Edmond de Rothschild (France)

Pillar III report 2019

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Key figures
EDMOND DE ROTHSCHILD (FRANCE)

2019 management indicators	**(in millions of euros)**
Assets under management	50,834
Group commitments to clients	1,169
Doubtful loans	0.34
Doubtful loans after provisioning	-

Regulatory ratios 31/12/2019		**Regulatory requirements - Basel III**
Solvency ratio	14.06%	Minimum requirement of 8% excluding capital buffer
CET1 ratio	13.88%	Minimum requirement of 4.5% since 2015
Leverage ratio	5.96%	Expected level of 3%
Liquidity coverage ratio (LCR)	170.02%	Minimum requirement of 100% in 2019

This Pillar III report supplements the financial reporting in Edmond de Rothschild (France)'s annual report, setting out regulatory and qualitative information required under Basel III (see Regulation (EU) No 575/2013).

Additional information about the recruitment policy

Key information about the recruitment policy, including the overall policy regarding diversity, is set out in the “Declaration of Extra-Financial Performance” section of Edmond de Rothschild (France)’s annual report.

Recruitment policy for Executive Board members

When selecting Executive Board members, the Bank seeks a balance in terms of age, length of service and experience, as well as a balance between experience and affinity with the Bank’s business activities and their culture. When assessing the suitability of an Executive Board candidate, the following are taken into account and assessed:

- Reputation criteria,
- Experience criteria,
- Availability criteria,
- Managerial criteria,
- Governance criteria.

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

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

At 31 December 2019, the Executive Board consisted of two members who manage Edmond de Rothschild (France) in a collegial manner.

Renzo Evangelista became Chairman of Edmond de Rothschild (France)’s Executive Board on 14 March 2019.

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

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

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Philippe Cieutat has been a member of Edmond de Rothschild (France)'s Executive Board since 27 November 2014, and its Chief Executive Officer since 14 March 2019.

He was born on 25 December 1976 and is a graduate of the École Supérieure des Sciences Économiques et Commerciales (ESSEC) and of the Institut d'Etudes Politiques de Paris.
He started his career in 2002 as an auditor specialising in the financial sector at Mazars, before joining HSBC France's Internal Audit department in 2005 as Internal Auditor then Head of Internal Audit. He joined HSBC Global Asset Management (France) in 2009 as Chief Financial Officer, and was a member of the Executive Committee for the Asset Management business line.
In 2013, Philippe Cieutat became Head of Strategy and Organisation at HSBC France and a member of its Executive Committee. That role included responsibility for executing HSBC France's strategic plan.

Allocation of responsibilities between the Executive Board members[1]

Renzo Evangelista is in charge of strategy and development and of supervising: (i) Private Banking (including insurance brokerage) and Corporate Finance, (ii) asset management subsidiaries, (iii) commercial activities, (iv) the Human Resources Department, (v) the Communications Department and (vi) General Resources.
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Philippe Cieutat is in charge of supervising the following activities: (i) Finance, (ii) Risk Management, Compliance, Legal and Permanent Control, (iii) the Operations Department, (iv) the Information Systems Department, (v) the Capital Markets Department and (vi) Custody.

The lists of roles held by Renzo Evangelista and Philippe Cieutat in 2019 are provided in the Report of the Supervisory Board on Corporate Governance included in the Edmond de Rothschild (France) annual report.

[1]: Allocation approved in the Supervisory Board meeting of 12 March 2019

Additional information about the remuneration policy

The key aspects of the risk management policy are set out in Note 10 to the financial statements in Edmond de Rothschild (France)'s annual report.

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

Regulatory context in terms of the remuneration policy

Banking sector

History

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

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

Since 2015, remuneration-related regulations have been based on CRD IV (Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, replacing CRD III in force since 2011), which was transposed into French law by the order of 3 November 2014 and replaced CRBF regulation 97-02 of 21 February 1997.

Asset management industry

History

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

Current remuneration policy

The updated Remuneration Policy for 2019, published on the Group's intranet (France section), was validated by the Supervisory Board after a favourable opinion from the Remuneration Committee and the Executive Board. The Human Resources, Risk and Compliance Departments were involved in this latest update to the Remuneration Policy. It was subject to an independent review by Internal Audit.

Key principles of the remuneration policy

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

Key principles:

Fairness: the Group seeks a remuneration policy that recognises the value of teams and motivates them, and ensures that people are compensated fairly for equivalent roles and responsibilities. The fairness principle is applied when people are recruited and during their employment contract, and specifically relates to equal pay between men and women.
Please see the Edmond de Rothschild (France)'s annual report for more information about the diversity policy ("Diversity and equal opportunity" section of the sustainability report).

Alignment of interests: the Policy actively helps attract new talent, retain and motivate staff members, and enhance the long-term performance of the French Group, in the interests of its clients, shareholders and staff members.

Rewarding performance while limiting risk, in accordance with applicable regulations: total remuneration must not harm the Group's ability to strengthen its capital base. The variable remuneration paid to each staff member must be consistent not only with the qualitative and quantitative targets set for him/her individually, but also with the targets of the department and entity to which he/she belongs.

The Group pays particular attention to the **connection between the annual individual skills and performance appraisal process and changes in remuneration,** which cannot be separated. The French Group prioritises aligning remuneration with its earnings. If its earnings are unsatisfactory or non-existent, this may cause variable remuneration to be reduced, potentially to zero, in a given year.

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

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

Priorities for 2019:

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

Governance

The roles of the various departments

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

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

An annual report on the variable remuneration of the employees concerned is sent to France's prudential supervisory authority (Autorité de Contrôle Prudentiel et Résolution).

Role of the Remuneration Committee and Supervisory Board

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

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

Composition of the Remuneration Committee:

Permanent members:

- Benjamin de Rothschild, Chairman, represented by Ariane de Rothschild;
- Véronique Morali, external director;
- Christian Varin, external director.

Guest members:

- Vincent Taupin, Global Group Chief Executive Officer;
- Renzo Evangelista, Chairman of the Executive Board, EdR (France);
- Christophe Caspar, Chairman of the Executive Board, EdRAM (France);
- Cynthia Tobiano, Global Group Deputy Chief Executive Officer and Chief Financial Officer;
- Diego Gaspari, Global Group Head of Human Resources;
- Jean-Christophe Pernollet, Global Group Head of Risks and Compliance;
- Sandrine Polo and Sylvain Blondel, Global Group Heads of Remuneration and Benefits within the Group Human Resources Department;
- Marie-Charlotte Bonnassieux, Head of Human Resources France;
- Patricia Bouvard, Senior HR Business Partner EdRAM (Global).

Edmond de Rothschild (France)'s Remuneration Committee met on 26 February 2020; the meeting comprised two sub-sessions, the first of which focused on Edmond de Rothschild (France) and its subsidiaries and branches, and the second on Edmond de Rothschild Asset Management (France) and its branches. The Supervisory Board, in its 11 March 2020 meeting, approved the proposals of the Remuneration Committee.

Deferred variable remuneration arrangements for 2019

Deferred variable remuneration arrangements for 2019

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

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

"Identified" staff categories adopted in accordance with CRD IV

- 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 Permanent Members of Risk Committees
- Heads of New Products and Permanent Members of New Products Committees
- Managers of Risk-Takers
- Staff members 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

Remuneration threshold used to determine risk-takers whose variable remuneration may be deferred and the instruments used

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

Arrangements for employees whose variable remuneration may be deferred and the instruments used

- Deferred variable remuneration is paid subject to a condition regarding employees' presence within the Group at the end of the relevant period:
    - For certain risk-takers, deferred variable remuneration is wholly or partly in the form of rights to acquire participation certificates in the Group's Swiss holding company (the "Employee Share Plan"), with one third vesting in June 2021, one third in June 2022 and one third in June 2023 and subject to a 1-year lock-up period, after which the participation certificates will be assignable for a limited period;
    - Other deferred variable remuneration (either in addition to the Employee Share Plan or comprising the total) takes the form of a cash payment linked to the share price of the Group's Swiss holding company ("Group Performance Plan"), with one third paid in July 2021, one third in July 2022 and one third in July 2023;
    - For higher earners, the two aforementioned instruments make up five sixths of deferred remuneration, with the remaining sixth taking the form of a deferred cash payment, with one third paid in March 2021, one third in March 2022 and one third in March 2023.

For Edmond de Rothschild Asset Management (France)

"Identified" staff categories adopted in accordance with AIMFD and UCITS V

- 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
- Portfolio managers
- Head of Business Units
- Heads of certain Support Functions (including the heads of Finance and Marketing and the COO) and Heads of Sales
- Heads of Risk Management and Members of Risk Committees
- Managers of Risk-Takers
- Total remuneration of €500,000 or more
- Employees whose total remuneration is at least equal to that of the Senior Management member with the lowest remuneration

Remuneration threshold used to determine risk-takers whose variable remuneration may be deferred and the instruments used

- Variable remuneration of €100,000 or more: deferred amount representing 40% of variable remuneration (60% for top earners).

Arrangements for employees whose variable remuneration may be deferred

- Immediate variable remuneration is paid:
  - 50% in the form of instruments (units of the basket representing AIFs and UCITS) vesting immediately at the time of the 1 April 2020 allotment but subject to an 8-month lock-up period after which the units are delivered in cash (December 2020);
  - The remainder in cash in March 2020.

Deferred variable remuneration is paid subject to a condition regarding employees' presence within the Group at the end of the relevant period:

- 50% in the form of instruments (units of the basket representing AIFs and UCITS) vesting gradually (one third on 1 April 2021, one third on 1 April 2022 and one third on 1 April 2023) and subject to a 12-month lock-up period after which the units are delivered in cash (i.e. in April of the following year for each respective tranche);
- the remainder:

  - Wholly or partly in cash, with one third delivered in March 2021, one third in March 2022 and one third in March 2023;

  - For certain risk-takers, wholly or partly in the form of rights to acquire participation certificates in the Global Group's Swiss holding company (the "Employee Share Plan"), with one third vesting in March 2021, one third in March 2022 and one third in March 2023 and subject to a 2-year lock-up period, after which the participation certificates will be assignable for a limited period. In no event can this Employee Share Plan substitute for the aforementioned instrument.

It should be noted that the indexation of units of the basket representing AIFs and UCITS started on 1 January 2020, three months before the initial grant.

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

Edmond de Rothschild Corporate Finance benefits from the exemptions provided for by Article 198 of the French government order of 3 November 2014 because it does not carry out any regulated activities, its total assets are significantly less than €10 billion and its activities do not entail any risk to the solvency or liquidity of the group to which it belongs. For its Chairman and Associate Directors, it applies the same threshold for triggering deferred variable remuneration as EdR (France), with that remuneration delivered as deferred cash subject to a presence condition, with one third delivered in March 2021, one third in March 2022 and one third in March 2023. That deferred cash may be supplemented by the Group's Employee Share Plan.

Variable/fixed remuneration ratio for 2019

In the General Meeting of Shareholders of 15 May 2019, shareholders unanimously approved a maximum ratio of variable to fixed salary components equal to 200% for all employees with belonging to the French Group's CRD IV-regulated population, for remuneration granted with respect to 2019 and in order to ensure that the French Group's remuneration remains competitive.

Those affected by the capping of variable remuneration are not authorised to exercise, directly or indirectly, the voting rights that they may hold as shareholders or holders of equivalent ownership rights giving an entitlement to take part in votes.

Remuneration by business area

	Asset Management (including Private Equity)	Support functions	Independent functions (Control)	Other (Private Banking including trading room activities, Corporate Finance, Insurance)
Total remuneration (€ thousands)	21,429	24,567	4,628	32,202

Remuneration – Executives* and other risk-takers

	Executives	Other risk-takers
Number of individuals	26	166
Total fixed remuneration (€ thousands)	4,756	17,611
Total variable remuneration (€ thousands)	3,785	9,004
of which total variable remuneration granted in year N and deferred (€ thousands)	1,249	1,824
Article 450 h(iii) of the Capital Requirements Regulation (CRR) - Total deferred variable remuneration granted in previous years and not yet paid (€ thousands)	3,462	4,034
Guaranteed variable remuneration: number of beneficiaries	1	5
Total guaranteed variable remuneration (€ thousands)	20	500
Severance payments: number of beneficiaries	1	7
Article 450 h(v) - Highest severance payment granted to a staff member (€ thousands)	281	1,123

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

Regulatory reporting

At 31 December 2019, Edmond de Rothschild (France)'s regulatory reporting scope was the same as its consolidated accounting scope.
Details of entities in the Edmond de Rothschild (France) group's consolidated accounting scope are provided in Note 7 to the financial statements in Edmond de Rothschild (France)'s annual report, available on the Edmond de Rothschild (France) website.
This table shows the transition from the Edmond de Rothschild (France) group's consolidated accounting balance sheet to its regulatory balance sheet, on the basis of which regulatory capital is calculated.

ASSETS	Consolidated balance sheet	Regulatory adjustments	Accounting balance sheet, regulatory sub-scope
Cash, due from central banks and postal accounts	2,229,167		2,229,167
Financial assets at fair value through profit and loss	171,859		171,859
Financial assets at fair value through equity	3,719		3,719
Securities at amortised cost	10,384		10,384
Loans and receivables due from credit institutions, at amortised	234,936		234,936
Loans and receivables due from clients, at amortised cost	876,774		876,774
Current tax assets	6,073		6,073
Deferred tax assets	13,166		13,166
Accruals and other assets	158,733		158,733
Investments in associates	67,964		67,964
Property, plant and equipment	39,640		39,640
Right-of-use assets	43,989		43,989
Intangible assets	23,783		23,783
Goodwill	74,313		74,313
TOTAL ASSETS	**3,954,500**		**3,954,500**

EQUITY AND LIABILITIES	Consolidated balance sheet	Regulatory adjustments	Accounting balance sheet, regulatory sub-scope
Financial liabilities at fair value through profit and loss	1,582,115		1,582,115
Hedging derivatives	-		-
Due to credit institutions	88,276		88,276
Due to clients	1,603,964		1,603,964
Debt securities	-		-
Current tax liabilities	575		575
Deferred tax liabilities	243		243
Accruals and other liabilities	248,670		248,670
Provisions	24,590		24,590
Subordinated debt	-		-
Equity	406,067		406,067
Equity attributable to equity holders of the parent	395,496		395,496
. Share capital and reserves	201,195		201,195
. Consolidated reserves	173,549		173,549
. Other comprehensive income	6,378		6,378
. Net profit for the year	14,375		14,375
Non-controlling interests	10,571		10,571
TOTAL LIABILITIES AND EQUITY	**3,954,500**		**3,954,500**

Capital and capital requirements

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

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

Regulatory capital requirements cover four types of risk:

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

At 31 December 2019, regulatory capital was calculated on the basis of Edmond de Rothschild (France)'s consolidated scope. At 31 December 2018, it was calculated on the basis of Edmond de Rothschild SA's consolidated scope.

	31/12/19	31/12/18
Share capital	83,076	72,943
Share premium	98,244	10,590
Consolidated reserves	190,311	348,363
Other comprehensive income	6,378	
Income for the year	14,375	50,510
Equity attributable to equity holders of the parent	**392,384**	**482,406**
Deduction of income for the year	−14,375	−50,510
Minority interests taken into account	-	-
Regulatory equity (in thousands of euros)	**378,009**	**431,897**
Goodwill	−74,313	−105,379
Equity interests	−41,481	−41,962
Intangible assets	−23,783	−24,582
Other deductions	-	-
Deductions	**−139,577**	**−171,923**
Tier 1 capital	**238,433**	**259,974**
Additional Tier 1 capital	**931**	**8,400**
Tier 2 capital	**2,172**	**12,600**
Regulatory capital (in thousands of euros)	**241,536**	**280,974**
Exposures to corporates	46,097	59,301
Exposures to equities/funds	2,895	1,841
Exposures to institutions	12,718	9,798
Other exposures	27,961	21,310
Exposures to sovereigns	-	-
Credit risk	**89,671**	**92,250**
CVA	**467**	**410**
Exchange-rate risk	838	749
Interest-rate risk	5,102	6,679
Equity risk	-	4
Market risk	**5,939**	**7,432**
Operational risk	**41,394**	**41,915**
Capital requirement (in thousands of euros)	**137,472**	**142,007**
CET1 ratio	**13.88%**	**14.65%**
T1 ratio	**13.93%**	**15.12%**
Total ratio	**14.06%**	**15.83%**

Leverage ratio

In thousands of euros	31/12/19	31/12/18
Tier 1 capital	**238,433**	**268,374**
Total regulatory assets	3,954,500	3,728,407
Adjustments for fiduciary assets recognised on the balance sheet but excluded from the leverage ratio exposure	-	-
Adjustments for derivative financial instruments	13,687	31,302
Adjustments for securities financing transactions	-	-
Off-balance sheet exposure (loan and guarantee commitments)	174,772	167,561
Technical and regulatory adjustments (filters and adjustments)	−139,122	171,923
Exposure for the leverage ratio	**4,003,838**	**3,755,347**
Leverage ratio(*)	**5.96%**	**7.15%**

(*) The leverage ratio in the transitional phase is 5.98% before the application of regulation 2015/62.
(**) At 31 December 2019, regulatory capital was calculated on the basis of Edmond de Rothschild (France)'s consolidated scope. At 31 December 2018, it was calculated on the basis of Edmond de Rothschild SA's consolidated scope.

The leverage ratio is calculated every quarter according to the rules for the transitional phase in accordance with regulation 2015/62 of 10 October 2014.

The leverage ratio decreased in 2019, as a result of the change in consolidation scope between Edmond de Rothschild SA and Edmond de Rothschild (France). Additional tables are provided in the appendix giving details of the leverage ratio components.

Presentation of the risk management strategy and policy

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

Implementing the strategy through risk tolerance levels

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

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

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

General principles

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

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

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

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

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

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

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

Risk categories

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

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

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

The risks identified are as follows:

- **Credit risk:** Credit risk is the risk of a financial counterparty or a client with which the Group's banks have contractual ties, particularly regarding loans or receivables arising from financial instruments, becoming insolvent (Group definition). It includes:
    - **Client credit risk:** risk of credit granted to clients not being repaid in part or in full (loans, overdrafts, guarantees given to third parties);
    - **Counterparty risk:** the risk present in all proprietary investments in securities issued by counterparties (commercial paper, certificates of deposit, shares, debt securities or equity securities) or in all contracts in which a counterparty acts as paying or receiving agent (swaps, forward currency contracts);
    - Settlement risk: the risk incurred during the period between the time when an instruction to pay for or deliver a sold financial instrument can no longer be honoured and the time it is honoured (French government order of 3 November 2014);
    - **Country risk:** risk of amounts receivable from financial counterparties or clients not being recovered because of difficulties encountered by a country/group of countries or because of payments/repayments being blocked following political and/or legal decisions (Group definition);
    - **Custodian risk:** risk arising from the duty of the bank, because of its role as custodian or valuer/account-keeper, to return securities or cash as soon as possible (General Regulation of the Autorité des Marchés Financiers);
    - **Credit concentration risk:** risk arising from a single exposure or group of exposures that may lead to losses that are sufficiently large (compared with capital, total assets or the overall risk level) to threaten a bank's solidity or its ability to carry out its essential activities (Basel II - 2006);
- **Market risk:** Market risk arises from Group's financial position being exposed to an adverse movement in market prices, particularly the price of an underlying asset and its implied volatility (Group definition). It includes:
    - **Currency risk:** risk arising from foreign exchange positions in the bank's proprietary activities, either because of a residual "book" kept by the bank's trading room or because of investments held by the bank in foreign currencies;
    - **Interest-rate risk:** the risk relating to variations in interest rates, arising from all on- and off-balance sheet transactions, with the exception of any operations subject to market risks (French government order of 3 November 2014);
    - **Risk relating to the equity, precious metals and commodities markets**: risk arising from "trading book" positions on financial assets in these markets;
    - **Market concentration risk:** a market risk exposure that may potentially produce losses large enough to threaten the financial health of a credit institution or its ability to maintain its core activities.
- **Third-party risk:** These risks are those that the Bank takes as part of its activities on behalf of third parties, not those taken by clients. These risks include:
    - **Liquidity risk**: the risk of payments being suspended or postponed when our clients – investing through mandates or in our funds – request withdrawals, generating a major reputational risk for the Bank;

- **Risk of “strategy drift”**: risk of an asset manager diverging significantly from his/her mandate in terms of performance or risks taken, which could affect the Bank’s ability to fulfil its management obligation.

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

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

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

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

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

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

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

Control organisation

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

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

Limits are adopted for the various risks with appropriate timeframes (ranging from intraday to quarterly) and risk levels are translated into potential capital losses.
There is an escalation process for all risks, from simply alerting management to issuing an official warning to EdR France's Risk Committee.

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

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

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

No major matters for attention were referred to the Risk Committee for 2019.

Credit risk

Exposures by Basel category

The exposures mentioned correspond to Basel risk exposures.

Credit risk exposures break down as follows by Basel category:

Exposure category	Exposure	Risk-weighted exposures	Capital requirements
Exposures to sovereigns	2,231,398	-	-
Exposures to corporates	1,034,796	607,003	48.56
Exposures to institutions	479,414	158,979	12,718
Exposures to equities / funds	28,067	36,187	2,895
Other exposures	225,676	318,723	25,498
Total (in thousands of euros)	**3,999,351**	**1,120,892**	**89,671**

Exposures to derivatives represent 0.7% of total exposures and 0.6% of total risk-weighted exposures. They are not material.

Exposures to doubtful loans are also not material, with gross exposure of €0.334 million.

Exposures by geographical region

94.3% of risk exposures are in the European Union, including 82.8% in France and 8.5% in Luxembourg.

Exposure category	European Union	of which France	of which Luxembourg	of which Italy	Europe excl. EU	of which Switzerland	Africa and Middle East	North America	Asia-Pacific	Latin America and Caribbean	Grand total
Exposures to sovereigns	2,231,398	2,231,306	92	-	-	-	-	-	-	-	2,231,398
Exposures to corporates	1,019,560	639,077	318,353	50,337	13,382	9,625	156	109	1,000	589	1,034,795
Exposures to institutions	295,979	234,018	11,175	37,583	182,347	180,534	848	-	18	223	479,414
Exposures to equities / funds	28,005	22,394	47	-	-	-	-	42	20	-	28,067
Other exposures	194,731	185,744	8,987	-	-	-	22,351	8,594	-	-	225,676
Total (in thousands of euros)	**3,769,673**	**3,312,538**	**338,654**	**87'92**	**195,728**	**190,159**	**23,355**	**8,745**	**1,038**	**812**	**3,999,351**
Geographical breakdown	**94.26%**	**82.83%**	**8.47%**	**2.20%**	**4.89%**	**4.75%**	**0.58%**	**0.22%**	**0.03%**	**0.02%**	**100.00%**

Exposures by business

73% of risk exposures concern financial and insurance activities and 25% relate to Private Banking clients.

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

- 72% relate to "financial and insurance activities",
- 26% consist of Private Banking exposures.

Exposure category	Financial and insurance activities	Individuals	Other businesses	Grand total	Breakdown of financial activity exposures	Breakdown of exposures to individuals
European Union	2,719,843	963,379	86,451	3,769,673	68.0%	24.1%
Europe excl. EU	182,214	13,514	-	195,728	4.6%	0.3%
North America	8,636	109	-	8,745	0.2%	0.0%
Africa and Middle East	23	980	22,351	23,355	0.0%	0.0%
Asia-Pacific	223	-	589	812	0.0%	0.0%
Latin America and Caribbean	1,038	-	-	1,038	0.0%	0.0%
Total (in thousands of euros)	**2,911,978**	**977,983**	**109,391**	**3,999,351**	**72.8%**	**24.5%**

Exposures by Basel category and remaining maturity

Exposure category	From 1 to 3	From 3 months to	1-5 years	More than 5	TOTAL
Exposures to sovereigns	2,229,166	92	2,140	-	2,231,398
Exposures to corporates	704,316	210,909	53,438	66,132	1,034,795
Exposures to institutions	240,776	34,612	16,150	187,876	479,414
Other exposures	525	-	-	27,543	28,067
Exposures to equities / funds	25,609	22,573	-	177,494	225,676
Total (in thousands of euros)	**3,200,391**	**268,187**	**71,729**	**459,044**	**3,999,351**

Credit risk exposures by weighting

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

External ratings are used for bank and sovereign counterparties.

Final weighting	Risk exposure	Risk-weighted exposures	Capital requirements
0%	2,263,263	-	-
2%	1,105	22	2
20%	581,469	116,294	9,304
35%	282,889	99,011	7,921
50%	41,469	20,734	1,659
70%	269,083	188,358	15,069
100%	345,080	345,080	27,606
150%	186,093	279,139	22,331
250%	28,901	72,254	5,780
Total (in thousands of euros)	**3,999,351**	**1,120,892**	**89,671**

Credit risk mitigation

The risk mitigation policy mainly consists of taking security for credit commitments to clients, along with margin call mechanisms as part of bilateral agreements for derivatives trading. Additional information is provided in Part 2, Section 1 of Note 10 “Risk management and financial instruments” in the 2019 annual report.

Non-trading book equity exposures

Figures relating to Edmond de Rothschild (France)’s equity portfolio are included in the 2019 annual report, in Part 3.2 “Equities and other variable-income securities” of Note 3 ”Analysis of balance sheet items”.

Encumbered assets

Initial information about the Edmond de Rothschild (France) group's encumbered assets is available in Note 3.9 to the 2019 financial statements published in the French official journal. The template required under French government order no. 297, published in the official journal on 24 December 2014, is used, stating encumbered assets at 31 December 2019.

Additional information is provided in this Pillar III report in accordance with the requirements with European Commission Delegated Regulation (EU) 2017/2295, based on a template and showing median values of 2019 quarterly figures.

Encumbered and unencumbered assets

		Median values of 2019 quarterly figures			
		Carrying amount of encumbered assets	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
In thousands of euros		010	040	060	090
010	**ASSETS OF THE REPORTING INSTITUTION**	**25,598**		**3,877,030**	
020	Loans on demand	25,598		2,283,057	
030	Equity instruments				
040	Debt securities			12,320	
050	*of which covered bonds*				
060	*of which asset-backed securities*				
070	*of which issued by general governments*			2,243	
080	*of which issued by financial corporations*			62	
090	*of which issued by non-financial corporations*			10,293	
120	**Other assets**			**1,102,636**	

Collateral received

		Median values of 2019 quarterly figures	
		Fair value of encumbered collateral received or own debt securities issued	Unencumbered
			Fair value of collateral received or own debt securities issued
In thousands of euros		010	040
130	**Collateral received by the reporting institution**	**-**	**-**
140	Loans on demand		
150	Equity instruments		
160	Debt securities		
170	*of which covered bonds*		
180	*of which asset-backed securities*		
190	*of which issued by general governments*		
200	*of which issued by financial corporations*		
210	*of which issued by non-financial corporations*		
220	Loans and advances other than loans on demand		
230	Other collateral received		
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	**-**	**-**
241	Own covered bonds asset-backed securities issued and not yet pledged		
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**25,598**	**-**

Sources of encumbrance

		Median values of 2019 quarterly figures	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
In thousands of euros		010	030
010	**Carrying amount of selected financial liabilities**	**-**	**25,598**

Market risk

Market risk limits

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

These limits are expressed in three ways:

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

Periodic control and reporting

Proprietary Risk Control prepares a summary of risks and results for the Financial Risk Committee at least every month. This Committee holds a full meeting once per month, attended by the CEO, a representative of the Central Risk Department, the Head of the Trading Room, the Heads of Treasury and Commitments, and a representative of asset management company EdRAM.

Proprietary Risk Control also compiles a quarterly scorecard summarising changes in the use of market and counterparty risk limits by all desks in the Trading Room. The report is sent to the Head of the Trading Room and to the members of the Executive Board.

2019 report

Treasury activities generated a profit and risk levels remained very low.
The average use of risk limits was 12.5% for foreign-exchange activities and 59.6% for fixed-income activities (limit weighted on a *pro rata temporis* basis).

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

	Year end		Average	
(in thousands of euros)	2019	2018	2019	2018
Exchange-rate risk*	172	184	100	85
Interest-rate risk**	1,688	1,184	2,387	1,277

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

The limits defined for 2019 remain lower than 2% of capital.

Interest-rate risk

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

Operational risk

Monitoring of operational risk

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

To prevent an operational risk jeopardising the Group's smooth running, Edmond de Rothschild (France) has for several years had an operational risk management system that forms an integral part of its management functions and relies on preventing problems by identifying and assessing risks based on the effectiveness of controls, the adoption of action plans to address processes deemed "risky" and active management of incidents allowing improved control over the associated costs and greater control over processes.

The system is closely monitored by the Bank's Senior Management, which periodically checks that operational risk exposure is in line with the defined risk tolerance.

The main aspects of the EdR Group (France)'s operational risk management policy, updated in December 2019, are as follows:

- the Bank's position, scale and risk profile mean that the **standardised approach** is used to calculate the capital requirement. At 31 December 2019, the capital set aside to cover operational risks amounted to €41.4 million;
- in accordance with the Edmond de Rothschild Group framework, Edmond de Rothschild (France)'s Senior Management has defined its operational risk tolerance as "Medium". That tolerance has been applied to 14 core operational risks, linked to Basel categories. Every quarter, Edmond de Rothschild (France) assesses its exposure to tolerance criteria represented by threshold values in terms of net financial impact/absolute value, number of incidents and risk reports assessed according to their severity/criticality. The scorecard presents an analysis of measurements and limit violations with respect to the defined tolerance and identified risk mitigation actions;
- Involvement of the Executive Board and Audit Committee, as part of the review and approval of the operational risk management system, in defining the tolerance/threshold values;
- Adoption of an annual top-down assessment of operational risks by a designated director who is a member of the Supervisory Board;
- adoption of an organisation allowing **the various entities to be given responsibility for and to be involved in** operational risk management, which must play an integral role in managerial decisions. At the level of each group entity/department, an operational risk officer is in charge of formally appointing an operational risk correspondent and business-line managers/contributors in charge of collecting information about incidents and helping to identify and rate risks. That officer is in charge of validating the risk map and defining the business activity's key risks and the action plan to be adopted.
- **Operational risk management is led by a team of three people reporting to the Central Risk Department.** That team is in charge of co-ordinating and overseeing the process of rolling out the operational risk management policy and the methods and tools adopted to achieve that. It is supported by a network of correspondents located within entities and departments. In 2019, that network of correspondents comprised 13 people, representing three full-time-equivalent staff members dedicated to operational risk.

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Scope of activities covered:

- Private Banking;
- Asset Management / Private Banking Investment & Advisory / Cleaveland (real estate), Private Equity (EdRPE);
- Corporate Finance (EdRCF);
- Trading Room, Operations, IT, Finance;
- Legal/Compliance/Third-Party Relations/Credit;
- General Resources, Security, Human Resources;
- Country: France, Italy;

Monitoring system

The operational risk management system involves the following arrangements:

- **entities disclose all operational incidents, whether they have a positive or negative financial impact,** and with no minimum amount. In this way, the Group shows its intention to go beyond the notion of financial loss in order to have a comprehensive view of incidents, particularly those that have an image, regulatory or security impact, and to improve its management of low-cost but high-frequency incidents. The operational risk management team:
    - reviews all of these incidents to ensure that they are analysed properly, that identified security actions are taken and that they are consistent with the risk rating;
    - systematically analyses the most material incidents, working with the entities concerned, in order to adopt action plans where necessary;
    - reports major incidents to Senior Management;
    - compares the reported financial impacts with the dedicated error accounts and the management of associated provisions.

- **Alert and disclosure process:**

  Whenever a staff member becomes aware of an incident, he/she must report it to his/her manager and declare it in the system. Edmond de Rothschild (France)'s Senior Management must be alerted about any incident with a value of over €50,000 or rated "Serious". If an incident has a value of over €100,000 or is rated "Serious" with no identified financial impact, the EdR Group's head of risk is also informed.

  If an incident has a value of over €500,000, it is regarded as material for Edmond de Rothschild (France) and is reported immediately to the ACPR, the Supervisory Board and the Risk Management Committee. In addition to the quantitative threshold, Edmond de Rothschild (France) has, since December 2017, reported to the ACPR and the supervisory body major incidents that have no financial impact but do have an impact in terms of data security/confidentiality or represent major compliance risks. In particular, any major incident that results in action by the crisis management unit, a PSD2 (Payment Services Directive 2) disclosure or a CNIL disclosure (within the meaning of the GDPR) is also reported to the ACPR.

- **Introduction of operational risk mapping** allowing operational risks to be identified and rated for all business lines. The mapping is based on an analysis of processes, discussions with business-line heads, assessments of level-1 controls and the control system, the results of permanent control and audit results, and incidents that have taken place. Where a risk is rated Critical or High, and to the extent that it can be mitigated, a target risk and an action plan are defined. The risk map is subject to a formal, comprehensive review at least every two years. Risk ratings related to security, payment instruments and fraud have had to be reviewed every year since 2018. They are updated on an ongoing basis in the event of material changes that show an increase or reduction in the risk. Risks rated "Critical" and "High" and the associated action taken are subject to specific monitoring. In the absence of an action plan, the person responsible for the entity must give reasons for accepting the risk. The system is supplemented by:
    - **Annual identification of top risks**: the top risks identified since 2016 (IT and physical security) were confirmed in the EdR (France) Risk Committee meeting of 10/12/2019 and the Supervisory Board meeting of 11/12/2019.
    - **Risk indicator**: in addition to incidents and the risk map, 46 risk indicators were monitored in 2019 in connection with the EdR Group, in relation to the 14 essential operational risks including tolerance thresholds used to measure those risks.
    - **Employee awareness-raising** regarding the operational risk system. In 2019, when a new Group version of the operational risk management system was introduced, 100 staff members in France received training in relation to the incident reporting system.

- **monitoring** is based on the following committees:
    - "**Internal Risk Committees"** in which the various risks to which the Group is exposed, including operational risks, are reviewed. Every quarter, this committee brings together representatives from Senior Management, the Central Risk Department, the Compliance and Permanent Control Department, the main business lines and the support functions concerned, and every month, the committee focuses on one business/department. Operational risk reporting involves information about material incidents (analysis of causes and remedial action taken), the progress of major initiatives adopted, highlights arising from updates to the risk map and a summary of exposure measurements regarding the 14 essential operational risks and the associated risk indicators;

- **“Business-line Operational Risk Committees”** meeting at least every six months and covering the main business lines and departments. These committees oversee progress with work associated with implementing the operational risk system and initiatives resulting from risk and incident mapping.

– **Other committees in which operational risks are involved:**

  - **“New Product/Process Committees”**, tasked with identifying and analysing risks before a new product or a new business is launched. In 2019, seven such committee meetings were held, focusing on new products and services. Two committee meetings involved comments regarding the organisation and controls to be implemented.

- A **“Security Committee”** chaired by a member of the EdR France Executive Board, co-ordinated by a special advisor on information protection and the co-ordination of security initiatives adopted by the various departments concerned. This committee met six times in 2019, with the involvement of and contributions from the Operational Risk team.

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

- Edmond de Rothschild (France)’s operational risk management policy, updated in December 2018;
- procedure for notifying CNIL of personal data breaches;
- procedure for notifying the Banque de France/ACPR of major incidents related to payment instruments under the second European Payment Services Directive;
- policy for dealing with incidents that affect net asset value.

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

Business continuity measures

Major risks
(IT Back-up Plan, Emergency and Business Continuity Plan)

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

IT Back-up Plan (IBP)

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

Emergency and Business Continuity Plan (EBCP)

The BCP crisis management system consists of a set of organisational methods, techniques and resources that allow EdR France to prepare for and deal with an incident that requires the Emergency and Business Continuity Plan to be activated. After the crisis, a review is carried out in order to propose ways of improving the system if necessary.
Depending on the type of incident and the number of people concerned, the Bank will use one or more of the following resources:

- Dedicated back-up site for the Group, located in Paris in an area less exposed to the risk of flooding/attacks;
- Remote access arrangements;
- Use of premises/offices available within the group.

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

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

The organisation of these documents was completely overhauled in 2015, in line with the recommendations of external auditor Advese, which had been appointed in 2014 to carry out an audit of the Bank on this topic. The new main document, called the "Emergency and Business Continuity Plan", replaced the former "Red Plan" and was presented to the Audit Committee in November 2015. It is also the subject of annual presentations when it is updated.
The main crisis scenario involves the inability of teams to reach their workstations following a major external incident. This scenario undergoes systematic real-world testing, rotating between the various departments.

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

- Explosion/attack,
- Adverse weather events including flooding,
- Fire.

The pandemic scenario is covered by a separate study, because premises remain available in that scenario even though employees are advised not to use them.

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

1. An alert following an incident, generally issued by General Resources, Security or the IT Helpdesk (as the case may be);
2. Analysis to assess the severity of the incident and decide whether or not to convene the EBCP units;
3. Mobilisation of the EBCP units and experts (if necessary) in the EBCP crisis room or using any other method;
4. Decision, following discussions within the EBCP decision-making unit, regarding the severity of the incident, critical activities underway etc.;
5. Activation of the EBCP if the EBCP decision-making unit decides to do so. This involves initiating all actions to implement the Business Continuity Plan(s);
6. Implementation of the continuity plan(s), involving the resumption of priority activities alone in impaired mode;

7. Increasing the workload of and user numbers present at the back-up site. Additional business continuity solutions (remote working etc.) are implemented.

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

The EBCP decision-making unit has the responsibility of determining the entity's general strategy during a crisis, which will then be implemented by the EBCP operational unit.
An EBCP monitoring committee, co-ordinated by the person responsible for the EBCP, is in charge of planning and co-ordinating business continuity initiatives.
This committee establishes a timetable at the start of every year to organise IBP and EBCP tests based on predetermined scenarios. In 2019, the scenario tested involved the partial unavailability of various buildings in Paris and branches in Lille, Lyon, Marseille, Nantes and Strasbourg. Some staff members were unable to go to their workplace or the back-up site, and so used remote access arrangements. 151 staff members were able to perform their critical work, 89 from the back-up site and 62 working remotely. During that exercise, crisis communication was also tested via the various channels put in place, i.e. an emergency telephone number, text messaging and a specific crisis extranet.

Liquidity risk

Risk-generating activities

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

Measurement and oversight arrangements

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

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

The risk monitoring and oversight process comprises:

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

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

2019 report

The Bank has a structurally positive cash position, which amounted to €2,229 million at 31/12/2019. In addition, the LCR was 170.02% at 31/12/2019 and remained much higher than the minimum target of 100%.

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

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

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

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

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

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

The table below shows the diverse nature of its funding sources at 31 December 2019 (excluding current accounts):

In € millions	31/12/19
Cash advances	1066.3
Time deposits	202.7
Certificates of deposit	98.3
Structured EMTNs	406.6

Liquidity coverage ratio (LCR)

The LCR is calculated according to European Commission Delegated Regulation (EU) 2015/61. Edmond de Rothschild (France)'s LCR was 170.02% at 31 December 2019.

The information used when disclosing this ratio is based on Swiss reporting standards, to which the "EdR parent company" is subject (see FINMA circular 2016-01, table 48).

The reported figures are averages of monthly figures for 2019 (weighted average of monthly figures before and after weighting). A summary table also shows quarterly average figures for 2019.

		Average of 2019 quarterly figures	
In thousands of euros		Unweighted values	Weighted values
High-quality liquid assets (HQLA)			
1	**Total high-quality liquid assets (HQLA)**		**2,395,928**
Cash outflows			
2	**Retail deposits**	**281,391**	**25,733**
3	of which stable deposits	121,605	6,080
4	of which less stable deposits	159,787	19,653
5	**Unsecured wholesale funding**	**1,960,306**	**1,275,156**
6	Of which operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Of which non-operational deposits (all counterparties)	1,960,306	1,275,156
8	Of which unsecured debt		
9	Secured wholesale funding and collateral swaps		
10	**Additional requirements**	**1,438,289**	**1,168,181**
11	of which outflows related to derivative exposures and other collateral requirements	1,057,072	1,057,072
12	Of which outflows related to loss of funding on asset-backed securities, covered bonds and other structured financing instruments, asset-backed commercial paper, conduits, securities investment vehicles and other such financing facilities	53,850	53,850
13	Of which outflows related to committed credit and liquidity facilities	327,367	57,259
14	Other contractual funding obligations		
15	Other contingent funding obligations		
16	**Total cash outflows**		**2,471,627**
Cash inflows			
17	**Secured lending (e.g. reverse repos)**		
18	**Inflows from fully performing exposures**	10,542	5,385
19	**Other cash inflows**	1,148,339	1,148,339
20	**Total cash inflows**	**1,158,881**	**1,153,724**
21	**Total high-quality liquid assets (HQLA)**		**2,395,928**
22	**Total net cash outflows**		**1,317,903**
23	**Liquidity coverage ratio (%)**		**183.1%**

Compliance, reputational and legal risks

Compliance and permanent control system

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

The Compliance and Permanent Control Department reports to Edmond de Rothschild (France)'s Executive Board and to the person responsible for Edmond de Rothschild (Suisse).

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

Compliance system

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

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

The procedure relating to conflicts of interest allows all staff members to inform their compliance unit about a conflict of interest. As regards the detection and disclosure of transactions that may constitute insider dealing or market manipulation, the Compliance and Permanent Control Department has adopted automated tools that help it with its analysis and checks. The whistleblowing procedure allows any staff member to report queries about possible breaches to the compliance unit of the entity or business line to which they belong, in accordance with Article 37 of the French government order of 3 November 2014. Where a breach is confirmed, the Compliance Department examines which steps should be taken, for proposal to the Executive Board. The whistleblowing system was adjusted in 2018 in line with the new provisions of France's Sapin 2 act.

In addition, as a financial institution, Edmond de Rothschild (France) makes tax-related regulatory disclosures to France's directorate-general of public finances (DGFIP) under the FATCA and AEI intergovernmental agreements. Documents collected when clients open accounts include information required for determining the client's status and for disclosures.

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

The system also includes staff training regarding efforts to combat market abuse and corruption.
The results of compliance checks are disclosed in reports presented to the Executive Board, Audit Committee and Supervisory Board every quarter. A half-yearly report and an annual report are also sent to Edmond de Rothschild (Suisse) as part of Compliance work.

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

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

The system includes:

– drafting internal procedures;

– training employees and raising their awareness about these issues;

– setting up and monitoring tools that allow the detection of suspicious transactions, along with people and entities subject to freezing orders;

– checks that subsidiaries and branches located abroad comply with their vigilance obligations;

– regular reviews of the system.

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

In 2019, the system for classifying AML/CFT risks, validated in November 2018, was implemented. Because of the change in the ownership structure in 2019, EdR (France) became a subsidiary of EdR (Suisse) and is now directly covered by EdR (Suisse)'s consolidated supervision system. Edmond de Rothschild (Suisse) has set up an AML/CFT co-ordination group to determine harmonised group rules for the risk-based approach. The risk classification was updated in view of new Group reporting rules in July 2019.

Internal control system

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

Operational risk management controls are implemented in two stages. The first stage consists of identifying, based on the risk map, the Group procedures that present the highest risks, along with the associated first-level controls.

The second stage consists of preparing, on that basis, annual control plans aiming to ensure adequate coverage of risks and identified first-level controls.

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

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

Appendices

Composition of regulatory capital

This table sets out the composition of regulatory capital according to the requirements of Commission Implementing Regulation (EU) No 1423/2013.

	Common Equity Tier 1 capital: instruments and reserves	31/12/2019
1	Capital instruments and the related share premium accounts	181,320
2	Retained earnings	190,311
3	Accumulated other comprehensive income (and other reserves - include unrealised gains and losses according to the applicable accounting rules)	6,378
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1	
5	Minority interests (amount allowed in consolidated CET1)	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	378,009
	Common Equity Tier 1 (CET1) capital: regulatory adjustments	
7	Additional value adjustments (negative amount)	
8	Intangible assets (net of related tax liability) (negative amount)	−98,096
9	Empty set in the EU	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	
11	Fair value reserves related to gains or losses on cash flow hedges	
12	Negative amounts resulting from the calculation of expected loss amounts	
13	Any increase in equity that results from securitised assets (negative amount)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	
15	Defined-benefit pension fund assets (negative amount)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	
19	Direct, indirect and synthetic holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	−41,481
20	Empty set in the EU	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	
20b	of which qualifying holdings outside the financial sector (negative amount)	-
20c	of which securitisation positions (negative amount)	
20d	of which free deliveries (negative amount)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	
22	Amount exceeding the 15% threshold (negative amount)	
23	of which direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities	
24	Empty set in the EU	
25	of which deferred tax assets arising from temporary differences	
25a	Losses for the current financial year (negative amount)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	−139,577
29	Common Equity Tier 1 (CET1) capital	238,432

Additional Tier 1 (AT1) capital: instruments		
31	Capital instruments and the related share premium accounts	
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	931
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	
35	of which instruments issued by subsidiaries subject to phase out	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	931
Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
39	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	-
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013	
	Of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013	
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-
44	Additional Tier 1 (AT1) capital	931
45	Tier 1 capital (T1 = CET1 + AT1)	239,363
Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase out from T2	2,172
48	Public sector capital injections grandfathered until 1st January 2018	
49	of which instruments issued by subsidiaries subject to phase out	
50	Credit risk adjustments	
51	Tier 2 (T2) capital before regulatory adjustments	
Tier 2 (T2) capital: regulatory adjustments		
58	Tier 2 (T2) capital	2,172
59	**Total capital (TC = T1 + T2)**	**241,535**
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	1,718,405
60	**Total risk weighted assets**	**1,718,405**
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	13.88%
62	Tier 1 (as a percentage of risk exposure amount)	13.93%
63	Total capital (as a percentage of risk exposure amount)	14.06%
64	Institution specific buffer requirement (CET 1 requirement in accordance with Article 92(1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	51,262

65	of which capital conservation buffer requirement	42,960
66	of which countercyclical buffer requirement	8,302
67	of which systemic risk buffer requirement	
67a	of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**54.1%**

Main features of regulatory capital instruments

This template sets out the features of regulatory capital instruments in accordance with Commission Implementing Regulation (EU) No 1423/2013.

Main features of regulatory capital instruments		
1	Issuer	EdR France
2	Unique identifier	FR0010484410
3	Governing law(s) of the instrument	French
	Regulatory treatment	
4	Transitional CRR rules	Super-subordinated notes partially maintained under AT1 in accordance with Article 485 of the CRR
5	Post-transitional CRR rules	Super-subordinated notes reclassified as Tier 2
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Eligible at the sub-consolidated EdR France level
7	Instrument type	Subordinated debt securities
8	Amount recognised in regulatory capital	€3.1 million, i.e. 30% under AT1 (€0.9 million) and 70% under T2
9	Nominal amount of instrument	€50 million
10	Accounting classification	Subordinated debt
11	Original date of issuance	June 2007
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	YES
15	Optional call date, contingent call dates and redemption amount	Partial redemption of €29 million in August 2013 Unexercised call option in June 2017, repurchase price of 100% plus annual coupon of 6.36%
16	Subsequent call dates, if applicable	Quarterly post-June 2017
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed until 2017 then floating
18	Coupon rate and any related index	Fixed coupon of 6.364% until 15/06/2017 then 3M Euribor + 2.65%
19	Existence of a dividend stopper	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	MANDATORY
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	MANDATORY
21	Existence of step up or other incentive to redeem	YES
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
30	**Write-down features**	
31	If write-down, write-down trigger(s)	Write-down in August 2013 following contact with one of the holders
32	If write-down, full or partial	Partial write-down of €29 million in August 2013
33	If write-down, permanent or temporary	Permanent write-down of €29 million in August 2013
34	If temporary write-down, description of write-up mechanism	
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Holders of the instrument will be paid after other creditors but before holders of participating loans or participating securities
36	**Non-compliant transitioned features**	**NO**

Countercyclical buffer

The calculation and amount of Edmond de Rothschild (France)'s countercyclical buffer are presented in the following tables in accordance with Commission Delegated Regulation (EU) 2015/1555 of 28 May 2015.

Edmond de Rothschild (France)'s countercyclical capital buffer

		Amount
In thousands of euros		10
10	Total risk exposure amount	3,999,351
20	Institution specific countercyclical buffer rate	0.21%
30	**Institution specific countercyclical buffer requirement**	**8,302**

At 31 December 2019, Edmond de Rothschild (France)'s countercyclical capital buffer rate was 0.21%.

The countercyclical capital buffer is calculated as the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of Edmond de Rothschild (France) are located. The weight applied to the countercyclical buffer rate in each country is the proportion of total own funds requirements represented by own funds requirements relating to credit exposures in the territory in question.

At 31 December 2019, the following countries in which Edmond de Rothschild (France) had relevant credit exposures had a non-zero weight: Norway (2%), Sweden (2.5%), United Kingdom (1%), France (0.25%) and Hong Kong (2%).

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

	General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements					
	Exposure value for SA	Exposure value for IRB approach	Sum of long and short exposures of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB approach	Of which general credit exposures	Of which trading book exposures	Of which securitisation exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
In thousands of euros	10	20	30	40	50	60	70	80	90	100	110	120
10 Breakdown by												
Europe	**3,979,469**	**-**	**-**	**-**	**-**	**-**	**88,326**		**-**	**88,326**	**0.99**	**0.21%**
of which France	3,628,783	-	-	-	-	-	74,777		-	74,777	0.83	0.25%
of which Luxembourg	22,772	-	-	-	-	-	2,117		-	2,117	0.02	0.00%
of which Italy	89,904	-	-	-	-	-	5,539		-	5,539	0.06	0.00%
of which UK	22,017	-	-	-	-	-	1,168		-	1,168	0.01	1.00%
of which Switzerland	195,199	-	-	-	-	-	3,938		-	3,938	0.04	0.00%
of which Germany	6,837	-	-	-	-	-	188		-	188	0.00	0.00%
of which Netherlands	750	-	-	-	-	-	16		-	16	0.00	0.00%
of which Sweden	25	-	-	-	-	-	-		-	-	0.00	0.00%
of which Norway	6	-	-	-	-	-	-		-	-	0.00	0.00%
of which Belgium	2,955	-	-	-	-	-	128		-	128	0.00	0.00%
of which Portugal	7,497	-	-	-	-	-	345		-	345	0.00	0.00%
North America	**10,162**						**1,111**			**1,111**	**0.01**	**0.00%**
Asia-Pacific	**850**						**21**			**21**	**0.00**	**0.00%**
of which Thailand	627						18			18	0.00	0.00%
of which Japan	103						2			2	0.00	0.00%
Rest of the world	**8,870**	**-**	**-**	**-**	**-**	**-**	**213**		**-**	**213**	**0.00**	**0.00%**
of which Israel	6,604	-	-	-	-	-	158		-	158	0.00	0.00%
20 Total	**3,999,351**	**-**	**-**	**-**	**-**	**-**	**89,671**		**-**	**89,671**	**1.00**	**0.21%**

Leverage ratio – additional information

	In thousands of euros	31/12/19
1	Total assets as per published financial statements	3,954,500
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 (CRR)	
4	Adjustments for derivative financial instruments	13,687
5	Adjustments for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	174,772
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	
7	Other adjustments	−139,122
8	**Total leverage ratio exposure**	**4,003,838**

	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	3,942,223
2	(Asset amounts deducted in determining Tier 1 capital)	−139,577
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of rows 1 and 2)**	**3,802,646**

	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	5,508
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	20,912
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivative exposures (sum of rows 4 to 10)**	**26,419**

	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	

16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**-**
	Other off-balance-sheet exposures	
17	Off-balance sheet exposures at gross notional amount	334,972
18	(Adjustments for conversion to credit equivalent amounts)	−160,200
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**174,772**
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
	Capital and total exposure measure	
20	Tier 1 capital	238,433
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	4,003,838
	Leverage ratio	
22	**Leverage ratio**	**5.96%**