increased communication between teams and the adoption of continuously improved reporting mechanisms.

PART 2
COUNTERPARTY CREDIT RISK MANAGEMENT

Counterparty credit risk is the risk of loss caused by the inability of a client or counterparty to honour its financial obligations. This risk includes settlement risk during the period between the point at which the payment or delivery order for a financial instrument sold can no longer be unilaterally cancelled by the Bank, and the final reception of the financial asset purchased or the corresponding cash.

SECTION 1 – RISK-GENERATING ACTIVITIES

Counterparty credit risks borne by the Group originate from:

1. transactions with Private Banking clients and funds managed by the Group's asset management companies, particularly in connection with the following operations:

— loans or commitments to private banking clients;

— overdrafts on current accounts for private banking clients;

— occasional overdrafts of funds managed by the Group's asset management companies that are transferred to the Bank (such overdrafts result from the time gap between purchases and sales of securities);

— capital guarantees given to some funds, particularly "cushion funds" (the "cushion" is the maximum acceptable loss corresponding to the difference at any time between the present value of the fund's guarantee commitments and its net asset value). The asset management model for funds benefiting from the Bank's capital guarantee aims to provide assurance that the net asset value will remain equal to or higher than the guaranteed value, so that the Bank's guarantee will not be invoked. However, in the event of certain operational risks materialising (such as errors in the application of the asset management model or the unavailability of the asset management team), net asset value could be lower than the guaranteed value and in such a case the Bank's guarantee would be invoked.

— foreign exchange transactions with certain in-house funds to hedge the exchange-rate risk resulting from positions in foreign currencies.

2. over-the-counter transactions entered into as part of proprietary trading activities, principally with banks or large companies with satisfactory credit ratings.

SECTION 2 – AUTHORISATION, MONITORING AND ASSESSMENT PROCEDURES

AUTORISATION PROCEDURES

Credit risks are generally accepted on condition that the expected return provides satisfactory coverage of the risk of loss in the event of default by the client or counterparty. While guarantees are generally sought, this is never a substitute for an ex-ante analysis of the risks.
Different rules and methods apply to transactions with clients and capital markets transactions.

- **Loans and signed commitments granted to Private Banking clients**

In most cases, financing for clients (loans or signed commitments) is overseen by the Commitments Committee, which meets weekly and is chaired by the Chairman of the Executive Board or another member of the Executive Board. Before any such arrangement is entered into, the Commitments and Risk Exposure Department examines the application submitted by the client advisor concerned (or by a Group asset management company where the beneficiary is a managed fund). This department issues a reasoned opinion on the quality of the proposed risk, and sends the entire file to the Commitments Committee for final decision, which is evidenced by a formal approval document signed by the Committee's chairman.
In addition, loans and commitments may be granted through delegation of authority to the Head of Private Banking, and through sub-delegations of authority by the Head of Private Banking to certain staff members in the division. Those delegations and sub-delegations of authority are subject to strictly defined limits, and are governed by an ad-hoc internal procedure. The Commitments Committee is always informed of loans and commitments granted under delegations and sub-delegations of authority, and such loans and commitments are reported in the minutes of each Committee meeting.

As regards over-the-counter transactions, bank counterparties are examined every six months by a specific committee known as the Counterparties Committee, chaired by the Bank's Chief Executive Officer and consisting of the Head of the Capital Markets Department, the Head of the Central Risk Department and the Head of Financial Control. In 2008, in view of the sudden decline in the financial standing of a number of bank counterparties, Financial Control strengthened its day-to-day monitoring arrangements by collecting and analysing the information provided by credit default swap (CDS) spreads.

This monitoring has been extended to cover some 30 corporate and sovereign issuers. To supplement this mechanism and comply with CRBF regulation 97-02 of 21 February 1997, the Central Risk Department in 2011 implemented its own method for assessing credit risk that relies on scoring by internal experts, in addition to the use of external ratings. This internal model measures the borrower's creditworthiness by means of financial analysis and scoring techniques.

Commercial counterparties (particularly large-public sector companies) also require formal approval from the same committee, and are reviewed every six months. This type of risk mainly concerns money-market and guaranteed funds for which the Bank oversees issuer risk. Individual risk limits for all capital market counterparties (bank and commercial) are set by the aforementioned Counterparties Committee, which ensures in advance that those limits are consistent with the risk appetite of the EdR S.A. Group. Authorisations granted are then submitted for approval by the Bank's Supervisory Board. These individual limits are, where appropriate, supplemented by so-called "group" limits, which govern exposures to any group of third parties deemed to be a single beneficiary within the meaning of Article 3 of Regulation 93-05 on monitoring large exposures. Investment limits are assigned on the basis of the internal rating established by the CRD and on the analysis of the creditworthiness of individual counterparties.

Two types of limits are defined:

— limits on amounts: the maximum amount of risk (both on- and off-balance sheet) that the Bank is willing to accept for a counterparty (or group of related counterparties); and
— time limits: this determines the maximum term of transactions. The term is dependent on the rating of the counterparty or issuer, among other factors.

Any deterioration in the quality of a counterparty deemed to be material or any change in regulatory requirements triggers the immediate review of authorisations granted to the entity during the weekly Commitments Committee meeting.

RISK MONITORING AND ASSESSMENT PROCESS

• **Loans and signed commitments granted to Private Banking clients**

Monitoring compliance with limits

Client advisors are responsible for the day-to-day monitoring of accounts that shown an overdraft or an overdraft in excess of the authorised amount. To carry out that monitoring, they receive a statement of limits exceeded every morning. The Commitments and Risk Exposure Department also carries out a weekly examination of statements of limits exceeded over a materiality threshold, for all accounts in the Bank's books. When such situations have not been corrected after a certain time, the department sends a memo to the client advisor (with a copy to his superior) so that appropriate measures can be defined and applied. When the Commitments and Risk Exposure Department considers it necessary, it sends a memo to inform the Commitments Committee about the situation.

Every quarter, the Commitments and Risk Exposure Department prepares a summary table of "error status" accounts and sends it to the managers of commercial groups in the Private Banking division and the members of the Bank's Executive Board..

Monitoring guarantees

Financing granted by the Bank is usually covered by guarantees, primarily in the form of pledged securities accounts or assigned insurance policies. The Commitments and Risk Exposure Department regularly reviews the value of such guarantees for the purpose of ensuring that their value is maintained relative to the amount of financing granted. A quarterly memo is sent to the Private Banking division and the General Management, setting out any irregularities. However, when warranted, the Commitments and Risk Exposure Department can also send a memo to the Commitments Committee prior to the end of the quarter to bring such irregularities to its attention and begin taking action.

Processing doubtful loans

Doubtful loans and commitments are transferred to the Legal Department for monitoring. These items are reviewed quarterly by the Doubtful Loans Committee, which is chaired by the Bank's Chief Executive Officer and consists of the Head of the Legal Department, the Chief Financial Officer of the Private Banking division, the Head of Accounting and the Bank's Head of Internal Audit. This committee also examines all litigation that may involve the Group.

• **Over-the-counter transactions**

Management of credit risks associated with capital market transactions is primarily based on strict selection of authorised counterparties. It also involves risk mitigation and elimination techniques selected by the Group with respect to its primary counterparties, i.e. the establishment of framework agreements and collateral agreements, and use of the Continuous Link Settlement (CLS) system. Credit risk management also incorporates daily monitoring of compliance with risk limits and market counterparty monitoring.

Framework agreements and collateral agreements

To reduce counterparty risk on off-balance-sheet transactions, framework agreements have been established in every case for several years. At 31 December 2015, 83.5% of gross off-balance sheet risks were covered by such agreements for market counterparties. Of the risks not covered by a framework agreement, 44% concerned transactions with Group entities at that date, and the others mainly related to forward foreign-exchange or option transactions with commercial entities.

The Bank has also entered into collateral agreements with 70 of its principal counterparties (corresponding to 54 groups), 63 of which were active at 31 December 2015. The characteristics of those agreements are entered in the OSACAS database. The Structured Products Back Office is responsible for the monitoring and administrative processing of collateral. As of the date of this document, the collateral accepted by the Bank consists exclusively of cash. Every day, the KTP tool calculates a theoretical margin call for each active counterparty. That information is then sent to the DSI Collateral system so that an initial provisional status can be assigned. Notice to pay is sent to the counterparty when the status relates to a receivable margin call. Once payment is made, the collateral received is interfaced with the Fermat counterparty risk management system. In the event of disagreement with the counterparty, no flow is exchanged, and the status is updated to “abandon”. An incident report listing all “abandoned” margin calls is sent to Financial Control.

All framework and collateral agreements are examined, before they are signed, by a legal advisor with specialist knowledge of capital markets transactions, and the amounts of allowances are approved by the CRD.

Use of the CLS system for foreign-exchange transactions

Since March 2006, the Bank has belonged to the CLS system, which eliminates the settlement risk usually associated with over-the-counter foreign-exchange transactions. The system has considerably reduced settlement/delivery risk on foreign currency transactions; at 31 December 2015, 67% of spot and forward foreign currency transactions with external counterparties went through the CLS system.

Monitoring of risk limit compliance

Exposure is remeasured daily on a mark-to-market basis plus an add-on intended to cover the risk of potential deterioration during the time to maturity of each contract. The add-on depends on the nature and term of the contract. Monitoring is fully automated using a new software platform (RiskOrigin, Moody's Analytics since June 2008) and satisfies the most stringent market requirements.

Desk managers are informed daily about counterparties' outstandings and limit usage. Each operator is responsible for complying strictly with the risk limits assigned to his/her profit centre, and must inform his/her superiors immediately if any limit is exceeded.

The Central Risk Department reviews counterparty limit compliance daily for all the Group’s capital market activities. The Bank's Executive Board is alerted if any limit is exceeded.

Once a month, the Risk Committee reviews risk exposure, limits exceeded and the methods for resolving the situation. The Risk Committee also monitors the formation of framework and collateral agreements.

Monitoring counterparties

The Central Risk Department oversees commitments and continuously monitors market counterparties in order to identify risks of default at an early stage. Financial Control must submit a report to the Commitments Committee on counterparties affected by significant events such as a change of ownership, a downgraded internal rating or reported losses. All limits on bank counterparties are systematically reviewed twice a year, taking into consideration financial data, macroeconomic data and ratings. Credit risks relating to financial institutions and sovereign entities are only incurred with respect to counterparties whose solvency is considered beyond reproach. A warning system on CDS spreads was established in early September 2008. CDS data are provided by CMA Datavision, an independent company based in London and New York. Spreads are measured on the basis of a model combining relevant market CDS prices collected from reliable contributors, ratings and other sector data. The monitoring system has been supplemented with analysis of 1-year and 5-year CDS spreads, allowing difficulties with certain counterparties to be anticipated. CDS spreads are used in assessing the internal ratings of market counterparties according to a proprietary methodology defined and validated in 2011.

SECTION 3 – EXPOSURE TO COUNTERPARTY CREDIT RISKS

- **The Group's commitments to clients**

The Group's clients include Private Banking clients, the Edmond de Rothschild S.A. Group (excluding the Bank and its subsidiaries) and the investment funds managed by the Group. Commitments to clients are shown in the tables below.

- **Changes in the Group's commitments to clients**

In million of euros	31.12.2015	31.12.2014
Loans and other financing (balance sheet)	605	550
Guarantees	95	165
Unused credit facilities	113	94
Total	**813**	**809**

Group commitments to clients rose by almost 11% to €813 million in 2015 as a consequence of higher amounts of commitments to private clients and financing commitments, while investment fund overdrafts fell.

- **Quality of commitments to clients**

Distribution of commitments

No declaration is made regarding any commitment with respect to the risk distribution ratio.

Outside the Group, most loans on the balance sheet are for less than €3 million (over 90% in terms of the number of loans). Although the number of loans for more than €3 million is small (10%), their total amount is significant. They now represent 55% of total credit-risk exposure to private banking clients, chiefly because the Bank's business is increasingly focusing on this client segment. 42 clients ("related beneficiaries") have outstanding loans of over €3 million.

Off-balance sheet commitments fell in 2015. The top four clients now account for €62 million in outstandings (€78 million previously), accounting for over two-thirds of guarantees in the Private Banking division.

Portion of loans (to private clients) in excess of the authorised limit

Authorised limits are exceeded only in a minority of cases. Such situations generally concern less than 5% of outstandings and are resolved rapidly.

Portion of loans to private banking clients covered by a pledged financial instrument account or assigned life insurance policy

Over 93% of loans and financing to private banking clients are guaranteed by a pledged securities account, an assigned insurance policy or a bank guarantee (usually from the Group). The securities portfolios concerned by the pledges are diversified, invested mainly in the securities of listed companies, bonds and fund units, and mostly managed under contract.

Portion of doubtful loans and financing to private banking clients and related provisions

In thousands of euros	31.12.2015	31.12.2014
Doubtful loans and other financing to private banking clients	1,308	2,513
- Including amount covered by provisions	*1,308*	*2,513*
Net total	**-**	**-**
Percentage of client loans and other financing	0.00%	0.00%

Once a loan is identified as doubtful, the Bank assesses the counterparty's solvency and the risks of non-recovery, and decides whether and in what amount an impairment loss should be recognised.

- **Impaired and unimpaired loans and other financing with overdue payments and guarantees received for these loans**

The tables below show the net carrying amount of unimpaired loans with overdue payments (presented by period overdue), impaired doubtful loans and guarantees received to cover these assets.

The amount stated as guarantees received is the value of the guarantee, which cannot exceed the value of the asset it covers.

31 December 2015 in thousands of euros	Payments overdue by ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year	Doubtful loans (impaired assets and commitments covered by provisions)	Total loans and commitments	Associated guarantees received
Financial assets at market value through profit and loss (excl. variable-income securities)	-	-	-	-	-	-	-
Available-for-sale financial assets (excl. variable-income securities)	-	-	-	-	-	-	-
Loans and receivables due from credit institutions	-	-	-	-	-	-	-
Loans and receivables due from clients	-	-	-	-	-	-	-
Total doubtful loans with overdue payments, net of impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments given	-	-	-	-	-	-	-
Financial guarantee commitments given	-	-	-	-	-	-	-
Total doubtful off balance sheet commitments, net of provisions	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

31 december 2014 In thousands of euros	Payments overdue by ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year	Doubtful loans (impaired assets and commitments covered by provisions)	Total loans and commitments	Associated guarantees received
Financial assets at market value through profit and loss (excl. variable-income securities)	-	-	-	-	-	-	-
Available-for-sale financial assets (excl. variable-income securities)	-	-	-	-	-	-	-
Loans and receivables due from credit institutions	-	-	-	-	-	-	-
Loans and receivables due from clients	-	-	-	-	-	-	-
Total doubtful loans with overdue payments, net of impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments given	-	-	-	-	-	-	-
Financial guarantee commitments given	-	-	-	-	-	-	-
Total doubtful off balance sheet commitments, net of provisions	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

• Exposure to credit risk

The table opposite shows the exposure of all the Group's financial assets to credit risk. This exposure corresponds to the carrying amount of the financial assets reported in the balance sheet net of any impairment, before the effect of unrecorded netting and collateral agreements.

This exposure does not include the effect of framework netting agreements operative at 31 December 2015 and collateral agreements on forward financial instruments traded over the counter. Calculated on the basis of the netting allowed under capital adequacy rules, this effect at 31 December 2015 would reduce the Group's exposure to credit risk by €19.2 million.

In thousands of euros	31.12.2015	31.12.2014
Maximum exposure to credit risk		
Financial assets at market value through profit and loss (excl. Variableincome securities)	45,073	63,057
Hedging derivatives	-	-
Available-for-sale financial assets (excl. variable-income securities)	72,418	74,760
Due from credit institutions	349,068	177,503
Transactions with clients	550,256	510,141
Financial assets held to maturity	-	-
Exposure of commitments in the balance sheet, net of impairment	**1,016,815**	**825,461**
Loan commitments given	160,848	176,239
Financial guarantee commitments given	165,362	197,816
Provisions for signed commitments	-	-
Exposure of off balance sheet commitments, net of impairment	**326,210**	**374,055**
Total net exposure	**1,343,025**	**1,199,516**

- **Distribution of financial instruments by type of market price or valuation model used**

The breakdown of financial instruments by type of market price or valuation model is reported in the table below for each category of instrument defined above.

	31.12.2015				31.12.2014			
In thousands of euros	Market price	Model using observable parameters	Model using non-observable parameters	TOTAL	Market price	Model using observable parameters	Model using non-observable parameters	TOTAL
Financial instruments held for trading at market value through profit and loss	28	30,969	-	30,997	28	35,878	-	35,906
Financial instruments measured at market value through profit and loss under the fair value option	12,701	1,403	-	14,104	17,381	9,798	-	27,179
Financial assets and liabilities at fair value through profit and loss	**12,729**	**32,372**	**-**	**45,101**	**17,409**	**45,676**	**-**	**63,085**
Financial instruments held for trading at market value through profit and loss	84	27,017	-	27,101	-	28,601	-	28,601
Financial instruments measured at market value through profit and loss under the fair value option	-	214,437	409,941	624,378	-	215,496	199,562	415,058
Financial liabilities at fair value through profit and loss	**84**	**241,454**	**409,941**	**651,479**	**-**	**244,097**	**199,562**	**443,659**

In 2015, the Group issued structured EMTNs valued at €51.1 million, and disposals totalled €157.8 million.

- **Exposure to counterparty credit risks on capital market operations**

In addition to the risks deriving from proprietary trading activities, the exposure to credit risk shown below includes the issuer risk borne by guaranteed investment funds (where the Bank is the guarantor) and money-market funds in order to reflect the Bank's overall exposure to bank counterparties.

At 31 December 2015, 86.7% of credit risks on capital market transactions concerned bank counterparties with external credit ratings of AA or better. That proportion represents an decrease compared with 31 December 2014 because some of our counterparties had their ratings downgraded. It should also be noted that all exposures are to counterparties whose risks are considered good or excellent (external rating of BBB or better).

Distribution of gross commitments by bank counterparty rating

In 2015, gross banking commitments (including off-balance sheet commitments) fell because of a change in investment strategy, causing purchases of certificates of deposit to be discontinued:

	Gross risk equivalent					
In millions of euros	31/12/2015		31/12/2014		31/12/2013	
Rating by grade	Amount	%	Amount	%	Amount	%
AAA	0.0	0.0%	0.0	0.0%	-	0.0%
AA	52.8	22.3%	117.0	32.4%	147.0	21.7%
A	152.6	64.4%	231.0	64.0%	530.4	78.3%
BBB	31.5	13.3%	13.0	3.6%	-	0.0%
<BBB	-	0.0%	-	0.0%	-	0.0%
Unrated	0.0	0.0%	0.0	0.0%	0.0	0.0%

Methodology: External ratings using the Standard & Poor's model, commitments measured at replacement value, excluding the effect of netting and collateral agreements.

The breakdown by rating of commitments on bank counterparties rating shows the excellent quality of the portfolio, which is focused almost exclusively on investment-grade counterparties.

Breakdown of gross commitments on sovereign counterparties by rating

The table below shows the breakdown by credit quality category of gross outstandings relating to loans and commitments on sovereign counterparties. This exposure fell in 2015 as the Group applied its policy of being more selective regarding counterparties. Exposure amounted to €88.2 million at 31 December 2015 as opposed to €92.5 million at 31 December 2014.

In millions of euros	Gross risk equivalent					
	31/12/2015		31/12/2014		31/12/2013	
Rating by grade	Amount	%	Amount	%	Amount	%
AAA	58.7	66.6%	60.9	65.8%	66.5	9.8%
AA	29.5	33.4%	31.6	34.2%	614.6	90.2%
A	-	0.0%	-	0.0%	-	0.0%
BBB	-	0.0%	-	0.0%	-	0.0%
<BBB	-	0.0%	-	0.0%	-	0.0%
Unrated	-	0.0%	-	0.0%	-	0.0%

Methodology: External ratings using the Standard & Poor's model, commitments measured at replacement value (mark-to-market value + add-on), excluding the effect of netting and collateral agreements.

Virtually all sovereign exposures, exclusively comprised of debt issued or guaranteed by eurozone governments, relate to counterparties whose risk is considered to be good or excellent. At 31 December 2015, the Bank held no public debt securities issued by peripheral eurozone countries (Spain, Greece, Ireland, Portugal, or Italy) or emerging-market countries.

PART 3

MARKET RISK MANAGEMENT

Market risks are risks of losses due to adverse developments in prices (primarily due to fluctuations in interest rates, exchange rates, share prices or commodity prices), except price movements resulting from the deterioration of an issuer's financial position.

SECTION 1 – RISK-GENERATING ACTIVITIES

The Group's market risks result from:
— proprietary trading activities carried out by the Bank's Capital Markets Department, mainly the "euro and foreign currency treasury" desk and the "foreign exchange" desk; and
— ownership of EMTNs or structured funds, either under the seed money policy or for market making. In this case, the Bank's subsidiary Financière Boréale is the counterparty for sales by clients that take place before the product's contractual maturity.
— risk resulting from the investment portfolio, which is monitored on a monthly basis.

Risks taken by the Capital Markets Department are therefore not generated by speculative transactions, but mainly result from short-term cash investments and client intermediation transactions.
Exposure to the secondary market is intended to be unwound as soon as it reaches a sufficient level.

The creation of structured products activities does not generate material market risks. The derivatives used to achieve index-linked returns (particularly swaps) are generally matched strictly with instruments that have identical features arranged by the fund, or a commitment to pay the interest expected by the client that invested in the EMTNs. Hedging gains or losses may occur during the launch of "formula" funds but these are exceptional and are unlikely to persist.
Loans and other financing commitments to clients do not generally lead to any exposure to market risks (interest-rate or exchange-rate risks) since a system of internal transfers or transactions shifts the exposure to the trading room under the supervision of the Capital Markets Department.

In other words, all market risks, whether initially associated with transactions with clients or arising from proprietary trading, are centrally managed by the Bank's trading room, or in the specific case of market-making for structured products, by the financial engineering team that worked within EdRIM Solutions until 1 December 2012.

SECTION 2 – MONITORING AND ASSESSMENT METHODS

- **Market risk approval principles**

Authorised limits for maximum exposure to the various market risks are set by the Executive Board and submitted to the Supervisory Board for approval.

These limits are expressed in four ways:

— absolute value of assets held: this is the maximum acceptable level in a given currency of the net position in that currency for foreign exchange transactions;

— 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 over a given period (calculated in days, months or years) that must not be exceeded unless the position is immediately settled. Stop-loss limits are also set by the treasury and foreign exchange desks;

— maximum potential loss: the estimated loss over a one-year horizon resulting from the holding of structured products. This limit is defined on the basis of a scenario involving an adverse price movement, taking into consideration the protection generally associated with this category of financial assets.

- **Monitoring compliance with market risk limits**

Traders in the Capital Markets Department and the Private Banking division's financial engineering team must at all times comply with all market risk limits.

In addition, the Bank's Financial Control team (which is part of the Central Risk Department and is strictly independent of the front office) verifies compliance with market risk limits for all activities carried out by the Capital Markets Department, on the basis of daily reporting. For structuring, compliance with market risk limits is monitored on a weekly basis.

In the specific case of over-the-counter transactions with a client, the Financial Control team verifies that there is perfect matching (type and direction of options, nature of the underlying instrument, exercise price, maturity) with a market counterparty; option contracts are systematically back-to-back, i.e. each option transaction with a client is always immediately reversed in the market by entering into a matching opposite transaction with a market counterparty.

However, no options transactions were carried out in 2015.

SECTION 3 – EXPOSURE TO MARKET RISKS

The table below reports details of the capital markets business' exposure to exchange-rate, interest-rate and equity risks during the last two years

	Limits set at 1 January	Year-end		Average		Minimum		Maximum	
In thousands of euros	2015	2015	2014	2015	2014	2015	2014	2015	2014
Exchange rate risk *	800	34	38	52	116	17	27	210	345
Interest rate risk **	1,900	857	1,043	895	412	549	112	1,385	1,163
Equity risk ***	750	65	62	76	126	56	45	333	274

* 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.
*** potential maximum loss on Financière Boréale's portfolio of structured products plus residual hedging gains or losses on financial arrangements.

The Group considers that its overall exposure to market risks is very moderate, in accordance with the risk appetite of its holding company and the risk management policy defined and implemented. Most transactions are carried out on behalf of clients and immediately fully covered with a market counterparty.

PART 4

LIQUIDITY AND FINANCING MANAGEMENT

Liquidity risk is the risk that the Group will be unable to honour its commitments upon maturity or to settle a position due to the market situation. The risk of being unable to honour commitments may result from both transformation of maturities (i.e. borrowing short-term to lend long-term) and the inability to arrange new borrowings on acceptable terms, whether because of general market conditions or factors specific to the Group.

SECTION 1 – LIQUIDITY

Liquidity, i.e. the immediate availability of investments or the possibility of rapid resale for a reasonable cost, for example in response to withdrawals or unexpected early redemption requests, is one of the basic principles of the Bank's cash and asset/liability management policy. The Bank is aware that its prudent, or indeed conservative, approach reduces the opportunities of optimising returns in situations where a longer maturity would generate additional margins.

The policy is primarily managed by central co-ordination of decisions regarding investments:

— at the level of the Capital Markets Department for cash management;
— at the level of the Finance Department, following an Executive Board decision, for securities portfolios.

Refinancing of the client loan portfolio is also centrally co-ordinated by the trading room through the use of internal contracts.

The Asset and Liability Management Committee, which includes a seat for the CRD, carries out three to four checks per year to ensure compliance with this policy. Since the interbank liquidity crisis broke in September 2007, the Financial Control team has also issued daily reports on operational liquidity. In addition, Financial Control has developed a liquidity stress scenario, updated in March 2012, 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 stress-test results are positive since in all circumstances the Bank retains a liquidity credit balance. The Group is therefore not considered to be dependent on the market to meet its commitments.

In September 2009, the methodology for measuring liquidity risk was modified to more closely reflect:

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

Here again, the results confirmed that the balance sheet is highly resilient.

There are several indicators showing that the Group's investments are sufficiently liquid:

— the volume of "available" cash investments including overnight deposits and short-term securities was generally above €800 million in 2015. The amount at 31 December 2015 was €953 million, slightly lower than the year-earlier figure;
— fixed-term cash investments, in the form of term loans and negotiable debt securities, are governed by strict principles: counterparties must have excellent credit quality and are selected under strict criteria by the Commitments Committee, and the investment period is limited. Those investments were measured at €27 million at 31 December 2015;
— client loans and other financing in the form of multi-instalment loans amounted to €159 million at 31 December 2015, relatively stable year-on-year;
— the short-term securities portfolio (excluding investments in associates) is also subject to limits in terms of amount and purpose. At 31 December 2015, it was made up of €173.8 million of variable-income securities (other than money-market funds used by subsidiaries for cash management purposes), essentially in the form of units of in-house funds acquired under the seed money policy. Since March 2010, the securities portfolio has been governed by a system of limits aiming to encourage sufficient diversification and the holding of liquid assets. The status of these securities (held for sale or to be retained) is regularly examined by the Asset and Liability Management Committee, which only approves the retention of securities in the portfolio in order to support development of the product or product range. In October 2012, the mechanism was supplemented by portfolio risk monitoring using a VaR method with a 95% confidence interval.

An additional mechanism for supervising the securities portfolio has been defined at Edmond de Rothschild Group level.

.

The resulting liquidity ratio (as defined by French bank regulations) was very conservative at 370% at 31 December 2015, compared with 291% at 31 December 2014. The liquidity coverage ratio (LCR) was 182.2% at 31 December 2015, as opposed to minimum required level of 60% in 2015 and the eventual minimum of 100%.

• **Exposure to liquidity risk relating to funds**

Liquidity indicators on sensitive funds are monitored daily by the first-level Risk Management team, and monthly by first-level risk committees in the subsidiaries, assisted by the Third-Party Risk Manager in the Central Risk Department. Items consolidated by all subsidiaries are reported monthly to the Financial Risk Committee.

In 2015, no gates were used on any fund marketed by the Bank.

SECTION 2 - LIMITATION OF MATURITY MISMATCHING

Continuing its prudent approach, the Bank has decided to maintain a structural "reverse" mismatch position in which long maturities (mainly long-term capital, redeemable subordinated notes and EMTNs associated with issuance of structured products) provide generous coverage of short-term investments.

The following tables present discounted balances on the balance sheet by contractual maturity:

At 31 December 2015

In thousands of euros	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Indeterminate	TOTAL
Cash, due from central banks and postal accounts	914,318	-	-	-	-	914,318
Financial assets at fair value through profit and loss	2,263	21,792	18,150	2,896	-	45,101
Hedging derivatives	-	-	-	-	-	-
Available-for-sale financial assets	41,697	-	73,356	142,215	-	257,268
Due from credit institutions	349,068	-	-	-	-	349,068
Loans and receivables due from clients	443,634	74,381	31,691	550	-	550,256
Revaluation difference on portfolios with interest rate hedging	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-
Financial assets by maturity	**1,750,980**	**96,173**	**123,197**	**145,661**	**-**	**2,116,011**
Central banks and postal accounts	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss	189,152	269,656	189,548	3,123	-	651,479
Hedging derivatives	-	-	4,116	-	-	4,116
Due to credit institutions	13,732	36	-	-	-	13,768
Due to clients	1,063,151	110,103	22,032	-	-	1,195,286
Borrowings represented by securities	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Revaluation difference on portfolios with interest rate hedging	-	-	-	-	-	-
Financial liabilities by maturity	**1,266,035**	**379,795**	**215,696**	**3,123**	**-**	**1,864,649**

At 31 December 2014

In thousands of euros	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Indeterminate	TOTAL
Cash, due from central banks and postal accounts	782,646	-	-	-	-	782,646
Financial assets at fair value through profit and loss	13,191	5,377	41,968	2,549	-	63,085
Hedging derivatives	-	-	-	-	-	-
Available-for-sale financial assets	46,905	6,395	74,501	109,639	1,157	238,597
Due from credit institutions	177,503	-	-	-	-	177,503
Loans and receivables due from clients	417,480	60,205	32,056	400	-	510,141
Revaluation difference on portfolios with interest rate hedging	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-
Financial assets by maturity	**1,437,726**	**71,977**	**148,525**	**112,588**	**1,157**	**1,771,973**
Central banks and postal accounts	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss	33,409	235,572	171,460	3,218	-	443,659
Hedging derivatives	-	-	6,554	-	-	6,554
Due to credit institutions	17,151	-	-	-	-	17,151
Due to clients	955,251	54,495	53,242	-	-	1,062,988
Borrowings represented by securities	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Revaluation difference on portfolios with interest rate hedging	-	-	-	-	-	-
Financial liabilities by maturity	**1,005,811**	**290,067**	**231,256**	**3,218**	**-**	**1,530,352**

Assessment and operational monitoring of transformation is carried out monthly based on liquidity gaps determined on the basis of the parent company's balance sheet. This is an appropriate basis because the Bank houses the Central Refinancing Unit for its subsidiaries, whose activities use little liquidity. The management of structural liquidity risk is governed by three limits, periodically reviewed by the ALM Committee. The table below shows details of liquidity gaps at 31 December 2015.

Period	1 month	3 months	6 months	1 year	2 years	3 years	4 years	5 years
In millions of euros	1,167	1,027	781	646	502	439	410	350

Despite a conservative financial management policy, the Bank cannot rule out the possibility of significant early redemption requests from its clients. A highly adverse scenario has therefore been developed, and it is reported monthly to the Risk Committee and then to the Asset and Liability Management Committee. Examination of this scenario indicates that the Bank could easily meet its obligations in the event of the major constraints, i.e. it could:

— immediately repay all term deposits maturing in under one year;
— repay half of long-term funds from the retail business;
— honour its commitments following the depletion of demand liabilities (assuming a one-half reduction in demand deposits).

An emergency funding programme has been developed to deal with any severe liquidity crisis affecting the Bank. It provides three funding options to counter a liquidity shortage:

— use of credit facilities available from correspondent banks;
— mobilisation of assets that are eligible as collateral for the ECB;
— disposal of liquid assets that are not eligible as collateral for the ECB.;

The emergency plan also provides for the implementation of dedicated, responsive governance arrangements suited to the level of urgency.

SECTION 3 - DIVERSIFICATION OF FUNDING SOURCES

Given the Bank's core businesses, source funds received from interbank sources and clients do not result from an active policy of seeking resources to finance investments, but instead reflect its asset management activity (Private Banking deposits, issuance of structured products, repo transactions with funds) and the promotion of the Bank as a counterparty on the money market.

The Bank nonetheless pays careful attention to diversifying its funding sources, which is one of the foundations of its liquidity risk management policy. The table below provides an indication of the diversity of its funding sources at 31 December 2014 :

In millions of euros	Banks		Private clients*		Other		Total	
	Amount	Number	Amount	Number	Amount	Number	Amount	Number
Cash borrowings	212.5	32	-	-	-	-	212.5	32
Time deposits	NA	NA	NA	NA	NA	NA	105.5	NA
Certificates of deposit	15.0	2	1.2	1	263.6	17	279.8	20
Structured EMTNs	34.8	8	167.5	267	-	-	202.3	275

(*)For structured product issues, the Private Clients column includes data relating to the Private Banking division's clients. However, it is difficult to estimate accurately the number of investors who have subscribed to these products via other distribution channels.

PART 5

MANAGEMENT OF OVERALL INTEREST-RATE RISK

SECTION 1 - DEFINITION AND ORIGIN OF OVERALL INTEREST-RATE RISK

Overall interest-rate risk is the risk of loss on all fixed-rate assets, liabilities and off-balance sheet commitments (except fixed-income securities in the trading portfolio that fall into the category of market risks), in the event of a parallel uniform shift in yield curves.

The sensitivity as calculated by the Bank is defined as the change in net present value of residual fixed-rate positions in the event of a concurrent uniform shift in term structures of interest rates. Sensitivity and changes in sensitivity are calculated using dedicated software (RiskConfidence developed by Moody's Analytics), based on 1% and 2% changes in interest rates.

SECTION 2 - EXPOSURE TO OVERALL INTEREST-RATE RISK

The overall interest-rate risk to which the Group is exposed is consistently low. Client loans and other financing are mainly linked to floating-rate benchmarks (particularly 3-month Euribor) and refinanced internally (with the trading room) on a similar basis.

The Group manages its exposure to overall interest-rate risk in the context of a sensitivity limit reflecting the net present value of the loss incurred in the event of a uniform adverse movement of 200 basis points in the various yield curves.

The table below shows the levels of the overall fixed-interest rate gap by future period from 31 December 2015, assuming contractual settlement of existing assets and liabilities and no new lending:

Period	1 month	3 months	6 months	1 year	2 years	3 years	4 years	5 years
In millions of euros	(124)	(191)	(46)	(9)	6	6	6	5

Brackets indicate that there is a surplus of fixed-rate source funds, and therefore that the balance sheet is exposed to a fall in interest rates.

The medium-term gap results solely from the fact that the €21 million of undated super-subordinated notes issued in June 2007 are unhedged. As a result, sensitivity to a uniform movement of 100 basis points in the yield curve was limited to €0.8 million at 31 December 2015.

A stress scenario (a 200 basis-point shift) is also produced every month, which shows the low convexity of the balance sheet (sensitivity to a 200bp shift was equal to 2.4 times the sensitivity to a 100bp shift at 31 December 2014).

PARTIE 6

MANAGEMENT OF OVERALL EXCHANGE-RATE RISK

The overall exchange-rate risk of the Bank's investment portfolio relates to its investments denominated in foreign currencies. It essentially results from purchases of investment fund units denominated in foreign currencies undertaken in connection with the seed money policy. The amounts concerned are shown in the following table at 31 December 2015:

Currency	Total (in thousands of euros)
CNY	32,832.0
USD	24,986.7
UAH	3,940.9
ILS	2,746.1
CHF	968.8
HKD	5.6

When the amounts are significant, the Bank may have to protect investments against exchange-rate risk by borrowing an equivalent amount of the currency. The investments reported above were financed from the outset by currency purchases.

Investments in subsidiaries and associates

At 31 December 2015 (in euros)

Companies or groups of companies	Share capital	Other equity	Percentage of share capital held
I - DETAILS OF INVESTMENTS (with net book value exceeding 1% of Edmond de Rothschild (France)'s share capital)			
A - Subsidiaries (at least 50 % held)			
Financière Boréale	1,739,944	(746,535)	100.00%
Edmond de Rothschild Asset Management (France)	11,033,769	* 57,425,197	98.78%
Edmond de Rothschild Corporate Finance	61,300	(871,285)	100.00%
Edmond de Rothschild (Italia) S.G.R. SpA	5,000,000	* 3,390,204	75.50%
Edmond de Rothschild Private Equity Partners (France)	2,700,000	6,167,303	100.00%
Edmond de Rothschild Assurances et Conseils (France)	7,034,600	* 2,121,660	100.00%
Edmond de Rothschild Asia Limited	1,300,000	* 1,206,719	100.00%
Edmond de Rothschild (Israel) Ltd	**** 118,000	**** 14,996,000	100.00%
CFSH Luxembourg	12,000,000	* 1,117,542	100.00%
Edmond de Rothschild Boulevard Buildings Ltd	*** 17,213,000	**** 234,000	100.00%
B - Affiliates (10 to 50 % held)			
Banque de Gestion Edmond de Rothschild Monaco	12,000,000	* 35,400,000	42.77%
Edmond de Rothschild (UK) Ltd	*/**** 3,159,000	**/**** 20,048,000	20.00%
Zhonghai Fund Management Co., Ltd.	*** 146,666,700	*** 327,797,714	25.00%
Edmond de Rothschild Private Equity China Investment S.C.A.	18,596,000	146,242	28.01%
EDRRIT Limited	** 277,778	*/** 9,383,327	10.00%
II - INFORMATION ON OTHER SUBSIDIARIES AND ASSOCIATES			
A - Subsidiaries not included in Section I above	-	-	-
B - Affiliates not included in Section I above			
French companies (aggregate)	-	-	-
Foreign companies (aggregate)	-	-	-

* *Excluding interim dividend paid in 2015.*
** *In GBP.*
*** *In CNY.*
**** *Rounded to the nearest thousand.*

Carrying amount of shares held		Oustanding loans and advances made by the Bank	Guarantees provided by the Bank	Revenue for the last financial year	Net income (loss) for the last financial year	Dividends received by the Bank
Gross	Net					
2,100,550	2,100,550	30,666,531	-	3,064,330	(292,955)	-
65,531,573	65,531,573	-	83,948	273,120,774	24,189,577	19,764,526
11,305,037	11,305,037	2,000,000	-	12,616,802	(1,798,175)	-
3,796,250	3,796,250	8,437,022	-	10,294,780	2,091,743	1,208,000
2,700,014	2,700,014	-	-	120,988	4,357,450	-
39,978,118	39,978,118	-	-	29,937,075	9,939,200	8,019,444
1,300,000	1,300,000	-	-	5,558	3,372,573	500,000
44,575,067	36,590,067	-	-	**** 17.727.000	**** 1.888.000	-
66,840,000	52,140,795	17,427,207	-	33,070	6,281,892	18,400,000
17,545,348	17,545,348	5,000,000	-	**** 270.000	**** -328.000	-
4,895,687	4,895,687	-	-	**** 58,553,000	**** 13,559,000	1,711,041
2,163,678	2,163,678	-	-	**/**** 32,456,000	**/**** 6,252,000	-
31,517,330	31,517,330	-	-	*** 430,101,429	*** 95,766,611	1,432,057
4,459,500	4,459,500	-	-	62,886	18,245	-
3,094,016	3,094,016	-	-	**13,042,225	** 5,271,356	835,564
1,222,132	963,906	-	-	-	-	29
10,985,289	9,775,064	-	-	-	-	242,399
73,767	73,766	-	-	-	-	28,958

Consolidated companies

Edmond de Rothschild (France) at 31 December 2015

Bank and Investments Companies

%	Company
42,77%	Edmond de Rothschild (Monaco)
20,00%	Edmond de Rothschild (UK) Ltd
100,00%	Edmond de Rothschild Securities (Hong Kong) Limited

Holding Companies

%	Company
100,00%	Financière Boréale
62,73%	EdR Real Estate (Eastern Europe) CIE Sarl
100,00%	CFSH Luxembourg Sarl
98,00%	CFSH Secondary Opportunities SA
99,14%	Edmond de Rothschild Europportunities Invest II Sarl
87,39%	Edmond de Rothschild Europportunities Invest Sarl
100,00%	Câblinvest Sarl
98,37%	Câblinvest II Sarl
98,78%	Bridge Management Sarl
98,37%	Eres Participations III

Asset Management Companies

%	Company
98,78%	Edmond de Rothschild Asset Management (France) (*)
98,78%	Edmond de Rothschild Asset Management (Hong Kong) Limited (*)
98,78%	Edmond de Rothschild Asset Management (Chile) S.A.
100,00%	Edmond de Rothschild Private Equity (France) (*)
100,00%	Edmond de Rothschild Europportunities Management Sarl
68,68%	Edmond de Rothschild Europportunities Management II Sarl
51,00%	Edmond de Rothschild Investment Partners (*)
100,00%	LCFR UK PEP Limited
100,00%	Edmond de Rothschild Investment Partners China Sarl
75,50%	Edmond de Rothschild (Italia) S.G.R. SpA (*)
100,00%	EdR Real Estate (Eastern Europe) Management Sarl
25,00%	Zhonghai Fund Management Co. Ltd (*)
98,78%	Edmond de Rothschild Advisory Management (Beijing) Co. Limited

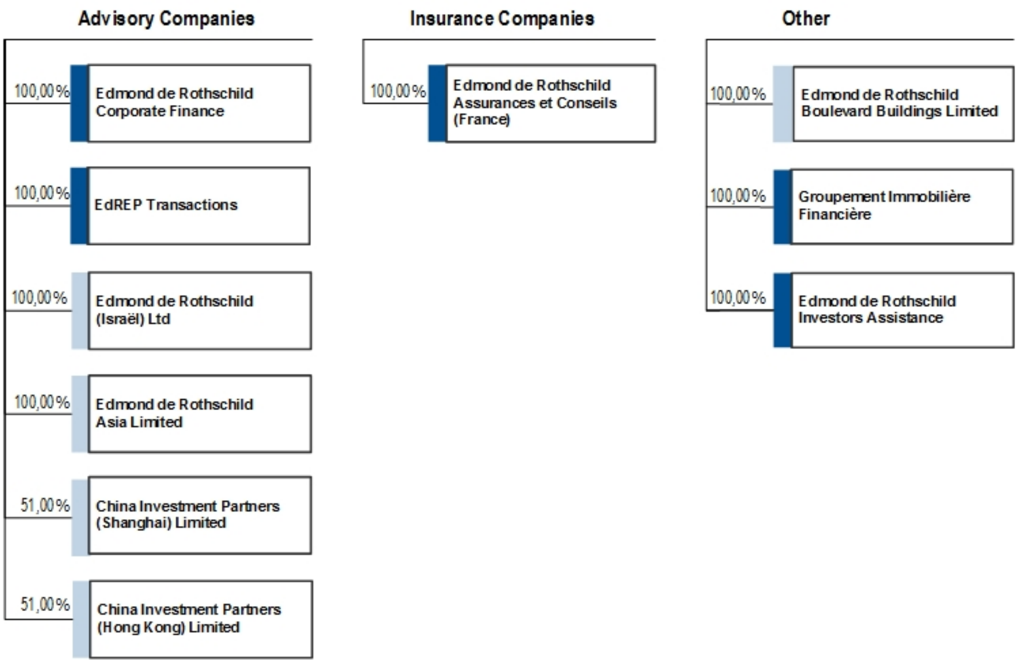
% Group holding

Fully integrated

Affiliated

Foreign companies

* Asset Management approved companies


Advisory Companies
100,00%
Edmond de Rothschild Corporate Finance
100,00%
EdREP Transactions
100,00%
Edmond de Rothschild (Israël) Ltd
100,00%
Edmond de Rothschild Asia Limited
51,00%
China Investment Partners (Shanghai) Limited
51,00%
China Investment Partners (Hong Kong) Limited
Insurance Companies
100,00%
Edmond de Rothschild Assurances et Conseils (France)
Other
100,00%
Edmond de Rothschild Boulevard Buildings Limited
100,00%
Groupement Immobilière Financière
100,00%
Edmond de Rothschild Investors Assistance

Parent company financial statement and notes

PARENT COMPANY BALANCE SHEET AND OFF-BALANCE SHEET ITEMS

thousands of euros		31.12.2015	31.12.2014
Assets			
Cash, due from central banks and postal accounts		914,316	782,641
Treasury notes and similar securities	2.1	-	-
Due from credit institutions	2.2	320,159	150,730
Transactions with clients	2.3	674,139	654,215
Bonds and other fixed-income securities	2.4	4,297	7,083
Equities and other variable-income securities	2.5	66,114	37,289
Investments in affiliates and other long-term investments	2.6	55,979	54,606
Investments in subsidiaries	2.7	233,952	203,754
Intangible assets	2.8	17,901	18,746
Tangible assets	2.9	19,789	20,706
Treasury shares	2.10	-	-
Other assets	2.11	91,047	87,653
Settlement accounts	2.12	126,355	134,538
Total assets		**2,524,048**	**2,151,961**

		31.12.2015	31.12.2014
Liabilities and equity			
Due to credit institutions	2.14	226,449	232,349
Transactions with clients	2.15	1,296,693	1,231,104
Borrowings represented by securities	2.16	480,247	201,447
Other liabilities	2.11	109,619	90,104
Settlement accounts	2.12	100,071	101,252
Provisions	2.17	10,703	8,649
Subordinated debt	2.18	21,730	21,732
Equity (excluding fund for general banking risks)	2.20	278,536	265,324
· *Share capital*		*83,076*	*83,076*
· *Share premium amount*		*98,244*	*98,244*
· *Reserves*	2.19	*32,278*	*32,278*
· *Retained earnings (+/-)*		*34,225*	*40,608*
· *Net income for the year (+/-)*		*30,713*	*11,118*
Total liabilities and equity		**2,524,048**	**2,151,961**

	31.12.2015	31.12.2014
Commitments and contingencies		
Commitments given		
Loan commitments	94,367	83,776
Guarantee commitments	172,153	197,900
Security commitments	45,560	74,776
Commitments received		
Guarantee commitments	40,332	40,332
Security commitments	-	-

PARENT COMPANY INCOME STATEMENT

In thousands of euros

		2015	2014
+ Interest and similar revenues	3.1	25,420	24,251
- Interest and similar expenses	3.2	(23,256)	(17,689)
+ Revenues from variable-income securities	3.3	54,622	53,753
+ Fee income	3.4	116,824	124,195
- Fee expenses	3.4	(16,006)	(12,701)
+/- Net income from the trading portfolio	3.5	9,240	5,972
+/- Net income from short-term investment securities and related instruments	3.6	(338)	(2,164)
+ Other income from banking activities	3.7	43,082	44,793
- Other banking expenses	3.8	(27,992)	(41,961)
Net banking income		181,596	178,449
- General operating expenses	3.9	(146,700)	(158,059)
- Depreciation, amortisation and impairment of tangible and intangible assets		(12,399)	(12,031)
Gross operating income		22,497	8,359
+/- Cost of risk	3.10	17	242
Operating income		22,514	8,601
+/- Net income from fixed assets	3.11	(4,216)	(11,785)
Income (loss) before tax		18,298	(3,184)
+/- Extraordinary income or loss	3.12	(1,016)	2
- Corporate income tax	3.13	13,431	14,300
Net income		**30,713**	**11,118**

Notes to the parent company financial statements

NOTE 1 – ACCOUNTING PRINCIPLES

1.1. GENERAL

The parent company financial statements of Edmond de Rothschild (France) are prepared and presented in accordance with Regulation 2014-07 of the Autorité des Normes Comptables (French accounting standards authority) dated 26 November 2014.

1.2. ACCOUNTING POLICIES AND MEASUREMENT METHODS

- **Translation of transactions in foreign currencies**

Transactions in foreign currencies are translated into euros using the official exchange rates as published by the Banque de France at the year-end.
Investments in subsidiaries and associates denominated in foreign currencies but financed in euros are recorded in the balance sheet at the euro equivalent of their historical foreign-currency cost, using exchange rates prevailing at the date of acquisition or subscription. The resulting translation gains or losses are not included in income.

- **Loans and other financing to clients**

Edmond de Rothschild (France) applies CRC Regulation 2002-03 of 12 December 2002 as amended by CRC Regulation 2005-03 of 3 November 2005 and recommendation 2002-04 issued by the French National Accounting Committee on 28 March 2002 relating to the accounting treatment of credit risks by enterprises regulated by the French Banking and Financial Regulation Committee. Consequently, more detailed information is provided on counterparty risks and new categories of loans have been created in the financial statements as follows:

— Performing loans: loans and other financing to clients are shown in the balance sheet at nominal value.

— Overdue loans: payments overdue by three months or less (six months or less in the case of mortgages) continue to be reported as performing loans. Beyond these periods of time, loans – for all amounts extended to clients – are classified as doubtful.

— Restructured loans: loans restructured as a result of the client's financial position are reclassified as performing loans if restructured under market conditions prevailing at the time.

Loans restructured under non-market conditions are included in a specific subcategory of performing loans until their final due date. Any principal amount or interest waived, whether due or accrued, is charged to income at the time of the restructuring. If - in view of market rates prevailing at the time of a loan restructuring that are less favourable than the initial terms of the loan, or in view of the initial loan rate if not - the restructuring gives rise to a future interest difference, the present value of the difference is recorded as an impairment of the loan at the time of restructuring and included in the cost of risk, and subsequently taken to interest income over the remaining life of the loan. If the client does not pay on due dates after the restructured loan has been reclassified as performing, it is immediately downgraded.

Edmond de Rothschild (France) defines restructured loans as loans to counterparties undergoing financial difficulties such that the lender is obliged to adjust the initial terms (term, interest rate, etc.) to enable the counterparty to honour its payment obligations.

Restructured loans therefore exclude:

— loans with terms that have been renegotiated for commercial reasons with counterparties that have no solvency problems;

— loans whose theoretical repayment schedule is altered through application of an option or clause contained in the initial contract (e.g. temporary suspension and deferral of due dates).

— Doubtful loans: on-balance sheet receivables and signed commitments concerning a counterparty are identified as doubtful outstandings in the Bank's accounting information system as soon as they show a clear credit risk.

Such a risk is clear where it is probable that the Bank will not recover some or all of the amounts due under the initial contractual terms of the commitment entered into by the counterparty, notwithstanding any guarantees or security provided. The loans or other items concerned are identified either by inclusion in specially created accounts or by means of a tag in the information system.
Edmond de Rothschild (France) classifies loans and commitments with a clear credit risk as doubtful in each of the following cases:

- the loan or advance is at least three months in arrears (six months for residential mortgages and property lessees and nine months for loans to local authorities, to take account of these loans' specific characteristics). The only exception to this rule is when specific circumstances indicate that non-payment is due to causes unrelated to the debtor's financial position;
- when the characteristics of a counterparty's position in connection with a loan or off-balance sheet commitment are such that, independently of any failure to meet payment dates, it can be concluded that a clear credit risk exists. This is the case, for instance, where the Bank is aware that its counterparty's financial position is poor and there is a resulting risk of non-recovery (for example, as a result of early warning procedures);
- if there is litigation between the Bank and its counterparty, for example, over indebtedness proceedings, court-ordered administration, receivership, court-ordered liquidation, personal bankruptcy, winding-up and any proceedings before an international court.

Edmond de Rothschild (France) distinguishes between two categories of doubtful loans: compromised doubtful loans and uncompromised doubtful loans:

- uncompromised doubtful loans are doubtful loans which do not fulfil the criteria for classification as compromised doubtful loans;
- compromised doubtful loans are loans to a counterparty whose solvency is such that, after a reasonable period of classification as doubtful loans, no return to the performing loans category is foreseeable. Classification as compromised doubtful loans takes place when the accelerated payment clause comes into play or, in the case of a lease, upon termination of the lease.
- Loans of an unlimited term become repayable when relations are terminated with the counterparty as notified under the procedures defined in the contract. Any loan included in doubtful loans will be automatically classified as a compromised doubtful loan after one year in the uncompromised doubtful loans category.

Any loan reclassified as performing is immediately downgraded to the compromised doubtful loans category if the client fails to make payments as and when due.
Interest ceases to be recognised once the loan is transferred to compromised doubtful loans. Disputed loans are loans whose nature or amount, not the solvency of the counterparty, is being contested. These loans are included in uncompromised doubtful loans.

Provisions for clear credit risk: a specific allowance for impairment is made by a charge against income when the probability that all or part of a loan will not be repaid becomes clear. These allowances are deducted from assets.

In accordance with the application-date provisions of CRC (French Accounting Regulations Committee) regulation 2002-03 as amended relating to the accounting treatment of credit risk by enterprises regulated by the French Banking and Financial Regulation Committee, Edmond de Rothschild (France) applies the discounted cash flow method described in Article 13 of CRC regulation 2002-03 when measuring impairment.

• **Securities portfolio**

The securities portfolio mainly comprises the following securities issued in France and abroad:

— fixed- and variable-income securities;
— French Treasury notes;
— other negotiable debt securities;
— interbank market securities.instruments du marché interbancaire.

Securities are classified according to the purpose for which they were acquired and, in accordance with CRBF Regulation 90-01 as amended by CRC Regulation 2005-01 relating to the recognition of securities transactions, Regulation 2008-07 of 3 April 2008 relating to the recognition of securities acquisition costs and Regulation 2008-17 of 10 December 2008 relating to transfers of securities other than held-for-trading and available-for-sale securities and the recognition of stock option plans and bonus share plans for employees, and with CRC Regulation 2002-03 relating to the determination of credit risk and impairment of fixed-income securities, and the Bank classifies securities as held-for-trading securities, available-for-sale securities, investment securities, and investments in subsidiaries and associates.

. Held-for-trading securities are recognised on the date they are purchased at their purchase price, excluding incidental purchase costs and including accrued interest. Purchase costs are recognised directly as expenses. Held-for-trading securities are purchased for with a view to reselling them within a period of not more than six months.

. Available-for-sale securities are recognised on the date they are purchased at their purchase price. Purchase costs are included in the purchase price of available-for-sale securities. They are acquired with the intention of holding them for more than six months, in principle for subsequent resale.

. Investment securities are recognised on the date they are purchased at their purchase price. Purchase costs are included in the purchase price of investment securities. These are intended to be held for the long term, and are either subject to specific interest-rate hedges or covered by dedicated financing resources. The difference between their purchase price and redemption value is amortised over the remaining life of the securities.

. Portfolio securities, other securities held over the long term and investments in subsidiaries and associates are recorded on the date they are purchased at their purchase price. These securities are purchased with the intention of holding them for the long term. This category includes all equity interests of 5% or more. Equity interests of less than 5% are also included if the Bank is represented in the management bodies or if another indirect investment is held via other Group companies.

Securities are shown under the following balance-sheet headings:

— treasury notes and similar securities;
— bonds and other fixed-income securities;
— equities and other variable-income securities;
— associates and other long-term investments;
— investments in subsidiaries;
— treasury shares.

• **Non-current assets**

Intangible assets relate primarily to purchased software that is amortised over one to three years.

Depreciation of office furniture and equipment, computer hardware, fixtures and fittings, and vehicles is determined on the following basis:

— straight-line method: 10-25%;
— reducing balance method: 37.5% and 40%.

The building owned by Edmond de Rothschild (France) is being depreciated over 25 years.

As part of the convergence between French GAAP and International Financial Reporting Standards (IFRSs), CRC Regulation 2004-06 of 23 November 2004 (applicable from 1 January 2005) eliminated the possibility of recognising deferred expenses or expenses to be amortised over several periods as assets.

Deferred expenses must now be recognised:

— in assets, if they qualify for definition and recognition as assets or are attributable to the initial cost of assets;
— in expenses in all other cases.

Edmond de Rothschild (France) applies CRC Regulation 2002-10 of 12 December 2002 as amended by CRC Regulation 2003-07 of 12 December 2003 relating to depreciation, amortisation and impairment of assets, and Regulation 2004-06 of 23 November 2004 relating to the definition, recognition and measurement of assets.

Property, plant and equipment are recognised at cost (purchase price plus direct ancillary expenses).

Intangible assets are mainly made up of software, which is recorded under intangible assets in progress until put into use.

Property, plant and equipment and intangible assets qualifying for depreciation or amortisation are depreciated or amortised over their period of use within the company.

- **Treasury shares**

The Bank's treasury shares are recognised as available-for-sale securities.

The company applies the new provisions in French National Accounting Council opinion 2008-17 of 6 November 2008 relating to the accounting treatment of stock option plans and bonus share plans for employees.

Implementation of the new rules has no impact on the financial statements, as these principles were already being applied to the parent-company financial statements.

Additions to and releases from provisions and expenses related to the plans are now presented under personnel expenses.

In relation to treasury shares allocated to a plan, a liability provision is set aside over the grant period and adjusted on the basis of the number of shares granted to beneficiaries.

Treasury shares not allocated to a plan may be impaired if their net carrying amount is greater than the share price on the balance-sheet date, as for other available-for-sale securities.

- **Interest and fee income and expenses**

Income from interest and bank charges are recorded in the income statement on an accrual basis.

In general, fees are also recorded on an accrual basis.

- **Valuation of securities**

Securities held at year-end are valued as follows:

— held-for-trading securities are valued at market price at year-end, with positive or negative valuation differences being taken to income;

— available-for-sale securities are measured at the lower of acquisition cost and market value (based on market prices at the end of December) or, in the case of unlisted securities, at their estimated realisable value;

— there is no netting between the resulting unrealised gains and losses, and only unrealised losses are recognised through impairment of the securities portfolio;

— investment securities on which the interest-rate risk is hedged are not impaired when their market value falls below their carrying amount. Unrealised gains are not recognised;

— investments in subsidiaries and associates are measured at their value in use. For listed securities, market prices are not the only assessment criterion. Unrealised gains are not recognised, and unrealised losses give rise to impairment of the securities portfolio.

- **Income and expenses relating to forward financial instruments**

The accounting principles adopted are those defined by the regulations of the CRBF, the instructions of the French Banking Commission and the opinions of the French National Accounting Council.

Those principles are based mainly on the type of transaction, its purpose, and the type of market on which it takes place:

— interest-rate swaps;

— income and expenses relating to instruments used to hedge transactions identified from the outset are recognised in the income statement on a symmetrical basis with the income and expenses from the hedged item;

— interest-rate futures (notional, Euribor, etc.).

Gains and losses resulting from hedges of transactions on underlying capital markets are amortised over the remaining maturity of the transactions hedged.

While a contract is still outstanding, one of two recognition methods is applied:

— transactions on organised or similar markets: the gains or losses resulting from measurement of contracts are taken to income;

— over-the-counter: only unrealised losses are provisioned.

— forward-rate agreements.

Income and expenses relating to FRAs used for hedging are taken to income on a symmetrical basis with the income and expenses from the hedged instrument. In the case of market transactions, gains and losses are recorded in the income statement when the operation is settled.

— options (foreign-exchange, interest-rate, index and equity options).Options (de change, de taux, sur indices, sur actions)

Premiums are recorded in a suspense account when the contract is initiated. When contracts are settled, in the case of hedging transactions, they are taken to income on a symmetrical basis with the gains and losses on the hedged items.

In the case of market transactions, they are taken to income. Outstanding contracts relating to market transactions are remeasured at market value at the balance sheet date.

Any unrealised gain or loss on contracts traded on organised markets is taken to the income statement.

For contracts traded over the counter, only unrealised losses are provisioned.

- **Pension and other employee benefit liabilities**

The French banking industry's own pension system was changed by an agreement signed on 13 September 1993 by the French Banking Association (AFB). All French banks are now members of the nationwide unfunded multi-employer plans Agirc and Arrco.

The Caisse de Retraite de la Profession Bancaire (CRPB) pension plan, of which the Bank is a member, continues to exist and assumes various commitments set out by the agreement, primarily from its own funds and, where necessary, through employer contributions made by the Bank each year at an average rate that, for the first 10 years of application of the 1993 agreement, could not exceed 4% of total wages and salaries.

No provision has been established for the financial commitments associated with this pension plan, as the information available shows that the assets covering the commitments exceed the value of the CRPB's commitment.

The Bank does not apply the preferred method consisting of setting aside provisions for post-employment benefits under defined-benefit plans, i.e. pension plans, supplementary pensions and termination benefits.

- **Provision for long-service awards**

In accordance with Recommendation 2003-R.01 of 1 April 2003 issued by the French National Accounting Committee and CRC Regulation 2000-06 relating to liabilities, a provision was set aside at year-end to cover probable payments to certain current employees (expected payments relating to long-service awards). At 31 December 2015, that provision totalled € 1.174 million.

- **Income tax**

Income tax is calculated according to the rules of the tax consolidation group formed by Edmond de Rothschild (France) as parent and certain of its subsidiaries. Under the agreements signed, the parent company records the impact of tax consolidation in its income statement. The tax group comprised five subsidiaries in 2015.

- **Mandatory employee profit-sharingParticipation des salariés**

Amounts to be paid under the French profit-sharing system are provided for on the basis of an agreement formed within Edmond de Rothschild (France)'s UES (a legally recognised group of integrated companies in France).

- **Transactions with related partiesTransactions avec les parties liées**

Under CRB Regulation 91-01 as amended, Edmond de Rothschild (France) presents related-party transactions in Note 9 to the financial statements.

NOTE 2 – ANALYSIS OF BALANCE SHEET ITEMS

2.1. TREASURY NOTES AND SIMILAR SECURITIES

In thousands of euros	31.12.2015	31.12.2014
Available for sale	-	-
Subtotal	-	-
Depreciation	-	-
Net total	**-**	-

2.2. DUE FROM CREDIT INSTITUTIONS

In thousands of euros	31.12.2015			31.12.2014		
	Demand deposits	Time deposits	Total	Demand deposits	Time deposits	Total
Overdrafts	63,421	-	63,421	50,607	-	50,607
Loans	6,737	-	-	-	-	-
Securities received under repurchase agreements	-	250,001	250,001	-	100,123	100,123
Subtotal	70,158	250,001	320,159	50,607	100,123	150,730
Related receivables	-	-	-	-	-	-
Total	**70,158**	**250,001**	**320,159**	**50,607**	**100,123**	**150,730**

2.3. TRANSACTIONS WITH CLIENTS

In thousands of euros	31.12.2015	31.12.2014
Other loans and financing		
. Loans	*158,849*	*154,021*
. Prêts subordonnés	*-*	*-*
. Securities received under repurchase agreements	*46,532*	*51,327*
Subtotal	205,381	205,348
Overdrafts	468,758	448,867
Total gross value	674,139	654,215
Doubtful loans(1)	1,308	2,514
Allowances(1)	(1,308)	(2,514)
Total (2)	**674,139**	**654,215**

(1) At 31 December 2015, compromised doubtful loans amounted to € 1.308 million and were fully provisioned

(2) Including related receivables totalling €552 thousand in 2015 and €514 thousand in 2014

No loans were eligible for central-bank refinancing at 31 December 2015.

No client loans classified as doubtful loans at 31 December 2014 were reclassified as performing loans during 2015

2.4. BONDS AND OTHER FIXED-INCOME SECURITIES

In thousands of euros	31.12.2015	31.12.2014
Available for sale	2,667	5,529
Investment	-	-
Subtotal	2,667	5,529
Related receivables	1,630	1,554
Total gross value	4,297	7,083
Depreciation	-	-
Net total	**4,297**	**7,083**

No securities changed category during 2015.

The total net carrying amount of unlisted securities was €4.15 million and the total net carrying amount of listed securities was €0.15 thousand.

The "available-for-sale securities" item includes €2.13 million of undated subordinated notes issued by Financière Eurafrique.

2.5. EQUITIES AND OTHER VARIABLE-INCOME SECURITIES

In thousands of euros	31.12.2015			31.12.2014		
	Held for trading	Available for sale	Total	Held for trading	Available for sale	Total
Securities held	28	70,346	70,374	28	43,240	43,268
Depreciation	-	(4,260)	(4,260)	-	(5,979)	(5,979)
Net total	**28**	**66,086**	**66,114**	**28**	**37,261**	**37,289**
Unrealised capital gains(1)	-	11,259	11,259	-	10,432	10,432

(1) Difference between cost and market value.

No securities changed category during 2015.

The total net carrying amount of listed securities was €0.05 thousand and the total net carrying amount of unlisted securities was €66,114 million.

Within the available-for-sale securities category, shares and fund units break down as follows:

In thousands of euros	31.12.2015			31.12.2014		
	France	Outside France	Total	France	Outside France	Total
Capitalisation funds	53,791	12,275	66,066	28,322	8,919	37,241
Other funds	-	-	-	-	-	-
Total	**53,791**	**12,275**	**66,066**	**28,322**	**8,919**	**37,241**

2.6. INVESTMENTS IN ASSOCIATES AND OTHER LONG-TERM INVESTMENTS

In thousands of euros	31.12.2015			31.12.2014		
	Gross	Impairment	Net	Gross	Impairment	Net
Investments in subsidiaries						
- Credit institutions	*7,102*	*-*	*7,102*	*7,043*	*-*	*7,043*
- Other companies	*50,290*	*(1,210)*	*49,080*	*49,779*	*(2,328)*	*47,451*
Subtotal	57,392	(1,210)	56,182	56,822	(2,328)	54,494
Exchange difference	(203)	-	(203)	112	-	112
Total	**57,189**	**(1,210)**	**55,979**	**56,934**	**(2,328)**	**54,606**

The total net carrying amount of listed securities was €41.06 million and the total net carrying amount of unlisted securities was €14.92 million.

Major investments in subsidiaries and associates are listed in the table "Investments in subsidiaries".

2.7. INVESTMENTS IN SUBSIDIARIES

In thousands of euros	31.12.2015			31.12.2014		
	Gross	Impairment	Net	Gross	Impairment	Net
Financial and non-financial companies	256,891	(22,942)	233,949	221,444	(17,700)	203,744
Exchange difference	3	-	3	10	-	10
Total	**256,894**	**(22,942)**	**233,952**	**221,454**	**(17,700)**	**203,754**

The total net carrying amount of securities relates to unlisted securities.

The list of subsidiaries is as follows:

- Edmond de Rothschild Asset Management (France)
- Financière Boréale
- Edmond de Rothschild Corporate Finance
- Edmond de Rothschild (Italia) S.G.R. SpA
- Edmond de Rothschild Private Equity France
- Edmond de Rothschild Investment Partners
- Edmond de Rothschild (Israel) Ltd
- Edmond de Rothschild Assurances et Conseils (France)
- Edmond de Rothschild ASIA Limited
- Edmond de Rothschild Securities (Hong Kong) Limited
- Edmond de Rothschild Boulevard Buildings Ltd
- Edmond de Rothschild Real Estate (Eastern Europe) CIE SàRL- A
- Edmond de Rothschild Real Estate (Eastern Europe) CIE SàRL- B
- CFSH Luxembourg
- Elivest

2.8. INTANGIBLE ASSETS

In thousands of euros	At 1 January 2015	Acquisitions/ provisions made	Disposals/ releases to income	Other changes	At 31 December 2015
Gross value					
Goodwill (including leasehold right)	3,881	-	-	-	3,881
Other intangible assets	76,992	8,384	-	-	85,376
Intangible assets in progress	93	-	(93)	-	-
Total	**80,966**	**8,384**	**-**	**-**	**89,257**
Amortisation					
Other Intangible assets	(62,220)	(9,136)	-	-	(71,356)
Total	**(62,220)**	**(9,136)**	**-**	**-**	**(71,356)**
Net book value	**18,746**	**(752)**	**-**	**-**	**17,901**

2.9. PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	At 1 January 2015	Acquisitions / provisions made	Disposals/ releases to income	Other changes	At 31 December 2015
Gross value					
Land	11,434	-	-	-	11,434
Buildings	20,969	97	-	-	21,066
Computer hardware	22,258	834	-	-	23,092
Fixtures and fittings and other fixed assets	35,874	1,507	(157)	-	37,224
Tangible assets in progress	-	-	-	-	-
Total	**90,535**	**2,438**	**(157)**	**-**	**92,816**
Depreciation					
Buildings	(20,452)	(39)	-	-	(20,491)
Computer hardware	(19,700)	(1,458)		-	(21,158)
Fixtures and fittings and other fixed assets	(29,677)	(1,767)	66	-	(31,378)
Total	**(69,829)**	**(3,264)**	**66**	**-**	**(73,027)**
Net book value	**20,706**	**(826)**	**(91)**	**-**	**19,789**

2.10. TREASURY SHARES, BONUS SHARE PLANS AND STOCK OPTION PLANS

The Bank no longer holds treasury shares.

At 31 December 2015:

- 2,788 options to buy existing shares were granted on 1 July 2010. The strike price is €106.50.
  Those options are no longer covered by any provisions.

Treasury shares:

	Number of shares	Unit price	Total (in thousands of euros)
Position at 31 December 2014	-	-	-
Position at 31 December 2015	-	-	-
including:			
Treasury shares allotted	-	-	-

2.11. OTHER ASSETS AND LIABILITIES

In thousands of euros	31.12.2015 Assets	31.12.2015 Liabilities	31.12.2014 Assets	31.12.2014 Liabilities
Option premiums	-	-	-	-
Margin calls	52,299	47,319	42,000	35,763
Guarantee deposits	11,120	22,683	16,308	20,609
Other	27,628	39,617	29,345	33,732
Total	**91,047**	**109,619**	**87,653**	**90,104**

2.12. ACCRUALS

In thousands of euros	31.12.2015 Actif	31.12.2015 Passif	31.12.2014 Actif	31.12.2014 Passif
Items under collection	1,115	-	111	-
Prepaid expenses	11,193	-	13,723	-
Income to be received	94,013	-	91,146	-
Deferred income	-	4,176	-	8,709
Charges payable	-	91,331	-	86,032
Other	20,034	4,564	29,558	6,511
Total	**126,355**	**100,071**	**134,538**	**101,252**

2.13. LONG-TERM INVESTMENTS

In thousands of euros	At 1 January 2015	Acquisitions/ provisions made	Disposals/ releases to income	Other changes	At 31 December 2015
Gross value					
Bonds and other fixed-income securities	-	-	-	-	-
Affiliates and other long-term investments	56,934	255	-	-	57,189
Investments in subsidiaries	221,454	35,862	(422)	-	256,894
Total	**278,388**	**36,117**	**(422)**	**-**	**314,083**
Impairment					
Affiliates and other long-term investments	(2,328)	-	1,118	-	(1,210)
Investments in subsidiaries	(17,700)	(7,726)	-	-	(25,426)
Total	**(20,028)**	**(7,726)**	**1,118**	**-**	**(26,636)**
Net book value					
Bonds and other fixed-income securities	-	-	-	-	-
Affiliates and other long-term investments	54,606	255	1,118	-	55,979
Investments in subsidiaries	203,754	28,136	(422)	-	231,468
Total	**258,360**	**28,391**	**696**	**-**	**287,447**

2.14. DUE TO CREDIT INSTITUTIONS

In thousands of euros	31.12.2015 Demand deposits	Time deposits	Total	31.12.2014 Demand deposits	Time deposits	Total
Deposits	13,746	-	13,746	8,647	-	8,647
Borrowings	-	212,534	212,534	8,234	215,434	223,668
Subtotal	13,746	212,534	226,280	16,881	215,434	232,315
Related payables	-	169	169	-	34	34
Total	**13,746**	**212,703**	**226,449**	**16,881**	**215,468**	**232,349**

2.15. TRANSACTIONS WITH CLIENTS

In thousands of euros	31.12.2015 Demand deposits	Time deposits	Total	31.12.2014 Demand deposits	Time deposits	Total
Special savings accounts						
. Special savings accounts	-	*57,774*	*57,774*	-	*39,635*	*39,635*
. Related payables	-	-	-	-	-	-
Subtotal	-	57,774	57,774	-	39,635	39,635
Other liabilities						
. Demand deposits	*1,080,444*	-	*1,080,444*	*990,283*	-	*990,283*
. Time deposits	-	*108,485*	*108,485*	-	*140,188*	*140,188*
. Securities delivered under repurchase agreements	-	*46,530*	*46,530*	-	*60,226*	*60,226*
. Other miscellaneous payables	-	*3,396*	*3,396*	-	*597*	*597*
. Related payables	-	*64*	*64*	*22*	*153*	*175*
Subtotal	1,080,444	158,475	1,238,919	990,305	201,164	1,191,469
Total	**1,080,444**	**216,249**	**1,296,693**	**990,305**	**240,799**	**1,231,104**

2.16. DEBT SECURITIES

In thousands of euros	31.12.2015	31.12.2014
Interbank market securities and negotiable debt instruments	476,214	198,614
Bonds issued	-	-
Subtotal	476,214	198,614
Related payables	4,033	2,833
Total	**480,247**	**201,447**

2.17. PROVISIONS

In thousands of euros	At 1 January	Increases in provisions	Allowances used	Releases to income	Other changes	At 31 December 2015
Provisions for charges						
Provisions for long-service medals	1,190	240	(50)	(206)	-	1,174
Provisions for possible losses on treasury shares (1)	-	-	-	-	-	-
Other provisions for litigation expense	-	-	-	-	-	-
Other provisions for charges (2)	31	609	(86)	(15)	-	539
Subtotal	1,221	849	(136)	(221)	-	1,713
Provisions for risks						
Provisions for litigation (3)	5,964	4,891	(2,889)	(929)	-	7,037
Other provisions for risks	1,464	489	-	-	-	1,953
Subtotal	7,428	5,380	(2,889)	(929)	-	8,990
Total	**8,649**	**6,229**	**(3,025)**	**(1,150)**	**-**	**10,703**

(1) Treasury shares held for stock option plans:
- 2,788 options to buy existing shares were granted on 1 July 2010. The strike price is €106.50.
Those options are no longer covered by any provisions.
(2) Additions to provisions for liabilities are mainly intended to cover litigation with third parties. Releases from provisions relate mainly to litigation and the private equity business.

An additional supplementary pension plan set up in December 2004 was closed on 31 December 2012, although its provisions were maintained for beneficiaries born before 31 December 1953.

It applies to a category of senior employees for whom the existing basic and complementary pension plans provide a significantly lower rate of income replacement than for other categories of personnel.

This plan is a defined-benefit plan expressed in terms of the overall final pension (limited in time) or in terms of the top-up pension it provides in addition to the basic pensions.

The unfunded actuarial liability at the rate of 2.00% rose from €23,544 million to €28,065 million at 31 December 2015.

Taxes and contributions on annuities: Article 113 of French Law Article 113 of French act 2003-775 of 21 August 2003 on pension reform alters the liability to pay social security, the general social contribution (CSG) and the social debt reimbursement contribution (CRDS), on employers' pension-fund contributions. In return for exempting contributions from social security charges, a tax payable exclusively by the company was established.

The 2010 social security financing act doubled the tax levied on annuities exceeding one-third of the annual social security ceiling, raising it from 8% to 16%.

The 2011 social security financing act subsequently modified the basis for applying this tax. The allowance was eliminated and the 16% tax thus applied from the first euro of the annuity, for all annuities paid after 1 January 2001.

The Group had previously opted for the tax on annuities, but at the end of 2011 it chose to change options as allowed by the 2011 social security financing act for defined-benefit plans consistent with article L.137-11. It is now taxed at 12% based on all contributions paid into the fund.

In addition to the foregoing tax, an additional 30% contribution to be paid by employers from the first euro was established on annuities exceeding eight times the annual ceiling and paid from 1 January 2010. These impacts were measured in 2009.

As measured by the preferred method (not applied by the Bank) the financial coverage calculation shows that a provision of €3.752 million would have been set aside in 2015 as opposed to zero in 2014.

Plan assets were valued at €24.313 million in 2015 and the net residual gain relating to past service cost was zero at 31 December 2015.

Provisions do not include any amounts for termination benefits to be paid to retiring employees (€3.533 million in 2015 against €4.675 million in 2014).

Provisions for banking risks came to €3.715 million in 2015 (€4.029 million in 2014).

As regards the Madoff criminal case, the Group believes that in its third-party management and/or custody activities, the risk of litigation to which it might be exposed is not material. The examination of the investment process implemented by both the management company EdRIM Gestion (which merged with EdRAM (France) on 30 November 2012), and the Private Banking division showed that the former had satisfactorily implemented internal due diligence procedures governing the selection of underlying funds and that the management decisions taken by the latter were generally consistent with the authorisation granted to the Bank, both regarding the eligibility of the instruments purchased and the limits on investment.

In respect of these activities, the Group's total exposure to Madoff funds (based on a 31 December 2008 valuation of the funds) is €42.9 million.

2.18. SUBORDINATED DEBT

In thousands of euros	31.12.2015	31.12.2014
Undated subordinated notes [1]	21,000	21,000
Related payables	730	732
Total	**21,730**	**21,732**

(¹) In June 2007, the Bank issued €50 million of undated super-subordinated notes. In the event of the issuer's liquidation, holders of these notes will be paid only after other creditors but before holders of participating loans or participating securities.
After discussions with one of the noteholders, EdR (France) made an offer to repurchase part of the notes with a nominal amount of €29 million, at a discount of 7.5%.
After obtaining the authorisation of the ACP on 12 July 2013, €29 million of notes were repurchased and cancelled in August 2013.

The undated super-subordinated notes carry financial covenants:

— non-payment of interest in the event of insufficient capital related to non-compliance with prudential capital adequacy ratios or a deterioration in the Bank's financial position;
— reduction of accrued interest due and payable and then of the nominal value of the notes if the Bank has not taken action to remedy the capital situation within a specific period.

The main financial characteristics of these notes are as follows:

Issue date	Optional early redemption date (call option)	Rate until early redemption	Rate after early redemption	Interest step-up from the optional early redemption date
june 2007	June 2017 then quarterly	6,36 % (*)	Euribor + 2,65 %	+ 100 basis points

(*) Rate set by reference to the 10-year swap rate in euros on 4 June 2007: 4.71% + 1.65%

2.19. RESERVES

In thousands of euros	31.12.2015	31.12.2014
Legal reserve	8,308	8,308
Regulated reserves	152	152
Other reserves	23,818	23,818
Total	**32,278**	**32,278**

2.20. CHANGE IN EQUITY

In thousands of euros	Capital	Additional paid-in	Reserves	Carry forward	Results	Total
Equity at 1 January 2015	83,076	98,244	32,278	40,608	11,118	265,324
Capital increase	-	-	-	-	-	-
Net income for the year (before appropriation)	-	-	-	-	30,713	30,713
Dividends	-	-	-	(6,383)	-	(6,383)
Other movements	-	-	-	-	(11,118)	(11,118)
Equity at 31 December 2015	**83,076**	**98,244**	**32,278**	**34,225**	**30,713**	**278,536**

At 31 December 2015, the Bank's share capital was €83,075,820.00 divided into 5,538,388 shares each with a nominal value of €15, and was held as follows

	Number of shares	% held
Edmond de Rothschild S.A.	4,909,543	88.64%
Caisse de Dépôt et Placement du Québec	577,064	10.42%
EDRRIT Limited	24,172	0.44%
Group employees	25,074	0.45%
Other minority shareholders	2,535	0.05%
Total	**5,538,388**	**100.00%**

Net income available for distribution comprises (in euros):

Net income for 2015	30,713,022.91
Balance carried forward at year-end	34,224,826.43
Appropriation to the statutory legal reserve	-
Net income available for distribution	**64,937,849.34**

Net income available for distribution is allocated as follows (*):

Payment of a dividend of €4.42 euros per share i.e.	24,479,674.96
Retained earnings	40,458,174.38

(*)Subject to approval by the Annual General Meeting of 20 May 2016.

2.21. TRANSACTIONS WITH SUBSIDIARIES

In thousands of euros	31.12.2015	31.12.2014
Assets		
Transactions with clients (excluding related receivables)	110,330	108,264
Liabilities		
Transactions with clients (excluding related receivables)	100,664	166,968

2.22. ANALYSIS OF CERTAIN ASSETS AND LIABILITIES BY REMAINING TERM TO MATURITY

In thousands of euros	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total
Assests					
Due from credit institutions	320,159	-	-	-	320,159
Transactions with clients	515,857	112,805	39,857	5,620	674,139
Bonds and other fixed-income securities	-	-	-	4,297	4,297
Total	**836,016**	**112,805**	**39,857**	**9,917**	**998,595**
Liabilities					
Due to credit institutions	192,398	34,051	-	-	226,449
Transactions with clients	1,162,877	111,784	22,032	-	1,296,693
Borrowings represented by securities	9,898	327,227	142,372	750	480,247
Interbank market securities and negotiable debt instruments	*9,898*	*327,227*	*142,372*	*750*	*480,247*
Bonds	-	-	-	-	-
Total	**1,365,173**	**473,062**	**164,404**	**750**	**2,003,389**

NOTE 3 – ANALYSIS OF INCOME STATEMENT ITEMS

3.1. INTEREST AND SIMILAR REVENUES

In thousands of euros	2015	2014
On transactions with credit institutions	14,577	12,598
On transactions with clients	7,543	7,989
On bonds and other fixed-income securities	1	438
Other interest and related income	3,299	3,226
Total	**25,420**	**24,251**

3.2. INTEREST AND SIMILAR EXPENSES

In thousands of euros	2015	2014
On transactions with credit institutions	(10,125)	(5,370)
On transactions with clients	(575)	(751)
On bonds and other fixed-income securities	(9,518)	(8,272)
Other interest and similar expenses	(3,038)	(3,296)
Total	**(23,256)**	**(17,689)**

3.3. REVENUES FROM VARIABLE-INCOME SECURITIES

In thousands of euros	2015	2014
Equities and other variable-income securities	2,480	7,001
Investments in affiliates and other long-term investments	4,250	4,076
Investments in subsidiaries	47,892	42,676
Total	**54,622**	**53,753**

3.4. FEE INCOME AND EXPENSES

	2015		2014	
In thousands of euros	Income	Expenses	Income	Expenses
Cash and interbank transactions	-	(8)	-	(7)
Transactions with clients	24	-	11	-
Securities transactions	-	(47)	-	(47)
Foreign exchange transactions	19	-	39	-
Off balance sheet transactions				
. Securities transactions	*118*	-	119	-
. Transactions in forward financial instruments	*6,412*	*(3,691)*	6,657	(3,905)
Financial services	110,251	(12,260)	117,369	(8,742)
Releases from allowances (provisions)	-	-	-	-
Total	**116,824**	**(16,006)**	**124,195**	**(12,701)**

3.5. GAINS AND LOSSES ON TRANSACTIONS IN HELD-FOR-TRADING SECURITIES

	2015			2014		
In thousands of euros	Income	Expenses	Balance	Income	Expenses	Balance
Trading securities	60	(21)	39	127	(8)	119
Foreign exchange transactions	559,298	(550,097)	9,201	273,959	(268,101)	5,858
Commitments on forward financial instruments	-	-	-	-	(5)	(5)
Releases from allowances (provisions)	-	-	-	-	-	-
Total	**559,358**	**(550,118)**	**9,240**	**274,086**	**(268,114)**	**5,972**

3.6. GAINS AND LOSSES ON TRANSACTIONS IN AVAILABLE-FOR-SALE SECURITIES AND SIMILAR

	2015			2014		
In thousands of euros	Income	Expenses	Balance	Income	Expenses	Balance
Losses on sale	-	(2,066)	(2,066)	-	(28,591)	(28,591)
Gains on sale	8	-	8	1,671	-	1,671
Allocations and releases linked to impairment	2,602	(882)	1,720	28,437	(3,681)	24,756
Total	**2,610**	**(2,948)**	**(338)**	**30,108**	**(32,272)**	**(2,164)**

3.7. OTHER BANKING REVENUES

In thousands of euros	2015	2014
Expenses transferred to other companies	11,485	16,589
Miscellaneous revenues	26,308	26,496
Other	4,865	1,708
Releases from allowances (provisions)	424	-
Total	**43,082**	**44,793**

3.8. OTHER BANKING EXPENSES

In thousands of euros	2015	2014
Revenues transferred to other companies	(26,809)	(35,570)
Other	(676)	(13,847)
Releases from allowances (provisions)	(507)	7,456
Total	**(27,992)**	**(41,961)**

3.9. GENERAL OPERATING EXPENSES

In thousands of euros	2015	2014
Employee compensation	(54,247)	(67,503)
Social security and similar costs	(25,147)	(30,276)
Voluntary employee profit-sharing	(249)	(296)
Employee profit-sharing	(2,396)	(2,208)
Employee profit-sharing	(6,480)	(7,902)
Provisions for personnel expenses	(5,131)	(6,751)
Releases from allowances for personnel expenses	3,206	13,318
Subtotal – personnel expenses	(90,444)	(101,618)
Taxes other than on income	(3,208)	(2,707)
Rental expenses	(11,770)	(14,266)
Cost of external services	(39,968)	(38,052)
Travel expenses	(1,310)	(1,416)
Miscellaneous charges from operations	-	-
Increase in provisions for administrative expenses	-	-
Decrease in provisions for administrative expenses	-	-
Subtotal – administrative expenses	(56,256)	(56,441)
Total	**(146,700)**	**(158,059)**

3.10. COST OF RISK

In thousands of euros	2015	2014
Provisions for possible losses on loans	-	-
Dotations aux provisions	-	-
Net losses on bad debts	(1,191)	(69)
Reversals of impairment on bad debts now performing	14	293
Releases from allowances	1,191	-
Recoveries on amortised loans	3	18
Total	**17**	**242**

3.11. GAINS AND LOSSES ON LONG-TERM ASSETS

In thousands of euros	2015	2014
Gains on sale of intangible and tangible assets	-	203
Gains on sale of long-term investments	-	2,250
Losses on sale of intangible and tangible assets	(90)	-
Losses on sale of long-term investments	-	-
Amortisation of long-term investments	(7,727)	(17,442)
Reversals of amortisation of long-term investments	3,601	3,204
Reprises aux provisions pour risques et charges	-	-
Total	**(4,216)**	**(11,785)**

3.12. NON-RECURRING ITEMS

Non-recurring items produced a loss of €-1.016 million in 2015.

3.13. INCOME TAX

Calculated on the basis of the tax consolidation group, there was an income tax credit of €13.431 million in 2015.
Had it been taxed separately, Edmond de Rothschild (France), excluding deferred tax, would not have been subject to income tax because it made a loss for tax purposes.

NOTE 4 – ADDITIONAL INFORMATION ON BANKING ACTIVITIES

Analysis of net banking income

The analysis of net banking income by major business segment, which is extracted from the accounting presentation of the income statement, can be broadly summarised as follows:

In thousands of euros	2015	2014
- Asset management	79,084	72,593
- Interest-earning operations	6,189	6,585
- Trading transactions	8,918	7,021
- Corporate advisory services	-	-
- securities portfolio and other	87,405	92,250
Net banking income	**181,596**	**178,449**

Net banking income amounted to €181.6 million in 2015, up 1.8% relative to 2014 (€178.4 million).

The €3.2 million increase was mainly due to asset management fee income, which rose 8.9% from €72.6 million in 2014 to €79 million in 2015. That increase was driven by fee income on managed portfolios, along with a non-recurring €3.3 million gain on the settlement of a market transaction related to the asset management business.

Trading transactions continued to be affected by historically low interest rates in 2015. However, movements in the foreign exchange market contributed €1.9 million to the increase in net banking income between 2014 and 2015.

Net banking income was also affected by the fall in "securities portfolio and other" revenue, which was €4.9 million lower than in 2014. The decline was mainly due to a lower level of support services invoiced to Group companies.

NOTE 5 – OFF-BALANCE SHEET ITEMS

5.1. TRANSACTIONS WITH SUBSIDIARIES

In thousands of euros	2015	2014
Commitments given		
Loan commitments	573	6,400
Guarantee commitments	84	84

5.2. LIQUIDITY COMMITMENTS

The beneficiaries of bonus share plans and stock option plans granted by Edmond de Rothschild S.A. or other Group companies have entered into liquidity agreements with the issuing entities. Under the terms of those agreements, the issuing companies undertake to purchase and the beneficiaries to sell the shares issued or allocated under these plans, subject to certain conditions.

Since December 2005, it has been agreed between Edmond de Rothschild S.A. and the Bank that Edmond de Rothschild S.A. will systematically be substituted for the Bank in execution of these contracts, and Edmond de Rothschild S.A. reserves the right to use a third-party substitute.

5.3. TRANSACTIONS IN FORWARD FINANCIAL INSTRUMENTS

Transactions in interest-rate instruments are concluded for micro-hedging purposes. Foreign exchange options may be entered into as part of the management of a specialised portfolio, or are matched. Commitments related to forward financial instruments are broken down as follows (nominal value of contracts):

At 31 December 2015	Micro-hedging		Trading portfolio		Total	
In thousands of euros	Purchases	Sales	Purchases	Sales	Purchases	Sales
Organised or similar markets						
Futures contracts						
Currency swaps [1]	2,120,370	2,125,259	-	-	2,120,370	2,125,259
Total	**2,120,370**	**2,125,259**	**-**	**-**	**2,120,370**	**2,125,259**
Over the counter						
Futures contracts						
Interest rate and index swaps [1]	925,806	139,325	-	-	925,806	139,325
Subtotal	925,806	139,325	-	-	925,806	139,325
Contrats conditionnels Interest rate and index swaps [1] Subtotal	-	-	-	-	-	-
Total	**925,806**	**139,325**	**-**	**-**	**925,806**	**139,325**

[1] including €77,500 millions with subsidiaries.

At 31 December 2014	Micro-hedging		Trading portfolio		Total	
In thousands of euros	Purchases	Sales	Purchases	Sales	Purchases	Sales
Organised or similar markets						
Futures contracts						
Currency swaps [1]	1,773,379	1,769,169	-	-	1,773,379	1,769,169
Total	**1,773,379**	**1,769,169**	**-**	**-**	**1,773,379**	**1,769,169**
Over the counter						
Futures contracts						
Interest rate and index swaps [1]	613,032	155,398	-	-	613,032	155,398
Subtotal	613,032	155,398	-	-	613,032	155,398
Contrats conditionnels						
Interest rate and index swaps [1]	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Total	**613,032**	**155,398**	**-**	**-**	**613,032**	**155,398**

[1] including €78,829 millions with subsidiaries.

The residual values of the above commitments break down as follows:

At 31 December 2015	Less than 1 year		1 to 5 years		More than 5 years	
In thousands of euros	Purchases	Sales	Purchases	Sales	Purchases	Sales
Organised or similar markets	2,113,904	2,118,778	6,466	6,481	-	-
Over the counter	733,215	43,300	182,703	94,025	9,888	2,000

At 31 December 2014	Less than 1 year		1 to 5 years		More than 5 years	
In thousands of euros	Purchases	Sales	Purchases	Sales	Purchases	Sales
Organised or similar markets	1,770,878	1,766,668	2,501	2,501	-	-
Private contracts	120,465	4,283	237,572	98,280	254,995	52,8[illegible]

The Bank's exposure to market risks related to transactions in financial instruments is summarised as follows (in thousands of euros):

Type of risk	Type of transaction	Assumption	Sensitivity	
			2015	2014
Interest rate risk	Short-term positions in euros	1% unfavourable change in interest rates	658	83
	Short-term positions in foreign currencies	1% unfavourable change in interest rates	198	236
Exchange rate risk	Spot and forward foreign exchange positions	8% unfavourable change in exchange rates	34	38

5.4. FAIR VALUE OF TRANSACTIONS IN FORWARD FINANCIAL INSTRUMENTS

The fair value of forward financial instruments is calculated daily by reference to their market value as part of the measurement of counterparty risk.

	Positive value		Negative value	
In thousands of euros	2015	2014	2015	2014
Organised or similar markets				
Futures contracts				
Currency swaps	16,860	26,053	(17,315)	(22,157)
Private contracts				
Futures contracts				
Interest rate and index swaps	30,911	22,493	(24,103)	(14,346)

NOTE 6 - ADDITIONAL INFORMATION ON COUNTERPARTY RISKS RELATING TO DERIVATIVES

6.1. TYPES OF RISK AND METHOD OF CALCULATION

Credit risk equivalents on derivatives and the effect of netting agreements are estimated in accordance with the principles established by Regulations 91-05 and 95-02 of the French Banking and Financial Regulation Committee, and Instruction 96-06 of the French Banking Commission.
The positive replacement value of credit-risk equivalents represents the fair market value of the contracts before taking account of netting agreements and guarantees received.

The gross add-on is based on the notional amount of the contracts multiplied by a weighting factor. The net add-on is calculated using the formula prescribed by Instruction 96-06, as follows: net add-on = 0.4 x gross add-on + 0.6 x NGR x gross add-on, where NGR represents the ratio between net replacement cost and gross replacement cost, for all transactions entered into under legally valid netting agreements.
Weighting factors used for each type of counterparty are consistent with those prescribed by Regulation 91-05: 20% for banks and 50% for clients.

6.2. ANALYSIS OF WEIGHTED CREDIT RISK EQUIVALENTS BY TYPE OF COUNTERPARTY

	Gross weighted risks		Net weighted risks	
In thousands of euros	2015	2014	2015	2014
Banks	10,892	8,500	4,052	6
Clients	5,938	14,290	4,876	14

6.3. EFFECT OF NETTING ON TOTAL WEIGHTED CREDIT RISK EQUIVALENTS BY TYPE OF COUNTERPARTY

	Effect of netting		Effect of collateralisation	
In thousands of euros	2015	2014	2015	2014
Banks	4,541	2,298	2,299	1
Clients	1,061	20	-	-

NOTE 7 - AVERAGE HEADCOUNT

	2015	2014
Specialised staff	114	129
Managerial staff	317	296
Unclassified	98	104
Total	**529**	**529**

Pursuant to the provisions of the French Commercial Code, the Group publishes a breakdown by category of its average workforce during the period. The number of workers employed part-time or for less than the full year is taken into account in proportion to the average time worked as compared to the full-time hours laid down by agreement or statute.

NOTE 8 – ADDITIONAL INFORMATION

8.1. The financial statements of Edmond de Rothschild (France) are included in the consolidated financial statements of Edmond de Rothschild S.A. using the full consolidation method.

8.2. POST-BALANCE SHEET EVENTS

No significant event has occurred since 31 December 2015.

The parent-company financial statements contained herein were finalised by the Executive Board on 7 March 2016 and will be presented for approval at the Annual General Meeting held on 20 May 2016..

NOTE 9 – TRANSACTIONS WITH RELATED PARTIES

9.1. TRANSACTIONS WITH RELATED NATURAL PERSONS

In thousands of euros	31.12.2015	31.12.2014
Loans and overdrafts	19,116	19,304
Assets	**19,116**	**19,304**

In thousands of euros	31.12.2015	31.12.2014
Time deposits	463	299
Liabilities	**463**	**299**

In thousands of euros	2015	2014
+ Interest and similar revenues	145	126
Net banking income	145	126
Gross operating income	**145**	**126**

9.2. TRANSACTIONS WITH RELATED COMPANIES

• Transactions related to the income statement

				31.12.2015
In thousands of euros	Name	Relationship with the related party	Income	Expenses
- Income/expenses on transactions with credit institutions	EDRAM	Subsidiary	-	-
- Financial services	EDRAM	Subsidiary	-	(1,044)
+ Gains/(losses) on sale of long-term investments	EDRAM	Subsidiary	-	-

				31.12.2014
In thousands of euros	Name	Relationship with the related party	Income	Expenses
- On transactions with credit institutions	EDRAM	Subsidiary	-	-
- Financial services	EDRAM	Subsidiary	-	(1,280)
+ Gains/(losses) on sale of long-term investments	EDRAM	Subsidiary	-	-

• Transactions in forward financial instruments

In thousands of euros			Amount
Total return index swap	EDRAM	Subsidiary	-

Parent company five year summary

	2011	2012	2013	2014	2015
Financial position at year-end					
Share capital	83,075,820	83,075,820	83,075,820	83,075,820	83,075,820
Number of shares issued	5,538,388	5,538,388	5,538,388	5,538,388	5,538,388
Number of convertible bonds	-	-	-	-	-
Shareholders' equity(1)*	222,285,000	223,363,000	238,192,000	254,206,000	247,823,000
Long-term funds(1)*	384,798,000	273,553,000	259,382,000	275,206,000	268,823,000
Total assets*	3,072,808,000	2,353,555,000	2,199,296,000	2,151,961,000	2,524,048,000
Results of operations for the year					
Total revenues	529,828,773	432,127,711	514,210,977	470,304,585	828,081,237
Income before tax, depreciation, amortisation and provisions	68,724,456	(14,041,382)	55,453,158	(15,951,894)	34,124,730
Income tax	(8,383,767)	(2,573,637)	(17,035,895)	(14,300,382)	(13,430,948)
Net income for the year	43,194,923	14,828,872	32,130,412	11,118,408	30,713,023
Total dividends paid	42,479,436	-	16,116,709	17,501,306	24,479,675
Earnings per share					
Income after tax but before depreciation, amortisation and provisions	13.92	(2.07)	13.09	(0.30)	8.59
Net income for the year	7.80	2.68	5.80	2.01	5.54
Dividend**	7.67	-	2.91	3.16	4.42
Employees					
Number of employees at year-end	511	528	526	532	537
Total gross payroll	48,308,305	58,501,446	47,937,302	59,101,566	48,440,745
Social security contributions and employee benefits	26,307,066	23,042,591	27,882,464	30,276,567	25,146,697
Mandatory employee profit-sharing	2,524,140	2,218,312	2,088,549	2,208,329	2,396,097

(1) Excluding net income for the year
* Rounded to the nearest thousand euros
** Subject to the decision of the Annual General Meeting held on 20 May 2016

Reports of the Statutory

Financial year ended 31 December 2015

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2015, on:

— the audit of the accompanying consolidated financial statements of Edmond de Rothschild (France);
— the justification of our assessments;
— the specific verification required by law.

These consolidated financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

I - OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II - JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

FINANCIAL ASSETS AVAILABLE FOR SALE

Your Group recognises impairment on available-for-sale assets where there is objective evidence of an other-than-temporary or significant decline in the value of these assets, as described in Notes 2 "Accounting policies, valuation methods and explanatory notes" and 3.3. "Available-for-sale assets" to the consolidated financial statements.

We have examined the control system used to identify indications of impairment, the valuation of the most significant positions and the estimates that have led, where applicable, to write-downs due to impairment.

GOODWILL IMPAIRMENT TESTS

Your Group carries out impairment tests on goodwill and on the contract portfolio, as described in Notes 1.6. "Measurement of goodwill", 3.11. "Intangible assets" and 3.12. "Goodwill" to the consolidated financial statements. We have examined the methods used to perform these tests as well as the documentation available, particularly reports by independent experts.

PROVISIONS FOR RISKS

As stated in Notes 2 "Accounting policies, valuation methods and explanatory notes" and 3.17. "Provisions", to the consolidated financial statements, your Group records provisions to cover the risks inherent to its activities.

We examined the procedures implemented for the control and valuation of provisions to be booked as well as the risks linked to exposures, as described in Note 3.17. to the consolidated financial statements.

PENSIONS AND EMPLOYEE COMMITMENTS AND SHARE-BASED PAYMENTS

Your Group records provisions to cover pension and employee commitments and share-based payments, as described in Notes 2 "Accounting policies, valuation methods and explanatory notes: Employee benefit commitments", 3.17. "Provisions", 5 "Note on commitments" and 6 "Employee benefits and share-based payments" to the consolidated financial statements.

We have examined the methods used to perform these tests as well as the documentation available, particularly reports by independent experts.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - SPECIFIC VERIFICATION

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris, 15 April 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	**Cabinet Didier Kling & Associés**
Jacques Lévi	**Didier Kling**
Partner	**Partner**

REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2015, on:

— the audit of the accompanying financial statements of Edmond de Rothschild (France);
— the justification of our assessments;
— the specific verifications and information required by law.

These financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

I - OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

— As part of its operations, your Company holds positions in securities and financial instruments. The accounting principles and valuation methods used in connection with these positions are described in the sections "securities portfolio", "valuation of securities" and "revenues and expenses on forward financial instruments, swaps and options" of Note 1.2 to the financial statements. As part of our assessment of the accounting rules and methods applied by the Company, we examined their appropriateness, their application and the relevance of the disclosures in the notes to the financial statements.

— Note 1.2 to the financial statements indicates that investments in subsidiaries and affiliates are measured by reference to their value in use. As part of our assessment of these estimates, we examined the items that led to the determination of the current value of the main positions in the portfolio.

— Your company records provisions to cover litigation costs, as described in Note 2.17 to the financial statements. We reviewed the available information on which these provisions were based.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - SPECIFIC VERIFICATIONS AND INFORMATION

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Executive Board, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

In accordance with French law, we inform you that the management report does not contain the information required by article L.225-102-1 of the French Commercial Code regarding the remuneration and benefits paid to members of management bodies, or the commitments made in their favour. As a result, we cannot attest to the accuracy and fair presentation of this information.

Neuilly-sur-Seine and Paris, 15 April 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	**Cabinet Didier Kling & Associés**
Jacques Lévi	**Didier Kling**
Partner	**Partner**

REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF EDMOND DE ROTHSCHILD (France)

To the Shareholders,

In our capacity as Statutory Auditors of Edmond de Rothschild (France), and in accordance with article L.225 235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-68 of the French Commercial Code for the year ended 31st December, 2015.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-68 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

— to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and

— to attest that the report sets out the other information required by article L.225-68 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

INFORMATION CONCERNING THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

— obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;

— obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;

— determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of Supervisory Board's report, prepared in accordance with article L.225-68 of the French Commercial Code.

OTHER INFORMATION

We attest that the Chairman's report sets out the other information required by article L.225-68 of the French Commercial Code.

Neuilly-sur-Seine, the 15th April, 2016

PricewaterhouseCoopers Audit
Jacques Lévi
Partner

SPECIAL REPORT ON REGULATED AGREEMENTS

To the Shareholders,

In our capacity as Statutory Auditors of Edmond de Rothschild, we hereby report to you on related party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-58 of the French Commercial Code (Code de commerce), it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-58 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

AGREEMENTS AND COMMITMENTS TO BE SUBMITTED FOR THE APPROVAL OF THE ANNUAL GENERAL MEETING

Agreements and commitments authorised during the year

We were not informed of any agreement entered into during the year to be submitted for approval at the Annual General Meeting pursuant to the provisions of article L.225-86 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE ANNUAL GENERAL MEETING

Agreements and commitments approved in previous years and remaining in effect during the year

In accordance with Article R.225-57 of the French Commercial Code, we have been informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, remained in effect during the year.

1. Tax consolidation agreements with Edmond de Rothschild Asset Management (France)

Nature and purpose

Pursuant to the authorisation given by the Supervisory Board meeting of 25 March 2003, Edmond de Rothschild (France) entered into a tax consolidation agreement with its subsidiary Edmond de Rothschild Asset Management (France).

The agreement formally defines the manner in which Edmond de Rothschild (France) and its subsidiary divide among themselves the income tax charge and tax savings arising from the tax consolidation.

Terms and conditions

In 2015, tax payable by Edmond de Rothschild Asset Management (France) amounted to €14,620,194.

Persons concerned

Ariane de Rothschild is a member of the Supervisory Board of Edmond de Rothschild (France) and Chairman of the Supervisory Board of Edmond de Rothschild Asset Management (France).

Jean Hervé Lorenzi is a member of the Executive Board of Edmond de Rothschild (France) and Vice Chairman off the Supervisory Board of Edmond Rothschild Asset Management (France).

Vincent Taupin is Chairman of the Executive Board of Edmond de Rothschild (France) and a representative of Edmond de Rothschild (France) on the Supervisory Board of Edmond Rothschild Asset Management (France).

2. Agency agreement with Edmond de Rothschild Asset Management (France)

Nature and purpose

Pursuant to the authorisation given on 12 December 2002 by the Supervisory Board, Edmond de Rothschild (France) entered into an agency agreement with Edmond de Rothschild Asset Management on 16 December 2002. An amendment to this agreement was signed on 30 July 2007.

Terms and conditions

In the course of the Group's relations with external partners that market the funds managed by Edmond de Rothschild Asset Management (France) and other related companies, Edmond de Rothschild (France) mandates Edmond de Rothschild Asset Management (France) to pay those partners the amount owed by Edmond de Rothschild (France) under the relevant partnership agreements. Edmond de Rothschild (France) then settles the amount concerned by payment in arrears to Edmond de Rothschild Asset Management (France), upon presentation of quarterly or annual invoices. The remuneration paid by Edmond de Rothschild (France) to its subsidiary under this agreement amounted to €477,963 net of tax in 2015.

Persons concerned
Ariane de Rothschild is a member of the Supervisory Board of Edmond de Rothschild (France) and Chairman of the Supervisory Board of Edmond de Rothschild Asset Management (France).

Jean Hervé Lorenzi is a member of the Executive Board of Edmond de Rothschild (France) and Vice Chairman of the Supervisory Board of Edmond Rothschild Asset Management (France).

Vincent Taupin is Chairman of the Executive Board of Edmond de Rothschild (France) and a representative of Edmond de Rothschild (France) on the Supervisory Board of Edmond Rothschild Asset Management (France).

3.Commercial agreement with Edmond de Rothschild Assurances et Conseils (France)

Nature and purpose
Pursuant to the authorisation given on 14 December 1999 by the Supervisory Board, Edmond de Rothschild (France) signed a commercial agreement on 11 January 2000 with Edmond de Rothschild Assurances et Conseils, with retroactive effect as from 31 December 1999. In 2005, Assurances Saint-Honoré contributed part of its assets in the form of one of its business activities to Edmond de Rothschild Assurances et Conseils (France). The latter company took over Assurances Saint-Honoré's rights and obligations under the above-mentioned commercial agreement.

Terms and conditions
Edmond de Rothschild Assurances et Conseils (France) passes on commissions to Edmond de Rothschild (France) in return for business generated by that company. Total commissions received by Edmond de Rothschild (France) under this agreement in 2015 amounted to €786,718.38 net of tax.

Person concerned
Vincent Taupin is Chairman of the Executive Board of Edmond de Rothschild (France) and a representative of Edmond de Rothschild (France) on the Supervisory Board of Edmond Rothschild Assurances et Conseils (France).

Neuilly-sur-Seine et Paris, 15 April 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	**Cabinet Didier Kling & Associés**
Jacques Lévi	**Didier Kling**
Partner	**Partner**

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France

Resolutions

FIRST RESOLUTION

The General Meeting, having reviewed the report of the Executive Board, the observations of the Supervisory Board and the report of the Auditors on the parent-company financial statements, approves the balance sheet and income statement for the financial year ended 31 December 2015, together with the transactions recorded in those statements or summarised in those reports.

In accordance with article 223 quater of the French General Tax Code, the General Meeting notes that the total amount of expenses within the meaning of article 39(4) of the French General Tax Code was €466,751 in 2015, corresponding to €155,584 of income tax assumed.

SECOND RESOLUTION

The General Meeting, having reviewed the report of the Executive Board, the observations of the Supervisory Board and the report of the Auditors on the consolidated financial statements, approves the consolidated balance sheet and consolidated income statement for the financial year ended 31 December 2015, together with the transactions recorded in those statements or summarised in those reports.

THIRD RESOLUTION

The General Meeting, having read the special report of the Auditors, approves the agreements referred to in that report.

FOURTH RESOLUTION

The General Meeting takes note that the profit available for distribution comprises (in euros):

Profit for 2015	30,713,022.91
Retained earnings	34,224,826.43
Appropriation to the statutory reserve	-
Earnings available for distribution	64,937,849.34

The General Meeting resolves to allocate earnings available for distribution as follows:
Distribution of a dividend of €4.42 per share,

making total dividends of	24,479,674.96
Leaving retained earnings of	40,458,174.38

In accordance with article 243 bis of the French General Tax Code, it is stated that the dividend qualifies for the 40% allowance for natural persons whose tax domicile is in France provided for in article 158-3 of the French General Tax Code.

The following dividends per share were paid in respect of the three previous financial years:

	2014	2013	2012
Dividend per share	3.16	2.91	-
Amount eligible for relief under Article 158-3-2 of the French General Tax Code	40%	40%	-

The dividend for 2015 will be paid from 1 June 2016.

FIFTH RESOLUTION

The General Meeting reappoints Mr Jean Dumoulin as member of the Supervisory Board. In accordance with the articles of association, the appointment is for a three-year term. However, it is hereby agreed that Mr Dumoulin's term of office will expire early on the day that Caisse de Dépôt et Placement du Québec sells its entire stake in Edmond de Rothschild (France).

SIXTH RESOLUTION

The General Meeting reappoints Mr François Boudreault as non-voting member of the Supervisory Board. In accordance with the articles of association, the appointment is for a three-year term. However, it is hereby agreed that Mr Boudreault's term of office will expire early on the day that Caisse de Dépôt et Placement du Québec sells its entire stake in Edmond de Rothschild (France).

SEVENTH RESOLUTION

The General Meeting, having been read the Executive Board report and having been consulted in accordance with Article L. 511-73 of the French Monetary and Financial Code, approves the overall package of remuneration of all types amounting to €20,970,386 paid during 2015 to persons covered by Article L. 511-71 of the French Monetary and Financial Code.

EIGHTH RESOLUTION

The General Meeting, having been read the Executive Board report, and in order to ensure that the Group remains competitive in terms of remuneration, resolves that the variable element of the total remuneration of persons covered by Article L. 511-71 of the French Monetary and Financial Code may represent a maximum of twice their fixed remuneration. That decision shall apply to people with the following roles or meeting the following criteria:

- Roles:
    - members of the Executive Committee, the Executive Board (or Board of Directors as the case may be) and Senior Management
    - heads of Control Functions (Audit, Risk Management, Compliance) and those with managerial responsibilities that report to them
    - heads of Business Units and those with managerial responsibilities that report to them
    - Heads of certain Support Functions (including Finance, HR, IT, Legal etc.)
    - Heads of Risk Management and Members of Risk Management Committees
    - Heads of New Products and Members of New Products Committees

- Other criteria
    - Managers of Risk-Takers
    - Employees whose total remuneration is €500,000 or more and/or employees in the top 0.3% in terms of remuneration
    - Employees whose total remuneration is at least equal to that of the Senior Management member with the lowest remuneration