Edmond de Rothschild

Edmond de Rothschild (France)

2017 Annual report

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A public company with executive and supervisory boards and capital of €83,075,820
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Shareholders' letter

2017 was a year of many highlights for the Edmond de Rothschild Group.

As well as pursuing our strategy to make our group a highly engaged, major player in our industry, we generated new synergies by bringing together the investment strategy expertise of our Private Banking and Asset Management divisions. The opening of the Four Seasons Hotel in Megève and the Macan winery in Spain, along with the launch of Gitana 17, the first ocean-going maxi-trimaran designed to fly over the high seas, once again showed our ability to remain at the leading edge of global excellence. Investments such as these also have symbolic value for our clients and staff, because they show our desire to be "Bold builders of the future", while remaining true to our family's values. That phrase, which we have decided to adopt and promote, encapsulates our Group's expertise as an investment house driven by conviction, rooted in the real economy and facing the future.

The economic and financial context was particularly positive in 2017. After a decade of economic weakness, growth accelerated across the world, without any significant increase in inflation or interest rates. The eurozone economy benefited as its growth caught up with other economies and indeed overtook that of the United States. However, the US was where stockmarket performance exceeded all expectations. Markets were driven higher by corporate earnings and the prospect of tax cuts, but also by the weaker dollar.

In 2018, we will face challenges in the two key areas of technology and regulations.
Since 1 January, MiFID II has been in force, raising the bar regarding transparency and investor protection. MiFID II is also causing major changes to the way that financial advice is provided and investments are made in Europe. Similarly, the General Data Protection Regulation will apply throughout the European Union from 25 May 2018, requiring financial institutions to adjust their working methods. Our Private Banking and Asset Management teams are fully committed to meeting these challenges. We are supporting them by giving them the resources they need to adapt to digital developments and clients' new requirements.

Our decision to focus our efforts and skills on providing outstanding, innovative services makes perfect sense in this new regulatory environment, as does our desire to promote responsible finance, with a positive impact that can be seen and measured over the long term.

The macroeconomic and financial environment could become less stable going forward. China's growth should remain firm, as the country's President made clear when he was re-elected last autumn. In addition, US business investment could accelerate because of tax cuts, giving a boost to global trade despite the protectionist instincts of the country's president. However, the eurozone is having to deal with a stronger currency, which could limit its growth in 2018. Most importantly, interest rates are still very low, although they have risen recently, and the European and Swiss central banks are continuing to apply negative interest rates. Central-bank officials will continue to intervene in the markets and keep a very close eye on interest-rate movements, but also developments in all asset prices. They want to avoid damaging the long-awaited upturn at all costs. Central-bank intervention is making it particularly difficult to gauge the value of assets. In addition, it is a potential source of volatility. This is our conviction, and we are continuing to factor it into our strategies and product innovations. Our efforts to develop our range of investments addressing the real economy represent a particularly appropriate response to today's unprecedented uncertainty. Our funds that are investing in big data, infrastructure and new technologies, as well as the extension of our real-estate offering, form part of a long-term approach to building the future.

You have decided to support us during this period of transformation and we are pleased to be able to share with you, again this year, the results of the decisions we have taken in terms of our finances, our people and our technologies. We are confident that, through our efforts, we are now better equipped to deal with the rapid changes taking place at all levels around the world. Asia is becoming increasingly important. Brexit will have major consequences on the way the European Union works and on its relationship with Switzerland. The United States remain a source of concern, despite the country's strong economy. New technologies are completely changing the behaviour and expectations of all people, not least our clients and staff members.

Because of our financial results and the trust that our clients place in us year after year, generation after generation, we are able to transform these upheavals and ongoing uncertainties into opportunities and sources of innovation.

We would therefore like to thank you, as shareholders, for supporting us with your loyalty during these times of change.

A. de Rothschild

Ariane de Rothschild
Chairwoman of the Edmond de Rothschild Group
Executive Committee

Benjamin de Rothschild

Benjamin de Rothschild
Chairman of the Edmond de Rothschild Group

Key figures

Key figures

Edmond de Rothschild Group at 31 December 2017

Edmond de Rothschild: unique among banks

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

Private Banking and Asset Management are the powerful engines that lie at the centre of everything we do, but we are also active in Corporate Finance, Private Equity and Institutional & Fund Services.

The Edmond de Rothschild Group today

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

Our lines of business

Private Banking

Corporate Finance

Asset Management

Private Equity
Institutional & Fund Services

Our strengths

- The stability and solidity of an independent financial group
- Unsurpassed attention to individual client needs combined with global expertise
- Proactive teams that track and analyse the latest economic developments and adjust our offerings accordingly
- Access to a comprehensive range of financial products and services

The Edmond de Rothschild Group in figures

CHF182 billion in assets under management (€156 billion)

20.9% FINMA capital adequacy ratio

2,600 employees at 31 December 2017

Globally active

Americas	Europe and Mediterranean Basin		Asia and Middle East
Uruguay	Germany	Luxembourg	United Arab Emirates
	Belgium	Monaco	
	Spain	Portugal	
	France	United Kingdom	
	Italy	Switzerland	
	Israel		

Key figures

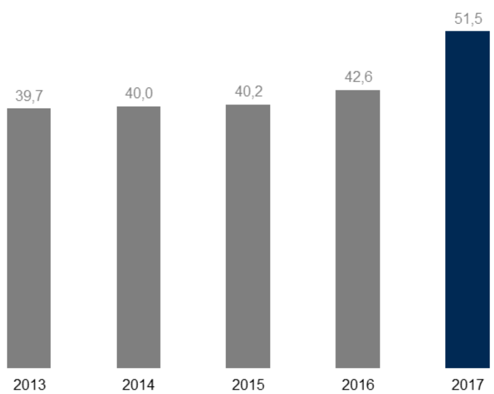
Edmond de Rothschild (France) at 31 December 2017

Shareholder base at 31 December 2017

Edmond de Rothschild (France) is 94.47%-owned by Edmond de Rothschild SA, the French holding company of the Edmond de Rothschild Group.

Total assets under management

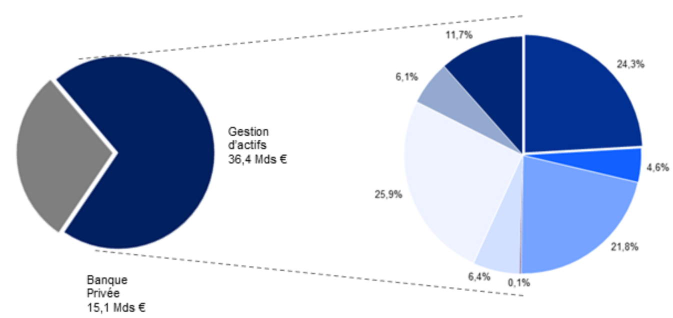
In billions of euros



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

Breakdown of assets managed by division

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



- Equities
- Convertible bonds
- Balanced (including funds of funds)
- Alternative management (hedge funds and funds of hedge funds)
- Private equity
- Fixed-income products
- Structured investment products
- Cleaveland

Locations in France

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

Consolidated highlights (in millions of euros)

Balance sheet	2015	2016	2017
Total assets	2.553	2.782	3.443
Equity attributable to equity holders of the parent*	344	348	349
Client loans	550	632	673
Client deposits	1.195	1.170	1.418

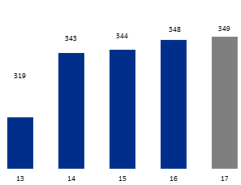
The robustness of the banking group's financial position is reflected in its capital adequacy ratios**. Its stood at 14.99% with Tier One and Core Tier One ratios of 14.54% and 14.09%, respectively, at the end of 2017. The minimum regulatory requirement is 9.25%.
The Liquidity Coverage Ratio (LCR), which is the EU standard, stood at 192.47% compared with a minimum regulatory requirement of 80%.

Income statement	2015	2016	2017
Net banking income	315	275	305
Gross operating income	33	7	36
Net income	33	17	25
of which attributable to equity holders of the parent	*31*	*17*	*24*
Average headcount (number)	**890**	**841**	**777**

* Excluding net income for the year.
** These ratios are calculated in accordance with prudential regulations on the basis of the consolidated equity of Edmond de Rothschild SA, the Bank's parent company.

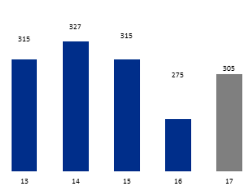
Shareholders' equity attributable to equity holders of the parent*

In millions of euros



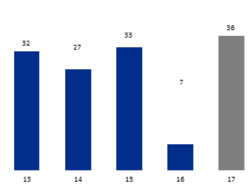
Net banking income

In millions of euros



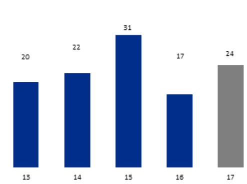
Gross operating income

In millions of euros

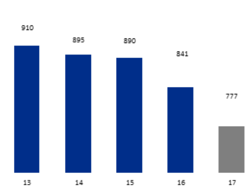


Net income attributable to equity holders of the parent

In millions of euros



Average headcount



* Excluding net income for the year

Management report

Report of the Executive Board

In economic and financial conditions far more supportive in 2017 than in 2016, the net income attributable to equity holders reported by Edmond de Rothschild (France) totalled €24.1 million in 2017, an increase of 45.8% relative to 2016.

Assets under management[1] ended the year 13.5% higher at €51.5 billion, up from €45.4 billion at the end of 2016, based on an adjusted scope of consolidation.
The commercial traction gained in 2016, which powered a €1.9 billion net inflow of funds, carried through across all the business lines, with the net inflow of funds totalling €4.8 billion in 2017. Asset Management inflows reached €1.9 billion in both open-ended products and in managed accounts from the investment management ranges, plus an additional €1.3 billion in inflows from various real-estate management fund launches. The brisk commercial momentum in Private Banking generated €1.1 billion of inflows. Lastly, the launch of next-generation private equity funds raised €0.5 billion in net new money.

Alongside positive inflows, Asset Management was buoyed by upbeat market trends, which increased assets under management by €1.3 billion.

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

In thousands of euros	2017	2016	Évolution
Net banking income	**305.117**	**274.595**	**11,1%**
Operating expenses	−269.475	−267.996	0,6%
- Personnel expenses	*−161.035*	*−153.830*	
- Other operating expenses	*−89.876*	*−94.952*	
- Depreciation, amortisation and impairment	*−18.564*	*−19.214*	
Gross operating income	**35.642**	**6.599**	**x 5,4**
Cost of risk	−62	−242	
Operating income	**35.580**	**6.357**	**x 5,6**
Share in net income of associates	−1.045	9.345	
Net gains or losses on other assets	732	9.428	
Changes in the value of goodwill	−720	−807	
Income (loss) before tax	**34.547**	**24.323**	**42,0%**
Income tax	−9.986	−7.073	
Net income	**24.561**	**17.250**	**42,4%**
Net income attributable to non-controlling interests	−414	−683	
Net profit - Recurring net profit of the Group	**24.147**	**16.567**	**45,8%**
Exceptional operations	-	-	
Net profit - Publishable net profit of the Group	**24.147**	**16.567**	**45,8%**
Cost income ratio*	82,2%	90,6%	

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

Net banking income

Net banking income rose 11.1% compared with 2016 to reach €305.1 million in 2017. The key drivers of this performance were:

- an 8.7% increase in management and advisory fees, in tandem with the trends in assets under management presented above;
- €35.5 million in performance-related fees, up from €12.2 million in 2016, reflecting first-class management performance;
- a slight increase in fees on transactions (transfers and front-end charges) compared with 2016 (€55.8 million compared with €54.7 million) as a result of brisk business trends and high levels of market activity;
- a decline in on-balance sheet business compared with 2016 (down €4 million) reflecting the lack of gains in the investment portfolio, despite buoyant currency trading and robust lending activities;
- a contraction in the contribution from corporate advisory services compared with 2016, even though revenue held up at a remarkably high level in 2017.

Gross margin narrowed by 5 basis points compared with 2016 to 63 basis points owing to the relocation to Paris of the lower-margin asset management products in the second half of the year.

Operating expenses

Operating expenses totalled €269.5 million in 2017, putting them on a par with their 2016 level (up 0.6%).
Personnel expenses came to €161.0 million, up 4.7% relative to 2016 (the same level as in 2015 on an adjusted basis).
Other operating expenses fell by 5.0% compared with 2016, to €108.4 million. The key factors behind this drop were tight cost control and a drive to unlock efficiencies in the business model.

Operating income

With these trends in net banking income and operating expenses, gross operating income came to €35.6 million versus €6.6 million in 2016. Accordingly, the cost/income ratio improved by 9 percentage points compared with 2016 to reach 82%.

Including a net cost of risk kept firmly under control at less than €0.1 million (€0.2 million in 2016), consolidated operating income totalled €35.6 million versus €6.4 million in 2016.

Net income attributable to equity holders of the parent

The Group's share in the income of associates was negative at €1.0 million. Exceptional losses from a minority shareholding in an asset management company in Asia (Zhonghai FMC) were the main reason for this. Gains and losses on assets produced a net gain of €0.7 million, compared with €9.4 million in 2016, which included the €6.2 million capital gain on the sale of Edmond de Rothschild (Israel) Ltd to Edmond de Rothschild (Suisse) SA, and €3.3 million in gains on the sale of shareholdings in Edmond de Rothschild (UK) and EdRRIT Ltd.
Non-controlling interests declined to €0.4 million following the buyout of minorities in Edmond de Rothschild Assurance Conseil in 2017.
Net income attributable to equity holders of the parent totalled €24.1 million, up 45.8% on the previous year.

Business trends and income by division

Private Banking's brisk top-line performance in France generated record income (€10.3 million in gross operating income, compared with €3.3 million in 2016). That helped to mitigate the weakness of business trends in Italy, which contributed another loss (€3.7 million in 2017 versus €3.8 million in 2016).

Asset Management's business momentum in upbeat markets combined with the benefit of the 2016 restructuring measures produced a significant income contribution for the Group while also restoring its revenue to levels more akin to those seen prior to 2016, which was a very tough year for this division.

The Private Equity division pressed ahead with its reorganisation and development efforts. As a result, investments remained at a high level for the revenue it generated at this stage.

Corporate advisory services continued to perform well, with the new mandates it was awarded underscoring its growing momentum during the year. The team was again successful on various fronts this year and is establishing itself as a force to be reckoned with in its market segment.

Property Management built up its asset management business by launching several new funds during the year, thereby expanding its recurring revenue streams. Lastly, the profitability of the Other Activities decreased again as a result of an adverse interest rate environment and the lack of significant gains on its investment portfolio.

Overview of income and profitability by division

	Banque Privée		Gestion d'actifs		Private Equity		Autres activités et Gestion propre		Groupe	
In thousands of euros	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net banking income	**95.890**	**86.204**	**172.077**	**141.412**	**4.150**	**3.172**	**33.000**	**43.807**	**305.117**	**274.595**
Operating expenses	−89.334	−86.710	−135.054	−137.089	−5.230	−4.732	−39.857	−39.465	−269.475	−267.996
- Personnel expenses:	*−54.999*	*−53.929*	*−73.174*	*−72.927*	*−3.765*	*−3.022*	*−29.097*	*−23.952*	*−161.035*	*−153.830*
. direct	*−40.530*	*−40.934*	*−52.824*	*−54.164*	*−3.321*	*−2.682*	*−23.790*	*−18.246*	*−120.465*	*−116.026*
. indirect	*−14.469*	*−12.995*	*−20.350*	*−18.763*	*−444*	*−340*	*−5.307*	*−5.706*	*−40.570*	*−37.804*
- Other operating expenses	*−27.204*	*−24.787*	*−53.974*	*−55.910*	*−1.358*	*−1.604*	*−7.340*	*−12.651*	*−89.876*	*−94.952*
- Depreciation, amortisation and impairment	*−7.131*	*−7.994*	*−7.906*	*−8.252*	*−107*	*−106*	*−3.420*	*−2.862*	*−18.564*	*−19.214*
Gross operating income	**6.556**	**−506**	**37.023**	**4.323**	**−1.080**	**−1.560**	**−6.857**	**4.342**	**35.642**	**6.599**
Cost of risk	2	6	1	-	-	-	−65	−248	−62	−242
Operating income	**6.558**	**−500**	**37.024**	**4.323**	**−1.080**	**−1.560**	**−6.922**	**4.094**	**35.580**	**6.357**
Share in net income of associates	8.955	6.626	−11.384	2.170	1.384	549	-	-	−1.045	9.345
Net gains or losses on other assets	-	-	-	-	-	-	732	9.428	732	9.428
Changes in the value of goodwill	-	-	-	-	−720	−807	-	-	−720	−807
Income (loss) before tax	**15.513**	**6.126**	**25.640**	**6.493**	**−416**	**−1.818**	**−6.190**	**13.522**	**34.547**	**24.323**
Cost income ratio*	85,7%	91,3%	73,9%	91,1%	123,4%	145,8%	ns	ns	82,2%	90,6%

* Personnel expenses and other operating expenses as a percentage of net banking income (NBI).
** ns: not significant

Private Banking

Highlights of 2017

- Over €15 billion in assets under management
- Net inflows of €1.1 billion, reflecting a first-rate business performance
- A stronger offering to address key regulatory challenges

Private banking is the original business of the Edmond de Rothschild Group. In France, it aims to cater to the needs of families who are selling their business assets, and to those who have built up or inherited wealth.

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

First-rate business performance in 2017

Amid persistently low interest rates and high market volatility, Private Banking generated €3 billion in gross new money during 2017, reflecting the hard work of its dedicated staff and strong sales activity. To support private bankers with business development activities even more effectively and to harness greater synergies with the corporate finance activities, the Client Solutions department was expanded, and it launched a business development unit in the second half of 2017. The new unit will ramp up to full speed throughout 2018.

A more robust offering to address key regulatory challenges

Ahead of the MiFID 2's entry into force in January 2018, the Bank carried out a far-reaching overhaul of all its systems. The goal was to balance the competing demands of the regulations and of excellence in CRM, the Bank's indelible hallmark. Automation of the various stages of investment services – order placing, mandatory tests, dispatch of additional information – is part of this. It also entails providing support and guidance to each of our clients to cope with the changes to the services provided in this regulatory environment.
It also led to the launch of a new online banking platform in 2017. The mobile app and the website are two critical pillars of a high-quality personalised relationship.
The Bank brought greater clarity to its offering of investment services by introducing three possible levels of support – discretionary management, investment advisory services, and value-added order receipt and transmission. Initial Advisory, a new range of investment advisory services, is now offered to clients seeking personalised recommendations while continuing to play an active part in all their investment decisions. In addition, Active Advisory continued to expand at a brisk pace.
Private Banking continued diversifying and increasing the specialisation of its services last year. Led by Muriel Tailhades, Chief Investment Officer, the Bank expanded its asset management offering, with the Prudent Multi Expertises managed account, an innovative combination of the Group's active management and quantitative management expertise.

Expanded range of investment solutions

The low interest-rate and high-volatility environment heightened the need for diversification into physical assets. Real estate is one of the priorities identified by private clients. Through its 2016 deal for Cleaveland, a renowned asset management company specialised in real-estate investment, Edmond de Rothschild has gained the ability to provide its clients with access to this asset class. As part of this approach, it launched in 2017 Edmond de Rothschild Immo Premium, an OPCI (collective undertaking for property investments) aimed at its private clients. Its objective is to deliver consistent rental income over a long-term horizon chiefly from high-end office and retail properties. Likewise, the Bank offered unlisted investment vehicles to clients seeking exposure to physical assets, such as the second Quadrant fund, a private equity fund of funds exclusively aimed at its private clients.

Lastly, Edmond de Rothschild Assurances et Conseils (France) continued to develop new investments as alternatives to non-unit-linked funds, and guarantee attractive performance on life-insurance policies despite the low level of interest rates. Thanks to these continuing client-focused measures, Edmond de Rothschild in France was again rated by Décideurs magazine as the leading private bank in the Key Players category this year.

Active support for entrepreneurs

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

Breakdown of Private Banking results

In thousands of euros	2017	2016	Évolution
Net banking income	**95.890**	**86.204**	**11,2%**
Operating expenses	−89.334	−86.710	3,0%
- Personnel expenses:	*−54.999*	*−53.929*	
. direct	*−40.530*	*−40.934*	
. indirect	*−14.469*	*−12.995*	
- Other operating expenses	*−27.204*	*−24.787*	
- Depreciation, amortisation and impairment	*−7.131*	*−7.994*	
Gross operating income	**6.556**	**−506**	**ns**
Cost of risk	2	6	
Operating income	**6.558**	**−500**	**ns**
Share in net income of associates	8.955	6.626	
Net gains or losses on other assets	-	-	
Changes in the value of goodwill	-	-	
Income (loss) before tax	**15.513**	**6.126**	**153,2%**
Cost income ratio*	85,7%	91,3%	

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

Net banking income

The private banking model, based on forging close relations with and providing support for entrepreneurs, built further on the success achieved in recent years and generated gross inflows of close to €3.0 billion and net inflows of €1.1 billion, chiefly in France.

Private Banking net banking income came to €95.9 million in 2017, up 11.2% compared with 2016.

This overall trend reflects contrasting effects:
In France:

- management and advisory fees rose 8.3% compared with 2016 owing to the growth in assets as a result of net inflows;
- transaction fees advanced 5.1% compared with 2016, driven by a high level of trading activity in tandem with inflows and the dynamism of the markets;
- the significant increase in lending accounted for the healthy performance of the on-balance sheet business, which grew 38.6% in 2017, after a 34.5% rise in 2016.

In Italy, despite investments made in recent years, the business continued to face strong competitive pressure.

Overall, Private Banking net banking income accounted for 31.4% of consolidated net banking income in 2017, unchanged from 2015 and 2016.

Operating expenses

Private Banking operating expenses totalled €89.3 million in 2017, up slightly compared with 2016 (3%).
Personnel expenses came to €55.0 million, rising 2.0%, or €1.1 million, relative to 2016.
Other expenses moved 9.8% higher than in 2016. The key drivers of this increase were IT expenses on process automation and the introduction of digitalisation. Regulatory constraints in France and Italy also played a part in driving up expenses.

Operating income

Private Banking gross operating income came to €6.6 million, after a loss of €0.5 million in 2016, even though Italy made a negative contribution of €3.7 million. In France, Private Banking generated a record profit of €10.3 million.
Consequently, the cost/income ratio improved by 5 percentage points relative to 2016 to 86%.
As in previous years, the cost of risk was minimal, reflecting the high quality of the division's commitments and risk management.

Income (loss) before tax

Including the contribution from Edmond de Rothschild (Monaco), which was higher than in 2016, Private Banking's income before tax totalled €15.5 million in 2017, more than double its level in the previous year.

Asset Management

Highlights of 2017

- Close to €34.1 billion under management
- New infrastructure debt fund generations
- Significant successes delivered by high value-added strategies
- Ramp-up in Cleaveland

Edmond de Rothschild Asset Management's approach is founded on active management underpinned by strong research capabilities and an innovation strategy that aims to deliver long-run performance over a timeframe compatible with clients' own investment horizons.

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

In late 2017, EdRAM announced the appointment of Gad Amar as Global Head of Business Development to contribute actively to strategic development in Europe. His arrival marked a major milestone in the process of building up EdRAM's presence in various client segments – institutional investors, distribution partners and independent asset management advisors.

New infrastructure debt fund generations

Infrastructure debt, which is gaining in popularity among institutional investors, has been one of the key components of the alternative asset offering in recent years.

To this end, two new infrastructure debt funds pursuing the same approach as the first generation, but with an optimised investment strategy, were launched as part of the expansion of the BRIDGE platform. BRIDGE 2, a fund registered in Luxembourg and launched in late 2016, closed with €310 million in commitments from French, German, Italian, Belgian and Spanish investors. The fund aims to hold a minimum of 80% in assets qualifying for a reduced capital weighting for infrastructure assets under the Solvency II directive, which makes this type of investment ideally suited for the needs of insurers and mutuals. BRIDGE 3, which was launched in 2017, closed initially in May with €80 million and then secured additional commitments in December, enabling the fund, which co-invests alongside other Bridge platform vehicles, to reach a total of €144 million.

BRIDGE 2 and 3 proved popular among yield-chasing institutional investors with long-term liabilities. The BRIDGE platform has already raised a total of €1.3 billion via its four funds, one of which is a dedicated vehicle, and BRIDGE 4, a new generation, is currently being marketed in 2018.

BRIDGE has invested over a billion euros over three years in 23 assets. Its infrastructure debt expertise has been recognised on several occasions. BRIDGE won two Deal of the Year accolades in the IJ Global Awards. At the European Pensions Awards, BRIDGE also gained a prize in the Infrastructure Manager of the Year category.

Distinctive funds

2017 brought several successes.
Edmond de Rothschild Financial Bonds generated over €600 million in net inflows in 2017. That made it Edmond de Rothschild Asset Management's largest fund with close to €2 billion under management. It outperformed its benchmark index by 6.4% in 2017[1].

Edmond de Rothschild Fund Bond Allocation, a flexible fund covering the full spectrum of bond markets and harnessing Edmond de Rothschild Asset Management's diversified expertise in this asset class, generated over €950 million in net inflows in 2017. It represents an ideal solution for clients keen to delegate their fixed-income asset allocation in a complex environment in which active management is now absolutely vital. The fund draws on our know-how in fixed-income asset management and has delivered an annualised return of 4.4% since its new strategy was introduced in February 2013[2].

The Edmond de Rothschild Start absolute-return fund, a very low volatility investment solution, was another solid performer in 2017, with inflows to the end of the year reaching close to €600 million, lifting the fund's total assets to close to €900 million.

Edmond de Rothschild Asset Management introduced Edmond de Rothschild Equity Europe Solve for its distribution clients, demonstrating its ability to adapt to the latest regulatory constraints and to devise novel investment solutions, building on its success among institutional clients. This new product has two main goals: to match the performance of European equities but with lower volatility and a reduced maximum risk of loss. It brings together several leading areas of expertise – European equity management, expertise in allocation and market risk management, and financial engineering capabilities.

Two of our funds gained a five-star rating from Morningstar. In its fourth year in operation, the Edmond de Rothschild Fund – Income Europe diversified fund was recognised for its performance, with the A units averaging a return of 5.2% p.a. since inception[3]. The Edmond de Rothschild Fund – Emerging Credit fund also landed a top rating for the quality of its management. It ranked in the top decile in Morningstar's Global Emerging Markets Corporate Bond - EUR Biased category in 2017 and has done so for three years now.

More broadly, our expertise in emerging market bonds also gained acclaim. Edmond de Rothschild Asset Management won a 2017 Citywire Award in France, Spain and Germany for its expertise in emerging market bonds in strong currencies.

Lastly, our convertible bond management team was also honoured. The Edmond de Rothschild Fund – Convertible Europe All Caps fund won the convertible bonds category of the Globe de la Gestion 2017 awards in France. The SCOPE Awards 2017 organised in conjunction with German newspaper Handelsblatt also recognised Edmond de Rothschild Asset Management's convertible bonds expertise.

Major successes with institutional investors

The award of new managed accounts and increased allocations to existing managed accounts – a sign that investors continue to trust the quality of Edmond de Rothschild Asset Management's investment management – showed that the offering clearly appeals to institutional investors. In France, a dedicated Euro Equities managed account with a CSR bias was again secured from a major institutional client. Bond funds also recorded significant inflows during the year, with our BRIDGE platform's financial debt and infrastructure debt funds the stand-out performers.

[1] Data to 31 Dec. 2017 for the C-EUR unit and for the BofA Merrill Lynch Euro Financial index. Source: Edmond de Rothschild Asset Management (France). Cumulative return since inception (4 April 2011): +41.76% (+5.31% annualised return).
[2] Data to 31 Dec. 2017 for the A-EUR unit. Source: Edmond de Rothschild Asset Management (France). Cumulative return since the change in strategy (14 Feb. 2013): +23.44% (+4.42% annualised return). Cumulative return since inception (30 Dec. 2004): +46.64% (+2.99% annualised return).
[3] Data to 31 Dec. 2017 for the A-EUR unit. Source: Edmond de Rothschild Asset Management (France). Cumulative return since inception (31 December 2013): +22.41% (+5.19% annualised return). Average performance for Morningstar category over the period: +8.06. Morningstar ratings at 30 Dec. 2016 in the EUR Cautious Allocation category for the Edmond de Rothschild Fund – Income Europe fund and Global Emerging Markets Corporate Bond - EUR Biased category for the Edmond de Rothschild Fund Emerging Credit fund (A units in dollars). Morningstar ratings are not market classifications and cannot be considered as recommendations to buy, sell or hold units or shares in funds managed by Edmond de Rothschild Asset Management (France). Any reference to this fund's ranking or price is no guide to future classifications or prices for the fund and/or manager © Morningstar TM.

First-rate performance by Cleaveland in 2017

The 2016 acquisition of Cleaveland, a specialist real-estate manager, has expanded Edmond de Rothschild's real-estate offering in Europe. Cleaveland covers the full spectrum of real-estate services, including investment, financing and structuring, management of companies regulated by the AMF, renovation, and technical and administrative building management. Cleaveland had a very busy year in 2017, with its assets under management soaring €1.5 billion to €4.3 billion by the end of December. Its AMF approval was extended to cover retail funds for the Group's Private Banking clients and also to manage Luxembourg-registered FIAs (alternative investment funds). No fewer than 9 OPCIs (collective undertakings for property investments) were launched in 2017, bringing the total it manages to 28.

In addition, to capitalise on the real-estate market's strong performance, Cleaveland sold 22 properties for its investor clients.

Plans to acquire properties are currently afoot and are expected to go ahead in 2018.

Breakdown of Asset Management results

In thousands of euros	2017	2016	Évolution
Net banking income	**172.077**	**141.412**	**21,7%**
Operating expenses	−135.054	−137.089	−1,5%
- Personnel expenses:	*−73.174*	*−72.927*	
. direct	*−52.824*	*−54.164*	
. indirect	*−20.350*	*−18.763*	
- Other operating expenses	*−53.974*	*−55.910*	
- Depreciation, amortisation and impairment	*−7.906*	*−8.252*	
Gross operating income	**37.023**	**4.323**	**x 8,6**
Cost of risk	1	-	
Operating income	**37.024**	**4.323**	**x 8,6**
Share in net income of associates	−11.384	2.170	
Net gains or losses on other assets	-	-	
Changes in the value of goodwill	-	-	
Income (loss) before tax	**25.640**	**6.493**	**x 3,9**
Cost income ratio*	73,9%	91,1%	

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

Net banking income

Assets under collective management totalled €34.1 billion at year-end, higher than at end-2016 based on the same scope.
The commercial successes presented above (Edmond de Rothschild Fund Bond Allocation, Edmond de Rothschild Start) and the renewed trust shown by clients in existing managed accounts (ERAFP) were the key contributors to the significant increase in assets under management.
They recorded a healthy performance effect in 2017, pushing assets under management up 4.5%.
Real-estate management income has been added back to this business. The results are thus analysed at comparable structure (2016 results also reflect the contribution made by this business).

Net banking income rose 20.0% compared with 2016 as a result of these supportive trends and the funds' healthy performance. The key contributors were as follows:

- net banking income rose by close to 21.0% in the original scope of the asset management business (excluding property) on the back of the uptrend in management and advisory fees (up 8.6%) in tandem with growth in assets under management and the very strong performance-related effects recorded in 2017 (€35.3 million vs. €12.2 million in 2016).
- more contrasting effects were at work in the real-esate management business, which was acquired during 2016, with the increase in the fund management business establishing a strong level of management and advisory fees while the major success on the sale of a property in 2016 was not replicated last year.
- the asset management fund distribution business in Italy also improved in 2017, generating a 49.2% increase in net banking income.

Operating expenses

Operating expenses edged 1.6% higher to reach €141.3 million, up from €139.0 million at comparable structure.
Asset Management personnel expenses came to €77.3 million, up from €74.4 million in the previous year. This 3.9% increase reflected the increase in variable remuneration in tandem with the growth in net banking income.
Other operating expenses (€55.0 million) dipped 2.3% between 2016 and 2017 as a result of restructuring efforts at the end of the year.

Operating income

As a result of the positive trends presented above, gross operating income rose in 2017 to €36.5 million from €9.2 million in 2016 at comparable structure.
The division's cost/income ratio improved significantly to 74% from 88% in 2016.

Income (loss) before tax

The Asset Management division's income before tax came to €25.1 million, up from €11.4 million in 2016 despite the significant negative impact of the loss recorded on a minority shareholding in Asia (in Zhonghai FMC) recognised under income from associates.

Calculated on the basis of management fees (excluding performance-related fees), the margin was 47 basis points, down 7 basis points from its 2016 level of 54 basis points.

Private Equity

Highlights of 2017

- Co-investment funds: stellar performance and acquisitions
- Launch of the ActoMezz III fund
- Solid business flows for biotech and BioDiscovery 5 fund-raising
- Strong inflows and outflows from and into growth capital funds

Private equity is a strategic business segment for the Edmond de Rothschild Group, because it provides value-added investment solutions that set our private banking offering apart and add value to it. The divisional strategy focuses on supporting entrepreneurs and helping SMEs to grow. It takes the long view – in keeping with the culture and values of the Rothschild family.

In France, with over 25 years of experience and close to €2.4 billion under management, the Private Equity division possesses sophisticated expertise in growth capital (small and mid caps), mezzanine debt, life sciences and minority co-investments.

Co-investment funds: stellar performance and acquisitions

Following the record €300 million raised by ERES III in mid-2016, the Edmond de Rothschild Equity Strategies (ERES) franchise had a busy year in 2017. From a corporate standpoint, it recruited new staff and arranged a €45 million short-term financing line to facilitate management of calls for funds from investors. On the investment front, the ERES III fund with its 5 portfolio lines invested over 30% of its commitments in just 18 months. In addition to the two transactions carried out in late 2016 (IHS Holding, Africa's leading independent telecom tower operator, and Prince Minerals Inc., a producer and distributor of performance minerals, located in the United States), ERES III invested in three new shareholdings in 2017. Its portfolio now has a €20 million shareholding in Allegro.pl, Poland's undisputed e-commerce leader, plus a $10 million commitment to PIB Insurance, an insurance broker covering speciality markets for SMEs in the United Kingdom. Lastly, ERES III contributed $30 million to a fresh funding round by AmaWaterways, a high-end specialist in river cruises in Europe.

The ERES II portfolio again performed very well. It made a $5 million build-up investment in IHS Holding alongside ERES III. In addition, the fund sold on the market the remainder of its investment in Baozun, a company that develops and manages e-commerce sites in China for an overall exit multiple of 4.4x its cost. ERES II also sold to Nippon Life its shareholding in US asset manager The TCW Group for an exit multiple of 4.7x its cost. These performances owe a great deal to the substantial organic growth achieved by these two assets, enabling ERES II to increase its payouts to 105% of initial commitments.

Launch of the ActoMezz III fund

One year after adding mezzanine investments to its offering, Edmond de Rothschild Investment Partners continued to expand this business, with ActoMezz III, its new fund, leading the way. It closed with €314 million in commitments, well above its initial hard cap of €300 million. Working as a close partner with business managers keen to maximise their shareholding, the ActoMezz team has firmly established itself in the French mid cap segment. Investments range from €5 million to €45 million, as with previous funds.

In 2017, the ActoMezz franchise completed several investments, including in MS Vacances (outdoor holiday accommodation) and Philogeris (nursing homes), the latest additions to the ActoMezz II fund, and G3S Alyzia (airport services), TimeOne (marketing services) and Walor International (turning of automotive parts) for the new ActoMezz III fund.

Solid business flows for biotech

The BioDiscovery franchise raised €345 million for its BioDiscovery 5 fund, now the largest European fund dedicated to biotech. The funding round began in late 2016 and is due to close in January 2018. The roll-out of BioDiscovery 4 continued in 2017, with €18.1 million in build-up investments in 6 portfolio companies and 2 new investments.
The total capital raised for life sciences funds by Edmond de Rothschild Investment Partners, which has carved out a strong reputation for itself in this area in Europe, stands at over €750 million.

Strong inflows and outflows from and into growth capital funds

2017 was a busy year on two fronts.
The Winch 3 fund continued to invest at a brisk pace, establishing 6 new shareholdings in France and Italy during 2017 at a total cost of €106 million. These investments included the acquisition of a stake in Potel & Chabot (organisation of prestige receptions) and Platinium (online ticketing software vendor) in France.
Additionally, Winch 2 continued its active search for liquidity, disposing of interests in European Homes. In 2017, €78.4 million was paid back to investors.
Activity in the small-cap private equity segment was brisk. Following its funding round in 2016 that closed with €170 million in commitments, the deployment of Cabestan 2 continued apace. The fund completed seven investments in 2017.

Breakdown of Private Equity results

In thousands of euros	2017	2016	Évolution
Net banking income	**4.150**	**3.172**	**30,8%**
Operating expenses	−5.230	−4.732	10,5%
- Personnel expenses:	*−3.765*	*−3.022*	
. direct	*−3.321*	*−2.682*	
. indirect	*−444*	*−340*	
- Other operating expenses	*−1.358*	*−1.604*	
- Depreciation, amortisation and impairment	*−107*	*−106*	
Gross operating income	**−1.080**	**−1.560**	**−30,8%**
Cost of risk	-	-	
Operating income	**−1.080**	**−1.560**	**−30,8%**
Share in net income of associates	1.384	549	
Net gains or losses on other assets	-	-	
Changes in the value of goodwill	−720	−807	
Income (loss) before tax	**−416**	**−1.818**	**−77,1%**
Cost income ratio*	123,4%	145,8%	

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

Net banking income

As a result of the successful fundraisings in 2016, net banking income rose €1.0 million despite the decline in fund set-up fees in 2017.

Operating expenses

With further investments to diversify its activities and continuing reorganisation costs related to the core private equity businesses in France, the division's operating expenses were €0.5 million higher in 2017 than in 2016.

Operating income

Private Equity posted a gross operating loss of €1.1 million in 2017, reflecting the trends presented above.

Income (loss) before tax

The contribution from Edmond de Rothschild Investment Partners was €0.8 million higher than in 2016 reflecting the successful launches of the next generations of its Bio Discovery (5th generation) and ActoMezz (3rd generation) franchises.
The Private Equity business posted a loss before tax of €0.4 million.

Other activities and proprietary trading

CORPORATE ADVISORY SERVICES

Highlights of 2017

- 19 transactions advised on by the corporate finance unit
- Continuing ramp-up in the property business and in financing advisory
- Two new areas of expertise: tech & digital and the small caps segment

Advising owner-managers, family-controlled companies and financial investors is a longstanding business at the Group and a distinctive feature of its business model in France setting it apart from its direct banking rivals. Edmond de Rothschild advises entrepreneurs and families, as well as financial investors and industrial groups, on capital transactions related to their industrial, commercial and property assets. That also gives family-office investors access to asset diversification solutions.

The team focuses on the small- and mid-cap market segment (i.e. deal sizes ranging from €20 million to €500 million. Independent, conflict of interest-free and unique deal-making experience with family-owned firms to support clients in France and abroad is what sets it apart from its rivals.

To build a tighter management team, Edmond de Rothschild Corporate Finance made changes to its governance structure, switching to a five-strong Management Committee headed by Philippe Duval, its Chairman. The new governance structure with its more collective decision-making has enhanced the team's effectiveness and is aligned with the Group's development goals for the business line.

Expertise harnessed through close collaboration with other business lines

Corporate Finance offers a full line of advisory services catering to all industries covering equity and debt transactions, from sales of shareholdings (LBO, MBO, capital-raising) to divestments, acquisitions and delistings.

Combining the Corporate Finance division's advisory expertise with private banking/wealth engineering know-how yields strategic, industrial and wealth planning insights for family-controlled firms, owner-managers working under an existing LBO and Private Equity funds in the early stages of deals. It also helps forge long-term ties.

To meet the needs of an ever more global client base, the teams based in Paris, Lyon and the United Kingdom complete a large number of deals with an international dimension. They chiefly involve disposals or the sale of shareholdings in French companies to non-French investors (both financial and industrial).

Strong business momentum in small and mid caps

Like the large cap market, the midmarket was again very active in 2017. The midcaps market, highly influenced by business owners' wealth planning considerations, accelerated very sharply in the second half of the year[1]. The Corporate Finance teams reaped the benefit of this trend, completing 19 deals, and pushed ahead with the development of the business.

Completed transactions included the sale of the Clos de Tart vineyard in Burgundy to Artemis, the sale of Hedis to the UK listed group Bunzl, the sale of a stake in pharmaceutical group SERB to CharterHouse, the sale of pharmaceutical group Théradial to its management and to investment funds UI Gestion and BPI France, the purchase of a minority shareholding in Maison du Whisky by RAISE, the sale of a controlling interest in DL Software to 21 Centrale Partners, the acquisition of Unither by Ardian plus management, and an overhaul of the Cojean group's ownership structure.

[4] Source: Source: Agefi Hebdo no. 594-595, 4 January 2018 – Exclusive M&A rankings – p. 24

Development of two new areas of expertise that got off to a promising start: tech & digital and the small caps segment

Since mid-October 2017, Edmond de Rothschild Corporate Finance has gained tech & digital expertise to cement its offering in an area that is fertile ground for M&A transactions. By adding this new expertise, the Corporate Finance team will be in a position to provide a higher level of support to owner-managers and family-owned companies in the tech & digital sector, especially with financing and growth (fundraising), M&A and wealth planning issues. It will also be able to advise and guide financial investors and funds with shareholdings and assets in the sector.

Likewise, the small caps unit now provides more effective coverage of this segment, which harbours major synergies with mid caps and private banking and generates a very substantial annual volume of transactions, with the sourcing of midcap opportunities, cross deal flow between corporate finance and private banking, and direct investment opportunities via the ultra high net-worth segment.

In addition, property expertise and financing advisory expertise both continued to ramp up to full speed during the year. Both were involved in new deals, such as the sale of a majority shareholding in building renovation specialist CIR and Urban Premium to Bridgepoint and in advising majority shareholders in the Accueil group to finance the acquisition of the minority holding.

Results of Other Activities and Proprietary Trading

In thousands of euros	2017	2016	Évolution
Net banking income	**33.000**	**43.807**	**−24,7%**
Operating expenses	−39.857	−39.465	1,0%
- Personnel expenses:	*−29.097*	*−23.952*	
. direct	*−23.790*	*−18.246*	
. indirect	*−5.307*	*−5.706*	
- Other operating expenses	*−7.340*	*−12.651*	
- Depreciation, amortisation and impairment	*−3.420*	*−2.862*	
Gross operating income	**−6.857**	**4.342**	**ns**
Cost of risk	−65	−248	
Operating income	**−6.922**	**4.094**	**ns**
Share in net income of associates	-	-	
Net gains or losses on other assets	732	9.428	
Changes in the value of goodwill	-	-	
Income (loss) before tax	**−6.190**	**13.522**	**ns**
Cost income ratio*	ns	ns**	

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

Net banking income

Corporate Advisory Services

The Corporate Advisory Services division continued to perform well in 2017, building on the very strong platform it established in 2016.
Its net banking income came to €16.2 million, down €3.5 million on 2016.

Proprietary Trading

Net banking income sank €6.2 million lower than in 2016 despite a healthy contribution from currency trading. The key factors at work were the low interest-rate environment and the lack of any significant gains on the investment portfolio.

Operating expenses

Corporate Advisory Services

Thanks to the impact of adjustments to variable remuneration to reflect top-line trends and tight management of discretionary budgets and payroll costs, operating expenses were €0.4 million lower than in 2016.
That said, gross operating income was at breakeven point, down from €3.2 million in positive territory in 2016, as lower net banking income took its toll.

Income (loss) before tax

The disposal of Edmond de Rothschild (Israel) Ltd and the divestment of interests in Group entities (Edmond de Rothschild (UK) Ltd and EdRRIT) had produced €9.4 million in capital gains in 2016. No such transactions took place in 2017.
Consequently, the Other Activities and Proprietary Trading division recorded a loss before tax of €6.2 million, after a profit of €13.5 million in 2016.

Outlook for 2018

EdR (France) will continue to execute the Group's strategy of refocusing on its core strengths, leading by example and harnessing opportunities for collaboration and synergies within the Group.
Buoyed by a year of very strong business trends crowned with key commercial and financial success, Private Banking continues to pursue ambitious goals in France. Following on from the landmark compliance project completed in 2017 of aligning its processes with MiFID 2, the main challenge for Private Banking is to stay just as agile so it is able to maintain its profitability as other market players gradually adapt their own offering to the new regulatory environment. Other key avenues of development will again include efforts to harness synergies with the Group's other business lines – Asset Management with the ramp-up in the private banking/investment advisory division (PBIA) and Cleaveland, Private Equity and Corporate Finance.
One of the most important strategic developments for the Asset Management business line, now refocused on its European backbone with a reshaped offering of products and services, is the build-up of the PBIA division, which aims to serve the Group's private banks as effectively as possible. Innovation continues to drive its product offering, and the goal is to ensure investors are offered solutions geared to complex markets.

Movements in the portfolio of subsidiaries and associates

During 2017, the main transactions carried out by Edmond de Rothschild (France) were as follows:

- Acquisitions

Edmond de Rothschild (France) acquired shares in Edmond de Rothschild Asset Management (France) in 2017. Its interest rose from 99.53% at 31 December 2016 to 99.85% at 31 December 2017.

- Divestments and dissolutions

Edmond de Rothschild (France) sold its entire holding in the following companies:
- it sold its shares in BpiFrance Financement in May 2017
- it sold its shares in Novespace in December 2017.

In addition, its Italian subsidiary Edmond de Rothschild (Italia) SGR SpA merged with and into Edmond de Rothschild (France) with retroactive effect from 1 January 2017. As a result of this cross-border merger by absorption, all the assets and liabilities of Edmond de Rothschild (Italia) SGR SpA were transferred to Edmond de Rothschild (France) Italian branch, a pre-existing permanent establishment.

- Restructuring

In January 2017, Elivest reduced its share capital by means of a reduction in the nominal value of its shares. Following this transaction, Elivest's share capital consists of 600,000 shares each with a nominal value of €0.0833333, representing a total of €49,999.98. Edmond de Rothschild (France)'s shareholding remained unchanged at 16.67% at 31 December 2017.

Consolidated balance sheet

Consolidated total assets came to €3,442.8 million at 31 December 2017, up 23.8% compared with €2,781.7 million at 31 December 2016.
This increase in total assets was accompanied by a major shift in the structure of the balance sheet, with a hefty rise in central bank assets, a corollary of the Bank's improved overall liquidity position and a conservative cash management policy with the low interest-rate environment offering few opportunities. The rise in loans and receivables due from clients resulted from the Group's strong business momentum.

Assets

In thousands of euros	31.12.2017	31.12.2016
Financial liabilities at fair value through profit and loss	2.025.603	1.176.124
Due to credit institutions	8.777	35.970
Due to clients	221.482	269.138
Current and deferred tax liabilities	127.861	249.595
Provisions	672.883	631.744
Subordinated debt	-	-
Equity attributable to equity holders of the parent	168.753	190.294
Non-controlling interest	217.464	228.861
Total liabilities	**3.442.823**	**2.781.726**

Liabilities and equity

In thousands of euros	31.12.2017	31.12.2016
Financial liabilities at fair value through profit and loss	1.379.627	967.876
Due to credit institutions	28.127	23.683
Due to clients	1.418.286	1.170.160
Current and deferred tax liabilities	204.892	224.613
Provisions	25.331	28.333
Subordinated debt	-	-
Equity attributable to equity holders of the parent	373.579	364.459
Non-controlling interest	12.981	2.602
Total liabilities	**3.442.823**	**2.781.726**

Commitments given and received by the Group

In thousands of euros	31.12.2017	31.12.2016
Commitments given		
Loan commitments	216.401	189.695
Guarantee commitments	72.192	98.955
Commitments received		
Loan commitments	-	-
Guarantee commitments	12.871	50.802

Main changes in consolidated assets

Cash, due from central banks and postal accounts shows the Bank's demand deposits with the ECB and the Banque de France. As explained above, the increase in this line item was the consequence of the general improvement in the Bank's liquidity position and prudent cash management in a period of very low or, at times, negative interest rates.

Total **financial assets at fair value through profit and loss** declined to €8.8 million at 31 December 2017 from €36.0 million at 31 December 2016. The key factors at work were the fall in the fair value of trading derivatives and the maturity of three government bonds.
At 31 December 2017, this line item chiefly comprised eurozone government bonds acquired in connection with structured UCITS funds (€2.6 million) and futures contracts measured at fair value (€0.6 million) to hedge market risks incurred through structured products (€5.6 million).

Available-for-sale financial assets net of impairment were measured at a fair value of €221.5 million at 31 December 2017, down 17.7% from €269.1 million at 31 December 2016, as two German government bonds held previously reached maturity.
At 31 December 2017, this line item mainly reflects positions in Group UCITS held by the Bank and its subsidiaries as seed money or for sponsorship purposes.
It also includes German (€4.1 million) and French government bonds (€14.5 million), with interest-rate risk hedges in place.

Loans and receivables due from credit institutions declined to €127.9 million at 31 December 2017, down 48.8% from €249.6 million at the end of the previous year. This decline was attributable to the maturity of a €79.2 million overnight loan and a €42.6 million reduction in ordinary demand deposit accounts.

Loans and receivables due from clients (net of provisions), consisting of ordinary overdrafts and loans, advanced by 6.5% to €672.9 million at 31 December 2017 compared with €631.7 million at 31 December 2016. That increase was primarily the result of an increase in client overdrafts excluding UCITS funds, which rose by €28.7 million, and a €4.8 million increase in lending.
Debit positions on UCITS current accounts fell from €8.0 million at 31 December 2016 to €7.6 million at 31 December 2017.

Tax assets and other assets declined by 11.3% with the depletion of the deferred tax assets arising from the tax loss carryforwards.

Non-current assets other than financial assets totalled €217.5 million at 31 December 2017, down from €228.9 million at 31 December 2016. This decline was predominantly linked to the reduction in investments in associates.

Main changes in consolidated liabilities

Financial liabilities at fair value through profit and loss totalled €1,379.6 million at 31 December 2017, up 42.5% relative to 31 December 2016 (€967.9 million). This increase mainly derived from a net increase of €411.8 million in issues of debt instruments by Edmond de Rothschild (France) to credit institutions.

Due to credit institutions reflects demand deposit accounts, on which balances increased to €28.1 million at 31 December 2017, from €23.7 million at 31 December 2016.

Due to clients comprises ordinary accounts in credit, term deposits and savings accounts, and repo transactions with the Group's UCITS for cash management purposes. This line item rose by 21.2% or €248.1 million overall to reach €1,418.3 million at 31 December 2017. This net increase was chiefly driven by a €290.6 million rise in ordinary accounts in credit, offset by a €50.1 million decline in other financial liabilities.

Provisions declined from €28.3 million at 31 December 2016 to €25.3 million at 31 December 2017.

After 2017 net income of €24.1 million, **equity attributable to equity holders of the parent** rose 2.5% to €373.6 million at 31 December 2017.

Commitments given and received by the Group

Loan commitments given to clients, which include commitments to invest in certain of the Group's private equity funds, amounted to €216.4 million compared with €189.7 million at 31 December 2016. This increase reflected a €31.0 million rise in overdraft authorisations and a €4.2 million reduction in commitments on securities receivable.

Guarantees given by the Group fell 27% to €72.0 million, from €99.0 million at 31 December 2016.
The guarantees mainly consisted of administrative and financial security provided to clients (down €42.7 million) and guarantees to investors in structured, formula and cushion funds, as well as representations and warranties provided to companies.

Guarantees received from credit institutions declined to €12.9 million from €50.8 million at the end of 2016.

Parent company financial statements

Parent company balance sheet

At 31 December 2017, the Bank's total assets amounted to €3.425 billion. That represented an increase of 26.2% over the previous year from €2.713 billion.

The main balance sheet items were as follows:

In thousand of euros	31.12.2017	31.12.2016
Assets		
Cash accounts and interbank operations	2.135.093	1.404.703
Loans to customers	710.338	737.633
Other financial accounts	177.598	155.904
Securities and fixed assets	401.833	414.892
Total	**3.424.862**	**2.713.132**

Liabilities		
Cash accounts and interbank operations	995.233	576.300
Client deposits	1.506.860	1.244.840
Borrowings represented by securities	455.012	472.784
Other financial accounts	162.877	119.028
Subordinated debt	21.023	21.732
Shareholders' equity	283.857	278.448
Total	**3.424.862**	**2.713.132**

On the asset side, **cash accounts and interbank operations** accounted for 62.3% of the Bank's total assets, or €2.135 billion compared with €1.405 billion at 31 December 2016, an increase of €730 million or 52%. Cash deposited with the ECB and the Banque de France amounted to €2.025 billion at 31 December 2017, or 59% of the Bank's total assets (versus €1.176 billion and 43% at 31 December 2016), reflecting conservative cash management in a low interest-rate environment. Demand deposits with financial institutions decreased from €229 million at 31 December 2016 to €109 million at 31 December 2017.

Loans to clients amounted to €710 million at 31 December 2017, down 4% from €738 million at 31 December 2016. That fall derived largely from customer overdrafts.

Other financial accounts rose 14% to reach €178 million, up from €156 million in the previous year.

Securities and non-current assets amounted to €402 million at 31 December 2017, compared with €415 million at 31 December 2016. This 3% decrease was to a great extent the product of, firstly, calls for funds and sales of private equity UCITS funds and, secondly, the merger with Edmond de Rothschild (Italia) SGR SpA.

On the liabilities side, **interbank operations** rose to €995 million at 31 December 2017 from €576 million at 31 December 2016. Term loans were the main factor behind this increase.

Client deposits rose by 21% to €1,507 million at 31 December 2017, up from €1,245 million at 31 December 2016. This increase was predominantly the result of a rise in clients' other demand deposits. Repo transactions with the Group UCITS remained stable at €6 million at 31 December 2017 compared with €7 million at 31 December 2016 with the continuing decline in interest rates. Clients' term deposits fell €48 million.

Debt securities amounted to €455 million compared with €473 million one year earlier. They consisted mainly of Euro Medium Term Notes (EMTNs) issued in connection with structured products and certificates of deposit.

Other financial accounts rose €44 million to €163 million from €119 million at 31 December 2016. The rise reflected the measurement of currency exposures.

Subordinated debt, which amounted to €21 million at 31 December 2017 (unchanged from at 31 December 2016), includes only the undated super-subordinated notes issued by the Bank in June 2007 to strengthen the Group's regulatory capital.

Items affecting **shareholders' equity** were as follows:

In thousand of euros	(1) 31.12.2017	(1) 31.12.2016
Capital	83.076	83.076
Reserves	130.522	130.522
Retained earnings	51.558	40.458
Total	**265.156**	**254.056**

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

Net income for the year came to €18.7 million compared with €24.4 million in 2016, representing a decline of 23%.

Parent company income statement

The Bank's condensed income statement was as follows (in thousands of euros):

	2017	2016
Net banking income	**170.675**	157.130
Personnel expenses	−90.073	−84.166
Other operating expenses	−53.189	−55.814
Depreciation and amortisation	−11.296	−13.074
Gross operating income	**16.117**	**4.076**
Cost of risk	26	10
Net gains or losses on other assets	−8.763	4.986
Non-recurring items	−8.437	4.636
Income tax	19.758	10.684
Net income	**18.701**	**24.392**

Net banking income

Net banking income rose 8.6% in 2017 to reach €170.7 million, up from €157.1 million in 2016.

The €14 million increase derived mainly from asset management fee income, which surged 12.3% to €78.2 million from €69.7 million in 2016. The increase flowed from higher investment fees, other transaction fees (transfers and front-end charges) and fees on portfolios managed by the Italian branch, which rose significantly following the merger of Edmond de Rothschild (Italia) SGR SpA, the Italian subsidiary, with and into Edmond de Rothschild (France)'s branch.
Margin revenue rose €1 million between 2016 and 2017. The growth reflected the increase in financing awarded to clients and the introduction of interest charges on overdrawn institutional clients' accounts.

Capital market transactions, which were again affected by the record low levels of interest rates, and currency movements, contributed €1.7 million to the rise in net banking income between 2016 and 2017.

Net banking income also reflected higher gains on the securities portfolio and other income.
The line item increased by €2.2 million compared with 2016. This trend was chiefly attributable to a reduction in impairment losses on securities and an increase in miscellaneous revenues.

Operating expenses, depreciation and amortisation

Operating expenses, depreciation and amortisation came to €154.6 million, up 1% from the €153.1 million recorded in 2016.
This €1.5 million increase breaks down into:
- a 7% increase in **personnel expenses** to €90.1 million in 2017 from €84.2 million in 2016;
- a 4.7% reduction in **other operating expenses** to €53.2 million in 2017 from €55.8 million in 2016; and
- €11.30 million in **depreciation and amortisation** in 2017, compared with €13.1 million in 2016.

After operating expenses, depreciation and amortisation, **gross operating income** totalled €16.1 million, up from €4.1 million in 2016.

Non-operating items

The net **cost of risk** was positive in 2017, as in 2016, a real testament to the calibre of the Bank's commitments and its risk management policy.

Net gains or losses on other assets showed a net loss of €8.8 million versus a net gain of €4.9 million in 2016. The key contributor to this loss was an impairment loss of €12.9 million recognised on our investment in Zhonghai Fund Management Co. Ltd.

Non-recurring items showed a net loss of €8.4 million, reflecting recognition of a merger loss on the Edmond de Rothschild (Italia) SGR SpA subsidiary.

Under the Group's tax consolidation arrangements, the Bank recorded a net **income tax benefit** of €19.8 million compared with €10.7 million in 2016.

Net income came to €18.7 million compared with €24.4 million in 2016, representing a decrease of €5.7 million.

Share capital

Ownership of the share capital, which amounted to €83,075,820 at 31 December 2017, was as follows:

Edmond de Rothschild S.A.	5.509.180	representing	99,46%
Caisse de Dépôt et Placement du Québec	24.172	representing	0,44%
EDRRIT Limited	4.976	representing	0,09%
Various Group's employees shareholders	60	representing	0,00%
Total	**5.538.388**	**representing**	**100,00%**

At 31 December 2017, there were no employee shareholders as the term is defined in Article L. 225-102 of the French Commercial Code.

Disclosures pursuant to Articles 39-04 and 223d and 39-05 and 223e of the French General Tax Code

Edmond de Rothschild (France) recorded a total amount of €344,359 in expenditure covered by Articles 39-04 and 223d of the French General Tax Code (extravagant expenditure), corresponding to €114,786 in corporate income tax, which was duly paid.

No expenditure falling within the scope of Articles 39-05 and 223e of the French General Tax Code was recorded.

Information on payment terms

(Articles L. 441-6-1 and D. 441-4 of the French Commercial Code)

At year-end 2017, the amounts owed by the Company to its suppliers broke down by maturity as follows (in euros):

Invoices received and issued unpaid at the balance sheet date of the fiscal year in which the term has expired.

	Article D. 441 I.- 1° : invoices received not paid on the closing date of the financial year that has expired						Article D. 441 I.- 2° : unpaid invoices issued at the end of the fiscal year ending on the expiry date					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Slices of late payment												
Number of invoices concerned	11					11	82					82
Total amount of invoices concerned excl tax		113.343				113.343		734.261	138.047	5.891	176.699	1.054.898
Percentage of total purchases excl tax in the year	0%	0%	0%	0%	0%	0%						
Percentage of turnover for the year excl tax							0%	0%	0%	0%	0%	0%
Invoices excluded from (A) relating to disputed and unrecorded debts and receivables												
Number of invoices excluded												
Total amount of excluded invoices excl tax												
(C) Reference payment periods used (contractual or statutory period - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment deadlines used for calculating late payments												

Information on dormant bank accounts

Pursuant to French Act no. 2014-617 of 13 June 2014 on dormant bank accounts, Edmond de Rothschild (France) discloses that:

- it identified 5 dormant accounts as defined in the aforementioned Act on its books in 2017 with a total balance of €16,321.88;
- it did not identify any dormant accounts on its books in respect of 2017 with deposits or other assets transferable under French law to Caisse des Dépôts et Consignations and thus made no such transfers to Caisse des Dépôts et Consignations.

Information on branches (Article L. 232-1 of the French Commercial Code)

Pursuant to Article L. 232-1 of the French Commercial Code, the branches in existence at 31 December 2017 were as follows:

- a branch at Corso Venezia 36 in Milan (Italy);
- regional offices in Bordeaux, Lille, Lyon, Marseille, Nantes, Strasbourg and Toulouse.

Information about offices and activities at 31 December 2017

Article L. 511-45 of the French Monetary and Financial Code as amended by government order no. 2014-158 of 20 February 2014 requires credit institutions to publish information about their offices and business activities within their scope of consolidation, in each state or territory.

Offices by country

Operation	Business
CHILE	
Edmond de Rothschild Asset Management (Chile) S.A.	Asset management
CHINA	
Zhonghai Fund Management Co. Ltd.	Asset management
Edmond de Rothschild Advisory Management (Beijing) Co Limited	Asset management
China Investment Partners (Shanghai) Limited	Advisory/financial engineering
FRANCE	
Edmond de Rothschild (France)	Banking
Edmond de Rothschild Asset Management (France)	Asset management
Edmond de Rothschild Investment Partners	Asset management
Financière Boréale	Proprietary trading (buying and selling of investments)
Cleaveland	Asset Management
Edmond de Rothschild Corporate Finance	Business advice/Financial Engineering
Edmond de Rothschild Private Equity (France)	Asset management
Groupement Immobilière Financière	Other
Edmond de Rothschild Investors Assistance	Other
Edmond de Rothschild Assurances et Conseils (France)	Insurance broking
UK	
LCFR UK PEP Limited	Asset management
HONG KONG	
Edmond de Rothschild Asset Management (Hong Kong) Limited	Asset management
Edmond de Rothschild Securities (Hong Kong) Limited	Wealth management (private banking)
China Investment Partners (Hong Kong) Limited	Asset management
ISRAEL	
Edmond de Rothschild Boulevard Buildings Ltd.	Property management
LUXEMBOURG	
Edmond de Rothschild Europportunities Management SàRL	Asset management
EdR Real Estate (Eastern Europe) Cie SàRL	Proprietary trading (buying and selling of investments)
Edmond de Rothschild Europportunities Invest SàRL	Proprietary trading (buying and selling of investments)
CFSH Secondary Opportunities S.A SICAR	Proprietary trading (buying and selling of investments)
CFSH Luxembourg SàRL	Proprietary trading (buying and selling of investments)
Bridge Management SàRL	Proprietary trading (buying and selling of investments)
Edmond de Rothschild Europportunities Management II Sàrl	Asset management
Edmond de Rothschild Europportunities Invest II SàRL	Asset management
EdR Real Estate (Eastern Europe) Management SàRL	Asset management
Edmond de Rothschild Investment Partners China SàRL	Asset management
MONACO	
Edmond de Rothschild (Monaco)	Wealth management (private banking)

	Revenue	Net banking income	Headcount	Pre-tax income	Income tax	o/w current taxes	o/w deferred taxes
CHILI	43	−84	-	−90	-	-	-
CHINE	7	−21	-	−11.245	−12	−12	-
FRANCE	826.551	302.704	774	39.633	−9.854	−3.154	−6.700
GRANDE BRETAGNE	-	-	-	−18	-	-	-
HONG KONG	539	1.300	2	−817	−50	−47	−4
ISRAEL	1.325	929	1	−757	-	-	-
LUXEMBOURG	5.284	289	-	−1.113	−70	−73	3
MONACO	-	-	-	8.955	-	-	-
TOTAL	**833.749**	**305.117**	**777**	**34.547**	**−9.986**	**−3.285**	**−6.701**

Internal control and risk management procedures relating to the preparation and processing of financial and accounting information

Presentation of the organisation and operation of internal control and risk management

The key principle underpinning the internal control organisation is that operational duties should be kept separate from supervisory roles. Under this approach, front-office units (e.g. sales departments and trading floors) are kept strictly separate from support functions (e.g. back-office, middle-office and accounting). Edmond de Rothschild (France)'s handbook of internal procedures underscores this principle of the separation of duties. In addition, its framework of control processes is built around internal controllers within the Compliance and Permanent Control Department and in the business lines and subsidiaries. The internal control procedures aim to ensure the fair presentation and reliability of the accounting and financial information provided to the Supervisory Board, shareholders and supervisory authorities, and that the information is provided and published on a timely basis.

Control levels

Edmond de Rothschild (France)'s internal control framework is underpinned by the following principles:

- corporate and supervisory bodies are heavily involved, especially the Audit Committee and the Risk Committee;
- a dense network of 17 internal controllers at the business lines and subsidiaries, plus 6 staff members who monitor compliance within the Compliance and Permanent Control Department. These employees are obliged to report their findings on a regular basis and apply a unified control methodology;
- a Central Risk Department monitoring operating risk, which has 7 permanent staff members and 10 risk liaison officers working at the business lines (2 of whom have a different main activity);
- an Internal Audit division with five members of staff;
- special attention paid to compliance with regulations, including:
    - government decree of 3 November 2014 on internal control,
    - AMF's General Regulation,
    - MiFID 2 directive,
    - recommendations published by the Basel Committee,
- Government order no. 2016-1635 of 1 December 2016 and Directive (EU) 2015/847 of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and other related rules;
- clear allocation of resources to either periodic control (by the Internal Audit Department) or permanent control (by dedicated internal controllers and the Compliance and Control Department).

General risk management policy

Edmond de Rothschild (France)'s main sphere of activity covers private banking, asset management, private equity and corporate advisory services.
Accordingly, its risk management policy aims to:
perform very strict controls on the development of various activities, including market and credit transactions, to ensure that only limited exposure is incurred;
arrange highly liquid financing arrangements, with abundant long-term sources of funds and uses of funds that can be sold easily, should the need arise.

In addition to its own role in monitoring financial risks, the Central Risk Department is tasked with coordinating risk management. In particular, it is responsible for organising cross-functional committees that review all the risks inherent in the Bank's business activities. It drafts a Risk Policy in conjunction with its liaison officers and in line with the Group Risk Charter and Policy (Edmond de Rothschild Holding, Geneva), which is submitted to the Risk Committee, then approved by the Supervisory Board.
The Central Risk Department also submits a Recovery Plan to the Risk Committee and the Supervisory Board, pursuant to the French government order no. 2015-1024 of 20 August 2015.
The Central Risk Department reports directly to the Executive Board and reports regularly on the controls it performs to the Supervisory Board via the Risk Committee.

Production of accounting and financial information

The internal control framework also applies to the production of accounting and financial information. The Company's individual and consolidated accounts are maintained by the Accounting Department, which is rigorously independent of the operating entities. It also applies the principle that at least two staff members should be in a position to perform every critical task.
The Accounting Department manages the (parent company and consolidated) accounts of the Bank and those of majority-owned subsidiaries primarily using information provided by the back offices. It applies the accounting principles and rules in force. The accounts of subsidiaries registered in other countries are managed locally.
The consolidation process relies on the transmission of detailed information using a standard reporting package completed by each subsidiary.

The Accounting Department consolidates profit and loss each month and carries out a detailed review of each subsidiary's individual financial statements. It ensures that financial statements are published on time.
Furthermore, a meeting is held at least quarterly under the authority of a member of the Executive Board to review doubtful loans and provisions for litigation and to determine the appropriate allocations to and reversals from provisions. The Legal Department, the Chief Accountant and an Internal Auditor also attend this meeting.
The Accounting Department has a unit tasked with analysing the financial statements and detecting potential errors. The accounting processes and the quality of the accounting and financial information are also subject to checks by permanent control, with one internal controller assigned solely to the Finance and Development Department, and to periodic audits by the Internal Audit Department. Additionally, the Company's financial statements have to be audited by two independent Statutory Auditors.

The parent company financial statements (Report of the Executive Board, parent company financial statements) and consolidated financial statements (consolidated financial statements, Edmond de Rothschild (France)'s Management Report) are submitted to the Audit Committee and the Supervisory Board.
The Audit Committee conducts a global and summary review of the control framework for accounting and financial risks, and ensures the completeness and consistency of the system for reporting financial information.
Lastly, the Statutory Auditors review the interim financial statements (for the period to 30 June) and present their work to the Audit Committee ahead of the approval of the financial statements (at least twice a year). They are also invited to meetings of the Supervisory Board that review the financial statements.

Recognition of financial risks associated with climate change effects and measures taken to reduce them

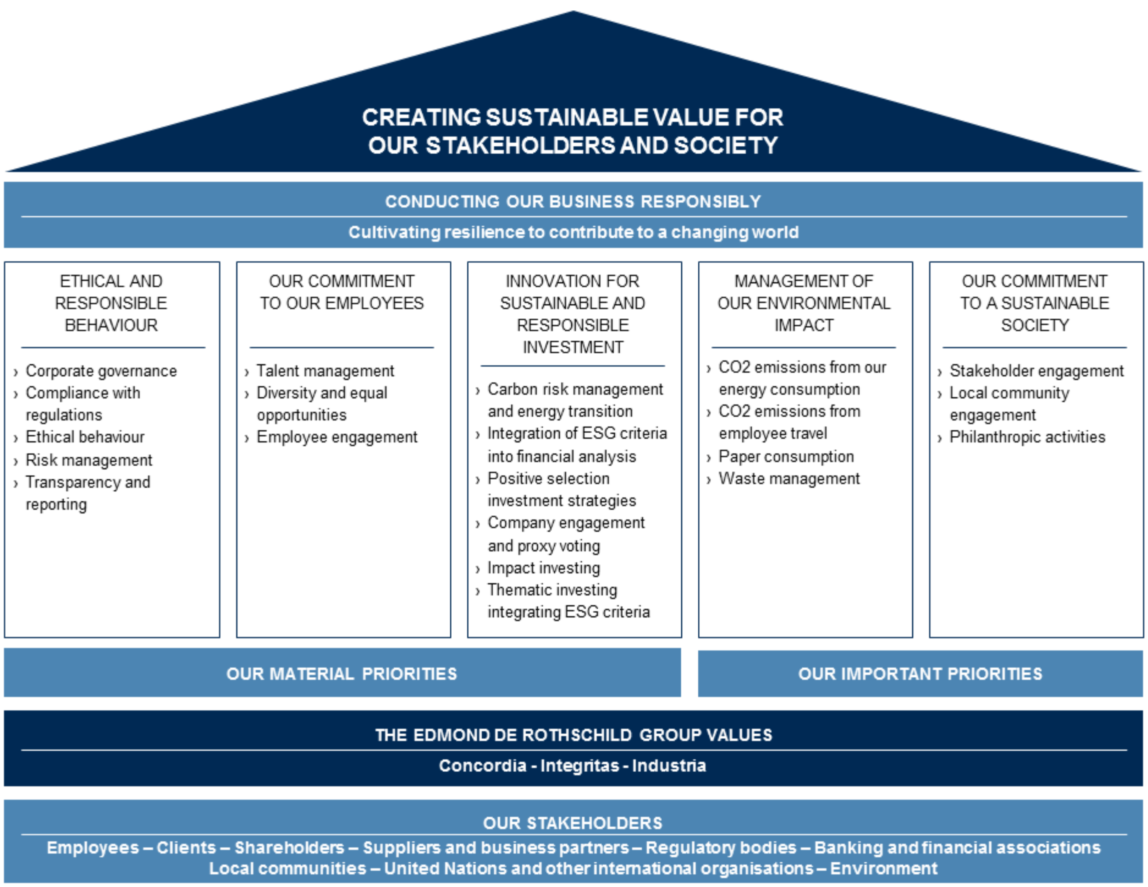
Edmond de Rothschild (France) has pursued a programme to mitigate its environmental footprint since 2011. Its efforts are an integral part of Edmond de Rothschild Group's sustainability strategy. Measures taken by the Edmond de Rothschild Group to reduce such risks are presented in the Sustainable Development Report (http://www.edmond-de-rothschild.com/site/International/en/Sustainable-development/reports).
The measures introduced specifically by Edmond de Rothschild (France) are stated in the *Social and environmental information* section ("Management of financial risks linked to climate change and the energy transition") in Edmond de Rothschild (France)'s annual report

Sustainability report

The Edmond de Rothschild Group's sustainability strategy is based around five pillars, on which the Group has decided to focus until 2020 (see image below). The first three represent material issues that directly impact our activities and performance, while the last two reflect our pro-active commitment to sustainability overall in line with our corporate identity and values.
The Group has defined material issues and specific objectives for each of the five pillars, in order to manage the identified issues in an active, controlled way. The issues and objectives are presented as a general framework in each section of this report.

This chapter outlines the sustainability approaches and projects adopted by Edmond de Rothschild (France), which reflect the Group's overall strategy and serve to illustrate our commitment in this domain. The Group's sustainability report provides more information on material issues, the 2020 objectives and our progress towards meeting them[1].
Edmond de Rothschild (France) has been a signatory of the United Nations Global Compact – the world's largest initiative involving voluntary commitment to social responsibility, with more than 12,000 participants – since 2011, and is also a member of the United Nations Environment Programme Finance Initiative (UNEP FI). The aim of the latter initiative is to encourage financial organisations to apply sustainability principles more effectively at all levels of their operations by integrating environmental, social and governance (ESG) factors into investment and risk analyses.

As part of our commitment to our employees, we also support the fundamental conventions of the International Labour Organisation (ILO) and the United Nations Guiding Principles on Business and Human Rights. Edmond de Rothschild Asset Management (France) and Edmond de Rothschild Investment Private Equity have signed the Principles for Responsible Investment, thereby making a commitment to integrating environmental, social and governance (ESG) issues into their asset management activities. Since September 2015, Edmond de Rothschild Asset Management (France) has also been a signatory to the Montreal Carbon Pledge, committing to calculating the carbon footprint of portfolios[2]. This approach formalises our commitment to reducing our portfolios' carbon footprint.



[1] See Edmond de Rothschild Group Sustainability Report 2016: http://www.edmond-de-rothschild.com/site/International/fr/developpement-durable/rapports
[2] That carbon footprint, which was published for the first time on 1 December 2015, can be accessed on our website at the following address: http://www.edmond-de-rothschild.com/SiteCollectionDocuments/asset-management/isr/EDRAM-FR-EN-empreinte-carbone-carbon-footprint.pdf

Reporting scope

After analysis of reporting results for 2014, 2015 and 2016 covering the whole Edmond de Rothschild (France) scope – i.e. the Bank and all foreign subsidiaries and branches, and taking into account the reduction in the scope in 2016 and 2017 with the closure of sites in Chile, Beijing and Shanghai and the current winding-up of the Hong Kong site – the Sustainability Department, in agreement with the auditors of the sustainability information, decided to reduce the reporting scope for environmental and social data to the country of France, which accounts for more than 90% of the workforce. This reporting scope does not affect the analysis of information or the reliability of that information. The processes in place remain the same for the new reporting scope for 2017 onwards, i.e. Edmond de Rothschild in France.

Ethical and responsible behaviour

In 2017, the Edmond de Rothschild Group continued its efforts and projects as part of its sustainability strategy. Issues regarded as material in terms of "ethical and responsible behaviour" are corporate governance, compliance with legislation, ethical behaviour, risk management, transparency and reporting. The Group's 2020 objectives for this strategic pillar are guiding the action taken by the Group's various entities:

- Train 100% of employees on the Group Code of Ethics;
- Create a common library of the Group's ethics and compliance training courses to strengthen employees' expertise and ability to manage risk;
- Facilitate employees' access to directives that are relevant to their activity and to the support required for their application.

Edmond de Rothschild (France) contributed to the achievement of those targets in 2017.

All of Edmond de Rothschild (France)'s compliance-related procedures are available to all staff on the intranet and categorised by activity or business line according to their content. The procedures are updated regularly and the employees concerned are informed about updates when they take place.

Checks are carried out each year to ensure that existing procedures are properly applied. Depending on identified needs and regulatory changes, the Compliance departments define the training plan for the coming year.

The Edmond de Rothschild (France) Code of Ethics is fully in line with the Group's Code of Ethics, and a copy of it is provided to all employees when they join. It is also available on the Bank's intranet. The Compliance and Control department enforces full compliance with the ethical rules set out in the Code of Ethics.

This Code states, explains and supplements the laws, regulations and best ethics practices regularly observed in France.

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

Every year, all staff members are required to take a training course on anti-money laundering and terrorist financing. In 2017, intensive preparations took place ahead of MiFID II (the European Markets in Financial Instruments Directive) coming into force on 3 January 2018. That involved large amounts of work by all departments, including the compliance and control departments. Working groups were set up in all Edmond de Rothschild (France) companies to help them prepare for MiFID II, which affects all of the Group's business areas.

Governance

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

Risk management

In 2017, regarding the consolidated supervision of the French subsidiary and applying Swiss financial regulator FINMA's directive no. 2017-01, the "financial risk framework concept" working group led by Edmond de Rothschild (France)'s Chief Risk Officer launched and completed a compliance project involving the following phases:

- Reviewing all main financial risks, including identifying real-estate risk, which had not previously been assessed separately;
- Defining a risk calculation method for each individual risk, with validation by the business lines, particularly for the risks that are hardest to assess such as the VaR 95% risk of loss in Private Equity;
- Defining a capital allocation matrix that shows the capital requirement for each type of risk, according to the strategic importance of the business line generating the risk;
- Having the Group's Executive Committee validate the risk tolerance for each risk, and allocating capital according to the risk matrix;

- Validating simple Key Risk Indicators (KRI) to manage the risk of loss in the Group's activities, and thus reduce the maximum risk of loss to a level lower than the capital allocated by the Group's Executive Committee;

- Submitting the KRIs to the Group Executive Committee and validating the model in view of risk appetites.

That process resulted in a coherent methodological approach, allowing management to place the various risks in parallel and relate them with the appetite for those risks as determined at the highest level of the Bank. This represents a major step forward in terms of risk supervision and long-term strategic business planning, and was achieved well in advance of the regulatory timetable, which required implementation of the approach starting in the third quarter of 2018. Through these efforts, we showed once again our desire to take action ahead of the European regulatory timetable and to anticipate regulatory changes before they are implemented in local law.

As another notable example of our efforts in this area, we sent our "Bank Recovery Plan" to the ACPR (the Banque de France's prudential control and resolution authority) in March 2016, more than a year ahead of the deadline. This ability to anticipate future developments, and the professionalism that underpins it, was recognised by the supervisory authority in March 2017 in its annual meeting with the Executive Board.
That ability supports our ongoing good relationship with the supervisory authority, and therefore provides security for clients entrusting us with their assets over the long term.

Compliance with legislation

To train its staff in the prevention of money laundering and terrorist financing, Edmond de Rothschild Asset Management (France) has since 2015 used an e-learning system developed by the AFG (Association Française de la Gestion Financière), which is more suited to the asset management business. The programme that began in May 2016 remained open until the end of June 2017, and 100% of eligible employees took the course.

In January 2017, Edmond de Rothschild Asset Management (France) organised classroom-based training covering the system for preventing market abuse, aimed at all of its portfolio managers, particularly after MAR (the European Market Abuse Regulation) came into force on 3 July 2016. The training was provided by Edmond de Rothschild Asset Management (France)'s Internal Control and Compliance team and 100% of eligible employees took the course.

Other targeted training courses were organised for the sales and marketing teams, mainly relating to the rules applicable to the wording of commercial documents.

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

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

In Private Banking, the Compliance and Control Department created a private banking-specific e-learning course relating to the prevention of money laundering and terrorist financing in 2017. The course was taken by 127 employees of Edmond de Rothschild (France) and Edmond de Rothschild Assurance et Conseil (France) in 2017.

Transparency and reporting

For our Group, ethics, integrity and transparency are intrinsically linked to our values and our strong sense of responsibility. Banks must comply with an increasing number of regulations aimed at protecting the integrity of the financial system and encouraging public trust in banks. Against that background, our financial and sustainability reporting aims to achieve the high level of transparency needed to maintain the trust of our clients and stakeholders over the long term.

The reporting framework adopted by the Sustainability Department reflects the Group's responsibility to meet the objectives it set in 2015. The reporting framework provides a foundation for interacting more closely with all stakeholders, identifying requirements and improving practices.

The sustainability report is an effective tool for communicating more broadly about how the Group meets the sustainability challenges it faces. The five pillars of our strategy, set out in the diagram at the start of this chapter, cover the main issues and the realities of our day-to-day work.

The Edmond de Rothschild Group publishes its results in accordance with the Global Reporting Initiative Guidelines, version G4 (GRI-G4) as well as its supplement for the financial sector[1]. This approach has been taken so that data can be compared, and to improve clarity for all stakeholders when reading the results.

It is also a way for the Group to ensure the reliability and transparency of its approach to sustainability reporting.

The Group also uses PriceWaterhouseCoopers, a member of the PwC international network, to audit the main sustainability data published in this report.

PwC is one of Edmond de Rothschild (France)'s statutory auditors, and carries out an independent audit and annual assessment of how robust its data collection and control processes are. The report by one of the statutory auditors can be found on page 79.

Our commitment to our employees

Reporting scope

The reporting scope for Edmond de Rothschild (France)'s social data was reduced in 2017, to reflect the fact that 90% of that entity's employees are located in France. As a result, subsidiaries and branches that remain active outside France and that report to France – i.e. operations in Germany, Italy and Asset Management activities in Spain – are no longer taken into account in the data presented in this report. References to EdR France correspond to operations in France (country).

Introduction

The quality and commitment of our employees as well as their support for the Group's values are crucial for our success. The Human Resources strategies used by Edmond de Rothschild in France and by the Edmond de Rothschild Group are fully aligned with those values, and so the priority issues are to:
- Attract, develop and retain the best talent;
- Develop a culture of managerial leadership to enhance performance and foster employee recognition and commitment;
- Respect and promote diversity.

While always keeping these issues in mind and striving to continue building a business that is ever more robust, the Group has developed and expanded customised training for both managers and staff members, with the aim of continuing to help each of them, as effectively as possible, to achieve ever higher standards of excellence in their various roles and activities. This quest for excellence is for the benefit of the Bank's clients.

Our commitment to our staff involves three material issues: talent management, employee engagement and diversity and equal opportunities. Like the other pillars of the sustainability strategy, initiatives relating to this pillar are guided by the Group's published 2020 objectives:

- Supporting the deployment of the Group's strategic objectives;
- Developing a managerial and leadership culture based on the Group's values;
- Ensuring dynamic, diversified drivers of employee engagement;
- Gradually increasing the percentage of women in senior management;
- Maintaining gender diversity in the workforce as well as our cultural diversity.

The existing roadmap, which identifies the actions and programmes needed to achieve these objectives, remains in force.

Efforts to make Edmond de Rothschild (France) employees aware of sustainability themes such as environmental, social and responsible investment issues continued throughout 2017, through news published on the Group's intranet and articles on a wide range of subjects such as impact investing, developments in responsible investing, diversity and our efforts to support various social initiatives.

The Sustainability Department continued to work on developing a variety of communication methods intended for target audiences within the Group, focusing on specific businesses and themes such as responsible investing, climate issues and responsible purchasing.

The Group is continuing to work hard on monitoring legislation, international initiatives and standards relating to sustainability and applicable to the banking industry. In this way, the Sustainability Department provides a steady stream of information to teams directly concerned by current or upcoming developments raises their awareness of the resulting risks and opportunities and, where necessary, supports them in the action they have to take.

Attracting, recruiting and retaining staff

All of the data presented below concern Edmond de Rothschild (France) (see the "reporting scope" section).

The Group's strategy of refocusing on its European business continued in 2017 with the closure of branches in Shanghai, Beijing and Hong Kong. At 31 December 2017, the Bank in France had 780 employees, of 25 different nationalities. Cleaveland SA, whose business is integrated into that of the Group, is included in our reporting, which explains why our total number of employees in France remained stable.

The success of the Edmond de Rothschild Group relies on its employees, their skills, their professionalism, their commitment and their desire to help us strengthen our values constantly. Aside from operational and business aspects, our people are of crucial importance to the Group. As a family business, the ability to work together effectively and thereby create synergies across the Group in order to serve our clients and pursue our strategies most effectively is vital to the strength of our activities.

[1] See Edmond de Rothschild Group Sustainability Report 2016: http://www.edmond-de-Rothschild.com/site/International/fr/developpement-durable/rapports

For those reasons, attracting and retaining people with the best profiles and who share the Group's vision and values is paramount. To achieve this, the processes and tools that the Group's Human Resources function uses to recruit staff and support their development within the Group are constantly being improved across all of the following areas:

- Identifying and recruiting the best talent
- Integrating and monitoring new arrivals
- Managing performance
- Listening, appraising and providing feedback
- Training and developing staff
- Promoting internal mobility as a way of retaining talent
- Managing jobs and skills with foresight
- Recognising employees and providing benefits

The workforce in France still has a high proportion of management-level employees, i.e. 86.3%, slightly higher than in 2016 (85.2%).

Gender balance is good, with women making up 49% of the total workforce.

The average age of employees in France was 42.4 years in 2017, the same as in 2016. At 31 December 2017, 97.8% of the workforce had a permanent contract and 47.8% of permanent roles were occupied by women.

4% of the workforce, mostly women have chosen to work part-time. All requests to switch to a part-time schedule were approved in 2017.

	2013	2014	2015	2016	2017
Employees in France	747	761	793	787	780
Employees outside France	143	149	157	74	63
Total employees	**890**	**910**	**950**	**861**	**843**

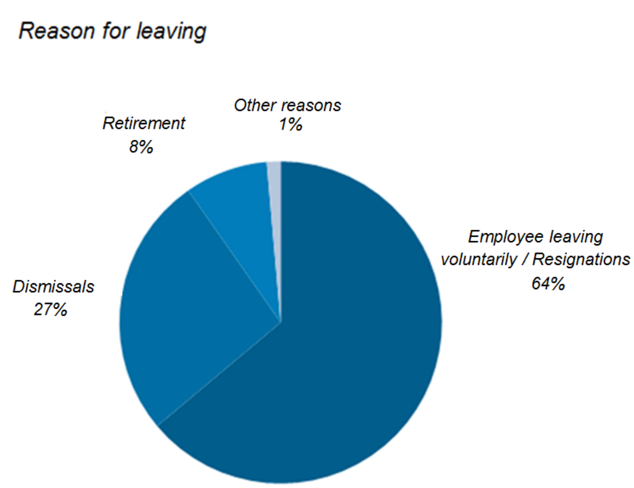
	Scope	2015	2016	2017
Management-level employees as a proportion of the workforce	EdR France	85%	85.2%	86.3%
- Women	EdR France	45%	44.9%	46.1%
Average years of service	EdR France	9.9	9.7	10.2
Average age	EdR France	43	42.4	42.4
Proportion of workforce on permanent contracts	EdR France	97.5%	98.3%	97.8%
- Women	EdR France	48.5%	47.6%	47.9%

[1] Since 2016, this indicator has not included auxiliary staff hired during holiday periods. If we consider the same scope, the number of recruitments in 2015 was 98.

In 2017, 90 people joined the Bank, of whom 51% are women and 60% are on permanent contracts.
40% of those recruited are on fixed-term contracts, a much higher percentage than in 2016 (20%).

Meanwhile, 72 people left the Bank, of whom 47% were women and 38% were aged over 45. With arrivals up 36% and departures up 11%, turnover was relatively stable at 9.3% (8.4% in 2016). Voluntary departures made up 64% of all departures in 2017.

People leaving voluntarily were not always replaced with someone in the same role. The approach is driven by management's desire to encourage people to move jobs within the Group, enabling it to meet today's needs as effectively as possible while anticipating those of tomorrow. The approach also creates development opportunities for employees wanting to expand their knowledge and progress their careers. Recruitment efforts are made with this in mind, and focus on skills connected with future needs. The average length of service was almost unchanged at 10.2 years in 2017 (9.7 years in 2016).



	Scope	2014	2015	2016	2017
Number of recruitments	EdR France	153	135	66	90
- number of short-term contracts	EdR France	66	59	13	40
- Women	EdR France	48%	43%	42%	51%
Number of departures among permanent contracts	EdR France	-	-	68	72
- Women	EdR France	-	-	55%	47%
- Employees above 45	EdR France	-	-	43%	38%
Turnover	EdR France	11%	8%	8%	9%

Annual performance reviews

Annual employee performance reviews are a key indicator used in the Edmond de Rothschild Group's human resources strategy. The process provides a vital opportunity to gain feedback from employees and to help them as effectively as possible with their professional development.
The annual performance review form contains a dedicated section allowing all staff members to alert their line managers about any workload issues. During individual appraisals, each employee can raise concerns and there are several operational safeguards to help management anticipate risks and thus promote work/life balance.

Performance reviews are also involved in the granting and calculation of variable remuneration.
In 2017, training programmes developed for managers and staff members dealt with areas including the scope and issues covered by performance reviews, both for teams and for the Group:

- Identifying and developing talent
- Recognising employee performance
- Highlighting development and/or training needs
- Encouraging and contributing to internal mobility

These programmes emphasise the importance of setting ambitious targets that are aligned with the Group's priorities, in order to ensure that all employees contribute effectively to its success.

In 2017, 96.7% of Edmond de Rothschild (France)'s employees participated in all steps of the review process (versus 98.1% in 2016).

The important process involves managers and staff members having a structured, factual dialogue about their performance. Performance reviews relate to both quantitative and qualitative factors, i.e. a set of behaviours that reflect the Group's values and ambitions.

The criteria are in line with the Group's new leadership model, and they fall into five main categories:

- Attitude and state of mind
- Client relationship
- Focus on results
- Team management
- Strategy

As well as discussions with managers as part of performance appraisals, Human Resources organises meetings every two years in order to ensure dialogue and transparency regarding the activities and day-to-day experience of each staff member.

In 2017, 51 Edmond de Rothschild (France) employees benefited from internal mobility, as opposed to 38 in 2016, which shows that this process is more effective than before. The Group set up a committee dealing specifically with internal mobility in 2015, with the aim of aligning talent management and staff development requirements. The Group is investing in internal mobility because it is a priority aspect of its Human Resources strategy.

In addition, 82 employees were promoted (including changes in pay grade) as an acknowledgement of their performance in 2017, as opposed to 54 in 2016.

	Scope	2015	2016	2017
Percentage of employees having received an annual performance review	EdR France	86%	99%	96.7%
Number of employees promoted to internal vacant positions during the year	EdR France	58	38	51
- Women	EdR France	40%	50%	55%
Number of employees promoted during the year	EdR France	62	54	82
- Women	EdR France	44%	50%	55%

Remuneration policy

Edmond de Rothschild Group strongly believes that strengthening the link between performance (individual or collective) and reward (salary, promotion or mobility), and having communication channels that are based on genuine mutual trust, help to reinforce transparency and fairness but also to increase employee motivation and commitment, thus creating the conditions for the achievement of all our common goals.

The remuneration policies of Edmond de Rothschild Asset Management France and Edmond de Rothschild (France) have been completely overhauled and updated in the light of the AIMFD, UCITS V and CRD IV directives. The new policies came into force on 1 January 2017 and were validated by the Supervisory Boards of each entity concerned in March 2017, on the recommendation of the Remuneration Committee.

Corporate officers, risk-takers as well as individuals with compliance, internal audit and risk-management responsibilities receive the variable portion of their salary on a deferred, staggered timetable.

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

With respect to CRD IV, a Group "Long Term Incentive Plan", involving rights to receive participation certificates in the Edmond de Rothschild Group's Swiss holding company, has existed since 2016 as a deferred compensation instrument. As regards AIMFD, a new system was set up in March 2016 for the payment of any deferred portion of the variable remuneration of risk-taker Asset Management employees. The system allows the deferred remuneration of those employees to be indexed to the weighted average return on a basket of Edmond de Rothschild Asset Management funds that represents their expertise.

The UCITS (Undertakings for Collective Investment in Transferable Securities) V directive came into force on 1 January 2017. Its provisions are very similar to those of AIMFD. The Group has anticipated UCITS V by applying, for several years already, a deferred remuneration principle, including for UCITS managers. The aforementioned system, involving cash payments linked to a basket of funds, was adjusted with a view to UCITS V coming into force in 2017.

These regulations aim to achieve ongoing improvements in the quality of risk management and in the control that the relevant people and companies have over the risks they take, and to ensure that their interests are aligned with those of their clients.

Wages paid totalled more than €89 million, up 4.7% from €85 million in 2016.

Under Articles L. 511-71 and L. 511-73 of the French Monetary and Financial Code, shareholders at the Annual General Meeting must be consulted each year on the overall compensation – comprising all salary components – paid to certain employees during the year under review. These employees include company executives and categories of employees – including employees whose duties require risk-taking, employees with an oversight function and any employee whose overall income puts them in the same remuneration bracket as employees with those functions (except control functions) – whose professional duties have a material impact on the company's or Group's risk profile.

Shareholders will therefore be asked for their opinion, on an advisory basis, regarding remuneration paid in 2017 to the aforementioned people.

In addition, Article L. 511-78 of the French Monetary and Financial Code limits the variable salary component to 100% of the fixed component for all group employees regulated by CRD IV, unless shareholders at the Annual General Meeting approve, giving reasons, a higher figure of up to 200%. In order to ensure that group salaries remain competitive, we submitted a motion to shareholders to set the maximum ratio of variable to fixed salary components at 200% for all Group CRD IV-regulated employees with respect to 2018. The motion passed in the May 2017 Annual General Meeting, and will be submitted again to shareholders in relation to 2018 in the May 2018 Annual General Meeting.

	2013	2014	2015	2016	2017
Gross annual payroll subject to social security charges	83,045	91,352	83,735	85,249	89,288
Increase in the fixed component	1.3%	4.5%	3.5%	2.2%	2.7%
Percentage of variable component relative to fixed component on (31/12/(N-1))	39%	46%	44%	38%	36%

Staff training and development

Our human resources strategy supports and prepares employees – and the Group – to master the challenges of today and tomorrow by developing their individual skills and business techniques.

The Group has developed a single, comprehensive training platform called Latitude, covering the following areas:

- Managerial expertise
- Business expertise
- Foreign languages
- Digitalisation (IT and office applications), quality and security

These programmes were designed to ensure ongoing learning and development, in both professional and personal terms, of each staff member.

The range of online and classroom-based courses available allows all employees to broaden the range of day-to-day activities they undertake, but also to help them achieve their professional development goals. The programmes support the Group's efforts to engage with and retain staff, while also promoting individual and collective innovation, in line with the Group's strategy.

The "Columbus manager course" consists of six specific modules: managerial duties and leadership, engagement, performance management, talent development, guiding and supporting teams through change, and employment law for managers.

The "business expertise" programme comprises all technical training courses by business-line and geographical region. It has three levels: specialisation, expertise and integration (including training relating to internal and external regulations, values and the Group's culture).

In the fourth category, the various training programmes that exist within the Group have been reviewed to help us enhance the offering, ensure that quality levels are consistent across all staff and provide solutions that meet their needs.

In 2017, an automatic workflow was set up to access online English language courses. That reduced demand for classroom-based courses, which is reflected in the small proportion of staff attending foreign language classes in the table below.

In 2017, we continued optimising training expenditure; at the same time, the proportion of employees taking at least one training course rose by 44 points. These results were primarily due to courses relating to the prevention of money laundering and terrorist financing and MiFID II, which were taken by almost all employees, but also the increasing efficiency of many courses and their availability in digital form, i.e. videos that can be viewed on staff workstations. The desire to develop synergies among our training programmes, so that they address the expectations and needs of our people more effectively, remains a priority for our Learning & Development teams.

Classification of training by category	2017
Technical/business skills	62%
Interpersonal/managerial skills	29%
Beginners and advanced language training	1%
IT skills	3%
Health and safety	5%

	2013	2014	2015	2016	2017
% of employees who attended at least one training course	63%	58%	58%	64%	92%
% of women among trainees	47%	53%	53%	51%	48%
Total training hours	7,195	11,417	10,371	9,956	9,923
Annual budget for training (in thousands of euros)	1,608	2,076	1,412	1,335	1,567
- of which contributions to training insurance funds	40%	35%	60%	64%	58%

[1] In 2017, only the market abuse training course was managed by the Compliance and Internal Control department at EdRAM. That course represented 7 hours of training, taking total training hours to 9,923 in 2017.
[2] The percentage of the training budget paid to training insurance funds is regulated and set at 1% of payroll.

All training figures are calculated on the basis of staff numbers excluding contractors and apprentices.

Diversity and equal opportunity

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

Promoting equal professional opportunities for men and women is therefore a key element of our human resources philosophy. Efforts are also directed at fostering generational diversity and hiring individuals with disabilities. Human Resources makes regular efforts to raise managers' awareness of these subjects.

A specific diversity module is included in the employment law training programme that has been offered to managers since 2016. In 2017, around 50 managers took that module.

After the application of new legislation on vocational training, experience appraisals – adopted as part of the Generation Contract agreement – were replaced by vocational appraisals.

Human Resources takes the opportunity of these appraisals to foster a genuine, transparent dialogue with each staff member and thereby build a long-term trust-based relationship.

The Human Resources team also supports employees who are approaching retirement age, to help them make a smooth transition that is suited to their needs.

Each year, the Group establishes partnerships with schools and training programmes, not only to develop a talent pool for its own future workforce, but also to contribute actively to professional education for students. In 2017, the Bank and its French subsidiaries participated in five recruitment forums at the following French universities: HEC Paris, EDHEC, ESCP Europe, EM Lyon and Université Paris-Dauphine.

The Edmond de Rothschild Group actively seeks to integrate young people in the workplace. In 2017, the Bank and its French subsidiaries welcomed 111 interns and 35 students under work/study programmes (under apprenticeship and/or professional development contracts) – equating to 20% of its staff on a full-time-equivalent basis – and recruited some of them subsequently.

	Scope	2014	2015	2016	2017
Percentage of women in workforce	EdR France	48%	49%	48%	49%
Percentage of women in the year's new recruits	EdR France	59%	43%	42%	51%
Percentage of women among candidates	EdR France	-	41%	45%	65%
Percentage of women among employees trained	EdR France	53%	53%	51%	48%
Percentage of women among total management-level employees France	EdR France	45%	45%	45%	46%
Percentage of women among total senior managers in France[1]	EdR France	25%	27%	26%	28%

[1] These are senior managers with hierarchical responsibilities and a degree of autonomy in decision-making that means that they report directly to a member of the General Management Committee.

The disability agreement, signed in June 2015 for companies in the UES (a legally recognised group of integrated companies in France[1]) for a period of three years, will be renegotiated in 2018. One of the commitments under this agreement was to increase the percentage of disabled people in the workforce to 1.3% by the end of 2017. That commitment was met, because the percentage was 1.39% at end-2017.

The Bank also fulfilled its undertaking to hire two disabled workers per year. The Human Resources department wants to increase the proportion of disabled people in the workforce to 2% by 2020.

The Group's disability initiative is continuing to help implement the agreement, raise awareness and encourage involvement among our staff, monitor the situation of disabled people within the Group, and manage the allotted budget.
The Human Resources team also supports disabled employees when they have specific needs in areas such as their working environment or work organisation, using external resources – such as ergonomists – where necessary.

At the end of 2017, 10 disabled employees were working within Banque Edmond de Rothschild in France, which means that the end-2017 targets set in the Agreement were achieved. These good results are partly due to the training provided by the Human Resources team, which has raised awareness levels among managers, particularly regarding recruitment.

Labour relations

There were a number of presentations to the works council in 2017. They mainly dealt with strategic themes, against the background of preparations for MiFID II, which came into force at the start of 2018. Discussions took place in a positive atmosphere, which was helped by the creation of working groups to prepare for MiFID II and the operational and strategic changes it requires. Dialogue was of a high quality and transparent, and there was excellent information-sharing across all subjects covered.
The three main consultations required by regulations – regarding workforce-related policy, the economic and financial situation and strategy – were carried out and the Works Council gave its approval.

Employee health and well-being and psychological-risk

Well-being at work is assessed using absenteeism[1] as the key indicator. The absenteeism rate was 4.3%, lower than the 2016 figure of 5.6%.

	2013	2014	2015	2016	2017
Absenteeism	4.6%	4.4%	4.5%	5.6%	4.3%

Our workplace accident frequency rate[2] was 3.28 in 2017 (2.45 in 2016), and the injury severity rate[3] was 0.07 (0.03 in 2016).

All employees whose working time is based on a fixed number of days in France have the opportunity to address the issue of work/life balance once a year with their managers. Employees can inform their managers and Human Resources of any difficulties arising from their workload in the annual assessment. This makes it easier to establish a dialogue and anticipate any risks arising in this area.

Management training sessions are held to raise awareness among team leaders on how to prevent workplace stress, whether job-related or due to organisational changes in the working environment. The management of working hours, employee health and safety, discrimination and the promotion of diversity have been covered in those training sessions. A specific module deals with health and safety at work. Around 50 managers received training in this area in 2017.

Negotiations regarding quality of life at work started in 2017. Two negotiation meetings with staff representative bodies took place in 2017 and discussions are ongoing.
Gender balance is another subject that will be addressed in 2018 as these negotiations continue.

[1] The UES comprises the following companies: Edmond de Rothschild (France), Edmond de Rothschild Asset Management (France), Edmond de Rothschild Corporate Finance, Edmond de Rothschild Investment Partners, Edmond de Rothschild Private Equity (France) and Edmond de Rothschild Assurances et Conseils (France).
[2] No. of working days lost due to illness throughout the year / no. of employees with permanent or fixed-term contracts (excluding students under work/study contracts).
[3] The accident frequency rate is calculated as follows: $\frac{\text{No. of accidents resulting in lost working time x 1,000,000}}{\text{No. of hours worked}}$
[4] The injury severity rate is calculated as follows: $\frac{\text{No. days compensated x 1,000}}{\text{No. of hours worked}}$

Innovation in responsible investment

Responsible investment (RI) is at the heart of the Edmond de Rothschild Group strategy. For many years, we have considered it a major material issue, given its impact on the economy as a whole and on the Group's performance. We are convinced that the solutions contributed by the private sector to sustainability challenges are a source of economic growth and return on investment.

Two years after the historic signature of the Paris Agreement, those taking part in two further meetings – COP 23 in Bonn and the One Planet Summit in Paris – made clear that they want to kick-start the Agreement's implementation in the real economy, after the process was slowed by the USA's decision to withdraw in summer 2017. For investors, the key measures[1] arising from those two meetings include adopting targets for a low-carbon economy, steering funding towards environmental initiatives, monitoring the 100 companies that produce the most CO_2 emissions via the Climate Action 100+ initiative, and encouraging companies to carry out climate reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

In this context, the Group's various entities – particularly Edmond de Rothschild Asset Management[2] and Edmond de Rothschild Private Equity – are more motivated than ever to contribute proactively to aligning economies with collective sustainability aspirations[3]. They have therefore set their 2020 objectives and are implementing their roadmaps to integrate ESG (Environment, Social and Governance) criteria into their investments and thus enhance the positive contribution that they can make to sustainability.

At the same time, they are working in close collaboration with the Group's Private Banking entities to make these investment opportunities increasingly accessible and attractive to their institutional, private and external distribution clients, so as to most closely meet their needs for investment solutions which perform well in both financial terms and as regards ESG.

The Responsible Investment part of the Edmond de Rothschild Group's sustainability strategy refers to the following material issues:

- Carbon risk management and energy transition;
- Inclusion of ESG criteria in financial analysis;
- Shareholder engagement and voting policy;
- Positive selection in asset management;
- Theme-based investing;
- Impact investing.

The Group's has adopted certain RI targets, which it aims to achieve by 2020, including:

Asset Management

- Adopt a 2017-2020 Responsible Investment Strategy for all of Edmond de Rothschild Asset Management's investment expertise;
- Define a Responsible Investment Action Plan and an Action Plan on management of climate risk for the 2017-2020 period;
- Train 100% of internal equity and bond investment teams in RI/ESG;
- Establish an "advanced" ESG integration process for European equities management;
- Establish "advanced" ESG integration processes for our strategies on infrastructure debt and on direct investment in Swiss real estate;
- Extend the scope of ESG analysis to all equity, corporate debt and sovereign debt strategies of Edmond de Rothschild Asset Management (2014: 295 companies).

Private Equity

- Convert one new strategy to ESG best practice each year, with 100% of strategies covered by 2020;
- Measure the impact across all impact-investing and mainstream strategies that apply ESG integration methodologies, as of 2017;
- Increase the assets under management in our impact investing strategies by 20% per year until 2020.

Edmond de Rothschild Asset Management (France), Edmond de Rothschild Private Equity (France) and Edmond de Rothschild (France) are contributing to the Group's progress towards these targets.

1 http://www.novethic.fr/actualite/environnement/climat/isr-rse/les-12-climacts-lances-lors-du-one-planet-summit-145200.html
2 "Edmond de Rothschild Asset Management" or "EdRAM" is the commercial name of the asset management entities (including branches and subsidiaries) of the Edmond de Rothschild Group. It also refers to the Asset Management division of the Edmond de Rothschild Group.
3 See the Sustainable Development Goals of the United Nations: http://www.un.org/sustainabledevelopment/

Our approach to Responsible Investment

We apply the term "Responsible Investment" or "RI" to all of the investment categories we develop that can be described as socially responsible or sustainable, and we make the following distinctions:

SRI: Socially Responsible Investment / Sustainable & Responsible Investment	**Impact investing**	**Principle:** Investment strategy which sets out to respond to sustainability challenges with the explicit objective to create positive economic/financial, social and environmental value for society and investors, while remaining competitive with the market. Evaluation of the impacts and the pursuit of ESG opportunities are a strong focus and are the subject of dedicated reporting. **Impact at portfolio level:** systematic impact on all investment decisions.
	Sustainability-themed investing	**Principle:** Investment strategy which involves investing in companies or categories of securities that provide solutions to major sustainability issues, such as health, climate change – including energy and environmental transition – and economic development in emerging countries, while generating growth opportunities linked to the innovative nature of their business models. **Impact at portfolio level:** systematic impact on all investment decisions.
	Positive selection and engagement strategy	**Principle:** Investment strategy with advanced ESG integration associated with the use of ESG criteria either to determine the portfolio composition (e.g. positive ESG selection strategy: best in class/best in universe), or to practise "engagement" (direct or collaborative in-depth ESG dialogue with the companies, which is formal and traceable). **Impact on asset management**: systematic impact on investment decisions and/or the adoption of ESG commitment initiatives that may affect portfolio composition (i.e. decisions to add to, reduce or sell positions).
Advanced ESG integration		**Principle:** This involves the traceable integration of ESG criteria into an issuer's valuation, rating or financial recommendation. Our equity, credit and sovereign debt investment teams work with the Responsible Investment team on specific projects to identify the practical impact of ESG issues on their investment approach, and to incorporate material ESG risks and opportunities into their investment strategy, based on ESG and carbon reporting comparing portfolios with their benchmarks. The analysis and ratings are produced mainly in-house, with the input of external analysis to cover certain geographic zones and asset classes, particularly credit. Direct ESG dialogue with companies can be envisaged, based on material ESG factors, and carried out jointly and formally by the RI investment team and fund managers, in order to supplement this internal analysis. Advanced ESG integration may be adapted as necessary to apply it to other types of asset management activities carried out by the Edmond de Rothschild Group, such as multi-asset/fund selection, private equity, infrastructure debt and direct real-estate investments. **Impact at portfolio level:** The most material ESG issues are identified and may have an impact on investment decisions.
Initial ESG integration		**Principle:** ESG analysis data and scores are made available to the investment teams, so that they can be taken into account by the fund managers in their financial analysis and/or investment decisions. Norm-based exclusions relating to anti-personnel mines and cluster bombs, defined by Edmond de Rothschild Asset Management. As regards investments, EdRAM (France) has also devised a list of countries that are banned or under surveillance on the basis of national and international sanctions currently in force. Investments and divestments in those countries are forbidden or subject to prior approval by the Internal Control and Compliance team. These restrictions are integrated into the Dimension system and give rise to pre-trade restrictions. **Impact at portfolio level:** ESG impacts on portfolio composition are not necessarily systematically traceable, except for norm-based and sector exclusions.

Edmond de Rothschild Asset Management: a strong commitment to Responsible Investment

In 2017, in line with targets adopted in COP 23 and the One Planet Summit, Edmond de Rothschild Asset Management has maintained its firm, long-standing commitment to Responsible Investment by validating a 2°C Climate Roadmap. This Roadmap supplements our proven ESG analysis and the Socially Responsible Investment (SRI) fund management approach that has won the approval of committed institutional investors, which have been entrusting their assets to us since 2011.

Retaining the trust of these pioneering clients and working with new institutional investors and private clients, who are increasingly keen to see these new extra-financial issues addressed in the financial products in which they invest, forms part of the first principle of our 2017-2020 responsible investment strategy: Mitigate risks and identify opportunities to make our investments more sustainable.

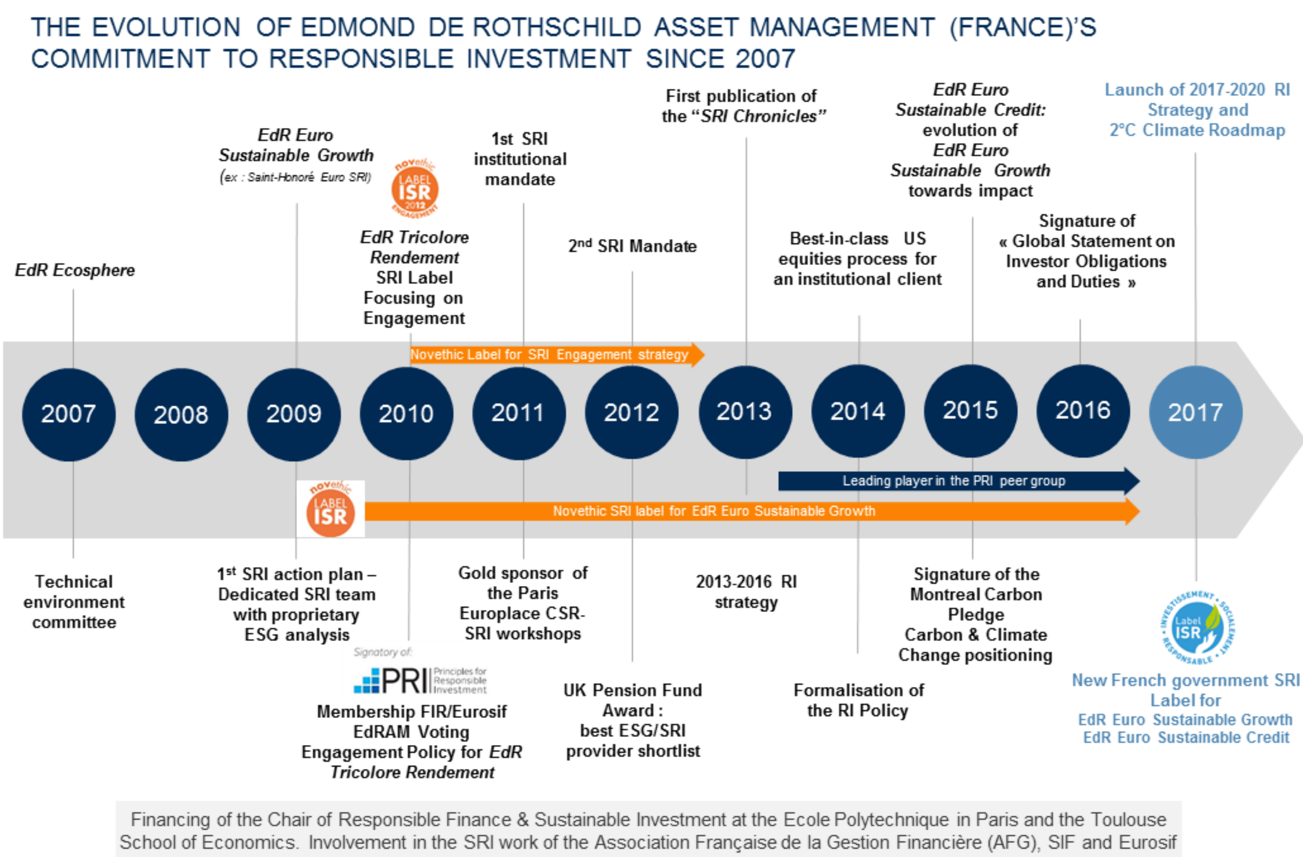
This section, which sets out progress made in this area in 2017, is part of Edmond de Rothschild Group's responsible investment strategy[1].

Integration of ESG criteria in SRI financial analysis

Edmond de Rothschild Asset Management's solid RI skills base can be seen in four main ways:

- It integrates ESG risks and opportunities in its fundamental equities and credit analysis;
- It actively selects companies that have advanced sustainability policies, using a proprietary in-house ESG rating system for positive-screening SRI funds;
- It has adopted a pioneering ESG shareholder engagement approach since 2010;
- It is able to build portfolios of SRI funds that combine strong ESG impacts and financial returns.

2017-2020 Responsible Investment Strategy



[1] See Edmond de Rothschild Group Sustainability Report 2016, pp. 37-59: http://www.edmond-de-rothschild.com/SiteCollectionDocuments/group/sustainable-development/sustainable-development-report-2016.pdf

Ambitions and main elements of the 2017-2020 RI Strategy

The Group's 2013-2016 Responsible Investment Strategy produced positive results, with ratings for our PRI[1] reporting putting us among the leaders in our international peer group and with institutional investors granting SRI mandates to us. To continue that strong track record, on 13 September 2017 Edmond de Rothschild Asset Management launched its new 2017-2020 Responsible Investment Strategy covering all of the Edmond de Rothschild Group's asset management business lines. This strategy aims to: Mitigate risks and identify opportunities to make our investments more sustainable.

Main elements of the 2017-2020 RI Strategy

1.	2.	3.	4.
MITIGATE RISKS AND IDENTIFY OPPORTUNITIES to make our investments more sustainable.	**STRENGTHEN DIALOGUE - ESG ENGAGEMENT** with issuers	**ENSURE RI GOVERNANCE** in an accountable and traceable manner	**IMPROVE MARKETING AND VISIBILITY** of our RI solutions
• ESG analysis focusing on reducing risk / finding sustainable solutions • ISR management and ESG integration	Shareholder responsibility and fiduciary duty	• Organisation • Reporting • Control • Internal CSR approach	• Innovative solutions • Sales • Brand image

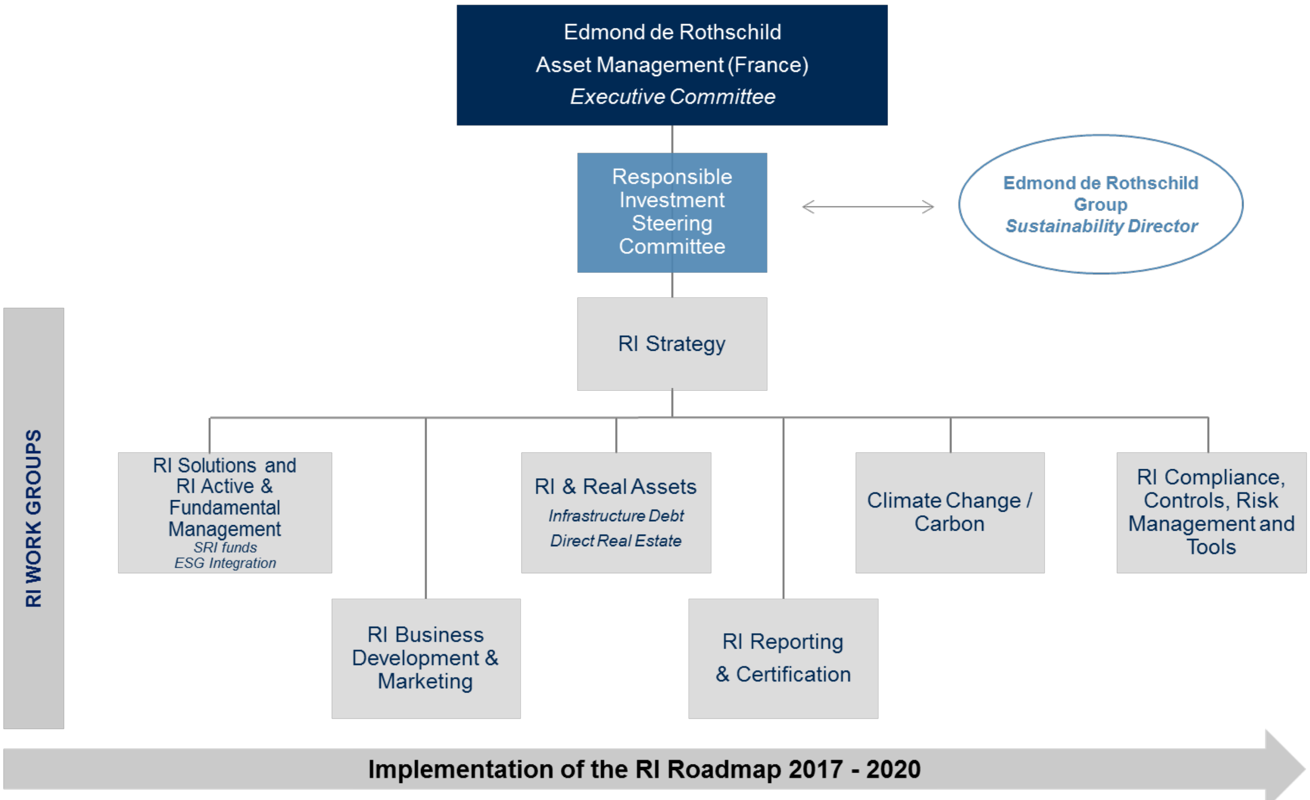
The 2017-2020 RI Strategy is being implemented by investment teams with the help of all support functions. It is being overseen by the Edmond de Rothschild Group's Asset Management Executive Committee and co-ordinated by an RI Steering Committee consisting of 24 RI correspondents from all operational departments.
These correspondents are actively helping to implement the actions included in the 2017-2020 RI Roadmap, which are prioritised within their departments each year.

[1] PRI reporting and ratings covering the signatory entity, i.e. Edmond de Rothschild Asset Management (France)

RI governance within Edmond de Rothschild Asset Management

CONCRETE IMPLEMENTATION OF THE RESPONSIBLE INVESTMENT STRATEGY OF EDMOND DE ROTHSCHILD ASSET MANAGEMENT (FRANCE)

Governance and management of the Responsible Investment strategy



Main RI projects relating to the RI strategy undertaken in 2017

Our project-based approach has enabled us to strengthen collaboration between the various in-house teams involved in achieving strategic objectives relating to our responsible investment expertise. That expertise is embodied by our SRI open-end funds and mandates, but also by the way we are gradually factoring ESG risks and opportunities into our mainstream funds by developing ESG integration approaches that are deployed at either a basic or advanced level.
Projects undertaken in 2017 include:

1. Maintaining the acknowledged high quality of our RI expertise, backed up with the highest standards of reporting and the development of impact indicators

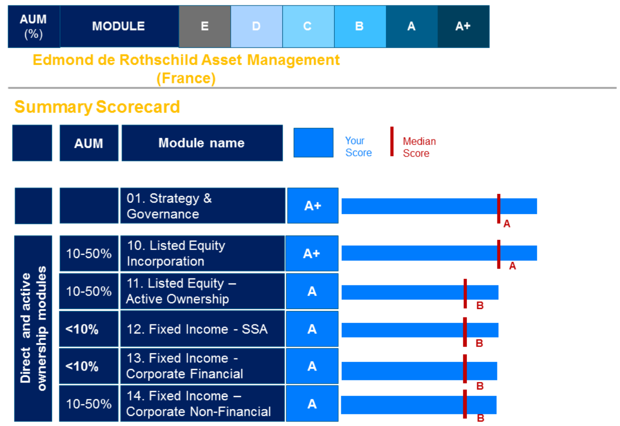
RI reporting and SRI label project group

2017 PRI annual reporting and rating: Since 2010, Edmond de Rothschild Asset Management (France) has had the quality of its RI approach assessed by an independent external third party, i.e. the international organisation overseeing the UN PRIs (Principles for Responsible Investment), to which EdRAM (France) is a signatory. That commitment to the PRIs, which form one of the core reference texts for our 2017-2020 RI Strategy, enables us to identify areas in which we can improve and stand out in the market.

At the end of the 2017 reporting process, Edmond de Rothschild Asset Management (France) confirmed, for the third consecutive year, that it was one of the leading players in its peer group as regards the quality of its RI Governance Strategy and investment expertise, with more than 10% of its assets invested according to RI-based methods in equities (with the associated shareholder engagement) and bonds.

As regards bond investments, Edmond de Rothschild Asset Management (France) increased its rating from B in 2016 to A in 2017. That was due in particular to its ESG dialogue with credit issuers and improvements in public communication regarding its credit SRI expertise, including the creation of a dedicated section of its website for the EdR Euro Sustainable Credit fund.

The excerpt from this rating report presented here is partial and must be considered in the context of PRI methodology[1]. The full rating report is available on request.



Source: PRI Assessment Report 2017
Edmond de Rothschild Asset Management (France)

2. Obtaining the new SRI label in France

In September 2017, EY France granted the new SRI label[2] – supported by the French Finance Ministry – to the EdR Euro Sustainable Credit and EdR Euro Sustainable Growth open-end funds.
This accreditation is granted to funds that meet a set of criteria reconciling economic performance with social and environmental impact, by financing companies and public entities that contribute to sustainable development, regardless of their sector of activity.
These two funds also refer to “impact” indicators in order to measure the extra-financial performance of the portfolios and thus better reflect the impact of our SRI investments. Indicators are calculated by the SRI team using an internal database.

For example, the following indicators have been calculated for the index and both portfolios: the percentage of independent directors, the percentage of companies that have signed the United Nations Global Compact and the green impact score[3]. These indicators are detailed in the extra-financial reporting of the EdR Euro Sustainable Growth fund and in the transparency codes of the two SRI-accredited open-end funds[4].

RI Compliance, Control, Risks and Tools project group

[1] https://www.unpri.org/about/pri-teams/reporting-and-assessment
[2] http://www.lelabelisr.fr
[3] This qualitative analysis criterion was developed by Edmond de Rothschild Asset Management (France)’s RI team, taking into account companies’ contributions to green innovation and to reducing the environmental impact of their products. It supplements quantitative indicators such as those relating to greenhouse gas emissions.
[4] These documents are available on the EdRAM (France) website: http://www.edmond-de-rothschild.com/site/France/en/asset-management/our-expertise/socially-responsible-investment

3. Compliance with Article 173 of France's Energy Transition for Green Growth Act

For the first year in which this Act came into force, Edmond de Rothschild Asset Management (France) worked hard to comply fully with it, in order to achieve the highest standards of transparency when communicating about its RI approach. As a result, its Article 173 declaration[1], which was put online in summer 2017, is a genuine resource that makes it easier for users to find information on this topic.

RI investment solutions and asset management

4. Integrating ESG into our fundamental asset management approach: a pragmatic process aimed at increasing efficiency

In line with the first main element of our 2017-2020 RI strategy and to meet the challenges faced by our industry in successfully integrating ESG into investment methods, Edmond de Rothschild Asset Management spent two years developing the most effective operational methods through strategic discussions.

After a test phase in 2015 and 2016 with the European Equities team, and based on the feedback from those tests, the Fundamental Asset Management Department decided to take a pragmatic, practical and flexible approach in 2017-2018. The aim is to increase the appeal of ESG for equity managers, but also credit and sovereign debt managers, so that the topic is seen as a value-added input that helps their asset management activities rather than a constraint, given that ESG is too often associated with regulatory and standards-based reporting obligations.

The aim is to prove the usefulness of ESG data in order to encourage fund managers to take an interest in them and adopt them, before moving on to the second stage of more advanced deployment within asset management teams in 2019-2020. Our aim is to address the needs of fund managers as closely as possible, offering them effective, customised resources. As a result, operational methods focus on interacting with asset management teams and paying attention to material ESG risks and opportunities in order to help managers understand and take ownership of ESG factors. Operational methods involve four levels of action:

EDMOND DE ROTHSCHILD ASSET MANAGEMENT - ACTIVE AND FUNDAMENTAL ASSET MANAGEMENT

Stages of the ESG integration process

ACCESSIBILITY OF ESG DATA EXTENDED ANALYSIS COVERAGE	GRADUAL INTRODUCTION OF SYSTEMATIC ESG DISCUSSIONS	PRACTICAL ESG PROJECTS (BOTTOM-UP APPROACH)	MONITORING OF CARBON AND ESG MEASURES
Introduction of a new in-house "Picking Box" tool making it easier to access and distribute ESG data to asset managers (overall ESG ratings and analysis) *=> Inputting of ESG data into the tool and distribution to all management teams to be introduced gradually in 2017 and 2018* **Extension of the analysis universe to cover 6,000 equity and fixed-income issuers around the world,** via the selection of a single extra-financial ratings agency in 2017, i.e. Sustainalytics *=> Access to Sustainalytics' extranet data platform for all EdRAM asset managers in 2017*	**Reporting of current issues discussed in weekly equity and fixed-income management meetings regarding ESG convictions** (alerts regarding controversies or sensitive issues, highly material events, investment opportunities on sustainability-related stocks) **Informal day-to-day email discussions with RI asset managers** regarding an issuer's material ESG risks (risk mitigation)	**Launch of 10 ESG integration projects, of which three priority projects were completed in 2017:** ⇒Energy Transition and 2°C Roadmap ⇒Sustainability objectives – Sovereign debt, risk focus ⇒Valuation impact of ESG research (equities and corporate credit) *These projects involve close collaboration and all of them feature representatives of the RI team and one or more asset management teams.*	**Systematic carbon and ESG measurement and monitoring for active and fundamental asset management funds by 2020** *This work is currently carried out on request, but the active and fundamental asset management department has committed to the following by 2020*:* *⇒100% of our active fundamental asset management will feature ESG integration (100% of open-end funds, 100% of dedicated funds unless clients request otherwise, systematic measurement of ESG impacts on the valuations of equity and fixed-income issuers)* *⇒100% of our active fundamental asset management will feature carbon footprint monitoring and ESG and carbon reporting*

** These commitments were validated by Edmond de Rothschild Asset Management's Executive Committee and presented to members of the Responsible Investment Steering Committee on 13/09/2017*

[1] http://www.edmond-de-rothschild.com/SiteCollectionDocuments/asset-management/isr/EDRAM-FR-Declaration-art-173.pdf

Focus on results of the three priorities ESG integration projects in 2017:

All equity and bond management teams are contributing to and co-operating with ten ESG integration projects in 2017-2020. These innovative projects, chosen by asset management teams, are giving concrete, traceable results, and are focusing on precise subjects identified as highly material in financial terms.

1. "Valuation impact of ESG research (equities and corporate credit)" project:

The impact of ESG ratings on the valuation of equities and bonds has been assessed using an internal methodology and validated by the equity and corporate credit management teams involved in the project. The positive or negative impact of ESG ratings is shown by a percentage change (upward or downward) in the share price or the improvement or deterioration in financial ratings (number of notches) in the case of bonds. This impact is now systematically recorded in all new issuer analyses and their updates, and the analysis results are provided to all equity and bond managers.

2. "Sustainability objectives – Sovereign debt, risk focus" project:

As part of our bond management activities, analysis of sovereign issuers now takes account of all United Nations Sustainable Development Goals[1] following the latest update of our ESG analysis methodology. In 2016, we monitored roughly 30 ESG indicators, covering 15 of the Goals. We added three new indicators in 2017 and are now covering all 17 of the Goals.

3. "Energy transition and 2°C Roadmap"[2] project:

This project is being conducted with the help of the RI and Commodities / Infrastructure Equity Management teams, and is helping Edmond de Rothschild Asset Management to meet one of its aims regarding the definition of a Climate Roadmap. This work was completed in late 2017 after Edmond de Rothschild Asset Management's Executive Committee validated the Roadmap for 2020, 2030 and 2040, and takes into account the reporting recommendations of the TCFD[3] and the most recent 450 Scenario of the International Energy Agency (IEA)[4]. More detailed information about the Fundamental Asset Management Department's 2°C Roadmap is provided on page 68 of the report.

RI investment solutions and asset management

4. Multi-asset/fund selection expertise: advanced ESG integration and sustainability selection process

After introducing its first ESG and SRI questionnaire and sending it to 257 funds managed by 117 asset management companies in 2016, in 2017 the Fund Selection team formalised an advanced ESG integration process in which the questionnaire is completed every two years and active, constructive ESG dialogue is held with asset management companies based on the analysis of information provided in the questionnaire.

This engagement strategy is intended to encourage asset management companies whose funds are selected by our team to commit to responsible investment, by signing up to the PRIs for example. In 2018, through this close dialogue, we are seeking to encourage adoption of RI best practice, particularly in terms of transparency regarding key information such as the carbon footprint of selected funds.

Also in 2017, the team developed the sustainable fund selection expertise that formed the basis, in winter 2016, of the newly launched SRI mandate[5] for the Edmond de Rothschild Group's private clients.

Unlisted RI asset management project group Infrastructure debt

[1] http://www.un.org/sustainabledevelopment/sustainable-development-goals/
[2] Project carried out by the Climate/Carbon Project Group.
[3] https://www.fsb-tcfd.org/publications/final-recommendations-report/
[4] https://www.iea.org/publications/scenariosandprojections/
[5] For more information about the Edmond de Rothschild Group Private Banking SRI Mandate, see page 70

5. Expertise in infrastructure debt: advanced ESG integration process and investments with an "Energy Transition" theme

In infrastructure debt, assets under management have been growing rapidly in the last three years, rising from €400 million at the first close of our first BRIDGE fund in 2014 to €1.2 billion at 31 December 2017[1], when we had four BRIDGE funds including a dedicated subfund. Our expertise in infrastructure debt naturally makes us a major player in this market, for both entities undertaking infrastructure projects and the French and European institutional investors that are the core clients of these funds.

2017 was a particularly busy year in terms of RI development in this segment, since infrastructure financing is an integral part of sustainable development, with both its social and environmental components representing key drivers of this investment strategy.

Based on the RI roadmap for the BRIDGE funds, we defined an ESG analysis matrix for our investments in order to improve our reporting and monitoring of environmental and social risks at the project and overall portfolio level.
This work will allow investors to access information showing how we prioritise compliance with environmental regulations and good governance practices in our investments, while paying close attention to social impacts.

Alongside this work, we are continuing to facilitate major transactions that contribute to sustainable development and have a positive impact on the community, particularly the financing of renewable energy projects such as biomass, wind and solar projects but also projects that have a positive social impact, such as those involving retirement homes.

Adopting an advanced ESG integration process for the BRIDGE platform will take place in two stages:

I. Application of the ESG integration process within a new BRIDGE fund focusing on financing energy transition for green growth. This environmentally-themed fund will be launched in 2018.

II. Gradual extension, from 2018, of the ESG integration process to the whole BRIDGE platform and all new investments, along with retroactive ESG reporting for certain projects in which we have already invested, depending on our access to the relevant data. As well as carrying out ESG analysis on our investments, the approach includes an engagement strategy aiming to develop a constructive, collaborative ESG dialogue with entities seeking to borrow money to finance infrastructure projects but also with arrangers and sponsors/shareholders, in order to increase the transparency of ESG information.

In 2018, our Responsible Investment category will start to include the assets under management of BRIDGE funds that have applied the advanced ESG integration process.

RI development and marketing project group

6. Raising awareness and promoting our RI expertise

We are keen to respond precisely to our clients' requirements by constantly developing our RI expertise, and we are also committed to ensuring that our communication is accessible and easy to understand.

For that purpose, in late 2017 we started to harmonise the RI sections of the Edmond de Rothschild Asset Management websites in Europe, and the process should be completed in the first half of 2018. In 2017, the Edmond de Rothschild Group also developed an e-learning course on Responsible Investment in collaboration with Swiss Sustainable Finance, which will help to raise awareness among key players about current main trends and the role that they can play in their daily work. The course will subsequently be available via the Swiss Sustainable Finance website to raise awareness more widely in the finance industry.

It is also vital that we promote our RI expertise and explain its specific details to our clients on an ongoing basis.

In 2017, we used various media in France and Europe to achieve that aim: we held eight press interviews and sent staff to speak at 11 conferences and round tables, the Edmond de Rothschild Group hosted two seminars for clients, and we provided jury members for two ESG awards ceremonies.

[1] The BRIDGE platform has a dual structure, i.e. that of a French securitisation fund (FCT) and a Luxembourg SICAV-SIF, with EdRAM (UK) providing advisory or delegated asset management services. As a result, BRIDGE assets under management are not included in this Edmond de Rothschild (France) annual report but are included in the RI assets under management published in the Edmond de Rothschild Group's sustainability report: http://www.edmond-de-rothschild.com/site/International/en/Sustainable-development/reports. The information published here is regarded as relevant to the extent that BRIDGE focuses on investment opportunities with a positive social and environmental impact, including in the context of Article 173 of France's Energy Transition for Green Growth Act.

Evolution of our main SRI funds and mandates

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

Edmond de Rothschild Asset Management (France)'s range of open-end SRI funds *Source: Edmond de Rothschild Asset Management (France)*			
Fund	**SRI strategy**	**AuM at 31/12/2017** *(% change vs. 2016)*	**Return** *(source: Morningstar - 31/12/2017)*
Edmond de Rothschild Tricolore Rendement	ESG commitment	€1,559.52 million *(+6%)*	★★★★[1]
Edmond de Rothschild Euro Sustainable Growth	ESG positive selection / Best-in-universe	€94.4 million *(+162%)*	★★★[2]
Edmond de Rothschild Euro Sustainable Credit	ESG positive selection / Best-in-universe	€102.6 million *(+36%)*	★★★[3]

Our open-end SRI funds saw assets under management rise by almost 11% in 2017, largely as a result of net inflows from private clients, in the context of RI mandates secured by the Group's Private Banking business, and because of rising markets. The performance of our SRI funds is on a positive trend, illustrated by the fact that EdR Euro Sustainable Growth ranked in the first decile / 10th percentile of its Morningstar category in 2017, while EdR Euro Sustainable Credit ranked in the second decile / 11th percentile of its Morningstar category.

Edmond de Rothschild Asset Management (France)'s open-end SRI funds are managed in-house using proprietary ESG analysis, which is performed year-round. In 2017, we reviewed our ESG rating criteria, with the number of analysis categories being reduced from four to three while the corresponding criteria were updated: some were added while others, regarded as insufficiently relevant, were withdrawn.

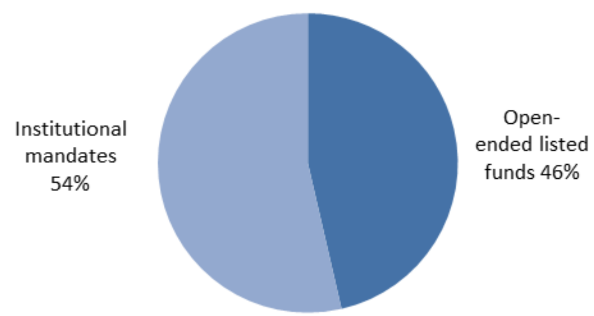
In 2017, the RI team analysed the ESG performance of 144 companies (versus 111 in 2016) and met with 115 companies (versus 81 in 2016) on ESG topics. In 2017, Edmond de Rothschild Asset Management also expanded its analysis to cover all regions, responding to the growing needs of its equity and credit asset managers. With the help of Sustainalytics, a world-renowned extra-financial ratings agency, our ESG analysis now covers 6,000 issuers, versus 1,089 in 2016.

Growth in SRI assets under management

Edmond de Rothschild Asset Management (France) had €3,786 million of SRI assets under management at 31/12/2017. That represents a 13% year-on-year increase, and our SRI AuM is divided between our three open-end SRI funds and dedicated funds for institutional investors. Those funds are proving their appeal because of both the quality of their ESG analysis and their ability to offer high-performance SRI asset management.

Edmond de Rothschild Asset Management (France) SRI equity funds and mandates – AuM covered by ESG strategies in 2017[4]

€3,786 million



14.2% of Edmond de Rothschild Asset Management (France)'s assets under management

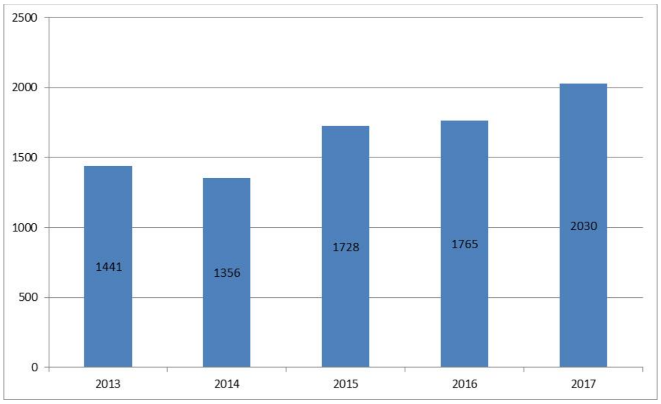
Source: Source: Edmond de Rothschild Asset Management (France), figures at 31/12/2017.

Total assets under management in this category exclude the Asset Management Servicing, Overlay, EMTN and FSP activities, to which it is not possible to apply Responsible Investment strategies.

[1] MORNINGSTAR rating at 31/12/2017 in the France Large Cap Equity category
[2] MORNINGSTAR rating at 31/12/2017 in the Eurozone Large Cap Equity category
[3] MORNINGSTAR rating at 31/12/2017 in the EUR Corporate Bond category

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

5-year change in SRI assets under management (in millions of euros) at Edmond de Rothschild Asset Management (France)



Edmond de Rothschild Asset Management (France)'s dedicated SRI funds posted growth of 22% between 2013 and 2016, and again delivered strong returns in 2017 with an annual gain of more than 15%.

The renewal of an institutional mandate in 2017 was one of the reasons for our success last year, along with strong inflows into open-end funds. This shows that clients are confident in the quality of our SRI asset management expertise and our ability to adapt to institutional clients' increasingly diversified and complex requirements, such as applying their proprietary ESG guidelines and voting policies.

The proportion of our total AuM in the SRI category was 14.2% in 2017 – split equally between our dedicated and open-end SRI funds – down slightly compared with 2016 because of significant growth in overall assets. Edmond de Rothschild Asset Management (France) is clearly demonstrating that this expertise plays a significant role in its range of investment solutions.

Company engagement and voting policy

In early 2018, Edmond de Rothschild Asset Management (France) updated its voting policy for the 2018 voting season. Some of the policy's key features are as follows:

- Voting against the chairman of the appointments committee if no gender equality policy is in place.

- In 2017, there was large-scale voting activity again, and we took part in 505 AGMs.

It should be noted that Edmond de Rothschild Asset Management (France) reports on its voting practices – i.e. its exercise of voting rights attached to shares held by the funds it manages – through a specific annual report, which is prepared within four months of the end of each year and available on the website: http://www.edmond-de-rothschild.com/SiteCollectionDocuments/asset-management/isr/EDRAM-EN-annual-report-on-exercising-voting-rights.pdf

Edmond de Rothschild Asset Management (France) voting statistics	2013	2014	2015	2016	2017
Number of AGMs in which EdRAM France participated	759	679	717	654	505
Voting rate in the AGMs of equity investees	85%	75%	84%	75%	88%
Number of resolutions voted on	9,071	8,559	9,135	8,268	6,385
Proportion of votes "against" a resolution (including abstentions)	21%	20%	20%	25%	25%

Edmond de Rothschild Asset Management (France) voting scope: issuers in which funds own a stake of at least 0.01%.

[1] Excluding dedicated SRI funds.

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

RFPs from institutional and retail investors including ESG/RI criteria, along with corporate due diligence processes conducted by investors on the asset management company (including ESG/RI questions), are key indicators that help us evaluate and assess how the responsible investment market is changing. These investors are the pioneers in this market, and they play a vital role in its evolution.

The chart below shows that 29% of the RFPs to which Edmond de Rothschild Asset Management (France) responded in 2017 included criteria relating to RI and/or sustainability in general, versus 15% in 2016.

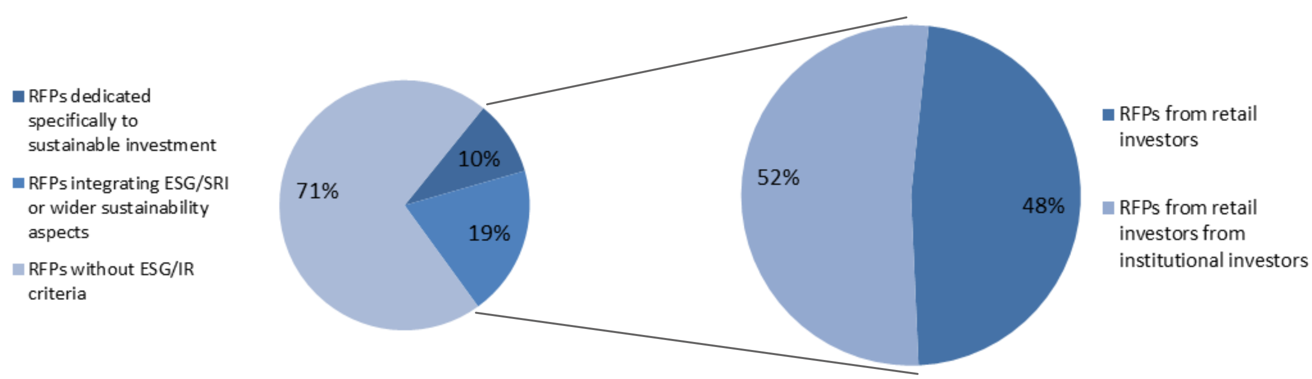
The sharp increase in this proportion shows the increasing interest of French institutional investors in the RI market. In addition, we have noticed that questions relating to ESG matters in questionnaires are becoming ever more specific.

The following trends have also emerged:

- RI-related questions are being included in the standard due diligence questionnaires of major distributors, in France but also in Spain, for example;
- RI is continuing to attract interest from institutional investors in Italy.

Our indicator showing the inclusion of ESG/IR questions in due diligence processes fell in 2017. That was due to the cyclical nature of institutional investors' requests for proposals and due diligence processes. However, the trend that emerges from these two indicators shows that the RI market is growing, possibly as a result of Article 173 of France's Energy Transition for Green Growth Act.

Requests for proposals to which Edmond de Rothschild Asset Management (France) responded in 2017



Due diligence processes in which Edmond de Rothschild Asset Management (France) participated	2017	2016
Percentage of due diligence processes in which Edmond de Rothschild Asset Management (France) participated including questions related to ESG/SRI or wider sustainability	35%	35%

Maintaining and strengthening the RI commitments of Edmond de Rothschild Asset Management (France)

Continuing its efforts to make progress in this area, Edmond de Rothschild Asset Management (France) takes part to varying extents in industry discussions to advance ESG-related matters. For example, it helps promote and encourage adoption of RI via its involvement and contribution to various working groups. In 2017, we made an active contribution in the following areas:

- As Chair of the Research Committee of the Responsible Investment Forum (FIR), we took part in the 12th FIR PRI Finance and Sustainability European Research Awards[1] – co-founded by our Head of RI Jean-Philippe Desmartin in 2011 – which were held in Berlin on 26 September 2017. The jury, consisting of academics and practitioners, gave awards to several researchers – two German, one Bulgarian, three Spanish and two French – looking at subjects ranging from socially responsible loans, the connection between companies' financial performance and their investments in corporate social responsibility, making sustainability an integral part of institutional investors' investment decisions, social finance and the commons, the impact of climate change on corporate productivity and impact investing explained via a MOOC[2].

- As part of the FIR's Research Committee, we also became the joint co-ordinator of a new FIR exploratory working group on the theme of "ALM / Strategy asset allocation and Responsible Investment", which met for the first time in November 2017. The group will address questions relating to the connection between SRI and asset allocation, and the consequences in terms of risk, asset classes and management constraints. Four deliverables are expected in 2018.

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- Finally, Edmond de Rothschild Asset Management (France) was elected as a director on FIR's board representing asset management companies[3], and sponsored Novethic's annual "ESG strategies for responsible investors" conference[4], which was attended by some major European asset owners. The 300 investors attending the conference, in its 10th edition, showed their increased commitment to making climate, environmental, social and governance issues a central part of their investment and asset management strategies.

Edmond de Rothschild Asset Management (France) continued to support research by the Toulouse School of Economics and the Chair of Sustainable Finance and Responsible Investment, a joint venture between the Ecole Polytechnique in Paris and the Toulouse School of Economics, overseen by the French asset management association AFG.

We also continued to publish our SRI Chronicles, launched in 2013 to highlight responsible-investment issues. Each edition puts forward the academic perspective on RI, featuring a researcher's point of view on current topics. Among those topics, three issues published in 2017 contained our analysis of ESG factors and small- and mid-cap returns, the value created by ESG asset management, and governance factors that increase a company's longevity. News items on climate-related subjects – which we monitor closely on behalf of our clients and asset managers – also feature prominently in our publications.

Managing climate change and energy transition risks: our 2017-2020 2°C Climate Roadmap

Climate / Carbon project group

In 2017, Edmond de Rothschild Asset Management sought to formalise a climate strategy including a 2°C Roadmap. The Roadmap fits with the company's signature of the United Nations' Montreal Carbon Pledge in 2015, under which it has committed to measuring progressively and publishing annually the carbon footprint of its investments[5]. In 2017, Edmond de Rothschild Asset Management measured the carbon footprint of 14 of its funds.

The Roadmap was developed using in-house expertise, particularly that of the RI and Commodities / Infrastructure Equity Management teams, and on the basis of the final recommendations of the Task Force on Climate-related Financial Disclosures (TFCD) and the International Energy Agency's 450 Scenario.

[1] http://www.fir-pri-awards.org
[2] Massive Open Online Course.
[3] http://www.frenchsif.org/isr-esg/fir/la-gouvernance/#conseil-d-administration
[4] http://www.novethic.fr/colloque-novethic2017.html
[5] Carbon footprint information, which was published for the first time on 1 December 2015, can be accessed on our website at the following address: http://www.edmond-de-rothschild.com/SiteCollectionDocuments/asset-management/isr/EDRAM-FR-EN-empreinte-carbone-carbon-footprint.pdf

The 2°C Roadmap is being applied first to the Equity and Bond asset classes. Our analysis work includes:

- a proprietary in-house rating model to quantify the main climate risks and opportunities within economic sectors and sub-sectors. In practice, this means that in relation to climate risks, our Roadmap will not become diluted, remaining focused on a limited number of sectors and issuers, because 90% of climate risks arise from 10% of issuers operating in fewer than 10 economic sectors.

- reviews focusing on the four aspects of Regulation, Technology, Markets and Reputation, through which we identified ten high-level risks including five for the 2017-2020 period, starting with the coal industry.

- reviews focusing on the five aspects of Resource Management, Energy Sources, Products and Services, Markets and Resilience, through which we identified 20 high-level opportunities including 11 immediate opportunities, foremost among which are those relating to energy efficiency.

The Roadmap aims to set out, in a pragmatic way, a path to making Edmond de Rothschild Asset Management (France)'s investment strategy compatible with the 2°C scenario. It is a long-term process which could last until 2040, in contrast to certain approaches currently adopted in the financial markets. It also forms part of a continuous improvement procedure, which aims to address current and future difficulties relating to understanding, identifying and measuring climate challenges.

It will be updated every 12-24 months as progress is made on measurement methodologies – particularly as regards scope-3 and avoided CO_2 emissions – as well as access to information and the maturity impact analyses, in order to reassess the action we take.

By taking this approach, Edmond de Rothschild Asset Management is making a commitment to supporting energy and environmental transition from a European and global economy that is dominated by fossil fuels to a low-carbon economy.

Applying the 2°C Roadmap to our equity and credit investments

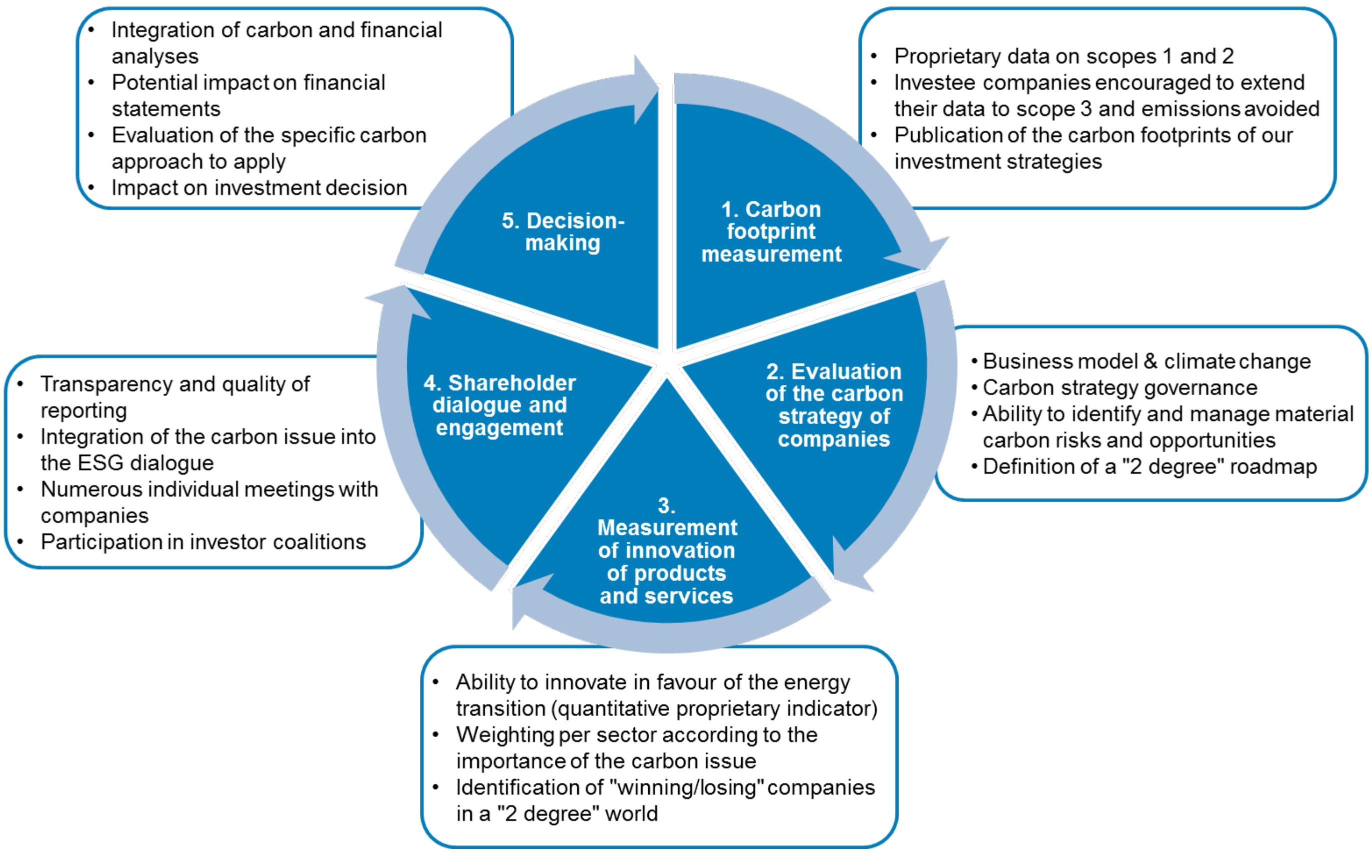
The approach involves gradually reducing the carbon footprint of our portfolios between now and 2040. This commitment, which is consistent with our fiduciary duty, has been defined in collaboration with our clients, particularly institutional investors. As part of that approach, we have been:

- developing low-carbon asset management expertise through a virtual low-carbon global equity fund since 2016, which has shown our ability to generate very strong returns, ranking in the top quartile in 2017 and over two years in the low-carbon fund category, as calculated by MSCI for AM League[1]. Our overall ESG returns are better than the benchmark and higher than the average of the 25 competing virtual low-carbon global funds.

- applying it for the first time in our products with the 21 December 2017 launch of the EDR Energy Evolution fund, in order to bring our investment strategy gradually into line with the 2°C Roadmap. This work has involved closely examining the portfolio of a commodities investment fund (EdR Géosphere) using the criteria and conclusions of our 2°C Roadmap to identify the stocks showing the greatest risks and those showing opportunities for the future. This allowed us to reposition this fund, which is now called EdR Energy Evolution. The in-depth work done by the Responsible Investment team alongside the Commodities investment team has enabled the fund's managers to address the climate change issue and the risks and opportunities it represents for their portfolio.

[1] https://www.am-league.com/fr/news/amleague-creation-d-un-mandat-global-equities-low-carbon-370.html

Climate change – our holistic approach



Responsible Investment in our banking activities

Since 2015, Edmond de Rothschild (France) has been working with Edmond de Rothschild Group's Sustainability Department and the Asset Management business line on integrating Responsible Investment into the products and services it offers to private clients.

In 2016, this fundamental work led to the creation and launch of a new product, the SRI Mandate, which enables clients to invest using RI strategies that combine strong financial returns with a positive social and environmental impact. In 2017, we continued to see growing interest in RI among our Private Banking clients.

The ongoing challenge in this area is to "translate" technical concepts relating to RI strategies used by institutional investors into simpler and more accessible opportunities with a focus on the companies' environmental and social impact.

Firstly, the private bankers themselves must take ownership of the topic so that they can feel at ease when discussing it with their clients. A toolbox including RI training was developed and used in 2016 in 2017 to support Relationship Managers' learning in this area. In 2017, the Edmond de Rothschild Group turned that training into an e-learning course in conjunction with Swiss Sustainable Finance, and it will be made available to Asset Management and Private Banking teams in 2018 to help them achieve greater knowledge of the subject.

[1]The GHG Protocol (http://www.ghgprotocol.org/calculationg-tools-faq#directindirect) breaks down the operational scope of an entity or organisation's GHG emissions as follows: Scope 1: direct emissions caused by the combustion of fossil fuels. Scope 2: indirect emissions caused by the purchase or generation of electricity. Scope 3: all other indirect emissions.

Responsible Investment in our Private Equity activities

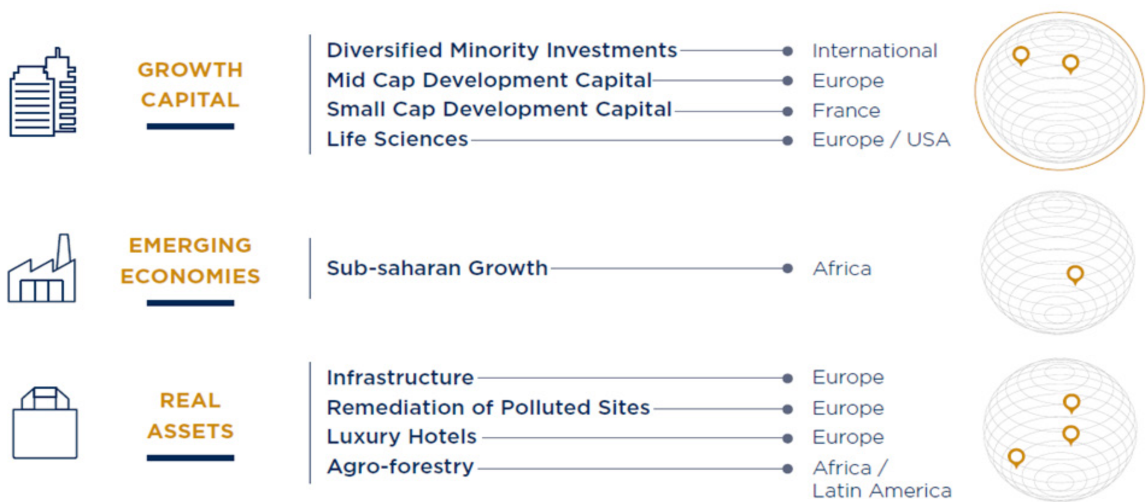
The Edmond de Rothschild Group is a major player in the private equity sector, using the experience gained by generations of the Rothschild family to support companies through partnerships with our dedicated teams. Those teams are more than just financial investors: they partner with companies to help them grow and create value.

Our flexible structure allows us to adopt an opportunistic, responsive approach, enabling us to identify future investment themes and put together teams with the leading-edge skills required to ensure the success of our projects.

We have a wealth of experience in structuring funds, defining investment processes, and integrating ESG principles and good governance rules. For each of our strategies, we ensure that the interests of investors, our investment teams and the Group are fully aligned.

Since 2014, all of our Private Equity activities have been conducted by a single entity – Edmond de Rothschild Private Equity – which is represented in various countries including France. Bringing those activities under one roof has enabled us to achieve greater synergies in areas related to Responsible Investment and thus hit our target of increasing the proportion of assets we manage according to ESG methods. In 2016, Edmond de Rothschild Private Equity became a signatory to the UN's Principles for Responsible Investment, following the commitment made by its subsidiary Edmond de Rothschild Investment Partners.

We have expertise in three main areas:



It should be noted that in 2017, the Group adopted a new strategy called PEARL, which specialises in environmental infrastructure and water and waste treatment. The new fund has started to raise money, and will supplement our existing expertise as regards soil remediation and the financing of social and transport infrastructure.

Responsible Investment methods are integrated into our Private Equity activities in two main ways:

1. A theme-based approach using an impact investing strategy. This strategy is attracting increasing numbers of institutional investors, particularly development banks and other asset owners, family offices and private clients wanting to have a positive social and/or environmental impact as well as investment returns that are comparable to those of the broad market;

2. A traditional approach, possibly including a specific theme such as life sciences or economic development in Africa, in which ESG and governance criteria form an integral part of financial analysis, investment decisions and, in some cases, contractual agreements.

Brownfield regeneration in France via Gingko 2[1]

In May 2017, we launched Ginkgo 2, the Edmond de Rothschild Group's Private Equity platform dedicated to the sustainable regeneration of heavily polluted brownfield sites in urban areas.

To mark the launch, Ariane de Rothschild attended an official ceremony in Lyon – one of the main regeneration sites of the first fund launched in 2010 – and welcomed the heads of the fund's main public- and private-sector partners, including the European Investment Bank, the Caisse des Dépôts et Consignations, Société Fédérale de Participations et d'Investissement and Lyon Métropole.

The fund has attracted commitments of €160 million, and will allow the sustainable regeneration of heavily polluted sites while addressing the environmental, economic and social issues involved in regenerating brownfield sites in urban areas. Ginkgo 2 is likely to create 400,000 m² of new building land, around 5,000 homes and the equivalent of 8,500 full-time jobs.

Ginkgo 2's new projects include three in the Paris region (Saint-Denis, Suresnes and Fontainebleau). Three other projects are located in Lyon, Marseille and Brussels. A seventh project began in late 2017 in Malaga, Spain.

The first-generation Ginkgo 1 fund, which raised €81 million in 2010, is currently completing the regeneration of seven contaminated brownfield sites in France and Belgium. These projects are creating more than 200,000 m² of building land in the heart of major cities like Lyon, along with more than 3,000 homes and 5,000 jobs.

Like its predecessor, Ginkgo 2 will continue to focus on France and Belgium, adding value for all stakeholders in projects to regenerate contaminated brownfield sites, i.e. owners of polluted land, local authorities, developers, construction companies and end-users. As well as the major social and environmental benefits for the community, Ginkgo represents an innovative investment solution for our clients and major institutional investors. It is a win-win combination, which makes Ginkgo particularly attractive for a growing number of investors in France and Europe.

Ginkgo supports entities that buy land and then defines, finances, performs and oversees the clean-up work that precedes the sites' redevelopment. For the stakeholders of each regeneration project, Ginkgo's involvement ensures that the measures taken are appropriate to the sites' future use and that any contaminants are dealt with fully and sustainably. Ginkgo also pays particular attention to development projects and to the energy performance of future buildings.

The Edmond de Rothschild Group's Private Equity operations in France

The Group's Private Equity activities in France take place through two entities: Edmond de Rothschild Private Equity (France) and its 51%-owned subsidiary Edmond de Rothschild Investment Partners (EdRIP).

Private Equity is a strategic business at the Edmond de Rothschild Group, delivering added-value investment solutions that conjoin uniquely with private banking services and allow us to provide highly distinctive services to major institutional investors. Our Private Equity strategy, which focuses on supporting entrepreneurs and helping SMEs grow, takes the long view, in keeping with the culture and values of the Rothschild family.

Growth continued to accelerate in 2017 after major fund-raising activity in 2016: the ERES III fund, which has a minority co-investment strategy, reached its hard cap by achieving a final close of €300 million, while Cabestan Capital 2, a Private Equity fund focusing on French small caps, reached its hard cap of €170 million.

A year after adding mezzanine debt investments to its offering, Edmond de Rothschild Investment Partners continued to develop that business with its new ActoMezz III fund. The fund achieved a close of €314 million, more than its initial hard cap of €300 million. ActoMezz's team works closely in partnership with company managers wanting to maximise their stakes, and is strengthening its position in the French "smid-cap" segment.

[1] Ginkgo assets are managed in Switzerland and so are not included in this Edmond de Rothschild (France) annual report but are included in the AuM figures published in the Edmond de Rothschild Group's sustainability report: http://www.edmond-de-rothschild.com/site/International/en/Sustainable-development/reports . The information published here is regarded as relevant to the extent that Ginkgo focuses on investment opportunities with a positive social and environmental impact, including in the energy transition context.

The BioDiscovery franchise attracted €345 million for its new BioDiscovery 5 fund, making it the largest European fund focusing specifically on biotech. Fundraising started in late 2016 and the final close took place in January 2018. The new fund has already started to invest its funds, with three initial investments in the therapeutic field: Complexa, LogicBio and Erytech.

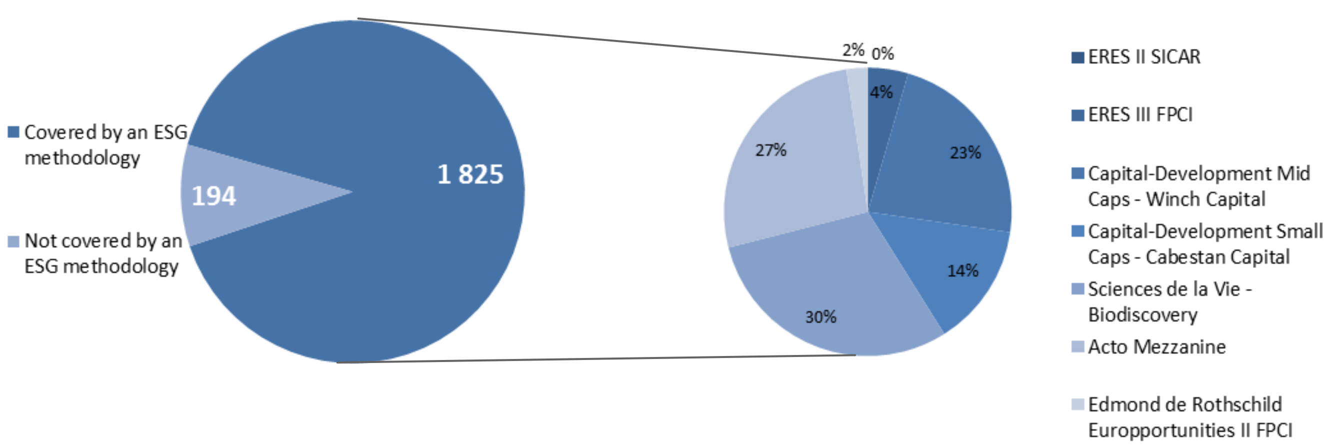
So far, the total amount of capital raised by the Group's life sciences franchise is more than €750 million, making it a leading player in Europe.

Through its Private Equity activities, Edmond de Rothschild Group has put together a diversified range of products that address entrepreneurs' varying development needs, fund the real economy and give institutional and private investors access to stable and high-performance investment products. The Group promotes the adoption of optimum environmental, social and governance (ESG) practices, including managing risks, seeking opportunities and maximising impacts.

When managing its funds, Edmond de Rothschild Private Equity (France) applies an exclusion policy that is included in its funds' legal documentation. For example, funds are barred from investing in companies with head offices in certain countries regarded as risky; the list of those countries changes over the investment period.

In addition, they cannot invest in companies that carry out or promote: forced labour, child labour, pornography or prostitution; the sale of illegal products or products resulting from activities that are illegal under international legislation (regulations, international conventions and/or agreements etc.) or that have been banned or are being phased out; the production or sale of radioactive material or material deemed hazardous within the meaning of international laws, arms and/or munitions; or the production of or involvement in media that are racist, anti-democratic or encourage discrimination against a part of the population.

Assets managed by Edmond de Rothschild Private Equity (France) at the end of 2017 (€ m)



Management of our environmental impact

Edmond de Rothschild (France) has been strongly committed to managing its environmental impact since 2011. It assesses its carbon footprint every year, producing a Bilan Carbone® according to ADEME standards. Its efforts are an integral part of Edmond de Rothschild Group's sustainability strategy.

When reviewing the Edmond de Rothschild Group's material environmental issues, the Sustainability Department, in agreement with the entities that audit the sustainability reporting, have also decided to reduce the scope of its environmental reporting. The reduction concerns indicators related to other indirect emissions (scope 3):

- IT hardware acquired during the reporting year (excluding ink cartridges and toner)
- Purchases of goods and services
- Employee home-work travel
- Business travel by train, car, taxi and hire car

The environmental priorities defined by the Group after the 2014 materiality exercise, which enabled it to identify the material issues, are:

1. Greenhouse gas emissions, primarily due to:
   a. Direct energy consumption
   b. Business travel (by plane, helicopter and private jet)
2. Paper consumption
3. Waste management

Based on these three priorities, the Group published, in 2016, its 2020 objectives (figures for reference years relate to Edmond de Rothschild Group):

- Reduce the carbon footprint per employee by 15% (reference year 2015: 9.2 tonnes of carbon equivalent/employee);
- Reduce energy consumption per employee by 10% (reference year 2014: 6.8 MWh/employee);
- Offset our CO_2 emissions for scopes 1 and 2 of the Greenhouse Gas Protocol;
- Reduce paper consumption per employee by 25% (reference year 2014: 87kg/employee);
- Use 100% recycled or FSC/PEFC certified paper (reference year 2014: 85%).

Since 2014, a reporting system used at Group level has given an accurate picture of Edmond de Rothschild (France)'s environmental contributions, and allows even more precise reports to help us satisfy the requirements of the Bilan Carbone® and Article 225 of French Act no. 2010-788 of 12 July 2010 (also known as Grenelle 2).

In 2016, we decided to align reporting methods between France and the rest of the Group by only taking into account staff on permanent and fixed-term contracts, students under work/study contracts and interns (therefore excluding external providers and temp staff). To retain historical data with which to compare our results, Bilan Carbone® figures for 2013, 2014 and 2015 were recalculated, as were ratios for environmental indicators.

The 2017 reporting scope covered France excluding foreign sites and branches reporting to the French business and still active (Italy, Germany and Asset Management activities in Spain), but also excluding Edmond de Rothschild Investment Partners (EdRIP) in France. The ratios presented have been recalculated to align previous data with the new scope focusing on France.

Changes between 2016 and 2017 shown in the following paragraphs have all been calculated at constant scope, i.e. focusing on France and excluding foreign subsidiaries.

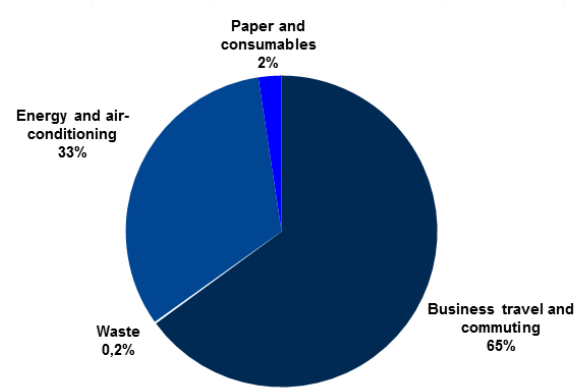
Carbon footprint

The results set out below for Edmond de Rothschild in 2017 show a reduction of our carbon footprint, both overall (-15%) and per employee (-9%).

The reduction was mainly due to a 36.1% decrease in business-class long-haul aircraft travel. That reduction accounted for 90% of the improvement in the carbon footprint between 2016 and 2017.

Greenhouse gas emissions in 2017

2,063 tonnes of CO_2 equivalent



	2014	2015	2016	2017
CO_2 emissions for EdR France and its foreign subsidiaries (tonnes CO_2	8,046	7,469	6,100	-
CO_2 emissions per employee (tonnes CO_2 equivalent)[a]	10.2	9.1	7.8	-
CO_2 emissions for EdR (France) in France (tonnes CO_2 equivalent)			2,417	2,063
CO_2 emissions per employee (tonnes CO_2 equivalent)[a]			3.09	2.83

[a] CO_2 emissions for Edmond de Rothschild (France) and per employee were recalculated for 2013, 2014 and 2015 to align results with the new calculation methodology, which excludes external providers and temp staff. This change affected commuting data and per-employee ratios.

[b] The significant difference with respect to the 2015 carbon footprint figures published last year (7,469 tonnes of CO_2 equivalent) is partly due to the methodological change (exclusion of external providers and temp staff from the calculation) but also to an error detected in 2016 in the calculation of carbon emissions arising from commuting by bus.

Energy consumption

In 2017, energy consumption fell 11%, mainly because of a 5.7% drop in electricity consumption, but also a 4.6% decrease in gas consumption. Energy consumption per employee fell 4.8%.

Air conditioning requirements also fell, with the amount of energy used to cool buildings down 42%. The general resources department negotiated equipment upgrades in 2017, resulting in lower costs.

For the two Paris buildings that are heated using steam, expenditure on that energy source also fell 14%.

Renewable energy accounted for 5.53% of total energy consumption, down from 7.5% in 2016.

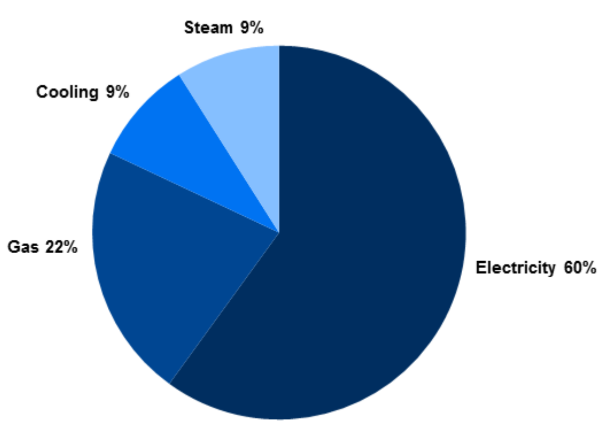
We are continuing our efforts to reduce our environmental impact on an ongoing basis, by analysing our consumption and anticipating changes that need to be made within our buildings and business activities. Those efforts drive project development and help us to minimise our costs, as well as reducing our carbon footprint.

	2014	2015	2016	2017
EdR (France) energy consumption (MWh)	5,986	5,945	5,736	5,099
of which electricity	3,458	3,562	3,246	3,062
Energy consumption per employee (MWh)[a]	7.5	7.2	7.3	7.0

[a] In 2016, “energy consumption per employee” ratios were all recalculated in line with the new reporting methodology (see introduction to the “Environmental information” section).

Energy consumption in 2017

5,099 MWh



Sustainable use of resources

Edmond de Rothschild (France)'s paper consumption fell 1.76% compared with 2016. Total consumption was 52.97 tonnes and paper consumption per employee was stable. The Communications department is continuing to make constant efforts to reduce printing, both internally and externally.

The introduction of multifunction machines and the replacement of individual printers continued in 2017 under the supervision of the IT Systems Department.

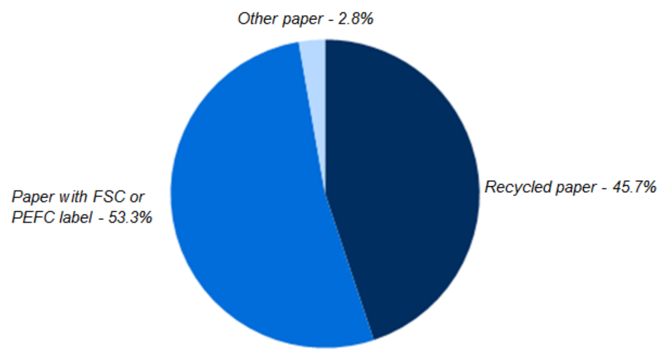
Virtually all (99%) of the paper used in France is recycled and carries the FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) label.

Overall water consumption increased by 25.7% in 2017.

In 2016, Edmond de Rothschild (France) acted as a pilot for the Group's Responsible Purchasing Policy. This policy is intended not just to monitor the practices of suppliers and subcontractors in terms of sustainability, but also to raise awareness among employees involved in the purchasing process so that they take into account the social and environmental impacts, both positive and negative, of the products and services they select. A practical guide was produced to give the relevant people the information they need, to help them implement the Responsible Purchasing Policy.

Paper consumption in 2017

52.97 tonnes



	2014	2015	2016	2017
EdR (France) paper consumption (tonnes)	57.0	56.4	53.9	52.97
Paper consumption per employee (kg)[a]	71.9	68.7	69.0	72.6

[a]"Paper consumption per employee" ratios have all been recalculated in line with the new reporting methodology (see introduction to the "Environmental information" section).

	2015	2016	2017
EDR France water consumption (m^3)	8,782	7,371	9,265
Water consumption per employee (m^3)[b]	10.7	9.4	12.7

[a] Water consumption figures for 2015 were adjusted to take into account revisions of the estimates made for the Edmond de Rothschild Group's 2015 report.
[a] "Water consumption per employee" ratios have all been recalculated in line with the new reporting methodology (see introduction to the "Environmental information" section).

Waste management

A specialised service provider picks up our old IT equipment, wipes all data (providing a data deletion certificate) and determines what can be resold, upgraded or recycled.

Sorting bins are in place at all sites in Paris to encourage employees to recycle responsibly.

In 2017, special bins for coffee pods were placed next to coffee machines, and 83 kg of waste was recycled as a result.

The amount of aluminium we recycle increased by 91% last year, from 80 kg in 2016 to 153 kg in 2017. We also recycled 443 toner cartridges.

Paper to be recycled is transferred from employees' individual waste baskets to secure containers, which are then processed by a specialised company. A total of 112.2 tonnes of paper were recycled in 2017, the equivalent of 1,795 trees, and 20,000 litres of water were saved per tonne of paper recycled.

	2014	2015	2016	2017
Recycled waste paper (tonnes)	113.2	96.3	102.5	112.2
Recycled waste plastic (tonnes)	6.60	6.60	7.09	5.75
Recycled waste aluminium (tonnes)	0.70	0.1	0.08	0.15
Recycled toners (units)	579	566	368	443

1 The sharp drop in recycled waste aluminium between 2014 and 2015 resulted from a change in the way our provider makes estimates.

Biodiversity

Since the Rio Earth Summit in 1992, which took place in the midst of an environmental crisis, preserving biodiversity has been regarded as a key element of sustainability. Protecting and restoring the diversity of living things is a vital mission for human societies, which are entirely dependent on that diversity via the earth's ecosystems.

The disappearance of species is very often the most visible sign of declining biodiversity. Bees represent one of the many species under the greatest threat, and this is having a major direct impact on humans because bees play a vital role in pollination, which is necessary for many plants to reproduce.

Of the world's flowering plants, 80% depend on pollination, and so bees help to ensure the survival of many plant species. They are a leading indicator of environmental change, because anything that threatens bees can also cause serious problems for other pollinators.

Bee colony collapse has become an increasingly worrying phenomenon in recent years, and there are many factors behind it. These include the ill-considered use of pesticides, the destruction of woodland, increasingly early flowering or excessively long and cold winters, pollution of the air, water and soil, disease and parasites.

Although the disappearance of bees would not necessarily spell the end of humanity, it would be a real catastrophe. It could cause the disappearance of 80% of plant species, wiping out a third of our food supply.

Maintaining the balance of the world's plant species by protecting bees is one of the first projects that Edmond de Rothschild (France) adopted, in 2012, as part of its sustainability approach.

That project has involved installing four beehives in the immediate vicinity of one of our Paris buildings. Around 140,000 bees are now enjoying the diverse range of plants and flowers present in Paris all year long.

Since 2016, Edmond de Rothschild (France) has also pursued its commitment to biodiversity by installing two insect hotels. Working with an environmental advisory company, these shelters are made from wooden wine cases used by the Rothschild family, and have been installed in the Bank's gardens.

The insect hotels attract insects and arachnids, which help bees survive the winter, playing useful roles as pollinators and predators of parasites and pests. In summer, they are a place for species like mason bees to lay eggs.

As part of the same project, and in order to extend initiatives to maintain biodiversity and ecological balance in the urban environment, a number of nesting boxes and feeders have been installed to provide food and shelter for animals that are useful for the gardens. These species are finding fewer and fewer locations to reproduce and so their presence in cities – which is vital – is diminishing.

Our commitment for a sustainable society

Stakeholder engagement

In an interconnected world faced with major societal and environmental challenges, effective solutions require individual and collective efforts. The Rothschild family has always been driven by the passion for entrepreneurial activity and innovation in the service of economic and social progress.
As part of the Edmond de Rothschild Group's sustainability strategy, the key elements of this social commitment include:

- Engagement with the local community;
- Philanthropic activities; and
- Engagement with stakeholders.

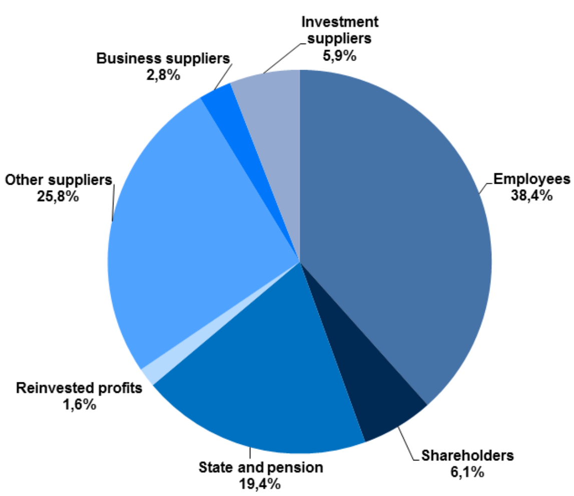
Engaging with our stakeholders was identified as one of our material issues as a result of the materiality exercise undertaken in 2014. This is a subject that spans our strategy and we address it in various sections of this chapter of the Edmond de Rothschild (France) report and the Group sustainability report, particularly in the sections on Responsible Investment.
Our 2020 targets in this area are as follows:

- Implement a process of evaluation and engagement with suppliers as part of our Responsible Purchasing Policy;
- Implement the Community Engagement Charter and encourage Group entities to implement philanthropic programmes.

Edmond de Rothschild (France) holds regular, in-depth discussions with its stakeholders, i.e. clients, employees and their representatives, suppliers and subcontractors, national and financial authorities, and other economic actors.

Banking revenues by expense item or appropriation

€292 million



Since 2015, the Edmond de Rothschild Group has published an annual sustainability report covering all its entities. By adopting the highest reporting standards – i.e. compliance with GRI4 guidelines and third-party verification of quantitative data – we want to show our commitment to transparency with respect to our stakeholders. We make the report available to the general public via the website, and to clients and partners in our branches.

Our interactions with stakeholders have a major impact on our ongoing efforts to improve the way we manage sustainability themes in our main business activities, and most of those interactions were on the subject of responsible investment in 2017. For more information on those activities, see chapter on page 54. At the same time, the Sustainability Department was in contact throughout the year with key organisations in this area, such as Swiss Sustainable Finance (SSF), UNEP Finance Initiative (UNEP FI) and Responsible Investor (RI).

Working with our suppliers

Suppliers are another important category of stakeholders for Edmond de Rothschild (France). A working group was set up in 2016 to develop the Group's Sustainable Purchasing Policy in France as a pilot, and it achieved its objectives on schedule. The Policy was validated by the Executive Committee and published in June 2017.

The Policy was turned into a "Responsible Purchasing Charter" signed by Ariane de Rothschild. The intention is that the charter will be co-signed by the Group's suppliers to underpin their commitment to issues relating to human rights, the environment and ethics. The launch took place in June 2017 and the Charter was sent to 525 suppliers.

Of the suppliers that have received the Charter, 33% have signed and returned it. The Charter will be sent again in 2018 to suppliers that have failed to respond.

The programme has been a useful exercise for the Bank, allowing it to update its supplier database and to consider the next steps to be taken in this project.

Those steps include rolling out the practical guide prepared in 2016 to accompany the Responsible Purchasing Policy, and sending the Charter to suppliers of the Group's other main entities.

[1] See Edmond de Rothschild Group Sustainability Report 2016, pp. 37-59: http://www.edmond-de-rothschild.com/site/International/en/Sustainable-development/reports

Active collaboration with social enterprises

As in previous years, Edmond de Rothschild (France) continued to do business with companies employing disabled employees or that have a major positive social and environmental impact.

For example, as part of our disability agreement (see page 53), the Human Resources team organised a disability awareness-raising cookery session in 2017 with Kialatok, which received funding as part of the Scale Up programme in 2016. Twelve people from the Human Resources department took part in the event. Also in 2017, we signed up to a partnership with TIH Business, a platform for connecting with self-employed disabled workers, to whom we have been able to outsource tasks such as translation.

We continued our collaboration with Handiprint in printing services, and we used the Les Ateliers du Comminges ESAT[1] to prepare letters to be sent by post. We used the catering services of Berthier, another disability-oriented social enterprise, on several occasions. We also continued to work with ATF Gaia, which received support from Scale Up in 2012 and specialises in the environmentally friendly recycling of electronic equipment. The company also provides long-term work for employees with disabilities, who make up 80% of its production workforce.

Community engagement and philanthropy: close collaboration with the Edmond de Rothschild foundations

Supporting diversity with PasserElles

For the seventh year in a row, Edmond de Rothschild (France) supported the professional integration programme Passerelles, offered by the non-profit recruitment agency Mozaïk RH. This programme, initially funded by the Edmond de Rothschild Foundations, is aimed at young female graduates from different backgrounds looking for employment. It combines group workshops, individual coaching by recruitment professionals and personalised support by a sponsor from the company. Edmond de Rothschild (France) encouraged its employees to participate as mentors in 2017.
For the programme that began in October 2016, 17 participants in France volunteered to be mentors. The programme remains open all year in order to attract new mentors.

When mentors and mentees meet, they discuss highly practical matters like how to make the most of their strengths, how to network, and how to prepare for an interview or a new job. Most mentors use their own networks to help mentees find a job.
There is a practical guide for mentors, particularly to remind them of their role and the various stages of the programme.

Feedback from mentees in the 2016-17 programme showed that they benefited from greater self-confidence, improved knowledge of the jobs market, a better understanding of the professions and sectors that interest them, useful advice on finding jobs and on job interviews, an introduction to network-building and guidance on starting a new job and developing a career. Overall, 104 mentors have helped 116 young women in the six years since the programme began. The programme currently has 85 active mentors.

Working with impact entrepreneurs as part of Scale Up

The Bank also continued its commitment to the Scale Up programme, created jointly in 2010 by the Edmond de Rothschild Foundations and the ESSEC Business School to support the development of businesses that have a major positive impact on society and/or the environment. These companies all share in common the fact that they propose new business models focused on inclusive growth that combines economic performance, impact and technological innovation. Candidate companies are analysed from several angles:

- Viability and profitability of the business model
- Established proof of concept
- Socially innovative company with a major social and/or environmental impact, and willingness to measure that impact
- Growth potential along with a desire to attract outside equity investors and strengthen governance
- Solid and French-speaking entrepreneurial team

In this programme, selected companies are assisted for one year by volunteers from Edmond de Rothschild (France), who share their expertise on strategy, finance, fundraising and communication. Their professional expertise supplements the educational content of the programme, which also provides access to a panel of business-line experts and a broad network of traditional and socially responsible investors. The aim is to give the companies' leadership teams the tools they need to define, implement and finance their growth. As a result, Scale Up is now the first entrepreneur support programme to combine academic expertise with financial and strategic expertise.

In the seven years since its inception, Scale Up, with its combination of economic performance and social impact, has been recognised as unique in France.

1 An ESAT is a disability-oriented social enterprise that supports people with disabilities and aims to integrate them into society and the world of work.

To strengthen its position further, the programme has since 2015 been open only to companies (SA, SAS, SARL) in a growth phase, with a view to raising over €200,000 of financing. The seven companies that completed the programme in 2017-2018 – JEM (Jewellery Ethically Minded), Hopen Family, Les Talents d'Alphonse, Citizen Farm, Poiscaille, Le Potager Extraordinaire and Pop School – were aided by nine Group experts from various business lines, i.e. business advisory, asset management, private equity and wealth management, but also marketing and communication. In 2017, Humanis became a partner of the programme in order to provide more support to entities serving the "silver economy", i.e. providing products and services for older adults, as part of a shared-value and open-innovation approach.

The programme includes three seminars organised by ESSEC and ends with a Demo Day. This is an opportunity for participating companies to present their growth plans to potential investors. Several of them are already in the process of raising new funds. As well as helping companies attain new scale, one of the programme's objectives is to develop the ecosystem by bringing together people from various entities and professional backgrounds:

- Large corporations committed to CSR and/or shared-value approaches
- Traditional and responsible investors
- Academic institutions
- Incubators and entrepreneurs

In September 2016, a study of 14 former participating companies was carried out. Since the programme's support ended, those companies have seen an average revenue growth rate of 100%, created 135 jobs and raised almost €10 million of funding.

A practical French-language guide called "Changer d'Échelle: manuel pour maximiser l'impact des entreprises sociales" ("Changing scale: a manual for maximising the impact of social enterprises"), has been published by the Edmond de Rothschild Foundations and ESSEC Business School. It can be downloaded free of charge at www.programmescaleup.org. Finally, a comprehensive assessment of the programme since its inception in 2010 is currently being carried out, and its results will be presented in 2018.

OPEJ: community support for young people

The origins of the OPEJ-Baron Edmond de Rothschild Foundation lie in the Jewish resistance during the Second World War. It was created in 1945 under the name of Œuvre de Protection des Enfants Juifs (organisation for the protection of Jewish children or OPEJ) to provide a home for and protect children whose parents had been deported.

It became a government-approved charity in 1957 and changed its name to the OPEJ-Baron Edmond de Rothschild Foundation in 2012. It is continuing its work today in the areas of prevention, protection and support for children, young people and families. The diversity of the work it does is testament to its ability to support vulnerable people and its historic commitment to three regions: Greater Paris, Hauts-de-Seine and Val-d'Oise.

Its teams are community-driven, and aim to develop social cohesion through the acknowledgement and mutual respect of identities. Today, OPEJ welcomes people from 27 different cultures, and the best interests of children and their families lie at the heart of its work.

OPEJ key figures:

- 175 child protection professionals
- 135 children and adolescents housed in children's homes / 2,900 people supported
- 10 institutions and departments / 3 locations in the Paris region

To celebrate OPEJ's 70th anniversary in 2015, Edmond de Rothschild (France) strengthened its ties with the Foundation by encouraging its staff to get involved in the Foundation's work. In 2015 and 2016, Edmond de Rothschild (France) employees were invited to mentor a young person for one year.

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

In 2017, Edmond de Rothschild (France) focused its support for OPEJ on sales and collections for the Foundation's benefit. For example, the Group arranged:

- a furniture sale that raised €1,810;
- furniture donations that helped furnish the Maison des Familles et des Cultures, a family mediation centre that moved to new premises in September 2017, along with donations of IT hardware (PCs, keyboards, printers etc.).

In addition:

- in summer 2017, Group employees collected 10 boxes of books and toys for children visiting day centres;
- in December, they collected another two boxes of brand new toys and games for children supported by OPEJ.

Reporting methodology and validation of data

1. Selection of indicators

In order to monitor the performance of the sustainability approach followed since 2011, Edmond de Rothschild (France) identified the most relevant indicators pertaining to its business dealings and influence. In doing so, it referenced the French decree implementing Article 225 of the Grenelle 2 Act, the principles of the United Nations Global Compact and various recognised CSR benchmarks. Those indicators were identified as part of the materiality review concerning sustainability issues.

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

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

2. Reporting scope

After analysis of reporting results for 2014, 2015 and 2016 covering Edmond de Rothschild (France) all its foreign subsidiaries and branches, and taking into account the reduction in the scope in 2016 and 2017 with the closure of sites in Chile, Beijing and Shanghai and the current winding-up of the Hong Kong site – the Sustainability Department, in agreement with the auditors of the sustainability information, also decided to reduce the scope of environmental and social reporting to the country of France, which accounts for more than 90% of the workforce. This reporting scope does not affect the analysis of information or the reliability of that information. The processes in place remain the same for this year's reporting scope, i.e. Edmond de Rothschild in France.

In sessions organised with auditors from PwC in September 2017, to analyse the results of the previous reporting round and the most important issues for the Edmond de Rothschild Group, the Sustainability Department, based on the auditors' recommendations, also decided to reduce the scope of environmental reporting. The reduction concerns indicators related to other indirect emissions (scope 3), because their impact is not regarded as material for the sector concerned:

- IT hardware acquired during the reporting year (excluding ink cartridges and toner)
- Purchases of goods and services
- Business travel and commuting
- Business travel by train, car, taxi and hire car

The environmental priorities defined by the Group after the 2014 materiality exercise are still:

1. Greenhouse gas emissions, primarily due to:
   a. Direct energy consumption
   b. Business travel (by plane, helicopter and private jet)
2. Paper consumption
3. Waste management

Since 2016, the workforce numbers used to calculate environmental ratios have excluded apprentices, interns, temp staff and service providers. To ensure the consistency of reporting practices used across the Edmond de Rothschild Group, the decision was made to take into account only staff members included in workforce-related data.

3. Organisation, resources and monitoring

The Sustainability Department, which reports to the Human Resources function, co-ordinates CSR indicators in collaboration with the employees appointed by the appropriate subsidiaries and departments.

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

- Workforce-related indicators are collected via Human Resources departments. These indicators are then consolidated, carefully taking into account the specific features of each country's labour regulations.
- Environmental indicators are managed using the online tool Figbytes, which collects, consolidates and stores data.
- The Bank's annual carbon footprint is calculated in accordance with the methodology of the Association Bilan Carbone, taking into account direct and indirect emissions (scopes 1, 2 and 3), but excluding emissions related to any investments made.
- Data regarding the Bank's wider sustainability commitments is aggregated in three categories from information submitted by the appropriate entities. These categories are skills-related philanthropic activities, responsible investments and responsible purchasing strategies.

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

4. Index and cross-reference table

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

Workforce-related information

a) Employment	
- Total workforce and employee distribution by gender, age and geographic area	p. 44
- New hires and departures	p. 44-45
- Remuneration and salary trends	p. 46
b) Work organisation	
- Organisation of working time	p. 49
- Absenteeism	p. 49
c) Labour relations	
- Organisation of employee consultations, namely the procedures used to inform, consult and negotiate with employees	p. 49
- Summary of collective agreements	p. 49
d) Health and safety	
- Occupational health and safety conditions	p. 49
- Summary of agreements signed with trade unions or employee representatives regarding occupational health and safety	p. 49
- Workplace accidents, including frequency and severity, and occupational illnesses	p. 49

e) Training	
- Training policies implemented	p. 47
- Total number of training hours	p. 47
f) Equal opportunities	
- Measures taken to foster equality between men and women	p. 48
- Measures taken to foster the employment and integration of individuals with disabilities	p. 49
- Anti-discrimination policy	p. 49
g) Promotion and compliance with the International Labour Organisation conventions on:	
- the freedom of association and the right to collective bargaining	p. 40; 48-49
- the elimination of discrimination in employment and occupation	
- the abolition of forced or compulsory labour	
- the effective abolition of child labour	

Environmental information

a) General environmental policy	
- Organisational strategy for taking into account environmental issues and, where appropriate, assessment and certification steps	p. 68
- Efforts to train and inform employees on environmental protection	p. 43
- Means designated for the prevention of environmental risks and pollution	EdR Group is not confronted with environmental risks or pollution, as its business is in the service industry
- Amount set aside for provisions and guarantees regarding environmental risks	EdR Group is not confronted with environmental risks, as its business is in the service industry
b) Pollution and waste management	
- Measures to prevent, reduce or remedy serious air, water and soil contamination	EdR Group does not cause significant air, water or soil contamination, as its business is in the service industry
- Consideration of loud noise and all other forms of pollution specific to certain lines of business	EdR Group's business does not generate loud noises or any other form of specific pollution
c) Circular economy	
i) Prevention of waste	
- Measures to prevent, recycle and reuse waste and other forms of waste recovery and elimination	p. 70
- Actions to combat food waste	EdR Group's business does not generate food waste. Any edible leftover food from the restaurant and club house is eaten by the club's teams.
ii) Sustainable use of resources	
- Water consumption and supply as based on local parameters	EdR Group's business focuses on financial services and does not significantly impact water consumption, which is limited to the daily quantities consumed by employees. p. 71
- Consumption of raw materials and measures taken to increase efficiency in use	p. 70
- Energy consumption and measures taken to improve energy efficiency and promote the use of renewable energies	p. 69
- Soil use	EdR Group's business focuses on financial services and does not significantly impact soil use; sites are not located in sensitive areas.
d) Climate change	
- Significant sources of greenhouse gas emissions arising from the business, most notably the use of the goods and services that it offers	p. 69 Concerning use of asset management services, a scope 3 estimate corresponding to the emissions of companies whose shares are included in EdRAM funds is available (see p.56)
- Adjustments made in response to consequences of climate change	- Given the nature of its business, EdR Group is not confronted with the consequences of climate change. For recognition of financial risks associated with climate change effects (see p. 63)
e) Protection of biodiversity	
- Measures taken to protect or foster biodiversity	p. 71

Social information

a) Territorial, economic and social impact of business activities	
- on regional employment and development	p. 72
- on local or neighbouring populations	p. 72-74
b) Stakeholder relationships	
- Conditions for dialogue with stakeholding individuals or organisations	p. 72-74
- Partnerships or sponsorships	p. 73-74
c) Subcontractors and suppliers	
- Inclusion of social and environmental issues in purchasing policy	p. 72
- Extent of reliance on subcontractors and inclusion of social and environmental obligations when dealing with suppliers and subcontractors	p. 72
d) Fair practice	
- Action taken to prevent corruption	p. 41-42
- Measures taken to benefit consumer health and safety	p. 50-67
e) Other contributions to promote human rights	
- Other contributions to promote human rights	p. 50-67

Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated human resources, environmental and social information included in the management report

For the year ended December 31st, 2017

To the Shareholders,

In our capacity as Statutory Auditor of Edmond de Rothschild (France) (the "Company"), appointed as independent third party and certified by COFRAC under number 3-1060[5], we hereby report to you our report on the consolidated human resources, environmental and social information for the year ended December 31st, 2017, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (Code de commerce).

Company's responsibility

The Chairman of the Executive Board is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the 2017 Social Reporting Procedure and Environmental and Societal Reporting procedure used by the Company (hereinafter the "Guidelines") summarised in the management report and available on request from Edmond de Rothschild's Sustainability department.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (Code de déontologie) of our profession and the requirements of article L.822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.
Statutory Auditor's responsibility
On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

However, it is not for us to express an opinion on the compliance with the other legal provisions applicable, in particular those set out by the law n ° 2016-1691 of December 9, 2016 known as Sapin II (fight against corruption).

Our work involved eight persons and was conducted between November 2017 and March 2018 during a 7-week period. We were assisted in our work by our CSR experts.
We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and with ISAE 3000 concerning our conclusion on the fairness of CSR Information[6].

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.
We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.
For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.
We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the "Reporting methodology" section of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

5 whose scope is available at www.cofrac.fr

6 Assurance engagements other than audits or reviews of historical financial information.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work
We conducted 12 interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[7]:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 100% of headcount considered as typical size of the social component, and 100% of environmental data considered as characteristic variables of the environmental component.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, April 23rd, 2018

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Jacques Lévi	**Sylvain Lambert**
Partner	**Partner of the "Sustainable Development" Department**

7 The CSR Information that we considered to be the most important is specified in the annex to this report.

Appendix: CSR Information that we considered to be the most important

Human resources

- Total workforce as of December 31, 2017,
  - by gender,
  - by region,
  - proportion of workforce in permanent employment;
- Hires and departures by reason;
- Equal treatment,
  - percentage of women in management and senior management in France,
  - percentage of women hired during the year;
- Annual payroll,
  - raise percentage of fixed compensation,
  - ratio of bonuses to the fixed employee expenses;
- Number of training hours,
  - Percentage of employees who attended at least one training course,
  - Women as a percentage of employees trained;
- Percentage of employees having completed an annual performance review;
- Compensation and variation;
- Worktime organization;
- Organization of social dialogue;
- Training policy;
- Implemented policy and measures taken in favor of the equality between the women and the men;
- Implemented policy and measures taken in favor of the employment and of the insertion of the disabled people.

Environmental information

- Energy consumption, per source (in MWh);
- Business travel (plane, helicopter, car);
- Significant greenhouse gases emissions contribution generated due to the company activity (Scopes I, II and III in tons CO_2 equivalent);
- Measure of prevention, recycling and elimination of waste;
- Consumption of raw materials and measures taken to improve the efficiency of their use.

Social information

- Number of training hours and number of employees who attended at least one training course on Business Ethics & Compliance;
- Assets under management covered by a sustainable investment strategy (millions of euros);
- Carbon footprint measured in tons eq. CO_2 / M€ invested by funds;
- Actions of partnerships or sponsorship, in particular the number of employees who took part in projects or initiatives engaging with the communities;
- Territorial, economic and social impact of the Company's activity;
- Actions committed to prevent the corruption.

Report of the Supervisory Board on Corporate Governance

(Report prepared pursuant to Article L. 225-68 of the French Commercial Code)

Pursuant to the provisions of Article L. 225-68, the aim of this report is to present the composition of the Supervisory Board, application of the principle of balanced gender representation, the preparation and organisation of the Supervisory Board's work, the remuneration of the corporate officers, and the Supervisory Board's observations on the Executive Board's report and the financial statements for the year ended 31 December 2017.

This report was approved at the Supervisory Board meeting on 14 March 2018.

REFERENCE TO A CORPORATE GOVERNANCE CODE

In particular, the Company does not formally refer to a specific corporate governance code. However, its governance principles are aligned with those contained in the Middlenext Corporate Governance Code for Midcap Companies, except for the following points:

STRUCTURE, COMPOSITION AND OPERATING PROCEDURES OF THE GOVERNANCE FRAMEWORK AT EDMOND DE ROTHSCHILD (FRANCE)

Presentation of the governance framework

Edmond de Rothschild (France) is a public limited company (*société anonyme*) governed by a Supervisory Board and an Executive Board. In this two-tier governance structure, the executive duties performed by the Executive Board are clearly separated from the oversight and management control duties performed by the Supervisory Board.

Members of the governance bodies

SUPERVISORY BOARD

Chairman
Benjamin de Rothschild

Vice-Chairman
Ariane de Rothschild (since 19 May 2017)
René de La Serre (until 19 May 2017)

Members
Véronique Morali
Louis-Roch Burgard
Jean Dumoulin (until 30 June 2017)
Jacques Ehrmann (since 19 May 2017)
Jean Laurent-Bellue
Daniel Trèves
Christian Varin

Non-voting advisor
François Boudreault (until 30 June 2017)

Secretary
Patricia Salomon

EXECUTIVE BOARD

Chairman
Vincent Taupin

Members
Jean-Hervé Lorenzi (until 30 May 2017)
Philippe Cieutat

STATUTORY AUDITORS

Principal Statutory Auditors
Cabinet Didier Kling & Associés
PricewaterhouseCoopers Audit

Alternate Statutory Auditors
Dominique Mahias (until 19 May 2017)
Boris Etienne (until 19 May 2017)

Collective decision-making by the Executive Board

Following Jean-Hervé Lorenzi's resignation effective 30 May 2017, the Executive Board had two members with collective responsibility for the Company's executive functions at 31 December 2017. All the Executive Board members are effective managers and are declared as such to the ACPR (French Prudential Supervisory and Resolution Authority). In accordance with the law and the Company's Articles of Association, the Executive Board must report on its stewardship to the Supervisory Board no fewer than four times per year, or more frequently when so required by particular circumstances.

The Executive Board's structure and the balance of power between its members were reviewed by the Supervisory Board on 18 March 2014 and 27 November 2014.

The Executive Board meets whenever the Company's interests so require, and at least on a weekly basis.

In November 2015, the Chairman of the Executive Board overhauled the organisation of the committees managing the Bank:

- The Executive Board, which provides overall leadership for the Bank, meets on a weekly basis;

- The Business Committee, which coordinates sales and marketing between the various Edmond de Rothschild (France) entities, meets on a weekly basis;

- The Operations Committee, which coordinates support functions and cross-divisional projects between the various Edmond de Rothschild (France) entities, meets on a monthly basis;

- The Management Committee, which coordinates the Edmond de Rothschild (France) business segments and support functions, meets monthly.

Supervisory Board providing rigorously structured oversight

Duties of the Supervisory Board

The Board conducts permanent control of the Executive Board's stewardship of the Company. Its role is to make sure on behalf of shareholders that the business is managed as effectively as possible. It helps to promote the Company's values, including ensuring that the conduct of the Company's and Group's activities upholds the highest ethical standards to maintain the Company's reputation and, more broadly, that of the Edmond de Rothschild Group. The Chairman of the Supervisory Board organises and directs the Board's work and specifically ensures that the Supervisory Board members are able to fulfil their duties.

Pursuant to Article 17 of the Articles of Association, the Executive Board has to consult with the Supervisory Board, with the latter giving its prior consent, on all the following transactions:

- any acquisitions of investments, in any form whatsoever,
- the sale or discontinuation in any form, including by means of the winding-up or liquidation of a company, of all or part of an investment,
- any purchase and any sale of property holdings by nature,
- any bond issue,
- any collateral granted with a view to guaranteeing commitments given by the Company itself,

The Board also has the power to:

- appoint its Chairman and its Vice-Chairman;
- appoint the members of the Company's Executive Board, after taking steps to ensure they are fit-and-proper persons, they do not have any conflicts of interest, they have sufficient time and comply with the rules on the number of corporate offices that may be held concurrently, to give the Company's management team the broadest possible range of skills and expertise;
- set the remuneration of Executive Board members when it does not take the form of a salary, subject to shareholder approval at the General Meeting;
- choose a Chairman from among the Executive Board members it has appointed;
- decide on the allocation of duties within the Executive Board based on their individual experience, expertise and skills;
- regularly review the strategic direction of the Company and the group formed of the Company and the entities it consolidates in its financial statements (the Group), its investment, divestment and internal restructuring projects, the Group's general human resources policy, including its employee remuneration, profit-sharing and incentive policy;
- ensure the accuracy and fair presentation of the parent company and consolidated financial statements;
- consider the acquisitions and sales of investments or assets, partnership, alliance and/or cooperation agreements, and, generally speaking, any transaction or any commitment liable to have a material impact on the Group's financial or operating position;
- keep shareholders properly informed, including about the controls it performs on the information provided by the Group;
- ensure that the Company has procedures in place identifying, evaluating and monitoring its commitments and risks, including off-balance sheet, and appropriate internal control.

It is kept informed by its Chairman and its committees of any significant events concerning business trends, the financial position and cash of the Company and the Group.

Operating procedures of the Supervisory Board

At 31 December 2017, the Supervisory Board had 8 members, of whom 25% are women. It is chaired by Baron Benjamin de Rothschild. Baroness Ariane de Rothschild is Vice-Chairman of the Supervisory Board. Five Supervisory Board members are well-known figures from outside the Edmond de Rothschild Group. Four of these qualify as independent members based on the criteria laid down in the MiddleNext corporate governance code, which were adopted by the Supervisory Board on 24 November 2017.
In addition, since Edmond de Rothschild (France) acts as custodian on behalf of its asset management subsidiaries, it also has to comply with the requirements of Directive 2014/91/EU, the so-called UCITS V Directive, concerning the independence of management companies from custodians belonging to the same group. In this respect, the Autorité des Marchés Financiers (AMF), acting under the authority of the ACPR, confirmed that two of the Supervisory Board members of Edmond de Rothschild (France) at least met the independence criteria laid down in said Directive, thereby satisfying its obligations.

Supervisory Board members are appointed by the Ordinary General Meeting of the Shareholders for a term of three years.

The Supervisory Board has its own rules of procedure (last revised on 24 November 2017), which are given to its members in a formal process. The rules of procedure state the role of the Supervisory Board, its operating procedures, the rules and obligations incumbent on its members, including to act as a fit-and-proper person, to use their skills and expertise, to devote sufficient time and attention, to act with independence, not to hold more than the permitted number of corporate offices, to maintain confidentiality and to manage conflicts of interest. The Supervisory Board evaluates its operating procedures once a year. To this end, the Supervisory Board decided to conduct a self-assessment at its meeting on 24 November 2017 and amended its rules of procedure accordingly. Its first self-assessment will take place in March 2018. The rules of procedure also state the resources available to members, and lay down the mission, role and operating procedures for the Supervisory Board's three Committees, namely the Audit Committee, the Risk Committee and the Remuneration Committee.

The remuneration paid to Supervisory Board members is allocated based on rules set by the Supervisory Board, of which one criterion is actual attendance at meetings.

The schedule of Supervisory Board meetings for a given year is set in the final quarter of the preceding year. The four annual meetings usually take place in March, May, September and November. Additional meetings are held whenever events so require.

In 2017, the Supervisory Board met on:

- 15 March
- 19 May
- 13 September
- 24 November

In 2017, members' attendance rate at Supervisory Board meetings was 88.25%. Supervisory Board meetings are generally scheduled to start at 10am and end at approximately 1pm.

Supervisory Board members are convened to meetings with at least two weeks' notice by ordinary mail. Around ten days before a meeting, they receive an email containing the full set of papers for the meeting, and they are also given a hard copy before the meeting.

Executive Board members are invited to attend Supervisory Board meetings. The Statutory Auditors are convened to Supervisory Board meetings at which the financial statements are reviewed, and generally speaking, they may also be called to a Supervisory Board meeting whenever it is deemed useful for them to attend.

The Supervisory Board members receive notice of and may attend the Ordinary General Meeting of the Shareholders.

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

Work performed by the Supervisory Board

As a matter of course, the papers given Supervisory Board members include the following documents: the draft minutes of the previous Supervisory Board meeting; a presentation of the business trends and the financial results of Edmond de Rothschild (France) over the period since the previous meeting; commentary on each division's business trends and results; and a list of significant client loans with details of any collateral held. The Chairman of the Audit Committee provides an oral update on the Committee's work concerning its controls on the quality of accounting and financial information, and the Chairman of the Risk Committee provides an update on periodic control, permanent control and risk control. The papers given to Supervisory Board members for the March meeting include the parent company and consolidated financial statements, plus the report on internal control and on risk measurement and monitoring, prepared pursuant to the government decree dated 3 November 2014 concerning internal control. The papers given to Supervisory Board members for the September meeting include the audited interim financial statements. The Supervisory Board members may request from the Executive Board any additional information required for the performance of their duties. Such information should be provided to them as swiftly as possible.

List of offices held by members of the Executive Board and Supervisory Board during 2017

Supervisory Board:

Benjamin de Rothschild

Chairman:
- Edmond de Rothschild Holding SA *(Switzerland)*

Holding Benjamin et Edmond de Rothschild, Pregny SA (Switzerland)
Edmond de Rothschild (Suisse) SA
The Caesarea Edmond Benjamin de Rothschild Development Corporation Ltd *(Israel)*

Chairman of the Board of Directors, Edmond de Rothschild SA

Chairman of the Supervisory Board:
Edmond de Rothschild (France)
Société Française des Hôtels de Montagne

Director:
La Compagnie Fermière Benjamin et Edmond de Rothschild SA
La Compagnie Vinicole Baron Edmond de Rothschild SA
La Compagnie Générale Immobilière de France (Cogifrance)
EBR Ventures

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

René de La Serre:

Vice-Chairman of the Supervisory Board, Edmond de Rothschild (France) (until 19 May 2017)

Director:
iDealwine SA

Representative of Belgafond on the Board of Aluthéa SAS

Ariane de Rothschild:

Chairwoman:
Edmond de Rothschild Communications SA *(Switzerland)* (until 30 June 2017)
Administration et Gestion SA *(Switzerland)*

Chairwoman of the Supervisory Board, Edmond de Rothschild Asset Management (France)

Vice-Chairwoman of the Board of Directors:
Edmond de Rothschild SA
Holding Benjamin et Edmond de Rothschild, Pregny SA *(Switzerland)*
Edmond de Rothschild (Suisse) SA

Vice-Chairwoman of the Supervisory Board:
Edmond de Rothschild (France) (since 19 May 2017, previously a Supervisory Board member)
Société Française des Hôtels de Montagne

Director:
Baron et Baronne Associés (holding company of Société Champenoise des Barons Associés)
Edmond de Rothschild Private Equity SA *(Luxembourg)*

Honorary Vice-Chairwoman, RIT Capital Partners (*United Kingdom*)

Secretary-General of the Foundation Council, OPEJ Foundation

Louis-Roch Burgard:

Chairman:
Saur (since 1 January 2017, previously Chief Executive Officer)
Holding d'Infrastructures des Métiers de l'Environnement (Hime) (since 1 January 2017, previously Chief Executive Officer)
Collectes Valorisation Energie Déchets (COVED) (from 1 January 2017 to 5 April 2017)
Blue Green European Holdings
CISE TP
CISE TP Réunion (since 12 October 2017)
CISE Réunion (since 12 October 2017)
Compagnie Guadeloupéenne de Services Publics (since 12 October 2017)
Saur International
Société Martiniquaise de Distribution et de Services (since 12 October 2017)
Stereau
Sudeau (since 12 October 2017)
Terre des Trois Frères (since 12 October 2017)

Chairman of the Supervisory Board of Saur Polska (*Poland*)

Member of the Supervisory Board:
Edmond de Rothschild (France)
CNIM

Consejero de Gestion y Técnicas del Agua (Gestagua) (*Spain*)

Director:
Marafiq Saur Operation & Maintenance Co. (MASA) *(Saudi Arabia)* (until 31 December 2017)
Macquarie Autoroutes de France (until 23 June 2017)
Eiffarie (until 23 June 2017)
APRR (until 23 June 2017)
AREA (until 23 June 2017)
ADELAC (until 23 June 2017)

Manager of Saur Loisirs

Representative of Holding d'Infrastructure des Métiers de l'Environnement as Chairman of:
Finasaur
Novasaur

Jean Dumoulin:

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

Jacques Ehrmann:

Chairman and Chief Executive Officer of Carmila (formerly Cardety) (since 12 June 2017, previously a director)
Chairman and Chief Executive Officer of Carmila (until 12 June 2017)

Chairman of Tamlet (SAS)

Member of Frojal's Executive Board (SA)

Director:
Edmond de Rothschild SA (since 19 May 2017)
Atacadao SA (Brazil)
Carrefour SA (Brazil) (since 11 December 2017)

Member of the Supervisory Board, Edmond de Rothschild (France) (since 19 May 2017)

Co-manager:
Jakerevo
Testa

Jean Laurent-Bellue:

Member of the Supervisory Board:
Edmond de Rothschild (France)
KPMG SA
KPMG Associés

Director:
Edmond de Rothschild Holding SA *(Switzerland)*
Edmond de Rothschild (Suisse) SA
Holding Benjamin et Edmond de Rothschild – Pregny SA *(Switzerland)*
Edmond de Rothschild SA
Rotomobil

Member of the Supervisory Board:
Sisaho International
Siaci Saint-Honoré

Non-executive director, RIT Capital Partners plc *(United Kingdom)*

Véronique Morali:

Chairwoman of Webedia's Executive Board

Chairwoman and Chief Executive Officer, Ringmedia

Chairwoman of the Board of Directors, Viaeuropa

Chairwoman:
Fimalac Développement (Luxembourg)
Clover SAS

Chief Executive Officer, Webco

Director and Vice-Chairwoman, Fitch Group, Inc. *(United States)*

Director:
Edmond de Rothschild Holding SA *(Switzerland)*
Edmond de Rothschild SA
CCEP *(United States)*
SNCF Mobilités (until 30 March 2017)
Melberries
Paris Institute of Political Studies (SciencesPo)

Member of the Supervisory Board:
Publicis Group
Edmond de Rothschild (France)
Edit Place
Tradematic

Manager, Webedia International SARL *(Luxembourg)*

Board member of institutions and public-interest entities:
Representative of Multi Market Services France Holding on the Shareholders' Committee of Wefcos SAS (*France*)
Association Le Siècle

Daniel Trèves:

Chairman of the Board, EDRRIT Limited (*United Kingdom*)

Chairman of Huniel Conseil (*Switzerland*)

Director:
Compagnie Benjamin de Rothschild Conseil SA *(Switzerland)*
Associated Investors *(British Virgin Islands)*
Rolex Holding *(Switzerland)*
Rolex SA *(Switzerland)*
Edmond de Rothschild Private Equity (Luxembourg)

Member of the Supervisory Board, Edmond de Rothschild (France)

Christian Varin:

Director:
Aminter *(Belgium)*
Edmond de Rothschild SA
Gingko *(Luxembourg)*
Josi Group *(Belgium)*
Helse
Time for Growth
Yareal *(Netherlands)*
Yamed NV Investors *(Netherlands)*

Member of the Supervisory Board:
Edmond de Rothschild (France)
Edmond de Rothschild Private Equity (France)

Manager, Maya SARL

Co-manager, Eminter SARL

Executive Board:

Vincent Taupin:

Chairman of the Executive Board, Edmond de Rothschild (France)

Chief Executive Officer, Edmond de Rothschild SA

Chairman of the Board of Directors:
Edmond de Rothschild (Italy) SGR SpA (until 25 January 2017)

Edmond de Rothschild Asset Management (Luxembourg) (since 10 January 2017)
Edmond de Rothschild Asset Management (Switzerland) (since 10 February 2017)

Chairman of the Supervisory Board:
Edmond de Rothschild Corporate Finance
Cleaveland

Vice-Chairman of the Supervisory Board, Edmond de Rothschild Asset Management (France)

Director:
Financière Boréale (until 24 May 2017)
Edmond de Rothschild Asset Management (UK) Limited (since 10 November 2017)
Edmond de Rothschild Private Equity SA *(Luxembourg)*
Edmond de Rothschild (Israel) Limited (until 11 July 2016)
China Investment Partners (Hong Kong) Limited (until 10 July 2017)
Groupement Immobilière et Financière (until 27 June 2017)
Israel-France Chamber of Commerce & Industry
EDRRIT Limited (since 15 February 2017)

Member of the Supervisory Board:
Sisaho International (until 27 April 2017)
Siaci Saint-Honoré (until 27 April 2017)

Permanent representative of Edmond de Rothschild (France) on the Supervisory Board of:
Edmond de Rothschild Assurances et Conseils (France)
Edmond de Rothschild Private Equity (France)

Permanent representative of Edmond de Rothschild SA on Cogifrance's Board of Directors

Non-voting advisor, Edmond de Rothschild Investment Partners

Philippe Cieutat:

Chairman of the Board of Directors:
Financière Boréale
Edmond de Rothschild Immo Premium (since 21 July 2017)
Edmond de Rothschild (Italia) SGR SpA (from 25 January 2017 to 30 September 2017, previously as Director)

Member of the Executive Board, Edmond de Rothschild (France)

Chief Operating Officer, Edmond de Rothschild SA

Member of the Supervisory Board:
Cleaveland (since 18 October 2016)
Edmond de Rothschild Investment Partners (since 7 June 2017)

Member of the Supervisory Board:
Sisaho International (since 28 April 2017)
Siaci Saint-Honoré (since 28 April 2017)

Manager, CFSH Luxembourg SARL

Permanent representative of Edmond de Rothschild SA on Financière Eurafrique's Board of Directors (since 23 June 2017)

Jean-Hervé Lorenzi:

Vice-Chairman of the Board of Directors, UBS Holding France SA (since September 2017)

Director of BNP Paribas Cardif

Member of the Executive Board, Edmond de Rothschild (France) (until 31 May 2017)

Vice-Chairman of the Supervisory Board:
Edmond de Rothschild Private Equity (France) (until 31 May 2017)
Edmond de Rothschild Investment Partners (France) (until 31 May 2017)

Director of BNP Paribas Cardif

Member of the Supervisory Board, Euler Hermès (until 25 May 2016)

Representative of Edmond de Rothschild (France) on the Board of Directors of the Fonds Stratégique de Participations

Non-voting advisor, Edmond de Rothschild Asset Management (France), (since 13 October 2016), previously Vice-Chairman of the Supervisory Board (until 31 May 2017)

Manager, Edmond de Rothschild Europportunities Management II SARL (until 31 May 2017)

Board Committees

The Supervisory Board's rules of procedure lay down the operating procedures for the three Board Committees – the Audit Committee, the Risk Committee, which was created pursuant to a Supervisory Board decision on 15 March 2017, and the Remuneration Committee.

Audit Committee

The members of the Audit Committee are chosen from among the Supervisory Board members. It meets at least once a quarter and is convened by its Chairman.

At 31 December 2017, the members of Edmond de Rothschild (France)'s Audit Committee were:
- Jean Laurent-Bellue (Chairman),
- Véronique Morali and Louis-Roch Burgard.

The role of the Audit Committee, which has its own rules of procedure, is to assist the Supervisory Board. Its remit covers the quality of accounting and financial information produced within the Group made up of Edmond de Rothschild (France) and its consolidated subsidiaries, and the monitoring of the audit conducted by the Statutory Auditors and their independence.

More specifically, it is tasked with:
- ensuring the relevance and consistency of the accounting methods adopted to prepare the parent company and the consolidated financial statements, reviewing and assessing the scope of consolidation and reviewing and verifying the suitability of the accounting rules applied by the Group;
- reviewing the parent company and consolidated financial statements, the budgets and forecasts prior to their presentation to the Board. To this end, it reviews with the Company's management and Statutory Auditors the quarterly, interim and annual financial statements, the accounting principles and methods, the Group's audit and internal control principles and methods, plus analysis and the reports related to financial reporting, accounting policy and communications between the Company's management and Statutory Auditors.
- controlling the quality and compliance with internal control procedures, assessing the information received from management, internal committees and internal and external audits concerning the preparation and processing of accounting and financial information;
- overseeing the selection and reappointment of Statutory Auditors, expressing an opinion on the fees they propose to charge and submitting the results of their work to the Board;
- ensuring the independence of the Statutory Auditors and their objectivity in respect of Statutory Auditors belonging to networks providing both audit and consulting services, reviewing control procedures and the difficulties encountered by the Company's Statutory Auditors, and the measures adopted to address them, and monitoring the internal audit in the same manner, as well as, more generally, reviewing, controlling and evaluating any and all factors liable to affect the accuracy and fair presentation of the financial statements;
- setting the rules under which the Statutory Auditors may perform non-audit assignments and entrusting additional audit assignments to external auditors;
- reviewing the details and suitability of the fees paid by the Group to the Statutory Auditors and ensuring that these fees and the corresponding services are not liable to compromise the Statutory Auditors' independence;
- making sure that the statutory and regulatory accounting and financial requirements applicable to the Group are met;

The Audit Committee meets, whenever convened by its Chairman, as often as required but no less than once per quarter, prior to each Supervisory Board meeting. In 2017, it met on:

- 14 March
- 18 May
- 12 September
- 23 November

The Chairman of the Executive Board and the Chief Financial Officer of Edmond de Rothschild (France) both have a standing invitation to attend Audit Committee meetings. The Chief Internal Auditor, the Head of the Compliance and Permanent Control Department and the Head of the Central Risk Department are invited to its meetings in an advisory capacity.
The Audit Committee has drawn up a work programme, with the March and September meetings devoted in particular to a review of the interim and full-year financial statements conducted together with the Chairman of the Executive Board, the Chief Financial Officer and the Statutory Auditors. No less than twice per year, the Audit Committee meets representatives of the Statutory Auditors to review the scope of their audit programme and the services they could be asked to provide.

It may request any information or ask anyone to appear before it as is required or useful for the fulfilment of its duties.

The Audit Committee reports on its work and provides its opinions and recommendations to the Supervisory Board. The Chairman of the Audit Committee presents its work to the Supervisory Board.

Minutes of these meetings are circulated to all members of the Committee and of the Executive Board and are made available to members of the Supervisory Board.

Risk Committee

The members of the Risk Committee, which was established on 15 March 2017, are chosen from among the Supervisory Board members. It meets at least once a quarter and is convened by its Chairman.

At 31 December 2017, the members of Edmond de Rothschild (France)'s Risk Committee were:
- Jean Laurent-Bellue (Chairman),
- Véronique Morali and Louis-Roch Burgard.

The role of the Risk Committee, which has its own rules of procedure, is to assist the Supervisory Board. Its remit covers monitoring the effectiveness of the organisation and implementation of internal control and risk management at the Group formed of Edmond de Rothschild (France) and its consolidated subsidiaries, as well as compliance with the applicable Compliance regulations and the related guidelines laid down by the Group.

More specifically, it is tasked with:
- generally speaking, advising the Supervisory Board on the Bank's overall strategy and its existing and future risk appetite, and controlling implementation of this strategy by the Bank's effective managers and by the head of the risk management function;
- examining the internal audit's annual audit plan prior to its approval by the Supervisory Board;
- making sure that the statutory and regulatory requirements on internal, permanent and periodic control applicable to the Group are met;
- reviewing the risk control framework as a whole and in summary form;
- without prejudice to the terms of reference of the Remuneration Committee, reviewing whether the incentives provided for by the remuneration policy and remuneration practices are compatible with the Bank's position with regard to its risk exposure, its capital, its liquidity and the probability and timing of the expected profits.

The Chairman of the Executive Board, the Chief Financial Officer of Edmond de Rothschild (France), the Chief Internal Auditor, the Head of the Compliance and Control Department and the Head of the Central Risk Department have a standing invitation to Risk Committee meetings.

The Risk Committee may request any information or ask anyone to appear before it as is required or useful for the fulfilment of its duties.

The Committee reports on its work and provides its opinions and recommendations to the Supervisory Board. The Chairman of the Risk Committee presents its work to the Supervisory Board.

Minutes of these meetings are circulated to all members of the Committee and of the Executive Board and are made available to members of the Supervisory Board.

Remuneration Committee

The Remuneration Committee issues opinions on the Edmond de Rothschild (France) Group's general remuneration policy as proposed by the Executive Board and ensures every year that the policy is applied properly. It makes recommendations to the Supervisory Board on all components of remuneration regarding the Executive Board members.

The Remuneration has four members: Benjamin de Rothschild (Chairman), Ariane de Rothschild, Véronique Morali and Christian Varin. It meets at least once every year. Under the banking regulations, the Company has to prepare a report on the remuneration policy and practices every year. This report is filed with the ACPR (French Prudential Supervisory and Resolution Authority).

As part of its work, the Remuneration Committee verifies that:
- its assessment of remuneration includes all the relevant components;
- each proposed element is in the Company's general interest;
- remuneration is comparable with general practice in banking and finance;
- remuneration is linked to performance metrics;
- all remuneration components comply with the latest applicable regulations.

REMUNERATION AND COMMITMENTS GIVEN TO CORPORATE OFFICERS

Pursuant to the Sapin II Act and to comply with Article L. 225-82-2 and L. 225-100 II. of the French Commercial Code, the Ordinary General Meeting must:
- approve the principles and criteria used to determine, award and allot the fixed, variable and exceptional components, together forming the total remuneration and benefits of all kinds attributable to members of the Executive Board and to members of the Supervisory Board for their duties (vote on forward-looking policy);
- approve the fixed, variable and exceptional components of total remuneration and benefits of all kinds paid or awarded in respect of the previous year through separate resolutions for the Chairman of the Supervisory Board and Executive Board members where a general meeting has approved the principles and criteria as provided for in Article L. 225-100 II. of the French Commercial Code (retrospective vote).

Remuneration covered by employment contracts does not fall within the scope of these requirements.

Consequently, the relevant corporate officers of Edmond de Rothschild (France) are the Chairman of the Executive Board and the Supervisory Board members, since the other members of the Executive Board are remunerated solely as employees of the Bank and do not receive any remuneration as corporate officers.

Principles and criteria used to determine, award and allot the fixed, variable and exceptional components, together forming the total remuneration and benefits of all kinds attributable to corporate officers for their duties

Principles and criteria adopted for the remuneration attributable to the Chairman of the Executive Board

The remuneration attributable to the Chairman of the Executive Board comprises a fixed component and a variable component of up to 200% of the fixed component, with one portion (40%) payable immediately upon its allotment and another portion (60%) payable on a deferred basis over three years starting in the year following the award (including a portion in instruments taking the form of cash indexed to the Group's performance and/or in the form of entitlements to participation certificates of Edmond de Rothschild Holding in Switzerland (employee Share Plan), provided the person still holds office at the respective payment dates) calculated using the following criteria:
- Quantitative criteria (50%): budget objectives related to the consolidated scope of Edmond de Rothschild (France), including net new money, gross operating income and net income as KPIs
- Qualitative criteria (50%)
  - Observance of compliance and risk management rules and regulations (30%)
  - Respect for and promotion of the Group's culture and values (10%)
  - Management and strengthening of teams, deployment/execution of France and Group projects (10%)

The Chairman of the Executive Board's benefits in kind also include insurance cover under a senior executive unemployment protection policy arranged with Groupama, a mobile phone and meal vouchers.

The Company's Ordinary General Meeting must approve any payments of variable and exceptional remuneration.

Principles and criteria adopted for the remuneration attributable to the Supervisory Board members

Supervisory Board members receive fees, which are capped at an annual maximum allocation of €700,000 set by shareholders at the General Meeting.

Each Supervisory Board member automatically receives a fixed fee unit of 40% plus a variable portion of 60% linked to attendance at Supervisory Board meetings.

Additional fee units are allocated to members of the Audit Committee and Remuneration Committee as follows:
one fee unit for the Chairman of the Audit Committee and a half fee-unit for other members of this Committee (*). These fees consist of a fixed portion of 40% and a variable portion of 60% counting against the amounts due in respect of 2018, plus a half fee unit for the Chairman of the Remuneration Committee and a quarter fee unit for other Committee members.
(*) Since the Risk Committee was spun off from the Audit Committee and the members of both committees are exactly the same, the fee-unit allocated in respect of the duties performed by the Audit Committee remains unchanged, thereby including remuneration for duties performed by the Risk Committee.

No other remuneration is paid to Supervisory Board members for their duties.

Draft resolutions to be put to a vote by shareholders (approval of forward-looking policy)

a) Resolution on the remuneration attributable to the Chairman of the Executive Board: The General Meeting, deliberating in accordance with the quorum and majority voting requirements for ordinary general meetings, pursuant to Article L. 225-82-2 of the French Commercial Code, having apprised itself of the Supervisory Board report on corporate governance, approves the principles and criteria used to determine, award and allot the fixed, variable and exceptional components, together forming the total remuneration and benefits of all kinds attributable to the Company's Chairman of the Executive Board in respect of his duties as set forth in this report.

b) Resolution on the remuneration attributable to the Supervisory Board members: The General Meeting, deliberating in accordance with the quorum and majority voting requirements for ordinary general meetings, pursuant to Article L. 225-82-2 of the French Commercial Code, having been apprised of the Supervisory Board's report on corporate governance, approves the principles and criteria used to determine, award and allot the fixed, variable and exceptional components, together forming the total remuneration and benefits of all kinds attributable to the Company's Supervisory Board members in respect of their duties, as set forth in this report.

Remuneration and benefits paid to corporate officers during 2017

Remuneration of senior executives

We hereby report to you on the remuneration and benefits of any kind allotted and paid to Executive Board members, namely Vincent Taupin, Philippe Cieutat and Jean-Hervé Lorenzi, during 2017, as well as the commitments made to them by the Company, as laid down in Article L. 225-37-3 of the French Commercial Code.

The remuneration of senior executives is determined in accordance with the arrangements proposed by the Remuneration Committee and approved by the Supervisory Board.

The Chairman of the Executive Board has been appointed as a corporate officer. He is remunerated in line with the principles and criteria laid down by the Supervisory Board and approved by the General Meeting pursuant to Article L. 255-82-2 of the French Commercial Code.

The other Executive Board members are remunerated under an employment agreement. Mr Lorenzi's employment agreement came to an end on 19 August 2017.

The amounts stated below are gross of any payroll charges and taxes.

Remuneration awarded to senior executives in respect of 2017:

a) Remuneration awarded to Vincent Taupin

In line with the principles and criteria approved by the Ordinary General Meeting of 19 May 2017 pursuant to Article L. 225-82-2 of the French Commercial Code, the remuneration awarded to Vincent Taupin in respect of 2017 is as follows:

In euro	31/12/2017
Compensation due or awarded for the year	2.200.009,00
Benefits in kind (*)	32.377,54
TOTAL	**2.232.386,54**

(*) Benefits in kind comprise a telephone for business purposes, meal vouchers and the 2017 premium of €31,245.10 paid by Edmond de Rothschild (France) in respect of the GSCE loss-of-employment insurance covering senior executives arranged with Groupama.

The Company did not make any commitment to Vincent Taupin representing remuneration, payments or benefits due or falling due in respect of the assumption, cessation or change in his duties or subsequent thereto.

b) Remuneration awarded to Philippe Cieutat and Jean-Hervé Lorenzi

Their remuneration consists of a fixed and variable component. Pursuant to the applicable regulations (Capital Requirements Directive IV for the Bank), payment of 40% of the variable remuneration to corporate officers (and all other risk takers) is deferred for those whose variable remuneration is equal to or greater than €100,000, or of 60% for those whose variable remuneration is equal to or greater than €300,000.
This deferred portion can be settled in the form of deferred cash payments and/or as part of the Group's LTIP (Long-Term Incentive Plan), which corresponds to future entitlements to participation certificates in the Swiss holding company of the Edmond de Rothschild Group.
LTIP awards are discretionary rather than being made as a matter of course.
The Group LTIP was approved by the Board of Directors of Edmond de Rothschild Holding in Switzerland on 22 March 2016, and then by this entity's General Meeting of Shareholders on 16 June 2016.

Pursuant to the aforementioned criteria, the remuneration awarded in respect of 2017 was as follows:

CIEUTAT Philippe

In euro	31/12/2017
Compensation due or awarded for the year	350.009,00
Valuation of the Warrants awarded during the year	30.000,00
Benefits in kind (*)	5.980,44
TOTAL	**385.989,44**

** Benefits in kind comprise a telephone for business purposes, meal vouchers and a company car.*

LORENZI Jean-Hervé

In euro	31/12/2017
Compensation due or awarded for the year	220.012,00
Benefits in kind (*)	2.508,72
TOTAL	

** Benefits in kind comprise a telephone for business purposes and a company car.*

The Company did not make any commitment to these two senior executives representing remuneration, payments or benefits due or potentially falling due in respect of the assumption, cessation or change in their duties or subsequent thereto.

Pension plans: Under the terms of their employment agreements, Executive Board members qualify for the benefit of membership of the ARRCO and AGIRC (Klesia) supplementary pension funds in their capacity as the Bank's employees. They also benefit from the supplementary pension scheme applicable to management-level bank employees (CGIS Mornay plan operated by Klesia).

Summary tables of executive compensation:

Vincent Taupin (compensation for the corporate office) (in €)	Amounts Due or Assigned	Amounts Paid
Fixed remuneration	**750.009,00**	**750.009,00**
Annual variable remuneration	**1.450.000,00**	**480.667,00**
of which: immediate variable compensation for 2017	580.000,00	_
of which: Deferred cash compensation for 2017	145.000,00	_
of which: Deferred instrument remuneration (*) for 2017	725.000,00	_
of which: immediate variable compensation for 2016	_	224.000,00
of which: deferred variable compensation for 2015	_	116.667,00
of which: deferred variable compensation for 2014	_	140.000,00
Outstanding remuneration	**0,00**	**0,00**
Benefits in kind (**)	**32.377,54**	**32.377,54**
Of which: - Social Guarantee of Business Managers	31.245,10	31.245,10
Other	1.132,44	1.132,44
TOTAL	**2.232.386,54**	**1.263.053,54**

** In cash instruments indexed to the Group's performance and/or in the form of entitlements to participation certificates in EdR Holding in Switzerland (Group Long Term Incentive Plan)*
*** Other benefits in kind comprise a telephone for business purposes and meal vouchers*

Philippe Cieutat (remuneration under a contract of employment) (in €)	Amounts Due or Assigned	Amounts Paid
Fixed remuneration	**230.009,00**	**230.009,00**
Annual variable remuneration	**150.000,00**	**101.177,31**
of which: immediate variable compensation for 2017	90.000,00	_
of which: rights to participation certificates for 2017	30.000,00	_
of which: Deferred instrument remuneration (*) for 2017	30.000,00	_
of which: immediate variable compensation for 2016	_	75.000,00
of which: Including participation certificates for 2016	_	6.177,31
of which: deferred variable compensation for 2015	_	6.667,00
of which: deferred variable compensation for 2014	_	13.333,00
Outstanding remuneration	**0,00**	**0,00**
Benefits in kind (**)	**5.980,44**	**5.980,**
TOTAL	**385.989,44**	**337.116,75**

** In cash instruments indexed to the Group's performance and/or deferred cash*
*** Benefits in kind comprise a telephone for business purposes, meal vouchers and a company car*

Jean-Hervé Lorenzi (remuneration under a contract of employment) (in €)	Amounts Due or Assigned	Amounts Paid
Fixed remuneration	**220.012,00**	**146.157,00**
Annual variable remuneration	**0,00**	**174.400,00**
of which: immediate variable compensation for 2017	_	_
of which: immediate variable compensation for 2016	_	110.400,00
of which: deferred variable compensation for 2015	_	30.667,00
of which: deferred variable compensation for 2014	_	33.333,00
Outstanding remuneration	**0**	**0**
Benefits in kind (**)	**2.508,72**	**2.508,72**
TOTAL	**261.574,44**	**435.974,44**

** Benefits in kind comprise a telephone for business purposes and a company car*

Remuneration paid to Supervisory Board members

The General Meeting set aside an aggregate annual allocation of €700,000 in fees to remunerate the Supervisory Board members. The Supervisory Board of 15 March 2018 decided to distribute this allowance in line with the principles and criteria laid down in Article L. 225-82-2.

Edmond de Rothschild SA, which controls 99.47% of Edmond de Rothschild (France), also pays fees to certain Supervisory Board members of Edmond de Rothschild (France) in respect of the office they hold in Edmond de Rothschild SA and their duties on its Audit Committee.

No remuneration other than these fees is paid to Supervisory Board members.

Table showing the fees paid to the corporate officers in 2017 by the Company and its parent (the stated amounts are gross of any levies and/or withholdings):

Member	Tokens paid in 2017 for the 2016 financial year
Benjamin de Rothschild	
- tokens paid by Edmond de Rothschild (France)	52.500
- tokens paid by Edmond de Rothschild S.A.	11.250
Ariane de Rothschild	
- tokens paid by Edmond de Rothschild (France)	62.500
- tokens paid by Edmond de Rothschild S.A.	15.000
René Barbier de La Serre (End of mandate the19 may 2017)	
- tokens paid by Edmond de Rothschild (France)	50.000
Louis-Roch Burgard	
- tokens paid by Edmond de Rothschild (France)	75.000
Jean Dumoulin (End of mandate the 30 june 2017) (1)	
- tokens paid by Edmond de Rothschild (France)	232.500
Jacques Ehrmann (mandate form the 19 may 2017)	
- tokens paid by Edmond de Rothschild (France)	0
- tokens paid by Edmond de Rothschild S.A.	
Jean Laurent-Bellue (2)	
- tokens paid by Edmond de Rothschild (France)	0
- tokens paid by Edmond de Rothschild S.A.	
Véronique Morali	
- tokens paid by Edmond de Rothschild (France)	87.500
- tokens paid by Edmond de Rothschild S.A.	18.750
Daniel Trèves	
- Member of the Supervisory Board Edmond de Rothschild (France)	50.000
Christian Varin	
- tokens paid by Edmond de Rothschild (France)	62.500
- tokens paid by Edmond de Rothschild S.A.	15.000
François Boudreault (End of mandate the 30 june 2017) (1)	
- tokens paid by Edmond de Rothschild (France)	60.000

(1) Given the appointment ended during the year, an interim payment of fees due in respect of 2017 was made during the year
(2) No attendance fees were paid to Supervisory Board members with employee status at an Edmond de Rothschild Group company

OTHER DISCLOSURES REQUIRED PURSUANT TO ARTICLE L. 225-37-4 OF THE FRENCH COMMERCIAL CODE

Information about the agreements referred to in Article L. 225-37-4, 2° of the French Commercial Code

Article L. 225-37-4, 2° of the French Commercial Code stipulates that, except where they concern ordinary transactions and are entered into on an arm's length basis, agreements between, on the one hand, one of the members of the Executive Board or the Supervisory Board, the Chief Executive Officer, one of the Chief Operating Officers, one of the Directors or one of the shareholders holding over 10% of the voting rights of a company, either directly or via an intermediary, and, on the other hand, another company in which the former individual owns directly or indirectly over half of the capital must be disclosed in the report on corporate governance.

No such agreement was brought to the attention of our Company during 2017.

Information about delegations of authority (Article L. 225-37-4, 3° of the French Commercial Code

In accordance with Article L. 225-37-4, 3° of the French Commercial Code, we hereby inform you that no delegation of authority or of powers to increase the Company's share capital pursuant to Articles L. 225-129.1 to L. 225-129.2 of said Commercial Code was in force at 31 December 2017.

Special arrangements for shareholders to participate at the General Meeting

The arrangements for shareholders to participate at general meetings are set forth in Article 20 of the Articles of Association.

Disclosures required pursuant to Article l. 225-37-5 of the French Commercial Code

Since EdR (France) shares are not admitted to trading on a regulated market, no public tender or exchange offer can be made for them. Accordingly, the provisions of Article L. 225-37-5 of the French Commercial Code do not apply to EdR (France).

OBSERVATIONS OF THE SUPERVISORY BOARD ON THE REPORT OF THE EXECUTIVE BOARD AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

In accordance with the law, the Company's Executive Board has presented on a timely basis the 2017 financial statements to us for verification and control purposes and provided the report to be presented to you at the General Meeting.

Having examined the report, we have no additional observations to make concerning the Company's management or the 2017 financial statements. The financial statements are in line with the information provided to us during the year.

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

The Supervisory Board

Consolidated financial statements and notes

Consolidated financial statements and notes

IFRS consolidated balance sheet (in thousands of euros)

Assets		31.12.2017	31.12.2016
Cash, due from central banks and postal accounts	3.1	2.025.603	1.176.124
Financial assets at fair value through profit and loss	3.2	8.777	35.970
Available-for-sale financial assets	3.3	221.482	269.138
Loans and receivables due from credit institutions	3.4	127.861	249.595
Loans and receivables due from clients	3.5	672.883	631.744
Financial assets held to maturity	3.6	-	-
Current tax assets		683	5.009
Deferred tax assets		171	9.602
Accruals and other assets	3.8	167.899	175.683
Investments in associates	3.9	67.664	73.916
Tangible assets	3.10	41.205	43.854
Intangible assets	3.11	26.125	22.329
Goodwill	3.12	82.470	88.762
Total assets		**3.442.823**	**2.781.726**

Liabilities and equity		31.12.2017	31.12.2016
Financial liabilities at fair value through profit and loss	3.13	1.379.627	967.876
Derivatives used for hedging purposes	3.14	493	1.303
Due to credit institutions	3.15	27.634	22.380
Due to clients	3.16	1.418.286	1.170.160
Borrowings represented by securities		-	-
Current tax liabilities		1.415	2.110
Deferred tax liabilities		178	3
Accruals and other liabilities	3.8	203.299	222.500
Provisions	3.17	25.331	28.333
Subordinated debt	3.18	-	-
Equity		386.560	367.061
Equity attributable to equity holders of the parent		373.579	364.459
. Share capital and related reserves		*201.195*	*201.195*
. Reserves		*94.495*	*92.685*
. Unrealised or deferred gains and losses		*53.742*	*54.012*
. Earnings for the period		*24.147*	*16.567*
Net income attributable to non-controlling interests		12.981	2.602
Total liabilities and equity		**3.442.823**	**2.781.726**

IFRS consolidated income statement (in thousands of euros)

		31.12.2017	31.12.2016
+ Interest and similar revenues	4.1	18.870	30.956
- Interest and similar expenses	4.2	−25.826	−32.135
+ Fee income	4.3	390.828	349.373
- Fee income (expense)	4.3	−102.112	−94.950
+/- Net gains or losses on financial instruments at fair value through profit and loss	4.4	20.733	12.391
+/- Net gains or losses on available-for-sale financial assets	4.5	797	7.465
+ Other revenues	4.6	13.948	14.579
- Other expenses	4.6	−12.121	−13.084
Net banking income		305.117	274.595
- General operating expenses	4.7	−250.911	−248.782
- Depreciation, amortisation and impairment of intangible and tangible assets		−18.564	−19.214
Gross operating income		35.642	6.599
+/- Cost of risk	4.8	−62	−242
Operating income		35.580	6.357
+/- Share in net income of associates	3.9	−1.045	9.345
+/- Net gains or losses on other assets	4.9	732	9.428
+/- Changes in the value of goodwill		−720	−807
Income (loss) before tax		34.547	24.323
- income tax	4.10	−9.986	−7.073
Net income		24.561	17.250
- Net income attributable to minority interests		−414	−683
Net income attributable to equity holders of the parent		**24.147**	**16.567**
Earnings per share (in euro)		4,17	2,83
Diluted earnings per share (in euro)		4,17	2,83

Statement of net income and gains (losses) recognised directly in equity (in thousands of euros)

	31.12.2017	31.12.2016
Net income	**24.561**	**17.250**
Translation adjustment	−1.885	144
Deferred outflows from change in fair value of hedging derivatives (*)	475	−24
Change in fair value of available-for-sale financial assets (*)	9.947	6.906
Actuarial gains or losses on defined-benefit plans (*)	1.276	−955
Total gains and losses recognised directly in equity	**9.813**	**6.071**
Net income and gains and losses recognised directly in equity	**34.374**	**23.321**
Attributable to equity holders of the parent	*34.094*	*22.710*
Attributable to minority interests	*280*	*611*

(*) Net of tax.

IFRS cash flow statement (in thousands of euros)

	31.12.2017	31.12.2016
Cash flow from operations		
Net income for the period	**24.561**	**17.250**
Net gain or loss on assets and liabilities held for sale	−1.785	−10.172
Net gain or loss on disposals	−732	−9.428
Net allocations to depreciation and provisions	17.877	23.403
Income from associates	1.045	−9.345
Reclassification of net gain or loss on financial instruments at fair value through profit and loss	−20.733	−12.391
Other unrealised income and expenses	1.239	1.245
Net gain/loss on financing activities	-	-
Income tax expense (including deferred taxes)	9.986	7.073
Cash from operating activities before results on financing activities and taxes	31.457	7.634
Income tax paid	686	−7.067
Net increase/decrease from transactions with credit institutions	−7.022	243.913
Net increase/decrease from transactions with clients	199.285	−106.540
Net increase/decrease from transactions in other financial assets and liabilities	517.989	345.512
Net increase/decrease from transactions in other non-financial assets and liabilities	9.518	−36.080
Net cash generated by operations	**751.914**	**447.373**
Funds from investing activities		
Purchases of tangible and intangible assets	−15.909	−17.900
Purchases of long-term financial assets	−3.662	−39.983
Change in guarantee deposits	-	-
Dividends received from associates	4.126	4.627
Disposals of long-term assets	698	43.953
Net cash generated by investing activities	**−14.746**	**−9.303**
Funds from financing activities		
Increase/decrease in cash generated by financing activities	-	-
Increase/decrease in cash from transactions with shareholders	−15.242	−26.757
Net cash generated by (used in) financing activities	**−15.242**	**−26.757**
Effect on cash and cash equivalents of changes in exchange rates	−18	−54
Net change in cash and cash equivalents	**721.908**	**411.259**
Net balance on cash and amounts due from central banks	1.176.124	914.318
Money-market funds qualified as cash equivalents	7.673	101
Net balance on demand deposits with and loans from credit institutions	227.212	85.331
Cash and cash equivalents at beginning of the year	**1.411.009**	**999.750**
Net balance on cash and amounts due from central banks	2.025.603	1.176.124
Money-market funds qualified as cash equivalents	7.086	7.673
Net balance on demand deposits with and loans from credit institutions	100.228	227.212
Cash and cash equivalents at end of the year	**2.132.918**	**1.411.009**
Change in net cash	**721.908**	**411.260**

Statement of changes in equity (in thousands of euros)

	31.12.2016	Capital increase	Appropriation of net income	Other changes	31.12.2017
Interest of equity holders of the parent in:					
– Capital	83.076	-	-	-	83.076
– Share premiums	98.244	-	-	-	98.244
– Equity instruments (undated super–subordinated notes)	19.875	-	-	-	19.875
– Interest on equity instruments (undated super–subordinated notes)	−15.060	-	-	−1.039	−16.099
– Elimination of treasury shares	-	-	-	-	-
– Other reserves	107.745	-	3.275	−425	110.594
– Unrealised or deferred gains/losses on available–for–sale financial assets	54.012	-	-	−270	53.742
– 2015 net income	16.567	-	−16.567	-	-
Subtotal	**364.459**	**-**	**−13.292**	**−1.734**	**349.432**
– 2016 net income	-	-	-	24.147	24.147
Total attributable to equity holders of the parent	**364.459**	**-**	**−13.292**	**22.413**	**373.579**
Minority interests in:					
– Reserves	1.919	-	683	9.965	12.567
– 2015 net income	683	-	−683	-	-
– 2016 net income	-	-	-	414	414
Total minority interests	**2.602**	**-**	**-**	**10.379**	**12.981**

Notes to the consolidated financial statements

Note 1 – Preparation of the consolidated financial statements

1.1. Background

In compliance with EU Regulation 1606/2002 of 19 July 2002 concerning the application of international accounting standards by entities issuing publicly traded debt securities, and in connection with the regular issue of publicly traded debt securities, Edmond de Rothschild (France) prepared its financial statements in accordance with International Financial Reporting Standards (IFRSs) for the first time in 2007.

Edmond de Rothschild (France)'s financial statements are prepared in accordance with IAS/IFRS standards and IFRIC interpretations applicable at 31 December 2017 as adopted by the European Union
(see http://ec.europa.eu/finance/accounting/ias/index_en.htm).
They were approved by the Executive Board on 6 March 2018. They were reviewed by the Audit Committee on 13 March 2018 and by the Supervisory Board on 14 March 2018.

1.2. Compliance with accounting standards

Applicable accounting standards

The entry into force of amendments of and improvements to standards applicable from 1 January 2017 did not have any effect on the 2017 financial statements.
The Group did not opt for early application of any new standards, amendments or interpretations adopted by the European Union where their application in 2017 was only optional.

New standards published but not yet applicable

IFRS 9 "Financial Instruments" is intended to replace IAS 39 "Financial Instruments: Recognition and Measurement". It was endorsed by the European Union on 22 November 2016 and published in the Official Journal of the European Union on 29 November 2016. Its application will be compulsory for periods beginning on or after 1 January 2018.

It defines new principles for the classification and measurement of financial instruments, impairment arising from credit risk, and hedge accounting excluding macro-hedging transactions.

Main changes under IFRS 9

Classification and measurement of financial assets

Under IFRS 9, the criteria for classifying and measuring financial assets depend on the nature of those assets, i.e. on whether it is designated as a debt instrument (loans, advances, bonds, fund units) or an equity instrument (shares).

As regards debt instruments (loans and securities with a fixed or determinable income), IFRS 9 applies to the management model and to the analysis of contractual characteristics when classifying and measuring financial assets.

The three management models:
- The collection model, where the intention is to collect contractual cash flows over the assets' life;
- The collection and sale model, where the intention is to collect contractual cash flows over the assets' life and sell them if an opportunity arises;
- The other model, where the intention is to sell the assets.

Contractual characteristics ("Solely Payments of Principal & Interests" or SPPI test):
This second criterion is applied to the contractual characteristics of the loan or debt security to assess whether the instrument is eligible for a given accounting category for classification and measurement purposes.

Where the debt instrument has expected cash flows that do not solely represent payments of principal and interest (i.e. there is a simple interest rate), its contractual characteristics are deemed to be too complex and the loan or debt security is recognised at fair value through profit or loss, regardless of the management model. This covers instruments that do not meet the conditions of the SPPI test.

On this aspect, certain interpretation matters are still being examined by the IASB.

On the basis of the criteria set out above:
- A debt instrument is recognised at amortised cost if it is held in order to receive cash flows that solely represent payments of capital and interest meeting the SPPI test.

- A debt instrument is recognised at fair value through other comprehensive income with recycling if it is managed using a model that combines collecting cash flows and reselling the instrument if an opportunity arises, provided that contractual cash flows also meet the SPPI test.
- A debt instrument that is not eligible for the recognition at amortised cost or at fair value through other comprehensive income with recycling is recognised at fair value through profit or loss. That is particularly the case for debt instruments whose management model involves simply selling them. This also concerns units in non-consolidated UCITS that are debt instruments which do not pass the SPPI test regardless of the management model.

As regards equity instruments (investments such as shares), by default they must be recognised at fair value through profit and loss except if an irrevocable decision is made to recognise them at fair value through other comprehensive income without recycling, provided that the instruments are not held for trading.

To sum up, the application of the classification and measurement parts of IFRS 9 will lead to an increase in the proportion of financial instruments – UCITS and equity instruments – measured at fair value through profit and loss. Loans and receivables pass the SPPI test and will continue to be measured at amortised cost.

Impairment

IFRS 9 introduces a new impairment model which requires expected credit losses (ECL) to be recognised on loans and debt instruments measured at amortised cost or at fair value through other comprehensive income with recycling, on loan commitments and financial guarantee contracts that are not recognised at fair value, and on receivables resulting from commercial leases and trade receivables.

This new ECL approach is intended to anticipate the recognition of expected credit losses as early as possible, whereas recognition under the IAS 39 provisioning method was dependent on objective evidence of impairment.

An ECL is defined as the weighted likely expected value of the credit loss (principal and interest) discounted to present value. It corresponds to the present value of the difference between contractual cash flows and expected cash flows (principal and interest).

IFRS 9 recommends a "point in time" analysis on the closing date, while taking into account historical loss data and forward-looking macroeconomic data, whereas the prudential view is based on a "through the cycle" probability of default and a "downturn" loss given default rate.

The new credit risk provisioning model has three distinct stages:
- Stage 1: from initial recognition of the instrument (loan, debt security, guarantee etc.), the entity recognises ECLs over 12 months;
- Stage 2: if credit quality falls significantly for a given transaction or portfolio, the entity recognises expected losses over its lifetime;
- Stage 3: if several default events have taken place on the transaction or counterparty with an adverse effect on expected future cash flows, the entity recognises an actual credit loss at maturity.

As regards Stage 2, the material deterioration in credit risk can be monitored and estimated on an individual basis at the transaction level.
The deterioration depends on the risk level on the date of initial recognition and must be noted before the transaction is impaired (stage 3).

There is a rebuttable presumption that a material deterioration has occurred if a payment is more than 30 days past due.

Deployment of the project:
- The Group has taken steps to implement IFRS 9 within the required timeframe, involving all of its accounting, finance, risk and IT functions.
- Work is being done in the following areas:
    - analysis of IFRS 9's provisions, with particular attention being paid to changes resulting from new criteria for classifying and measuring financial assets and from the new credit risk impairment model, which requires a move from the provisioning of actual credit losses to the provisioning of expected credit losses;
    - the identification of key questions and main subjects of accounting interpretation based on the initial effects of the standard.
- After an analysis phase, which started in autumn 2016, deployment work continued in 2017 and included efforts to quantify the impact on the basis of the financial statements for the year ended 31 December 2017.

1.3. Use of estimates

The preparation of financial information involves the use of estimates and assumptions regarding future circumstances.
In addition to available information, making estimates requires an element of judgment, particularly as regards the following:
- impairment of variable-income financial assets, classified as "available-for-sale assets";
- impairment tests performed on intangible assets;
- impairment tests performed on investments in associates;
- determining whether or not a market is active for the purposes of using a value measurement technique.

The Group also considers that among the other accounting aspects requiring the use of judgment, the most important concern provisions, pension liabilities and share-based payments.

1.4. Consolidation methods

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

Fully consolidated companies

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

Associates

Companies over which the Group exercises significant influence are accounted for under the equity method. Significant influence is defined as the power to participate in the financial and operating policies of a subsidiary but not to control those policies. Significant influence is often exercised by representation on the Board of Directors, Executive Board or Supervisory Board, participation in strategic decisions, interchange of managerial personnel or dependence on technical information.
Significant influence is presumed to exist when a company holds, directly or indirectly, at least 20% of the voting rights in a subsidiary. Investments in associates are initially stated at cost including attributable goodwill and subsequently adjusted to reflect changes in the Group's share of net assets. Gains and losses on transactions between the Group and associates are eliminated to the extent of the investment, unless the transaction results in permanent impairment of the asset transferred.

Special purpose entities

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

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

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

1.5. Changes in the scope of consolidated companies

Changes in the scope of consolidation in 2017 were as follows:

- ERES Participations III S.à.r.l was liquidated,
- Edmond de Rothschild Corporate Finance absorbed Edmond de Rothschild Entreprises Patrimoniales Transactions,
- Edmond de Rothschild (Italia) SGR SpA merged with the Italian branch of Edmond de Rothschild (France), with retroactive effect from 1 January 2017.

1.6. Consolidation principles

Reporting date

The consolidated financial statements were prepared on the basis of the separate financial statements of each Group company at 31 December 2017.

Elimination of inter-company transactions

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

Goodwill

Business combinations completed before 1 January 2010

The Group accounted for business combinations using the purchase method. The acquisition cost was measured as the total fair value, at the date of acquisition, of the assets given, liabilities incurred or assumed and equity instruments issued in exchange for control of the acquiree, plus any costs directly attributable to the business combination.
At the acquisition date, the assets, liabilities, off-balance sheet items and contingent liabilities of the acquired entities that are identifiable under IFRS 3 "Business Combinations" were measured individually at fair value, whatever their purpose.

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

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

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

Business combinations completed after 1 January 2010

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

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

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

Measurement of goodwill

The Group regularly reviews goodwill and carries out impairment tests at least once a year, or whenever there is evidence of impairment. At the date of acquisition, goodwill is allocated to one or more cash-generating units likely to obtain benefits from the acquisition. Any impairment of goodwill is determined by reference to the recoverable amount of the cash-generating unit(s) to which it is allocated.
When the recoverable amount of the cash-generating unit, determined by experts on the basis of value in use or fair value less costs to sell, is lower than its carrying amount value, an irreversible impairment loss is recorded in the consolidated income statement, under the heading "Changes in the value of goodwill".

Deferred taxes

Deferred taxes are recognised when temporary differences are identified between the carrying amounts of balance sheet assets and liabilities for reporting and tax purposes, and where those differences will affect future tax payments.
Deferred taxes are determined using the liability method. Under this method, deferred taxes recorded in previous periods are adjusted when tax rates are changed and the resulting difference is taken to profit and loss. Deferred tax assets are only recognised when it is likely that the consolidated company will have sufficient taxable income to utilise the deferred tax asset within a given time horizon.

Translation of foreign currency financial statements

The Group's consolidated financial statements are prepared in euros. The financial statements of entities whose functional currency is not the euro are translated into euros using the closing rate method. Under this method, all assets and liabilities, both cash and non-cash, are translated at the exchange rate on the balance sheet date.
Revenues and expenses are translated at the average rate during the period.

Translation gains or losses, both on balance sheet and income statement items, are recognised, for the portion attributable to the Group, in shareholders' equity under "Translation differences", and for the portion attributable to third parties, under "Non-controlling interests".

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

Apart from purchase commitments to beneficiaries of bonus share plans and stock option plans, the Group may make commitments to buy out the shares of non-controlling shareholders in certain fully consolidated Group subsidiaries.
The Group's corresponding purchase commitments are option-like (sales of put options). The strike price of these options is calculated using a formula predefined contractually when the entities were acquired.
For purchase commitments concluded until 31 December 2009, under IAS 32, IFRS 3 and IAS 27, the Group recognises as a liability the put options sold to the non-controlling shareholders in entities under the Group's sole control. That liability is initially recognised at the estimated strike price of the put options.
The consideration of this liability is deducted from non-controlling interests, and any balance credited to goodwill.
Subsequent changes to this liability due to changes in the options' strike price and in the carrying amount of the non-controlling interests are recognised entirely by adjusting the amount of goodwill (partial goodwill method).

Note 2 – Accounting policies, valuation methods and explanatory notes

Conversion of transactions in foreign currencies

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

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

Financial assets and liabilities

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

Loans and receivables

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

Financial assets at fair value through profit and loss

These instruments make up a very small proportion of assets held for trading, and are carried at fair value at the closing date, with changes in fair value recorded in profit and loss under the heading “Net gains or losses on financial instruments at fair value through profit and loss”.

This item also includes non-derivative financial assets and liabilities that the Group has designated from the outset as “at fair value through profit and loss” under the fair value option allowed by IAS 39 in the amendment adopted by the European Union on 15 November 2005. The Group’s objectives in applying this option are as follows:

- to apply fair value measurement to certain hybrid instruments in order to avoid separating embedded derivatives, which need distinct reporting. Structured EMTNs and BMTNs (euro medium-term notes and negotiable medium-term notes) issued by the Bank belong to this category;
- to eliminate or significantly reduce discrepancies in the accounting treatment of certain financial assets and liabilities. Edmond de Rothschild (France) therefore measures all forward cash management operations at fair value through profit and loss. The Bank’s cash management is based on the following principles:
  1. the arrangement of term loans and borrowings with banks or financial clients;
  2. the acquisition or issuance of negotiable debt securities on the interbank market;
  3. where necessary, the hedging of each of these items using interest-rate derivatives.

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

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

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

Financial assets held to maturity

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

Available-for-sale financial assets

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

Reclassification of financial assets

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

They gave rise to the following reclassifications:

- for a non-derivative financial asset no longer held for sale in the near future, from "Financial assets measured at fair market value through profit and loss":
  . to "Loans and receivables" where the asset meets that definition at the reclassification date and the Group is able and willing to hold it for the foreseeable future or to maturity;
  . to other categories where justified by exceptional circumstances and provided the reclassified assets meet the conditions applicable to the receiving portfolio.
- from "Available-for-sale financial assets":
  . to "Loans and receivables" on the same conditions as before for "Financial assets measured at fair market value through profit and loss";
  . to "Financial assets held to maturity" for assets with a maturity date.

Impairment of financial assets

Financial assets carried at amortised cost

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

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

Available-for-sale financial assets

When there is objective evidence that an available-for-sale financial asset is permanently impaired, the impairment loss is recognised in profit and loss. In the case of a variable-income security quoted on an active market, a significant fall in price (more than 20%) below the acquisition value or a prolonged fall in price (more than 12 months) is an indication of possible impairment that prompts the Group to perform a qualitative analysis. Where applicable, impairment is determined on the basis of the quoted price.
When a non-permanent decline in the fair value of an available-for-sale financial asset has been recorded directly in equity under "Unrealised or deferred gains and losses" and there is subsequent objective evidence that the asset is permanently impaired, the Group recognises the cumulative unrealised loss previously recorded in equity in profit and loss under "Cost of risk" for debt instruments, and under "Net gains and losses on available-for-sale financial assets" for variable-income securities.
The amount of the cumulative loss is the difference between the acquisition cost (net of any principal repayments and amortisation) and the present fair value, less any impairment loss previously recognised in profit and loss in respect of the financial asset.

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

Derivatives and hedges

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

Trading derivative financial instruments

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

Income and expenses recorded at the time of interim payments of interest differentials or on settlement of the final payment under the derivative contract are recorded in profit and loss under "Interest and similar revenues" or "Interest and similar expenses". Gains and losses resulting from derivatives being unwound before their contractual expiry date are recorded in profit and loss under "Net gains or losses on financial assets at fair value through profit and loss".

Hedging derivative financial instruments

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

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

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

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

Non-current assets

Operating non-current assets are carried in the balance sheet at cost.

Property, plant and equipment and intangible assets qualifying for depreciation or amortisation are depreciated or amortised over their period of use within the company.

Intangible assets

Intangible assets primarily comprise purchased software and contract portfolios:

- Intangible assets with an unlimited useful life are subject to annual impairment tests from the end of the second six-month period. These tests may be carried out at any time during the year, provided the date remains unchanged from one year to the next. For intangible assets first recognised during the current period, an impairment test is carried out before the end of the year.
- Intangible assets with a limited useful life are carried at acquisition cost less cumulative amortisation and impairment. They are amortised over their useful life. The useful life is the shorter of the useful life as defined by law and the expected economic life of the asset. Purchased software is amortised over a period of between one and three years.
- Intangible assets are subject to impairment tests if events or new circumstances indicate a risk that the carrying amount may be irrecoverable.

Property, plant and equipment

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

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

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

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

Financial liabilities at amortised cost

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

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

Due to credit institutions and amounts owed to clients

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

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

Debt securities

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

Provisions

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

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

Treasury shares

Treasury shares are shares in the parent company Edmond de Rothschild (France) and its fully consolidated subsidiaries.
Treasury shares held by the Group for any purpose are deducted from consolidated shareholders’ equity, and related gains or losses are eliminated from consolidated profit and loss.

Income tax

Edmond de Rothschild (France) and some of its subsidiaries have opted to form a tax consolidation group. The parent company and those subsidiaries have agreed that the advantage or disadvantage arising from the tax consolidation (difference between the consolidated tax charge and the total of the tax charges of the companies calculated independently) is recognised immediately in the parent company’s income statement.
Income tax for the year includes current and deferred taxes. Income tax is recorded in profit and loss, unless it relates to an item directly recorded in equity, in which case it is recorded in equity.
Current taxes are the forecast taxes payable on taxable income for the period, calculated at the rates in force at the balance sheet date, and any adjustment of taxes due in respect of previous years. Current tax assets and liabilities are offset when Edmond de Rothschild (France) intends to pay the net amount and is legally authorised to do so.
Deferred taxes are recognised based on timing differences between the carrying amount and tax base of balance sheet assets and liabilities. As a rule, all taxable timing differences lead to recognition of deferred tax liabilities, whereas deferred tax assets are recognised where the probability exists of sufficient future taxable profit to utilise the deductible timing differences. Deferred tax assets and liabilities are offset when the entity is legally authorised to do so, provided they relate to the same tax consolidation group and are governed by the same tax authorities. Deferred taxes are not discounted to present value.
Deferred taxes related to actuarial gains and losses on defined-benefit plans are recorded directly in equity. Deferred taxes arising from the adjustment to fair value of available-for-sale assets and cash-flow hedges (recorded directly in equity) are themselves recorded directly in equity and transferred to profit and loss when the increase or decrease in fair value is taken to profit and loss.

In France, the standard corporate income tax rate is 33.33%. Additionally, there is the general social security contribution on earnings of 3.3% (after an allowance of €0.76 million) introduced in 2000. The additional 3% tax on distributions made by companies, regardless of the beneficiary, introduced by France’s second mini-budget for 2012, has been found to be unconstitutional. Long-term capital gains on investments in subsidiaries and associates are exempt, subject to fees and charges equal to 12% of the gross amount of the capital gains being taxed at the ordinary rate. Moreover, under arrangements for parent companies and subsidiaries in which the parent owns at least 5%, net income from investments is tax-exempt, subject to 1% of fees and charges in tax consolidation groups being taxed at the ordinary rate. For companies that have not opted for tax consolidation, the proportion of fees and charges is 5%.

For the 2017 financial year, the tax rate used to determine the deferred taxes of French companies was 34.43% for income taxed at the ordinary rate. For income taxed at the reduced rate, the rates used were 4.13% and 15.50%.

Methods for determining the fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between well informed, consenting parties in an arm’s-length transaction. The Group distinguishes three categories of financial instruments depending on the consequences of their characteristics on the method of measuring their value, and it uses that classification for disclosing certain information in the notes to the financial statements:
Level 1 category: financial instruments that are quoted on an active market;
Level 2 category: financial instruments whose value is measured by reference to observable parameters;
Level 3 category: instruments whose value is measured by reference to parameters that are wholly or partly non-observable; a non-observable parameter is defined as a parameter whose value is measured by reliance on assumptions or correlations based neither on trading prices observable on the markets for the given instrument at the valuation date, nor on observable market data available at that date.

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

Instruments traded on active markets

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

Instruments not traded on active markets

If the market for a financial instrument is not active, its fair value is determined using observable market data and valuation techniques.
Depending on the financial instrument, those techniques use data from recent transactions and discounted future cash flow models based on rates applicable at the balance sheet date.

Structured liabilities and index-linked derivatives

In determining the fair value of structured liabilities and the indexed component of index-linked derivatives, not all valuation parameters are observable. Therefore, the fair value of the financial instrument at the time of the transaction is deemed to be the transaction price, and the commercial margin is recorded in profit and loss over the life of the product.
While structured liabilities are outstanding, since they are not quoted on an active market, the valuation parameters agreed with the counterparties at the instruments' inception are not modified. For redemptions of negotiable debt securities issued, the fair value of the redeemed securities is the transaction price, and the portion of the commercial margin not yet recognised is taken to profit and loss.

Cash receivables and payables

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

Loans and other financing to clients

Edmond de Rothschild (France) considers that, because of the multiyear frequency of adjustments, the fair value of variable-rate loans can be considered equal to their carrying amount.
For loans with a variable rate that is adjusted once a year and fixed-rate loans, fair value is determined by discounting recoverable future cash flows relating to principal and interest over the loans' remaining life, at the interest rate applicable to new lending during the year for loans of the same category and with similar maturities.

Interest rate derivatives

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

Forward foreign-exchange contracts

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

Cost of risk

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

Fees

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

Employee-benefit commitments

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

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

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

Post-employment benefits are classified as either defined-contribution plans or defined-benefit plans, depending on the actual economic impact on the company.
In **defined-contribution plans**, liabilities are covered by contributions, which are recognised as expenses as and when they are paid to the independent pension bodies that manage subsequent payment of the pensions.

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

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

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

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

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

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

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

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

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

Share-based payments

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

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

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

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

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

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

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

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

Cash flow statement

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

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

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

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

Earnings per share

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

Note 3 – Analysis of balance sheet items

	In thousands of euros	31.12.2017	31.12.2016
3.1.	**Cash, due from central banksand postal accounts**		
	Cash	592	574
	Central banks	2.025.011	1.175.540
	Postal accounts	-	10
	Subtotal	**2.025.603**	**1.176.124**
	Related receivables	-	-
	Total	**2.025.603**	**1.176.124**

	In thousands of euros	31.12.2017	31.12.2016
3.2.	**Financial assets at fair value through profit and loss**		
	Treasury notes and similar securities	-	-
	Bonds and other fixed-income securities	-	-
	Equities and other variable-income securities	28	28
	Subtotal	**28**	**28**
	Trading securities and related receivables	-	-
	Subtotal	**28**	**28**
	Interest rate instruments – futures	595	1.380
	Interest rate instruments – options	-	-
	Foreign exchange instruments – futures	60	14.019
	Foreign exchange instruments – options	-	-
	Equity and index-linked instruments – futures	5.446	7.475
	Equity and index-linked instruments – options	-	-
	Related receivables on trading derivatives	68	702
	Subtotal	**6.169**	**23.576**
	Subtotal - trading securities	**6.197**	**23.604**
	Fair value of amounts due from credit institutions	-	-
	Fair value of transactions with clients	-	-
	Subtotal	**-**	**-**
	Fair value of loans and related receivables	-	-
	Subtotal - loans and receivables measured at fair value through profit and loss under the fair value option	**-**	**-**
	Fair value of treasury notes and similar securities	2.287	10.064
	Fair value of bonds and other fixed-income securities	-	-
	Subtotal	**2.287**	**10.064**
	Fair value of debt securities and related receivables	293	2.302
	Subtotal - fixed income securities measured at fair value through profit and loss under the fair value option	**2.580**	**12.366**
	Fair value of equities and other variable-income securities	-	-
	Subtotal	**-**	**-**
	Fair value of equities and other variable - income securities and related receivables	-	-
	Subtotal - variable income securities measured at fair value through profit and loss under the fair value option	**-**	**-**
	Subtotal - financial assets measured at fair value through profit and loss under the fair value option	**2.580**	**12.366**
	Total financial assets at fair value through profit and loss	**8.777**	**35.970**

The total notional amount of trading derivatives was €4.915 million at 31 December 2017 as opposed to €5.528 million at 31 December 2016. The notional value of derivatives indicates only the volume of the Group's business on the financial instruments markets, without reflecting the market risks related to those instruments.

In thousands of euros		31.12.2017	31.12.2016
3.3.	**Available-for-sale financial assets**		
	Treasury notes and similar securities	**18.552**	**69.476**
	Quoted	18.552	69.476
	Unquoted	-	-
	Related receivables	-	-
	including Impairment	-	-
	Bonds and other fixed-income securities	**19.974**	**20.174**
	Quoted	-	-
	Unquoted	20.004	20.172
	Related receivables	−30	2
	including Impairment	-	-
	Equities and other variable-income securities	**135.510**	**127.272**
	Quoted	47	41
	Unquoted	135.463	127.231
	Related receivables	-	-
	including Impairment	*−9.789*	*−7.878*
	Long-term equity securities	**47.446**	**52.216**
	Quoted	7.436	10.369
	Unquoted	40.009	41.847
	Related receivables	1	-
	including Impairment	*−2.040*	*−2.963*
	Other available-for-sale financial assets	**-**	**-**
	Quoted	-	-
	Unquoted	-	-
	Related receivables	-	-
	including Impairment	-	-
	Total available-for-sale financial assets	**221.482**	**269.138**
	Including securities lent	-	-

An additional €1.0 million of net permanent impairment charges were recorded in 2017 on private equity investments.

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

In thousands of euros		31.12.2017	31.12.2016
3.4.	**Due from credit institutions**		
	Due from credit institutions		
	– Demand deposits	*127.861*	*249.595*
	– Time deposits (*)	-	-
	Subtotal	**127.861**	**249.595**
	Related receivables	-	-
	Total gross value	**127.861**	**249.595**
	Impairment	-	-
	Total net value	**127.861**	**249.595**

(*) The Group no longer has any receivables relating to repo transactions.

In thousands of euros	31.12.2017	31.12.2016
3.5. Transactions with clients		
Overdrafts	476.530	440.215
Other loans and financing		
– Loans	*196.352*	*191.529*
– Securities received under resale agreements	*1*	*-*
– Trade notes	*-*	*-*
Subtotal	**672.883**	**631.744**
Doubtful loans	339	1.220
Impairment of doubtful loans	−339	−1.220
Total net value	**672.883**	**631.744**
Including related receivables	*449*	*405*
Fair value of transactions with clients	**672.883**	**621.926**

3.6. Financial assets held to maturity

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

3.7. Pledged assets

A- Assets

	31.12.2017			
In thousands of euros	Carrying amount of pledged assets	Fair value of pledged assets	Carrying amount of non-pledged assets	Fair value of non-pledged assets
Assets of the reporting entity	32.395		3.410.428	
Equity instruments			250.648	250.648
Debt securities	6.656	6.656	18.186	18.186
Other assets	25.739		3.141.594	

B- Guarantees received

	31.12.2017	
In thousands of euros	Carrying amount of pledged assets	Fair value of pledged assets
Guarantees received by the entity concerned	-	-
Equity instruments		
Debt securities	-	-
Other guarantees received		
Own debt securities in issue, other than own covered bonds or asset-backed securities		

C- Pledged assets/guarantees received and related liabilities

	31.12.2017	
In thousands of euros	Related liabilities, contingent liabilities or loaned securities	Assets, guarantees received and own debt securities in issue, other than covered bonds or securities backed by pledged assets
Carrying amount of selected financial liabilities	6.369	20.499

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

Repo transactions are involved in the management of mutual funds for which the Bank is custodian and Edmond de Rothschild Asset Management (France) is the asset manager: securities held by Financière Boréale are sold by Edmond de Rothschild (France) to the funds as part of repo transactions.

85% of Row 120 "Other assets", column 060 comprises the Group's assets held with the Banque de France and client loans. Intangible assets make up 3.5% of that item, derivatives 1.1% and other non-current assets 1.3%.

	In thousands of euros	31.12.2017		31.12.2016	
		Actif	Passif	Actif	Passif
3.8.	**Accruals accounts - Other assets and liabilities**				
	Items under collection	265	-	499	-
	Guarantee deposits paid (*)	31.905	-	28.841	-
	Deferred charges	9.445	-	6.866	-
	Accrued income	100.468	-	93.946	-
	Deferred income	-	132	-	131
	Accrued expenses	-	91.239	-	83.694
	Other miscellaneous assets and liabilities (**)	25.816	111.928	45.531	138.675
	Total	**167.899**	**203.299**	**175.683**	**222.500**

(*) of which €9,927 thousand related to collateral at 31 December 2017 versus €8,630 thousand of deposits paid at 31 December 2016.
(**) of which €6,076 thousand related to collateral at 31 December 2017 versus €12,119 thousand of other liabilities at 31 December 2016.

	In thousands of euros	31.12.2017	31.12.2016
3.9.	**Participations dans les entreprises mises en équivalence**		
	Edmond de Rothschild (Monaco)	41.352	35.060
	Edmond de Rothschild (UK) Ltd.	18.579	32.374
	Zhonghai Fund Management Co. Ltd.	7.824	6.721
	Edmond de Rothschild Investment Partners	112	104
	China Investment Partners (Shanghai) Ltd	−203	−343
	China Investment Partners (Hong Kong) Ltd	**67.664**	**73.916**

Edmond de Rothschild (Monaco)	
In thousands of euros	31.12.2017
Current assets	2.003.557
Non current assets	44.215
Current liabilities	1.874.453
Non current liabilities	173.320
Net banking income	63.048
Share in net income	**8.955**

Zhonghai Fund Management Company Ltd	
In thousands of euros	31.12.2017
Current assets	71.994
Non current assets	18.691
Current liabilities	45.529
Non current liabilities	45.156
Net banking income	32.246
Share in net income	**−11.384**

Associates made a negative contribution of €1.0 million to net income, because of non-recurring losses from a minority stake in Asian asset management company Zhonghai Fund Management Co, Ltd. That caused that company's share of net income to be negative in the amount of €11.4 million, including €2.9 million of goodwill impairment relating to the minority stake.

In thousands of euros	31.12.2016	Acquisitions/transfers in	Disposals/transfers out	Other Changes	31.12.2017
3.10. Tangible assets					
Gross value					
Land and buildings	58.557	3	-	−732	57.828
Hardware	25.226	2.330	-	−94	27.462
Fixtures and fittings and other fixed assets	44.270	87	−10	96	44.443
Tangible assets in progress	4	-	-	−4	-
Total	**128.057**	**2.420**	**−10**	**−734**	**129.733**
Depreciation - Impairment					
Buildings	−22.168	−1.042	-	70	−23.140
Hardware	−23.000	−1.708	−103	57	−24.754
Fixtures and fittings and other fixed assets	−39.035	−1.660	158	−97	−40.634
Total	**−84.203**	**−4.410**	**55**	**30**	**−88.528**
Net book value	**43.854**	**−1.990**	**45**	**−704**	**41.205**

In thousands of euros	31.12.2016	Acquisitions/transfers in	Disposals/transfers out	Other Changes	31.12.2017
3.11. Intangible assets					
Gross value					
Contract portfolio and other contractual rights	12.320	189	-	1	12.510
Other intangible assets	129.837	13.300	−268	4.769	147.638
Intangible assets in progress	-	-	-	-	-
Total	**142.157**	**13.489**	**−268**	**4.770**	**160.148**
Depreciation - Impairment					
Intangible assets	−119.828	−14.154	257	−298	−134.023
Total	**−119.828**	**−14.154**	**257**	**−298**	**−134.023**
Net book value	**22.329**	**−665**	**−11**	**4.472**	**26.125**

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

In thousands of euros	31.12.2017	31.12.2016
3.12 Goodwill		
Gross value at the beginning of the period	**88.762**	**75.796**
Acquisitions and other increases	-	37.477
Sales and other decreases	−5.572	−23.704
Impairment	−720	−807
Net value at the end of the period	**82.470**	**88.762**

The negative amount of €5,572 thousand corresponds to the revaluation of Cleaveland's goodwill following the allocation of the acquisition price.

	Valeur nette comptable		Dépréciations		Acquisitions/Cessions & Autres mouvements	
In thousands of euros	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Edmond de Rothschild Asset Management (France)	39.891	39.891	-	-	-	-
Cleaveland	31.905	37.477	-	-	−5.572	37.477
Edmond de Rothschild Assurances et Conseils (France)	5.753	5.753	-	-	-	-
Edmond de Rothschild Corporate Finance, Paris	4.481	4.481	-	-	-	-
Edmond de Rothschild Europportunities Management II S.à r.l.	52	772	−720	−807	-	-
CFSH Luxembourg S. à r.l.	371	371	-	-	-	-
Autres	17	17	-	-	-	-
Total	**82.470**	**88.762**	**−720**	**−807**	**−5.572**	**37.477**

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

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

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

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

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

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

	In thousands of euros	31.12.2017	31.12.2016
3.13	**Financial liabilities at fair value through profit and loss**		
	Interest rate instruments – futures	1.044	2.334
	Interest rate instruments – options	-	-
	Foreign exchange instruments – futures	15.905	-
	Foreign exchange instruments – options	-	-
	Equity and index-linked instruments – futures	3.057	2.615
	Equity and index-linked instruments – options	-	-
	Subtotal	**20.006**	**4.949**
	Related payables on trading derivatives	469	2.582
	Subtotal - trading securities	**20.475**	**7.531**
	Due to credit institutions	966.060	554.332
	Transactions with clients	6.996	2.043
	Subtotal	**973.056**	**556.375**
	Related payables	1.713	955
	Subtotal - loans and payables measured at fair value through profit and loss under the fair value option	**974.769**	**557.330**
	Negotiable debt instruments	382.292	401.688
	Bonds	-	-
	Other borrowings represented by securities	-	-
	Subtotal	**382.292**	**401.688**
	Related payables	2.091	1.327
	Subtotal - borrowings represented by securities measured at fair value through profit and loss	**384.383**	**403.015**
	Subtotal - financial liabilities measured at fair value through profit and loss under the fair value option	**1.359.152**	**960.345**
	Total financial liabilities at fair value through profit and loss	**1.379.627**	**967.876**

In thousands of euros	31.12.2017 Fair value	Amount repayable at maturity	Difference between fair value and amount repayable at maturity
Financial liabilities measured at a fair value through profit and loss under the fair value option	1.359.152	1.431.080	71.928

In thousands of euros	31.12.2016 Fair value	Amount repayable at maturity	Difference between fair value and amount repayable at
Financial liabilities measured at a fair value through profit and loss under the fair value option	960.345	624.963	−335.382

In thousands of euros	31.12.2017 Negative market value	Positive market value	31.12.2016 Negative market value	Positive market value
3.14 Hedging derivatives				
Hedging of non-derivative financial instruments	**493**	**-**	**1.303**	**-**
– Foreign exchange derivatives	-	-	-	-
– Interest rate derivatives	493	-	1.303	-
Cash flow hedges of non-derivative financial instruments	**-**	**-**	**-**	**-**
– Foreign exchange derivatives	-	-	-	-
– Interest rate derivatives	-	-	-	-
Derivatives used for hedging	**493**	**-**	**1.303**	**-**

In thousands of euros	31.12.2017	31.12.2016
3.15 Due to credit institutions		
– Demand deposits	27.634	22.380
– Time deposits	-	-
Subtotal	**27.634**	**22.380**
Related payables	-	-
Total due to credit institutions	**27.634**	**22.380**

In thousands of euros	31.12.2017 Demand deposits	Time deposits	Total	31.12.2016 Demand deposits	Time deposits	Total
3.16 Transaction with clients						
Special savings accounts						
– Special savings accounts	-	65.306	65.306	-	54.707	54.707
– Related payables	-	-	-	-	-	-
Subtotal	**-**	**65.306**	**65.306**	**-**	**54.707**	**54.707**
Other deposits						
– Demand deposits	1.268.797	-	1.268.797	978.188	-	978.188
– Time deposits	-	18.609	18.609	-	21.096	21.096
– Securities delivered under repurchase	-	6.369	6.369	-	6.829	6.829
– Other miscellaneous payables	-	59.200	59.200	-	109.300	109.300
– Related payables	1	4	5	33	7	40
Subtotal	**1.268.798**	**84.182**	**1.352.980**	**978.221**	**137.232**	**1.115.453**
Total	**1.268.798**	**149.488**	**1.418.286**	**978.221**	**191.939**	**1.170.160**
Fair value of transactions with clients			**1.418.294**			**1.170.071**

In thousands of euros	Provisions for legal and tax risks	Provisions for post employment benefit commitments	Provisions for loan and guarantee commitments	Provisions for loss on contracts	Other provisions	Total book value
3.17. Provisions						
At 31.12.2016	**-**	**11.476**	**-**	**-**	**16.857**	**28.333**
Increase in provisions	-	690	-	-	8.645	9.335
Provisions used	-	−5	-	-	−7.742	−7.747
Unused provisions reversed to profit and loss	-	-	-	-	−1.825	−1.825
Other movements	-	−2.258	-	-	−507	−2.765
At 31.12.2017	**-**	**9.903**	**-**	**-**	**15.428**	**25.331**

Other provisions include provisions relating to the "additional supplementary" pension plan (detailed in Note 6.1.A.) and to the AIMF directive at Edmond de Rothschild Asset Management (France).

3.18. Instruments de capitaux propres : Titre super subordonné

In June 2007 the Bank issued €50 million of undated super-subordinated notes. After discussions with one of the noteholders, the Bank made an offer to repurchase part of the notes with a nominal amount of €29 million, at a discount of 7.5%. After obtaining the authorisation of the ACP on 12 July 2013, €29 million of notes were repurchased and cancelled in August 2013.
In the event of the issuer's liquidation, holders of these notes will be paid only after other creditors but before holders of participating loans or participating securities.
The undated super-subordinated notes carry financial covenants:
- non-payment of interest in the event of insufficient capital related to non-compliance with prudential capital adequacy ratios or a deterioration in the Bank's financial position;
- reduction of accrued interest due and payable and then of the nominal value of the notes if the Bank has not taken action to remedy the capital situation within a specific period.

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

The main financial characteristics of these notes are as follows:

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

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

3.19. Offsetting of financial assets and liabilities

At 31 décembre 2017 In thousands of euros	Gross amounts of financial assets	Amounts set off on balance sheet	Net amounts stated on balance sheet	Impact of netting agreements and similar accords	Financial instruments received as collateral	Net amounts
Financial assets at fair value through profit and loss						
-Trading securities	6.314	−117	6.197	-	−6.076	121
-Loans and receivables measured at fair value through profit and loss under the fair value option	-	-	-	-	-	-
-Fixed income securities measured at fair value through profit and loss under the fair value option	2.580	-	2.580	-	-	2.580
Loans and receivables due from credit institutions and clients	800.744	-	800.744	-	-	800.744
-Of which repurchase transactions	-	-	-	-	-	-
Accruals and other assets	167.899	-	167.899	-	-	167.899
-Of which security deposits granted	*31.905*	-	*31.905*	-	-	*31.905*
Other assets not subject to set-off	2.465.403	-	2.465.403	-	-	2.465.403
TOTAL ASSETS	**3.442.940**	**−117**	**3.442.823**	**-**	**−6.076**	**3.436.747**

At 31 décembre 2017 In thousands of euros	Gross amounts of financial assets	Amounts set off on balance sheet	Net amounts stated on balance sheet	Impact of netting agreements and similar accords	Financial instruments received as collateral	Net amounts
Financial assets at fair value through profit and loss						
-Trading securities	20.592	−117	20.475	-	−9.927	10.548
-Loans and receivables measured at fair value through profit and loss under the fair value option	974.769	-	974.769	-	-	974.769
-Fixed income securities measured at fair value through profit and loss under the fair value option	384.383	-	384.383	-	-	384.383
Loans and receivables due from credit institutions and clients	1.445.920	-	1.445.920	-		1.445.920
-Of which repurchase transactions	*6.369*	-	*6.369*	-	*−6.369*	-
Accruals and other assets	203.299	-	203.299	-		203.299
-Of which security deposits granted	*20.609*	-	*20.609*	-	-	*20.609*
Other assets not subject to set-off	27.417	-	27.417	-	-	27.417
TOTAL ASSETS	**3.056.380**	**−117**	**3.056.263**	**-**	**−9.927**	**3.046.336**

At 31 décembre 2017 In thousands of euros	Gross amounts of financial assets	Amounts set off on balance sheet	Net amounts stated on balance sheet	Impact of netting agreements and similar accords	Financial instruments received as collateral	Net amounts
Financial assets at fair value through profit and loss						
-Trading securities	23.997	−393	23.604	-	−12.119	11.485
-Loans and receivables measured at fair value through profit and loss under the fair value option	-	-	-	-	-	-
-Fixed income securities measured at fair value through profit and loss under the fair value option	12.366	-	12.366	-	-	12.366
Loans and receivables due from credit institutions and clients	881.339	-	881.339	-	-	881.339
-Of which repurchase transactions	-	-	-	-	-	-
Accruals and other assets	175.683	-	175.683	-	-	175.683
-Of which security deposits granted	*28.841*	-	*28.841*	-	-	*28.841*
Other assets not subject to set-off	1.688.734	-	1.688.734	-	-	1.688.734
TOTAL ASSETS	**2.782.119**	**−393**	**2.781.726**	**-**	**−12.119**	**2.769.607**

The Group no longer has any receivables relating to repo transactions, and liabilities associated with securities sold under repo transactions amounted to €6.369 million at 31 December 2017 (as opposed to €6.829 million at 31 December 2016).

Note 4 – Analysis of income statement items

	In thousands of euros	31.12.2017	31.12.2016
4.1.	**Interest and similar revenues**		
	On transactions with credit institutions	**482**	**171**
	– Demand deposits and interbank loans	480	171
	– Loan and guarantee commitments	-	-
	– Securities under repurchase/resale agreements	2	-
	On transactions with clients	**8.116**	**7.456**
	– Demand deposits and loans	8.105	7.294
	– Loan and guarantee commitments	-	-
	– Securities under repurchase/resale agreements	11	162
	On financial instruments	**10.272**	**23.329**
	– Financial assets held to maturity	-	-
	– Available-for-sale financial assets	−179	46
	– Financial assets measured at fair value through profit and loss under the fair value option	987	2.909
	– Interest income on derivatives	9.464	20.374
	Total interest and similar revenues	**18.870**	**30.956**

	In thousands of euros	31.12.2017	31.12.2016
4.2.	**Interest and similar expenses**		
	On transactions with credit institutions	**−14.124**	**−7.223**
	- Demand deposits and interbank loans	−14.124	−7.086
	- Loan and guarantee commitments	-	-
	- Securities under repurchase/resale agreements	-	−137
	On transactions with clients	**−93**	**−231**
	- Demand deposits and loans	−93	−230
	- Loan and guarantee commitments	-	-
	- Securities under repurchase/resale agreements	-	−1
	On financial instruments	**−11.609**	**−24.681**
	- Debt securities	−9.659	−7.232
	- Interest income on derivatives	−1.950	−17.449
	Total interest and similar expenses	**−25.826**	**−32.135**

		31.12.2017		31.12.2016	
	In thousands of euros	Income	Expenses	Income	Expenses
4.3.	**Fees**				
	Cash and interbank transactions	-	−24	-	−12
	Transactions with clients	341	-	314	-
	Securities transactions	-	-	-	-
	Foreign exchange transactions	19	-	20	-
	Off balance sheet transactions				
	– Securities commitments	*303*	-	*250*	-
	– Commitments on forward financial instruments	*1.122*	*−745*	*2.548*	*−1.566*
	Financial services	389.043	−101.343	346.241	−93.372
	Releases from allowances (provisions)	-	-	-	-
	Total fees	**390.828**	**−102.112**	**349.373**	**−94.950**

In thousands of euros	31.12.2017 Trading portfolio	31.12.2017 Portfolio measured at fair value under the fair value option	31.12.2016 Trading portfolio	31.12.2016 Portfolio measured at fair value under the fair value option
4.4. Net gains or losses on financial instruments at fair value through profit and loss				
Net gains or losses on financial assets at fair value through profit and loss	-	96	-	−339
Net gains or losses on financial liabilities at fair value through profit and loss	-	1.584	-	−2.800
Net gains or losses on derivatives	−1.531	-	3.103	-
Net gains or losses on foreign exchange transactions	20.584	-	12.427	-
Total net gains or losses on financial instruments at fair value through profit and loss	**19.053**	**1.680**	**15.530**	**−3.139**

In thousands of euros	31.12.2017	31.12.2016
4.5. Net gains or losses on available-for-sale financial assets		
Net gains or losses on available-for-sale bonds and other fixed-income securities	-	-
Net gains or losses on available-for-sale long-term investments	452	10.135
Lasting impairment of long-term investments	−1.911	−2.706
Net gains or losses on available-for-sale other variable-income securities	2.256	36
Lasting impairment of variable-income securities	-	-
Total net gains or losses on available-for-sale financial assets	**797**	**7.465**

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

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

In thousands of euros	31.12.2017	31.12.2016
4.6. Other revenues and expenses		
Expenses transferred to other companies	405	428
Miscellaneous revenues	6.558	4.961
Miscellaneous	6.985	9.190
Other revenues	**13.948**	**14.579**
Revenues transferred to other companies	−10.487	−10.022
Miscellaneous	−1.634	−3.062
Other expenses	**−12.121**	**−13.084**

4.7. General operating expenses (In thousands of euros)	31.12.2017	31.12.2016
Wages and salaries	−99.531	−95.078
Pension expenses	−8.601	−9.116
Social security costs	−33.040	−30.273
Voluntary employee profit-sharing	−457	−227
Employee profit-sharing	−4.347	−1.511
Payroll taxes	−10.583	−10.711
Allocations to provisions for personnel expenses	−8.122	−8.789
Reversals of provisions for personnel expenses	3.646	1.875
Subtotal - Personnel expenses	**−161.035**	**−153.830**
Taxes other than on income	1.074	−3.819
Rental expenses	−14.439	−16.675
Cost of external services	−74.677	−72.568
Travel expenses	−1.889	−1.939
Miscellaneous operating expenses	−10	−7
Allocations to provisions for administrative expenses	-	-
Reversals of provisions for administrative expenses	65	56
Subtotal - Administrative expenses	**−89.876**	**−94.952**
Total general operating expenses	**−250.911**	**−248.782**

4.8. Cost of risk (In thousands of euros)	31.12.2017	31.12.2016
Allocations to provisions for credit risk	-	−250
Net losses on receivables written off	−2.220	−665
Reversals of provisions for credit risk	1.951	673
Reversals of other provisions	-	-
Amounts recovered on receivables formerly written off	207	-
Total cost of risk	**−62**	**−242**

4.9. Net gains or losses on other assets (In thousands of euros)	31.12.2017	31.12.2016
Losses on sales of intangible and tangible assets	−12	−116
Gains on sales of intangible and tangible assets	15	15
Gain (loss) on disposals of investments in consolidated companies	729	9.529
Total net gains or losses on other assets	**732**	**9.428**

In thousands of euros		31.12.2017	31.12.2016
4.10.	**Income tax expense and effective tax rate**		
	Consolidated net income	**24.561**	**17.250**
	Income tax	**9.986**	**7.073**
	Income before tax	**34.547**	**24.323**
	Provisions and expenses not deductible for tax purposes	8.958	9.089
	Dividends received from affiliated companies and related restatements	666	1.533
	Share in net income of associates	1.045	−9.345
	Untaxed consolidation restatements	−1.789	−12.735
	Non-taxable miscellaneous income and other deductions	−2.073	−5.688
	Items taxed at reduced rates	−95	1.347
	Pre-tax income taxable at standard tax rate	**41.260**	**8.524**
	Tax rate	34,43%	34,43%
	Theoretical tax expense at standard rate	**14.206**	**2.935**
	Pre-tax income taxable at reduced rate	**95**	**−1.347**
	Tax rate	15,50%	15,50%
	Theoretical tax expense at reduced rate	**15**	**−209**
	Theoretical income tax expense	**14.221**	**2.726**
	Unrecognised tax losses arising in the year	1.913	2.256
	Unrecognised tax losses used	−467	−1.327
	Allocations to/reversals of provisions set up for tax purposes	-	-
	Tax credits	−137	−221
	Tax differential on earnings of foreign entities	246	888
	Save or load generated by the tax consolidation	-	-
	Tax assessment and tax income on previous years	−7.057	889
	Miscellaneous	1.270	1.862
	Income tax calculated	**9.988**	**7.073**
	- Including current tax charge	3.285	*4.209*
	- Including deferred tax charge	*6.701*	*2.864*
	- Including allocations to/reversals of provisions set up for tax purposes	-	-
	Income before tax	34.547	24.323
	Income tax	9.986	7.073
	Average effective tax rate	**28,90%**	**29,08%**
	Standard tax rate in France (including the 5% contribution)	34,43%	34,43%
	Impact of permanent differences	6,78%	−24,26%
	Impact of reduced-rate taxation	−0,05%	1,05%
	Tax differential on earnings of foreign entities	0,71%	3,65%
	Impact of losses for the year and utilisation of tax losses brought forward	4,19%	3,82%
	Impact of other items	−17,16%	10,39%
	Average effective tax rate	**28,90%**	**29,08%**

At 31 December 2017, all deferred tax relating to tax loss carryforwards had been eliminated. The following tax income was recognised:
- €3.2 million with respect to the reimbursement of the 3% tax on dividend payments,
- €2.7 million following a claim relating to the deductibility of financial expenses incurred by the Shanghai representative office.

Note 5 – Note on commitments

In thousands of euros	31.12.2017	31.12.2016
Commitments given		
Loan commitments		
To credit institutions	-	-
To clients	216.401	189.695
Guarantee commitments		
To credit institutions	12.443	-
To clients	59.749	98.955
Commitments received		
Loan commitments		
From credit institutions	-	-
From clients	-	-
Guarantee commitments		
From credit institutions	12.871	50.802
From clients	-	-

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

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

Issuer	Number of shares
Edmond de Rothschild (France)	4.976
Edmond de Rothschild Asset Management (France)	5.502

Note 6 – Employee benefits and share-based payments

6.1. Employee benefits under IAS 19

In accordance with IFRS 1 First-time adoption of IFRSs, since 1 January 2006 the Group has measured and recognised employee benefits under the rules set out in IAS 19.

When it first applied IFRSs, the Group opted to apply the exception allowed in IFRS 1, allowing all actuarial gains and losses not amortised at 1 January 2006 to be taken to equity at that date.

6.1.A. Pension costs – Defined-benefit plans

An additional supplementary pension plan set up in December 2004 was closed on 31 December 2012, although its provisions were maintained for beneficiaries born before 31 December 1953.

It applies to a category of executives for whom the existing basic and complementary pension plans provide a significantly lower rate of income replacement than for other categories of personnel.

This plan is a defined-benefit plan expressed in terms of the overall final pension (limited in time) or in terms of the top-up pension it provides in addition to the basic pensions.

Payment of benefits is conditional on the employee remaining in the company until retirement. The plan provides for the purchase of an annuity upon retirement to settle the obligation to the beneficiary.

The beneficiaries of this additional supplementary pension plan are senior management, members of the General Management Committee, and senior executives defined in the 35-hour working week agreement as executives not covered by the normal classification.

The basis for determining the reference remuneration and calculating the additional pension is gross annual salary plus bonuses received, before any applicable tax or social security charges.

The guaranteed additional pension is equal to 10% of the reference remuneration between four and eight times the annual limit defined by French social security legislation at the date of settlement of the pension, plus 20% of the portion of the reference remuneration between 8 and 22 times that limit.

This additional pension is payable in addition to the mandatory basic and supplementary pensions. Gains and losses resulting from its first application are treated in accordance with the rules for changes of accounting method.

The Group therefore allocated the impact of this change of method, net of deferred taxes, to equity at the date of its first application (€8.381 million). That impact resulted from the recognition of previously unrecognised post-employment benefits, in a pre-tax amount of €12.825 million. Benefit commitments were discounted at the rate of 4.25%.

The value of the commitments at 31 December 2017 was determined by qualified actuaries, applying the following assumptions:

- discount rate of 1.46% according to the duration of the plan (0.8 years);
- inflation rate of 1.75% according to the duration of the plan (0.8 years);
- expected return on plan assets of 1.46%;
- expected rate of salary increases, net of inflation, of 0.5%.

The discount rate was determined on the basis of the average yields observed on bonds maturing in 10 years or more issued by eurozone companies with Aa ratings (the benchmark being the iBoxx € corporates index) and the extrapolation of the yield curve in line with the ECB's government bond curve.

Taxation of annuities: Article 113 of French act 2003-775 of 21 August 2003 on pension reform alters the way in which social security contributions, the general social contribution (CSG) and the tax to repay social-security debt (CRDS) apply to employers' contributions to funding pension benefits. In return for exempting contributions from social security charges, a tax payable exclusively by the company was established.

The 2010 social security financing act doubled the tax levied on annuities exceeding one-third of the annual social security ceiling, raising it from 8% to 16% for any annuity paid from 1 January 2010.

The 2011 social security financing act subsequently modified the basis for applying this tax. The allowance was eliminated and the 16% tax thus applied from the first euro of the annuity, for all annuities paid after 1 January 2001.

The Group had previously opted for the tax on annuities, but at the end of 2011 it chose to change options as allowed by the 2011 social security financing act for defined-benefit plans consistent with Article L.137-11. It is now taxed at 12% based on all contributions paid into the fund.

That rate is set by Article 32 of France's 16 August 2012 mini-budget at 24% for all payments in respect of periods beginning after 31 December 2012.

At 31 December 2017, the amount of commitments came to €27.515 million before tax and the fair value of assets was €23.888 million, resulting in a provision of €3.627 million.

Financial assets representing commitments (for the additional supplementary pension)

Portfolio structure	31.12.2017	31.12.2016
Equities	34,16%	32,97%
Bonds	57,16%	58,26%
Real estate	5,18%	5,43%
Money market and Other	3,50%	3,34%
Actual return on plan assets	1,46%	1,54%

Defined-benefit post-employment benefits (additional supplementary pension)

In thousands of euros	31.12.2017	31.12.2016
Present value of the commitment	27.515	28.682
- Value of plan assets	−23.888	−23.441
Financial position of plan	**3.627**	**5.241**
- Unrecognised past service cost	-	-
Provision	**3.627**	**5.241**

6.1.B. Termination benefits for retiring employees

Termination benefits for retiring employees are a post-employment benefit and are part of the defined-benefit plan category.

Entitlements to termination benefits for retiring employees in Group companies are defined by the following collective agreements:

- - the French national collective agreement for banks (no. 2120) for all companies;
- - the French national collective agreement for insurance and/or reinsurance brokerage firms (no. 2247) for Edmond de Rothschild Assurances et Conseils (France).

The following remuneration basis is used to calculate the benefit payable to retiring employees:

- for the national collective agreement for banks, 1/13th of the average remuneration the beneficiary received or would have received over the past 12 months, excluding any standard or exceptional bonus and any variable component of pay;
- for the national collective agreement for insurance brokerages, 1/12th of the remuneration the beneficiary received or would have received over the past 12 months.

The compensation cannot be lower than the retirement compensation defined by French employment law.

These arrangements are not funded by an insurance policy.

The actuarial method used to value the liability is the projected unit credit method.

Actuarial gains and losses on the plan for termination benefits for retiring employees are recorded in other comprehensive income. The Group has opted to apply the amendment to IAS 19 allowing actuarial gains and losses related to experience adjustments and/or changes in assumptions to be recognised in equity. The selected discount rate of 1.54% is based on the yields on long-term corporate bonds at the time of measurement (yield shown by the iBoxx € Corporate Aa 10+ index) and on the extrapolation of the yield curve in line with the ECB's government bond curve.

The gross liability was €5.914 million at 31 December 2016 and €6.278 million at 31 December 2017.

Service cost was €552 thousand in 2017, the cost of discounting was €98 thousand, actual benefits paid came to €23 thousand and the actuarial loss with respect to 2017 was €263 thousand.

Defined-benefit post-employment benefits (additional supplementary pension and termination benefits for retiring employees)

Détail de la charge comptabilisée

In thousands of euros	31.12.2017	31.12.2016
Current period service cost	−534	−471
Interest cost	−553	−546
Expected return on plan assets	399	458
Effect of overfunding (*)	−1	−197
Net expense recognised	**−689**	**−756**

(*) In 2015, change in assumption related to the variable portion of salaries used to calculate termination benefits for retiring employees

Defined-benefit post-employment benefits

Main actuarial assumptions (termination benefits for retiring employees)	31.12.2017	31.12.2016
Discount rate	1,46%	1,54%
Expected long-term inflation	1,75%	1,75%
Salary increase		
-Clerical workers	2,75%	3,00%
-Executives and Senior Management	3,25%	3,50%
-Senior executives	3,75%	4,00%
Rate of employer's social security charges and taxes	61,90%	61,90%
Mortality rates	THTF 10 12	THTF 10 12

Main actuarial assumptions (additional supplementary pension)	31.12.2017	31.12.2016
Discount rate	1,46%	1,54%
Salary increase rates, net of inflation	0,50%	0,50%
Average remaining working life of employees	0,8 an	0,8 an
Mortality rates	THTF 10 12	THTF 10 12

Analysis of sensitivity of post-employment benefit commitments to changes in the main actuarial assumptions

Impact of the change (additional supplementary pension)	31.12.2017
Change of (0.50%) in the discount rate: 1.50% (2.00% - 1.50%)	
– Impact on present value of commitments at 31 December 2015	0,00%
– Impact on net total expense in 2015	−34,12%
Change of +0.50% in the discount rate: 2.50% (2.00% + 0.50%)	
– Impact on present value of commitments at 31 December 2015	0,00%
– Impact on net total expense in 2015	34,12%

Defined-benefit post-employment benefits (additional supplementary pension and termination benefits for retiring employees)

Changes in provision (in thousands of euros)

In thousands of euros	31.12.2017	31.12.2016
Provision/asset at the beginning of the period	**11.155**	**9.002**
– Expense recognised in profit and loss	*712*	*850*
– Benefits directly paid by the employer (unfunded)	*−23*	*−94*
– Actuarial gains or losses	*−1.939*	*1.397*
Provision/asset at the end of the period	**9.905**	**11.155**

Defined-benefit post-employment benefits (additional supplementary pension and termination benefits for retiring employees)

Recognition of commitments

In thousands of euros	31.12.2017	31.12.2016
Change in the value of commitments		
Present value of the commitment at the beginning of the period	34.596	33.315
– Past service cost	*557*	565
– Discount expense	*553*	546
– Actuarial gains or losses	*−865*	1.092
– Benefits paid by the employer and/or the fund	*−1.048*	−1.119
– Plan liquidation or reduction	-	197
Total present value of the commitment at the end of the period (A)	**33.793**	**34.596**
Change in plan assets and reimbursement rights		
Fair value of plan assets at the beginning of the period	23.441	24.313
– Return on plan assets	*399*	*458*
– Actuarial gains or losses	*1.073*	*−305*
– Benefits paid by the fund	*−1.025*	*−1.025*
Fair value of plan assets at the end of the period (B)	**23.888**	**23.441**
Funding status		
Financial position (A) – (B)	9.905	11.155
Provision/asset	**9.905**	**11.155**

6.1.C. Deferred compensation

The Group's remuneration policy is in accordance with the French ministerial decree of 3 November 2009 relating to the remuneration of employees whose professional activities may affect the risk exposure of credit institutions, and with the professional standards of the French Banking Federation (FBF) issued on 5 November 2009.
That remuneration policy was approved by the Bank's Supervisory Board on 23 March 2010 after a favourable opinion from the Remuneration Committee.
It was adjusted in line with the new provisions of the decree of 13 December 2010.
The Group applies the aforementioned professional standards, taking into account individual employee performance, competition in its markets, long-term objectives and the interests of shareholders.

Regulatory environment

The Decree of 3 November 2009 and the professional standards of the French Banking Federation have required financial institutions to regulate variable remuneration payment practices for financial market professionals and executives, to ensure that financial institutions have a level of equity that would not expose them to risk.
The Decree of 13 December 2010 extends the FBF standards issued on 5 November 2009 – which were reserved for financial market executives and professionals, defined as employees whose performance and remuneration are linked to market instruments – to "risk-taker" employees and all employees within an equivalent remuneration bracket and whose professional activities are likely to have an impact on the firm's risk profile. It also adopted the FBF criteria regarding payment of variable remuneration to the employees concerned.
In addition, the AFG, AFIC and ASPIM issued common provisions on the remuneration policies of asset management companies on 23 November 2010. The CRD IV directive (2013/36/EU), adopted by the European Parliament and Council on 26 June 2013, was transposed into French law by the order of 3 November 2014, replacing CRBF regulation 97-02 of 21 February 1997.

Governance and formalisation of existing practices

In accordance with the aforementioned texts, an annual report on the variable remuneration of the employees concerned is to be sent to France's prudential supervisory authority (Autorité de Contrôle Prudentiel et de Résolution). The process for determining remuneration and the resulting budgets must be examined by the Bank's Remuneration Committee.

The Bank's system

1 – "Risk-taker" employees

The employees concerned are:

- members of the Executive Committee, the Executive Board (or Board of Directors as the case may be) and Senior Management
- heads of Control Functions (Audit, Risk Management, Compliance) and those with managerial responsibilities that report to them
- heads of Business Units and those with managerial responsibilities that report to them
- heads of certain Support Functions (including Finance, HR, IT, Legal etc.)
- heads of Risk Management and Members of Risk Management Committees
- heads of New Products and Members of New Products Committees
- managers of Risk-Takers
- employees whose total remuneration is €500,000 or more and/or employees in the top 0.3% in terms of remuneration
- employees whose total remuneration is at least equal to that of the Senior Management member with the lowest remuneration

The calculation of variable remuneration for "risk-taker" employees complies with the following guidelines:

Bonuses must be partially deferred on a straight-line basis over a minimum of three years when they reach a certain level of variable remuneration and/or total remuneration.

Since variable remuneration with respect to 2015 reached a certain threshold, 40-60% will be paid in cash and spread over three years.

2 – Managers, sales staff of asset management companies

Under AIFMD, Edmond de Rothschild Asset Management (France) has adjusted its remuneration policy, and particularly its practices in terms of deferred variable remuneration for fund managers and other categories of staff covered by the Directive ("Material Risk-Takers").
The main characteristics of the policy are as follows:

- 40-60% of the variable remuneration granted to a beneficiary is deferred for three years,
- - at least 50% of the variable remuneration is linked to a basket of securities that represents the Group's various asset-management skills,
- - payment of deferred remuneration is subject to beneficiaries' continued employment within the company and the various conditions set out in AIFMD (no excess risk-taking, company's financial position etc.), which may reduce its amount between the grant date and vesting date.

To enable the company to cope with a sharp increase in the basket's value, a hedging mechanism will be used.

Remuneration expense is recognised gradually to reflect the fact that its vesting depends on the beneficiaries' continued employment within the company.
Where the fund's returns increase, the hedged portion of the variable remuneration payable will not be remeasured. The hedging asset will continue to be measured at historical cost. The unhedged portion will be covered by a provision.
If the fund's returns decrease, the hedging asset will be written down (to market value), and the variable remuneration payable will be reduced.

Adoption of the Long Term Incentive Plan (LTIP)

The Edmond de Rothschild Group has adopted a plan under which shares in Edmond de Rothschild Holding S.A. (EdRH, the unlisted Swiss holding company of the Edmond de Rothschild Group) are granted free of charge to certain Group employees ("Beneficiaries").
This plan is intended to increase retention of key staff and help ensure that the interests of employees and shareholders are aligned.

The plan's main characteristics are as follows:

- The Beneficiaries are granted rights to receive EdRH shares over a three-year vesting period (one third per year, i.e. tranches vesting in March N+2, March N+3 and March N+4).

- The Beneficiaries own the shares on the vesting date, but they only acquire economic rights, not voting rights. They have the status of "participation certificates" under Swiss law.
- The shares received can only be sold after the lock-up period has expired.
- The timeframe for selling them is limited, since each year's plan has a seven-year life. Shares can only be sold back to Edmond de Rothschild Holding S.A.

Participation certificates will be transferred to Edmond de Rothschild (France) Beneficiaries by Edmond de Rothschild Holding S.A.
Under the contract between Edmond de Rothschild Holding S.A. and Edmond de Rothschild (France), Edmond de Rothschild Holding S.A. will bill Edmond de Rothschild (France) for the cost of acquiring its own shares to be transferred to French Beneficiaries.

An expense is recorded with respect to services rendered by employees. Since there is no undertaking to pay any cash sum to employees, the plan qualifies as equity-settled (IFRS 2.43B), which has the following accounting consequences:
- An expense is determined at the grant date and is not subsequently remeasured, except to take account of changes in service and/or performance conditions (IFRS 2.B57).
- The expense is spread over the period during which the services are rendered, with a balancing entry in an equity account representing the parent company's contribution (IFRS 2.B53).
- That period is the period during which the beneficiaries render services to the Group on the basis of the conditions of continued employment that must be met for the rights to vest. The expense for the 2017 is being spread between 1 January 2017 and the vesting dates, i.e. over 2.25, 3.25 and 4.25 years for the tranches due to vest in March 2019, March 2020 and March 2021 respectively.

In 2017, the net expense relating to the LTIP was €1,239 thousand as opposed to €1,198 thousand in 2016.

Note 7 – Additional information

		Percentage held		Percentage controlled	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
7.1.	**Consolidated companies**				
	Fully consolidated companies				
	Holding companies				
	• Financière Boréale **	100,00	100,00	100,00	100,00
	• EdR Real Estate (Eastern Europe) Cie SàRL *	62,73	62,73	62,73	62,73
	• CFSH Luxembourg SàRL *	100,00	100,00	100,00	100,00
	• CFSH Secondary Opportunities SA *	98,00	98,00	98,00	98,00
	• Edmond de Rothschild Europportunities Invest II SàRL *	58,33	97,47	58,33	97,47
	• Edmond de Rothschild Europportunities Invest SàRL *	81,67	81,67	81,67	81,67
	• Bridge Management SàRL *	99,85	99,53	100,00	100,00
	• Eres Participations III SàRL *	-	100,00	-	100,00
	Investment company				
	• Edmond de Rothschild Securities (Hong Kong) Limited *	100,00	100,00	100,00	100,00
	Management companies				
	• Edmond de Rothschild Asset Management (France) **	99,85	99,53	99,85	99,53
	• Edmond de Rothschild (Italia) SGR. SpA *	-	100,00	-	100,00
	• Edmond de Rothschild Private Equity (France) **	100,00	100,00	100,00	100,00
	• Edmond de Rothschild Europportunities Management SàRL *	100,00	100,00	100,00	100,00
	• Edmond de Rothschild Europportunities Management II SàRL *	68,68	68,68	68,68	68,68
	• EdR Real Estate (Eastern Europe) Management SàRL *	100,00	100,00	100,00	100,00
	• LCFR UK PEP Limited *	100,00	100,00	100,00	100,00
	• Edmond de Rothschild Asset Management (Hong-Kong) Limited *	99,85	99,53	100,00	100,00
	• Edmond de Rothschild Asset Management (Chile) S.A.*	99,85	99,53	100,00	100,00
	• Edmond de Rothschild Investment Partners China SàRL *	100,00	100,00	100,00	100,00
	• Edmond de Rothschild Advisory Management (Beijing) Co., Limited *	99,85	99,53	100,00	100,00
	Advisory companies				
	• Edmond de Rothschild Corporate Finance **	100,00	100,00	100,00	100,00
	• Edmond de Rothschild Entreprises Patrimoniales Transactions	-	100,00	-	100,00
	Insurance company				
	• Edmond de Rothschild Assurances et Conseils (France) **	100,00	100,00	100,00	100,00
	Other				
	• Edmond de Rothschild Boulevard Buildings Ltd *	100,00	100,00	100,00	100,00
	• Groupement Immobilière Financière	100,00	100,00	100,00	100,00
	• Edmond de Rothschild Investors Assistance	100,00	100,00	100,00	100,00
	Associates				
	Bank				
	• Edmond de Rothschild (Monaco)	42,78	42,78	42,78	42,78
	Investment company				
	Management company				
	• Cleaveland **	100,00	100,00	100,00	100,00
	• Zhonghai Fund Management Co. Ltd *	25,00	25,00	25,00	25,00
	• Edmond de Rothschild Investment Partners	51,00	51,00	51,00	51,00
	Advisory companies				
	• China Investment Partners (Hong-Kong) Limited *	51,00	51,00	100,00	100,00
	• China Investment Partners (Shanghai) Limited *	51,00	51,00	100,00	100,00

* Foreign company.
** Company included in the tax group in 2017.

		31.12.2017	31.12.2016
7.2.	**Average number of employees**		
	French companies	730	756
	- Operatives	*97*	*129*
	- Executives and Senior Management	*633*	*627*
	Foreign companies	47	85
	Total	**777**	**841**

Pursuant to the provisions of the French Commercial Code, the Group publishes a breakdown by category of its average workforce during the period. The number of workers employed part-time or for less than the full year is taken into account in proportion to the average time worked as compared to the full-time hours laid down by agreement or statute.

7.3. Unconsolidated special purpose entities

A special purpose entity is an entity designed so that voting rights or similar rights are not the determining factor in establishing control over the entity.
The Group carries out transactions with sponsored special purpose entities through its fund management activities. Funds are offered to institutional and individual clients, and the Group handles distribution and commercial monitoring in respect of the funds.

In 2017, €16 million was invested with respect to sponsoring (for a total exposure of €77.7 million at 31 December 2017). New commitments taken in 2017 amount to €16.7 million, giving a residual amount of €52.6 million at end-of 2017.
The Group uses a "carried interest" mechanism, in line with market practices.

7.4. Post-balance sheet events

On 10 December 2017, Edmond de Rothschild (France) and its wholly-owned subsidiary Edmond de Rothschild Private Equity (France) on the one hand, and Montalivet Investment Management (MIM) on the other, which respectively own 51% and 49% of Edmond de Rothschild Investment Partners SCA, signed an acquisition agreement under which Edmond de Rothschild (France) and Edmond de Rothschild Private Equity (France) agreed to sell to MIM all of their stake in Edmond de Rothschild Investment Partners SCA. The transaction was completed on 15 March 2018. As a result, the disposal gain arising from the transaction will be recognised in the 2018 financial statements. If the relevant equity stake had been accounted for under IFRS 5 (classification under assets held for sale) at 31 December 2017, that would not have had any material impact on the presentation of the balance sheet or income statement.

The consolidated annual financial statements contained in this document were finalised by the Executive Board on 6 March 2018 and will be presented for approval at the Annual General Meeting of 16 May 2018.

7.5. Disclosures concerning capital

Pursuant to French Banking and Financial Regulation Committee regulation 2000-03, the solvency ratio is assessed at the level of Edmond de Rothschild S.A., which meets capital adequacy requirements.

At 31 December 2017, the capital of Edmond de Rothschild (France) amounted to €83,075,820, consisting of 5,538,388 shares with par value of €15 each.

7.6. Auditors' fees

Auditors' fees shown in the income statement for the 2017 financial year are as follows:

In thousands of euros	PwC	KLING	Others	31.12.2017	31.12.2016
Statutory Auditors' fees, fees for certification and audit of the separate and consolidated financial statements	**396**	**304**	**131**	**831**	**874**
Edmond de Rothschild (France)	159	159	106	424	319
Edmond de Rothschild Asset Management (France)	63	88	-	151	144
Other	174	57	25	256	411
Fees concerning services other than certification	**94**	**56**	**1**	**151**	**105**
Edmond de Rothschild (France)	8	44	-	52	88
Edmond de Rothschild Asset Management (France)	86	-	1	87	17
Other	-	12	-	12	-
Other services provided by the networks to fully consolidated subsidiaries	-	-	-	-	-
Total	**490**	**360**	**132**	**982**	**979**

Note 8 – Operating segments

The Group's operations are organised around two strategic business lines (Asset Management and Private Banking) and one further business line (Other Activities and Proprietary Trading).

Private Banking covers a range of services including:
- portfolio and private asset management, asset engineering and family office services;
- corporate advisory services for family-owned businesses.

Asset Management covers the following four types of management:
- equities, diversified assets, and convertible bonds;
- funds of funds, both traditional and hedge funds;
- fixed income and credit, as well as structured, quantitative and direct alternative asset management;
- private equity funds.

The "Other Activities and Proprietary Trading" business line includes:
- - under Other Activities, corporate advisory services provided by the dedicated subsidiary Edmond de Rothschild Corporate Finance, including M&A advisory, business valuations and financial engineering, the proprietary activities of the Capital Markets Department and the activities of Cleaveland, which specialises in managing French real-estate assets for third parties;
- - under Proprietary Trading, management of the Group's assets (particularly its securities portfolio), the Bank's financing activities for all of its businesses, expenses related to this business line's specific activities and its coordination role within the Group, and income and expenses not directly attributable to the other business lines.

Methodologies

Each business line's management accounts are intended to:
- show the results of each business line as if it were an independent entity;
- provide a fair view of their results and profitability over the period.

The main conventions used in establishing these accounts are as follows:
- each business line's net banking income corresponds to the revenues generated by its business, net of fees passed on to business providers;
- each business line's management expenses comprise its direct costs, its share of expenses related to the logistical and operational support provided by the Bank, and a share of the Group's overheads;
- provisions are allocated between the business lines to reflect the risk inherent in each business line's activities. Provisions that cannot be allocated to a business line are allocated to Proprietary Trading.

A detailed analysis of each business line's results and its contribution to Group earnings is provided below.

	Private Banking		Asset Management		Private Equity		Other Activities and Proprietary Trading		Group	
In thousands of euros	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net banking income	**95.890**	**86.204**	**172.077**	**141.412**	**4.150**	**3.172**	**33.000**	**43.807**	**305.117**	**274.595**
Operating expenses	−89.334	−86.710	−135.054	−137.089	−5.230	−4.732	−39.857	−39.465	−269.475	−267.996
Personnel expenses	−54.999	−53.929	−73.174	−72.927	−3.765	−3.022	−29.097	−23.952	−161.035	−153.830
– direct	*−40.530*	*−40.934*	*−52.824*	*−54.164*	*−3.321*	*−2.682*	*−23.790*	*−18.246*	*−120.465*	*−116.026*
– indirect	*−14.469*	*−12.995*	*−20.350*	*−18.763*	*−444*	*−340*	*−5.307*	*−5.706*	*−40.570*	*−37.804*
Other operating expenses	−27.204	−24.787	−53.974	−55.910	−1.358	−1.604	−7.340	−12.651	−89.876	−94.952
Depreciation, amortisation and impairment	−7.131	−7.994	−7.906	−8.252	−107	−106	−3.420	−2.862	−18.564	−19.214
Gross operating income	**6.556**	**−506**	**37.023**	**4.323**	**−1.080**	**−1.560**	**−6.857**	**4.342**	**35.642**	**6.599**
Cost of risk	2	6	1	-	-	-	−65	−248	−62	−242
Operating income	**6.558**	**−500**	**37.024**	**4.323**	**−1.080**	**−1.560**	**−6.922**	**4.094**	**35.580**	**6.357**
Share in net income of associates	8.955	6.626	−11.384	2.170	1.384	549	-	-	−1.045	9.345
Net gains or losses on other assets	-	-	-	-	-	-	732	9.428	732	9.428
Changes in the value of goodwill	-	-	-	-	−720	−807	-	-	−720	−807
Income (loss) before tax	**15.513**	**6.126**	**25.640**	**6.493**	**−416**	**−1.818**	**−6.190**	**13.522**	**34.547**	**24.323**
Income tax	−2.194	102	−12.543	−4.003	583	841	4.168	−4.013	−9.986	−7.073
Net income	**13.319**	**6.228**	**13.097**	**2.490**	**167**	**−977**	**−2.022**	**9.509**	**24.561**	**17.250**

Note 9 – Transactions with related parties

Edmond de Rothschild (France) is a subsidiary of Edmond de Rothschild S.A. (EdR S.A.), which it itself a subsidiary of Edmond de Rothschild Holding S.A. (EdRH), the ultimate owner being Baron Benjamin de Rothschild.

All transactions took place in the ordinary course of business and on terms comparable to the terms of transactions with similar parties or, where relevant, with other employees.
Parties related to the Edmond de Rothschild (France) group are companies consolidated by Edmond de Rothschild (France) and by the EdRH group. In accordance with IAS 24, members of the Supervisory Board and members of the Executive Board of Edmond de Rothschild (France), their spouses and dependent children are also considered related parties.

Transactions with related companies

Note 7.1 lists all companies consolidated by Edmond de Rothschild (France).
Since transactions and year-end outstanding balances with fully consolidated Group companies are totally eliminated through consolidation, the table below only shows data for transactions with companies over which the Group has significant influence and which are accounted for by the equity method.

Transactions with associates

Note 3.9 lists all companies accounted for by the equity method.

In thousands of euros	31.12.2017	31.12.2016
Financial assets at fair value through profit and loss	-	-
Loans and receivables due from credit institutions	-	-
Accruals and other assets	876	2.202
Assets	**876**	**2.202**
Financial liabilities at fair value through profit and loss	458.656	199.460
Due to credit institutions	416	3.228
Due to clients	-	620
Accruals and other liabilities	1.700	1.737
Liabilities	**460.772**	**205.045**
+ Interest and similar revenues	6	5
- Interest and similar expenses	−4.049	−783
+ Fee income	210	1.196
- Fee expense	−3.189	−2.879
+ Other revenues	400	1.110
- Other expenses	-	-
Net banking income	**−6.622**	**−1.351**
- General operating expenses	−1.629	−2.745
Gross operating income	**−8.251**	**−4.096**

Transactions with parent company

Relations between Edmond de Rothschild (France) and its principal shareholder Edmond de Rothschild S.A. cover three areas:

- Business: EdR S.A. has in the past played a role in the Group's business development, in particular providing seed money for the Group's investment funds. At the request of Edmond de Rothschild (France), it could continue to play that role in the future, but on a smaller scale;
- Control: EdR S.A. holds 99.47% of the Bank's capital;
- A service provision relationship under a management and assistance agreement: under an agreement dated 7 October 1997 and amended on 30 December 1999, Edmond de Rothschild (France) provides EdR S.A. with general assistance and management services including (i) management of its securities portfolio in accordance with the policies and instructions issued from time to time by EdR S.A.'s management; (ii) submission of reports and analyses to EdR S.A.'s Board of Directors regarding proposed investments; and (iii) all day-to-day management operations of an administrative, legal, tax and financial nature.

In particular, Edmond de Rothschild (France) provides EdR S.A. with the staff necessary to perform these duties.
This agreement is renewable by tacit agreement from year to year, but may be terminated by either party subject to notice by 30 June of each year. More generally, Edmond de Rothschild (France) invoices all services provided to EdR S.A. during the relevant period (for the amount determined at the end of EdR S.A.'s accounting period).

In thousands of euros	31.12.2017	31.12.2016
Loans and receivables due from credit institutions	-	-
Accruals and other assets	404	397
Assets	**404**	**397**

In thousands of euros	31.12.2017	31.12.2016
Due to clients	36.291	74.128
Accruals and other liabilities	30	5
Liabilities	**36.321**	**74.133**

In thousands of euros	31.12.2017	31.12.2016
+ Interest and similar revenues	-	-
- Interest and similar expenses	-	-
+ Fee income	15	15
- Fee expense	-	-
+ Other revenues	354	348
- Other expenses	-	-
Net banking income	**369**	**363**
- General operating expenses	−227	−250
Gross operating income	**142**	**113**

Transactions with other related parties

These are transactions with EdRH and its subsidiaries, and with EdR S.A.'s subsidiaries.

In thousands of euros	31.12.2017	31.12.2016
Financial assets at fair value through profit and loss	-	-
Loans and receivables due from credit institutions	11.494	82.998
Loans and receivables due from clients	-	-
Accruals and other assets	45.405	44.499
Assets	**56.899**	**127.497**

In thousands of euros	31.12.2017	31.12.2016
Financial liabilities at fair value through profit and loss	507.075	355.077
Due to credit institutions	3.805	558
Due to clients	2.384	2.971
Accruals and other liabilities	14.625	18.700
Provisions	1.593	1.555
Liabilities	**529.482**	**378.861**

In thousands of euros	31.12.2017	31.12.2016
+ Interest and similar revenues	419	46
- Interest and similar expenses	−285	−609
+ Fee income	109.912	96.868
- Fee expense	−23.882	−24.370
Net gains or losses on available-for-sale financial assets	56	4.464
+ Other revenues	4.727	4.045
- Other expenses	−138	−111
Net banking income	**90.809**	**80.333**
- General operating expenses	−5.458	−6.808
Gross operating income	**85.351**	**73.525**

Transactions with related natural persons

In thousands of euros	31.12.2017	31.12.2016
Loans and overdrafts	19.064	19.066
Assets	**19.064**	**19.066**

En milliers d'euros	31.12.2017	31.12.2016
Time deposits	592	530
Liabilities	**592**	**530**

In thousands of euros	2017	2016
+ Interest and similar revenues	94	110
Net banking income	**94**	**110**
Gross operating income	**94**	**110**

Remuneration of corporate officers

Remuneration and benefits paid to members of the management bodies

In thousands of euros	2017	2016
Remuneration paid (*)	4.972	2.830
Total	**4.972**	**2.830**

(*) Gross amount including social security costs paid by the employer.

Note 10 – Risk management and financial instruments

Part 1

General risk management policy

Section 1 – Internal control

To meet the requirements of its regulators, the Bank has set up an internal control system that enables it to manage risk on a consolidated basis.

The components of this system are designed to provide the corporate bodies and the Audit Committee with an accurate view of the risks so that they can be managed appropriately.

The experience gained in this process by the internal control teams, and the close involvement of the corporate bodies, means that a consolidated view of risk can be established for the Bank itself, but also for its clients.

The internal control system is organised on three levels:

- *first level*: in addition to operational staff and their line managers, a network of controllers and compliance officers within departments and operating subsidiaries constitutes the first level of internal control;
- *second level*: the Compliance and Control Department oversees the proper implementation of internal control measures at the first level, and the Central Risk Department ensures the consolidated monitoring of financial risks in the Bank's activities;
- *third level*: the Internal Audit Department applies third-level controls to all of the Bank's structures. During specific or group-wide assignments, it reports on the quality of internal control, possible improvements and the security of processes. The maturity of the risk management system and controls performed by the second-level control entities give the Internal Audit Department a reliable foundation on which to base its investigations, on which it reports directly to the Audit Committee.

Section 2 – Description of second-level entities

The Compliance and Control Department and the Central Risk Department are second-level control entities that each work very closely with the first-level compliance officers of their respective business lines to set targets, continuously improve methods and tools and co-ordinate control activities.

More specifically:

- The Compliance and Control Department is tasked with implementing continuous monitoring mechanisms. It lies at the second level of the control system and oversees the implementation of first-level controls by the operational departments and provides assistance to the business lines. This entails informing and training employees to provide them with adequate knowledge of the regulations and the internal procedures governing their activities. It also ensures compliance with the ethics policies applicable to employees and in the context of efforts to combat money laundering and the financing of terrorism.
- The Central Risk Department (CRD), an essential link in the second-level internal control system, consists of three units tasked with monitoring:
  - A) risks relating to proprietary activities (Financial Control), including counterparty, liquidity and market risks.
  - B) risks relating to the management of assets for third parties and borne by asset managers within the Bank and its asset management subsidiaries.
  - C) operational risks relating to potential process and system failures and fraud. Alongside these monitoring tasks, the CRD implements and updates a risk map, which may give rise to action plans or alerts based on a formal escalation policy.

In addition to its own role in monitoring financial risk, the Central Risk Department is also responsible for leading the Group's risk management organisation, including setting up cross-functional committees that review the overall risks inherent in the Bank's activities.
The Compliance and Control Department ensures the operational compliance of this risk management organisation.

Section 3 – Internal control consolidation at EdR group level

Harmonised methods for assessing and calculating risk allow risks to be consolidated at the level of the Swiss holding company.
The consolidated risk management system that the Edmond de Rothschild Group intends to put in place will involve increased communication between teams and the adoption of continuously improved reporting mechanisms.

Part 2

Counterparty credit risk management

Counterparty credit risk is the risk of loss caused by the inability of a client or counterparty to honour its financial obligations. This risk includes settlement risk during the period between the point at which the payment or delivery order for a financial instrument sold can no longer be unilaterally cancelled by the Bank, and the final reception of the financial asset purchased or the corresponding cash.

Section 1 – Risk-generating activities

Counterparty credit risks borne by the Group originate from:

1. transactions with Private Banking clients and funds managed by the Group's asset management companies, particularly in connection with the following operations:
   - loans or commitments to Private Banking clients;
   - overdrafts on current accounts for private clients;
   - occasional overdrafts of funds managed by the Group's asset management companies that are transferred to the Bank (such overdrafts result from the time gap between purchases and sales of securities);
   - capital guarantees given to some funds, particularly "cushion funds" (the "cushion" is the maximum acceptable loss corresponding to the difference at any time between the present value of the fund's guarantee commitments and its net asset value). The asset management model for funds benefiting from the Bank's capital guarantee aims to provide assurance that the net asset value will remain equal to or higher than the guaranteed value, so that the Bank's guarantee will not be invoked. However, in the event of certain operational risks materialising (such as errors in the application of the asset management model or the unavailability of the asset management team), net asset value could be lower than the guaranteed value and in such a case the Bank's guarantee would be invoked.
   - foreign exchange transactions with certain in-house funds to hedge the exchange-rate risk resulting from positions in foreign currencies.

2. over-the-counter transactions entered into as part of proprietary trading activities, principally with banks or large companies with satisfactory credit ratings.

Section 2 – Authorisation, monitoring and assessment procedures

Authorisation procedures

Credit risks are generally accepted on condition that the expected return provides satisfactory coverage of the risk of loss in the event of default by the client or counterparty. While guarantees are generally sought, this is never a substitute for an ex-ante analysis of the risks.
Different rules and methods apply to transactions with clients and capital markets transactions.

Loans and signed commitments granted to Private Banking clients

In most cases, financing for clients (loans or signed commitments) is overseen by the Commitments Committee, which meets weekly and is chaired by the Chairman of the Executive Board or another member of the Executive Board. Before any such arrangement is entered into, the Commitments and Risk Exposure Department examines the application submitted by the client advisor concerned (or by a Group asset management company where the beneficiary is a managed fund). This department issues a reasoned opinion on the quality of the proposed risk, and sends the entire file to the Commitments Committee for final decision, which is evidenced by a formal approval document signed by the Committee's chairman. Cases that exceed the Credit Committee's powers are submitted to the EdR Group's whole Executive Board and Chief Risk Officer.
In addition, loans and commitments may be granted through delegation of authority to the Head of Private Banking, and through sub-delegations of authority by the Head of Private Banking to certain staff members in the division. Those delegations and sub-delegations of authority are subject to strictly defined limits, and are governed by an ad-hoc internal procedure. Finally, loans and commitments granted under delegations and sub-delegations of authority are always brought to the attention of the Commitments and Risk Exposure Department, which ensures that delegated powers are complied with.

As regards over-the-counter transactions, bank counterparties are examined every six months by a specific committee known as the Counterparties Committee, chaired by the Bank's Chief Executive Officer and consisting of the Head of the Capital Markets Department, the Head of the Central Risk Department and the Head of Financial Control. In 2008, in view of the sudden decline in the financial standing of a number of bank counterparties, Financial Control strengthened its day-to-day monitoring arrangements by collecting and analysing the information provided by credit default swap (CDS) spreads.

This monitoring has been extended to cover some 30 corporate and sovereign issuers. To supplement this mechanism and comply with CRBF regulation 97-02 of 21 February 1997, the Central Risk Department in 2011 implemented its own method for assessing credit risk that relies on scoring by internal experts, in addition to the use of external ratings. This internal model measures the borrower's creditworthiness by means of financial analysis and scoring techniques.

Commercial counterparties (particularly large-public sector companies) also require formal approval from the same committee, and are reviewed every six months. Individual risk limits for all capital market counterparties (bank and commercial) are set by the aforementioned Counterparties Committee, which ensures in advance that those limits are consistent with the risk appetite of the EdR S.A. Group. Authorisations granted are then submitted for approval by the Bank's Supervisory Board.

These individual limits are, where appropriate, supplemented by so-called "group" limits, which govern exposures to any group of third parties deemed to be a single beneficiary within the meaning of Article 3 of Regulation 93-05 on monitoring large exposures. Investment limits are assigned on the basis of the internal rating established by the CRD and on the analysis of the creditworthiness of individual counterparties.

Two types of limits are defined:

- limits on amounts: the maximum amount of risk (both on- and off balance sheet) that the Bank is willing to accept for a counterparty (or group of related counterparties); and
- time limits: this determines the maximum term of transactions. The term is dependent on the rating of the counterparty or issuer, among other factors.

Any deterioration in the quality of a counterparty deemed to be material or any change in regulatory requirements triggers the immediate review of authorisations granted to the entity during the weekly Commitments Committee meeting.

Risk monitoring and assessment process

Loans and signed commitments granted to Private Banking clients

Monitoring compliance with limits

Client advisors are responsible for the day-to-day monitoring of accounts that shown an overdraft or an overdraft in excess of the authorised amount. To carry out that monitoring, they receive alerts relating to limit breaches every morning.

The Private Banking division/Group Manager also carries out a check on statements of limits exceeded over a materiality threshold, for all accounts in the Bank's books. Similarly, the Commitments and Risk Exposure Department checks that limit breaches comply with delegated powers in terms of both amount and duration. If necessary, it sends a request to the client advisor (with a copy to his superior) so that appropriate measures can be defined and applied. Where it believes that it is justified in the context, the Commitments and Risk Exposure Department informs the Commitments Committee, so that it can take a decision aimed at resolving the type of situation in question.

Finally, every month, the Commitments and Risk Exposure Department presents a summary of accounts showing a discrepancy and hands it to the Private Banking division and General Management in the Risk Committee meeting.

Monitoring collateral

Financing granted by the Bank is usually covered by collateral, primarily in the form of pledged securities accounts or assigned insurance policies. The value of collateral is monitored by the Commitments and Risk Exposure Department, which receives daily alerts on collateral that provides insufficient coverage relative to the loan granted.

A monthly summary is prepared for submission to the Private Banking division and General Management in the Risk Committee meeting, setting out any irregularities. However, when warranted, the Commitments and Risk Exposure Department can also make the Commitments Committee aware of any loan showing insufficient coverage prior to the end of the month so that action can be action.

Processing doubtful loans

Doubtful loans and commitments are transferred to the Legal Department for monitoring. These items are reviewed quarterly by the Doubtful Loans Committee, which is chaired by the Bank's Chief Executive Officer and consists of the Head of the Legal Department, the Chief Financial Officer of the Private Banking division, the Head of Accounting and the Bank's Head of Internal Audit. This committee also examines all litigation that may involve the Group.

Over-the-counter transactions

Management of credit risks associated with capital market transactions is primarily based on strict selection of authorised counterparties. It also involves risk mitigation and elimination techniques selected by the Group with respect to its primary counterparties, i.e. the establishment of framework agreements and collateral agreements, and use of the Continuous Link Settlement (CLS) system. Credit risk management also incorporates daily monitoring of compliance with risk limits and market counterparty monitoring.

Framework agreements and collateral agreements

To reduce counterparty risk on off-balance-sheet transactions, framework agreements have been established in every case for several years. At 31 December 2017, 83% of gross off-balance sheet risks were covered by such agreements for market counterparties. Of the risks not covered by a framework agreement, almost all concerned transactions with Group entities at that date.

In addition, after the adoption of the delegated regulation supplementing the EMIR regulation with regard to regulatory technical standards for risk mitigation techniques for OTC derivative contracts not cleared by a central counterparty on 4 October 2016, collateral agreements (credit support annexes or CSAs) were updated with 26 counterparties. Transactions with counterparties that have not signed such agreements will have to be limited to spot foreign-exchange transactions. The characteristics of those agreements are entered in the OSACAS database.

The Structured Products Back Office is responsible for the monitoring and administrative processing of collateral. As of the date of this document, the collateral accepted by the Bank consists exclusively of cash. Every day, the KTP tool calculates a theoretical margin call for each active counterparty. That information is then sent to the DSI Collateral system so that an initial provisional status can be assigned. Notice to pay is sent to the counterparty when the status relates to a receivable margin call. Once payment is made, the collateral received is interfaced with Moody's Analytics' RiskOrigin counterparty risk management system. In the event of disagreement with the counterparty, no flow is exchanged, and the status is updated to "abandon". An incident report listing all "abandoned" margin calls is sent to Financial Control.

All framework and collateral agreements are examined, before they are signed, by a legal advisor with specialist knowledge of capital markets transactions, and the amounts of allowances are approved by the CRD.

Use of the CLS system for foreign-exchange transactions

Since March 2006, the Bank has belonged to the CLS system, which eliminates the settlement risk usually associated with over-the-counter foreign-exchange transactions. The system has considerably reduced settlement/delivery risk on foreign currency transactions; at 31 December 2017, 54.3% of spot and forward foreign currency transactions with external counterparties went through the CLS system.

Monitoring of risk limit compliance

Exposure is remeasured daily on a mark-to-market basis plus an add-on intended to cover the risk of potential deterioration during the time to maturity of each contract. The add-on depends on the nature and term of the contract. Monitoring is fully automated using a new software platform (RiskOrigin, Moody's Analytics since June 2008) and satisfies the most stringent market requirements.

Desk managers are informed daily about counterparties' outstandings and limit usage. Each operator is responsible for complying strictly with the risk limits assigned to his/her profit centre, and must inform his/her superiors immediately if any limit is exceeded.

The Central Risk Department reviews counterparty limit compliance daily for all the Group's capital market activities. The Bank's Executive Board is alerted if any limit is exceeded.

Once a month, the Risk Committee reviews risk exposure, limits exceeded and the methods for resolving the situation. The Risk Committee also monitors the formation of framework and collateral agreements.

Monitoring counterparties

The Central Risk Department oversees commitments and continuously monitors market counterparties in order to identify risks of default at an early stage. Financial Control must submit a report to the Risk Committee on counterparties affected by significant events such as a change of ownership, a downgraded internal rating or reported losses. All limits on bank counterparties are systematically reviewed twice a year, taking into consideration financial data, macroeconomic data and ratings. Credit risks relating to financial institutions and sovereign entities are only incurred with respect to counterparties whose solvency is considered beyond reproach. A warning system on CDS spreads was established in early September 2008. CDS data are provided by CMA Datavision, an independent company based in London and New York. Spreads are measured on the basis of a model combining relevant market CDS prices collected from reliable contributors, ratings and other sector data. The monitoring system has been supplemented with analysis of 1-year and 5-year CDS spreads, allowing difficulties with certain counterparties to be anticipated. CDS spreads are used in assessing the internal ratings of market counterparties according to a proprietary methodology defined and validated in 2011.

Section 3 – Exposure to counterparty credit risks

The Group's commitments to clients

The Group's clients include Private Banking clients, the Edmond de Rothschild S.A. Group (excluding the Bank and its subsidiaries) and the investment funds managed by the Group. Commitments to clients are shown in the tables below.

Changes in the Group's commitments to clients

In millions of euros	31.12.2017	31.12.2016
Loans and other financing (balance sheet)	673	632
Guarantees	60	99
Unused credit facilities	145	114
Total	**877**	**845**

Group commitments to clients amounted to €931 million in 2017, stable after increasing for two years, while investment fund overdrafts fell significantly.

Quality of commitments to clients

Distribution of commitments
No declaration is made regarding any commitment with respect to the risk distribution ratio.
Outside the Group, most loans on the balance sheet are for less than €3 million (over 90% in terms of the number of loans). Although the number of loans for more than €3 million is small (10%), their total amount is significant. They now represent 57% of total credit-risk exposure to private banking clients, chiefly because the Bank's business is increasingly focusing on this client segment. More than 50 clients ("related beneficiaries") have outstanding loans of over €3 million.
Off-balance sheet commitments fell in 2017. The top ten clients now account for €24 million in outstandings), accounting for over half of guarantees for the Private Banking division.

Portion of loans (to private clients) in excess of the authorised limit

Authorised limits are exceeded only in a minority of cases. Such situations generally concern less than 5% of outstandings. They are monitored are resolved rapidly in most cases.

Portion of loans to private banking clients covered by a pledged financial instrument account or assigned life insurance policy

Over 95% of loans and financing to private banking clients are guaranteed by a pledged securities account, an assigned insurance policy or a bank guarantee (usually from the Group). The securities portfolios concerned by the pledges are diversified, invested mainly in the securities of listed companies, bonds and fund units, and mostly managed under contract.

Portion of doubtful loans and financing to private banking clients and related provisions

In millions of euros	31.12.2017	31.12.2016
Doubtful loans and other financing to private banking clients	339	1.220
- Including amount covered by provisions	*339*	*1.220*
Net total	**-**	**-**
Percentage of client loans and other financing	0,00%	0,00%

Once a loan is identified as doubtful, the Bank assesses the counterparty's solvency and the risks of non-recovery, and decides whether and in what amount an impairment loss should be recognised.

Impaired and unimpaired loans and other financing with overdue payments and guarantees received for these loans

The tables below show the net carrying amount of unimpaired loans with overdue payments (presented by period overdue), impaired doubtful loans and guarantees received to cover these assets.
The amount stated as guarantees received is the value of the guarantee, which cannot exceed the value of the asset it covers.

31 December 2017 in thousands of euros	≤ 90 days	Payments overdue by > 90 days ≤ 180 days	 > 180 days ≤ 1 year	 > 1 year	Doubtful loans (impaired assets and commitments covered by	Total loans and commitments	Associated guarantees received
Actifs financiers en valeur de marché par résultat (hors titres à revenu variable)	-	-	-	-	-	-	-
Actifs financiers disponibles à la vente (hors titres à revenu variable)	-	-	-	-	-	-	-
Prêts et créances sur les établissements de crédit	-	-	-	-	-	-	-
Prêts et créances sur la clientèle	-	-	-	-	-	-	-
Total des encours douteux et présentant des impayés nets de dépréciation	-	-	-	-	-	-	-
Engagements de financement donnés	-	-	-	-	-	-	-
Engagements de garantie financière donnés	-	-	-	-	-	-	-
Total des engagements douteux hors-bilan nets des provisions	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

31 December 2016 in thousands of euros	≤ 90 days	Payments overdue by > 90 days ≤ 180 days	 > 180 days ≤ 1 year	 > 1 year	Doubtful loans (impaired assets and commitments covered by	Total loans and commitments	Associated guarantees received
Actifs financiers en valeur de marché par résultat (hors titres à revenu variable)	-	-	-	-	-	-	-
Actifs financiers disponibles à la vente (hors titres à revenu variable)	-	-	-	-	-	-	-
Prêts et créances sur les établissements de crédit	-	-	-	-	-	-	-
Prêts et créances sur la clientèle	-	-	-	-	-	-	-
Total des encours douteux et présentant des impayés nets de dépréciation	-	-	-	-	-	-	-
Engagements de financement donnés	-	-	-	-	-	-	-
Engagements de garantie financière donnés	-	-	-	-	-	-	-
Total des engagements douteux hors-bilan nets des provisions	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Exposure to credit risk

The table below shows the exposure of all the Group's financial assets to credit risk. This exposure corresponds to the carrying amount of the financial assets reported in the balance sheet net of any impairment, before the effect of unrecorded netting and collateral agreements.

This exposure does not include the effect of framework netting agreements operative at 31 December 2017 and collateral agreements on forward financial instruments traded over the counter. Calculated on the basis of the netting allowed under capital adequacy rules, this effect at 31 December 2017 would reduce the Group's exposure to credit risk by €7.5 million.

in thousands of euros	31.12.2017	31.12.2016
Maximum exposure to credit risk		
Financial assets at market value through profit and loss (excl. Variable-income securities)	8.749	35.942
Hedging derivatives	-	-
Available-for-sale financial assets (excl. variable-income securities)	38.526	89.650
Due from credit institutions	127.861	249.595
Transactions with clients	672.883	631.744
Financial assets held to maturity	-	-
Exposure of commitments in the balance sheet, net of impairment	**848.019**	**1.006.931**
Loan commitments given	216.401	189.695
Financial guarantee commitments given	72.192	98.955
Provisions for signed commitments	-	-
Exposure of off balance sheet commitments, net of impairment	**288.593**	**288.650**
Total net exposure	**1.136.612**	**1.295.581**

Distribution of financial instruments by type of market price or valuation model used

The breakdown of financial instruments by type of market price or valuation model is reported in the table below for each category of instrument defined above.

in thousands of euros	31.12.2017 Market price	Model using observable parameters	Model using non-observable parameters	TOTAL	31.12.2016 Market price	Model using observable parameters	Model using non-observable parameters	TOTAL
Financial instruments held for trading at market value through profit and loss	28	6.169	-	6.197	28	23.576	-	23.604
Financial instruments measured at market value through profit and loss under the fair value option	2.580	-	-	2.580	12.366	-	-	12.366
Financial assets and liabilities at fair value through profit and loss	**2.608**	**6.169**	**-**	**8.777**	**12.394**	**23.576**	**-**	**35.970**
Financial instruments held for trading at market value through profit and loss	15.905	4.570	-	20.475	-	7.531	-	7.531
Financial instruments measured at market value through profit and loss under the fair value option	-	974.769	384.383	1.359.152	-	557.326	403.019	960.345
Financial liabilities at fair value through profit and loss	**15.905**	**979.339**	**384.383**	**1.379.627**	**-**	**564.857**	**403.019**	**967.876**

In 2017, the Group issued structured EMTNs valued at €103.9 million, and disposals totalled €117 million.

Exposure to counterparty credit risks on capital market operations

In addition to the risks deriving from proprietary trading activities, the exposure to credit risk shown below includes the issuer risk borne by guaranteed investment funds (where the Bank is the guarantor) in order to reflect the Bank's overall exposure to bank counterparties.

At 31 December 2017, 89.23% of credit risks on capital market transactions concerned bank counterparties with external credit ratings of A or better. It should also be noted that all exposures are to counterparties whose risks are considered good or excellent (external rating of BBB or better).

Distribution of gross commitments by bank counterparty rating

In 2017, gross banking commitments (including off-balance sheet commitments) fell mainly because of the decline in deposits recorded at our correspondents.

in thousands of euros	Gross risk equivalent 31/12/2017		31/12/2016		31/12/2015	
Rating by grade	Amount	%	Amount	%	Amount	%
AAA	-	0,00%	4,1	2,42%	0,0	0,0%
AA	0,4	0,36%	19,9	11,82%	52,8	22,3%
A	99,8	88,87%	144,0	85,35%	152,6	64,4%
BBB	9,0	8,01%	0,7	0,41%	31,5	13,3%
<BBB	3,1	2,76%	-	0,00%	-	0,0%
Unrated	ns	ns	0,0	0,00%	0,0	0,0%

Methodology: External ratings using the Standard & Poor's model, commitments measured at replacement value, excluding the effect of netting and collateral agreements.

The breakdown by rating of commitments on bank counterparties rating shows the excellent quality of the portfolio, which is focused almost exclusively on investment-grade counterparties.

Breakdown of gross commitments on sovereign counterparties by rating

The table below shows the breakdown by credit quality category of gross outstandings relating to loans and commitments on sovereign counterparties. This exposure has fallen substantially because of natural attrition in formula fund assets. Exposure amounted to €21.2 million at 31 December 2017 as opposed to €83.9 million at 31 December 2016.

in thousands of euros	Gross risk equivalent 31/12/2017		31/12/2016		31/12/2015	
Rating by grade	Amount	%	Amount	%	Amount	%
AAA	4,2	19,78%	59,1	70,40%	58,7	66,6%
AA	17,0	80,22%	24,8	29,60%	29,5	33,4%
A	-	0,00%	-	0,00%	-	0,0%
BBB	-	0,00%	-	0,00%	-	0,0%
<BBB	-	0,00%	-	0,00%	-	0,0%
Unrated	-	0,00%	-	0,00%	-	0,0%

Methodology: External ratings using the Standard & Poor's model, commitments measured at replacement value (mark-to-market value + add-on), excluding the effect of netting and collateral agreements.

Virtually all sovereign exposures, exclusively comprised of debt issued or guaranteed by eurozone governments, relate to counterparties whose risk is considered to be good or excellent. At 31 December 2017, the Bank held no public debt securities issued by peripheral eurozone countries (Spain, Greece, Ireland, Portugal, or Italy) or emerging-market countries.

Part 3

Market risk management

Market risks are risks of losses due to adverse developments in prices (primarily due to fluctuations in interest rates, exchange rates, share prices or commodity prices), except price movements resulting from the deterioration of an issuer's financial position.

Section 1 – Risk-generating activities

The Group's market risks result from:

- proprietary trading activities carried out by the Bank's Capital Markets Department, mainly the "euro and foreign currency treasury" desk and the "foreign exchange" desk;
- ownership of EMTNs or structured funds, either under the seed money policy or for market making. In this case, the Bank's subsidiary Financière Boréale is the counterparty for sales by clients that take place before the product's contractual maturity;
- risk resulting from the investment portfolio, which is monitored on a monthly basis.

Risks taken by the Capital Markets Department are therefore not generated by speculative transactions, but mainly result from short-term cash investments and client intermediation transactions.
Exposure to the secondary market is intended to be unwound as soon as it reaches a sufficient level.

The creation of structured products activities does not generate material market risks. The derivatives used to achieve index-linked returns (particularly swaps) are generally matched strictly with instruments that have identical features arranged by the fund, or a commitment to pay the interest expected by the client that invested in the EMTNs. Hedging gains or losses may occur during the launch of formula funds but these are exceptional and are unlikely to persist.
Loans and other financing commitments to clients do not generally lead to any exposure to market risks (interest-rate or exchange-rate risks) since a system of internal transfers or transactions shifts the exposure to the trading room under the supervision of the Capital Markets Department.

In other words, all market risks, whether initially associated with transactions with clients or arising from proprietary trading, are centrally managed by the Bank's trading room, or in the specific case of market-making for structured products, by the financial engineering team.

Section 2 – Monitoring and assessment methods

Market risk approval principles

Authorised limits for maximum exposure to the various market risks are set by the Executive Board and submitted to the Supervisory Board for approval.
These limits are expressed in four ways:

- absolute value of assets held: this is the maximum acceptable level in a given currency of the net position in that currency for foreign exchange transactions;
- sensitivity: sensitivity is defined as the value of the potential loss resulting from a specific variation in a given risk factor (e.g. interest rate or exchange rate);
- stop-loss: the amount of cumulative losses over a given period (calculated in days, months or years) that must not be exceeded unless the position is immediately settled. Stop loss limits are also set by the treasury and foreign exchange desks;
- maximum potential loss: the estimated loss over a one-year horizon resulting from the holding of structured products. This limit is defined on the basis of a scenario involving an adverse price movement, taking into consideration the protection generally associated with this category of financial assets.

Monitoring compliance with market risk limits

Traders in the Capital Markets Department and the Bank's financial engineering team must at all times comply with all market risk limits.
In addition, the Bank's Financial Control team (which is part of the Central Risk Department and is strictly independent of the front office) verifies compliance with market risk limits for all activities carried out by the Capital Markets Department, on the basis of daily reporting. For structuring, compliance with market risk limits is monitored on a weekly basis.
In the specific case of over-the-counter transactions with a client, the Financial Control team verifies that there is perfect matching (type and direction of options, nature of the underlying instrument, exercise price, maturity) with a market counterparty; option contracts are systematically back-to-back, i.e. each option transaction with a client is always immediately reversed in the market by entering into a matching opposite transaction with a market counterparty.
However, no options transactions were carried out in 2017.

Section 3 – Exposure to market risks

The table below reports details of the capital markets business' exposure to exchange-rate, interest-rate and equity risks during the last two years.

	2017	2017	2016	2017	2016	2017	2016	2017	2016
In thousands of euros	Limits set at 1 January	Year-end		Average		Minimum		Maximum	
Exchange rate risk *	800	232	79	157	112	71	34	241	290
Interest rate risk **	1.900	1.282	895	1.036	970	818	449	1.282	1.445
Equity risk ***	500	63	112	82	72	49	29	260	255

* sensitivity of operational foreign-exchange positions to an 8% change in exchange rates, excluding correlations.
** sensitivity of short-term positions to a uniform, parallel 1% change in interest rates, excluding correlations.
*** potential maximum loss on Financière Boréale's portfolio of structured products plus residual hedging gains or losses on financial arrangements.

The Group considers that its overall exposure to market risks is low, in accordance with the risk appetite of its holding company and the risk management policy defined and implemented. Most transactions are carried out on behalf of clients and immediately fully covered with a market counterparty.

Part 4

Liquidity and financing management

Liquidity risk is the risk that the Group will be unable to honour its commitments upon maturity or to settle a position due to the market situation. The risk of being unable to honour commitments may result from both transformation of maturities (i.e. borrowing short-term to lend long-term) and the inability to arrange new borrowings on acceptable terms, whether because of general market conditions or factors specific to the Group.

Section 1 – Liquidity

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

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

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

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

The Asset and Liability Management Committee, which includes a seat for the CRD, carries out three to four checks per year to ensure compliance with this policy. Since the interbank liquidity crisis broke in September 2007, the Financial Control team has also issued daily reports on operational liquidity. In addition, Financial Control has developed a liquidity stress scenario, updated in March 2012, in order to carry out monthly tests on the balance sheet's ability to withstand a shock involving, among other things, the withdrawal of most client source funds.
The stress-test results are positive since in all circumstances the Bank retains a liquidity credit balance.

The Group is therefore not considered to be dependent on the market to meet its commitments. In September 2009, the methodology for measuring liquidity risk was modified to more closely reflect:

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

Here again, the results confirmed that the balance sheet is highly resilient. There are several indicators showing that the Group's investments are sufficiently liquid:

- the volume of "available" cash investments including overnight deposits and short-term securities was generally above €1.1 billion in 2017. The amount at 31 December 2017 was €2.0 billion, much higher than the year-earlier figure;
- fixed-term cash investments, in the form of term loans and negotiable debt securities, are governed by strict principles: counterparties must have excellent credit quality and are selected under strict criteria by the Commitments Committee, and the investment period is limited. Those investments were measured at €20 million at 31 December 2017;
- client loans and other financing in the form of multi-instalment loans amounted to €200.9 million at 31 December 2017, relatively stable year-on-year;
- the short-term securities portfolio (excluding investments in associates) is also subject to limits in terms of amount and purpose. At 31 December 2017, it was made up of €141 million of variable-income securities (other than money-market funds used by subsidiaries for cash management purposes), essentially in the form of units of in-house funds acquired under the seed money policy. Since March 2010, the securities portfolio has been governed by a system of limits aiming to encourage sufficient diversification and the holding of liquid assets. The status of these securities (held for sale or to be retained) is regularly examined by the Asset and Liability Management Committee, which only approves the retention of securities in the portfolio in order to support development of the product or product range. In October 2012, the mechanism was supplemented by portfolio risk monitoring using a VaR method with a 95% confidence interval. An additional mechanism for supervising the securities portfolio has been defined at Edmond de Rothschild Group level.

That resulted in a highly conservative liquidity coverage ratio (LCR) of 191.25% at 31 December 2017, as opposed to an eventual minimum regulatory requirement of 100%.

Exposure to liquidity risk relating to funds

Liquidity indicators on sensitive funds are monitored daily by the first-level Risk Management team, and monthly by first-level risk committees in the subsidiaries, assisted by the Third-Party Risk Manager in the Central Risk Department. Items consolidated by all subsidiaries are reported monthly to the Financial Risk Committee.

In 2017, no gates were used on any fund marketed by the Bank.

Section 2 – Limitation of maturity mismatching

Continuing its prudent approach, the Bank has decided to maintain a structural "reverse" mismatch position in which long maturities (mainly long-term capital, redeemable subordinated notes and EMTNs associated with issuance of structured products) provide generous coverage of short-term investments. The following tables present discounted balances on the balance sheet by contractual maturity:

31 december 2017

In thousands of euros	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Indeterminate	TOTAL
Cash, due from central banks and postal accounts	2.025.603	-	-	-	-	2.025.603
Financial assets at fair value through profit and loss	8.689	60	-	28	-	8.777
Hedging derivatives	-	-	-	-	-	-
Available-for-sale financial assets	82.778	-	-	138.704	-	221.482
Due from credit institutions	127.861	-	-	-	-	127.861
Loans and receivables due from clients	530.444	82.201	42.051	18.187	-	672.883
Revaluation difference on portfolios with interest rate hedging	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-
Financial assets by maturity	**2.775.375**	**82.261**	**42.051**	**156.919**	**-**	**3.056.606**
Central banks and postal accounts	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss	946.814	245.242	104.675	82.896		1.379.627
Hedging derivatives	493	-	-	-	-	493
Due to credit institutions	27.634	-	-	-	-	27.634
Due to clients	1.345.388	48.088	24.663	-	-	1.418.139
Borrowings represented by securities	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Revaluation difference on portfolios with interest rate hedging	-	-	-	-	-	-
Financial liabilities by maturity	**2.320.329**	**293.330**	**129.338**	**82.896**	**-**	**2.825.893**

31 december 2016

In thousands of euros	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Indeterminate	TOTAL
Cash, due from central banks and postal accounts	1.176.124	-	-	-	-	1.176.124
Financial assets at fair value through profit and loss	15.717	11.427	8.798	28	-	35.970
Hedging derivatives	-	-	-	-	-	-
Available-for-sale financial assets	88.064	20.174	19.463	137.456	3.981	269.138
Due from credit institutions	249.595	-	-	-	-	249.595
Loans and receivables due from clients	492.749	91.315	33.708	13.972	-	631.744
Revaluation difference on portfolios with interest rate hedging	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-
Financial assets by maturity	**2.022.249**	**122.916**	**61.969**	**151.456**	**3.981**	**2.362.571**
Central banks and postal accounts	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss	647.598	99.966	215.461	4.851	-	967.876
Hedging derivatives	17	-	1.286	-	-	1.303
Due to credit institutions	22.380	-	-	-	-	22.380
Due to clients	1.049.480	99.292	21.388	-	-	1.170.160
Borrowings represented by securities	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Revaluation difference on portfolios with interest rate hedging	-	-	-	-	-	-
Financial liabilities by maturity	**1.719.475**	**199.258**	**238.135**	**4.851**	**-**	**2.161.719**

Assessment and operational monitoring of transformation is carried out monthly based on liquidity gaps determined on the basis of the parent company's balance sheet. This is an appropriate basis because the Bank houses the Central Refinancing Unit for its subsidiaries, whose activities use little liquidity. The management of structural liquidity risk is governed by three limits, periodically reviewed by the ALM Committee. The table below shows details of liquidity gaps at 31 December 2017.

Period	1 month	3 months	6 months	1 year	2 years	3 years	4 years	5 years
In millions of euros	1.604	1.211	1.036	841	705	597	563	525

Despite a conservative financial management policy, the Bank cannot rule out the possibility of significant early redemption requests from its clients. A highly adverse scenario has therefore been developed, and it is reported monthly to the Risk Committee and then to the Asset and Liability Management Committee. Examination of this scenario indicates that the Bank could easily meet its obligations in the event of the major constraints, i.e. it could:

- immediately repay all time deposits maturing in under one year;
- repay half of long-term source funds from the retail business;
- honour its commitments following the depletion of demand resources (assuming a one-half reduction in demand deposits).

An emergency funding programme has been developed to deal with any severe liquidity crisis affecting the Bank. It provides three funding options to counter a liquidity shortage:

- mobilisation of assets that are eligible as collateral for the ECB;
- use of credit facilities available from correspondent banks;
- disposal of liquid assets that are not eligible as collateral for the ECB.

The emergency plan also provides for the implementation of dedicated, responsive governance arrangements suited to the level of urgency.

Section 3 - Diversification of funding sources

Given the Bank's core businesses, source funds received from interbank sources and clients do not result from an active policy of seeking resources to finance investments, but instead reflect its asset management activity (Private Banking deposits, issuance of structured products, repo transactions with funds) and the promotion of the Bank as a counterparty on the money market.

The Bank nonetheless pays careful attention to diversifying its funding sources, which is one of the foundations of its liquidity risk management policy. The table below provides an indication of the diversity of its funding sources at 31 December 2017:

In millions of euros	Banks Amount	Banks Number	Private clients* Amount	Private clients* Number	Other Amount	Other Number	Total Amount	Total Number
Cash borrowings	1,0	1	486,0	NA	484,9	5	971,9	NA
Time deposits	NA	NA	NA	NA	NA	NA	74,0	NA
Certificates of deposit	50,0	2	-	-	73,0	2	123,0	4
Structured EMTNs	5.1	1	319.9	431	-	-	325,0	432

(*) For structured product issues, the Private Clients column includes data relating to the Private Banking division's clients. However, it is difficult to estimate accurately the number of investors who have subscribed to these products via other distribution channels.

Part 5

Management of overall interest-rate risk

Section 1 - Definition and origin of overall interest-rate risk

Overall interest-rate risk is the risk of loss on all fixed-rate assets, liabilities and off-balance sheet commitments (except fixed-income securities in the trading portfolio that fall into the category of market risks), in the event of a parallel uniform shift in yield curves.

The sensitivity as calculated by the Bank is defined as the change in net present value of residual fixed-rate positions in the event of a concurrent uniform shift in term structures of interest rates. Sensitivity and changes in sensitivity are calculated using dedicated software (RiskConfidence developed by Moody's Analytics), based on 1% and 2% changes in interest rates.

Section 2 - Exposure to overall interest-rate risk

The overall interest-rate risk to which the Group is exposed is consistently low. Client loans and other financing are mainly linked to floating-rate benchmarks (particularly 3-month Euribor) and refinanced internally (with the trading room) on a similar basis.

The Group manages its exposure to overall interest-rate risk in the context of a sensitivity limit reflecting the net present value of the loss incurred in the event of a uniform adverse movement of 200 basis points in the various yield curves.

The table below shows the levels of the overall fixed-interest rate gap by future period from 31 December 2017, assuming contractual settlement of existing assets and liabilities and no new lending:

Period	1 month	3 months	6 months	1 year	2 years	3 years	4 years	5 years
In millions of euros	68	38	12	39	23	23	10	10

Brackets indicate that there is a surplus of fixed-rate source funds, and therefore that the balance sheet is exposed to a fall in interest rates.

The medium-term gap results solely from the fact that the €21 million of undated super-subordinated notes issued in June 2007 are unhedged. As a result, sensitivity to a uniform movement of 100 basis points in the yield curve was limited to €0.5 million at 31 December 2017.

A stress scenario (a 200 basis-point shift) is also produced every month, which shows the low convexity of the balance sheet (sensitivity to a 200bp shift was equal to 1.99 times the sensitivity to a 100bp shift at 31 December 2017).

Part 6

Management of overall exchange-rate risk

The overall exchange-rate risk of the Bank's investment portfolio relates to its investments denominated in foreign currencies. It essentially results from purchases of investment fund units denominated in foreign currencies undertaken in connection with the seed money policy. The amounts concerned are shown in the following table at 31 December 2017:

Currency	Total (in thousands of euros)
CNY	19.424
USD	9.363
UAH	1.010
ARS	20

When the amounts are significant, the Bank may have to protect investments against exchange-rate risk by borrowing an equivalent amount of the currency. The investments reported above were financed from the outset by currency purchases.

Investments in subsidiaries and associates

At 31 December 2017 (in euros)

Companies or groups of companies	Share capital	Other equity	Percentage of share capital held
I - DETAILS OF INVESTMENTS (with net book value exceeding 1% of Edmond de Rothschild (France)'s share capital)			
A - Subsidiaries (at least 50 % held)			
Financière Boréale	1.739.944	−1.471.954	100,00%
Edmond de Rothschild Asset Management (France)	11.033.769	* 58.714.138	99,85%
Edmond de Rothschild Corporate Finance	61.300	−106.090	100,00%
Edmond de Rothschild Private Equity (France)	2.700.000	* 5.950.979	100,00%
Edmond de Rothschild Assurances et Conseils (France)	7.034.600	* -6.659.047	100,00%
CFSH Luxembourg	12.000	* 10.744.473	100,00%
Cleaveland	250.000	5.819.394	100,00%
Edmond de Rothschild Boulevard Buildings Ltd	*** 18.355.000	*** - 322.000	100,00%
B - Affiliates (10 to 50 % held)			
Edmond de Rothschild (Monaco)	12.000.000	* 53.022.000	42,78%
Zhonghai Fund Management Co., Ltd.	** 146.666.700	*/** 44.206.912	25,00%
Edmond de Rothschild Private Equity China Investment S.C.A.	18.058.000	* -2.646.034	27,21%
II - INFORMATION ON OTHER SUBSIDIARIES AND ASSOCIATES			
A - Subsidiaries not included in Section I above	-	-	-
B - Affiliates not included in Section I above			
French companies (aggregate)	-	-	-
Foreign companies (aggregate)	-	-	-

* Excluding interim dividend paid in 2017.
** In CNY.
*** Rounded to the nearest thousand.

Carrying amount of shares held: Gross	Carrying amount of shares held: Net	Outstanding loans and advances made by the Bank	Guarantees provided by the Bank	Revenue for the last financial year	Net income (loss) for the last financial year	Dividends received by the Bank
2.100.550	-	15.016.604	26.983.396	1.044.923	−317.460	-
68.789.657	68.789.657	-	85.737	269.793.328	29.263.705	24.972.456
11.305.037	11.305.037	-	-	17.249.535	941.051	-
2.700.014	2.700.014	-	-	3.826.708	−1.047.252	-
39.978.118	39.978.118	-	-	36.158.287	13.581.264	12.310.550
66.840.000	56.440.944	9.340.952	8.659.048	-	−541.785	-
35.398.945	35.398.945	-	-	5.707.203	1.252.475	-
17.546.861	17.546.861	6.200.913	-	-	*** -579.000	-
4.896.449	4.896.449	-	-	*** 74.592.000	*** 19.526.000	2.662.889
31.517.330	18.579.263	-	-	** 245.891.734	** -226.287.600	1.263.730
4.374.717	4.374.717	-	-	-	−1.381.731	
1.130.461	872.235	87.000	-	-	-	878.627
6.681.226	6.681.066	-	-	-	-	244.832
73.767	73.766	-	-	-	-	-

Consolidated companies

Edmond de Rothschild (France) at 31 December 2017

Bank and Investments Companies

%	Company
42,78%	Edmond de Rothschild (Monaco)
100,00%	Edmond de Rothschild Securities (Hong Kong) Limited

Holding Companies

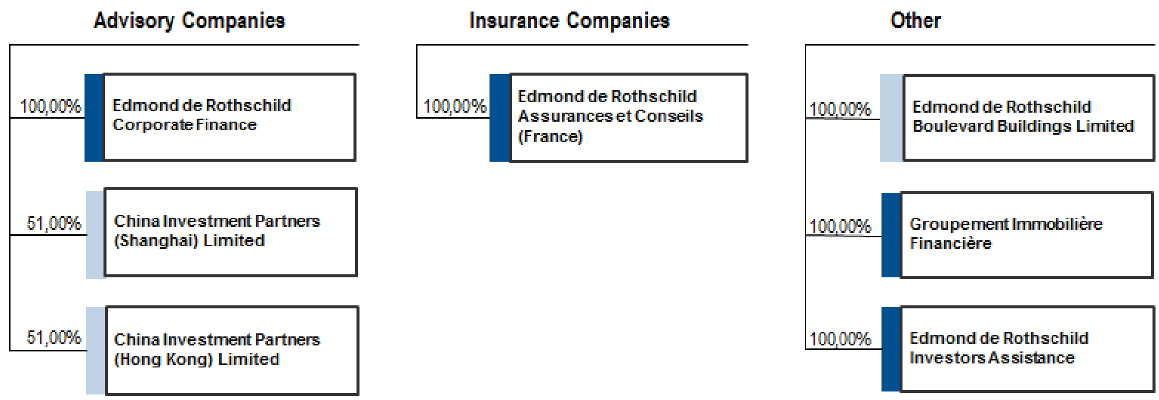
%	Company
100,00%	Financière Boréale
62,73%	EdR Real Estate (Eastern Europe) CIE Sarl
100,00%	CFSH Luxembourg Sarl
98,00%	CFSH Secondary Opportunities SA
58,33%	Edmond de Rothschild Europportunities Invest II Sarl
81,67%	Edmond de Rothschild Europportunities Invest Sarl
99,85%	Bridge Management Sarl

Asset Management Companies

%	Company
99,85%	Edmond de Rothschild Asset Management (France) (*)
99,85%	Edmond de Rothschild Asset Management (Hong Kong) Limited(*)
99,85%	Edmond de Rothschild Asset Management (Chile) S.A.
100,00%	Edmond de Rothschild Private Equity (France) (*)
100,00%	Edmond de Rothschild Europportunities Management Sarl
68,68%	Edmond de Rothschild Europportunities Management II Sarl
51,00%	Edmond de Rothschild Investment Partners (*)
100,00%	LCFR UK PEP Limited
100,00%	Edmond de Rothschild Investment Partners China Sarl
100,00%	EdR Real Estate (Eastern Europe) Management Sarl
25,00%	Zhonghai Fund Management Co Ltd (*)
99,85%	Edmond de Rothschild Advisory Management (Beijing) Co. Ltd
100,00%	Cleaveland

% Group holding

- Fully integrated
- Affiliated
- Foreign compagnies
- * Approved management companies


Advisory Companies
100,00%
Edmond de Rothschild Corporate Finance
51,00%
China Investment Partners (Shanghai) Limited
51,00%
China Investment Partners (Hong Kong) Limited
Insurance Companies
100,00%
Edmond de Rothschild Assurances et Conseils (France)
Other
100,00%
Edmond de Rothschild Boulevard Buildings Limited
100,00%
Groupement Immobilière Financière
100,00%
Edmond de Rothschild Investors Assistance

Parent company financial statements and notes

Parent company financial statements and notes

Parent company balance sheet and off-balance sheet items (in thousands of euros)

		31.12.2017	31.12.2016
Assets			
Cash, due from central banks and postal accounts		2.025.601	1.176.120
Treasury notes and similar securities	2.1	-	-
Due from credit institutions	2.2	109.492	228.583
Transactions with clients	2.3	710.338	737.633
Bonds and other fixed-income securities	2.4	23.765	24.120
Equities and other variable-income securities	2.5	72.558	67.976
Investments in affiliates and other long-term investments	2.6	34.605	51.482
Investments in subsidiaries	2.7	233.032	235.273
Intangible assets	2.8	19.817	17.096
Tangible assets	2.9	18.056	18.945
Treasury shares	2.10	-	-
Other assets	2.11	75.507	52.223
Settlement accounts	2.12	102.091	103.681
Total assets		**3.424.862**	**2.713.132**

		31.12.2017	31.12.2016
Liabilities and equity			
Due to credit institutions	2.14	995.233	576.300
Transactions with clients	2.15	1.506.860	1.244.840
Borrowings represented by securities	2.16	455.012	472.784
Other liabilities	2.11	71.024	59.616
Settlement accounts	2.12	82.017	48.892
Provisions	2.17	9.836	10.520
Subordinated debt	2.18	21.023	21.732
Equity (excluding fund for general banking risks)	2.20	283.857	278.448
· *Share capital*		*83.076*	*83.076*
· *Share premium amount*		*98.244*	*98.244*
· *Reserves*	2.19	*32.278*	*32.278*
· *Retained earnings (+/-)*		*51.558*	*40.458*
· *Net income for the year (+/-)*		*18.701*	*24.392*
Total liabilities and equity		**3.424.862**	**2.713.132**

	31.12.2017	31.12.2016
Commitments and contingencies		
Commitments given		
Loan commitments	180.451	122.525
Guarantee commitments	59.835	99.041
Security commitments	47.380	49.836
Commitments received		
Guarantee commitments	12.871	50.802
Security commitments	-	-

Parent company income statement

In thousands of euros		2017	2016
+ Interest and similar revenues	3.1	20.473	22.998
- Interest and similar expenses	3.2	−26.959	−24.447
+ Revenues from variable-income securities	3.3	43.422	44.548
+ Fee income	3.4	89.894	78.240
- Fee expenses	3.4	−10.863	−7.191
+/- Net income from the trading portfolio	3.5	19.890	11.736
+/- Net income from short-term investment securities and related instruments	3.6	368	−1.662
+ Other income from banking activities	3.7	39.389	37.552
- Other banking expenses	3.8	−4.939	−4.644
Net banking income		**170.675**	**157.130**
- General operating expenses	3.9	−143.262	−139.980
- Depreciation, amortisation and impairment of tangible and intangible assets		−11.296	−13.074
Gross operating income		**16.117**	**4.076**
+/- Cost of risk	3.10	26	10
Operating income		**16.143**	**4.086**
+/- Net income from fixed assets	3.11	−8.763	4.986
Income (loss) before tax		**7.380**	**9.072**
+/- Extraordinary income or loss	3.12	−8.437	4.636
- Corporate income tax	3.13	19.758	10.684
Net income		**18.701**	**24.392**

Notes to the parent company financial statements

Note 1 – Accounting principles

1.1. General

The parent company financial statements of Edmond de Rothschild (France) are prepared and presented in accordance with Regulation 2014-07 of the Autorité des Normes Comptables (French accounting standards authority) dated 26 November 2014.

1.2. Accounting policies and measurement methods

Translation of transactions in foreign currencies

Transactions in foreign currencies are translated into euros using the official exchange rates as published by the Banque de France at the year-end.
Investments in subsidiaries and associates denominated in foreign currencies but financed in euros are recorded in the balance sheet at the euro equivalent of their historical foreign-currency cost, using exchange rates prevailing at the date of acquisition or subscription. The resulting translation gains or losses are not included in income.

Loans and other financing to clients

Edmond de Rothschild (France) applies CRC Regulation 2002-03 of 12 December 2002 as amended by CRC Regulation 2005-03 of 3 November 2005 and recommendation 2002-04 issued by the French National Accounting Committee on 28 March 2002 relating to the accounting treatment of credit risks by enterprises regulated by the French Banking and Financial Regulation Committee.

Consequently, more detailed information is provided on counterparty risks and new categories of loans have been created in the financial statements as follows:

- performing loans: loans and other financing to clients are shown in the balance sheet at nominal value;
- overdue loans: payments overdue by three months or less (six months or less in the case of mortgages) continue to be reported as performing loans. Beyond these periods of time, loans – for all amounts extended to clients – are classified as doubtful;
- restructured loans: loans restructured as a result of the client's financial position are reclassified as performing loans if restructured under market conditions prevailing at the time.

Loans restructured under non-market conditions are included in a specific subcategory of performing loans until their final due date. Any principal amount or interest waived, whether due or accrued, is charged to income at the time of the restructuring. If - in view of market rates prevailing at the time of a loan restructuring that are less favourable than the initial terms of the loan, or in view of the initial loan rate if not - the restructuring gives rise to a future interest difference, the present value of the difference is recorded as an impairment of the loan at the time of restructuring and included in the cost of risk, and subsequently taken to interest income over the remaining life of the loan. If the client does not pay on due dates after the restructured loan has been reclassified as performing, it is immediately downgraded.

Edmond de Rothschild (France) defines restructured loans as loans to counterparties undergoing financial difficulties such that the lender is obliged to adjust the initial terms (term, interest rate, etc.) to enable the counterparty to honour its payment obligations.

Restructured loans therefore exclude:

- loans with terms that have been renegotiated for commercial reasons with counterparties that have no solvency problems;
- loans whose theoretical repayment schedule is altered through application of an option or clause contained in the initial contract (e.g. temporary suspension and deferral of due dates);
- doubtful loans: on-balance sheet receivables and signed commitments concerning a counterparty are identified as doubtful outstandings in the Bank's accounting information system as soon as they show a clear credit risk.

Such a risk is clear where it is probable that the Bank will not recover some or all of the amounts due under the initial contractual terms of the commitment entered into by the counterparty, notwithstanding any guarantees or security provided. The loans or other items concerned are identified either by inclusion in specially created accounts or by means of a tag in the information system.
Edmond de Rothschild (France) classifies loans and commitments with a clear credit risk as doubtful in each of the following cases:

- the loan or advance is at least three months in arrears (six months for residential mortgages and property lessees and nine months for loans to local authorities, to take account of these loans' specific characteristics). The only exception to this rule is when specific circumstances indicate that non-payment is due to causes unrelated to the debtor's financial position;
- when the characteristics of a counterparty's position in connection with a loan or off-balance sheet commitment are such that, independently of any failure to meet payment dates, it can be concluded that a clear credit risk exists. This is the case, for instance, where the Bank is aware that its counterparty's financial position is poor and there is a resulting risk of non-recovery (for example, as a result of early warning procedures);
- if there is litigation between the Bank and its counterparty, for example, over indebtedness proceedings, court-ordered administration, receivership, court-ordered liquidation, personal bankruptcy, winding-up and any proceedings before an international court.

Edmond de Rothschild (France) distinguishes between two categories of doubtful loans: uncompromised doubtful loans and compromised doubtful loans:
- uncompromised doubtful loans are doubtful loans which do not fulfil the criteria for classification as compromised doubtful loans;
- compromised doubtful loans are loans to a counterparty whose solvency is such that, after a reasonable period of classification as doubtful loans, no return to the performing loans category is foreseeable. Classification as compromised doubtful loans takes place when the accelerated payment clause comes into play or, in the case of a lease, upon termination of the lease.
- loans of an unlimited term become repayable when relations are terminated with the counterparty as notified under the procedures defined in the contract. Any loan included in doubtful loans will be automatically classified as a compromised doubtful loan after one year in the uncompromised doubtful loans category.

Any loan reclassified as performing is immediately downgraded to the compromised doubtful loans category if the client fails to make payments as and when due.
Interest ceases to be recognised once the loan is transferred to compromised doubtful loans. Disputed loans are loans whose nature or amount, not the solvency of the counterparty, is being contested. These loans are included in uncompromised doubtful loans.
Provisions for clear credit risk: a specific allowance for impairment is made by a charge against income when the probability that all or part of a loan will not be repaid becomes clear. These allowances are deducted from assets.

In accordance with the application-date provisions of CRC (French Accounting Regulations Committee) regulation 2002-03 as amended relating to the accounting treatment of credit risk by enterprises regulated by the French Banking and Financial Regulation Committee, Edmond de Rothschild (France) applies the discounted cash flow method described in Article 13 of CRC regulation 2002-03 when measuring impairment.

Securities portfolio
The securities portfolio mainly comprises the following securities issued in France and abroad:
- fixed- and variable-income securities;
- French Treasury notes;
- other negotiable debt securities;
- interbank market securities.

Securities are classified according to the purpose for which they were acquired and, in accordance with CRBF Regulation 90-01 as amended by CRC Regulation 2005-01 relating to the recognition of securities transactions, Regulation 2008-07 of 3 April 2008 relating to the recognition of securities acquisition costs and Regulation 200817 of 10 December 2008 relating to transfers of securities other than held-for-trading and available-for-sale securities and the recognition of stock option plans and bonus share plans for employees, and with CRC Regulation 2002-03 relating to the determination of credit risk and impairment of fixed-income securities, and the Bank classifies securities as held-for-trading securities, available-for-sale securities, investment securities, and investments in subsidiaries and associates.

- Held-for-trading securities are recognised on the date they are purchased at their purchase price, excluding incidental purchase costs and including accrued interest. Purchase costs are recognised directly as expenses. Held-for-trading securities are purchased for with a view to reselling them within a period of not more than six months.
- Available-for-sale securities are recognised on the date they are purchased at their purchase price. Purchase costs are included in the purchase price of available-for-sale securities. They are acquired with the intention of holding them for more than six months, in principle for subsequent resale.

- Investment securities are recognised on the date they are purchased at their purchase price. Purchase costs are included in the purchase price of investment securities.
- These are intended to be held for the long term, and are either subject to specific interest-rate hedges or covered by dedicated financing resources. The difference between their purchase price and redemption value is amortised over the remaining life of the securities.
- Portfolio securities, other securities held over the long term and investments in subsidiaries and associates are recorded on the date they are purchased at their purchase price. These securities are purchased with the intention of holding them for the long term. This category includes all equity interests of 5% or more. Equity interests of less than 5% are also included if the Bank is represented in the management bodies or if another indirect investment is held via other Group companies.

Securities are shown under the following balance sheet headings:

- treasury notes and similar securities;
- bonds and other fixed-income securities;
- equities and other variable-income securities;
- associates and other long-term investments;
- investments in subsidiaries;
- treasury shares.

- ***Non-current assets***

Intangible assets relate primarily to purchased software that is amortised over one to three years.
Depreciation of office furniture and equipment, computer hardware, fixtures and fittings, and vehicles is determined on the following basis:

- straight-line method: 10-25%;
- reducing balance method: 37.5% and 40%.

The building owned by Edmond de Rothschild (France) is being depreciated over 25 years.
As part of the convergence between French GAAP and International Financial Reporting Standards (IFRSs), CRC Regulation 2004-06 of 23 November 2004 (applicable from 1 January 2005) eliminated the possibility of recognising deferred expenses or expenses to be amortised over several periods as assets.

Deferred expenses must now be recognised:

- in assets, if they qualify for definition and recognition as assets or are attributable to the initial cost of assets;
- in expenses in all other cases.

Edmond de Rothschild (France) applies CRC Regulation 2002-10 of 12 December 2002 as amended by CRC Regulation 2003-07 of 12 December 2003 relating to depreciation, amortisation and impairment of assets, and Regulation 2004-06 of 23 November 2004 relating to the definition, recognition and measurement of assets.

Property, plant and equipment are recognised at cost (purchase price plus direct ancillary expenses).
Intangible assets are mainly made up of software, which is recorded under intangible assets in progress until put into use.
Property, plant and equipment and intangible assets qualifying for depreciation or amortisation are depreciated or amortised over their period of use within the company.

Treasury shares

The Bank's treasury shares are recognised as available-for-sale securities.

The company applies the provisions in French National Accounting Council opinion 2008-17 of 6 November 2008 relating to the accounting treatment of stock option plans and bonus share plans for employees.
Implementation of the rules has no impact on the financial statements, as these principles were already being applied to the parent-company financial statements.
Additions to and releases from provisions and expenses related to the plans are now presented under personnel expenses.
In relation to treasury shares allocated to a plan, a liability provision is set aside over the grant period and adjusted on the basis of the number of shares granted to beneficiaries.
Treasury shares not allocated to a plan may be impaired if their net carrying amount is greater than the share price on the balance-sheet date, as for other available-for-sale securities.

Interest and fee income and expenses

Income from interest and bank charges are recorded in the income statement on an accrual basis.
In general, fees are also recorded on an accrual basis.

Valuation of securities

Securities held at year-end are valued as follows:

- investment securities on which the interest-rate risk is hedged are not impaired when their market value falls below their carrying amount. Unrealised gains are not recognised;
- investments in subsidiaries and associates are measured at their value in use. For listed securities, market prices are not the only assessment criterion. Unrealised gains are not recognised, and unrealised losses give rise to impairment of the securities portfolio.

Income and expenses relating to forward financial instruments

The accounting principles adopted are those defined by the regulations of the CRBF, the instructions of the French Banking Commission and the opinions of the French National Accounting Council.
Those principles are based mainly on the type of transaction, its purpose, and the type of market on which it takes place:

- interest-rate swaps;
- income and expenses relating to instruments used to hedge transactions identified from the outset are recognised in the income statement on a symmetrical basis with the income and expenses from the hedged item;
- interest-rate futures (notional, Euribor, etc.).

Gains and losses resulting from hedges of transactions on underlying capital markets are amortised over the remaining maturity of the transactions hedged.

While a contract is still outstanding, one of two recognition methods is applied:

- transactions on organised or similar markets: the gains or losses resulting from measurement of contracts are taken to income;
- over-the-counter: only unrealised losses are provisioned;
- forward-rate agreements (FRAs): income and expenses relating to Fras used for hedging are taken to income on a symmetrical basis with the income and expenses from the hedged instrument. In the case of market transactions, gains and losses are recorded in the income statement when the operation is settled.
- Options (foreign-exchange, interest-rate, index and equity options): premiums are recorded in a suspense account when the contract is initiated. When contracts are settled, in the case of hedging transactions, they are taken to income on a symmetrical basis with the gains and losses on the hedged items.

In the case of market transactions, they are taken to income. Outstanding contracts relating to market transactions are remeasured at market value at the balance sheet date.
Any unrealised gain or loss on contracts traded on organised markets is taken to the income statement.
For contracts traded over the counter, only unrealised losses are provisioned.

Pensions and other employee benefit liabilities

The French banking industry's own pension system was changed by an agreement signed on 13 September 1993 by the French Banking Association (AFB). All French banks are now members of the nationwide unfunded multi-employer plans AGIRC and ARRCO.
The Caisse de Retraite de la Profession Bancaire (CRPB) pension plan, of which the Bank is a member, continues to exist and assumes various commitments set out by the agreement, primarily from its own funds and, where necessary, through employer contributions made by the Bank each year at an average rate that, for the first 10 years of application of the 1993 agreement, could not exceed 4% of total wages and salaries.
No provision has been established for the financial commitments associated with this pension plan, as the information available shows that the assets covering the commitments exceed the value of the CRPB's commitment.
The Bank does not apply the preferred method consisting of setting aside provisions for post-employment benefits under defined-benefit plans, i.e. pension plans, supplementary pensions and termination benefits.

Provision for long-service awards

In accordance with Recommendation 2003-R.01 of 1 April 2003 issued by the French National Accounting Committee and CRC Regulation 2000-06 relating to liabilities, a provision was set aside at year-end to cover probable payments to certain current employees (expected payments relating to long-service awards).

At 31 December 2017, that provision totalled €1.265 million.

Income tax

Income tax is calculated according to the rules of the tax consolidation group formed by Edmond de Rothschild (France) as parent and certain of its subsidiaries. Under the agreements signed, the parent company records the impact of tax consolidation in its income statement. The tax group comprised six subsidiaries in 2017.

Mandatory employee profit-sharing

Amounts to be paid under the French profit-sharing system are provided for on the basis of an agreement formed within Edmond de Rothschild (France)'s UES (a legally recognised group of integrated companies in France).

Transactions with related companies

Under CRB Regulation 91-01 as amended, Edmond de Rothschild (France) presents related-party transactions in Note 9 to the financial statements.

Note 2 – Analysis of balance sheet items

	In thousands of euros	31.12.2017	31.12.2016
2.1.	**Treasury notes and similar securities**		
	Available for sale	-	-
	Subtotal	**-**	**-**
	Depreciation	-	-
	Net total	**-**	**-**

		31.12.2017			31.12.2016		
	In thousands of euros	Demand deposits	Time deposits	Total	Demand deposits	Time deposits	Total
2.2.	**Due from credit institutions**						
	Overdrafts	109.492	-	109.492	149.433	-	149.433
	Loans	-	-	-	79.150	-	79.150
	Securities received under	-	-	-	-	-	-
	Subtotal	**109.492**	**-**	**109.492**	**228.583**	**-**	**228.583**
	Related receivables	-	-	-	-	-	-
	Total	**109.492**	**-**	**109.492**	**228.583**	**-**	**228.583**

	In thousands of euros	31.12.2017	31.12.2016
2.3.	**Transactions with clients**		
	Other loans and financing		
	. Loans	*201.742*	*196.754*
	. Securities received under repurchase agreements	*6.370*	*6.830*
	Subtotal	**208.112**	**203.584**
	Overdrafts	502.226	534.043
	Unassigned values	-	6
	Total gross value	**710.338**	**737.633**
	Doubtful loans (1)	339	1.220
	Allowances (1)	−339	−1.220
	Total (2)	**710.338**	**737.633**

(1) At 31 December 2017, compromised doubtful loans amounted to €339 thousand and were fully provisioned.
(2) Including related receivables totalling €891 thousand in 2017 and €666 thousand in 2016.

No loans were eligible for central-bank refinancing at 31 December 2017.

No client loans classified as doubtful loans at 31 December 2016 were reclassified as performing loans during 2017.

	In thousands of euros	31.12.2017	31.12.2016
2.4.	**Bonds and other fixed-income securities**		
	Available for sale	22.481	22.494
	Investment	-	-
	Subtotal	**22.481**	**22.494**
	Related receivables	1.631	1.626
	Total gross value	**24.112**	**24.120**
	Depreciation	−347	-
	Net total	**23.765**	**24.120**

No securities changed category during 2017.
The total net carrying amount of unlisted securities was €24.11 million.

The "available-for-sale securities" item includes €2.13 million of undated subordinated notes issued by Financière Eurafrique and €20 million of certificates of deposit.

In thousands of euros	31.12.2017 Held for trading	Available for sale	Total	31.12.2016 Held for trading	Available for sale	Total
2.5. Equities and other variable-income securities						
Securities held	28	78.758	78.786	28	73.665	73.693
Depreciation	-	−6.228	−6.228	-	−5.717	−5.717
Net total	**28**	**72.530**	**72.558**	**28**	**67.948**	**67.976**
Unrealised capital gains (1)	-	18.278	18.278	-	13.701	13.701

(1) Difference between cost and market value.

No securities changed category during 2017.
The total net carrying amount of listed securities was €48 thousand and the total net carrying amount of unlisted securities was €72.493 million.

Within the available-for-sale securities category, shares and fund units break down as follows:

In thousands of euros	31.12.2017 France	Outside France	Total	31.12.2016 France	Outside France	Total
Capitalisation funds	64.250	8.412	72.662	53.205	14.723	67.928
Other funds	-	-	-	-	-	-
Total	**64.250**	**8.412**	**72.662**	**53.205**	**14.723**	**67.928**

In thousands of euros	31.12.2017 Gross	Impairment	Net	31.12.2016 Gross	Impairment	Net
2.6. Investments in affiliates and other long-term investments						
Investments in subsidiaries						
- Credit institutions	*4.964*	*-*	*4.964*	*4.989*	*-*	*4.989*
- Other companies	*42.579*	*−12.938*	*29.641*	*46.815*	*−322*	*46.493*
Subtotal	**47.543**	**−12.938**	**34.605**	**51.804**	**−322**	**51.482**
Exchange difference	-	-	-	-	-	-
Total	**47.543**	**−12.938**	**34.605**	**51.804**	**−322**	**51.482**

The total net carrying amount of listed securities was €25.09 million and the total net carrying amount of unlisted securities was €9.51 million.

Major investments in subsidiaries and associates are listed in the table “Investments in subsidiaries”.

In thousands of euros	31.12.2017 Gross	Impairment	Net	31.12.2016 Gross	Impairment	Net
2.7. Investments in subsidiaries						
Financial and non-financial companies	246.145	−12.758	233.387	252.011	−15.871	236.140
Exchange difference	−355	-	−355	−867	-	−867
Total	**245.790**	**−12.758**	**233.032**	**251.144**	**−15.871**	**235.273**

The total net carrying amount of securities relates to unlisted securities.

The list of subsidiaries is as follows:

— Edmond de Rothschild Asset Management (France)
— Financière Boréale
— Edmond de Rothschild Corporate Finance
— Edmond de Rothschild Private Equity Partners
— Edmond de Rothschild Assurances et Conseils (France)
— Edmond de Rothschild Securities (Hong Kong) Limited
— Edmond de Rothschild Real Estate (Eastern Europe) CIE SàRL (A and B units)
— CFSH Luxembourg
— Elivest
— Cleaveland

In thousands of euros		At 1 January 2017	Acquisitions/ provisions made	Disposals/ releases to income	Other changes	At 31 December 2017
2.8.	**Intangible assets**					
	Gross value					
	Goodwill (including leasehold right)	3.881	-	-	-	3.881
	Other intangible assets	94.517	9.446		1.322	105.285
	Intangible assets in progress	-	-	-	-	-
	Total	**98.398**	**9.446**	**-**	**1.322**	**109.166**
	Amortisation					
	Other Intangible assets	−81.302	−8.004	-	−43	−89.349
	Total	**−81.302**	**−8.004**	**-**	**−43**	**−89.349**
	Net book value	**17.096**	**1.442**	**-**	**1.279**	**19.817**

In thousands of euros		At 1 January 2017	Acquisitions/ provisions made	Disposals/ releases to income	Other changes	At 31 December 2017
2.9.	**Tangible assets**					
	Gross value					
	Land	11.434	-	-	-	11.434
	Buildings	21.100	-	-	-	21.100
	Computer hardware	24.656	2.306	-	43	27.005
	Fixtures and fittings and other fixed assets	37.909	46		447	38.402
	Tangible assets in progress	-	-		-	-
	Total	**95.099**	**2.352**	**-**	**490**	**97.941**
	Depreciation					
	Buildings	−20.541	−50		-	−20.591
	Computer hardware	−22.512	−1.813		−43	−24.368
	Fixtures and fittings and other fixed assets	−33.101	−1.385		−440	−34.926
	Total	**−76.154**	**−3.248**	**-**	**−483**	**−79.885**
	Net book value	**18.945**	**−896**	**-**	**7**	**18.056**

2.10. Treasury shares and stock option plans

The Bank no longer holds treasury shares.

At 31 December 2017, there was no longer any stock option plan for Edmond de Rothschild (France) employees.

Treasury shares:

	Number of shares	Unit price	Total (in thousands of euros)
Position at 31 December 2017			
Position at 31 December 2016	-	-	-
including:			
Treasury shares allotted	-	-	-

		31.12.2017		31.12.2016	
In thousands of euros		Assets	Liabilities	Assets	Liabilities
2.11	**Other assets and liabilities**				
	Option premiums	-	-	-	-
	Margin calls	21.891	19.017	19.970	17.059
	Guarantee deposits	9.927	6.076	8.630	12.119
	Other	43.689	45.931	23.623	30.438
	Total	**75.507**	**71.024**	**52.223**	**59.616**

In thousands of euros	31.12.2017 Assets	31.12.2017 Liabilities	31.12.2016 Assets	31.12.2016 Liabilities
2.12 Accruals				
Items under collection	265	-	499	-
Prepaid expenses	9.347	-	7.206	-
Income to be received	81.220	-	75.950	-
Deferred income	-	1.623	-	1.692
Charges payable	-	57.153	-	44.965
Other	11.259	23.241	20.026	2.235
Total	**102.091**	**82.017**	**103.681**	**48.892**

In thousands of euros	At 1 January 2017	Acquisitions/ provisions made	Disposals/ releases to income	Other changes	At 31 december 2017
2.13. Long-term investments					
Gross value					
Bonds and other fixed-income	-	-	-	-	-
Affiliates and other long-term investments	51.804	30	−4.291	-	47.543
Investments in subsidiaries	251.144	3.754	−9.108	-	245.790
Total	**302.948**	**3.784**	**−13.399**	**-**	**293.333**
Impairment					
Affiliates and other long-term investments	−322	−12.938	322	-	−12.938
Investments in subsidiaries	−15.871	−268	3.381	-	−12.758
Total	**−16.193**	**−13.206**	**3.703**	**-**	**−25.696**
Net book value					
Bonds and other fixed-income securities	-	-	-	-	-
Affiliates and other long-term investments	51.482	−12.908	−3.969	-	34.605
Investments in subsidiaries	235.273	3.486	−5.727	-	233.032
Total	**286.755**	**−9.422**	**−9.696**	**-**	**267.637**

In thousands of euros	31.12.2017 Demand deposits	31.12.2017 Time deposits	31.12.2017 Total	31.12.2016 Demand deposits	31.12.2016 Time deposits	31.12.2016 Total
2.14. Due to credit institutions						
Deposits	25.131	-	25.131	21.147	-	21.147
Borrowings	2.502	965.909	968.411	-	554.216	554.216
Subtotal	**27.633**	**965.909**	**993.542**	**21.147**	**554.216**	**575.363**
Related payables		1.691	1.691	3	934	937
Total	**27.633**	**967.600**	**995.233**	**21.150**	**555.150**	**576.300**

In thousands of euros	31.12.2017 Demand deposits	31.12.2017 Time deposits	31.12.2017 Total	31.12.2016 Demand deposits	31.12.2016 Time deposits	31.12.2016 Total
2.15 Transactions with clients						
Special savings accounts						
. Special savings accounts	*-*	*65.306*	*65.306*	*-*	*54.707*	*54.707*
. Related payables	*-*	*-*	*-*	*-*	*-*	*-*
Subtotal	**-**	**65.306**	**65.306**	**-**	**54.707**	**54.707**
Other liabilities						
. Demand deposits	*1.350.351*	*-*	*1.350.351*	*1.050.840*	*-*	*1.050.840*
. Time deposits	*-*	*76.118*	*76.118*	*-*	*129.738*	*129.738*
. Securities delivered under	*-*	*6.369*	*6.369*	*-*	*6.829*	*6.829*
. Other miscellaneous payables	*-*	*8.689*	*8.689*	*-*	*2.702*	*2.702*
. Related payables	*-*	*27*	*27*	*-*	*24*	*24*
Subtotal	**1.350.351**	**91.203**	**1.441.554**	**1.050.840**	**139.293**	**1.190.133**
Total	**1.350.351**	**156.509**	**1.506.860**	**1.050.840**	**194.000**	**1.244.840**

	In thousands of euros	31.12.2017	31.12.2016
2.16	**Borrowings represented by securities**		
	Interbank market securities and negotiable debt instruments	450.768	466.901
	Bonds issued	-	-
	Subtotal	**450.768**	**466.901**
	Related payables	4.244	5.883
	Total	**455.012**	**472.784**

	In thousands of euros	At 1 January 2017	Increases in provisions	Allowances used	Releases to income	Other changes	At 31 December 2017
2.17.	**Provisions**						
	Provisions for charges						
	Provisions for long-service medals	1.254	178	−66	−101	-	1.265
	Provisions for possible losses on treasury shares (1)	-	-	-	-	-	-
	Other provisions for litigation expense	-	-	-	-	-	-
	Other provisions for charges (2)	364	350	−78	−27	-	609
	Subtotal	**1.618**	**528**	**−144**	**−128**	**-**	**1.874**
	Provisions for risks						
	Provisions for litigation (3)	6.857	4.954	−4.747	−1.252	-	5.812
	Other provisions for risks	2.045	105	-	-	-	2.150
	Subtotal	**8.902**	**5.059**	**−4.747**	**−1.252**	**-**	**7.962**
	Total	**10.520**	**5.587**	**−4.891**	**−1.380**	**-**	**9.836**

(1) Treasury shares held for stock option plans:
At 31 December 2017, there was no longer any stock option plan for Edmond de Rothschild (France) employees.

(2) Additions to provisions for liabilities are mainly intended to cover litigation with third parties. Releases from provisions relate mainly to litigation and the private equity business.

An additional supplementary pension plan set up in December 2004 was closed on 31 December 2012, although its provisions were maintained for beneficiaries born before 31 December 1953.

It applies to a category of executives for whom the existing basic and complementary pension plans provide a significantly lower rate of income replacement than for other categories of personnel.
This plan is a defined-benefit plan expressed in terms of the overall final pension (limited in time) or in terms of the top-up pension it provides in addition to the basic pensions.

The unfunded actuarial liability at the rate of 1.46% rose from €28.682 million to €27.515 million at 31 December 2017. Taxes and contributions on annuities: Article 113 of French act 2003-775 of 21 August 2003 on pension reform alters the liability to pay social security, the general social contribution (CSG) and the social debt reimbursement contribution (CRDS), on employers' pension-fund contributions. In return for exempting contributions from social security charges, a tax payable exclusively by the company was established.
The 2010 social security financing act doubled the tax levied on annuities exceeding one-third of the annual social security ceiling, raising it from 8% to 16%.
The 2011 social security financing act subsequently modified the basis for applying this tax.
The allowance was eliminated and the 16% tax thus applied from the first euro of the annuity, for all annuities paid after 1 January 2001.

The Group had previously opted for the tax on annuities, but at the end of 2011 it chose to change options as allowed by the 2011 social security financing act for defined-benefit plans consistent with Article L.137-11. It is now taxed at 12% based on all contributions paid into the fund.
In addition to the foregoing tax, an additional 30% contribution to be paid by employers from the first euro was established on annuities exceeding eight times the annual ceiling and paid from 1 January 2010. These impacts were measured in 2009.
As measured by the preferred method (not applied by the Bank) the financial coverage calculation shows that a provision of €3.627 million would have been set aside in 2017 as opposed to €5.241 million in 2016.
Plan assets were valued at €23.888 million in 2017 and the net residual gain relating to past service cost was zero at 31 December 2017.
Provisions do not include any amounts for termination benefits to be paid to retiring employees (€4.128 million in 2017 against €3.887 million in 2016).
Provisions for banking risks came to €3.230 million in 2017 (€3.676 million in 2016).

In thousands of euros		31.12.2017	31.12.2016
2.18	**Subordinated debt**		
	Undated subordinated notes (1)	21.000	21.000
	Related payables	23	732
	Total	**21.023**	**21.732**

(1) In June 2007, the Bank issued €50 million of undated super-subordinated notes. In the event of the issuer's liquidation, holders of these notes will be paid only after other creditors but before holders of participating loans or participating securities.
After discussions with one of the noteholders, Edmond de Rothschild (France) made an offer to repurchase part of the notes with a nominal amount of €29 million, at a discount of 7.5%.
After obtaining the authorisation of the ACP on 12 July 2013, €29 million of notes were repurchased and cancelled in August 2013.

The undated super-subordinated notes carry financial covenants:
- non-payment of interest in the event of insufficient capital related to noncompliance with prudential capital adequacy ratios or a deterioration in the Bank's financial position;
- reduction of accrued interest due and payable and then of the nominal value of the notes if the Bank has not taken action to remedy the capital situation within a specific period.

The main financial characteristics of these notes are as follows:

Issue date	Optional early redemption date (call option)	Rate until early redemption	Rate after early redemption	Interest step-up from the optional early redemption date
june 2007	June 2017 then quarterly	6,36 % (*)	Euribor + 2,65 %	+ 100 basis points

(*) Rate set by reference to the 10-year swap rate in euros on 4 June 2007: 4.71% + 1.65%.

In thousands of euros		31.12.2017	31.12.2016
2.19.	**Reserves**		
	Legal reserve	8.308	8.308
	Regulated reserves	152	152
	Other reserves	23.818	23.818
	Total	**32.278**	**32.278**

In thousands of euros		Capital	Additional paid-in capital	Reserves	Carry forward	Results	Total
2.20.	**Change in shareholder's equity**						
	Equity at 1 January 2017	**83.076**	**98.244**	**32.278**	**40.458**	**24.392**	**278.448**
	Capital increase	-	-	-	-	-	-
	Net income for the year (before	-	-	-	-	18.701	18.701
	Dividends	-	-	-	11.100	-	11.100
	Other movements	-	-	-	-	−24.392	−24.392
	Equity at 31 December 2017	**83.076**	**98.244**	**32.278**	**51.558**	**18.701**	**283.857**

At 31 December 2017, the share capital was €83,075,820.00 divided into 5,538,388 shares each with a nominal value of €15, and was held as follows:

	Number of shares	% held
Edmond de Rothschild S.A.	5.509.180	99,47%
EDRRIT Limited	24.172	0,44%
Group employees	4.976	0,09%
Other minority shareholders	60	-
Total	5.538.388	100,00%

Net income available for distribution comprises (in euros):

Net income for 2017	18.700.507,62
Balance carried forward at year-end	51.557.624,15
Appropriation to the statutory legal reserve	-
Net income available for distribution	**70.258.131,77**

Net income available for distribution is allocated as follows (*):

Payment of a dividend of €3.44 per share, i.e.	19.052.054,72
Retained earnings	51.206.077,05

(*) Subject to approval by the Annual General Meeting of 16 May 2018.

	In thousands of euros	31.12.2017	31.12.2016
2.21	**Transactions with subsidiaries**		
	Assets		
	Transactions with clients (excluding related receivables)	37.014	106.866
	Liabilities		
	Transactions with clients (excluding related receivables)	90.710	73.289

	In thousands of euros	< 3 mois	> 3 mois < 1 an	> 1 an < 5 ans	> 5 ans	Total
2.22	**Analysis of certain assets and liabilities by remaining term to maturity**					
	Assests					
	Due from credit institutions	109.492				109.492
	Transactions with clients	558.173	86.423	47.515	18.227	710.338
	Bonds and other fixed-income securities		19.971		4.141	24.112
	Total	**667.665**	**106.394**	**47.515**	**22.368**	**843.942**
	Liabilities					
	Due to credit institutions	925.008	70.225			995.233
	Transactions with clients	1.434.565	48.957	23.192		1.506.714
	Borrowings represented by securities	30.348	243.074	99.430	82.160	455.012
	Interbank market securities and negotiable debt instruments	*30.348*	*243.074*	*99.430*	*82.160*	*455.012*
	Bonds	-	-	-	-	-
	Total	**2.389.921**	**362.256**	**122.622**	**82.160**	**2.956.959**

Note 3 – Analysis of income statement items

	In thousands of euros	2017	2016
3.1.	**Interest and similar revenues**		
	On transactions with credit institutions	9.911	11.716
	On transactions with clients	8.579	8.005
	On bonds and other fixed-income securities	-	-
	Other interest and related income	1.983	3.277
	Total	**20.473**	**22.998**

	In thousands of euros	2017	2016
3.2.	**Interest and similar expenses**		
	On transactions with credit institutions	−17.017	−11.392
	On transactions with clients	−92	−363
	On bonds and other fixed-income securities	−8.710	−9.645
	Other interest and similar expenses	−1.140	−3.047
	Total	**−26.959**	**−24.447**

	In thousands of euros	2017	2016
3.3.	**Revenues from variable-income securities**		
	Equities and other variable-income securities	1.089	5.300
	Investments in affiliates and other long-term investments	4.351	4.249
	Investments in subsidiaries	37.982	34.999
	Total	**43.422**	**44.548**

		2017		2016	
	In thousands of euros	Income	Expenses	Income	Expenses
3.4.	**Fee income and expenses**				
	Cash and interbank transactions	-	−24	-	−12
	Transactions with clients	154	-	62	-
	Securities transactions	-	−21	-	−47
	Foreign exchange transactions	19	-	20	-
	Off balance sheet transactions			-	-
	. Securities transactions	*303*	-	*250*	-
	. Transactions in forward financial instruments	*1.122*	*−745*	*2.548*	*−1.566*
	Financial services	88.296	−10.073	75.360	−5.566
	Releases from allowances (provisions)	-	-	-	-
	Total	**89.894**	**−10.863**	**78.240**	**−7.191**

		2017			2016		
	In thousands of euros	Income	Expenses	Balance	Income	Expenses	Balance
3.5	**Gains and losses on transactions in trading securities**						
	Trading securities	104	−3	101	49	−22	27
	Foreign exchange transactions	408.655	−388.866	19.789	487.737	−476.028	11.709
	Commitments on forward financial instruments	-	-	-	-	-	-
	Releases from allowances (provisions)	-	-	-	-	-	-
	Total	**408.759**	**−388.869**	**19.890**	**487.786**	**−476.050**	**11.736**

	In thousands of euros	2017 Income	2017 Expenses	2017 Balance	2016 Income	2016 Expenses	2016 Balance
3.6.	**Gains and losses on transactions in short-term investment securities and similar**						
	Losses on sale	-	-	-	-	−328	−328
	Gains on sale	1.294	-	1.294	123	-	123
	Allocations and releases linked to impairment	358	−1.217	−859	1.846	−3.303	−1.457
	Total		−67	−67			
	Losses on sale	**1.652**	**−1.284**	**368**	**1.969**	**−3.631**	**−1.662**

	In thousands of euros	2017	2016
3.7.	**Other banking revenues**		
	Expenses transferred to other companies	10.812	11.212
	Miscellaneous revenues	27.045	25.232
	Other	692	820
	Releases from allowances (provisions)	840	288
	Total	**39.389**	**37.552**

	In thousands of euros	2017	2016
3.8.	**Other banking expenses**		
	Revenues transferred to other companies	−4.030	−4.391
	Other	−553	−494
	Releases from allowances (provisions)	−356	241
	Total	**−4.939**	**−4.644**

	In thousands of euros	2017	2016
3.9.	**General operating expenses**		
	Employee compensation	−56.494	−52.811
	Social security and similar costs	−24.869	−23.540
	Voluntary employee profit-sharing	−216	−134
	Employee profit-sharing	−2.429	−879
	Employee profit-sharing	−6.369	−6.502
	Provisions for personnel expenses	−5.121	−4.502
	Releases from allowances for personnel expenses	5.425	4.202
	Subtotal – personnel expenses	**−90.073**	**−84.166**
	Taxes other than on income	4.103	−1.290
	Rental expenses	−11.756	−12.035
	Cost of external services	−44.479	−41.479
	Travel expenses	−1.057	−1.010
	Miscellaneous charges from operations	-	-
	Increase in provisions for administrative expenses	-	-
	Decrease in provisions for administrative expenses	-	-
	Subtotal – administrative expenses	**−53.189**	**−55.814**
	Total	**−143.262**	**−139.980**

In thousands of euros		2017	2016
3.10	**Cost of risk**		
	Provisions for possible losses on loans	-	-
	Additions to provisions	-	-
	Net losses on bad debts	−878	−78
	Reversals of impairment on bad debts now performing	3	14
	Releases from allowances	878	74
	Recoveries on amortised loans	23	-
	Total	**26**	**10**

In thousands of euros		2017	2016
3.11.	**Gains and losses on long-term assets**		
	Gains on sale of intangible and tangible assets	-	-
	Gains on sale of long-term investments	740	5.206
	Losses on sale of intangible and tangible assets	-	-
	Losses on sale of long-term investments	-	−8.180
	Amortisation of long-term investments	−13.206	−1.832
	Reversals of amortisation of long-term investments	3.703	9.792
	Reversal of contingency and loss provisions	-	-
	Total	**−8.763**	**4.986**

3.12. Non-recurring items

Non-recurring items produced a loss of €8.437 million for 2017, mainly consisting of the loss on cancelled shares in Italian subsidiary Edmond de Rothschild (Italia) SGR S.p.A. when it merged with the Milan branch.

3.13. Income tax

Calculated on the basis of the tax consolidation group, there was an income tax credit of €19.758 million in 2017.

Had it been taxed separately, Edmond de Rothschild (France), excluding deferred tax, would not have been subject to income tax because it made a loss for tax purposes.

Note 4 – Additional information on banking activities

Analysis of net banking income

The analysis of net banking income by major business segment, which is extracted from the accounting presentation of the income statement, can be broadly summarised as follows:

In thousands of euros	2017	2016
- Asset management	78.241	69.657
- Interest-earning operations	8.196	7.218
- Trading transactions	9.630	7.881
- Corporate advisory services	68	-
- securities portfolio and other	74.540	72.374
Net banking income	**170.675**	**157.130**

Net banking income amounted to €170.7 million in 2017, up 8.6% relative to 2016 (€157.1 million).

The €14 million increase was due to asset management fee income, which rose significantly, by 12.3% from €69.7 million in 2016 to €78.2 million in 2017. The increase was due to higher financial commissions, other transaction fees (including front-end fees) and higher commissions on portfolios managed by the Italian branch, which rose sharply after the Italian subsidiary Edmond de Rothschild (Italia) SGR SpA merged with the local branch of Edmond de Rothschild (France).

Margin revenue rose €1 million between 2016 and 2017. The increase was the result of a higher amount of financing being granted to clients and the introduction of interest charges for credit balances in the accounts of institutional clients.

Capital market transactions were again affected by historically low interest rates and movements in the foreign exchange market, but contributed €1.7 million to the increase in net banking income between 2016 and 2017.

Net banking income also reflected a rise in revenue from the securities portfolio and other income,
which was €2.2 million higher than in 2016. That increase was mainly because of lower provisions on securities and higher miscellaneous revenues.

Note 5 – Off-balance sheet items

	In thousands of euros	31.12.2017	31.12.2016
5.1.	**Transactions with subsidiaries**		
	Commitments given		
	Loan commitments	35.642	8.672
	Guarantee commitments	86	86

5.2. Liquidity commitments

The beneficiaries of bonus share plans and stock option plans granted by Edmond de Rothschild S.A. or other Group companies have entered into liquidity agreements with the issuing entities. Under the terms of those agreements, the issuing companies undertake to purchase and the beneficiaries to sell the shares issued or allocated under these plans, subject to certain conditions.

Since December 2005, it has been agreed between Edmond de Rothschild S.A. and the Bank that Edmond de Rothschild S.A. will systematically be substituted for the Bank in execution of these contracts, and Edmond de Rothschild S.A. reserves the right to use a third-party substitute.

5.3. Transactions in forward financial instruments

Transactions in interest-rate instruments are concluded for micro-hedging purposes. Foreign exchange options may be entered into as part of the management of a specialised portfolio, or are matched.

Commitments related to forward financial instruments are broken down as follows (nominal value of contracts):

At 31 december 2017	Micro-hedging		Trading portfolio		Total	
In thousands of euros	Purchases	Sales	Purchases	Purchases	Sales	Purchases
Organised or similar markets						
Futures contracts						
Currency swaps (1)	1.881.258	1.923.899	-	-	1.881.258	1.923.899
Total	1.881.258	1.923.899	-	-	1.881.258	1.923.899
Over the counter						
Futures contracts						
Interest rate and index swaps (1)	988.802	59.564	-	-	988.802	59.564
Subtotal	988.802	59.564	-	-	988.802	59.564
Options						
Interest rate and index swaps (1)	-	-	-	-	-	-
Subtotal						
Total	**988.802**	**59.564**	**-**	**-**	**988.802**	**59.564**

(1) including €70.000 million with subsidiaries.

At 31 december 2016	Micro-hedging		Trading portfolio		Total	
In thousands of euros	Purchases	Sales	Purchases	Purchases	Sales	Purchases
Organised or similar markets						
Futures contracts						
Currency swaps (1)	2.059.788	2.045.079	-	-	2.059.788	2.045.079
Total	2.059.788	2.045.079	-	-	2.059.788	2.045.079
Over the counter	-	-	-	-	-	-
Futures contracts	-	-	-	-	-	-
Interest rate and index swaps (1)	537.987	54.166	-	-	537.987	54.166
Subtotal	537.987	54.166	-	-	537.987	54.166
Options	-	-	-	-	-	-
Interest rate and index swaps (1)	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Total	**537.987**	**54.166**	**-**	**-**	**537.987**	**54.166**

(1) including €77.500 million with subsidiaries.

The residual values of the above commitments break down as follows:

At 31 december 2017	Less than 1 year		1 to 5 years		More than 5 years	
In thousands of euros	Purchases	Sales	Purchases	Purchases	Sales	Purchases
Organized and similar markets	1.875.235	1.921.304	6.023	2.595	-	-
OTC markets	831.308	11.569	59.745	41.995	97.749	6.000

At 31 december 2016	Less than 1 year		1 to 5 years		More than 5 years	
In thousands of euros	Purchases	Sales	Purchases	Purchases	Sales	Purchases
Organized and similar markets	2.036.618	2.021.909	23.170	23.170	-	-
OTC markets	350.099	15.237	176.005	38.929	11.883	-

The Bank's exposure to market risks related to transactions in financial instruments is summarised as follows (in thousands of euros):

Type of risk	Type of transaction	Assumption	Sensitivity	
			31.12.2017	31.12.2016
Interest rate risk	Short-term positions in euros	1% unfavourable change in interest rates	527	405
	Short-term positions in foreign currencies	1% unfavourable change in interest rates	92	218
Exchange rate risk	Spot and forward foreign exchange positions	8% unfavourable change in exchange rates	96	33

	Valeur positive		Valeur négative	
In thousands of euros	31.12.2017	31.12.2016	31.12.2017	31.12.2016
5.4. Juste valeur des opérations sur instruments financiers à terme				
Marchés organisés et assimilés				
Contrats fermes				
« Swaps de devises »	6.775	36.863	−22.728	−22.826
Marchés de gré à gré				
Contrats fermes				
« Swaps de taux », « Swaps sur indices »	6.642	11.895	−4.659	−7.097

The fair value of forward financial instruments is calculated daily by reference to their market value as part of the measurement of counterparty risk.

Note 6 – Additional information on counterparty risks relating to derivatives

6.1. Types of risk and method of calculation

Credit risk equivalents on derivatives and the effect of netting agreements are estimated in accordance with the principles established by Regulations 91-05 and 95-02 of the French Banking and Financial Regulation Committee, and Instruction 96-06 of the French Banking Commission.
The positive replacement value of credit-risk equivalents represents the fair market value of the contracts before taking account of netting agreements and guarantees received.

The gross add-on is based on the notional amount of the contracts multiplied by a weighting factor. The net add-on is calculated using the formula prescribed by Instruction 96-06, as follows:
net add-on = 0.4 x gross add-on + 0.6 x NGR x gross add-on, where NGR represents the ratio between net replacement cost and gross replacement cost, for all transactions entered into under legally valid netting agreements.
Weighting factors used for each type of counterparty are consistent with those prescribed by Regulation 91-05: 20% for banks and 50% for clients.

	Gross weighted risks		Net weighted risks	
In thousands of euros	31.12.2017	31.12.2016	31.12.2017	31.12.2016
6.2. Analysis of weighted credit risk equivalents by type of counterparty				
Banks	6.081	8.914	3.744	4.901
Clients	2.954	14.534	2.873	14.517

	Effect of netting		Effect of collateralisation	
In thousands of euros	31.12.2017	31.12.2016	31.12.2017	31.12.2016
6.3. Effect of netting on total weighted credit risk equivalents by type of counterparty				
Banks	3.505	3.895	−1.223	118
Clients	−490	17	-	-

Note 7 – Average headcount

	31.12.2017	31.12.2016
Specialised staff	98	108
Managerial staff	309	322
Unclassified	91	92
Total	**498**	**522**

Pursuant to the provisions of the French Commercial Code, the Group publishes a breakdown by category of its average workforce during the period.

The number of workers employed part-time or for less than the full year is taken into account in proportion to the average time worked as compared to the full-time hours laid down by agreement or statute.

Note 8 – Additional information

8.1. The financial statements of Edmond de Rothschild (France) are included in the consolidated financial statements of Edmond de Rothschild S.A. using the full consolidation method.

8.2 Post-balance sheet events

No significant event has occurred since 31 December 2017.

The parent-company financial statements contained in this document were finalised by the Executive Board on 6 March 2018 and will be presented for approval at the Annual General Meeting of 16 May 2018.

Note 9 – Transactions with related parties

9.1. Transactions with related natural persons and others

In thousands of euros	31.12.2017	31.12.2016
Loans and overdrafts	19.064	19.066
Assets	**19.064**	**19.066**

In thousands of euros	31.12.2017	31.12.2016
Time deposits	592	530
Liabilities	**592**	**530**

In thousands of euros	31.12.2017	31.12.2016
+ Interest and similar revenues	94	110
Net banking income	94	110
Gross operating income	**94**	**110**

9.2. Transactions with related companies

- ***Transactions related to the income statement***

	31.12.2017			
In thousands of euros	Name	Relationship with the related party	Income	Expenses
- Income/expenses on transactions with credit institutions	EDRAM	Subsidiary	-	-
- Financial services	EDRAM	Subsidiary	-	−71
+ Gains/(losses) on sale of long-term investments	EDRAM	Subsidiary	-	-

	31.12.2016			
In thousands of euros	Name	Relationship with the related party	Income	Expenses
- On transactions with credit institutions	EDRAM	Subsidiary	-	-
- Financial services	EDRAM	Subsidiary	-	−601
+ Gains/(losses) on sale of long-term investments	EDRAM	Subsidiary	-	-

- ***Transactions in forward financial instruments***

In thousands of euros			Montant
Total return index swap	EDRAM	Subsidiary	-

Parent company five year summary

	2013	2014	2015	2016	2017
Financial position at year-end					
Share capital	83.075.820	83.075.820	83.075.820	83.075.820	83.075.820
Number of shares issued	5.538.388	5.538.388	5.538.388	5.538.388	5.538.388
Number of convertible bonds	-	-	-	-	-
Shareholders' equity (1)*	238.192.000	254.206.000	247.823.000	254.056.000	265.156.000
Long-term funds (1)*	259.382.000	275.206.000	268.823.000	275.056.000	286.156.000
Total assets*	2.199.296.000	2.151.961.000	2.524.048.000	2.713.132.000	3.424.862.000
Results of operations for the year					
Total revenues	514.210.977	470.304.585	828.081.237	612.547.436	540.578.183
Income before tax, depreciation, amortisation and	55.453.158	−15.951.894	34.124.730	20.085.747	19.891.140
Income tax	−17.035.895	−14.300.382	−13.430.948	−10.684.248	−19.757.739
Net income for the year	32.130.412	11.118.408	30.713.023	24.391.581	18.700.508
Total dividends paid	16.116.709	17.501.306	24.479.675	13.292.131	19.052.055
Earnings per share					
Income after tax but before depreciation, amortisation	13,09	−0,30	8,59	5,56	7,16
Net income for the year	5,80	2,01	5,55	4,40	3,38
Dividend**	2,91	3,16	4,42	2,40	3,44
Employees					
Number of employees at year-end	526	532	537	507	511
Total gross payroll	47.937.302	59.101.566	48.440.745	46.557.739	44.734.108
Social security contributions and employee benefits	27.882.464	30.276.567	25.146.697	23.540.011	24.869.906
Mandatory employee profit-sharing	2.088.549	2.208.329	2.396.097	878.803	2.428.568

(1) Excluding net income for the year.
* Rounded to the nearest thousand euros.
** Subject to the decision of the Annual General Meeting held on 16 May 2018.

Statutory Auditors' report

For the year ended 31 December 2017

Report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2017, on:
- the audit of the accompanying consolidated financial statements of Edmond de Rothschild (France);
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Executive Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Edmond de Rothschild (France) for the year ended 31 December 2017.
In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.
The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion
Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2017 to the date of our report and in particular we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Key audit matter

Measurement of goodwill and equity method investments	
Description of risk	**How our audit addressed this risk**
Goodwill, which corresponds to the difference between the acquisition price and the fair value of the assets and liabilities of the acquired entities, is detailed in Note 3.12 to the consolidated financial statements and Note 3.9 for equity method investments. Goodwill is allocated to cash-generating units (CGUs) and tested for impairment at least once a year and whenever there is an indication that it may be impaired. Impairment occurs if the recoverable amount of an asset falls below its carrying amount, in which case an impairment charge is recognised against goodwill. We deemed the measurement of goodwill to be a key audit matter owing to: Its material value in the consolidated balance sheet; The degree of judgement required from management in terms of selecting the impairment test criteria; and The material impact on the Group's results of an error of judgement or change in estimate.	Our work consisted primarily in the following tests of details: An analysis of the methodology applied by the Group; A critical assessment of the business plans used to establish the projected cash flows; A critical assessment of the main criteria and assumptions used in the impairment tests; A review of the documentation prepared by management outlining the qualitative components that may, as applicable, be taken into account in addition to the quantitative approach taken.

Verification of the information pertaining to the Group presented in the management report

As required by law and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Executive Board's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on other legal and regulatory requirements
Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Edmond de Rothschild (France) by the Annual General Meeting of 25 May 1999.
As at 31 December 2017, both firms were in the nineteenth year of total uninterrupted engagement.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Executive Board.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements
Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:
Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;

Assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors

conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

Evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris, 23st April 2018

The Statutory Auditors

PricewaterhouseCoopers Audit	**Cabinet Didier Kling & Associés**
Jacques Lévi	**Didier Kling**

Report on financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2017, on:

- the audit of the accompanying financial statements of Edmond de Rothschild (France);
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

Opinion
In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Edmond de Rothschild (France) for the year ended 31 December 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.
The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the “Responsibilities of the Statutory Auditors relating to the audit of the financial statements” section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from 1 January 2017 to the date of our report and in particular we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

Key audit matter

Measurement of investments in subsidiaries and associates	
Description of risk Investments in subsidiaries and associates represent one of the largest assets on the balance sheet (€267.6m at 31 December 2017 compared to €286.6m at 31 December 2016) and a material portion of their measurement is based on estimates. As stated in Note 1 to the financial statements, under "Accounting principles and measurement methods", these investments are measured on the basis of their value in use. For listed securities, the share price is not the only criteria used for measurement purposes. Estimating the value in use of these securities requires management to exercise judgement when selecting the criteria to be taken into account, be it historical data (equity value, share price) or forecasts (e.g., business plans). Accordingly, we deemed the correct measurement of investments in subsidiaries and associates to be a key audit matter, due to the inherent uncertainty of certain components of the valuation, in particular the likelihood of achieving forecasts, and because an error of judgement by management could have a material impact on the year-end financial statements.	**How our audit addressed this risk** We assessed the documentation outlining the choices made by management among the various methods for measuring value in use. Subsequently: For valuations based on historical data: • We verified that the equity values used were consistent with the audited financial statements of the entities valued. For valuations of listed securities: • We verified that the share prices used were the prices at 31 December 2017. For valuations based on discounted projected cash flows: • We verified that the cash flows had been reviewed by the management teams of the entities valued; • We assessed the relevance of the main assumptions used (the discount rate).

Verification of the management report and of the other documents provided to the shareholders

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

Information given in the management report with respect to the Company's financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Executive Board and in the other documents provided to the shareholders with respect to the financial position and the financial statements.

Report on corporate governance

We attest that the Supervisory Board's report on corporate governance sets out the information required by article L.225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of article L.225-37-3 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Edmond de Rothschild (France) by the Annual General Meeting held on 29 May 1999 for PricewaterhouseCoopers Audit and for Didier Kling & Associés.

As at 31 December 2017, both firms were in the nineteenth year of total uninterrupted engagement.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements presenting a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Executive Board.

Responsibilities of the Statutory Auditors relating to the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;

- Assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- Evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537-2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris, 23st April 2018

The Statutory Auditors

PricewaterhouseCoopers Audit	**Cabinet Didier Kling & Associés**
Jacques Lévi	**Didier Kling**

Report on related party agreements and commitments

To the Shareholders,

In our capacity as Statutory Auditors of Edmond de Rothschild (France), we hereby report to you on related party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-58 of the French Commercial Code (Code de commerce), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable it is also our responsibility to provide shareholders with the information required by article R.225-58 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments submitted for approval to the Annual General Meeting

Agreements and commitments authorised during the year

We were not informed of any agreement or commitment authorised during the year to be submitted for approval at the Annual General Meeting in accordance with article L.225-88 of the French Commercial Code.

Agreements and commitments already approved by the Annual General Meeting

Conventions et engagements déjà approuvés par l'assemblée générale
Agreements and commitments with companies with executives in common implemented during the year and approved in previous years

In accordance with article R.225-57 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, remained in force during the year ended 30 December 2016.

1. Tax consolidation agreements with Edmond de Rothschild Asset Management (France).

Nature and purpose

Pursuant to the authorisation given by the Supervisory Board at its meeting of 25 March 2003, Edmond de Rothschild (France) entered into a tax consolidation agreement with its subsidiary Edmond de Rothschild Asset Management (France).

The agreement formally defines the manner in which Edmond de Rothschild (France) and its subsidiary divide among themselves the income tax charge and tax savings arising from the tax consolidation.

Edmond de Rothschild (France) holds 99.85% of the capital of Edmond de Rothschild Asset Management (France).

Terms and conditions

In 2017, the tax payable by Edmond de Rothschild Asset Management (France) amounted to €16,407,848.

Persons concerned:

Ariane de Rothschild is a member of the Supervisory Board of Edmond de Rothschild (France) and Chairman of the Supervisory Board of Edmond de Rothschild Asset Management (France).

Vincent Taupin is Chairman of the Executive Board of Edmond de Rothschild (France) and Vice-Chairman of the Supervisory Board of Edmond de Rothschild Asset Management (France).

2. Agency agreement with Edmond de Rothschild Asset Management (France)

Nature and purpose

Pursuant to the authorisation given by the Supervisory Board at its meeting of 12 December 2002, Edmond de Rothschild (France) entered into an agency agreement with Edmond de Rothschild Asset Management (France) on 16 December 2002. An amendment to this agreement was signed on30 July 2007.

Edmond de Rothschild (France) holds 99.85% of the capital of Edmond de Rothschild Asset Management (France).

Terms and conditions

In the course of the Group's relations with external partners that market the funds managed by Edmond de Rothschild Asset Management (France) and other related companies, Edmond de Rothschild (France) mandates Edmond de Rothschild Asset Management (France) to pay those partners the amount owed by Edmond de Rothschild (France) under the relevant partnership agreements. Edmond de Rothschild (France) then settles the amount concerned by payment in arrears to Edmond de Rothschild Asset Management (France), upon presentation of quarterly or annual invoices. The remuneration paid in 2016 by Edmond de Rothschild (France) to its subsidiary under this agreement amounted to €560,527 net of tax.

Persons concerned:
Ariane de Rothschild is a member of the Supervisory Board of Edmond de Rothschild (France) and Chairman of the Supervisory Board of Edmond de Rothschild Asset Management (France).

Vincent Taupin is Chairman of the Executive Board of Edmond de Rothschild (France) and Vice-Chairman of the Supervisory Board of Edmond de Rothschild Asset Management (France).

Neuilly-sur-Seine and Paris, 23st April 2018

The Statutory Auditors

PricewaterhouseCoopers Audit	**Cabinet Didier Kling & Associés**
Jacques Lévi	**Didier Kling**

Resolutions

First resolution

The General Meeting, having reviewed the report of the Executive Board, the observations of the Supervisory Board and the report of the Auditors on the parent-company financial statements, approves the balance sheet and income statement for the financial year ended 31 December 2017, together with the transactions recorded in those statements or summarised in those reports.

In accordance with Article 223 quater of the French General Tax Code, the General Meeting notes that the total amount of expenses within the meaning of Article 39(4) of the French General Tax Code was €344,359 in 2017, corresponding to €114,786 of income tax assumed.

Second resolution

The General Meeting, having reviewed the report of the Executive Board, the observations of the Supervisory Board and the report of the Auditors on the consolidated financial statements, approves the consolidated balance sheet and consolidated income statement for the financial year ended 31 December 2017, together with the transactions recorded in those statements or summarised in those reports.

Third resolution

The General Meeting, having read the special report of the Auditors, approves the agreements referred to in that report.

Fourth resolution

The General Meeting takes note that the profit available for distribution comprises (in euros):

Profit for 2017	18,700,507.62
Retained earnings	51,557,624.15
Appropriation to the statutory	-
Profits available for distribution	70,258,131.77

The General Meeting resolves to allocate profits available for distribution as follows:
Distribution of a dividend of €3.44 per share,

Making total dividends of	19,052,054.72
Leaving retained earnings of	51,206,077.05

In accordance with Article 243 bis of the French General Tax Code, it is stated that the dividend qualifies for the 40% allowance for natural persons whose tax domicile is in France provided for in Article 158-3 of the French General Tax Code.

The following dividends per share were paid in respect of the three previous financial years:

	2016	2015	2014
Dividend per share	2.40	4.42	3.16
Amount eligible for relief under Article 158-3-2 of the French General Tax	40%	40%	40%

The dividend for 2017 will be paid from 1 June 2018.

Fifth resolution

The General Meeting, having considered the result of work carried out in relation to the renewal of Mr Jean Laurent-Bellue’s term of office as a member of the Supervisory Board, and noting that the criteria of independence, integrity, knowledge, experience, skills and availability required by regulations in force are met, resolves to renew the said term of office for a three-year term expiring at the end of the General Meeting convened to approve the financial statements for 2020.

Sixth resolution

The General Meeting, having considered the result of work carried out in relation to the renewal of Ms Véronique Morali’s term of office as a member of the Supervisory Board, and noting that the criteria of independence, integrity, knowledge, experience, skills and availability required by regulations in force are met, resolves to renew the said term of office for a three-year term expiring at the end of the General Meeting convened to approve the financial statements for 2020.

Seventh resolution

The General Meeting, having considered the result of work carried out in relation to the renewal of Mr Daniel Trèves’ term of office as a member of the Supervisory Board, and noting that the criteria of independence, integrity, knowledge, experience, skills and availability required by regulations in force are met, resolves to renew the said term of office for a three-year term expiring at the end of the General Meeting convened to approve the financial statements for 2020.

Eighth resolution

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, in accordance with Article L.225-82-2 of the French Commercial Code and having considered the report of the Supervisory Board on Corporate Governance, approves the principles and criteria used to determine, distribute and allot the fixed, variable and exceptional components of the total remuneration and benefits of all kinds that may be allotted to the Chairman of the company's Executive Board with respect to his role, as presented in this report.

Ninth resolution

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, in accordance with Article L.225-82-2 of the French Commercial Code and having considered the report of the Supervisory Board on Corporate Governance, approves the principles and criteria used to determine, distribute and allot the fixed, variable and exceptional components of the total remuneration and benefits of all kinds that may be allotted to the members of the company's Supervisory Board with respect to their roles, as presented in this report.

Tenth resolution

The General Meeting, having considered the report of the Supervisory Board on Corporate Governance, approves, in accordance with article L.225-100 II. of the French Commercial Code:

- total remuneration of €2,232,386.54 allotted to Mr Vincent Taupin for 2017 with respect to his role as a corporate officer and in accordance with the principles and criteria approved by the ordinary general meeting of 19 May 2017 under article 225-82-2 of the French Commercial Code, breaking down as follows:
  - Fixed remuneration 750,009.00
  - Immediate variable remuneration 580,000.00
  - Variable remuneration deferred in thirds over three years:
    - Deferred cash 145,000.00
    - Deferred instrument* 725,000.00
  - Exceptional remuneration 0
  - Unemployment-benefit insurance for executives 31,245.10
  - Other benefits in kind ** 1,132.44

  ** Instrument in the form of a cash amount indexed to the Group's performance and/or in the form of rights to EdR Holding participation certificates in Switzerland (Group Long-Term Incentive Plan)*
  *** Other benefits in kind consist of a company phone and restaurant vouchers*

- fixed remuneration paid in 2017 to Mr Vincent Taupin with respect to 2017 represents an amount of €782,386.54:
  - Fixed remuneration 750,009.00
  - Exceptional remuneration 0
  - Unemployment-benefit insurance for executives 31,245.10
  - Other benefits in kind ** 1,132.44

Eleventh resolution

The General Meeting, having considered the report of the Supervisory Board on Corporate Governance, approves, in accordance with article L.225-100 II. of the French Commercial Code, gross remuneration of €60,000 to be paid in the form of directors' fees, allotted for 2017 to Mr Benjamin de Rothschild with respect to his role as Chairman of the Supervisory Board in accordance with the principles and criteria approved by the ordinary general meeting of 19 May 2017.

Twelfth resolution

The General Meeting, having been read the Executive Board report and having been consulted in accordance with Article L. 511-73 of the French Monetary and Financial Code, approves the overall package of remuneration of all types amounting to €11,460,163 paid during 2017 to persons covered by Article L. 511-71 of the French Monetary and Financial Code.

Thirteenth resolution

The General Meeting, having been read the Executive Board report, and in order to ensure that the Group remains competitive in terms of remuneration, resolves that the variable element of the total remuneration of persons covered by Article L.511-71 of the French Monetary and Financial Code may represent a maximum of twice their fixed remuneration. That decision shall apply to people with the following roles or meeting the following criteria:

- Roles:
  - Members of the Executive Committee, the Executive Board and Senior Management
  - Heads of Control Functions (Audit, Risk Management, Compliance) and those with managerial responsibilities that report to them
  - Heads of Business Units and those with managerial responsibilities that report to them
  - Heads of certain Support Functions (including Finance, HR, IT, Legal etc.)
  - Heads of Risk Management and Members of Risk Management Committees
  - Heads of New Products and Members of New Products Committees

- Other criteria:
  - Managers of Risk-Takers
  - Employees whose total remuneration is €500,000 or more and/or employees in the top 0.3% in terms of remuneration
  - Employees whose total remuneration is at least equal to that of the Senior Management member with the lowest remuneration