Edmond de Rothschild

Edmond de Rothschild (France)

2018 Annual Report

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A public company with executive and supervisory boards and capital of €83,075,820
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Contents

Shareholders' letter

From the rise of populism to political crises, from trade frictions to economic downturns, from monetary tightening to volatile markets, 2018 challenged financial markets on many fronts. The year brought increasing worries for investors about a potential reduction in liquidity injections by central banks, especially the Federal Reserve. No asset class, not even government bonds or gold, ended the year in positive territory.

This unstable climate is likely to persist over the coming months if concerns about a sudden economic downturn or even a recession in the United States prove true. European growth is expected to be sorely tested by an eventful political calendar that will yield a new European Parliament, a new Commission and a new President of the European Central Bank (ECB). These are just a few of the events that could cause businesses to delay investment decisions as the ultimate impact of Brexit remains uncertain.

Despite this uncertain environment, a few encouraging indicators remain. Our economic research team found that global growth could be sustained by several factors, most notably the stimulus plan in China. Meanwhile, the US economy is expected to reap the benefits of buoyant consumption, lower oil prices and the structural effects of Donald Trump's tax cuts. And most of the leading countries in Europe have no national elections planned, which should prevent additional political risks. Furthermore, central banks are expected to be "patient" and attentive to market volatility and deteriorating economic conditions. Economic prospects may actually be better than investors expected.

Amidst this instability, we maintained the targets we had set for ourselves. In 2018 we continued to focus on strategic growth for our Group and confirmed our ambitious goal of becoming the leading conviction-driven investment house.

We finalised a number of key modernisation plans that will help us better adapt to changes in our industry. From a regulatory standpoint, our teams instituted the measures required to bring us into compliance with the new Markets in Financial Instruments Directive. They are now working on the best way to implement new initiatives designed to increase fee transparency.

We continued optimising our activities, selling off a portion of our Swiss real estate portfolio without losing our status as the primary or sole tenant for these properties. This massive undertaking was a boon for efficiency.

We also continued our ambitious efforts to modernise International Private Banking. Now that we have migrated to the Avaloq integrated solution, all the business line processes in the value chain are hosted on a single platform. After Switzerland, the platform is now being used in Luxembourg.

In addition, we are continuing to promote convergence between our many business lines. Over the past few years, our real estate expertise has grown, both organically and as a result of a series of acquisitions. All our entities (Orox, Cleaveland and Cording) are now united under a single platform with CHF 10 billion in assets under management and 170 dedicated professionals. We have also continued to build our Private Equity expertise through key priorities like impact investing and research into visionary niche strategies. These two activities will also be supported by the sales expertise of our Asset Management teams, who will actively market them to all our clients. This willingness to adopt a cross-entity approach helps build bridges between our expert services and share our specialised knowledge.

These operational changes have not been made to the detriment of our management, and we accomplished a great deal in 2018. Two of our funds passed the one billion CHF mark given the strong convictions we have for flexible bond management and subordinated financial debt. Our infrastructure debt expertise continued to grow at a healthy rate with over CHF 1.5 billion in assets under management, and our asset management team received an award recognising their high-quality, targeted services among the leading European infrastructure managers.

We remain convinced that our brand plays a decisive role in helping set us apart in the finance industry. That is why we continue to emphasize the singular qualities of the Edmond de Rothschild name. With this in mind, we signed an agreement with Rothschild & Co to honour our family values. Our two organisations agreed to pursue growth while engaging in fair competition, to untangle our cross-shareholdings and to clarify how the family name will be used throughout the world.

In 2018 we also unveiled an ambitious project to provide insight into the ecosystem in which our conviction-driven investment house exists. This ecosystem provides each of our activities with a strong sense of identity and authenticity that are the source of our values. Everyone involved in our offshore yacht racing endeavours, our lifestyle businesses, our charitable foundations and our banking activities are all working toward a single vision. Our goal for the years to come is to create even more synergy and preserve the dialogue among these different areas to enhance our impact and deliver on our commitment to being "bold builders of the future".

All the projects we have launched are part of an overarching strategy designed to set us apart and promote adaptability in a changing industry. Our strong balance sheet remains a major asset, one that provides the stability we need to weather these changes and play a unifying role in our sector.
We strive to live up to the trust you have placed in us, and we are proud to stand at your side again in 2019. We are determined to transform this uncertain context into an opportunity for growth, without losing sight of our values and our visionary spirit.
In moving to take the Group private, our family is pursuing our goal of regaining full control of our banking organization. This is a historic milestone for us, a testament to our dedication and commitment to our Group.

We would like to sincerely thank all our shareholders for their unwavering support, including those who have been with us since we first went public in October 1987 – our "little introduction" as Baron Edmond termed it.

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 2018

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, Real Estate 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
Real Estate
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

CHF170 billion in assets under management (€150 billion)

20.8% FINMA capital adequacy ratio

2,700 employees at 31 December 2018

GLOBALLY ACTIVE

32
OFFICIES

15
COUNTRIES

GERMANY | Berlin, Düsseldorf, Frankfurt, Ludwigsburg, Stuttgart

BELGIUM | Antwerp, Brussels, Liège

SPAIN | Madrid

FRANCE | Bordeaux, Lille, Lyon, Marseille, Nantes, Paris, Strasbourg, Toulouse

ITALY | Milan

LUXEMBOURG | Luxembourg

MONACO | Monaco

NETHERLANDS | Amsterdam

PORTUGAL | Lisbon

UNITED KINGDOM | London

SWITZERLAND | Fribourg, Geneva, Lausanne, Lugano, Zurich

CHINA | Shanghai

UNITED ARAB EMIRATES| Dubai

ISRAËL | Tel Aviv

URUGUAY | Montevideo

Key figures

Edmond de Rothschild (France) at 31 December 2018

Shareholder base at 31 December 2018

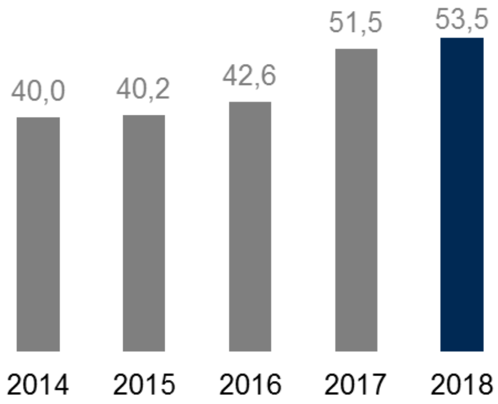
Edmond de Rothschild (France) is 99.56%-owned by Edmond de Rothschild SA, the French holding company of the Edmond de Rothschild Group.

Offices in France

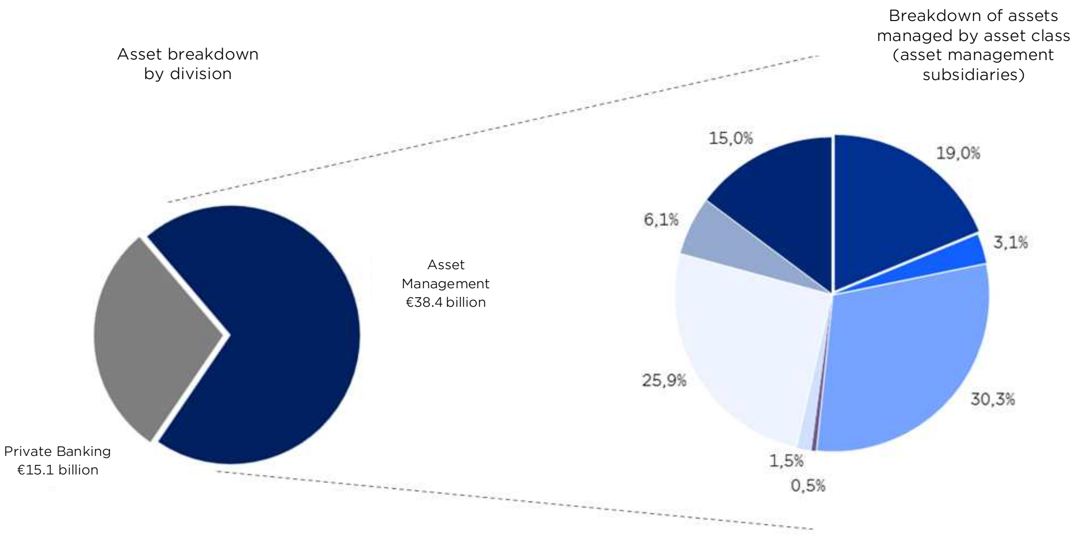
France
Bordeaux, Lille, Lyon, Marseille, Nantes, Paris, Strasbourg and Toulouse

Total assets under management

In billions of euros



Breakdown of assets managed by division and 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

Consolidated highlights (in millions of euros)

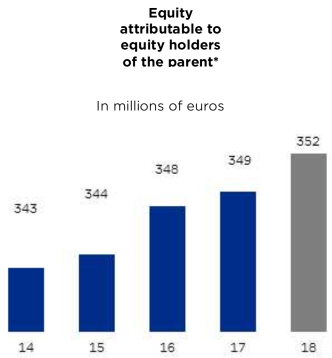
Balance sheet highlights	2016	2017	2018
Total assets	2,782	3,443	3,665
Equity attributable to equity holders of the parent*	348	349	352
Loans granted	632	673	766
Client deposits	1,170	1,418	1,585

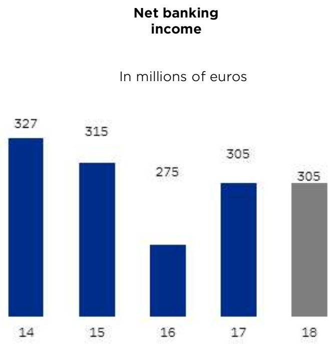
The robustness of the banking group's financial position is reflected in its capital ratios**. Its capital adequacy ratio stood at 15.83% with its Tier One and Core Tier One ratios at 15.12% and 14.65%, respectively, at the end of 2018. The minimum regulatory requirement is 9.875%.
The Liquidity Coverage Ratio (LCR), which is the EU standard, stood at 169.9% compared with a minimum regulatory requirement of 100%.

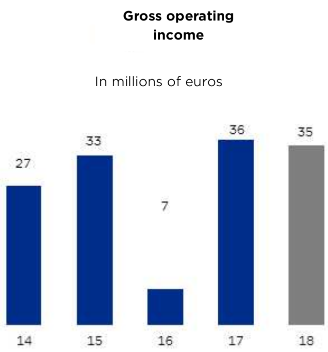
Income statement highlights	2016	2017	2018
Net banking income	275	305	300
Gross operating income	7	36	35
Net income	17	25	33
of which attributable to equity holders of the parent	*17*	*24*	*28*

Average headcount (number)	**841**	**777**	**789**

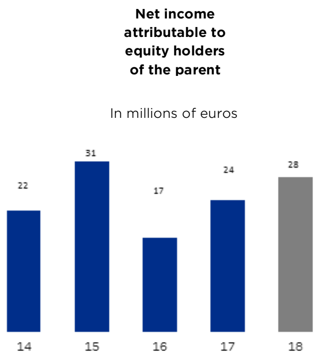
* Excluding net income for the year.
** These ratios are calculated in accordance with prudential regulations on the basis of the consolidated equity of Edmond de Rothschild SA, the Bank's parent company.

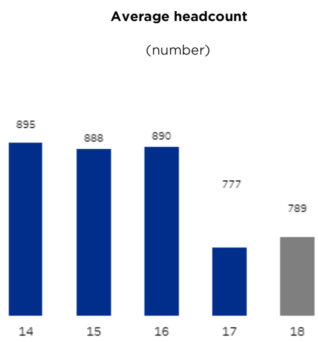






* Excluding net income for the year





Management report

Report of the Executive Board

The Edmond de Rothschild (France) group posted net income attributable to equity holders of the parent of €28.4 million in the year ended 31 December 2018, an increase of €4.3 million on the net income reported for the year to 31 December 2017 of €24.1 million. Regulatory changes were a significant factor in 2018, with MiFID 2's entry into force on 1 January and the first-time adoption of the IFRS 9 accounting standard.

Healthy sales activity in Private Banking in France generated close to €1.2 billion in net new money. Real estate management maintained its strong momentum, generating an additional €1.2 billion net inflow. Asset Management inflows totalled almost €0.8 billion, with the driving force provided by new dedicated managed accounts.

Even so, the downtrend in the markets late on in the year as economic conditions weakened took its toll on sales trends, triggering a decline of €3.1 billion in assets under management.

Overall, assets under management totalled €49.6 billion at 31 December 2018, stable at comparable structure[1] compared with at the end of 2017.

[1] Restated for assets managed by Edmond de Rothschild Investment Partners, which was sold in March 2018.

In thousands of euros	2018	2017	Change
Net banking income	**299,950**	**305,117**	**–1.7%**
Operating expenses	–264,479	–269,475	–1.9%
- Personnel expense	*–153,526*	*–161,035*	
- Other operating expenses	*–92,752*	*–89,876*	
- Depreciation and amortisation	*–18,201*	*–18,564*	
Gross operating income	**35,471**	**35,642**	**–0.5%**
Cost of risk	–336	–62	
Operating income	**35,135**	**35,580**	**–1.3%**
Share in net income/(loss) of associates	3,203	–1,045	
Net gains or losses on other assets	6,286	732	
Changes in the value of goodwill	–52	–720	
Income (loss) before tax	**44,572**	**34,547**	**x1.3**
Income tax	–11,292	–9,986	
Net income	**33,280**	**24,561**	**x1.4**
Non-controlling interest	–4,907	–414	
Net income attributable to equity holders of the parent	**28,373**	**24,147**	**17.5%**
Non-recurring transactions	-	-	
Reported net income attributable to equity holders of the parent	**28,373**	**24,147**	**17.5%**
Cost/income ratio*	82.1%	82.2%	

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

Net banking income

Net banking income totalled €300 million in 2018, down 1.7% compared with 2017 when Asset Management was boosted by a very high level of performance fees. The key factors contributing to this trend were:

- a 4.7% increase in management and advisory fees despite the adoption of the MiFID directives, which led to a reduction in distribution margins
- €8.6 million in performance-related fees, a significant fall on the record level of €36.9 million in 2017
- a slight increase in fees on transactions (transfers and front-end charges) relative to 2017 (€56.1 million compared with €55.5 million) as a result of brisk business trends and high levels of market activity
- an increase of €15.7 million in on-balance sheet business as a result of substantial dividends in the investment portfolio, a consistently firm performance in the credit activities and buoyant currency trading
- a larger contribution (€17.6 million) to net banking income from Corporate Advisory Services than in 2017 (€16.3 million)

Gross margin narrowed by 8 basis points compared with 2017 to 59 basis points as a result of the decline in distribution fee income.

Operating expenses

Operating expenses totalled €264.5 million in 2018, down 1.9% on their 2017 level.
Personnel expenses came to €153.5 million, down 4.7% relative to 2017.
Other operating expenses rose 2.3% to €111 million. The 2017 comparative was adversely affected by non-recurring effects.

Operating income

With these trends in net banking income and operating expenses, gross operating income came to €35.5 million versus €35.6 million in 2017. As a result, the cost/income ratio remained unchanged at 82%.

Consolidated operating income totalled €35.1 million versus €35.6 million in 2017, with the net cost of risk kept firmly in check at less than €0.3 million (€0.1 million in 2017)

Net income attributable to equity holders of the parent

The share in the net income of associates moved back into positive territory in 2018 (€3.2 million after a loss of €1 million in 2017) on the back of an upbeat performance by Edmond de Rothschild (Monaco). Net gains and losses on assets totalled €6.3 million, reflecting the capital gain on the disposal of Edmond de Rothschild Investment Partners in the first quarter of 2018.
The higher non-controlling interest in 2018 reflected payouts by the ERES II fund.
Net income attributable to equity holders of the parent totalled €28.4 million, up 17.5% on the previous year.

Business trends and income by division

In an inauspicious regulatory environment for the distribution of investment products, Private Banking in France curbed the decline in its net banking income and kept a tight grip on its expenses. As a result, it posted gross operating income of €5.7 million. Conditions took a turn for the worse in Italy, which again made a negative contribution to Group's earnings in 2018 (€4.1 million).

Notwithstanding a hefty contraction in its income as performance-related fees sank well below their level in the previous year (down €27.3 million), Asset Management (excluding real estate management) restricted the decline in its gross operating income, which fell €9.5 million to €27.5 million in 2018.

The strong growth in real estate management continued, with the launch of new funds helping to boost its recurring revenue streams again in 2018.

Private Equity launched a new fund of funds strategy and made further investments in its ERES franchise.

Corporate Advisory Services also performed well, with the business going from strength to strength. The team won a string of new mandates in 2018 and is establishing itself as a highly respected player in its market segment.

Lastly, Other Activities were boosted by the large distributions made by funds held in the investment portfolio despite an unfavourable interest rate environment.

Overview of income and profitability by division

	Private Banking		Asset Management		Private Equity		Other Activities and Proprietary Trading		Group	
In thousands of euros	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net banking income	**85,725**	**95,890**	**166,170**	**177,788**	**4,700**	**4,150**	**43,355**	**27,289**	**299,950**	**305,117**
Operating expenses	–83,979	–89,334	–138,105	–141,268	–6,766	–5,230	–35,629	–33,643	–264,479	–269,475
- Personnel expense	*–52,114*	*–54,999*	*–77,335*	*–77,264*	*–4,611*	*–3,765*	*–19,466*	*–25,007*	*–153,526*	*–161,035*
- direct	*–38,063*	*–40,530*	*–57,788*	*–56,665*	*–4,066*	*–3,321*	*–14,205*	*–19,949*	*–114,122*	*–120,465*
- indirect	*–14,051*	*–14,469*	*–19,547*	*–20,599*	*–545*	*–444*	*–5,261*	*–5,058*	*–39,404*	*–40,570*
- Other operating expenses	*–25,309*	*–27,204*	*–51,951*	*–55,045*	*–1,993*	*–1,358*	*–13,499*	*–6,269*	*–92,752*	*–89,876*
- Depreciation and amortisation	*–6,556*	*–7,131*	*–8,819*	*–8,959*	*–162*	*–107*	*–2,664*	*–2,367*	*–18,201*	*–18,564*
Gross operating income	**1,746**	**6,556**	**28,065**	**36,520**	**–2,066**	**–1,080**	**7,726**	**–6,354**	**35,471**	**35,642**
Cost of risk	-	2	-	1	-	-	–336	–65	–336	–62
Operating income	**1,746**	**6,558**	**28,065**	**36,521**	**–2,066**	**–1,080**	**7,390**	**–6,419**	**35,135**	**35,580**
Share in net income/(loss) of associates	7,045	8,955	–3,800	–11,384	-	1,384	–42	-	3,203	–1,045
Net gains or losses on other assets	-	-	-	-	-	-	6,286	732	6,286	732
Changes in the value of goodwill	-	-	-	-	–52	–720	-	-	–52	–720
Income (loss) before tax	**8,791**	**15,513**	**24,265**	**25,137**	**–2,118**	**–416**	**13,634**	**–5,687**	**44,572**	**34,547**
Cost/income ratio*	90.3%	85.7%	77.8%	74.4%	140.5%	123.4%	ns	ns	82.1%	82.2%

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

Private Banking

Highlights of 2018

- Record net inflows of €1.0 billion
- Over €15.1 billion in Private Banking assets under management

Private Banking is the original business of the Edmond de Rothschild Group. Edmond de Rothschild aims to support its clients pro-actively, planning ahead to meet their every need. Private Banking has built a practical range of products and services firmly grounded in the real economy and aligned with entrepreneurs' concerns.

In France, it is able to devise bespoke solutions and marshal expertise to support its clients at every stage in the wealth engineering process. Edmond de Rothschild can tap into a specialist range of investments, advice and services, ranging from M&A transactions and 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 – who produces a strategic asset allocation based on a holistic view of the client's portfolio.

Real impetus in inflows and investments

Despite a challenging macroeconomic environment and adverse market trends, sales activity remained strong right across France, and Private Banking recorded exceptionally strong net inflows of €1.2 billion in 2018, including over €300 million from institutional clients of Edmond de Rothschild Assurances et Conseils.

This vibrant performance was backed up by the Sales Support and Business Development activities launched in the second half of 2017 by the Client Solutions Department. The launch of the Business Factory – a regular event intended to develop Private Banking's business relationships with the Group's other areas of expertise – is a prime example.

Private Banking's drive to broaden its range of services and make them more specialised made further progress last year. It continued to roll out its real estate advisory services delivered by a team of experts within Edmond de Rothschild Corporate Finance, which handles sales and acquisitions of real estate portfolios. In addition, Edmond de Rothschild Immo Premium, an OPCI (collective undertaking for real estate investments) aimed at private clients, completed three acquisitions and had close to €93 million in assets under management.

Private Banking's lending totalled close to €1 billion, reflecting its drive to meet the borrowing needs of its private clients at all times.

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.

Delivering greater value for clients

The MiFID 2's entry into force in January 2018 went very smoothly thanks to Private Banking's advance planning. Various stages of investment services were automated as part of the process. Preparations also involved guiding each of our clients through the changes to the services we provide in the new regulatory environment.

Private Banking overhauled its offering of investment services. Initial Advisory, a new range of investment advisory services, is now offered to clients seeking personalised recommendations, but Private Banking continues to play an active part in all their investment decisions.

Service offering focused on entrepreneurs

Entrepreneurs are one of Private Banking's leading areas of growth in France. Their needs are well catered for by Edmond de Rothschild's offering, which consists of a wide range of capabilities geared to SMEs and their managers, such as consulting, M&A, financial and wealth engineering, and private equity. To meet their appetite for investing in physical assets, Edmond de Rothschild has built a diversified private equity and real estate offering. Synergies with the corporate finance team also make it possible to provide tailored solutions for buyouts, capital raising and acquisitions.

Breakdown of Private Banking results

In thousands of euros	2018	2017	Change
Net banking income	**85,725**	**95,890**	**–10.6%**
Operating expenses	–83,979	–89,334	–6.0%
- Personnel expense	*–52,114*	*–54,999*	
. direct	*–38,063*	*–40,530*	
. indirect	*–14,051*	*–14,469*	
- Other operating expenses	*–25,309*	*–27,204*	
- Depreciation and amortisation	*–6,556*	*–7,131*	
Gross operating income	**1,746**	**6,556**	**–73.4%**
Cost of risk	-	2	
Operating income	**1,746**	**6,558**	**–73.4%**
Share in net income/(loss) of associates	7,045	8,955	
Net gains or losses on other assets	-	-	
Changes in the value of goodwill	-	-	
Income (loss) before tax	**8,791**	**15,513**	**–43.3%**
Cost/income ratio*	90.3%	85.7%	

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

Net banking income

Advance planning for the introduction of MiFID 2, along with new value propositions to address the changes it instituted, successfully curbed the downturn in Private Banking net banking income. The Private Banking Investment Advisory (PBIA) division was also set up within Asset Management during 2018. The unit acts as a bridge between discretionary management and advisory capabilities and those of Edmond de Rothschild Asset Management (France) to make investment processes even more robust and harness synergies.

Private Banking net banking income came to €85.7 million in 2018, down 10.6% compared with 2017. Excluding changes in scope linked to the formation of the PBIA division, net banking income declined by just 5.7% against a backdrop of pressure on margins.

The factors contributing to this overall trend were as follows:
In France:

- management and advisory fees declined 11.7% relative to 2017 owing to the revenue contraction that affected the distribution business
- transaction fees dropped 7.8% relative to 2017 amid choppy market conditions from the third quarter onwards
- the firm performance in lending generated €9.9 million in on-balance sheet revenue, just ahead of the 2017 level (up 4%) even though conditions were considered to be worse.

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

Overall, Private Banking net banking income accounted for 28.6% of consolidated net banking income in 2018, just below the 31.4% recorded in 2017.

Operating expenses

Private Banking operating expenses totalled €84.1 million in 2018, 10.6% lower than their 2017 level.
Personnel expenses in Private Banking came to €52.1 million, a fall of 5.2% relative to 2017.
Other expenses declined 7% compared with 2017 as management kept a tight grip on spending.

Operating income

Private Banking recorded gross operating income of €1.7 million after €6.6 million in 2017, even though Italy made a negative contribution of €4.7 million.
The cost/income ratio stood at 90.3%, compared with 85.7% in 2017.
As in previous years, the cost of risk was very low indeed, reflecting the high quality of the division's loan commitments and its risk management.

Income (loss) before tax

Including the contribution from Edmond de Rothschild (Monaco), which was lower than in 2017, Private Banking's income before tax totalled €8.8 million in 2018.

Asset Management

Highlights of 2018

- €38.4 billion under management
- Several areas of expertise excelled amid choppy conditions
- First-rate performance by Cleaveland

The whole philosophy behind Edmond de Rothschild's Asset Management range is to offer its clients active, conviction-driven management. Edmond de Rothschild Asset Management (EdRAM) strives to outperform index-tracking products by focusing on conviction-based value creation over the long term.

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

Strategy of integrating business lines and realigning the operational structure

Continuing its strategy of knitting its businesses together more closely, Edmond de Rothschild combined its private equity, real estate and asset management platforms last year to form a seamless investment offering spanning all asset classes. In addition, a joint management team was placed in charge of the Group's three specialist real estate subsidiaries.

Edmond de Rothschild Asset Management's drive to build a fully digital-enabled sales platform took substantial strides forward.

On 13 March 2019, Edmond de Rothschild Asset Management also announced the appointment of Christophe Caspar as Group Head of Asset Management, replacing Vincent Taupin. In late 2018 Gad Amar, previously Head of Business Development, was appointed Deputy CEO for Asset Management, responsible for sales.

To strengthen its international distribution clout, a plan also got underway to set up a French SICAV holding the main open-ended FCPs, which is expected to be completed during 2019. Alongside EdR Fund, the existing Luxembourg-registered SICAV, this French-registered SICAV will give the Group two main vehicles for its open-ended funds.

Several areas of expertise excelled in choppy conditions

Edmond de Rothschild Asset Management achieved some impressive performances in 2018 despite difficult market conditions in which few asset classes and geographical regions were left unscathed by the general downturn.

Edmond de Rothschild Fund Bond Allocation, a flexible fund spanning all the bond markets and harnessing Edmond de Rothschild Asset Management's broad-ranging expertise in this asset class, came close to €3 billion in assets under management in 2018. The fund draws on EdRAM know-how in fixed-income asset management and has delivered an annualised return of 3.2% since its new strategy was introduced in February 2013[1].

[1] Data to 31 Dec. 2018 for the A-EUR unit. Source: Edmond de Rothschild Asset Management (France). Cumulative return since the change in strategy (14 Feb. 2013): 20.07%: (3.3% annualised return). Past performance is not a guarantee of future returns. The value of investments may go down as well as up.

Edmond de Rothschild Equity Europe Solve generated close to €250 million in net inflows in 2018 and has become a core pillar of the product range. It is a prime example of Edmond de Rothschild Asset Management's ability to adapt to the new regulatory constraints and to devise novel investment solutions. The new product has two main goals: to match the performance of European equities, but with lower volatility, and to reduce the maximum potential loss. It brings together several leading areas of expertise – European equity management, expertise in allocation and market risk management and financial engineering capabilities.

Edmond de Rothschild Fund Big Data generated close to €150 million of new money in 2018, lifting its assets under management to €400 million and underscoring our clients' growing interest in this strategy.

Infrastructure debt, which is gaining in popularity among French institutional investors, has been one of the key drivers of the alternative asset offering in recent years. Accordingly, the Bridge platform's assets under management rose to €1.6 billion in 2018, a four-fold increase since the Bridge 1 fund's first closing with €400 million in commitments in 2014.

A new infrastructure debt fund was launched that pursues the same approach as the first generation, but with an optimised investment strategy. Bridge 4, a Luxembourg-registered fund intended for European institutional investors, initially closed with over €250 million in commitments in July 2018. As with Bridge 2 and 3, it also qualifies for a highly favourable capital weighting under the Solvency II framework. Bridge 4 has been awarded the TEEC (Energy and Ecological Transition seal of quality) proving its commitment to responsible investment. Bridge 4 has already completed three investments.

Bridge has invested a total of €1.4 billion over four years in 28 assets located in nine European countries.

Lastly, Edmond de Rothschild Asset Management's offering won several prizes during the year:

- Specialist Group of the Year prize from Investment Europe
- Prize for the Best Fixed Income range – Emerging Markets Strong Currencies prize by Citywire (awards in France)
- Prize for the Best International Fixed Income range over 3 years awarded by Le Revenu magazine.
- Prize for the Best Emerging Corporate Debt fund over 3 years awarded to Edmond de Rothschild Emerging Credit – Thomson Reuters Lipper award (awards in France).

First-rate performance by Cleaveland in 2018

Cleaveland had a very busy year in 2018, with its assets under management advancing to €5.8 billion by the end of December.

Cleaveland, a real estate manager and a management company approved by the AMF, provides a full range of real estate and investment services. These include investment, value enhancement, rental and technical management, as well as the management of regulated funds, expanding Edmond de Rothschild's real estate offering in Europe. Cleaveland is part of Edmond de Rothschild's real estate platform that includes Orox in Switzerland and Cording in the United Kingdom, Germany and the Benelux countries.

The OPCI (collective undertaking for real estate investments) for Edmond de Rothschild's Private Banking clients manages close to €93 million in assets and made three acquisitions in 2018 – two buildings in Paris and one building in Toulouse.

As part of its management of alternative investment funds (FIAs), no fewer than eight mandates were launched in 2018 representing a total of €1.8 billion.

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

Breakdown of Asset Management results

In thousands of euros	2018	2017	Change
Net banking income	**166,170**	**177,788**	**–6.5%**
Operating expenses	–138,105	–141,268	–2.2%
- Personnel expense	*–77,335*	*–77,264*	
. direct	*–57,788*	*–56,665*	
. indirect	*–19,547*	*–20,599*	
- Other operating expenses	*–51,951*	*–55,045*	
- Depreciation and amortisation	*–8,819*	*–8,959*	
Gross operating income	**28,065**	**36,520**	**–23.2%**
Cost of risk	-	1	
Recurring operating income	**28,065**	**36,521**	**–23.2%**
Share in net income/(loss) of associates	–3,800	–11,384	
Net gains or losses on other assets	-	-	
Changes in the value of goodwill	-	-	
Income (loss) before tax	**24,265**	**25,137**	**–3.5%**
Cost/income ratio*	77.8%	74.4%	

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

Net banking income

Assets under collective management totalled €33.9 billion at year-end, just below the level recorded at year-end 2017.
Although flagship funds such as Edmond de Rothschild Fund Bond Allocation continued to generate inflows and real estate management delivered strong growth, assets under management were lower at the year-end owing to the adverse impact of the market downturn during the final quarter.

Even so, average assets under management rose 18.3% during the year, since:
- they increased 13.9% in Asset Management in the original scope of the business (excluding real estate). That partly accounts for the 14.6% rise in revenue from assets under management. Even so, net banking income contracted 8.0%, as 2017 was boosted by a record level of performance-related fees (€35.3 million in 2017 compared with €8 million in 2018)
- in real estate management, average assets under management rose 54.4%, driving strong top-line growth of 32%
- the asset management fund distribution business in Italy also maintained its momentum in 2018 and earned €0.7 million in performance-related fees from a dedicated managed account, giving rise to a 58.3% increase in net banking income.

Operating expenses

Operating expenses were cut by 2.3% to €138.1 million, down from €141.1 million in 2017. The key factor behind this fall was the strategy introduced in 2016 of transferring areas of expertise back to Europe.
Personnel expense totalled €77.3 million, which was stable relative to 2017.
Other operating expenses in Asset Management came to €51.9 million, down 5.8% between 2017 and 2018 as a result of the restructuring measures presented above.

Operating income

Gross operating income declined to €28.1 million in 2018 from €36.5 million in 2017 as a result of the trends presented above.
The division's cost/income ratio rose to 77.8% from 73.9% in 2017.

Income (loss) before tax

The contribution made by associates was significantly depressed in 2017 by the loss recorded by Zhonghai FMC and this item showed a smaller loss in 2018. The Asset Management division's income before tax came to €24.3 million, compared with €25.1 million in 2017.

Calculated on the basis of management fees (excluding performance-related fees), the margin was 44 basis points, down 3 basis points from its 2017 level of 47 basis points.

Private Equity

Highlights of 2018

- Solid inflows into the ERES minority investment funds
- Launch of the Privilège 2018 fund of funds
- Sale of the Edmond de Rothschild Investment Partners management company to its managers

Private Equity provides value-added investment solutions that set our private banking offering apart and add value to it, making it a strategic business segment for the Edmond de Rothschild Group. Its 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.

The Edmond de Rothschild Group has a varied range of compelling private equity solutions that features more than 10 niche investment strategies across multiple geographical regions and sectors.

With over 25 years of experience and close to €600 million under management in France, Private Equity possesses expertise in minority investment and in funds of funds.

In March 2018, Edmond de Rothschild Investment Partners (growth capital, mezzanine debt and life sciences) decided to become independent. Edmond de Rothschild Private Equity (France)'s entire shareholding was bought out by Edmond de Rothschild Investment Partners, which then changed its name to Andera Partners.

Stellar performance and acquisitions by minority investment funds

The Edmond de Rothschild Equity Strategies (ERES) franchise had a very busy year in 2018 with its two active funds.

The ERES III fund (€300 million raised in mid-2016) sold its first investment in Prince International on excellent terms (2.05x MOI, 77% IRR), 15 months after the original investment, which had enabled the company to acquire Erachem. ERES III made four new investments – in Biovian, Golden Pear, Kepler Chevreux and Kymera International. The fund invested 60% of its commitments in nine transactions, and its portfolio had eight lines after the sale of Prince.

Founded in 2003, Biovian is a Contract Development and Manufacturing Organization that provides services and production facilities to biotech companies for drugs prior to their introduction on the market. The company boasts leading-edge expertise and technologies in a number of therapeutic areas, including immuno-oncology, gene therapy and vaccine development. Biovian's range of services includes comprehensive analytical and microbiological analysis and testing solutions in support of the drug development process. Biovian is accredited by the European Medicines Agency (EMA) and inspected by the FDA, the US regulator. The company caters to the needs of close to 30 clients in Europe, the United States and South Korea.

Kepler Cheuvreux is a European research, execution and advisory services platform formed in 2013 through the merger between Cheuvreux, Crédit Agricole's brokerage company, and Kepler Capital Markets, a French financial services company established in 1997 as Swiss bank Julius Baer's brokerage unit. It is now an independent European broker and financial services intermediary based in Paris employing close to 550 staff. Its multi-local organisation also includes offices in Amsterdam, Boston, Brussels, Frankfurt, Geneva, London, Madrid, Milan, New York, Oslo, Stockholm, Vienna and Zurich. Kepler Cheuvreux employs over 120 equity research analysts covering more than 1,000 European companies.

Kymera International is the world's leading manufacturer of aluminium and copper powders. The company produces powders, pastes and granules to various particle-size, quality and resistance specifications. Its products are used in a wide variety of industrial markets, chiefly the automotive and chemicals sectors. Based in North Carolina in the United States, Kymera employs close to 1,350 individuals and operates a global manufacturing base with locations in the United States, Europe, Australia and Bahrain.

The ERES II portfolio again performed very well. The fund sold its investment in Exclusive Networks (3.4x MOI, 48% IRR) to capitalise on the company's very strong organic growth. ERES II also disposed of its investment in Funécap (1.7x MOI, 10% IRR), which in seven years became the number two provider of funeral services in France after making over one hundred acquisitions. ERES II was able to increase its payouts to 122% of initial commitments based on these performances.

Launch of the Privilège 2018 fund of funds

Edmond de Rothschild Private Equity (France) also launched a new investment strategy during the year. The team launched Privilège, a hybrid fund of funds focused on the mid-market in Europe and the United States. Privilège will invest both in private equity funds (other than those sponsored by the Group) and make co-investments in companies alongside the selected funds. In late December, the Privilège fund completed an initial closing that raised almost €70 million via two vehicles (FPCI and SICAV-RAIF) of which Edmond de Rothschild Private Equity (France) is the AIFM.

Lastly, Quadrant 2, a private equity fund of funds intended solely for the Bank's private clients and managed by Edmond de Rothschild Private Equity (France), generated €30 million in inflows this year. Quadrant 2 has already invested in four of the Group's funds and will complete its allocation with two new investments during the first half of 2019.

Breakdown of Private Equity results

In thousands of euros	2018	2017	Change
Net banking income	**4,700**	**4,150**	**13.3%**
Operating expenses	–6,766	–5,230	29.4%
- Personnel expense	*–4,611*	*–3,765*	
. direct	*–4,066*	*–3,321*	
. indirect	*–545*	*–444*	
- Other operating expenses	*–1,993*	*–1,358*	
- Depreciation and amortisation	*–162*	*–107*	
Gross operating income	**–2,066**	**–1,080**	**91.3%**
Cost of risk	-	-	
Recurring operating income	**–2,066**	**–1,080**	**91.3%**
Share in net income/(loss) of associates	-	1,384	
Net gains or losses on other assets	-	-	
Changes in the value of goodwill	–52	–720	
Income (loss) before tax	**–2,118**	**–416**	**409.1%**
Cost/income ratio*	140.5%	123.4%	

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

Net banking income

Private Equity net banking income rose €0.6 million above its 2017 level, reflecting the ongoing activities of the ERES franchises and the launch of the new Privilège funds of funds strategy.

Operating expenses

With the ongoing investments to diversify its activities and further reorganisation costs related to the longstanding Private Equity businesses in France, the division's operating expenses were €1.5 million higher in 2018 than in 2017.

Operating income

The gross operating loss in the Private Equity business increased by almost €1 million to €2.1 million in 2018, reflecting the continued reorganisation of its teams.

Income (loss) before tax

Private Equity posted a loss before tax of €2.1 million.

Other Activities and Proprietary Trading

CORPORATE ADVISORY SERVICES

Highlights of 2018

- 29 transactions advised on by the corporate finance unit
- Team of seven Lyon-based bankers recruited
- Rapidly growing real estate and winemaking franchises
- Ramp-up in healthcare

Advising owner-managers, family-controlled companies and financial investors is a long-standing cornerstone of the Group and a distinctive feature of its business model in France that sets it apart from its direct 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 real estate assets. The business also enables the Group to offer asset diversification solutions to family-office investors.

The team focuses on the small- and mid-cap market segment (i.e. deal sizes ranging from €10 million to €500 million). Its independence, lack of conflicts of interest and unique deal-making experience with family-owned firms to support clients in France and abroad are what sets it apart from its rivals.

Rapidly growing real estate and winemaking franchises

Unlike the market for major deals, in which volumes may vary significantly from one year to the next, the midcap market maintained its momentum in 2018[1].

The 29 deals completed are indicative of the faster pace of development in this business and also the strides taken over the past three years by the corporate finance teams (governance improvements, recruitment, and new working methods, etc.). Certain areas of specialised expertise made a telling contribution in 2018. For example, nine real estate deals were completed (all aspects, including logistics, commercial and physical assets). Deals that harnessed substantial synergies with private banking include the sale of the XXL logistics hub in Salon-de-Provence and the disposal of a 3,000 sq. m. building in the 8th arrondissement of Paris.

In healthcare, an attractive, highly valued segment, Edmond de Rothschild Corporate Finance brought its additional expertise to bear to provide even better support to owner-shareholders and family-owned businesses and also to funds with investments in the sector. It advised Pharma Omnium, which is owned by Weinberg Capital, on the sale of its Biodim subsidiary to Apax-owned Nupharm, and advised LFPI and its management team on the sale of Accolab to Cerba Healthcare.

Winemaking, another area of expertise, made a strong top-line contribution last year. The unit dovetails perfectly with the Edmond de Rothschild ecosystem and originated a highly prestigious deal – the sale of renowned Burgundy estate Clos de Tart to Artemis and also the sale of Château Franc Mayne to the Savare family.

[1] *Source: 10 January 2019 edition of L'Agefi Hebdo newspaper no. 642-643 – M&A rankings – page 28*

Aiming even higher

By recruiting a team of seven investment bankers based in Lyon from DC Advisory, Edmond de Rothschild clearly demonstrated its ambitions in corporate finance. The Lyon-based team boasts intimate knowledge of the local business environment and investment funds and possesses highly respected expertise in healthcare. Where needed, it can draw on support from the Private Banking specialists based in Lyon and Marseille.

Analysts were also hired during 2018 to continue aligning the organisation with plans to expand and inject fresh impetus into the business.

The process of forging ties with Private Banking accelerated further during the year, and a large proportion of the 2018 deals originated from Private Banking. This pace of development was also supported by the formation of Strategy Committee made up of entrepreneurs and senior executives selected on account of their industry expertise. Its role is to provide the Group's teams with expert insights. To the same end, the launch of the Business Factory initiative with Private Banking has helped to speed up the prospecting process and make it more resource-efficient (targeted approach to sectors).

Breakdown of Other Activities and Proprietary Trading results

In thousands of euros	2018	2017	Change
Net banking income	**43,355**	**27,289**	**58.9%**
Operating expenses	–35,629	–33,643	5.9%
- Personnel expense	*–19,466*	*–25,007*	
. direct	*–14,205*	*–19,949*	
. indirect	*–5,261*	*–5,058*	
- Other operating expenses	*–13,499*	*–6,269*	
- Depreciation and amortisation	*–2,664*	*–2,367*	
Gross operating income	**7,726**	**–6,354**	**ns**
Cost of risk	–336	–65	
Operating income	**7,390**	**–6,419**	**ns**
Share in net income/(loss) of associates	–42	-	
Net gains or losses on other assets	6,286	732	
Changes in the value of goodwill	-	-	
Income (loss) before tax	**13,634**	**–5,687**	**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

Corporate Advisory Services again clinched a series of impressive deals in 2018.
Its net banking income came to €17.6 million, up €1.3 million on 2017.

Proprietary Trading

Proprietary Trading's net banking income came to €17.8 million, up €15.2 million relative to 2017 when its performance was held back by a lack of any significant gains on the investment portfolio. It received some healthy payouts (€21 million) in 2018, however. Changes in the value of the Private Equity portfolio had a negative impact of €1.3 million on net banking income with the adoption of IFRS 9.

Operating expenses

Corporate Advisory Services

Operating expenses rose €0.7 million relative to 2017 reflecting the addition of the new team in Lyon and the recruitment of other staff.
Even so, gross operating income rose just above its 2017 breakeven level to reach €0.7 million in 2018.

Income (loss) before tax

Edmond de Rothschild Investment Partners was sold in March 2018, which gave rise to a €6.4 million capital gain.

Consequently, the Other Activities and Proprietary Trading division recorded income before tax of €13.6 million, after a loss of €5.7 million in 2017.

Outlook for 2019

Edmond de Rothschild (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.

Private Banking clearly demonstrated its ambitious goals in France with a year of very strong business trends crowned with commercial and financial success. In a market transformed by the implementation of MiFID 2, the main challenge for Private Banking is to maintain its agility in order to secure its profitability. 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 remodelled product and service offering, is the introduction of the PBIA division, which ably serves the Group's private banks. Innovation shapes its product offering, and the goal is to provide investors with effective solutions for complex markets.

Movements in the portfolio of subsidiaries and associates

During 2018, 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 2018. Its interest rose to 99.99% at 31 December 2018 from 99.85% at 31 December 2017
  - In May 2018, Edmond de Rothschild (France) incorporated company SAS EDR Immo Magnum, of which it is the sole shareholder.

- Divestments and dissolutions

During 2018, Edmond de Rothschild (France)'s sold its entire holding in two companies, and two other companies were liquidated:

  - In March 2018, it sold its entire holding in Edmond de Rothschild Investment Partners
  - It sold its entire holding in Rothschild & Co
  - During May 2018, as part of the liquidation and winding-up of Société Edmond de Rothschild Asset Management (Chile), it removed the single share that it held in that company from its portfolio
  - In December 2018, with retroactive effect from November 2018, ACH Investment Advisors SA, a company in which Edmond de Rothschild (France) held 300 shares or 10% of the share capital, was liquidated.

- Restructuring

On 25 May 2018, Financière Boréale carried out a capital increase through the issue of 28,290 new shares. The capital increase was subscribed for in full by Edmond de Rothschild (France) in its capacity as the sole shareholder.

Consolidated balance sheet

Consolidated total assets came to €3,665.1 million at 31 December 2018, up 6.5% from €3,442.8 million at 31 December 2017.

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	31/12/2018 IFRS 9	01/01/2018 IFRS 9
Cash, due from central banks and postal accounts	2,248,217	2,025,603
Financial assets at fair value through profit and loss	174,670	173,043
Financial assets at fair value through equity	4,098	29,943
Securities at amortised cost	10,132	27,273
Loans and receivables due from credit institutions, at amortised cost	59,135	127,861
Loans and receivables due from clients, at amortised cost	765,526	672,802
Tax assets and other assets	196,485	168,781
Non-current assets other than financial assets	206,867	217,464
Total assets	**3,665,130**	**3,442,770**

Liabilities and equity

In thousands of euros	31/12/2018 IFRS 9	01/01/2018 IFRS 9
Financial liabilities at fair value through profit and loss	1,428,390	1,379,627
Due to credit institutions	35,011	28,127
Due to clients	1,585,256	1,418,286
Tax liabilities and other liabilities	199,589	204,892
Provisions	25,110	25,331
Subordinated debt	-	-
Equity attributable to equity holders of the parent	379,945	373,526
Non-controlling interests	11,829	12,981
Total liabilities	**3,665,130**	**3,442,770**

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 derived from 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.

Financial assets at fair value through profit and loss were stable at €174.7 million at 31 December 2018, compared with €173.0 million at 31 December 2017. The line item chiefly consisted of the Group's private equity portfolio (€148.7 million) and trading derivatives measured at fair value (€10.0 million) at 31 December 2018.

Financial assets at fair value through equity fell by €25.8 million, largely because of eurozone government bonds acquired in connection with structured UCITS funds reaching maturity.

Securities at amortised cost dropped €17.1 million owing chiefly to a negotiable debt instrument maturing in 2018.

Loans and receivables due from credit institutions declined to €59.1 million at 31 December 2018, down 53.8% from €127.9 million at the end of the previous year. This decline was attributable to a €68.8 million reduction in ordinary demand deposit accounts.

Loans and receivables due from clients (net of provisions), consisting of ordinary overdrafts and loans, advanced by 13.8% to €765.5 million at 31 December 2018 compared with €672.8 million at 31 December 2017. That increase was primarily the result of an increase in client overdrafts excluding UCITS funds, which rose by €67.7 million, and a €6.4 million increase in lending.

Debit positions on UCITS current accounts fell from €7.6 million at 31 December 2017 to €18.7 million at 31 December 2018.

Non-current assets other than financial assets totalled €206.9 million at 31 December 2018, down from €217.5 million at 31 December 2017. This decline predominantly reflected the reduction in investments in associates.

Main changes in consolidated liabilities

Financial liabilities at fair value through profit and loss totalled €1,428.4 million at 31 December 2018, up 3.5% from €1,379.6 million at 31 December 2017. This increase mainly derived from a net increase in the negotiable debt instruments held by Edmond de Rothschild (France).

The **due to credit institutions** item reflects demand deposit accounts on which balances increased to €35.0 million at 31 December 2018 from €28.1 million at 31 December 2017.

The **due to clients** item 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 11.8% or €167.0 million overall to reach €1,585.3 million at 31 December 2018. The net increase was chiefly driven by a €78.4 million rise in ordinary accounts in credit and a €53.8 million rise in other financial liabilities.

Provisions were stable at €25.1 million at 31 December 2018, down from €25.3 million at 31 December 2017.

After 2018 net income of €28.3 million, **equity attributable to equity holders of the parent** rose 1.7% to €379.9 million at 31 December 2018.

Commitments given and received by the Group

In thousands of euros	31/12/2018 IFRS 9	01/01/2018 IFRS 9
Commitments given		
Financing commitments	255,056	216,401
Guarantee commitments	50,323	72,192
Commitments received		
Financing commitments	-	-
Guarantee commitments	10,471	12,871

Financing commitments given to clients, which include commitments to invest in certain of the Group's private equity funds, amounted to €255.1 million compared with €216.4 million at 31 December 2017. This increase reflected a €50.9 million rise in overdraft authorisations and a €12.2 million reduction in commitments on securities receivable.

Guarantees given by the Group fell 30.3% to €50.3 million, from €72.2 million at 31 December 2017. The guarantees mainly consisted of administrative and financial security provided to clients (down €11.3 million) and guarantees to investors in structured, formula and cushion funds, as well as representations and warranties provided to companies (down €11.0 million).

Guarantees received from credit institutions edged down to €10.5 million from €12.9 million at the end of 2017.

Parent company financial statements

Parent company balance sheet

At 31 December 2018, the Bank's total assets amounted to €3.644 billion. That represented an increase of 6.4% on the €3.425 billion recorded at 31 December 2017.

The main balance sheet items were as follows:

In thousands of euros	31/12/2018	31/12/2017
Assets		
Cash accounts and interbank operations	2,291,041	2,135,093
Loans to clients	788,005	710,338
Other financial accounts	203,842	177,598
Securities and non-current assets	361,448	401,833
Total	**3,644,336**	**3,424,862**

Liabilities and equity		
Interbank operations	975,765	995,233
Client deposits	1,632,461	1,506,860
Debt securities	535,783	455,012
Other financial accounts	194,493	162,877
Subordinated debt	21,023	21,023
Equity	284,811	283,857
Total	**3,644,336**	**3,424,862**

On the asset side, **cash accounts and interbank operations** accounted for 62.9% of the Bank's total assets, or €2.291 billion compared with €2.135 billion at 31 December 2017, an increase of €156 million or 7.3%. Cash deposited with the ECB and the Banque de France amounted to €2.248 billion at 31 December 2018, or 61.7% of the Bank's total assets (versus €2.025 billion and 59% at 31 December 2017), reflecting the improvement in the Bank's liquidity position and a conservative cash management policy in a low and even negative interest-rate environment.
Demand deposits with financial institutions decreased from €109 million at 31 December 2017 to €43 million at 31 December 2018.

Loans to clients amounted to €788 million at 31 December 2018, up 10.9% from €710 million at 31 December 2017. That increase derived largely from overdrafts granted to individual clients and non-financial companies.

Other financial accounts rose 14.8% to €204 million, up from €178 million in the previous year.

Securities and non-current assets amounted to €361 million at 31 December 2018, compared with €402 million at 31 December 2017. This 10.1% decrease was chiefly the product of redemptions of private equity UCITS funds, sales of the negotiable debt instrument portfolio and the sale of the investment held in Rothschild & Co.

On the liabilities side, **interbank operations** dropped to €976 million at 31 December 2018 from €995 million at 31 December 2017. Term loans were the main factor behind this decrease.

Client deposits rose by 8.3% to €1.632 billion at 31 December 2018, up from €1.507 billion at 31 December 2017. This increase resulted mainly from a rise in clients' other demand deposits. Clients' term deposits increased €84 million.

Debt securities amounted to €536 million compared with €455 million one year earlier. They consisted mainly of Euro Medium Term Notes (EMTNs) issued in connection with structured products and negotiable medium-term notes (BTMNs).

Other financial accounts rose €32 million to €195 million from €163 million at 31 December 2017. The rise reflected the measurement of currency exposures.
Subordinated debt, which amounted to €21 million at 31 December 2018 (unchanged from at 31 December 2017), includes only the undated super-subordinated notes issued by the Bank in June 2007 to strengthen the Group's regulatory capital.

The main components of **equity** were as follows:

In thousands of euros	(1) 31/12/2018	(1) 31/12/2017
Share capital	83,076	83,076
Reserves	130,522	130,522
Retained earnings	51,206	51,558
Total	**264,804**	**265,156**

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

Net income for the year rose 7% to €20 million from €18.7 million in 2017.

Parent company income statement

The key line items in the Bank's condensed income statement were as follows (in thousands of euros):

	2018	2017
Net banking income	**184,184**	170,675
Personnel expense	–80,914	–90,073
Other operating expenses	–58,925	–53,189
Depreciation and amortisation	–11,651	–11,296
Gross operating income	**32,694**	**16,117**
Cost of risk	2	26
Net gains or losses on other assets	–16,469	–8,763
Non-recurring items	–713	–8,437
Income tax	4,493	19,758
Net income	**20,007**	**18,701**

Net banking income

Net banking income rose 7.9% in 2018 to reach €184.2 million, up from €170.7 million in 2017.

This €13.5 million increase in net banking income reflects a €27 million rise in portfolio income (€101.5 million, up from €74.5 million in 2017) and also a €13.6 million decline in asset management fees (€64.6 million, down from €78.2 million in 2017). This reduction was attributable to the entry into force of MiFID 2, which led to a fall in investment fees, and also the delegated management agreement entered into with Edmond de Rothschild Asset Management's Private Banking Investment Advisory division.

In addition, revenues from interest-earning operations rose €0.7 million between 2017 and 2018. That increase reflected an increase in loans awarded to clients and 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 €0.7 million to the decline in net banking income between 2017 and 2018.

Operating expenses, depreciation and amortisation

Operating expenses, depreciation and amortisation came to €151.5 million, down 2% from the €154.6 million recorded in 2017.

This €3.1 million decrease breaks down into:

- a 10.2% fall in **personnel expenses** to €80.9 million in 2018 from €90.1 million in 2017
- a 10.8% increase in **other operating expenses** to €58.9 million in 2018 from €53.2 million in 2017, and
- lastly, €11.7 million in **depreciation and amortisation** in 2018, compared with €11.3 million in 2017.

After operating expenses, depreciation and amortisation, **gross operating income** totalled €32.7 million, up from €16.1 million in 2017.

Non-operating items

The net **cost of risk** was positive in 2018, as in 2017, 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 €16.5 million versus a net loss of €8.8 million in 2017. The key factor behind this loss was an impairment loss of €12.9 million recognised on the investment in Zhonghai Fund Management Co. Ltd.

Non-recurring items contributed a net loss of €0.7 million.

Under the Group's tax consolidation arrangements, the Bank recorded a net **income tax benefit** of €4.5 million compared with €19.8 million in 2017. The method used to calculate income tax changed during the year because the provision for variable remuneration was not deductible.

Net income rose 1.3% or €1.3 million to €20 million from €18.7 million in 2017.

Share capital

Ownership of the share capital, which amounted to €83,075,820 at 31 December 2018, was as follows:

Edmond de Rothschild SA	5,514,156	shares, i.e.	99.56%
EDRRIT Limited	24,172	shares, i.e.	0.44%
Other minority shareholders	60	shares, i.e.	0.00%
Total	**5,538,388**	**shares, i.e.**	**100.00%**

At 31 December 2018, 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 €445,923 in expenditure covered by Articles 39-04 and 223d of the French General Tax Code (extravagant expenditure), corresponding to €148,641 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.

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

At year-end 2018, the amounts owed by the Company to its suppliers and its clients broke down by maturity as follows (in euros):

Disclosures concerning payment periods

Overdue invoices received and issued not settled at the balance sheet date

	Article D. 441 I.-1: overdue invoices received not settled at the balance sheet date						Article D. 441 I.-2°: overdue invoices issued not settled at the balance sheet date					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
(A) Late-payment analysis												
Number of relevant invoices	15					15	133					133
Total amount of relevant invoices excl. VAT		320,384	194			320,578		2,003,897	64,150			2,068,047
Percentage of total amount of purchases excl. VAT in the financial year	0%	0.4%	0%			0.4%						
Percentage of revenue excl. VAT in the financial year								3%	0.1%			3.1%
(B) Invoices excluded from (A) concerning receivables and payables disputed or not accounted for												
Number of invoices excluded												
Total amount of excluded invoices excl. VAT												
(C) Reference payment periods used (contractual or statutory period - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment periods used to calculate 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 7 dormant accounts as defined in the aforementioned Act on its books in 2018 with a total balance of €140,886.25;
- it did not identify any dormant accounts on its books in respect of 2018 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 2018 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 2018

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

Office	Activities
CHINA	
Zhonghai Fund Management Co. Ltd	Asset Management
FRANCE	
Edmond de Rothschild (France)	Banking
Edmond de Rothschild Asset Management (France)	Asset management
Financière Boréale	Proprietary trading
Cleaveland	Asset Management
Edmond de Rothschild Corporate Finance	Advisory and financial engineering
Edmond de Rothschild Private Equity (France)	Asset Management
SAS EDR Immo Magnum	Asset Management
Groupement Immobilière Financière	Other
Edmond de Rothschild Assurances et Conseils (France)	Insurance brokerage
UNITED KINGDOM	
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
ISRAEL	
Edmond de Rothschild Boulevard Buildings Ltd	Real estate portfolio management
LUXEMBOURG	
Edmond de Rothschild Europportunities Management SàRL	Asset Management
EdR Real Estate (Eastern Europe) Cie SàRL	Proprietary trading
Edmond de Rothschild Europportunities Invest II SàRL	Proprietary trading
Edmond de Rothschild Europportunities Invest SàRL	Proprietary trading
CFSH Secondary Opportunities SA SICAR	Proprietary trading
CFSH Luxembourg SàRL	Proprietary trading
Bridge Management SàRL	Proprietary trading
Edmond de Rothschild Europportunities Management 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

COUNTRY	Revenue	Net banking income	Number of employees	Income (loss) before tax	Income tax	o/w current tax	o/w deferred taxes
CHINA	1	1	-	–3,814	-	-	-
FRANCE	838,775	282,882	788	26,713	–11,211	–26,212	15,001
UNITED KINGDOM	-	-	-	–10	-	-	-
HONG KONG	203	–33	-	–125	6	6	-
ISRAEL	1,428	944	1	–697	-	-	-
LUXEMBOURG	3,606	16,157	-	15,461	–87	–87	-
MONACO	-	-	-	7,045	-	-	-
TOTAL	**844,014**	**299,950**	**789**	**44,572**	**–11,292**	**–26,293**	**15,001**

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) uses a handbook of internal procedures that underscores this principle of the separation of duties. It also possesses a framework of control processes that 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 that the accounting and financial information provided to the Supervisory Board, shareholders and supervisory authorities is fairly presented and reliable, 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:

- heavy involvement of the corporate and supervisory bodies, especially the Audit Committee and the Risk Committee
- a Compliance and Permanent Control Department consisting of 22 employees. These employees are obliged to report their findings on a regular basis and apply a consistent control methodology
- a Central Risk Department monitoring operating risk, which has seven permanent staff members and ten risk liaison officers working at the business lines (two of whom have a different main activity)
- an Internal Audit division with seven 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,
  - recommendations published by the Basel Committee,
  - French 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 risk 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 co-ordinating 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 informs it regularly of 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 prepared by the Accounting Department, which remains strictly 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 submission of detailed information using a standard reporting package completed by each subsidiary.

The Accounting Department consolidates the income statement every month and carries out a detailed review of each subsidiary's individual financial statements. It ensures that financial statements are published on a timely basis.

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 Audit Committee and 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 Sustainability Report[1].

The specific measures taken by Edmond de Rothschild (France) are stated in the *Declaration of Extra-Financial Performance* section ("Managing climate change and energy transition risks") in Edmond de Rothschild (France)'s annual report.

[1](www.edmond-de-rothschild.com/site/International/fr/developpement-durable/rapport

Sustainability report / Declaration of extra-financial performance

The French government order no. 2017-1180 of 19 July 2017 and decree no. 2017-1265 of 9 August 2017 enacted in French law the European directive of 22 October 2014 on the disclosure of non-financial information. For accounting periods beginning on or after 1 September 2017, France's "Grenelle 2" framework has been replaced by one that involves publishing a "declaration of extra-financial performance".

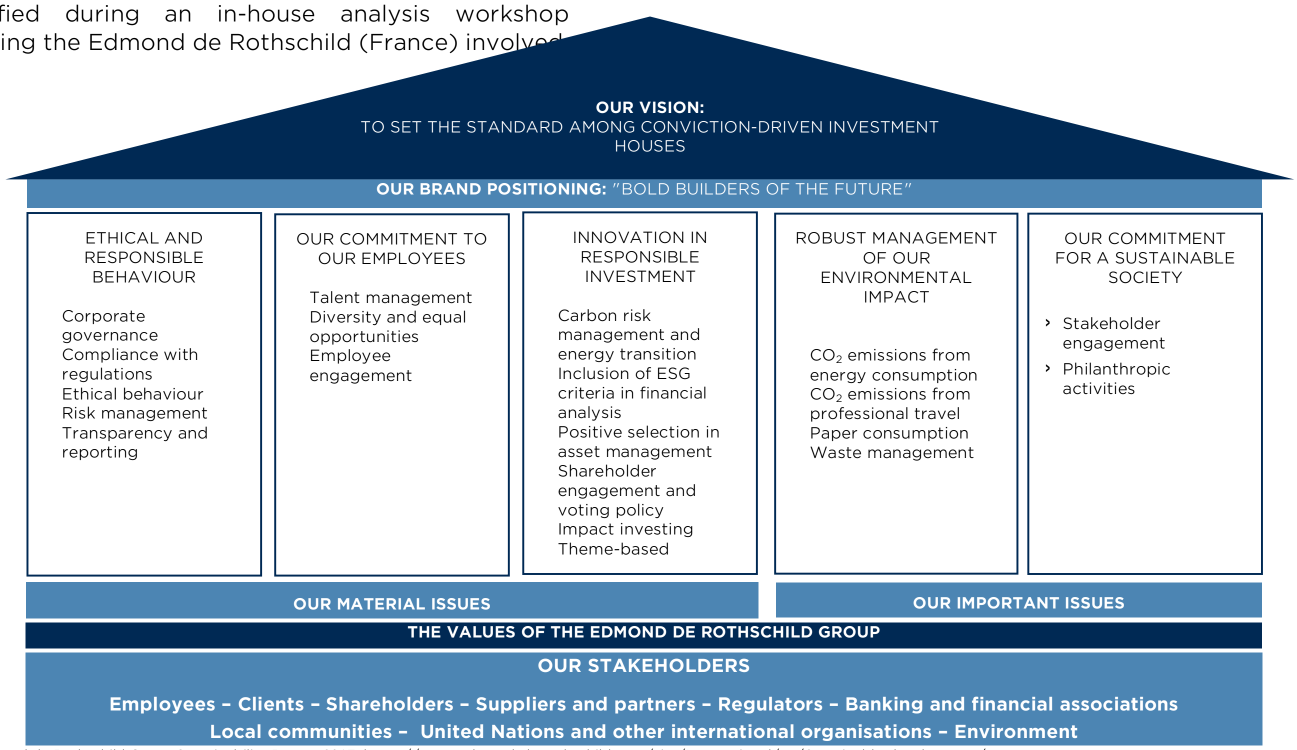
This new framework clearly adopts a materiality-based approach. Reporting entities are no longer required to complete a list of non-financial information, but to make more proactive and relevant disclosures that set out the most significant risks relating to the main non-financial themes, policies adopted to address them and their results and key performance indicators.

In 2014, the Edmond de Rothschild Group carried out a materiality exercise to identify the major issues on which its sustainability strategy would be based. As a result, the Group defined its strategy around the five pillars presented below.

This report, or declaration of extra-financial performance, sets out the main non-financial risks identified during an in-house analysis workshop involving the Edmond de Rothschild (France) involved in preparing the information presented in this document. The business model presented in this chapter is taken from the Group's sustainability report[1], which provides more details and key information about all material issues, targets and progress achieved.

From this year, information relating to the way we manage the environmental impact of our operations and information about our social commitment is presented solely in the Group's sustainability report and its appendices[1]. Information about how we manage climate change risks in investments is presented in this document.

Edmond de Rothschild (France) has been a signatory of the United Nations Global Compact since 2011, and is a member of the United Nations Environment Programme Finance Initiative (UNEP FI). The aim of these two initiatives is to encourage financial organisations to apply sustainability principles more effectively, particularly by integrating environmental, social and governance (ESG) factors into investment and risk analyses.



[1] See Edmond de Rothschild Group Sustainability Report 2017: https://www.edmond-de-rothschild.com/site/International/en/Sustainable-development/reports

Reporting scope

This report covers all the activities of Edmond de Rothschild (France), not including its subsidiaries and branches outside France. This scope covers 94% of Edmond de Rothschild (France)'s workforce.

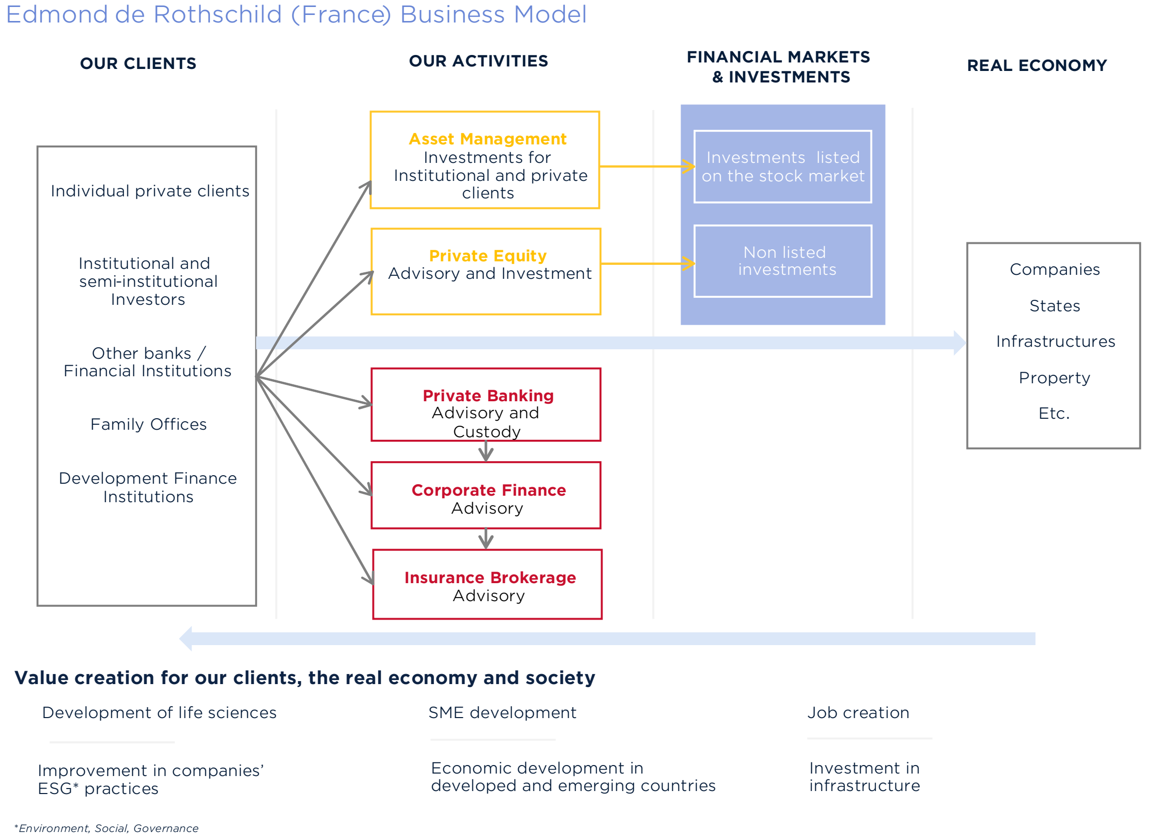
Business model and strategy

The Edmond de Rothschild Group has a Strategy Department that co-ordinates strategic discussions with the Group's Executive Committee. It defines a vision that is translated into roadmaps for the Group and each business line. Regular roadmap progress updates are presented to the Group Executive Committee, which reviews strategic plans. We also carry out in-depth benchmarking of our peers and competitors.

The chart below illustrates Edmond de Rothschild (France)'s business model, which in turn reflects the Edmond de Rothschild Group's business model and strategy. Details of Edmond de Rothschild (France)'s various business lines are provided on page 16 of this annual report.

Our activities in the value chain

The synergies between our different lines of business enable us to provide global financial solutions which create value for everyone



Ethical and responsible behaviour

In 2018, the Edmond de Rothschild Group continued to apply its sustainability strategy through regular monitoring of projects connected with the main material issues identified and potential non-financial risks. Issues regarded as material in terms of “ethical and responsible behaviour” are corporate governance, compliance with legislation, ethical behaviour, risk management, transparency and reporting.

In addition to the recognised material issues, the extra-financial risks identified and analysed in-house by a working group when preparing this report concern the following themes:

- robust management and control bodies
- compliance with all regulations
- conduct of employees and managers with respect to regulations and internal rules
- offences relating to business ethics
- deliberate breaches of the fundamental principles of equality in terms of public burdens and of no taxation without consent, presence in tax havens
- protection of clients’ personal data

These themes are presented in greater detail below.

Corporate governance and risk management

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.

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. The following Edmond de Rothschild Group documents were revised and updated in December 2018:

- Group Code of Ethics
- Group Directive on Corporate Governance
- Group Directive on the Swiss Anti-Money Laundering Act
- Group Directive on higher-risk business relationships and transactions
- Group Procedure on exchange of information
- Group Legal & Compliance Charter

The following new documents were also published in December 2018:

- Group Directive on consolidated supervision,
- Group Procedure on the treatment of transaction alerts.

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.

A copy of the Group Code of Ethics 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. Internal procedures and the audit, risk and compliance committees ensure that the business strategy is properly applied within the risk tolerance framework that the Group has defined.

The arrangements established by these committees – such as the risk policy, the internal risk charter and procedures for each specific identified case – ensure that the management and control bodies have robust operating procedures. The reorganisation of the Edmond de Rothschild Group into business segments since 2012 has allowed us to strengthen consolidated supervision across each business line by the Swiss holding company Edmond de Rothschild Holding SA.

Ongoing discussions within the Group and the resulting synergies in terms of expertise allow us to foster a collective desire for improvement and devise new approaches, such as internal ratings for banking and insurance counterparties, which are produced in Paris for the Group.

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 see how the various risks interact and to calibrate them, using limits, according to the risk appetites 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. Through these efforts, Edmond de Rothschild (France) showed once again its desire to take action ahead of the European regulatory timetable and to anticipate regulatory changes before they are implemented in local law.

This forward planning helps us develop a good long-term relationship with the banking and asset management supervisory authorities, and therefore provides security for clients entrusting us with their assets over the long term. The Group is committed to reviewing its procedures and policies on an ongoing basis, through supervision and strategic planning work performed by working groups focusing on the subjects concerned.

Ethical behaviour

Every year, all staff members are required to take an anti-money laundering and terrorist financing training course.

Edmond de Rothschild (France)'s procedures are based on the fundamental duty to know one's client, and remind employees of the Bank's obligations relating to the fight against money laundering and the financing of terrorist activities. They also cover the prevention of market abuse, ethical provisions applicable to employees as well as rules relating to the use of IT and communication resources.
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. The procedure for managing conflicts of interest requires them to be escalated to the compliance departments, and all incidents or breaches escalated by staff members to be handled confidentially. Internal communication and annual performance assessments also set out the ethical principles that apply to all staff members.

Whistleblowing procedures intended to reveal unethical behaviour or breaches of regulations or legislation in force are accompanied by internal controls that ensure proper monitoring of the systems in place. The Group Code of Ethics was updated in 2018.

Compliance with legislation and business ethics

For our Group, ethics, integrity and transparency are intrinsically linked to our values and our strong sense of responsibility. Various internal arrangements allow us to check that all regulations are complied with. That includes regulatory intelligence work carried out jointly by the Legal Committee and the Compliance Committee. Targeted working groups also assess legislation and the steps required to comply with it when it comes into force.

Control-specific procedures, policies and IT resources are other tools we use in our various business lines, with dedicated people ensuring that they are properly applied.

Targeted training is also organised for the teams concerned. European and French regulations arising from MiFID II (Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments) require 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.
As part of the same regulatory framework, Bärchen also provides annual training on assessing the knowledge and skills of people providing information and advice.

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. 100% of eligible employees have taken the course. In 2018, 154 new staff members completed it.

In Private Banking, the Compliance and Control Department has a specific e-learning course relating to the prevention of money laundering and terrorist financing. This e-learning course, custom-made by Edmond de Rothschild (France)'s Compliance Department, informs eligible employees about regulations and internal procedures using examples suited to the private banking business. In 2018, 201 eligible employees completed it.

Also in 2018, we introduced our anti-corruption system, including corruption risk monitoring measures involving corruption risk-mapping for each entity, an updated employee whistleblowing procedure, rules regarding gifts and hospitality, awareness-raising emails and staff training courses. 604 eligible employees have already taken part in this training, i.e. 85% of the workforce in France.

Tax evasion

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, the Edmond de Rothschild Group's duty of disclosure aims to achieve the high level of transparency needed to maintain the trust of its clients and stakeholders over the long term.

Deliberate breaches of the fundamental principles of equality in terms of public burdens and of no taxation without consent represent a major risk for banks.

At the Edmond de Rothschild Group level, the Code of Ethics creates a global framework for all themes relevant to its activities, including those concerning tax evasion. The Code also states that "the Edmond de Rothschild Group takes a risk-based approach, intending to initiate business relationships only with clients whose assets are in compliance with their tax obligations." Group employees follow codes of conduct adopted by the entities for that purpose. The Group has a procedure concerning "exchanging information within the Group as part of the consolidated monitoring process", which describes in detail the rules about managing related risks, such as tax evasion. The third Group procedure about "handling transaction alerts" completes the set of procedural documents.

Edmond de Rothschild (France) has set up a system that complies with French automatic exchange of information (AEoI) standards. The system includes informing staff members about AEoI principles, and ensures that client documentation contains the necessary information about AEoI with countries with which France has signed an information exchange agreement. The system supplements the anti-money laundering and terrorist financing system, which includes tax fraud as one of its transaction monitoring and suspicious transaction reports criteria.

Edmond de Rothschild (France) does not have any subsidiaries in tax havens.

Data protection

The General Data Protection Regulation (GDPR) has been in force in all EU member states since 25 May 2018. The Edmond de Rothschild Group, which constantly strives to be ahead of the European regulatory timetable, had achieved compliance with the regulation well before that date.

At 31 December 2018, 630 employees of Edmond de Rothschild (France) and its subsidiaries in France – 88% of the total workforce – had completed data protection training.

An information systems security officer (ISSO) has also joined the Group and a Data Protection Officer (DPO) has been appointed internally to supplement the internal control teams and ensure, among other things, that the Group's internal policy regarding client data protection and employee best practice are disseminated and complied with. Awareness-raising tools are also being developed on an ongoing basis and all agreements have been updated in accordance with GDPR.

Transparency and reporting

When publishing its results, the Edmond de Rothschild Group complies as closely as possible with the standards of the Global Reporting Initiative, as well as its supplement for the financial sector[1]. That decision was 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 82.

[1] See the Edmond de Rothschild Group Sustainability Report 2017: https://www.edmond-de-rothschild.com/site/International/en/Sustainable-development/reports

Our commitment to our employees

Reporting scope

This reporting scope for workforce-related data covers all the employees of Edmond de Rothschild (France), not including its subsidiaries and branches outside France. The scope covers 94% of Edmond de Rothschild (France)'s workforce. This section sets out the main non-financial risks, the policies adopted and work done to address them, and the key performance indicators for Edmond de Rothschild in France.

Introduction

The performance and engagement of employees, including their commitment to the Group's values, are crucial to the Edmond de Rothschild Group's success. The key priorities of the Group's Human Resources strategy are as follows:

- Attract, develop and retain the best talent
- Develop a culture of managerial leadership to enhance performance and foster employee commitment
- Respect and promote diversity

In this area, the Group has continued to improve the training and personalised skills development resources it offers to its staff.

The Edmond de Rothschild Group's commitment to its 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 culture of managerial leadership based on the Group's values
- harnessing 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.

The Group also has a Workforce Responsibility Policy, which has been validated by the Executive Committee and applies to all staff members. It deals with key themes such as:

- respect for human rights
- recruitment processes
- compensation, mobility and promotions
- work/life balance
- a culture of dialogue and teamwork

In addition to the identified material issues, the extra-financial risks analysed and identified by the working group when preparing this report are:

- compliance with employment law
- the ability to attract and retain talent
- occupational health and safety risks
- discrimination in the company's various processes
- the ability to promote staff wellbeing and engagement

Compliance with employment law

Regulatory intelligence covering employment law is one of the tools used by the Group's internal control bodies.
The Group has always regarded its legal and regulatory framework as a development opportunity and uses it as a genuine performance driver.

As a result, as well as complying with legislation, each theme is treated as a development opportunity for the Group. Rather than just focusing on meeting its obligations as regards employing disabled people, Edmond de Rothschild (France) has chosen to negotiate an agreement with employee representatives that treats disability as a source of diversity and wealth.

Talent management

The Edmond de Rothschild Group's success is founded on the personal and professional qualities of its employees, their skills, their engagement and their commitment to the Group's values. Aside from operational and technical 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 development of our activities.

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 – onboarding joiners
- 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

Each year, Edmond de Rothschild (France) welcomes numerous students on internships and work-study programmes, giving them the opportunity to shadow its teams in all its business lines. The Group wants to attract the most talented people, make the most of their talent, develop their skills and guide them as they learn their future occupation.

An internal policy has been adopted to ensure that internships suit the profiles of those undertaking them. It also includes a strong commitment to training and supporting interns.

At 31 December 2018, the Bank in France had 734 employees of 19 different nationalities, and an ideal gender balance, with women making up 50% of the workforce.

The workforce in France still has a high proportion of management-level employees, i.e. 88.9%, slightly higher than in 2017 (86.3%).

The average age of employees in France was 42.3 years in 2018, the same as in 2017. At 31 December 2018, 95.7% of the workforce had a permanent contract and 49.2% of permanent roles were occupied by women.

5% of the workforce have chosen to work part-time. All requests to switch to a part-time schedule were approved in 2018.

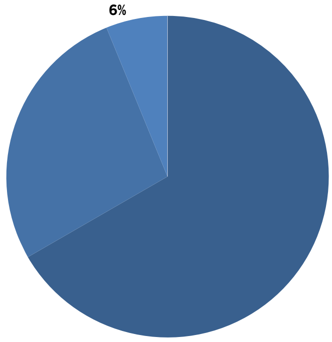
	2014	2015	2016	2017	2018
Employees in France	761	793	787	780	734

	2016	2017	2018
Management-level employees as a proportion of the workforce	85.2%	86.3%	88.9%
- Women	44.9%	46.1%	47.6%
Average years of service	9.7	10.2	9.9
Average age	42.4	42.4	42.3
Proportion of workforce on permanent contracts	98.3%	97.8%	95.7%
- Women	47.6%	47.8%	49.2%

Recruitment increased slightly in 2018, with 106 people joining the Bank, of whom 59% are on permanent contracts and 42% are women.

Meanwhile, 81 people left the Bank, of whom 43% were women and 42% were aged over 45. With arrivals up 18% and departures up 11%, staff turnover was relatively stable at 11.6% (9.3% in 2017). Voluntary departures made up 67% of all departures in 2018.

Staff leaving voluntarily were not always replaced directly. That 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 9.9 years in 2018 (10.2 years in 2017).



	2015	2016	2017	2018
Number of joiners	135	66	90	106
- joiners on permanent contracts	59	13	40	63
- Women	43%	42%	51%	42%
Number of leavers on permanent contracts	-	68	72	81
- Women	-	55%	47%	43%
- Employees aged over 45	-	43%	38%	42%
Turnover	8%	8%	9%	12%

Employee engagement

Annual employee performance reviews are a key element of the Edmond de Rothschild Group's human resources strategy. Recognising and rewarding performance is a good way of increasing employee engagement. The process is also an important opportunity for managers to listen to their colleagues and support them in their professional development.

In 2018, 89% of Edmond de Rothschild (France)'s employees participated in all steps of the review process (versus 97% in 2017). It involves managers and staff members having a structured, factual conversation. 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 mindset
- client relations
- 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.

The annual performance review form contains a dedicated section allowing all staff members to alert their line managers about any issues with their workload and work/life balance. Alert systems and prevention procedures have already been set up at the operational level to allow local managers to prevent difficulties.

Performance reviews are also involved in the granting and calculation of variable remuneration. The creation of the Remuneration Committee was an initiative of the Supervisory Board. The committee reviews all remuneration-related matters. It collectively considers regulatory issues and its remit includes reviewing managerial proposals.

Human Resources takes the opportunity provided by these appraisals to foster a genuine, transparent dialogue with each staff member and thereby build a long-term trust-based relationship. It highlights development and/or training needs and supports and promotes internal mobility.

Training programmes developed for the whole workforce are an important resource for increasing employee engagement. 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 2018, 44 Edmond de Rothschild (France) employees benefited from internal mobility, as opposed to 51 in 2017. The Group set up a committee dealing specifically with internal mobility in 2015, with the aim of aligning skills and talent management with staff development requirements. The Group is investing in internal mobility because it is a priority aspect of its Human Resources strategy, partly ensuring that the Group has the resources and skills it needs and partly helping to promote talented staff members while fostering employee wellbeing.

In addition, 72 employees were promoted (including changes in pay grade) as an acknowledgement of their performance in 2018, as opposed to 82 in 2017.

	2016	2017	2018
Percentage of employees having received an annual performance review	99%	97%	89.0%
Number of employees promoted to internal vacant positions during the year	38	51	44
- Women	50%	55%	57%
Number of employees promoted during the year	54	82	72
- Women	50%	55%	44%

Remuneration policy

Edmond de Rothschild Group strongly believes that strengthening the link between performance (individual or collective) and reward (salary, promotion or internal 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 its common goals.

The remuneration policies of Edmond de Rothschild Asset Management France and Edmond de Rothschild (France) were updated on 1 January 2018 in the light of the AIMFD, UCITS V and CRD IV directives.

Corporate officers, risk-takers as well as individuals with compliance, internal control 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 "Employee Share 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. A second instrument was introduced in March 2018 in the form of deferred cash compensation linked to the share price of the Group's Swiss holding company.

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 half of those employees' deferred remuneration and half of their "immediate" remuneration 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 has been in force since 1 January 2017 and its provisions are very similar to those of AIMFD. The Group anticipated UCITS V by applying, for several years beforehand, a deferred remuneration principle, including for UCITS managers. The aforementioned system, involving cash payments linked to a basket of funds, has been adjusted in relation to UCITS V coming into force in 2017.

In accordance with these regulations, the Group aims 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 its interests are aligned with those of its clients.

Wages paid totalled €84 million in 2018, down 6% from €89 million in 2017.

Under Articles L. 511-71 and L. 511-73 of the French Monetary and Financial Code (MFC), shareholders at the Annual General Meeting (AGM) must be consulted each year on the overall remuneration – 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 MFC limits the variable salary component to 100% of the fixed component for all group employees regulated by CRD IV, unless shareholders at the AGM approve, giving reasons, a higher figure of up to 200%. In order to ensure that group salaries remain competitive, a motion was submitted to shareholders to set the maximum ratio of variable to fixed salary components at 200% for all Group CRD IV-regulated employees. The motion passed in the May 2018 AGM with respect to the 2018 financial year.

	2014	2015	2016	2017	2018
Gross annual payroll subject to social security charges (in	91,352	83,735	85,249	89,288	84,060
Increase in the fixed component	4.5%	3.5%	2.2%	2.7%	3.3%
Percentage of variable component relative to fixed component on (31/12/(N-1))	46%	44%	38%	36%	46%

Staff training and development

The Group's human resources strategy supports and prepares employees to master the challenges of today and tomorrow by developing their technical and interpersonal skills.

The Group's training and development efforts are aligned with its strategic priorities and have been stepped up in the following areas:

- managerial expertise
- business expertise
- foreign languages
- digitisation (IT and office applications)
- quality and security

These programmes, which are available on the Group's intranet, were designed to ensure ongoing learning and development, in both professional and personal terms, and help staff members achieve their full potential.

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 managerial training programme covers themes related to the role of the manager, change and transformation, performance management and talent development, the legal and regulatory framework, and recruitment and induction.

The business expertise programme comprises all technical training courses, involving three main themes: i) financial markets, ii) legal, risk and compliance and iii) sales and trading.

Other training programmes that exist within the Group have been reviewed with the aim of enhancing the offering, ensuring that quality levels are consistent across all staff and providing solutions that meet their needs.

The desire to develop synergies among training programmes, so that they continue to address the Group's needs and those of its people more effectively, remains a priority for our Learning & Development teams.

All staff members took at least one training course in 2018. Digital training courses, based on videos that can be viewed on staff workstations, are increasingly effective, and more courses were delivered digitally in 2018.

Classification of training by category	2018
Technical/business skills	56%
Interpersonal/managerial skills	22%
Beginners and advanced language training	9%
IT skills	2%
Health and safety	11%

	2014	2015	2016	2017	2018
% of employees who attended at least one training course	58%	58%	64%	92%	100%
% of women who attended at least one training course	53%	53%	51%	48%	49%
Total training hours	11,417	10,371	9,956	9,923	8,863
Annual budget for training (in thousands of euros)	2,076	1,412	1,335	1,567	1,539
- of which contributions to training insurance funds	35%	60%	64%	58%	58%

Diversity and equal opportunity

The Edmond de Rothschild Group regards diversity as a social necessity but also as a way of meeting the demands of the market as effectively as possible, creating new opportunities and driving innovation. The Group's Social Responsibility Policy deals with these matters.

Promoting equal professional opportunities for men and women is therefore a key element of the Group's human resources philosophy. Avoiding discrimination is a core principle of all HR processes. The key performance indicators set out below reflect the way these risks are monitored as well as best practice applied in terms of internal processes.

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, particularly through training courses.

A specific diversity module is included in the employment law training programme that has been offered to managers since 2016. More than 100 managers have taken part in the programme to date.

The Group pays particular attention to avoiding age-based discrimination. 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. Senior employees receive specific support, which can involve a number of personalised meetings. All senior employees receive training in "how to prepare for retirement".

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

As regards younger staff members, the Group establishes partnerships with schools each year, including through its regular attendance at jobs fairs, not only to develop a talent pool for its own future workforce, but also to contribute actively to professional education for students. In 2018, the Bank and its French subsidiaries participated in the following six jobs fairs: EDHEC, ESCP Europe, EM Lyon, Université Paris-Dauphine, DogFinance connect and Paris pour l'Emploi.

The Edmond de Rothschild Group actively seeks to provide employment opportunities for young people . In 2018, the Bank and its French subsidiaries welcomed 128 interns and 30 students under work/study programmes (apprenticeship and/or professional development contracts) and recruited some of them subsequently.

	2015	2016	2017	2018
Percentage of women in workforce	49%	48%	49%	50%
Percentage of women in the year's new recruits	43%	42%	51%	42%
Percentage of women among candidates	41%	45%	65%	49%
Percentage of women among total management-level employees France	45%	45%	46%	48%
Percentage of women among total senior managers in France[1]	27%	26%	28%	33%

[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, was 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 1.38% at end-2018.

The Bank also fulfilled its undertaking to hire two disabled workers per year. The new agreement for 2018-2020 includes a commitment to increasing 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 2018, eight disabled employees were working within Banque Edmond de Rothschild in France, which means that the end-2018 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

The Works Council took part in a large number of consultations in 2018, covering subjects such as changes to the front/middle/back office organisation and the integration of senior banker activities within business lines. 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.

In December 2018, employees elected their first Social and Economic Committee under the new regulations. A large number of new members were elected and an ambitious role was assigned to this new body. The election took place electronically, for the second time in the Bank's history, and all members were elected in the first round of voting with a record turnout of almost 60%. This demonstrates both the quality of management-employee dialogue within the UES and employees' interest in the strategic and transformative subjects that may be discussed within the committee.

Employee health and well-being and psychological risk prevention

The health, safety and wellbeing at work of employees remains a core concern for Edmond de Rothschild (France). Staff representative bodies were informed and consulted regularly throughout the year about all of its efforts in this area. Well-being at work is assessed using absenteeism[2] as a key indicator. The absenteeism rate was 4.96% in 2018, higher than the 2017 figure of 4.3%. The increase was mainly caused by a seasonal flu epidemic affecting France until March 2018.

	2014	2015	2016	2017	2018
Absenteeism	4.4%	4.5%	5.6%	4.3%	5.0%

The workplace accident frequency rate[3] was 5.25 in 2018 (3.28 in 2017), and the injury severity rate[4] was 0.04 (0.07 in 2017). Each accident is analysed in conjunction with the HSWCC[5]. No additional prevention measures were recommended in 2018, since most accidents were commuting accidents that management is almost powerless to prevent.

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 their annual assessment or vocational appraisals. 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.

Negotiations regarding quality of life will be a priority in 2018. Gender equality will be addressed as part of those negotiations, along with the right to disconnect.

[1] Staff representative bodies cover the following companies: Edmond de Rothschild (France), Edmond de Rothschild Asset Management (France), Edmond de Rothschild Corporate Finance, Edmond de Rothschild Private Equity (France), Edmond de Rothschild Assurances et Conseils (France), Cleaveland SA.
[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: $\frac{\text{No. of accidents resulting in lost working time} \times 1{,}000{,}000}{\text{No. of hours worked}}$
[4] The injury severity rate is calculated as follows: $\frac{\text{No. days compensated} \times 1{,}000}{\text{No. of hours worked}}$
[5] Health, Safety and Working Conditions Committee

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.

Three years after the signature of the Paris Agreement, COP 24 – held in Poland in December 2018 – formalised the rules for putting that comprehensive agreement into practice. At the same time, the Principles for Responsible Investment initiative reflects increasing commitment among investors to combat climate change including, for the first time in 2018, reporting according to the recommendations of the Task Force on Climate Disclosure (TCFD).

In this context, the Group's various entities – particularly Edmond de Rothschild Asset Management[1] and Edmond de Rothschild Private Equity – are more motivated than ever to contribute proactively to aligning economies with collective sustainability aspirations[2]. They have therefore set their 2020 targets and are implementing their roadmaps to integrate ESG (Environment, Social and Governance) criteria into their investments and thus accentuate 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.

1. "Edmond de Rothschild Asset Management" 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.

2. See the Sustainable Development Goals of the United Nations:

http://www.un.org/sustainabledevelopment/

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 a climate risk action plan for the 2017-2020 period
- train 100% of internal equity and bond investment teams in RI/ESG
- establish a formal ESG integration process for European equities management
- establish formal ESG integration processes for our strategies on infrastructure debt and on direct investments 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 (295 companies covered directly in-house in 2014, 350 companies in 2018)

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 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.

In addition to the material issues identified and reviewed each year as part of the Edmond de Rothschild Group's sustainability strategy, a review of extra-financial risks was carried out in 2018 for Edmond de Rothschild (France).

The review identified three extra-financial risks, which also represent opportunities for the Group, related to Responsible Investment:

1. Taking into account ESG issues in investments
2. Managing carbon risks relating to investments
3. Shareholder engagement and voting policy

These subjects, which were already covered in Edmond de Rothschild (France)'s annual reporting, are discussed in this chapter to show the relevant policies, initiatives and indicators relating to each of them.

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 Inves tment / 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 at portfolio level:** 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).
	ESG integration	**Principle:** As regards Edmond de Rothschild Asset Management, ESG integration involves taking into account ESG criteria when analysing a company. EdRAM has defined its own methodology, identifying 10 criteria to measure the extent of ESG integration in each fund. We deem that a fund has an ESG integration approach if it meets at least eight criteria (SRI funds meet all 10 criteria). The criteria include ESG or carbon screening, ESG dialogue by asset managers and the impact of ESG criteria on the valuation of securities in the fund universe. 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. An investment strategy's assets under management are only included in the "Responsible Investment" category if the ESG integration approach is formally defined and implemented according to the criteria/methodology in place. **Impact at portfolio level:** unlike other forms of RI such as positive selection, which involve a performance obligation, ESG integration involves a best-efforts obligation.
	Exclusions	Norm-based exclusions relating to anti-personnel mines and cluster bombs are defined by Edmond de Rothschild Asset Management. As regards investments, Asset Management has also devised a prohibited and a watch list of countries 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 in-house Dimension system and give rise to pre-trade restrictions.

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

In 2018, Edmond de Rothschild Asset Management maintained its commitment to Responsible Investment. At the start of the year, its Supervisory Board validated its 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, i.e. to mitigate risks and identify opportunities to make our investments more sustainable.

This section, which sets out progress made in this area in 2018, is part of Edmond de Rothschild Group's Responsible Investment strategy[1].

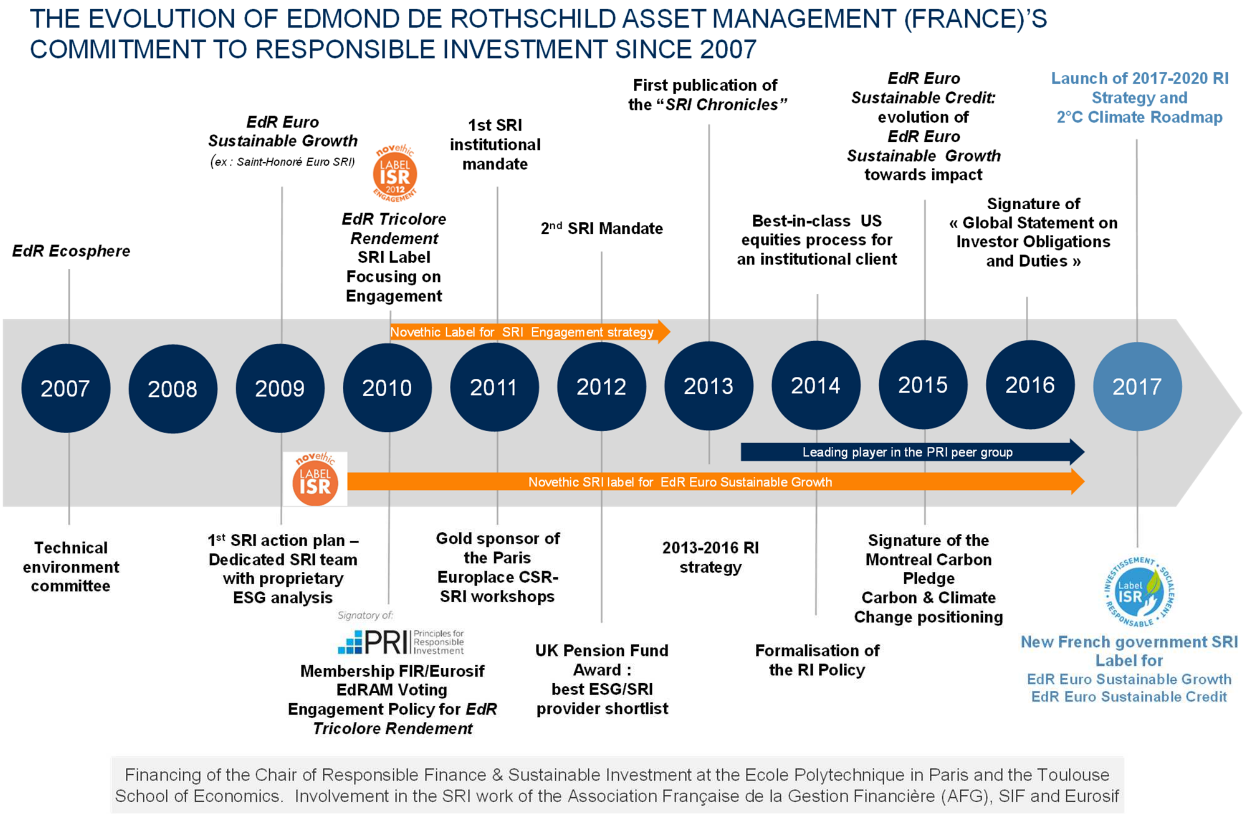
Integration of ESG criteria in SRI financial analysis

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

Key stages in the development of our Responsible Investment expertise

Timeline section Asset Management Double Page 40-41 EN



1. See Edmond de Rothschild Group Sustainability Report 2017, pp. 40-63: https://www.edmond-de-rothschild.com/SiteCollectionDocuments/group/sustainable-development/rapport/edmond-de-rothschild-sustainable-development-report-2017.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, in 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 Responsible Investment strategy

1.
MITIGATE RISKS AND IDENTIFY OPPORTUNITIES
to make our investments more sustainable

- ESG analysis focusing on reducing risk / finding sustainable solutions
- SRI management and ESG integration

2.
STRENGTHEN DIALOGUE - ESG ENGAGEMENT
with issuers

Shareholder responsibility and fiduciary duty

3.
ENSURE RI GOVERNANCE
in an accountable and traceable manner

- **Organisation**
- **Reporting**
- **Control**
- **Internal approach to Corporate Responsibility (CR)**

4.
IMPROVE MARKETING AND VISIBILITY
of our RI solutions

- **Innovative solutions**
- **Sales**
- **Brand image**

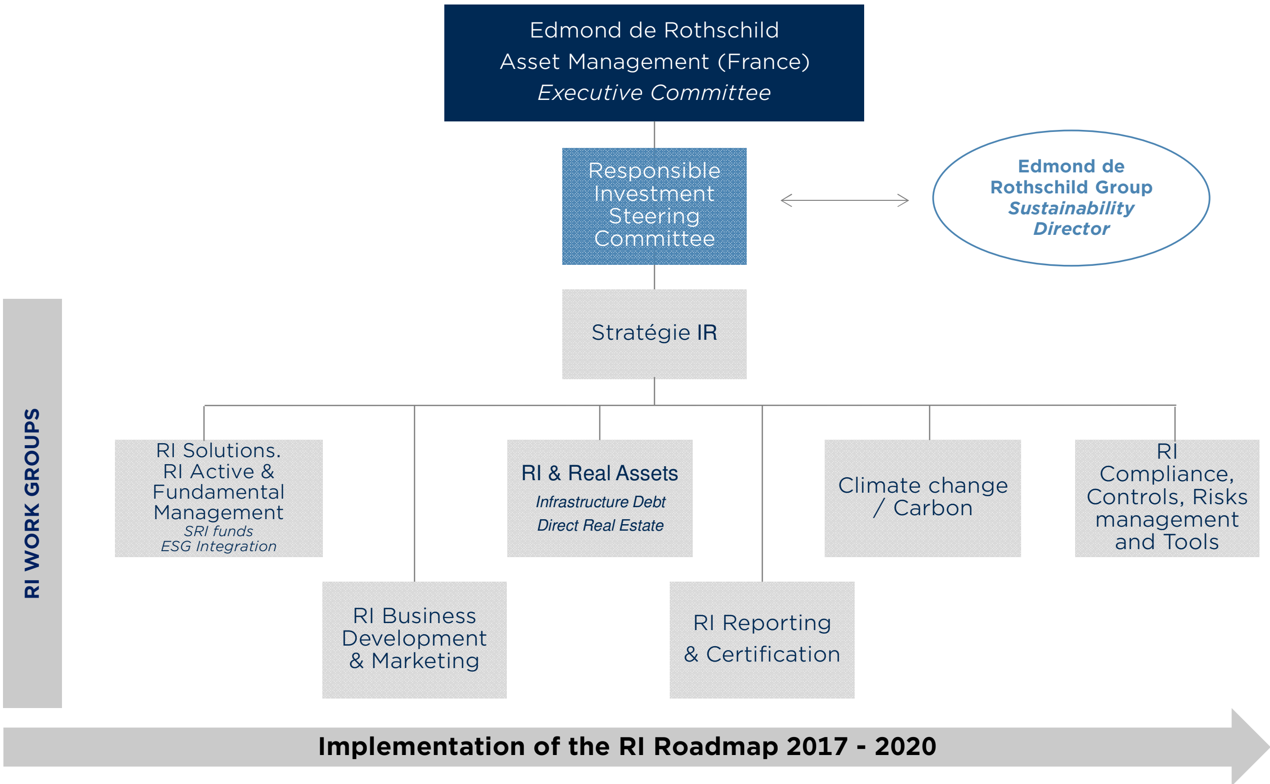
The 2017-2020 RI Strategy is being implemented by investment teams with the help of all support functions. It is being overseen by the Edmond de Rothschild Group's Asset Management Executive Committee and co-ordinated by an RI Steering Committee consisting of 24 RI corresponds from all operational departments. 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



Commitment to factoring ESG issues into investments in 2018

Edmond de Rothschild Asset Management (France)'s commitment to RI and to taking ESG issues into account is formally set out in its Responsible Investment Policy, available on its website[1].

Main RI projects relating to the RI strategy undertaken in 2018

Edmond de Rothschild Asset Management's Responsible Investment Strategy is implemented through practical projects overseen by the RI Steering Committee.

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.

Projects implemented in 2018 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

2018 PRI[2] 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 Principles for Responsible Investment (PRI), to which it 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 2018 reporting process, Edmond de Rothschild Asset Management (France) confirmed, for the fourth 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.

In 2018, Edmond de Rothschild Asset Management (France) reported on the additional module of the "Indirect – Manager selection, appointment and monitoring" PRI questionnaire, reflecting the ESG integration work carried out since 2016 on its selection of external funds. Additional questions were also dealt with concerning coverage of climate issues as part of the 2°C roadmap, based on the TCFD recommendations and the IEA's latest 450 scenario.

The excerpt from this rating report presented here is partial and must be considered in the context of PRI methodology[2]. The full rating report is available on request.

Summary Scorecard

AUM	Module Name	Your Score	Median Score
	01.Strategy & Governance	A+	A
Indirect - Manager Sel., App. & Mon			
<10%	02. Listed Equity	B	B
<10%	03. Fixed Income - SSA	B	C
<10%	05. Fixed Income - Corporate Non-Financial	B	C
Direct & Active Ownership Modules			
10-50%	10. Listed Equity - Incorporation	A+	B
10-50%	11. Listed Equity - Active Ownership	A	B
10-50%	12. Fixed Income - SSA	A	B
<10%	13. Fixed Income - Corporate Financial	A+	B
10-50%	14. Fixed Income - Corporate Non-Financial	A	B

Source: PRI Assessment Report 2018
Edmond de Rothschild Asset Management (France)

2. Monitoring of the new SRI label

In September 2017, EY France granted the new SRI label[3] – supported by the French Finance Ministry – to the EdR Euro Sustainable Credit and EdR Euro Sustainable Growth open-end funds. The funds underwent an external audit in 2018 as part of label monitoring arrangements. This SRI 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 RI team using an internal database.

1. See: https://www.edmond-de-rothschild.com/SiteCollectionDocuments/asset-management/isr/EDRAM-responsible-investment-policy.pdf
2. https://www.unpri.org/about/pri-teams/reporting-and-assessment
3. http://www.lelabelisr.fr

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[1]. 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[2].

RI compliance, Control, Risks and Tools project group

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

For the second year in which this Act was in 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. Its Article 173 declaration[3] is a resource that makes it easier for users to find information on this topic. For more information about how we manage carbon risk in our investments, see the section devoted to that subject.

RI investment solutions and asset management project group

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

In line with the first action principle 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 has put in place a simple, robust and effective deployment method in the last three years.

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 asset 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 asset managers as closely as possible, offering them effective, customised resources.

1. 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.
2. These documents are available on the Edmond de Rothschild Asset Management (France) website: https://www.edmond-de-rothschild.com/site/France/en/asset-management/our-expertise/socially-responsible-investment
3. http://www.edmond-de-rothschild.com/SiteCollectionDocuments/asset-management/isr/EDRAM-FR-Declaration-art-173.pdf

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 MANAGEMENT

Stages of the ESG integration process

Accessibility of ESG data **Extended** analysis coverage	Progressive systematisation of 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 rating and analysis) : the tool will be gradually enriched with ESG data and accessible to all asset management teams **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 rating agency in 2017: Sustainalytics Access for all asset managers	**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 discussions and emails with RI asset managers** regarding an issuer's material ESG risks (risk mitigation)	**Launch of 10 ESG integration projects, of which 3 priority projects were completed in 2017:** ⇒Energy Transition and 2°C Roadmap ⇒Sustainable Development Goals (SDG). Sovereign debt, risk focus ⇒Valuation impact of ESG research (equities and corporate credit) With 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** The Active and Fundamental Management department has made commitments 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*

<u>Focus on results of the four priority ESG integration projects in 2018</u>:

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.

i. "Sustainable Development Goals (SDG)" – Analysis of corporates - Focus on risks and opportunities:
As part of our equities and corporate bond management activities, in-house issuer analysis now takes account of all United Nations Sustainable Development Goals[1] (SDGs) following the latest update of our ESG analysis methodology in March 2018.

In practice, our SDG methodology developed for corporates is material for 11 of the 17 SDGs and around 30% of economic sectors in terms of positive or negative contribution to the SDGs. Not all SDGs are applied to each security. We have set up a system that allows us apply positive or negative adjustments to a security. That adjustment varies according to the sector's sustainability intensity, with a value of 1, 2 or 3 (low, medium or high).

II. "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.

1. http://www.un.org/sustainabledevelopment/sustainable-development-goals/
2. Project carried out by the Climate/Carbon Project Group.

This work was completed in early 2018 after Edmond de Rothschild Asset Management's Supervisory Board validated the Roadmap for 2020, 2030 and 2040, and takes into account the reporting recommendations of the TCFD[1] and the most recent 450 Scenario of the International Energy Agency (IEA)[2]. More detailed information about the Long-Only Asset Management Department's 2°C Roadmap is provided on page 71 of this report.

iii. "Measurement of intangibles" project

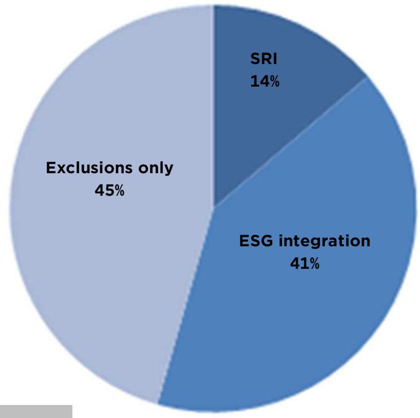
The RI team, relying in particular on in-house digital strategy and data expertise, co-ordinated a working group of the *Observatoire de l'Immatériel* that, in late 2018 as part of the World Intellectual Capital Initiative (WICI), completed a list of 38 performance indicators for analysing and measuring the human, organisational and relational capital of companies in the European food and beverages industry.

iv. Small and Mid Cap "Management quality" project

In 2018, the Small and Mid Cap asset management team formally integrated ESG criteria into its investment process. Although the fund does not strictly select companies based on SRI criteria, the proportion of the fund consisting of companies with mediocre ESG performance is capped. The analysis of ESG criteria is especially relevant for small companies and our proprietary in-house model enables us to adapt to the specific features of those companies.

In 2018, a project was led by the Responsible Investment team to define formal criteria that the equity and bond investment strategy must meet for a systematic ESG Integration process to be in place, for example access to ESG information (ratings, analysis, impact of the rating on the security's valuation) or whether or not the fund has undergone carbon and ESG screening. The number of criteria to be met has been set at eight out of 10. Only equity and bond investment strategies that meet those criteria have their assets under management included in the "Responsible Investment" category.

The project concluded that 55% of Edmond de Rothschild Asset Management (France)'s assets under management were managed using a responsible investment approach at end-2017, i.e. around €14 billion, across the ESG Integration (41%) and SRI (14%) categories.



RI investment solutions and asset management project group

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

After formalising its ESG integration process in 2017, Edmond de Rothschild (Suisse) achieved an important landmark in 2018 by defining more comprehensive due diligence questionnaires for all types of funds but also for asset management companies within its external fund selection universe. The fund selection is for the whole Edmond de Rothschild Group (asset management and private banking), covering investments for our institutional and private clients. Hedge fund/alternative asset managers are now included, with a simplified questionnaire based on the recommendations of AIMA (Alternative Investment Management Association) and the PRIs (Principles for Responsible Investment).

The ESG due diligence questionnaire has two sections covering quantitative and qualitative criteria:

1. A questionnaire assessing the funds' ESG approach
2. A questionnaire assessing asset management companies' position as regards Responsible Investment.

The new questionnaires are now fully integrated into our fund selection and monitoring process, and from January 2019 will be sent out to 310 funds managed by 147 asset management companies in order to capture changes in ESG practices among selected or target funds in 2018.

1. https://www.fsb-tcfd.org/publications/final-recommendations-report/
2. https://www.iea.org/publications/scenariosandprojections/

The first ESG and SRI information questionnaire, launched in 2016, was intended to see how receptive funds were to our approach, while informing them about Edmond de Rothschild's strong and growing commitment to Responsible Investment.

The new automated ESG due diligence questionnaires will enable us to assess more accurately the approaches taken by funds in this area, with two aims for 2019: analysing responses, calculating scores and preparing to introduce high-quality ESG dialogue between our asset managers and fund representatives by determining key questions. The questionnaire is the cornerstone of our ESG integration process for all fund selection, but will also contribute to identifying the best SRI funds for private banking and asset management mandates.

Unlisted RI asset management project group
Infrastructure debt

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

We have been greatly increasing our expertise in infrastructure debt over the last four years. Assets under management grew from €400 million at the first close of our first BRIDGE fund in 2014 to €1.7 billion at 31 December 2018[1]. This naturally makes us a major player in this market, for both entities undertaking infrastructure projects as well as the French and European institutional investors that form the core client base for this expertise. We now have six BRIDGE funds, including a dedicated subfund.

Once again, 2018 was a particularly busy year in terms of RI development in this segment. Infrastructure financing, including energy transition, is an integral part of sustainable development, in terms of both its social and environmental components, which represent two key drivers of this investment strategy.

Two very important milestones on the RI roadmap were reached in 2018 for the BRIDGE funds:

1. We finished defining a formal ESG Integration process for BRIDGE and the process was applied to all of the platform's existing investments. Any new investment will apply the same rigorous process.
2. After the audit by an independent organisation (Novethic), the platform's most recent fund (BRIDGE Europe 2018 Senior) received the French government's TEEC[2] label because of its thematic focus on energy and environmental transition; for example, it recognises the carbon footprint of each project financed.

We are already using the ESG analysis matrix to improve our reporting and monitoring of environmental and social risks at the project and overall portfolio level. An initial ESG report covering 2018 will be produced in 2019, allowing our investors to see information showing that ESG issues are fully integrated throughout the lifecycle of our investments. Our investors are increasingly looking for this kind of information.

Alongside this work, we are continuing to finance 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 and care homes, public transport, fibre-optic networks and educational institutions.

Having set up this formal ESG integration process, we were already able to account for all of the BRIDGE platform's assets under management (€1.7 billion) in our Responsible Investment category (at the Edmond de Rothschild Group level) in 2018.

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.
2. https://www.novethic.fr/fileadmin/user_upload/divers/labels/Presentation-Label-TEEC-2017.pdf

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RI development and marketing project group

7. Raising awareness and promoting our RI expertise

We are keen to respond effectively 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.

In 2017 and 2018, the Edmond de Rothschild Group also developed an e-learning course on Responsible Investment in collaboration with Swiss Sustainable Finance (SSF), which will help to raise awareness among key players about current main trends and the role that they can play in their daily work from 2019.

The course will subsequently be available via the SSF 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 2018, the RI team made 44 public presentations in France, Europe and elsewhere, both at client events and more generally in the media and at conferences, an increase of 80% compared with 2017.

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 31/12/2018** *(% change vs. 2017)*	**Return[3]** *(Source: Morningstar - 31/12/2018)*
Edmond de Rothschild Tricolore Rendement	ESG commitment	€1,038 million (-33.5%)	★★[4]
Edmond de Rothschild Euro Sustainable Growth	ESG positive selection / Best-in-universe	€150 million (+58.7%)	★★★★[5]
Edmond de Rothschild Euro Sustainable Credit	ESG positive selection / Best-in-universe	€126 million (+23.3%)	★★★[6]

Apart from EdR Tricolore Rendement, open-end SRI funds saw assets under management rise significantly in 2018 as a result of net inflows, including from private clients. The performance of our SRI funds is on a positive trend, illustrated by the fact that EdR Euro Sustainable Growth and EdR Euro Sustainable Credit ranked favourably in their Morningstar categories for three-year returns at the end of 2018. 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)'s open-end SRI funds are managed in-house using proprietary ESG analysis, which is performed year-round. In March 2018, ESG rating criteria were reviewed in order to integrate the UN's Sustainable Development Goals into the analysis and evaluation of corporate issuers.

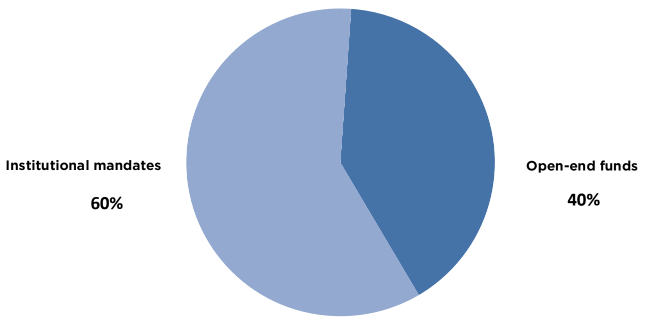
In 2018, the RI team analysed the ESG performance of 193 companies (versus 144 in 2017) and took part in 175 meetings with companies (versus 115 in 2017) on ESG topics. Since 2017, Edmond de Rothschild Asset Management has considerably expanded its analysis to cover all regions, responding to the growing needs of its equity and credit asset managers. With the help of Sustainalytics, an extra-financial ratings agency, our ESG analysis now covers around 8,000 issuers, versus around 6,000 in 2017.

Edmond de Rothschild Asset Management (France) had €3,250 million of SRI assets under management at 31/12/2018, as opposed to €3,786 million a year earlier. The decrease was caused by the decline in assets under management at EdR Tricolore Rendement. Our SRI AuM is divided between our three open-end SRI funds and dedicated funds for institutional investors.

Edmond de Rothschild Asset Management (France) SRI equity funds and mandates.

AuM covered by SRI strategies[7] in 2018.

€3,250 million



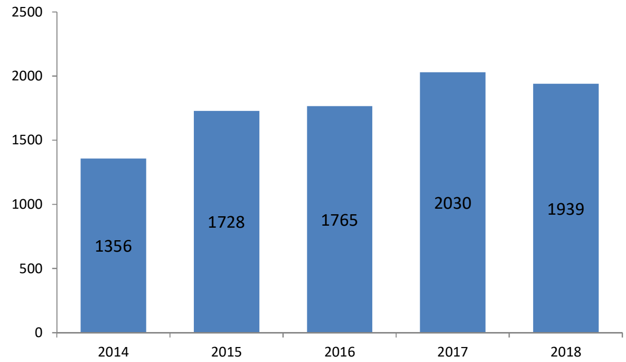
or 12% of Edmond de Rothschild Asset Management (France)'s assets under management

Source: Edmond de Rothschild Asset Management (France), figures at 31/12/2018. 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.

[3] Morningstar ratings are not market rankings and cannot be regarded as recommendations to buy, sell or hold units in funds managed by Edmond de Rothschild Asset Management (France). References to a fund ranking or award do not have any bearing on any future rankings or awards for the relevant funds or fund manager.
[4] Morningstar rating at 31/12/2018 in the France Large Cap Equity category
[5] Morningstar rating at 31/12/2018 in the Eurozone Large Cap Equity category
[6] Morningstar rating at 31/12/2018 in the EUR Corporate Bond category

[7] 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 matter 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 42% between 2014 and 2018.

Excluding market effects, net inflows into dedicated SRI mandates and open-end funds in 2018, except for EdR Tricolore Rendement, show 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 12% in 2018 – split equally between our dedicated and open-end SRI funds – down slightly compared with 2017 because of 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.

Stewardship and voting policy

As a responsible asset management company, Edmond de Rothschild Asset Management (France) exercises its voting rights on stocks (excluding units in external SICAV funds) in the portfolios it manages where it holds more than 0.01% of the company's capital, irrespective of the nationality of the issuing company, as long as the issuer provides sufficient information and custodians can take the votes into account. In early 2019, Edmond de Rothschild Asset Management (France) updated its voting policy for the 2019 voting season.

The following change was made:

- Edmond de Rothschild Asset management (France) does not set any age limit for directors apart from the Chief Executive Officer, who must not be aged over 85, given his/her operational functions. Edmond de Rothschild Asset Management (France) recommends that companies put in place a succession plan, particularly for family-controlled companies that are still run by the founder. Succession planning is the responsibility of the board, and must ensure business continuity. It is not appropriate to set an age limit for all of a company's directors, although their average age should not be too high. However, Edmond de Rothschild Asset Management (France) will oppose any changes to a company's articles of association intended to set an age limit of over 85 for the Chief Executive Officer.

In 2018, there was large-scale voting activity again, and Edmond de Rothschild Asset Management (France) took part in 403 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-rothschild.com/SiteCollectionDocuments/assetmanagement/isr/EDRAM-FR-Rapport-annuel-sur-exercice-des-droits-de-vote.pdf

In 2018, Edmond de Rothschild Asset Management (France) was very active in terms of voting, for example supporting the "Follow This" resolution in Shell's AGM, in line with its voting policy that recommends approval of external resolutions that aim to increase transparency and to improve recognition of companies' environmental responsibilities.

That resolution was a way of supporting Shell's transformation and encouraging it to go further, turning its ambition into a target aligned with a 2°C scenario. It also sent a signal to other companies in the sector. Although the resolution did not pass, it placed climate change at the centre of the debate and prompted the company to make climate-related commitments in COP24.

Edmond de Rothschild Asset Management (France) voting statistics	2014	2015	2016	2017	2018
Number of AGMs in which EdRAM France participated	679	717	654	505	403
Voting rate in the AGMs of equity investees	75%	84%	75%	88%	95%
Number of resolutions voted on	8,559	9,135	8,268	6,385	5,337
Proportion of votes "against" a resolution (including abstentions)	20%	20%	25%	25%	24%

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

RFPs and due diligence work concerning RI offerings or that factor in ESG/RI criteria more generally are key indicators that help us evaluate and assess how the responsible investment market is changing.

The chart below shows that 31% of the RFPs to which Edmond de Rothschild Asset Management (France) responded in 2018 were of that type, versus 29% in 2017.

The figures reflect ongoing market interest in Responsible Investment, both from retail and institutional clients. The proportion of institutional clients' RFPs for Responsible Investments or that factor in RI criteria is now over 40%.

There is also a trend towards RI issues being taken into account more broadly through a focus on corporate due diligence, which looks at the asset management company instead of specific funds or expertise.

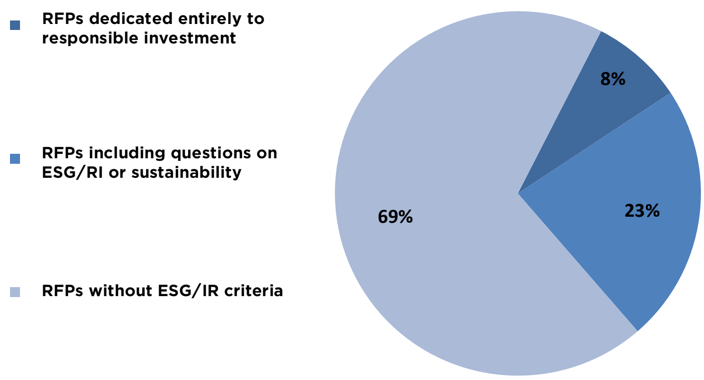
RI issues are covered increasingly frequently in these corporate questionnaires, which could partly explain why RI indicators are not common in RFPs and fund-specific due diligence, whereas a significant increase might have been expected following changes in French legislation (Article 173 of the French energy and environmental transition act).

At the same time, the proportion of RFPs specifically relating to RI investments remained stable at less than 10%. That figure is less a reflection of market demand than the fact that eligibility for our open-end RI funds remains limited, mainly because of their small size and the criteria of the institutions and distributors holding the RFPs.

However, we would highlight our ability to respond to SRI RFPs across several asset classes: in 2018, we were invited to take part in RFPs covering equities, fixed income and convertibles.

Comparing developments in RFPs to which we responded in France to developments in RFPs to which we responded in Europe as a whole, we see similar trends.

Requests for proposals to which Edmond de Rothschild Asset Management (France) responded in 2018



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 2018, 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 13th FIR PRI Finance and Sustainability European Research Awards[1] – co-founded by our Head of RI Jean-Philippe Desmartin in 2005 – which were held in Paris in early October 2018. The panel of judges – consisting of academic and practitioner members – awarded prizes to several institutions, researchers and students from the UK, France, the Netherlands, Italy and Switzerland. The winning entries covered various subjects such as the extent to which investors focus on impact, methods for assessing water risk in portfolios and links with greenhouse gas emissions, and role play-based decision-making tools relating to a 2°C scenario for the European oil industry.

- As part of the FIR's Research Committee, the working group on the theme of "ALM / Strategy asset allocation and Responsible Investment" was launched in late 2017 and continued its work in 2018. The group is addressing 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 2019. We took part in the impact working group of the public-sector SRI accreditation scientific committee, which in autumn 2018 published a report entitled *"Mesure d'impact et label ISR : analyse et recommandations"*[2] (Impact measurement and the SRI label: analysis and recommendations), which mentioned our suggestions.

- In January 2018, Edmond de Rothschild Asset Management (France) was selected by the Principles for Responsible Investment (PRI) to join its Francophone Advisory Committee[3] for a three-year period. In summer 2018, Edmond de Rothschild Asset Management (France) also became Co-Chair of the ESG committee of the European Federation of Financial Analysts Societies (EFFAS) based in Frankfurt. Head of RI Jean-Philippe Desmartin, who has been Chairman of World Intellectual Capital Initiative (WICI) in Europe since 2015, was also appointed Vice-Chair of WICI's global intangibles framework and in November 2018 spoke at its annual symposium in Tokyo.

- In May 2018, Edmond de Rothschild Asset Management (France) was a sponsor of the 9th Geneva Forum for Sustainable Investment[4] (GFSI), in which its presentation focused on its 2°C roadmap. It was also a sponsor of the 4th SRI and Performance[5] conference organised by Option Finance in Paris in mid-November 2018, during which its presentation mainly covered the benefits of the "Best-in-universe" approach that it has been using for its open-end SRI funds for a long time, combining the benefits of both the Best-in-Class and theme-based/impact approaches.

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.

It also continued to publish its 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. The three editions published in 2018 covered topics including the UN's SDGs for 2030, ESG criteria in executive remuneration, sovereign debt, glyphosate, the shipping industry, business culture and Earth Overshoot Day.

1 http://www.fir-pri-awards.org
2 https://www.frenchsif.org/isr-esg/wp-content/uploads/RapportComiteScientifiqueLabelISR_GTImpact.pdf
3 https://www.unpri.org/news-and-press/the-pri-announces-its-newly-formed-francophone-advisory-committee/2714.article
4 https://voxia.ch/evenement/gfsi-2018/
5 https://www.optionfinance.fr/services/evenements.html

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[1]. In 2018, Edmond de Rothschild Asset Management (France) reported the carbon footprint of 26 of its open-end funds, as opposed to 16 the previous year.

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.

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 18-24 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, which has shown our ability to generate very strong returns in the low-carbon fund category, as calculated by MSCI for AM League[2].

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

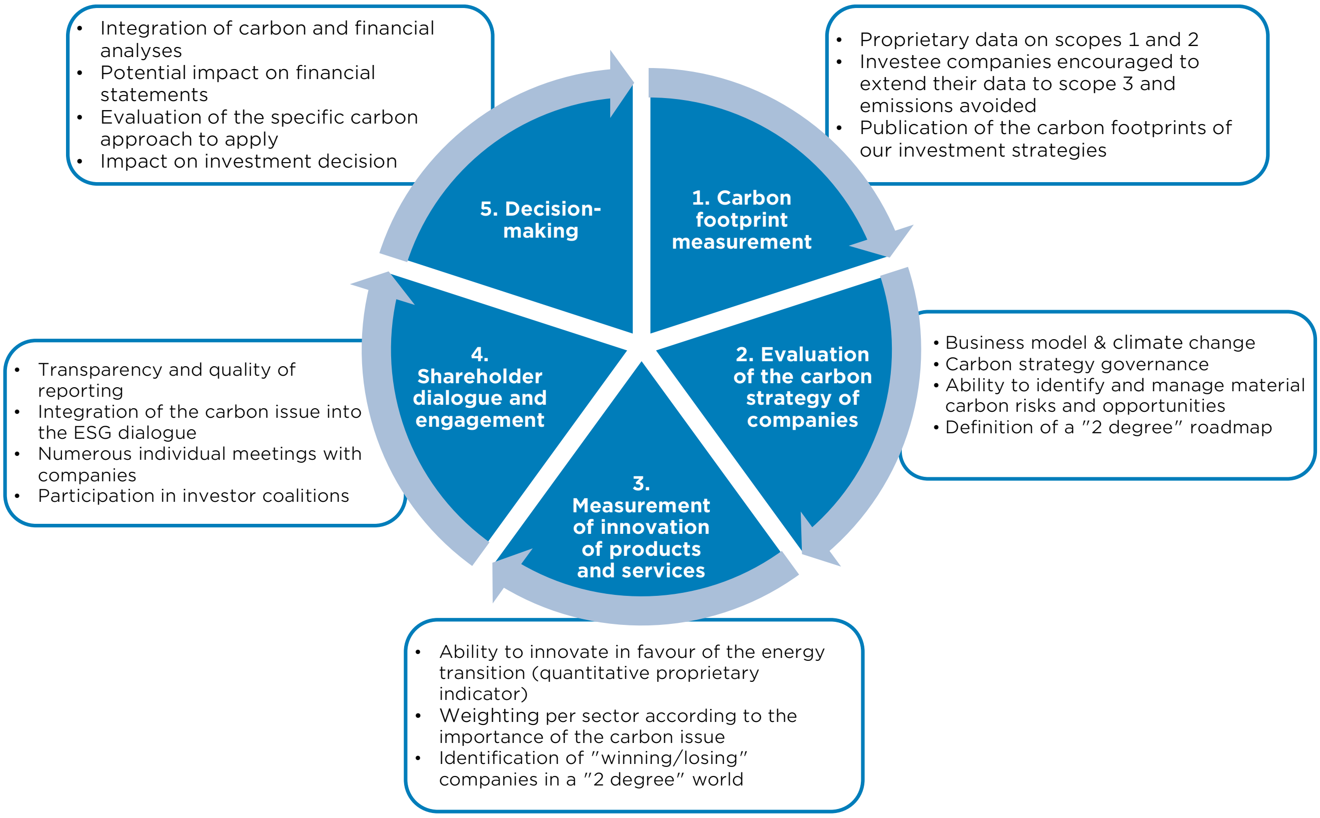
- applying it for the first time in our products with the 21 December 2017 launch of the EDR Energy Evolution fund, in order to bring our investment strategy gradually into line with the 2°C Roadmap.

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. That work continued throughout 2018.

In 2018, lists of issuers showing the greatest climate risks – around 180 identified worldwide in terms of scope 1+2+3 emissions[1] – enabled us to target and prioritise our climate-related dialogue and engagement work.

Climate issues – Our holistic approach at the portfolio management level



[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 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 2018, we continued to see growing interest in RI among our Private Banking clients in France, and a similar increase in interest in the Edmond de Rothschild Group's other private-banking entities, particularly in Switzerland and more recently Belgium.

Growth in our SRI assets under management in France (private banking) also gave rise to the creation of the first dedicated RI fund for a private client, with a strong focus on various types of impact (environmental impact in relation to industrial pollution and energy efficiency; workforce-related impact such as efforts to combat child labour, gender equality and training and education).

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 2018, 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 2019 to help them achieve greater knowledge of the subject.

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. Our expert teams are more than just financial investors: they partner with companies over the long term to help them grow and create value.

Our flexible structure allows us to adopt an opportunistic, responsive and responsible 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 (environment, social and governance) issues and good governance rules. For each of our strategies, we ensure that the interests of investors, our investment teams and the Edmond de Rothschild 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, for example, enabled us to achieve greater synergies and improve staff expertise in areas related to Responsible Investment, and is now helping us to hit our 2020 targets.

Edmond de Rothschild Private Equity's 2020 targets

1. Convert one new strategy to ESG best practice each year, with 100% of strategies covered by 2020
2. Measure the impact across all impact-investing and mainstream strategies that apply ESG integration methodologies, as of 2017
3. Increase the assets under management in our impact investing strategies by 20% per year until 2020[1]

In 2018 in particular, Edmond de Rothschild Private Equity focused its efforts on stepping up its commitment and increasing the transparency and quality of its ESG policy. Those efforts gave rise to three aspects of Responsible Investment on which Edmond de Rothschild Private Equity intends to focus its attention:

1. Taking ESG issues into account in Private Equity:

As a manager of Private Equity investment funds, we have a long-term investment horizon and we can play an active role in the governance of investee companies. We have long been convinced of the importance of integrating extra-financial criteria in our investment activities, but also of the role and responsibilities of financial backers. As a result, we are constantly seeking to improve the ESG performance of our investee companies, helping them put in place effective, long-term growth models.

Within Edmond de Rothschild Private Equity, we have decided to develop a robust ESG Integration approach based on defining and assessing material ESG risks in the preliminary stages of an investment. We then ensure that ESG issues are integrated and monitor them throughout the lifetime of our investments, and take remedial action where necessary. Our teams do more than simply manage risk, they look for opportunities arising from these new models in order to respond to current challenges while building for the future, taking into account the economic factors but also the environmental and social issues involved in each investment opportunity.

Each Private Equity investment strategy is unique and characterised by specific features related to the sector or niche concerned. As a result, we create a custom ESG Integration method, which is then formalised in a specific charter. Work is currently underway to update the ESG Integration policy across the Edmond de Rothschild Private Equity platform, in order to reflect the work and initiatives already undertaken. The new version of the ESG Charter will harmonise the various ESG methods while taking into account the specific constraints of each investment strategy.

[1]For a more comprehensive presentation of Edmond de Rothschild Private Equity's 2020 targets, see the Edmond de Rothschild Group's 2017 annual sustainability report: https://www.edmond-de-rothschild.com/SiteCollectionDocuments/group/sustainable-development/rapport/edmond-de-rothschild-sustainable-development-report-2017.pdf

2. Carbon risk management:

Carbon issues are taken into account mainly through the ESG Integration process of each investment strategy, according to its specific features. In particular, our agroforestry and soil remediation impact investing strategies help to provide investment opportunities that contribute directly to carbon risk mitigation and energy transition.

In addition, in line with the Edmond de Rothschild Group's environmental policy, Edmond de Rothschild Private Equity has since 2016 been calculating its own carbon footprint to reflect the environmental impact of its operating activities. Because of the objectives of our impact investing strategies, we decided to include them in this project so that we can also report on their operational carbon footprint, showing the items that emit the most CO_2, and thus define possible ways of making them more environmentally responsible.

In 2016, the Edmond de Rothschild Group started a project in Latin America aimed at "insetting"[1] CO_2 emissions (Scopes 1 and 2 of the Greenhouse Gas Protocol) arising from its activities. The project was initiated in partnership with Edmond de Rothschild Private Equity and entities such as the Moringa Partnership and Fondation NicaFrance, which play a key role in our agroforestry impact investing strategy.

At the end of 2017, we had offset more than 3,500 tonnes of CO_2 emissions by planting more than 14,200 trees across an area of 50 hectares[2]. As well as its high environmental value, the project created jobs in the agricultural sector and raised awareness among numerous producers about the challenges posed by climate change.

The results of carbon offsetting work done in 2018 will be available in the Edmond de Rothschild Group's annual sustainability report.

3. Shareholder engagement and voting policy:

The Group is aware of the importance of taking into account ESG issues in terms of risk management but also value creation, and has for a long time reported on its commitment to Responsible Investment. Edmond de Rothschild Private Equity has adopted the UN PRIs across its platform since 2016, and confirms its commitment by seeking continuous improvement in its responsible investment practices.

The aim for Edmond de Rothschild Private Equity is not just to promote Responsible Investment through innovation, but to ensure that extra-financial considerations are systematically factored into the development of all new investment strategies.

This commitment is shown in particular by our efforts to develop a solid offering of impact investing strategies. We pay close attention to the ESG performance of our investee companies and play an active role in their governance to ensure that they adopt best practice and carry out the necessary remedial measures and action plans.

As regards our minority investments, in which we have less influence over the direction taken by investee companies, we have developed a robust approach based on defining the ESG risk profile of the various investment and partnership opportunities. The aim is to ensure that investments are consistent with the long-standing convictions and values of the Edmond de Rothschild Group[3].

1. The term "insetting" refers to a company's carbon emissions reduction programmes in place within its own supply chain, as opposed to "offsetting" programmes, which are decoupled from the company's operations.
2. Figures from the Edmond de Rothschild Group Sustainability Report 2017.
3. For more information, see the Responsible Investment appendix to the Group Sustainability Report, p.12: https://www.edmond-de-rothschild.com/SiteCollectionDocuments/group/sustainable-development/annexe/l-innovation-au-service-de-l-investissement-responsable.pdf

We have expertise in three main areas:

GROWTH CAPITAL	Diversified Minority Investments	International
	Technology	Europe / USA
	Funds of funds	Europe / USA
EMERGING ECONOMIES	African Growth	Africa
REAL ASSETS	Social and Transportation Infrastructures	Europe
	Environmental Infrastructures	Europe
	Remediation of Polluted Sites	Europe
	Luxury Hotels	Europe
	Real Estate	Europe
	Agro-forestery	Africa / Latin America

We take various approaches to Responsible Investment in our Private Equity activities:

1. **ESG integration approach** (initial or advanced): the investment strategy may or may not relate to a specific theme (such as life sciences or transport infrastructure) in which ESG criteria form an integral part of financial analysis, investment decisions and, in some cases, contractual agreements.

i. *initial integration* corresponds to minority investment strategies in which we have little or no influence over governance. The responsible investment approach is based on a robust analysis of the ESG risks inherent in each investment/partnership opportunity

ii. *advanced integration* means that ESG criteria are included in decision-making processes and monitored over time, with active involvement in the governance of investee companies

2. **Sustainability theme-based approach**: this approach consists of investing in companies that provide solutions to major sustainability issues (e.g. poverty, education, climate change and economic development in emerging-market countries) while offering genuine growth opportunities through their innovative business models. Although these funds are not impact-investing funds in the formal sense, their investment strategies factor in ESG criteria at every stage of the decision-making process, and attainment of ESG criteria is monitored over time. These strategies help produce positive impacts and so contribute to the attainment of the United Nations Sustainable Development Goals.

3. **Impact investing approach**[1]: strategy in which the investment proposition contributes formally and directly to the fund's "theory of change". The investment strategy regards ESG considerations and financial performance as equally important, and is essentially aimed at attaining the United Nations Sustainable Development Goals ("Triple Bottom Line" approach). This category is attracting an increasing number of investors who want to give meaning to their investments by ensuring they have a positive environmental and social impact. A particular goal for Edmond de Rothschild Private Equity is to illustrate its commitment to Responsible Investment by developing this range of investment products.

1. Not to be confused with "Impact-first" strategies that focus more on impact, and can therefore decide to sacrifice some financial returns in order to achieve their impact objectives.

Examples of investments that promote conservation and the protection of biodiversity

Moringa Fund investing in Brazilian company Floresta Viva:

Floresta Viva is a Brazilian company that produces, bottles and sells organic, sustainable and high-quality heart-of-palm juice under its own brand, mainly for its domestic market.

Floresta Viva's main farm – Sao Pedro, 1,030 hectares located in the Vale Do Ribeira in the south of Sao Paulo state close to Brazil's Atlantic Forest – had seen the quality of its soil deteriorate because of intensive use, having grown a variety of crops and used inputs that led to a general reduction in biodiversity. Through Moringa's investment in 2017 and 2018, and with a determination to restore its seriously endangered biome, the farm has now been replanted using a productive organic agroforestry model involving palm and peach trees along with a selection of tree species, including some indigenous species, across 110 hectares. The farm also retains 800 hectares of the indigenous Atlantic Forest.

Floresta Viva's production system imitates nature, allowing the soil to regenerate. Its unique model was developed in close collaboration with renowned experts such as Leontino Balbo and Ernst Götsch, based on the principles of syntropic and ecosystem-driven farming. These practices work together to promote ecosystem services, soil regeneration, microclimate regulation and preservation of the water cycle. After only six months of applying the model, Floresta Viva's soil had already improved, with a better texture and the reappearance of living creatures including a large number of earthworms. In September 2018, these good results enabled Floresta Viva to become the first heart-of-palm producer and distributor to obtain organic certification.

Its organic farming model is particularly interesting in Brazil, where heart-of-palm production is generally not sustainable: either production takes place in a natural forest, causing damage to it, or is done on a large-scale, single-crop basis involving intensive use of chemicals. Floresta Viva will help disseminate its innovative farming practices. A project is already underway to create the first demonstration plots and small pilot farms. The company is also developing an inclusive project with the Guarani people who live close to the farm.

Ginkgo Fund is investing in a clean-up and remediation project at a former industrial site in Marseille, close to the Calanques National Park:

Ginkgo Fund is an investment fund that specialises in regenerating heavily polluted sites in Europe. It offers a positive solution to the environmental, economic and social issues involved in regenerating brownfield sites in urban areas.

One of Ginkgo's investments concerns the site of a former tartaric acid factory in Marseille's sought-after La Madrague neighbourhood. The site is located in the 8th arrondissement of the city, close to the sea and right next to the Calanques National Park. It consists of two distinct plots with a total area of 168,084 m², of which 84,550 m² is an enclave surrounded by the Calanques National Park, a protected natural zone.

The site has ICPE (classified installation for environmental protection) status, and has in the past housed several polluting industrial activities. In the last few decades, it has mainly been used to produce tartaric acid. The land on which the factory sits has been badly polluted by heavy metals, particularly lead. The plot by the sea was used as an area for storing by-products and industrial waste from tartaric acid production.

Ginkgo's investment will allow the former industrial plots to be cleaned up and biodiversity to be restored to this protected natural zone.

Once the clean-up work has been completed, the aim will be to develop a mixed-use property complex of around 20,000 m^2, in accordance with the site's specific environmental requirements, comprising homes, a hotel and senior residences, along with office and retail units. The municipal authorities have warmly welcomed the plans for the site. Given the project's sensitive nature and complexity, co-ordination and frequent dialogue with the various stakeholders have been established, including neighbourhood committees.

Creation of a new private equity impact fund:

In 2018, Edmond de Rothschild Private Equity put together a new impact investing strategy and launched PEARL Infrastructure Capital, an investment fund specialising in European environmental infrastructure in the context of energy transition and environmental protection. This new impact fund will invest in greenfield projects but also early brownfield projects based on mature technologies relating to the following themes:

- **renewable energies and energy efficiency:** the fund will target investment projects that help reduce greenhouse gas emissions (e.g. cogeneration, bioenergy, biomass and waste heat recovery).

- **water cycle management:** the fund will look for opportunities to invest in projects that reduce water use and help with the conservation of aquatic environments (e.g. internal water recycling systems, zero liquid discharge projects allowing minimal water consumption by manufacturers, industrial and municipal sewer wastewater treatment, and recycling of treated wastewater for agriculture).

- **waste recovery:** this will cover all projects that help to reduce the amount of waste sent to landfill (e.g. waste recycling and recovery of materials, and energy production from waste and by-products).

The new fund supplements the range of expertise that already exists within the Edmond de Rothschild Private Equity platform as regards soil remediation and the financing of social and transport infrastructure.

Pearl Infrastructure Capital, which started fundraising in 2017, has also obtained the TEEC (French energy and environmental transition for the climate) label.

This accreditation recognises the fund's ambition of helping address energy and environmental transition challenges by achieving environmental excellence across Europe.

The Edmond de Rothschild Group's private equity operations in France

Through its Private Equity activities, the 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.

Funds managed by Edmond de Rothschild Private Equity (France) mainly take minority stakes in investee companies, and so we have little influence over the strategic direction we would like them to take. Accordingly, in line with our values and commitments to Responsible Investment, we ensure that minority investment funds apply a dual-selection approach to their decision-making processes: (i) negative in terms of complying with the Group's Responsible Investment convictions, values and commitments and (ii) positive by looking for investment opportunities among companies that have a best-in-class/best efforts or best-in-universe ESG profile.

Through their financial and extra-financial analysis work, our teams seek to identify the best investment/partnership opportunities among companies that show innovation and a high level of ESG performance. The funds focus on investment opportunities in which they have obtained sufficient information to assess the target's ESG performance and ambitions. The same priority will be given to a company's ESG profile as to financial considerations. If a target's ESG performance appears to fall short of respect to Edmond de Rothschild Private Equity's requirements, the opportunity will be rejected.

Edmond de Rothschild Private Equity (France) – assets under management

At 31 December 2018, Edmond de Rothschild Private Equity (France) had total assets under management of €546 million[1].

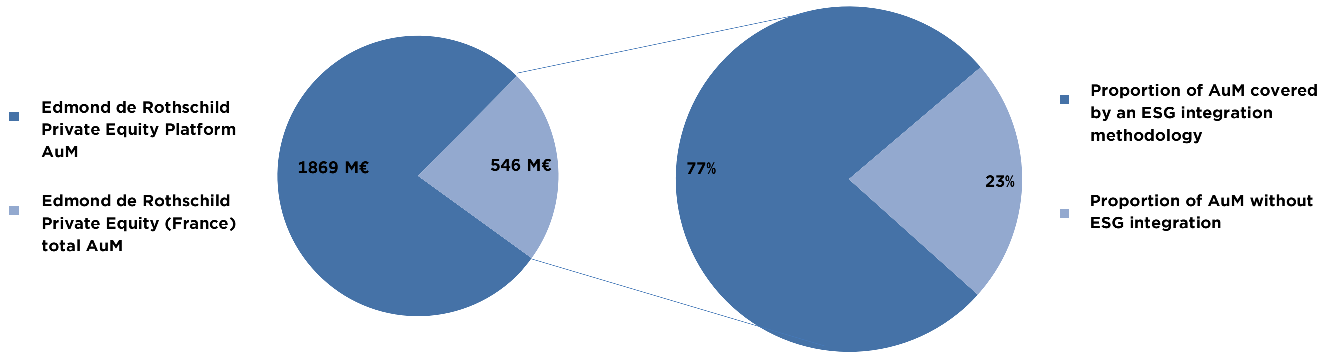
At 31/12/2018:	€ million
Edmond de Rothschild Private Equity Platform total assets under management:	**1,869.07**
Of which assets managed by Edmond de Rothschild Private Equity (France):	545.95
Private equity assets under management in France as a proportion of total private equity assets under management:	29%

At 31/12/2018:	€ million
Edmond de Rothschild Private Equity (France) total assets under management:	**545.95**
Proportion of assets under management covered by an ESG integration methodology	77%
Proportion of assets under management without ESG integration	23%

N.B.: in the Edmond de Rothschild (France) annual report, Edmond de Rothschild Private Equity (France)'s assets under management include assets under management of the ERES II SICAR and ERES III SICAR funds, to which it provides investment advice.

The 23% of assets under management classified as non-RI correspond to "end of life" private equity investment strategies that were not developed according to a formal ESG integration methodology. Those assets under management are set to fall and then disappear naturally as former vintage years are liquidated.

Edmond de Rothschild Private Equity assets under management at end-2018 and proportion of assets under management in France covered by ESG integration



1. The fall in Edmond de Rothschild Private Equity's assets under management by comparison with 31/12/2017 is the result of the Group's strategic decision to sell its majority stake in Edmond de Rothschild Investment Partners in April 2018. Although that strategic decision had the immediate effect of reducing assets under management, our aim is to make up for it by developing new investment strategies from 2018 (including impact investing strategies) to be deployed from 2019.

Data reporting and validation methods

Selection of non-financial indicators and risks

Certain information required by Article L. 225-102-1 of the French Commercial Code is not included in this declaration of extra-financial performance because it has been identified as not relevant for Edmond de Rothschild (France), particularly commitments in favour of the circular economy and efforts to combat food waste.

In order to monitor the performance of the sustainability approach followed since 2011, Edmond de Rothschild (France) identified the most relevant key performance indicators pertaining to its business dealings, influence and identified main risks. Those indicators were identified as part of the materiality review concerning sustainability issues and the analysis of policies, processes and due diligence work put in place.

Published key indicators:

- workforce-related: 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;
- environmental: the environmental impact of investments through the integration of ESG issues and the analysis of the carbon footprint of investments (open-end funds and mandates). Information on the Bilan Carbone® applied to all activities – a global indicator of greenhouse gas emissions – as well as information on direct energy consumption, paper consumption, business travel and waste management is published in the Group sustainability report.

Wider sustainability: assets managed according to SRI standards, ethical and compliance training.

Organisation, resources and monitoring

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

In addition, we have noticed that questions relating to ESG matters in questionnaires are becoming ever more specific.

- Workforce-related indicators are collected and consolidated via the Human Resources department.
- Data regarding the Bank's wider sustainability commitments, including information concerning the Bank's responsible investment activities, are aggregated using information submitted by the appropriate entities.

Key performance indicators are monitored and validated at three levels: firstly at the 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 approach is to guarantee that reported information is genuine and consistent over time.

Reporting scope

This declaration of extra-financial performance covers all the activities of Edmond de Rothschild (France), not including its subsidiaries and branches outside France. This scope covers 94% of Edmond de Rothschild (France)'s workforce. The report sets out the main extra-financial risks identified by the teams concerned, the policies adopted and work done to address them, and their results and key performance indicators.

Pillar of the sustainability strategy	Definition of extra-financial risk	Reference pages for policies, actions and KPIs
Ethical and responsible behaviour	Robust management and control bodies	p.44-45
	Compliance with all applicable regulations	p.46
	Behaviour of employees and managers with respect to regulations and internal rules	p.45
	Offences relating to business ethics	p.46
	Deliberate breaches of the fundamental principles of equality in terms of public burdens and of no taxation without consent, presence in tax havens	p.46
	Protection of clients' personal data	p.47
Commitment to our employees	Compliance with employment law	p.48
	Ability to attract and retain talent	p.49
	Occupational health and safety risks	p.55
	Discrimination in the company's various processes	p.52-54
	Ability to promote staff wellbeing and engagement	p.51-52
Innovation in Responsible Investment	Integration of ESG criteria into investment strategies and policies	p.56-79
	Carbon risks relating to investments	p.71-72
	Exercising voting rights in General Meetings and shareholder engagement	p.68

1. Index and cross-reference table

Environmental, workforce-related and social information published in this report	
In accordance with Article L. 225-102-1 of the French Commercial Code, the declaration of extra-financial performance sets out the following key performance indicators, which are relevant with respect to the main risks identified:	This table refers the reader to the pages on which the information is presented.

Workforce-related information	
a) Employment	
- Total workforce and employee distribution by gender, age and geographic area	p.49
- New hires and departures	p.50
- Remuneration and salary trends	P.52
b) Work organisation	
- Organisation of working time	p.49
- Absenteeism	p.55
c) Labour relations	
- Organisation of employee consultations, namely the procedures used to inform, consult and negotiate with employees	p.55
- Summary of collective agreements	p.55
d) Health and safety	
- Occupational health and safety conditions	p.55
- Summary of agreements signed with trade unions or employee representatives regarding occupational health and safety	p.55
- Workplace accidents, including frequency and severity, and occupational illnesses	p.55
e) Training	
- Training policies implemented	p.51-53
- Total number of training hours	p.53
f) Equal opportunities	
- Measures taken to foster equality between men and women	p.54
- Measures taken to foster the employment and integration of individuals with disabilities	p.55
- Anti-discrimination policy	p.45,51,55
g) Promotion and compliance with the International Labour Organisation conventions on:	
- Freedom of association and the right to collective bargaining	p.55
- Elimination of discrimination in respect of employment and occupation	p.48, 51
- Elimination of forced or compulsory labour	p.48

Environmental and social information	
a) Fair practice	
- Action taken to prevent corruption and tax evasion	p.46
- Measures taken to promote ethical behaviour with respect to regulations and internal rules	p.45
- Measures taken to promote consumer safety	p.47
- Other action taken to promote human rights	p.44-45
b) Social commitments to sustainability	
- Integration of ESG criteria into investment strategies and policies	p.56-79
- Carbon risks relating to investments	p.71-72
- Exercising voting rights in General Meetings and shareholder engagement	p.68

Report by one of the Statutory Auditors, appointed as an independent third party, on the non-financial statement included in the management report.

For the year ended December 31st, 2018

To the Shareholders,

In our capacity as Statutory Auditor of Edmond de Rothschild (France), appointed as an independent third party and accredited by COFRAC under number 3-1060 rév.2 (whose scope is available at www.cofrac.fr), we hereby report to you on the non-financial statement for the year ended... (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (Code de commerce).

The entity's responsibility

Pursuant to legal and regulatory requirements, the Executive Board is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available on request from Edmond de Rothschild's Sustainability department.

Independence and quality control

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (Code de déontologie) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor, appointed as an independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225-105 I, 3 and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- The entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax evasion legislation;
- The compliance of products and services with the applicable regulations.

Nature and scope of the work

The work described below was performed in accordance with the provisions of articles A. 225-1 et seq. of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information]

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of the entity's activities, the description of the social and environmental risks associated with its activities and, where applicable, the impact of these activities on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III;
- we verified that the Statement presents the business model and the principal risks associated with the entity's activities, including where relevant and proportionate, the risks associated with its business relationships and products or services, as well as its policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important, we implemented:
    - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
    - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work covers between 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important;
- we assessed the overall consistency of the Statement based on our knowledge of the entity

We believe that the work carried out, based on our professional judgement, is 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.

Means and resources

Our work was carried out by a team of 5 people between December 2018 and March 2019 and took a total of 3 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted about 15 interviews with the Sustainability, Compliance and Legal, Human Resources Departments as well as the people in charge of Responsible Investment.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non-financial statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, 25 April 2019

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Philippe Chevalier	**Sylvain Lambert**
Partner	**Partner in the Sustainable Development Partner**

Appendix: Information that we considered the most important

Key performance indicators and other quantitative results:

- Workforce at 31/12/18
- Women as a proportion of the workforce
- People on permanent/fixed-term contracts as a proportion of the workforce
- Women as a proportion of people on permanent contracts
- Management-level employees as a proportion of the workforce
- Women as a proportion of management-level employees
- Average employee length of service
- Staff arrivals and departures by type
- Number of employees who completed at least one training module
- Proportion of women who attended at least one training course
- Annual budget for training
- Number of employees who completed the training module concerning efforts to combat money laundering and terrorist financing
- Number of employees who completed the Sapin 2/anti-corruption training module
- Number of employees who completed the GDPR training module
- Proportion of employees who received an annual performance review
- Number of employees promoted to internal vacant positions during the year
- Women as a proportion of employees promoted to internal vacant positions during the year
- Number of employees promoted during the year
- Women as a proportion of employees promoted during the year
- Annual payroll expense
- Women as a proportion of candidates
- Women as a proportion of senior managers[1]
- Absenteeism rate
- Accident frequency rate
- Injury severity rate
- EdRAM assets managed according to ESG strategies
- EdRIP assets managed according to ESG strategies

Qualitative information (actions and results)

- Talent management Onboarding and training of interns, efforts to promote internal mobility, employee development plan
- Actions to promote employee development and improvement: annual appraisal process, manager training relating to performance management, vocational appraisals
- Remuneration policy
- Collective agreements: negotiations with unions about the Social and Economic Committee and preliminary electoral agreement, election of the first Social and Economic Committee in December 2018 using an electronic voting system for the first time, disability agreement renewed in March 2018
- Implementation of training policies: “Latitude” training, “Columbus” course, themed training programmes based on the Group’s areas of business expertise (financial markets, legal, risk/compliance and sales/trading)
- Diversity and equal opportunities: “Employment law for managers” training, disability agreement, disability initiative, disability awareness-raising, support for senior employees
- Employee wellbeing and engagement: “Employment law for managers” training, annual appraisals
- Implementation of the 2017-2020 Responsible Investment strategy
- Implementation of the 2°C climate roadmap for 2017-2020
- Creation of the first dedicated RI fund for Private Banking
- Responsible Investment training for Private Banking employees
- Adoption of anti-corruption measures in Private Banking including the creation of an anti-corruption code of conduct, an updated whistleblowing facility, updated rules on gifts, corruption risk maps for each entity, mandatory training in efforts to combat money laundering and terrorist financing for all employees concerned
- Ethics and compliance training at EdRAM: Sapin 2/anti-corruption training, GDPR training, mandatory anti-money laundering training for employees concerned

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, the way in which the principle of balanced gender representation is applied, the preparation and organisation of the Supervisory Board's work, the remuneration of the corporate officers, and the Supervisory Board's observations on the report of the Executive Board and the financial statements for the year ended 31 December 2018.

This report was approved at the Supervisory Board meeting on 6 March 2019.

REFERENCE TO A CORPORATE GOVERNANCE CODE

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.

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 function of the Executive Board is clearly separated from the oversight and management control function of the Supervisory Board.

Members of the governance bodies

SUPERVISORY BOARD

Chairman
Benjamin de Rothschild

Vice-Chairman
Ariane de Rothschild

Members
Véronique Morali
Louis-Roch Burgard
Jacques Ehrmann
Jean Laurent-Bellue
Daniel Trèves
Christian Varin

Secretary
Patricia Salomon

EXECUTIVE BOARD

Chairman
Vincent Taupin

Member
Philippe Cieutat

STATUTORY AUDITORS

Principal Statutory Auditors
Cabinet Didier Kling & Associés
PricewaterhouseCoopers Audit

REPRESENTATIVES OF THE SOCIAL AND ECONOMIC COMMITTEE

Isabelle Henriot (until 18 December 2018)
Loïc Mas de Trehoult (until 18 December 2018)
Alain Tordjman (since 18 December 2018)
Florent Goulet (since 18 December 2018)

Collective decision-making by the Executive Board

At 31 December 2018, the Executive Board had two members with collective responsibility for the Company's management.

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 14 March 2018 and 16 May 2018.

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

The committees with management responsibilities for the Bank are as follows:

- The Executive Board, which has overall responsibility for the conduct of the Company's affairs, meets on a weekly basis

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

- The Management Committee, which co-ordinates the Edmond de Rothschild (France) divisions and support functions, meets every month

In addition, the Bank has a number of committees overseeing specific functions (Lending, Finance, Complaints and Litigation, etc.) made up of members of the senior management team and the main department managers.

A Supervisory Board providing rigorously structured oversight

Remit of the Supervisory Board

The Board has permanent oversight over 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, in order to maintain the reputation of the Bank 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 real estate
- 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, are free of any conflicts of interest, 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 plans, and 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 co-operation 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 to identify, evaluate and monitor 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, financial position and cash position of the Company and the Group.

Operating procedures of the Supervisory Board

At 31 December 2018, the Supervisory Board had eight members, of whom 25% are women. It is chaired by Baron Benjamin de Rothschild. Baroness Ariane de Rothschild is Vice-Chairwoman of the Supervisory Board. Six Supervisory Board members are well-known figures from outside the Edmond de Rothschild Group. Four of them 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 at least two of the Supervisory Board members of Edmond de Rothschild (France) 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.

Since the Bank's shares are not admitted to trading on a regulated market, it does not have to comply with the requirements of Article L. 225-18-1 of the French Commercial Code concerning the relative proportion of men and women among the Directors. That said, the Bank is mindful of its responsibilities to its workforce and society at large and aims to foster diversity at every level of its organisation, especially among its Supervisory Board members. Accordingly, it makes sure that criteria related to skills and expertise, professional experience, age and gender are applied strictly in the selection process for Supervisory Board members in order to create the requisite diversity.

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 exercise independent judgment, to hold no more than the permitted number of corporate offices, to maintain confidentiality and to avoid conflicts of interest. The Supervisory Board evaluates its operating procedures once a year. To this end, the Supervisory Board decided to conduct an annual self-assessment at its meeting on 24 November 2017 and amended its rules of procedure accordingly. The rules of procedure also state the resources available to members, and lay down the remit, 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 as attendance fees 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 2018, the Supervisory Board met on:

- 14 March
- 16 May
- 28 June
- 13 September
- 22 November

In 2018, members' attendance rate at Supervisory Board meetings was 77.5%. 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 one week's notice by ordinary mail. They receive the full pack of papers for the meeting a reasonable time in advance by means of a special IT application tailored to the work of the Supervisory Board.

Executive Board members are invited to attend Supervisory Board meetings. The Statutory Auditors are asked to attend 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 appointed by the Social and Economic Council are invited to attend meetings of the Supervisory Board and the Ordinary General Meeting of the Shareholders.

Work performed by the Supervisory Board

As a matter of course, the papers given to 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; a summary of dealings with the regulator; 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, compliance, 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, as amended by the government decree of 31 August 2017. 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 2018

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 (SFHM)

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)

Ariane de Rothschild:

Chairwoman of the Board of Directors:
Administration et Gestion SA *(Switzerland)*
Compagnie Benjamin de Rothschild Conseil SA *(Switzerland)* (since 27 February 2018)

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)
Société Française des Hôtels de Montagne (SFHM)

Director:
Baron et Baronne Associés (holding company of Société Champenoise des Barons Associés)
Edmond de Rothschild Private Equity SA *(Luxembourg)* (until 27 February 2018)
Amdocs Limited *(USA)* (since 29 January 2018)

Honorary Vice-Chairwoman, RIT Capital Partners (*United Kingdom*) (until 26 April 2018)

Secretary-General of the Foundation Council, OPEJ Foundation

Louis-Roch Burgard:

Chairman:
Saur
Holding d'Infrastructures des Métiers de l'Environnement (Hime)
Blue Green European Holdings
CISE TP (until June 2018)
CISE Réunion
Compagnie Guadeloupéenne de Services Publics
Saur International
Société Martiniquaise de Distribution et de Services
Stereau
Sudeau
Terre des Trois Frères

Chairman, Chief Executive Officer and Director, Compagnie des Eaux de Royan (since 15 January 2018)

Chairman of the Supervisory Board, Saur Polska (*Poland*) (until October 2018)

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)*

Manager, Saur Loisirs

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

Jacques Ehrmann:

Chairman and Chief Executive Officer, Carmila

Chairman of Tamlet (SAS)

Member, Frojal's Executive Board (SA)

Chairman of the Board of Directors of Carrefour Property Italia *(Italy)* (since 26 September 2018)

Director:
Edmond de Rothschild SA
Atacadao SA (Brazil)
Carrefour SA *(Turkey)*
Carrefour Property España *(Spain)* (since 5 September 2018)

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

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 (until 31 December 2018)
Siaci Saint-Honoré (until 31 December 2018)

Non-executive director, RIT Capital Partners plc *(United Kingdom) (until 26 April 2018)*

Véronique Morali:

Chairwoman of Webedia's Executive Board

Chairwoman and Chief Executive Officer, Ringmedia

Chairwoman:
Fimalac Développement (*Luxembourg*)
Clover SAS

Chairwoman of the Board of Directors, Viaeuropa

Chief Executive Officer, Webco

Director and Vice-Chairwoman, Fitch Group, Inc. *(United States)* (until 3 April 2018)

Director:
Edmond de Rothschild Holding SA *(Switzerland)*
Edmond de Rothschild SA
CCEP *(United States) (formerly Coca-Cola Enterprises Inc.)*
Melberries (SAS)
Paris Institute of Political Studies (SciencesPo)

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

Manager, Webedia International SARL *(Luxembourg)*

Permanent representative of Fimalac Développement on the Board of Directors of Groupe Lucien Barrière

Board member of institutions and public-interest entities:
Representative of Multi Market Services France Holding on the Shareholders' Committee of Wefcos SAS (*France*) (until 23 March 2018)
Association Le Siècle

Daniel Trèves:

Chairman of the Board, EDRRIT Limited (*United Kingdom*) (until 31 December 2018)

Chairman, 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) (until 28 February 2018)

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

Christian Varin:

Director:
Aminter *(Belgium)*
Edmond de Rothschild SA
Gingko *(Luxembourg)*
Josi Group *(Belgium)*
Helse (until December 2018)
Time for Growth (until February 2018)
Yareal (*Netherlands*) (until December 2018)
Yamed NV Investors *(Netherlands)* (until December 2018)

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

Manager, Maya SARL (until the beginning of 2018)

Co-manager, Eminter SARL (until December 2018)

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 Asset Management (Luxembourg)
Edmond de Rothschild Asset Management (Switzerland)

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

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

Director:
Edmond de Rothschild Asset Management (UK) Limited
Compagnie Benjamin de Rothschild Conseil SA *(Luxembourg)* (since 27 February 2018)
Edmond de Rothschild Private Equity SA *(Luxembourg)* (until 27 February 2018)
Israel-France Chamber of Commerce & Industry
EDRRIT Limited

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 (until 15 March 2018)

Philippe Cieutat:

Chairman of the Board of Directors:
Financière Boréale
Edmond de Rothschild Immo Premium

Chairman, SAS EDR Immo Magnum (since 9 May 2018)

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

Chief Operating Officer, Edmond de Rothschild SA

Member of the Supervisory Board:
Cleaveland
Edmond de Rothschild Investment Partners (until 15 March 2018)
Edmond de Rothschild Private Equity (France) (since 5 June 2018)
Sisaho International (until 6 November 2018)
Siaci Saint-Honoré (until 6 November 2018)

Manager, CFSH Luxembourg SARL

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

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 2018, 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 is to monitor the quality of accounting and financial information produced within the Group made up of Edmond de Rothschild (France) and its consolidated subsidiaries, and 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 the 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, 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 2018, it met on:

- 13 March
- 15 May
- 12 September
- 21 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 full-year and interim 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 2018, 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 is to monitor 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 conformity 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 practices are compatible with the Bank's position with regard to its risk exposure, its capital, its liquidity and the probability and timing of 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 informs the Supervisory Board of its opinions and recommendations. 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 general remuneration policy of the Edmond de Rothschild (France) group as proposed by the Executive Board. Every year, it makes sure this policy is abided by. It makes recommendations to the Supervisory Board on all components of remuneration paid to Executive Board members.

The Remuneration Committee has four members: Benjamin de Rothschild (Chairman), Ariane de Rothschild, Véronique Morali and Christian Varin. It meets at least once every year. Under banking regulations, the Company has to prepare a report on 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.

It also reviews:

- the remuneration policy adopted by Edmond de Rothschild (France) and its subsidiaries
- the remuneration awarded to employees in respect of each financial year
- remuneration awarded to senior executives.

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, the Chief Executive Officer and the Supervisory Board members.

Principles and criteria used to determine, award and allot 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% or 60%) payable immediately upon its allotment and another portion (40% or 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 EdR Holding (Switzerland) participation certificates (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 projects in France and Group projects (10%)

The Chairman of the Executive Board's benefits in kind may also include insurance cover under a senior executive unemployment protection policy arranged with Groupama, plus various benefits in kind, such as a mobile phone, meal vouchers and, from 14 March 2019, a company car.

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 Chief Executive Officer

The remuneration attributable to the Chief Executive Officer comprises a fixed component and a variable component of up to 200% of the fixed component, with one portion payable immediately upon its allotment (40%, 60% or even 100% depending on the amount of the variable component) and any remainder payable on a deferred basis over three years in three equal instalments 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 rights to EdR Holding (Switzerland) or Edmond de Rothschild (Switzerland) (Employee Share Plan) participation certificates, 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 projects in France and Group projects (10%)

The Chief Executive Officer's benefits in kind may also include insurance cover under a senior executive unemployment protection policy arranged with Groupama, plus various benefits in kind, such as a mobile phone, meal vouchers and a company car.

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 allocation of 40% of a fee unit 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 fee units comprise a fixed allocation of 40% of a fee unit plus a variable portion of 60% linked to attendance at Committee meetings.
- a half fee unit for the Chairman of the Remuneration Committee and a quarter fee unit for other members of this Committee.

(*) 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 Vincent Taupin: 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'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 Vincent Taupin in respect of his duties as the Company's Chairman of the Executive Board until 14 March 2019, as set forth in the "Remuneration and commitments given to corporate officers" section of this report.

b) Resolution on the remuneration attributable to Renzo Evangelista: 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'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 Renzo Evangelista in respect of his duties as the Company's Chairman of the Executive Board with effect from 14 March 2019, as set forth in the "Remuneration and commitments given to corporate officers" section of this report.

c) Resolution on the remuneration attributable to Philippe Cieutat: 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'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 Philippe Cieutat in respect of his duties as the Company's Chief Executive Officer, as set forth in the "Remuneration and commitments given to corporate officers" section of this report.

d) 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 2018

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 and Philippe Cieutat during 2018, 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 member is remunerated under an employment agreement.

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

Remuneration awarded to senior executives in respect of 2018:

a) *Remuneration awarded to Vincent Taupin*

In line with the principles and criteria approved by the Ordinary General Meeting of 16 May 2018 pursuant to Article L. 225-82-2 of the French Commercial Code, the remuneration awarded to Vincent Taupin in respect of 2018 is as follows:

In euros	2018	2017
Remuneration due or awarded in respect of the year	1,810,009.00	2,000,009.00
Valuation of the participation certificates awarded during the year	170,000.00	200,000.00
Benefits in kind (*)	32,778.98	32,377.54
TOTAL	2,012,787.98	2,232,386.54

(*) Benefits in kind comprise a telephone for business purposes, meal vouchers and the 2018 premium of €31,646.54 paid by Edmond de Rothschild (France) in respect of the GSCE loss-of-employment insurance arranged with Groupama covering senior executives.

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*

His remuneration consists of a fixed and variable component. The variable component will be settled partly via an Employee Share Plan (ESP), which corresponds to future entitlements to participation certificates in the Swiss holding company of the Edmond de Rothschild Group.

ESP awards are discretionary and are not made as a matter of course.

The Group ESP 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 2018 was as follows:

In euros	2018	2017
Remuneration due or awarded in respect of the year	380,009.00	350,009.00
Valuation of the participation certificates awarded during the year	30,000.00	30,000.00
Benefits in kind (*)	5,980.44	5,980.44
TOTAL	415,989.44	385,989.44

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

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

Pension plans: Under the terms of his employment agreement, the Executive Board member qualifies for the benefit of membership of the ARRCO and AGIRC (Klesia) supplementary pension funds in his capacity as the Bank's employee. He also benefits from the supplementary pension plan applicable to management-level bank employees (CGIS Mornay plan operated by Klesia).

Tables summarising senior executives' remuneration:

Vincent Taupin (remuneration as a corporate officer) (in euros)

	Amounts due or awarded in respect of 2018	Amounts paid in 2018	Amounts due or awarded in respect of 2017	Amounts paid in 2017
Fixed remuneration	**750,009.00**	**750,009.00**	**750,009.00**	**750,009.00**
Annual variable remuneration	**1,230,000.00**	**948,668.00**	**1,450,000.00**	**480,667.00**
o/w immediate variable remuneration in respect of 2018	492,000.00	_	_	_
o/w deferred cash remuneration in respect of 2018	123,000.00	_	_	_
o/w remuneration in deferred instruments (Group Performance Plan) in respect of 2018	445,000.00	_	_	_
o/w entitlement to participation certificates (Employee Share Plan) in respect of 2018	170,000.00	_	_	_
o/w immediate variable remuneration in respect of 2017	_	580,000.00	580,000.00	_
o/w deferred cash remuneration in respect of 2017	_	_	145,000.00	_
o/w remuneration in deferred instruments (Group Performance Plan) in respect of 2017	_	_	525,000.00	_
o/w entitlement to participation certificates (Employee Share Plan) in respect of 2017	_	_	200,000.00	
o/w immediate variable remuneration in respect of 2016	_	_	_	224,000.00
o/w deferred variable remuneration in respect of 2016	_	112,000.00		
o/w deferred variable remuneration in respect of 2015	_	140,000.00	_	140,000.00
o/w deferred variable remuneration in respect of 2014	_	116,667.00	_	116,667.00
Exceptional remuneration	_	_	_	_
Benefits in kind (*)	**32,778.98**	**32,778.98**	**32,377.54**	**32,377.54**
o/w - GSCE loss-of-employment insurance for senior executives	31,646.54	31,646.54	31,245.10	31,245.10
Other	1,132.44	1,132.44	1,132.44	1,132.44
TOTAL	**2,012,787.98**	**1,731,455.98**	**2,232,386.54**	**1,263,053.54**

** Other benefits in kind comprise a telephone for business purposes and meal vouchers*

Philippe Cieutat (remuneration under an employment agreement) (in euros)	Amounts due or awarded in respect of 2018	Amounts paid in 2018	Amounts due or awarded in respect of 2017	Amounts paid in 2017
Fixed remuneration	**230,009.00**	**230,009.00**	**230,009.00**	**230,009.00**
Annual variable remuneration	**180,000.00**	**123,875.67**	**150,000.00**	**101,177.31**
o/w immediate variable remuneration in respect of 2018	150,000.00	_	_	_
entitlement to participation certificates in respect of 2018	30,000.00	_	_	_
immediate variable remuneration in respect of 2017	_	90,000.00	90,000.00	_
entitlement to participation certificates (Employee Share Plan) in respect of 2017	_	_	30,000.00	_
remuneration in deferred instruments (*) in respect of 2017	_	_	30,000.00	_
immediate variable remuneration in respect of 2016	_	_	_	75,000.00
entitlement to participation certificates (Employee Share Plan) in respect of 2016	_	7,172.72	_	_
entitlement to participation certificates (Employee Share Plan) in respect of 2015	_	6,702.95	_	6,177.31
deferred variable remuneration in respect of 2015	_	6,666.00	_	6,667.00
deferred variable remuneration in respect of 2014	_	13,334.00	_	13,333.00
Exceptional remuneration	_	_	_	_
Benefits in kind (*)	**5,980.44**	**5,980.44**	**5,980.44**	**5,980.44**
TOTAL	**415,989.44**	**359,865.11**	**385,989.44**	**337,116.75**

** Other benefits in kind comprise a telephone for business purposes and meal vouchers*

Remuneration paid to Supervisory Board members

The General Meeting set aside an aggregate annual allocation of €700,000 as remuneration for the Supervisory Board members. The Supervisory Board of 6 March 2019 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 99.56% 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 2018 by the Company and its parent (the stated amounts are gross of any levies and/or withholdings):

Member	Fees paid in 2018 in respect of 2017
Benjamin de Rothschild - fees paid by Edmond de Rothschild (France) - fees paid by Edmond de Rothschild SA	 60,000 15,000
Ariane de Rothschild - fees paid by Edmond de Rothschild (France) - fees paid by Edmond de Rothschild SA	55,000 11,250
René Barbier de La Serre (appointment ended on 19 May 2017) - fees paid by Edmond de Rothschild (France)	 12,500
Louis-Roch Burgard - fees paid by Edmond de Rothschild (France)	 75,000
Jacques Ehrmann (appointment commenced on 19 May 2017) - fees paid by Edmond de Rothschild (France) - fees paid by Edmond de Rothschild SA	 37,500 7,500
Jean Laurent-Bellue (1) - fees paid by Edmond de Rothschild (France) - fees paid by Edmond de Rothschild SA	 75,000 11,250
Véronique Morali - fees paid by Edmond de Rothschild (France) - fees paid by Edmond de Rothschild SA	 80,000 15,000
Daniel Trèves - fees paid by Edmond de Rothschild (France)	50,000
Christian Varin - fees paid by Edmond de Rothschild (France) - fees paid by Edmond de Rothschild SA	 62,500 15,000

(1) Jean Laurent-Bellue was no longer an employee of any Edmond de Rothschild Group company after 31 March 2017. As a result, he was paid fees in his capacity as a Supervisory Board member.

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 2018.

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 2018.

Special arrangements for shareholders to participate in the General Meeting

The arrangements for shareholders to participate in 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 Edmond de Rothschild (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 Edmond de Rothschild (France).

OBSERVATIONS OF THE SUPERVISORY BOARD ON THE REPORT OF THE EXECUTIVE BOARD AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

In accordance with the law, the Company's Executive Board has presented on a timely basis the 2018 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 2018 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)

		31/12/2018 IFRS 9	01/01/2018 IFRS 9	31/12/2017 IAS 39
Assets				
Cash, due from central banks and postal accounts	3.1	2,248,217	2,025,603	2,025,603
Financial assets at fair value through profit and loss	3.2	174,670	173,043	8,777
Financial assets at fair value through equity	3.3	4,098	29,943	
Available-for-sale financial assets				221,482
Securities at amortised cost	3.4	10,132	27,273	
Loans and receivables due from credit institutions, at amortised cost	3.5	59,135	127,861	127,861
Loans and receivables due from clients, at amortised cost	3.6	765,526	672,802	672,883
Current tax assets		238	683	683
Deferred tax assets		13,726	199	171
Accruals and other assets	3.8	182,521	167,899	167,899
Investments in associates	3.9	60,014	67,664	67,664
Property, plant and equipment	3.10	39,301	41,205	41,205
Intangible assets	3.11	25,134	26,125	26,125
Goodwill	3.12	82,418	82,470	82,470
Total assets		**3,665,130**	**3,442,770**	**3,442,823**

		31/12/2018 IFRS 9	01/01/2018 IFRS 9	31/12/2017 IAS 39
Liabilities and equity				
Financial liabilities at fair value through profit and loss	3.13	1,428,390	1,379,627	1,379,627
Hedging derivatives	3.14	-	493	493
Due to credit institutions	3.15	35,011	27,634	27,634
Due to clients	3.16	1,585,256	1,418,286	1,418,286
Debt securities		-	-	-
Current tax liabilities		2,448	1,415	1,415
Deferred tax liabilities		-	178	178
Accruals and other liabilities	3.8	197,141	203,299	203,299
Provisions	3.17	25,110	25,331	25,331
Subordinated debt	3.18	-	-	-
Equity		391,774	386,507	386,560
Equity attributable to equity holders of the parent		379,945	373,526	373,579
. Share capital and related reserves		*201,195*	*201,195*	*201,195*
. Consolidated reserves		*150,289*	*147,510*	*94,495*
. Other comprehensive income		*88*	*674*	
. Unrealised or deferred gains and losses				*53,742*
. Earnings for the period		*28,373*	*24,147*	*24,147*
Non-controlling interests		11,829	12,981	12,981
Total liabilities and equity		**3,665,130**	**3,442,770**	**3,442,823**

IFRS consolidated income statement (in thousands of euros)

		31/12/2018 IFRS 9	31/12/2017 IAS 39
+ Interest and similar revenues	4.1	17,124	18,870
- Interest and similar expenses	4.2	–39,162	–25,826
+ Fee income	4.3	356,304	390,828
- Fee expense	4.3	–84,356	–102,112
+/- Net gains or losses on financial instruments at fair value through profit and loss	4.4	51,988	20,733
+/- Net gains or losses on financial assets at fair value through equity	4.5	1,014	797
+ Other revenues	4.6	11,751	13,948
- Other expenses	4.6	–14,713	–12,121
Net banking income		299,950	305,117
- General operating expenses	4.7	–246,278	–250,911
- Depreciation, amortisation and impairment of intangible and tangible assets		–18,201	–18,564
Gross operating income		35,471	35,642
+/- Cost of risk	4.8	–336	–62
Operating income		35,135	35,580
+/- Share in net income of associates	3.9	3,203	–1,045
+/- Net gains or losses on other assets	4.9	6,286	732
+/- Changes in the value of goodwill		–52	–720
Income (loss) before tax		44,572	34,547
- Income tax	4.10	–11,292	–9,986
Net income		33,280	24,561
- Net income attributable to non-controlling interests		–4,907	–414
Net income attributable to equity holders of the parent		**28,373**	**24,147**
Earnings per share (in euro)		5.06	4.17
Diluted earnings per share (in euro)		5.06	4.17

Statement of comprehensive income (in thousands of euros)

	31/12/2018 IFRS 9	31/12/2017 IAS 39
Net income	**33,280**	**24,561**
Exchange difference	–525	–1,885
Deferred change in value of hedging derivatives (*)	–221	475
Change in value of financial assets at fair value through equity (*)	–365	9,947
Actuarial gains or losses on defined-benefit plans (*)	–1,808	1,276
Total comprehensive income	**–2,919**	**9,813**
Net income and comprehensive income	**30,361**	**34,374**
Attributable to equity holders of the parent	*25,455*	*34,094*
Attributable to non-controlling interests	*4,906*	*280*

(*) Net of tax.

IFRS cash flow statement (in thousands of euros)

	31/12/2018 IFRS 9	31/12/2017 IAS 39
Cash flow from operations		
Net income for the period	**33,280**	**24,561**
Net gain or loss on disposals of long-term assets	–7,300	–2,517
Net additions to depreciation, amortisation and provisions	17,028	17,877
Income from associates	–3,203	1,045
Reclassification of net gain or loss on financial instruments at fair value through profit and loss	–51,988	–20,733
Other unrealised income and expenses	1,534	1,239
Income tax expense (including deferred taxes)	11,292	9,986
Cash flow from operations before financing activities and tax	642	31,457
Income tax paid	–24,655	686
Net increase/decrease from transactions with credit institutions	–485	–7,022
Net increase/decrease from transactions with clients	73,686	199,285
Net increase/decrease from transactions in other financial assets and liabilities	134,638	518,489
Net increase/decrease from transactions in other non-financial assets and liabilities	–19,428	9,518
Net cash flow from operating activities	**164,398**	**752,414**
Cash flow from investing activities		
Purchases of property, plant and equipment and intangible assets	–16,270	–15,909
Purchases of long-term financial assets	–1,783	–3,662
Dividends received from associates	3,048	4,126
Disposals of long-term assets	22,544	698
Net cash flow from investing activities	**7,539**	**–14,746**
Cash flow from financing activities		
Increase/decrease in cash from transactions with shareholders	–25,474	–15,242
Net cash flow from financing activities	**–25,474**	**–15,242**
Effect on cash and cash equivalents of changes in exchange rates	47	–18
Net change in cash and cash equivalents	**146,510**	**722,408**
Net balance of cash and amounts due from central banks	2,025,603	1,176,124
Money-market funds qualifying as cash equivalents	14	101
Net balance of demand deposits with and loans from credit institutions	100,228	227,212
Cash and cash equivalents at the beginning of the period	**2,125,846**	**1,403,437**
Net balance of cash and amounts due from central banks	2,248,217	2,025,603
Money-market funds qualifying as cash equivalents	14	14
Net balance of demand deposits with and loans from credit institutions	24,124	100,228
Cash and cash equivalents at the end of the period	**2,272,355**	**2,125,846**
Change in net cash	**146,510**	**722,408**

Statement of changes in equity (in thousands of euros)

	31/12/2016 IAS 39	Capital increase	Appropriation of income	Other changes	31/12/2017 IAS 39
Attributable to equity holders of the parent					
– Share 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	–426	110,594
– Unrealised or deferred gains/losses on available-for-sale financial assets	54,012	-	-	–270	53,742
– 2016 net income	16,567	-	–16,567	-	-
– 2017 net income	-	-	-	24,147	24,147
Total equity attributable to equity holders of the parent	**364,459**	**-**	**–13,292**	**22,412**	**373,579**
Non-controlling interests in:					
– Reserves	1,919	-	683	9,965	12,567
– 2016 net income	683	-	–683	-	-
– 2017 net income	-	-	-	414	414
Total non-controlling interests	**2,602**	**-**	**-**	**10,379**	**12,981**

	31/12/2017 IAS 39	Impact of applying IFRS 9 (**)	01/01/2018 IFRS 9	Appropriation of income	Other changes	31/12/2018 IFRS 9
Attributable to equity holders of the						
– Share capital	83,076	-	83,076	-	-	83,076
– Share premiums	98,244	-	98,244	-	-	98,244
– Equity instruments (undated super-subordinated notes)	19,875	-	19,875	-	-	19,875
– Interest on equity instruments (undated super-subordinated notes)	–16,099	-	–16,099	-	–337	–16,436
– Elimination of treasury shares	-	-	-	-	-	-
– Other reserves (*)	110,594	53,014	163,609	5,095	–1,979	166,725
– Unrealised or deferred gains/losses on available-for-sale financial assets	53,742	–53,742				
– Other comprehensive income		674	674	-	–586	88
– 2017 net income	24,147	-	24,147	–24,147	-	-
Sub-total	**373,579**	**–54**	**373,526**	**–19,052**	**–2,902**	**351,572**
– 2018 net income	-	-	-	-	28,373	28,373
Total equity attributable to equity holders of the parent	**373,579**	**–54**	**373,526**	**–19,052**	**25,471**	**379,945**
Non-controlling interests in:						
– Reserves	12,567	-	12,567	414	–6,059	6,922
– 2017 net income	414	-	414	–414	-	-
– 2018 net income	-	-	-	-	4,907	4,907
Total non-controlling interests	**12,981**	**-**	**12,981**	**-**	**–1,152**	**11,829**

(*) The amount of dividends paid in 2018 was €19.052 million.

(**) See Note 3 "IAS 39 / IFRS 9 transition concerning financial liabilities at 1 January 2018".

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 2018 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 25 February 2019. They were reviewed by the Audit Committee on 5 March 2019 and by the Supervisory Board on 6 March 2019.

1.2. Compliance with accounting standards

New applicable accounting standards

IFRS 9

The first-time adoption of IFRS 9 "Financial instruments (replacing IAS 39 "Financial instruments: recognition and measurement") from 1 January 2018 has led to a significant change in accounting policies regarding the measurement and presentation of the consolidated financial statements. 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 they are designated as debt instruments (loans, advances, bonds, fund units) or equity instruments (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 are:
- 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 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 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.

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).

Hedge accounting

The Group has chosen to apply the option allowing it to continue using the IAS 39 approach.

Transition

The "classification and measurement" and "credit risk" parts of IFRS 9 are retrospectively applicable from 1 January 2018, but IFRS 9's transitional provisions offer the option, selected by the Group, of not adjusting comparative periods.

IFRS 15

The entry into force of IFRS 15 "Revenue from contracts with customers" had no impact on the Group's consolidated financial statements for 2018.

The Group did not opt for early application of any new standards, amendments or interpretations adopted by the European Union where their application in 2018 was only optional.

New standards published but not yet applicable

IFRS 16

IFRS 16 "Leases", adopted by the European Union on 31 October 2017, will replace IAS 17 from 1 January 2019.
The material change resulting from IFRS 16 mainly concerns the lessee's method for recognising leases. The current IAS 17 distinction between operating leases and finance leases will no longer exist.
Under IFRS 16, all leases will be recognised on the lessee's balance sheet, i.e. an asset representing the right to use the leased asset during the lease period and a liability consisting of the obligation to make lease payments.
The financial impact of IFRS 16 is currently being analysed by the Group.

1.3. Use of estimates

The preparation of financial information involves the use of estimates and assumptions regarding future circumstances.
In addition to available information, making estimates requires an element of judgment, particularly as regards the following:

- impairment 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

Groupement Immobilière Financière meets those criteria and is therefore consolidated.

1.5. Changes in the scope of consolidation

Changes in the scope of consolidation in 2018 were as follows:

- On 15 March 2018, Edmond de Rothschild Private Equity (France) sold its 51% stake in Edmond de Rothschild Investment Partners.

- Edmond de Rothschild Investors Assistance was wound up on 19 April 2018 and Edmond de Rothschild Asset Management (Chile) was wound up on 27 April 2018.

- SAS Edmond de Rothschild Immo Magnum was created on 11 May 2018.

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 2018.

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) (CGU) to which it is allocated.
When the recoverable amount of the CGU, 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”.

Note 2 – Accounting policies, valuation methods and explanatory notes

Translation of foreign currency transactions
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 "Loans and receivables due from clients at amortised cost". 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 are 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, loans and receivables due from 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".
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 asset at fair value through equity, designating that item as at fair value 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, designating that loan as at fair value 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.

Other financial assets at fair value through profit or loss also include:
- debt instruments whose contractual cash flows do not constitute repayments of principal and payments of interest on the principal that remains due (non-SPPI instruments)
- equity instruments that the Group has not opted to classify at fair value through equity

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 at fair value through equity

Debt instruments

The "Financial assets at fair value through equity" category includes debt instruments (loans and advances, bonds and other similar securities) with a business model involving the collection of contractual cash flows – representing basic SPPI ("solely payments of principal and interest") loans – and sales of those instruments.
Changes in value, excluding accrued or earned income, are recognised in a specific equity line item entitled "Gains and losses recognised directly in equity", and are reclassified to profit and loss when the instruments are sold.
Expected losses relating to credit risk are calculated on these financial assets.

Equity instruments

The Group has opted to classify part of its equity securities that it needs to conduct certain activities at fair value through equity.
That classification, which is irrevocable, must be carried out for each security.
Changes in the fair value of these instruments are recognised in "Gains and losses recognised directly in equity", and cannot be recycled to profit and loss.
Assets in this category do not undergo impairment. Only dividends are recognised in profit and loss.

Reclassification of financial assets

Reclassifications of financial assets under IFRS 9 are only required where there is a change in the business model associated with them.

Impairment of financial assets

Financial assets measured at amortised cost and debt instruments at fair value through equity with recycling

The credit risk impairment model applies to loans and debt instruments classified at amortised cost or at fair value through equity. These financial assets systematically undergo impairment testing when negotiated (i.e. at the time of acquisition or granting of the loan).
The provisioning model is based on monitoring the relative deterioration in credit quality, corresponding to movements in the counterparty's credit risk, without waiting for an objective incurred loss event.
Stage 1: Healthy assets that have not significantly deteriorated since inception
Expected credit losses in the next 12 months are calculated on assets that have not undergone any significant deterioration in credit quality since inception.
Stage 2: Healthy assets that have significantly deteriorated since inception
Within the Group, loans are not scored but monitored according to a Basel approach, depending on the type of eligible security covering the loan granted.
Three indicators are used to gauge a deterioration in credit quality: overdue payments, limit violations or unauthorised debits, and margin calls.
For loans with eligible financial security, the Group has not adopted the rebuttable presumption that loans on which payments are more than 30 days past due have undergone a significant deterioration in credit quality (no defaults have occurred in recent years), and the "Stage 2" classification takes place after 60 days in the event of overdue payments or unauthorised debits.

Mortgages are subject to the same rules.
Unsecured loans or loans without eligible security are classified as "Stage 2" after 30 days in the event of overdue payments or unauthorised debits.
The impairment loss corresponds to credit losses expected over the life (to maturity) of the financial assets.
Stage 3: Individually impaired assets
Assets are classified as doubtful where one or more payments are at least 90 days past due.
Credit risk is measured as expected credit losses to maturity.
The amount of the impairment loss is included in "Cost of risk" in the income statement, 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.

Measurement of expected credit losses

Expected credit losses are defined as the weighted likely expected value of the credit loss (principal and interest) discounted to present value. The method for measuring these losses is based on the following components.

- Probability of default (PD)
Probability of default is an estimate of the likelihood that a default will occur.
Most loans granted to the Group's clients have a 1-year maturity and in the absence of any defaults in recent years, the Group has decided to apply:

- for loans classified in "Stage 1", the average first-quartile 1-year PD shown by the retail mortgage books of major French banks
- a flat-rate 20% PD for loans on which credit risk has significantly deteriorated

- Loss given default (LGD)
LGD measures the loss that would arise if a counterparty defaulted. The figure takes into account the amounts borrowed and the market values of the assets and securities covering the loans granted by the Bank (with discounts based on the Group's risk policy).
- Exposure at default (EAD)
EAD is the amount owed by the counterparty at the time it defaults on a given commitment.

- Forward-looking approach
IFRS 9 requires "forward-looking" data to be included in the calculation of expected losses relating to credit risk.
The aim is to be able to take into account as early as possible forward-looking information and macroeconomic indicators that may affect the risk profile of counterparties.
The Group takes into account this forward-looking information as part of the borrowing amounts used to determine LGD.

Derecognition of financial assets and liabilities

Derecognition of financial assets

The derecognition (total or partial) of a financial asset on the balance sheet takes place when contractual rights to the instrument's cash flows expire or when those flows and substantially all of the instrument's risks and benefits are transferred to a third party.

Derecognition of financial liabilities

The Group removes a financial liability from its balance sheet when the obligation specified in the contract is extinguished, discharged or cancelled or expires.

Derivatives and hedges
All derivatives, except derivatives designated for accounting purposes as cash flow hedges (see below), are 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 cashflow hedge or a hedge of currency risk related to a net investment in a foreign operation.

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), some of its subsidiaries and Edmond de Rothschild SA (its owner) have opted to form a tax consolidation group. These entities 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.
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 2018 financial year, the tax rate used to determine the deferred taxes of French companies was 32.02% (corresponding to the corporate income tax rate applicable in 2019) 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 regarding 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 reversals of impairment of fixed-income securities and loans and receivables due from clients and credit institutions, additions to and reversals of provisions relating to financing and guarantee commitments given, losses on receivables written off and amounts recovered on receivables formerly written off.

Fees and commissions
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

IAS 39 / IFRS 9 TRANSITION CONCERNING FINANCIAL ASSETS AT 1 JANUARY 2018

Transition

The Group has opted to use the transitional provisions of IFRS 9 and has opted not to present adjusted financial statements for comparison purposes when applying that standard for the first time.

The very limited impact of that first-time adoption at 1 January 2018 has been recognised in reserves.

	31/12/2017			01/01/2018
In thousands of euros	IAS 39	Reclassification	Remeasurement	IFRS 9
Financial assets at fair value through profit or loss	**8,777**	**164,266**	**-**	**173,043**
Increases	-	164,266	-	164,266
From available-for-sale securities (IAS 39) to fair value through profit and loss	-	164,266	-	164,266
Decreases	-	-	-	-
From fair value through profit and loss (IAS 39) to fair value through other comprehensive income	-	-	-	-
Total changes in financial assets at fair value through profit and loss	**-**	**164,266**	**-**	**164,266**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**8,777**	**164,266**	**-**	**173,043**
Financial assets at fair value through other comprehensive income	**221,482**	**–191,539**	**-**	**29,943**
Increases	-	-	-	-
Decreases	-	–191,539	-	–191,539
From available-for-sale securities (IAS 39) to fair value through profit and loss	-	–164,266	-	–164,266
From available-for-sale securities (IAS 39) to amortised cost	-	–27,273	-	–27,273
Total changes in financial assets at fair value through other comprehensive income	**221,482**	**–191,539**	**-**	**29,943**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**221,482**	**–191,539**	**-**	**29,943**
Financial assets at amortised cost	**800,744**	**27,273**	**–81**	**827,936**
Increases	-	27,273	-	27,273
From available-for-sale securities (IAS 39) to amortised cost	-	27,273	-	27,273
Decreases	-	-	-	-
Remeasurement of impairment on assets at amortised cost at 1 January 2018	-	-	–81	–81
Total changes in financial assets at amortised cost	**-**	**27,273**	**–81**	**27,192**
FINANCIAL ASSETS AT AMORTISED COST	**800,744**	**27,273**	**–81**	**827,936**
TOTAL FINANCIAL ASSETS	**1,031,003**	**-**	**–81**	**1,030,922**
Cash, due from central banks and postal accounts	2,025,603	-	-	2,025,603
Current tax assets	683	-	-	683
Deferred tax assets	171	-	28	199
Accruals and other assets	167,899	-	-	167,899
Investments in associates	67,664	-	-	67,664
Property, plant and equipment	41,205	-	-	41,205
Intangible assets	26,125	-	-	26,125
Goodwill	82,470	-	-	82,470
TOTAL OTHER ASSETS	**2,411,820**	**-**	**28**	**2,411,848**
TOTAL ASSETS	**3,442,823**	**-**	**–53**	**3,442,770**

Reclassifications

The application of IFRS 9 has led to the reclassification of financial assets previously classified as “Available-for-sale financial assets”.

- The private equity portfolio, consisting of investments in funds analysed as debt instruments, has been recognised as at fair value through profit and loss because of the non-SPPI nature of its contractual cash flows (€154.8 million at 1 January 2018).
- UCITS (€9.4 million) have been reclassified as “Financial assets at fair value through profit and loss”.
- For its equity securities, the Group has mainly opted to measure them at fair value through equity without subsequent recycling to profit and loss (€11.4 million). The default classification of “Financial assets at fair value through profit and loss” has only been used for a very limited number of securities (€19 thousand).

- Debt securities are mainly held as part of the Group's cash management activities. Those securities, whose business model is based on the collection of contractual cash flows, have been recognised at amortised cost (€27.3 million).

Remeasurement

The remeasurement column corresponds to the implementation of IFRS 9's impairment model for credit risk based on expected losses.

At 1 January 2018, the application of this new model led to a very slight increase in impairment of client loans for credit-risk reasons (€53 thousand after taking into account the associated deferred tax).

IAS 39 / IFRS 9 TRANSITION OF FINANCIAL LIABILITIES AT 1 JANUARY 2018

	31/12/2017			01/01/2018
In thousands of euros	IAS 39	Reclassification	Remeasurement	IFRS 9
Financial liabilities at fair value through profit and loss	1,379,627	-	-	1,379,627
Hedging derivatives	493	-	-	493
Financial debt	1,445,920	-	-	1,445,920
TOTAL FINANCIAL LIABILITIES	**2,826,040**	**-**	**-**	**2,826,040**
Current tax liabilities	1,415	-	-	1,415
Deferred tax liabilities	178	-	-	178
Accruals and other liabilities	203,299	-	-	203,299
Provisions	25,331	-	-	25,331
Subordinated debt	-	-	-	-
Equity	386,560	-	–53	386,507
Equity attributable to equity holders of the parent	373,579	-	–53	373,526
. Share capital and related reserves	*201,195*	-	-	*201,195*
. Consolidated reserves	*94,495*	*53,068*	*–53*	*147,510*
. Other comprehensive income	*53,742*	*–53,068*	-	*674*
. Earnings for the period	*24,147*	-	-	*24,147*
Non-controlling interests	12,981	-	-	12,981
TOTAL OTHER LIABILITIES	**616,783**	**-**	**–53**	**616,730**
TOTAL LIABILITIES AND EQUITY	**3,442,823**	**-**	**–53**	**3,442,770**

In thousands of euros	31/12/2018 IFRS 9	01/01/2018 IFRS 9
3.1. Cash, due from central banks and postal accounts		
Cash	427	592
Central banks	2,247,790	2,025,011
Postal accounts	-	-
Sub-total	**2,248,217**	**2,025,603**
Related receivables	-	-
Total	**2,248,217**	**2,025,603**

In thousands of euros	31/12/2018 IFRS 9	01/01/2018 IFRS 9
3.2. Financial assets at fair value through profit or loss		
Interest rate instruments – futures	70	595
Foreign exchange instruments – futures	5,288	60
Equity and index-linked instruments – futures	4,500	5,446
Receivables related to trading derivatives	103	68
Sub-total - Derivatives	**9,961**	**6,169**
Equities and other variable-income securities	28	28
Sub-total - Other financial instruments held for trading	**28**	**28**
Sub-total - Trading securities	**9,989**	**6,197**
Treasury notes and similar securities	2,220	2,287
Treasury notes and similar securities - related receivables	20	293
Sub-total - Financial assets designated as at fair value	**2,240**	**2,580**
Investments in subsidiaries and associates	11	19
Other variable-income securities	13,784	9,447
Sub-total	**13,795**	**9,466**
Debt instruments and similar	148,646	154,800
Sub-total - Non-SPPI debt instruments	**148,646**	**154,800**
Sub-total - Other financial assets at fair value through profit and loss	**162,441**	**164,266**
Total	**174,670**	**173,043**

The total notional amount of trading derivatives was €5.736 million at 31 December 2018 as opposed to €4.915 million at 31 December 2017. 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	31/12/2018 IFRS 9	01/01/2018 IFRS 9
3.3. Financial assets at fair value through equity		
Treasury notes and similar securities	1	18,552
Bonds and other fixed-income securities	3	4
Sub-total - Debt instruments at fair value through equity with recycling	**4**	**18,556**
Investments in subsidiaries and associates	4,094	11,387
Equities and other variable-income securities	-	-
Sub-total - Equity instruments at fair value through equity without recycling	**4,094**	**11,387**
Total	**4,098**	**29,943**

In thousands of euros	31/12/2018 IFRS 9	01/01/2018 IFRS 9
3.4. Securities at amortised cost		
Treasury notes and similar securities	-	-
Bonds and other fixed-income securities	10,132	27,273
Total	**10,132**	**27,273**

In thousands of euros	31/12/2018 IFRS 9	01/01/2018 IFRS 9
3.5. Loans and receivables due from credit institutions, at amortised cost		
Due from credit institutions		
- Demand deposits	*59,135*	*127,861*
- Time deposits (*)	-	-
Sub-total	**59,135**	**127,861**
Related receivables	-	-
Total gross value	**59,135**	**127,861**
Impairment	-	-
Total net value	**59,135**	**127,861**

In thousands of euros	31/12/2018 IFRS 9	01/01/2018 IFRS 9
3.6. Loans and receivables due from clients, at amortised cost		
Overdrafts	562,943	476,530
Other loans and financing		
- Loans	*202,753*	*196,352*
- Securities received under resale agreements	-	*1*
- Trade notes	-	-
Total gross value	**765,696**	**672,883**
- Of which related receivables	394	449
Impairment	–170	–81
Total net value	**765,526**	**672,802**
Fair value of loans and receivables due from clients	**765,833**	**674,227**

Impairment of loans and receivables due from clients at amortised cost

In thousands of euros	01/01/2018 IFRS 9	Additions	Reversals	Transfers	31/12/2018 IFRS 9
Impairment of healthy assets (Stage 1)	–32	–35	11	27	–29
Impairment of healthy assets that have deteriorated (Stage 2)	–48	–18	45	–7	–28
Impairment of doubtful assets (Stage 3)	–1	–92	1	–21	–113
Total	**–81**	**–145**	**57**	**–1**	**–170**

3.7. Pledged assets

A-Assets

In thousands of euros	31/12/2018 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

In thousands of euros	31/12/2018 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

In thousands of euros	31/12/2018 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	31/12/2018 IFRS 9		01/01/2018 IFRS 9	
	Assets	Liabilities	Assets	Liabilities
3.8. Accruals and other assets and liabilities				
Items under collection	66	-	265	-
Guarantee deposits paid (*)	36,251	-	31,905	-
Prepaid expenses	6,892	-	9,445	-
Accrued income	109,414	-	100,468	-
Prepaid income	-	158	-	132
Accrued expenses	-	91,472	-	91,239
Other miscellaneous assets and liabilities (**)	29,898	105,511	25,816	111,928
Total	**182,521**	**197,141**	**167,899**	**203,299**

(*) of which €11,620 thousand related to collateral at 31 December 2018 versus €9,927 thousand of guarantee deposits paid at 31 December 2017.
(**) of which €10,590 thousand related to collateral at 31 December 2018 versus €6,076 thousand of other liabilities at 31 December 2017.

In thousands of euros	31/12/2018 IFRS 9	01/01/2018 IFRS 9
3.9. Investments in associates		
Edmond de Rothschild (Monaco)	45,320	41,352
Zhonghai Fund Management Co. LTD.	14,694	18,579
Edmond de Rothschild Investment Partners	-	7,824
China Investment Partners (Shanghai) Ltd	-	112
China Investment Partners (Hong Kong) Ltd	-	–203
Investments in associates	**60,014**	**67,664**

Edmond de Rothschild (Monaco)	
In thousands of euros	31/12/2018 IFRS 9
Current assets	2,281,273
Non-current assets	52,354
Current liabilities	2,165,732
Non-current liabilities	167,896
Net banking income	66,819
Share of net income	**7,045**

In thousands of euros	01/01/2018 IFRS 9	Acquisitions/ transfers in	Disposals/ transfers out	Other changes	31/12/2018 IFRS 9
3.10. Property, plant and equipment					
Gross value					
Land and buildings	57,828	–32	-	–781	57,015
Computer hardware	27,462	2,131	-	–61	29,532
Fixtures, fittings and other property, plant and equipment	44,443	443	–13	–22	44,851
Property, plant and equipment in progress	-	-	-	-	-
Sub-total	**129,733**	**2,542**	**–13**	**–864**	**131,398**
Depreciation and impairment					
Buildings	–23,140	–994	-	89	–24,045
Computer hardware	–24,754	–1,517	-	60	–26,211
Fixtures, fittings and other property, plant and equipment	–40,634	–1,212	-	5	–41,841
Sub-total	**–88,528**	**–3,723**	**-**	**154**	**–92,097**
Total	**41,205**	**–1,181**	**–13**	**–710**	**39,301**

In thousands of euros	01/01/2018 IFRS 9	Acquisitions/ transfers in	Disposals/ transfers out	Other changes	31/12/2018 IFRS 9
3.11. Intangible assets					
Gross value					
Contract portfolio and other contractual rights	12,510	-	-	-	12,510
Other intangible assets	147,638	13,728	–654	-	160,712
Intangible assets in progress	-	-	-	-	-
Sub-total	**160,148**	**13,728**	**–654**	**-**	**173,222**
Amortisation and impairment					
Intangible assets	–134,023	–13,664	416	–817	–148,088
Sub-total	**–134,023**	**–13,664**	**416**	**–817**	**–148,088**
Total	**26,125**	**64**	**–238**	**–817**	**25,134**

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

In thousands of euros	31/12/2018 IFRS 9	01/01/2018 IFRS 9
3.12. Goodwill		
Net carrying amount at the beginning of the period	**82,470**	**88,762**
Acquisitions and other increases	-	-
Disposals and other decreases	-	–5,572
Impairment	–52	–720
Net carrying amount at the end of the period	**82,418**	**82,470**

	Net carrying amount	
In thousands of euros	31/12/2018 IFRS 9	01/01/2018 IFRS 9
Edmond de Rothschild Asset Management (France)	39,891	39,891
Cleaveland	31,905	31,905
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
CFSH Luxembourg S.à.r.l.	371	371
Other	17	17
Total	**82,418**	**82,470**

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 business assumptions used to calculate Cleaveland's goodwill were based on the business plan provided by the company's management for 2019-2021, followed by the application of a 2% perpetual growth rate to 2021 revenue.

An average discount rate of 10.4% was used, based on the breakdown of revenue across the various categories.

Based on the assumptions used, the comparison between the Cleaveland CGU's carrying amount and its value in use did not give rise to any impairment at 31 December 2018, and variations in key assumptions (+/- 3% for the discount rate and +/- 1% for the growth rate) would not lead to any impairment being recognised in the consolidated financial statements.

In thousands of euros	31/12/2018 IFRS 9	01/01/2018 IFRS 9
3.13. Financial liabilities at fair value through profit and loss		
Interest rate instruments – futures	564	1,044
Interest rate instruments – options	-	-
Foreign exchange instruments – futures	1	15,905
Foreign exchange instruments – options	-	-
Equity and index-linked instruments – futures	15,041	3,057
Equity and index-linked instruments – options	-	-
Sub-total	**15,606**	**20,006**
Payables related to trading derivatives	–721	469
Sub-total – trading securities	**14,885**	**20,475**
Due to credit institutions	937,161	966,060
Due to clients	16,277	6,996
Sub-total	**953,438**	**973,056**
Related payables	4,185	1,713
Sub-total - payables designated as at fair value through profit and loss	**957,623**	**974,769**
Negotiable debt instruments	455,850	382,292
Bonds	-	-
Other debt securities	-	-
Sub-total	**455,850**	**382,292**
Related payables	32	2,091
Sub-total - debt securities at fair value through profit and loss	**455,882**	**384,383**
Sub-total - financial liabilities designated as at fair value through profit and loss	**1,413,505**	**1,359,152**
Total financial liabilities at fair value through profit and loss	**1,428,390**	**1,379,627**

	31/12/2018 IFRS 9		
In thousands of euros	Fair value	Amount repayable at maturity	Difference between fair value and amount repayable at maturity
Financial liabilities designated as at fair value through profit and loss	1,413,505	1,416,883	3,378

	01/01/2018 IFRS 9		
In thousands of euros	Fair value	Amount repayable at maturity	Difference between fair value and amount repayable at maturity
Financial liabilities designated as at fair value through profit and loss	1,359,152	1,431,080	71,928

In thousands of euros	31/12/2018 IFRS 9 Negative market value	31/12/2018 IFRS 9 Positive market value	01/01/2018 IFRS 9 Negative market value	01/01/2018 IFRS 9 Positive market value
3.14. Hedging derivatives				
Hedging the value of non-derivative financial instruments	**-**	**-**	**493**	**-**
- Foreign exchange derivatives	-	-	-	-
- Interest-rate derivatives	-	-	*493*	-
Hedging future gains/losses from non-derivative financial	**-**	**-**	**-**	**-**
- Foreign exchange derivatives	-	-	-	-
- Interest-rate derivatives	-	-	-	-
Hedging derivatives	**-**	**-**	**493**	**-**

In thousands of euros	31/12/2018 IFRS 9	01/01/2018 IFRS 9
3.15. Due to credit institutions		
- Demand deposits	35,011	27,634
– Time deposits	-	-
Sub-total	**35,011**	**27,634**
Related payables	-	-
Total due to credit institutions	**35,011**	**27,634**

In thousands of euros	31/12/2018 IFRS 9 Demand deposits	31/12/2018 IFRS 9 Time deposits	31/12/2018 IFRS 9 Total	01/01/2018 IFRS 9 Demand deposits	01/01/2018 IFRS 9 Time deposits	01/01/2018 IFRS 9 Total
3.16. Due to clients						
Special savings accounts						
- Special savings accounts	-	*88,690*	*88,690*	-	*65,306*	*65,306*
- Related payables	-	-	-	-	-	-
Sub-total	**-**	**88,690**	**88,690**	**-**	**65,306**	**65,306**
Other payables						
- Demand deposits	*1,347,230*	-	*1,347,230*	*1,268,797*	-	*1,268,797*
- Time deposits	-	*36,322*	*36,322*	-	*18,609*	*18,609*
- Securities delivered under repurchase	-	-	-	-	*6,369*	*6,369*
- Other miscellaneous payables	-	*113,000*	*113,000*	-	*59,200*	*59,200*
- Related payables	*1*	*13*	*14*	*1*	*4*	*5*
Sub-total	**1,347,231**	**149,335**	**1,496,566**	**1,268,798**	**84,182**	**1,352,980**
Total	**1,347,231**	**238,025**	**1,585,256**	**1,268,798**	**149,488**	**1,418,286**
Fair value of amounts due to clients			**1,585,607**			**1,418,294**

In thousands of euros	Legal and tax risks	Post-employment benefit obligations	Loan and guarantee commitments	Losses on contracts	Other provisions	Total carrying amount
3.17. Provisions						
Balance at 31/12/2017	**-**	**9,903**	**-**	**-**	**15,428**	**25,331**
Additions	-	763	-	-	8,697	9,460
Amounts used	-	-	-	-	–6,922	–6,922
Unused amounts reversed to profit and loss	-	-	-	-	–3,374	–3,374
Other movements	-	571	-	-	44	615
Balance at 31/12/2018	**-**	**11,237**	**-**	**-**	**13,873**	**25,110**

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. Equity instruments: undated super-subordinated notes

In June 2007, the Bank issued €50 million of undated super-subordinated notes. After discussions with one of the noteholders, the Bank made an offer to repurchase part of the notes with a nominal amount of €29 million, at a discount of 7.5%. After obtaining the authorisation of the ACP on 12 July 2013, €29 million of notes were repurchased and cancelled in August 2013.
In the event of the issuer's liquidation, holders of these notes will be paid only after other creditors but before holders of participating loans or participating securities.
The undated super-subordinated notes carry financial covenants:
- non-payment of interest in the event of insufficient capital related to non-compliance with prudential capital adequacy ratios or a deterioration in the Bank's financial position;
- reduction of accrued interest due and payable and then of the nominal value of the notes if the Bank has not taken action to remedy the capital situation within a specific period.

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

The main financial characteristics of these notes are as follows:

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

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

3.19. Netting of financial assets and liabilities

At 31 December 2018 In thousands of euros	Gross amounts of financial assets	Amounts netted on the balance sheet	Net amounts stated on the balance sheet	Impact of netting and similar agreements	Financial instruments received as collateral	Net amounts
Financial assets at fair value through profit and loss						
-Trading securities	12,606	–2,617	9,989	-	–10,590	–601
-Financial assets designated as at fair value	2,240	-	2,240	-	-	2,240
-Other financial assets at fair value through profit and loss	162,441	-	162,441	-	-	162,441
Financial assets at fair value through equity	4,098	-	4,098	-	-	4,098
Securities at amortised cost	10,132	-	10,132	-	-	10,132
Loans and receivables due from credit institutions and customers at amortised cost	824,661	-	824,661	-	-	824,661
-Of which repurchase transactions	-	-	-	-	-	-
Accruals and other assets	182,521	-	182,521	-	-	182,521
-Of which guarantee deposits granted	*36,251*	-	*36,251*	-	-	*36,251*
Other assets not subject to netting	2,469,048	-	2,469,048	-	-	2,469,048
TOTAL ASSETS	**3,667,747**	**–2,617**	**3,665,130**	**-**	**–10,590**	**3,654,540**

At 31 December 2018 In thousands of euros	Gross amounts of financial liabilities	Amounts netted on the balance sheet	Net amounts stated on the balance sheet	Impact of netting and similar agreements	Financial instruments provided as collateral	Net amounts
Financial liabilities at fair value through profit and loss						
-Trading securities	17,502	–2,617	14,885	-	–11,620	3,265
-Liabilities designated as at fair value through profit and loss	957,623	-	957,623	-	-	957,623
-Debt securities designated at fair value through profit and loss	455,882	-	455,882	-	-	455,882
Due to credit institutions and clients	1,620,267	-	1,620,267	-	-	1,620,267
-Of which repurchase transactions	-	-	-	-	-	-
Accruals and other liabilities	197,141	-	197,141	-	-	197,141
-Of which guarantee deposits received	*10,590*	-	*10,590*	-	-	*10,590*
Other liabilities not subject to netting	27,558	-	27,558	-	-	27,558
TOTAL LIABILITIES	**3,275,973**	**–2,617**	**3,273,356**	**-**	**–11,620**	**3,261,736**

At 31 December 2017 In thousands of euros	Gross amounts of financial assets	Amounts netted on the balance sheet	Net amounts stated on the balance sheet	Impact of netting and similar agreements	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 designated as at fair value through profit and loss	-	-	-	-	-	-
-Fixed-income securities designated as at fair value through profit and loss	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 guarantee deposits granted	*31,905*	-	*31,905*	-	-	*31,905*
Other assets not subject to netting	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 December 2017 In thousands of euros	Gross amounts of financial liabilities	Amounts netted on the balance sheet	Net amounts stated on the balance sheet	Impact of netting and similar agreements	Financial instruments provided as collateral	Net amounts
Financial liabilities at fair value through profit and loss						
-Trading securities	20,592	–117	20,475	-	–9,927	10,548
-Liabilities designated as at fair value through profit and loss	974,769	-	974,769	-	-	974,769
-Debt securities designated at fair value through profit and loss	384,383	-	384,383	-	-	384,383
Due to 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 liabilities	203,299	-	203,299	-	-	203,299
-Of which guarantee deposits received	*20,609*	-	*20,609*	-	-	*20,609*
Other liabilities not subject to netting	27,417	-	27,417	-	-	27,417
TOTAL LIABILITIES	**3,056,380**	**–117**	**3,056,263**	**-**	**–9,927**	**3,046,336**

The Group no longer has any receivables or payables relating to repo transactions, and liabilities associated with securities sold under repo transactions amounted to €6.369 million at 31 December 2017.

Note 4 – Analysis of income statement items

	In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
4.1.	**Interest and similar revenues**		
	Interest and other revenues on loans and receivables due from credit institutions	**478**	**482**
	- Demand deposits and interbank loans	478	480
	- Loan and guarantee commitments	-	-
	- Repurchase transactions	-	2
	Interest and other revenues on loans and receivables due from clients	**9,043**	**8,116**
	- Demand deposits and loans	9,040	8,105
	- Repurchase transactions	3	11
	Interest on financial instruments	**7,603**	**10,272**
	- Debt instruments at amortised cost	37	-
	- Financial assets at fair value through equity	-	–179
	- Financial assets designated as at fair value through profit and loss	554	987
	- Interest on derivatives	7,012	9,464
	Total interest and similar revenues	**17,124**	**18,870**

	In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
4.2.	**Interest and similar expenses**		
	Interest and other expenses on loans and payables due to credit institutions, at amortised cost	**–30,105**	**–14,124**
	- Demand deposits and interbank loans	–30,105	–14,124
	- Loan and guarantee commitments	-	-
	- Repurchase transactions	-	-
	Interest and other expenses on payables due to clients, at amortised cost	**–315**	**–93**
	- Demand deposits and loans	–315	–93
	- Loan and guarantee commitments	-	-
	- Repurchase transactions	-	-
	Interest on financial instruments	**–8,742**	**–11,609**
	- Debt securities	–7,582	–9,659
	- Interest on derivatives	–1,160	–1,950
	Total interest and similar expenses	**–39,162**	**–25,826**

		31/12/2018 IFRS 9		31/12/2017 IAS 39	
	In thousands of euros	Income	Expenses	Income	Expenses
4.3.	**Fees**				
	Cash and interbank transactions	-	–15	-	–24
	Transactions with clients	202	-	341	-
	Securities transactions	-	-	-	-
	Foreign exchange transactions	39	-	19	-
	Off-balance sheet transactions				
	- Securities commitments	*184*	*-*	*303*	*-*
	- Commitments on forward financial instruments	*1,977*	*–1,221*	*1,122*	*–745*
	Financial services	353,902	–83,120	389,043	–101,343
	Additions to/reversals of provisions	-	-	-	-
	Total fees	**356,304**	**–84,356**	**390,828**	**–102,112**

In thousands of euros	31/12/2018 IFRS 9 Trading portfolio	31/12/2018 IFRS 9 Portfolio designated as at fair value	31/12/2017 IAS 39 Trading portfolio	31/12/2017 IAS 39 Portfolio designated as at fair value
4.4. Net gains or losses on financial instruments at fair value through profit				
Net gains or losses on financial assets held for trading	-	–1,363	-	96
Net gains or losses on financial liabilities at fair value through profit and loss	-	12,587	-	1,584
Net gains or losses on derivatives	–11,549	-	–1,531	-
Net gains or losses on foreign exchange transactions	32,501	-	20,584	-
Net gains or losses on equity instruments at fair value through profit and loss	–29	-	-	-
Net gains or losses on non-SPPI debt instruments (*)	19,841	-	-	-
Total net gains or losses on financial instruments at fair value through	**40,764**	**11,224**	**19,053**	**1,680**

(*) of which €17,191 thousand relating to distributions from the Eres II fund

In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
4.5. Net gains or losses on financial assets at fair value through equity		
Dividends received on equity instruments at fair value through equity	1,014	-
Net gains or losses on financial assets at fair value through equity	-	797
Total net gains or losses on financial assets at fair value through equity	**1,014**	**797**

In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
4.6. Revenues and expenses relating to other activities		
Expenses transferred to other companies	1,645	405
Other ancillary income	2,813	6,558
Miscellaneous	7,293	6,985
Revenues from other activities	**11,751**	**13,948**
Revenues transferred to other companies	–13,545	–10,487
Miscellaneous	–1,168	–1,634
Expenses relating to other activities	**–14,713**	**–12,121**

In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
4.7. General operating expenses		
Wages and salaries	–94,272	–99,531
Pension expenses	–8,389	–8,601
Social security expenses	–33,753	–33,040
Employee incentive plans	–67	–457
Mandatory employee profit-sharing	–5,995	–4,347
Payroll taxes	–9,008	–10,583
Additions to provisions for personnel expenses	–8,618	–8,122
Reversals of provisions for personnel expenses	6,576	3,646
Sub-total - Personnel expenses	**–153,526**	**–161,035**
Taxes other than income tax	–5,884	1,074
Rental expenses	–13,080	–14,439
External services	–71,768	–74,677
Travel expenses	–2,159	–1,889
Miscellaneous operating expenses	-	–10
Additions to provisions for administrative expenses	-	-
Reversals of provisions for administrative expenses	139	65
Sub-total - Administrative expenses	**–92,752**	**–89,876**
Total general operating expenses	**–246,278**	**–250,911**

In thousands of euros		31/12/2018 IFRS 9	31/12/2017 IAS 39
4.8.	**Cost of risk**		
	Additions to provisions for credit risk	–396	-
	Net losses on receivables written off	1	–2,220
	Reversals of provisions for credit risk	59	1,951
	Reversals of other provisions	-	-
	Amounts recovered on receivables formerly written off	-	207
	Total cost of risk	**–336**	**–62**

In thousands of euros		31/12/2018 IFRS 9	31/12/2017 IAS 39
4.9.	**Gains or losses on other assets**		
	Losses on sales of intangible assets and property, plant and equipment	–239	–12
	Gains on sales of intangible assets and property, plant and equipment	187	15
	Gain/(loss) on disposals of investments in subsidiaries and associates	6,338	729
	Total net gains or losses on other assets	**6,286**	**732**

“Gains or losses on other assets” include a €6.374 million gain on the disposal of Edmond de Rothschild Investment Partners.

In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
4.10. Income tax expense and effective tax rate		
Consolidated net income	**33,280**	**24,561**
Income tax expense	**11,292**	**9,986**
Income before tax	**44,572**	**34,547**
Non-deductible provisions and expenses	12,335	8,958
Parent company/subsidiary exemption regime and related adjustments	1,815	666
Share of net income of associates	–3,203	1,045
Untaxed consolidation adjustments	7,990	–1,789
Miscellaneous non-taxable revenues and other deductions	–45,716	–2,073
Items taxed at reduced rates	–2,909	–95
Income before tax taxable at standard rate	**14,884**	**41,260**
Tax rate	34.43%	34.43%
Theoretical tax expense at standard rate	**5,125**	**14,206**
Income before tax taxable at reduced rate	**2,909**	**95**
Tax rate	15.50%	15.50%
Theoretical tax expense at reduced rate	**451**	**15**
Theoretical tax expense	**5,575**	**14,221**
Unrecognised tax losses arising in the period	410	1,913
Unrecognised tax losses used	–5,030	–467
Tax credits	–140	–137
Effect of different tax rates applying to foreign entities	–963	246
Tax assessments and tax income relating to previous periods	10,794	–7,057
Other	646	1,270
Calculated income tax	**11,292**	**9,988**
- Of which current tax expense	*26,293*	*3,285*
- Of which deferred tax	*–15,001*	*6,701*
Income before tax	44,572	34,547
Income tax expense	11,292	9,986
Average effective tax rate	**25.34%**	**28.90%**
Standard tax rate in France (including the 5% contribution)	34.43%	34.43%
Effect of permanent differences	–20.69%	6.78%
Effect of reduced-rate taxation	–1.24%	–0.05%
Effect of different tax rates applying to foreign entities	–2.16%	0.71%
Effect of losses for the period and use of tax loss carryforwards	–10.36%	4.19%
Effect of other items	25.36%	–17.16%
Average effective tax rate	**25.34%**	**28.90%**

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Note 5 – Note on commitments

In thousands of euros	31/12/2018 IFRS 9	01/01/2018 IFRS 9
Commitments given		
Loan commitments		
To credit institutions	-	-
To clients	255,056	216,401
Guarantee commitments		
To credit institutions	12,443	12,443
To clients	37,880	59,749
Commitments received		
Loan commitments		
From credit institutions	-	-
From clients	-	-
Guarantee commitments		
From credit institutions	10,471	12,871
From clients	-	-

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 2018 was determined by qualified actuaries, applying the following assumptions:

- discount rate of 1.89% according to the duration of the plan (1 year)
- inflation rate of 1.75% according to the duration of the plan (1 year)
- expected return on plan assets of 1.89%
- 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 2018, the amount of commitments came to €27.266 million before tax and the fair value of assets was €22.055 million, resulting in a provision of €5.211 million.

Financial assets representing commitments (for the additional supplementary pension)

Portfolio structure	31/12/2018	31/12/2017
Equities	32.17%	34.16%
Bonds	52.61%	57.16%
Real estate	13.05%	5.18%
Money market and other	2.17%	3.50%
Return on plan assets	1.89%	1.46%

Defined-benefit post-employment benefits (additional supplementary pension)

In thousands of euros	31/12/2018	31/12/2017
Present value of the commitment	27,266	27,515
- Value of plan assets	–22,055	–23,888
Financial position of plan	**5,211**	**3,627**
- Unrecognised past service cost	-	-
Provision	**5,211**	**3,627**

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 1.89% 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 €6.278 million at 31 December 2017 and €6.026 million at 31 December 2018.
Service cost was €501 thousand in 2018, the cost of discounting was €98 thousand, actual benefits paid came to €73 thousand and the actuarial gain with respect to 2018 was €971 thousand.

Defined-benefit post-employment benefits (additional supplementary pension and termination benefits for retiring employees)

Breakdown of the expense recognised

In thousands of euros	31/12/2018	31/12/2017
Current period service cost	–503	–534
Interest cost	–516	–553
Expected return on plan assets	374	399
Other movements	-	–1
Net expense recognised	**–645**	**–689**

Defined-benefit post-employment benefits

Main actuarial assumptions (termination benefits for retiring employees)	31/12/2018	31/12/2017
Discount rate	1.89%	1.46%
Expected long-term inflation rate	1.75%	1.75%
Salary increase		
- *Clerical workers*	2.75%	2.75%
- *Executives and senior management*	3.25%	3.25%
- *Senior executives*	3.75%	3.75%
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)	31/12/2018	31/12/2017
Discount rate	1.89%	1.46%
Salary increase rate, net of inflation	0.50%	0.50%
Average remaining working life of employees	1 year	0.8 year
Mortality rates	TGH -TGF 05	TGH -TGF 05

Analysis of sensitivity of post-employment benefit commitments to changes in the main actuarial assumptions

Impact of the change (additional supplementary pension)	31/12/2018
Change of -0.50% in the discount rate: 1.39% (1.89% - 0.50%)	
– Impact on present value of commitments at 31 December 2018	0.00%
– Impact on net total expense in 2018	0.00%
Change of +0.50% in the discount rate: 2.39% (1.89% + 0.50%)	
– Impact on present value of commitments at 31 December 2018	–0.01%
– Impact on net total expense in 2018	31.84%

Defined-benefit post-employment benefits (additional supplementary pension and termination benefits for retiring employees)

Change in provision

In thousands of euros	31/12/2018	31/12/2017
Provision/asset at the beginning of the period	**9,905**	**11,155**
- Expense recognised in profit and loss	*718*	*712*
- Benefits directly paid by the employer (unfunded)	*–73*	*–23*
- Changes in consolidation scope (acquisitions and disposals)	*120*	-
- Actuarial gains and losses	*567*	*–1,939*
Provision/asset at the end of the period	**11,237**	**9,905**

Defined-benefit post-employment benefits (additional supplementary pension and termination benefits for retiring employees)

Recognition of commitments

In thousands of euros	31/12/2018	31/12/2017
Change in the value of commitments		
Present value of the commitment at the beginning of the period	33,793	34,596
- Past service cost	*576*	557
- Discount expense	*516*	553
- Actuarial gains or losses	*–607*	–865
- Benefits paid by the employer and/or the fund	*–1,106*	–1,048
- Changes in consolidation scope (acquisitions and disposals)	*120*	-
Total present value of the commitment at the end of the period (A)	**33,292**	**33,793**
Change in plan assets and reimbursement rights		
Fair value of plan assets at the beginning of the period	23,888	23,441
- Return on plan assets	*374*	*399*
- Actuarial gains or losses	*–1,174*	*1,073*
- Benefits paid by the fund	*–1,033*	*–1,025*
Fair value of plan assets at the end of the period (B)	**22,055**	**23,888**
Funding status		
Financial position (A) - (B)	11,237	9,905
Provision / asset	**11,237**	**9,905**

6.1.C. Deferred remuneration

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 French government order 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 French government 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 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.

As regards variable remuneration with respect to 2018 that has reached a certain threshold, 40-60% will be paid in cash and/or instruments and spread over three years.

The Bank has put in place an instrument to pay cash remuneration, deferred over three years in three equal instalments, linked to the share price of Edmond de Rothschild Holding S.A. (the unlisted Swiss holding company of the Edmond de Rothschild Group), known as the Group Performance Plan.

2 – Managers, sales staff of asset management companies

Under the AIFM and UCITS V Directives, 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 Directives ("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 (both deferred and immediate) 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 the AIFM and UCITS V Directives (no excess risk-taking, company's financial position etc.), which may reduce its amount between the initial 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.

Employee Share Plan

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 2018 is being spread between 1 January 2018 and the vesting dates, i.e. over 2.25, 3.25 and 4.25 years for the tranches due to vest in March 2020, March 2021 and March 2022 respectively.

In 2018, the net expense relating to the Group's Employee Share Plan was €1,534 thousand as opposed to €1,239 thousand in 2017.

Note 7 – Additional information

	Percentage held		Percentage controlled	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
7.1. Scope of consolidation				
Controlled 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 SARL *	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	58.33	58.33	58.33
• Edmond de Rothschild Europportunities Invest SàRL *	81.67	81.67	81.67	81.67
• Bridge Management SàRL *	99.99	99.85	100.00	100.00
Investment company				
• Edmond de Rothschild Securities (Hong Kong) Limited *	100.00	100.00	100.00	100.00
Asset management companies				
• Edmond de Rothschild Asset Management (France) **	99.99	99.85	99.99	99.85
• 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 *	99.99	99.85	100.00	100.00
• Edmond de Rothschild Asset Management (Chile) S.A.*	-	99.85	-	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	-	100.00
• Cleaveland **	100.00	100.00	100.00	100.00
• EDR Immo Magnum	100.00	-	100.00	-
Advisory companies				
• Edmond de Rothschild Corporate Finance **	100.00	100.00	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
Associates				
Bank				
• Edmond de Rothschild (Monaco)	42.78	42.78	42.78	42.78
Asset management companies				
• Zhonghai Fund Management Co. Ltd *	25.00	25.00	25.00	25.00
• Edmond de Rothschild Investment Partners	-	51.00	-	51.00
Advisory companies				
• China Investment Partners (Hong-Kong) Limited *	-	51.00	-	100.00
• China Investment Partners (Shanghai) Limited *	-	51.00	-	100.00

* Foreign company.
** Company included in the tax group in 2018.

	31/12/2018 IFRS 9	31/12/2017 IAS 39
7.2. Average number of employees		
French companies	730	730
- Operatives	*93*	*97*
- Executives and senior management	*637*	*633*
Foreign companies	59	47
Total	**789**	**777**

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 2018, €9.4 million was invested with respect to sponsoring (for a total exposure of €69.7 million at 31 December 2018). No new commitments were taken in 2018, and so the residual amount at end-2018 was €43.2 million.
The Group uses a "carried interest" mechanism, in line with market practices.

7.4. Post-balance sheet events

The consolidated annual financial statements contained in this document were finalised by the Executive Board on 25 February 2019 and will be presented for approval at the Annual General Meeting of 15 May 2019.

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 2018, the share capital of Edmond de Rothschild (France) amounted to €83,075,820, consisting of 5,538,388 shares with nominal value of €15 each.

7.6. Statutory auditors' fees

Statutory auditors' fees shown in the income statement for the 2018 financial year are as follows:

In thousands of euros				31/12/2018 IFRS 9	31/12/2017 IAS 39
	PwC	Kling	Other		
Fees for statutory audit, certification and examination of the parent company and consolidated financial statements	**429**	**295**	**48**	**772**	**831**
Edmond de Rothschild (France)	217	181	35	433	424
Edmond de Rothschild Asset Management (France)	55	55	-	110	151
Other	157	59	13	229	256
Services other than certification of the financial statements	**195**	**41**	**-**	**236**	**151**
Edmond de Rothschild (France)	88	7	-	95	52
Edmond de Rothschild Asset Management (France)	102	18	-	120	87
Other	5	16	-	21	12
Other services provided by the networks to fully consolidated subsidiaries	-	-	-	-	-
Total	**624**	**336**	**48**	**1008**	**982**

(1) Services other than the certification of financial statements consist of comfort letters, agreed procedures, declarations of compliance with accounting rules and regulatory consultations.

The amounts mentioned above include the following fees relating to the statutory auditing of the financial statements of EdR France and its subsidiaries:

a) by PricewaterhouseCoopers Audit for €295 thousand for the certification of financial statements and €195 thousand for services other than the certification of financial statements

b) by Cabinet Didier Kling for €295 thousand for the certification of financial statements and €41 thousand for services other than the certification of financial statements

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	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net banking income	**85,725**	**95,890**	**166,170**	**172,077**	**4,700**	**4,150**	**43,355**	**33,000**	**299,950**	**305,117**
Operating expenses	–83,979	–89,334	–138,105	–135,054	–6,766	–5,230	–35,629	–39,857	–264,479	–269,475
Personnel expenses	–52,114	–54,999	–77,335	–73,174	–4,611	–3,765	–19,466	–29,097	–153,526	–161,035
- direct	*–38,063*	*–40,530*	*–57,788*	*–52,824*	*–4,066*	*–3,321*	*–14,205*	*–23,790*	*–114,122*	*–120,465*
- indirect	*–14,051*	*–14,469*	*–19,547*	*–20,350*	*–545*	*–444*	*–5,261*	*–5,307*	*–39,404*	*–40,570*
Other operating expenses	–25,309	–27,204	–51,951	–53,974	–1,993	–1,358	–13,499	–7,340	–92,752	–89,876
Depreciation and amortisation	–6,556	–7,131	–8,819	–7,906	–162	–107	–2,664	–3,420	–18,201	–18,564
Gross operating income	**1,746**	**6,556**	**28,065**	**37,023**	**–2,066**	**–1,080**	**7,726**	**–6,857**	**35,471**	**35,642**
Cost of risk	-	2	0	1	-	-	–336	–65	–336	–62
Operating income	**1,746**	**6,558**	**28,065**	**37,024**	**–2,066**	**–1,080**	**7,390**	**–6,922**	**35,135**	**35,580**
Share in net income of associates	7,045	8,955	–3,800	–11,384	-	1,384	–42	-	3,203	–1,045
Net gains or losses on other assets	-	-	-	-	-	-	6,286	732	6,286	732
Change in value of goodwill	-	-	-	-	–52	–720	-	-	–52	–720
Income (loss) before tax	**8,791**	**15,513**	**24,265**	**25,640**	**–2,118**	**–416**	**13,634**	**–6,190**	**44,572**	**34,547**
Income tax expense	–595	–2,194	–9,341	–12,543	958	583	–2,314	4,168	–11,292	–9,986
Net income	**8,196**	**13,319**	**14,924**	**13,097**	**–1,160**	**167**	**11,320**	**–2,022**	**33,280**	**24,561**

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	31/12/2018 IFRS 9	31/12/2017 IAS 39
Financial assets at fair value through profit and loss	-	-
Loans and receivables due from credit institutions	-	-
Accruals and other assets	149	876
Assets	**149**	**876**
Financial liabilities at fair value through profit and loss	419,916	458,656
Due to credit institutions	15,397	416
Due to clients	-	-
Accruals and other liabilities	810	1,700
Liabilities	**436,123**	**460,772**
+ Interest and similar revenues	-	6
- Interest and similar expenses	–9,830	–4,049
+ Fee income	148	210
- Fee expense	–3,759	–3,189
+ Other revenues	221	400
- Other expenses	-	-
Net banking income	**–13,220**	**–6,622**
- General operating expenses	-	–1,629
Gross operating income	**–13,220**	**–8,251**

Transactions with the parent company

Relations between Edmond de Rothschild (France) and its principal shareholder Edmond de Rothschild S.A. (EdR S.A.) cover three areas:

- Business: EdR S.A. has in the past played a role in the Group's business development, in particular providing seed money for the Group's investment funds. At the request of Edmond de Rothschild (France), it could continue to play that role in the future, but on a smaller scale.
- Control: EdR S.A. holds 99.56% 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	31/12/2018 IFRS 9	31/12/2017 IAS 39
Loans and receivables due from credit institutions	-	-
Accruals and other assets	327	404
Assets	**327**	**404**

In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
Due to clients	86,797	36,291
Accruals and other liabilities	13,495	30
Liabilities	**100,292**	**36,321**

In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
+ Interest and similar revenues	-	-
- Interest and similar expenses	-	-
+ Fee income	15	15
- Fee expense	-	-
+ Other revenues	276	354
- Other expenses	-	-
Net banking income	**291**	**369**
- General operating expenses	–212	–227
Gross operating income	**79**	**142**

Transactions with other related parties

These are transactions with EdRH and its subsidiaries, and with EdR S.A.'s subsidiaries.

In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
Financial assets at fair value through profit and loss	-	-
Loans and receivables due from credit institutions	6,999	11,494
Loans and receivables due from clients	-	-
Accruals and other assets	63,258	45,405
Assets	**70,257**	**56,899**

In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
Financial liabilities at fair value through profit and loss	520,831	507,075
Due to credit institutions	6,443	3,805
Due to clients	2,837	2,384
Accruals and other liabilities	12,225	14,625
Provisions	1,630	1,593
Liabilities	**543,966**	**529,482**

In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
+ Interest and similar revenues	373	419
- Interest and similar expenses	-	–285
+ Fee income	94,750	109,912
- Fee expense	–10,230	–23,882
Net gains or losses on financial instruments at fair value through profit and loss	11,767	-
Net gains or losses on available-for-sale financial assets	-	56
+ Other revenues	6,461	4,727
- Other expenses	–152	–138
Net banking income	**102,969**	**90,809**
- General operating expenses	–6,871	–5,458
Gross operating income	**96,098**	**85,351**

Transactions with related natural persons

In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
Loans and overdrafts	19,045	19,064
Assets	**19,045**	**19,064**

In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
Demand deposits	2,284	592
Liabilities	**2,284**	**592**

In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
+ Interest and similar revenues	115	94
Net banking income	**115**	**94**
Gross operating income	**115**	**94**

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 Risk 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 Risk 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 the following:

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)
   - 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 Commitments 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 a member of the Bank's Executive Board and including 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 has 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 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 each monthly Risk 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 2018, 91.6% of gross off-balance sheet risks were covered by such agreements for market counterparties. The remainder relates to transactions with a private-equity fund managed by a Group entity. 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. Since then, transactions with counterparties that have not signed such agreements have had 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 2018, 60.45% 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.
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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	31/12/2018 IFRS 9	31/12/2017 IAS 39
Loans and other financing (on-balance sheet)	766	673
Guarantees	38	60
Unused credit facilities	196	145
Total	**999**	**877**

Group commitments to clients amounted to €1,040 million at the end of 2018, an increase on 2017, 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.
Most loans to non-Group entities on the balance sheet are for less than €3 million. Although the number of loans for more than €3 million is small (around 10%), their total amount is significant. They now represent 50% of total credit-risk exposure to private banking clients, chiefly because the Bank's business is increasingly focusing on this client segment. 68 clients ("related beneficiaries") have outstanding loans of over €3 million.

Off-balance sheet commitments fell in 2018. They currently total €13 million for the top ten clients, less than a third 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 thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
Doubtful loans and other financing to private banking clients	337	339
of which amounts written off	*337*	*339*
Net	**-**	**-**
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 2018	Payments overdue by				Doubtful loans		
In thousands of euros	≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year	(assets written off and commitments provisioned)	Total outstanding	Associated guarantees received
Financial assets at market value through profit and loss (excluding variable-income securities)	-	-	-	-	-	-	-
Financial assets at market value through equity (excluding variable-income securities)	-	-	-	-	-	-	-
Securities at amortised cost (excluding variable-income securities)	-	-	-	-	-	-	-
Loans and receivables due from credit institutions	-	-	-	-	-	-	-
Loans and receivables due from clients	-	-	-	-	-	-	-
Total doubtful loans and overdue loans net of write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financing commitments given	-	-	-	-	-	-	-
Financial guarantee commitments given	-	-	-	-	-	-	-
Total doubtful off-balance sheet commitments net of provisions	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

31 December 2017	Payments overdue by				Doubtful loans		
In thousands of euros	≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year	(assets written off and commitments provisioned)	Total outstanding	Associated guarantees received
Financial assets at market value through profit and loss (excluding variable-income securities)	-	-	-	-	-	-	-
Available-for-sale financial assets (excluding variable-income securities)	-	-	-	-	-	-	-
Loans and receivables due from credit institutions	-	-	-	-	-	-	-
Loans and receivables due from clients	-	-	-	-	-	-	-
Total doubtful loans and overdue loans net of write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financing commitments given	-	-	-	-	-	-	-
Financial guarantee commitments given	-	-	-	-	-	-	-
Total doubtful off-balance sheet commitments net of 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 2018 and collateral agreements on forward financial instruments traded over the counter. Calculated on the basis of the cash netting allowed under capital adequacy rules, this effect at 31 December 2018 would reduce the Group's exposure to credit risk by €5.5 million.

In thousands of euros	31/12/2018 IFRS 9	31/12/2017 IAS 39
Maximum exposure to credit risk		
Financial assets at market value through profit and loss (excluding variable-income securities)	160,858	8,749
Financial assets at market value through equity (excluding variable-income securities)	4,098	-
Securities at amortised cost (excluding variable-income securities)	10,132	-
Available-for-sale financial assets (excluding variable-income securities)		38,526
Loans and receivables due from credit institutions	59,135	127,861
Loans and receivables due from clients	765,526	672,883
Exposure to on-balance-sheet commitments (net of write-offs)	**999,749**	**848,019**
Financing commitments given	255,056	216,401
Financial guarantee commitments given	37,880	72,192
Provisions for signed commitments	-	-
Exposure to off-balance sheet commitments (net of write-offs)	**292,936**	**288,593**
Total net exposure	**1,292,685**	**1,136,612**

Distribution of financial instruments by type of market price or valuation model used

The breakdown of financial instruments by type of market price or valuation model is reported in the table below for each category of instrument defined above.

	31/12/2018 IFRS 9				31/12/2017 IAS 39			
In thousands of euros	Market price	Model using observable parameters	Model using non-observable parameters	TOTAL	Market price	Model using observable parameters	Model using non-observable parameters	TOTAL
Financial instruments held for trading at market value through profit and loss	28	9,961	-	9,989	28	6,169	-	6,197
Financial instruments designated as at market value through profit and loss	2,247	13,788	-	16,035	2,580	-	-	2,580
Non-SPPI debt instruments	-	148,646	-	148,646	-	-	-	-
Total financial assets at fair value through profit and loss	**2,275**	**172,395**	**-**	**174,670**	**2,608**	**6,169**	**-**	**8,777**
Financial instruments held for trading at market value through profit and loss	-	14,885	-	14,885	15,905	4,570	-	20,475
Financial instruments designated as at market value through profit and loss	-	957,623	455,882	1,413,505	-	974,769	384,383	1,359,152
Total financial liabilities at fair value through profit and loss	**-**	**972,508**	**455,882**	**1,428,390**	**15,905**	**979,339**	**384,383**	**1,379,627**

In 2018, the Group issued structured EMTNs valued at €158.5 million, and disposals totalled €56.4 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 2018, 87.44% 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 2018, gross banking commitments (including off-balance sheet commitments) fell mainly because of the decline in deposits recorded at our correspondents.

In millions of euros	Gross risk equivalent 31/12/2018		31/12/2017		31/12/2016	
Rating	Amount	%	Amount	%	Amount	%
AAA	1.0	1.18%	-	0.00%	4.1	2.4%
AA	1.9	2.26%	0.4	0.36%	19.9	11.8%
A	69.0	84.00%	99.8	88.87%	144.0	85.4%
BBB	8.6	10.53%	9.0	8.01%	0.7	0.4%
<BBB	1.7	2.03%	3.1	2.76%	-	0.0%
Unrated	nm	nm	nm	nm	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 continued to fall in 2018 because of natural attrition in formula funds. Exposure amounted to €3.86 million at 31 December 2018 as opposed to €21.2 million at 31 December 2017.

In millions of euros	Gross risk equivalent 31/12/2018		31/12/2017		31/12/2016	
Rating	Amount	%	Amount	%	Amount	%
AAA	-	0.00%	4.2	19.78%	59.1	70.4%
AA	3.9	100.00%	17.0	80.22%	24.8	29.6%
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 only two counterparties whose risk is considered to be good or excellent.

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 Proprietary Risk 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 2018.

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.

In thousands of euros	2018 Limits set	2018 Year-end	2017 Year-end	2018 Average	2017 Average	2018 Minimum	2017 Minimum	2018 Maximum	2017 Maximum
Exchange-rate risk *	800	184	232	85	157	22	71	184	241
Interest-rate risk **	1,900	1,184	1,282	1,277	1,036	959	818	1,525	1,282
Equity risk ***	500	66	63	65	82	36	49	139	230

* 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 €2 billion in 2018. The amount at 31 December 2018 was €2.3 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. There were no such investments at 31 December 2018
- client loans and other financing in the form of multi-instalment loans amounted to €207.1 million at 31 December 2018, relatively stable year-on-year
- the available-for-sale securities portfolio (excluding investments in associates) is also subject to limits in terms of amount and purpose. At 31 December 2018, it was made up of €150.6 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 169.9% and a net stable funding ration (NSFR) of 161.7% at 31 December 2018, 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 2018, 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 2018

In thousands of euros	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Unspecified	TOTAL
Cash, due from central banks and postal accounts	2,248,217	-	-	-	-	2,248,217
Financial assets at fair value through profit and loss	172,402	-	2,240	-	28	174,670
Financial assets at fair value through equity	3	4	-	4,062	29	4,098
Securities at amortised cost	9,871	-	-	261	-	10,132
Loans and receivables due from credit institutions	59,135	-	-	-	-	59,135
Loans and receivables due from clients	630,976	84,625	45,580	4,345	-	765,526
Valuation adjustments on portfolios subject to interest-rate hedging	-	-	-	-	-	-
Financial assets by maturity	**3,120,604**	**84,629**	**47,820**	**8,668**	**57**	**3,261,778**
Due to central banks and postal accounts	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss	910,418	153,279	298,809	65,884	-	1,428,390
Hedging derivatives	-	-	-	-	-	-
Due to credit institutions	35,011	-	-	-	-	35,011
Due to clients	1,465,860	77,772	41,624	-	-	1,585,256
Debt securities	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Valuation adjustments on portfolios subject to interest-rate hedging	-	-	-	-	-	-
Financial liabilities by maturity	**2,411,289**	**231,051**	**340,433**	**65,884**	**-**	**3,048,657**

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	Unspecified	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
Loans and receivables due from credit institutions	127,861	-	-	-	-	127,861
Loans and receivables due from clients	530,444	82,201	42,051	18,187	-	672,883
Valuation adjustments on portfolios subject to interest-rate hedging	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-
Financial assets by maturity	**2,775,375**	**82,261**	**42,051**	**156,919**	**-**	**3,056,606**
Due to 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	1,345,535	48,088	24,663	-	-	1,418,286
Debt securities	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Valuation adjustments on portfolios subject to interest-rate hedging	-	-	-	-	-	-
Financial liabilities by maturity	**2,320,329**	**293,330**	**129,338**	**82,896**	**-**	**2,825,893**

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 2018.

Period	1 month	3 months	6 months	1 year	2 years	3 years	4 years	5 years
In millions of euros	1,892	1,475	1,380	1,176	826	675	554	445

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)

Section 3 - Diversification of funding sources

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.

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 2018:

	Banks		Private clients*		Other		Total	
In millions of euros	Amount	Number	Amount	Number	Amount	Number	Amount	Number
Cash advances	427.2	1	509.2	NA	-	-	936.4	NA
Time deposits	NA	NA	NA	NA	NA	NA	158.6	NA
Certificates of deposit	37.8	2	-	-	77.9	3	115.7	5
Structured EMTNs	0	0	414.1	357	-	-	414.1	357

(*) 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 2018, 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	–85	–38	–3	25	23	15	5	4

A negative sign indicates 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 relatively small medium/long-term gap mainly results from pledged client loans. As a result, sensitivity to a uniform movement of 100 basis points in the yield curve was limited to €0.22 million at 31 December 2018.
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 1.95 times the sensitivity to a 100bp shift at 31 December 2018).

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 2018:

Currency	Amount (in thousands of euros)
CNY	15,553
USD	6,534
UAH	1,640
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 2018 (in euros)

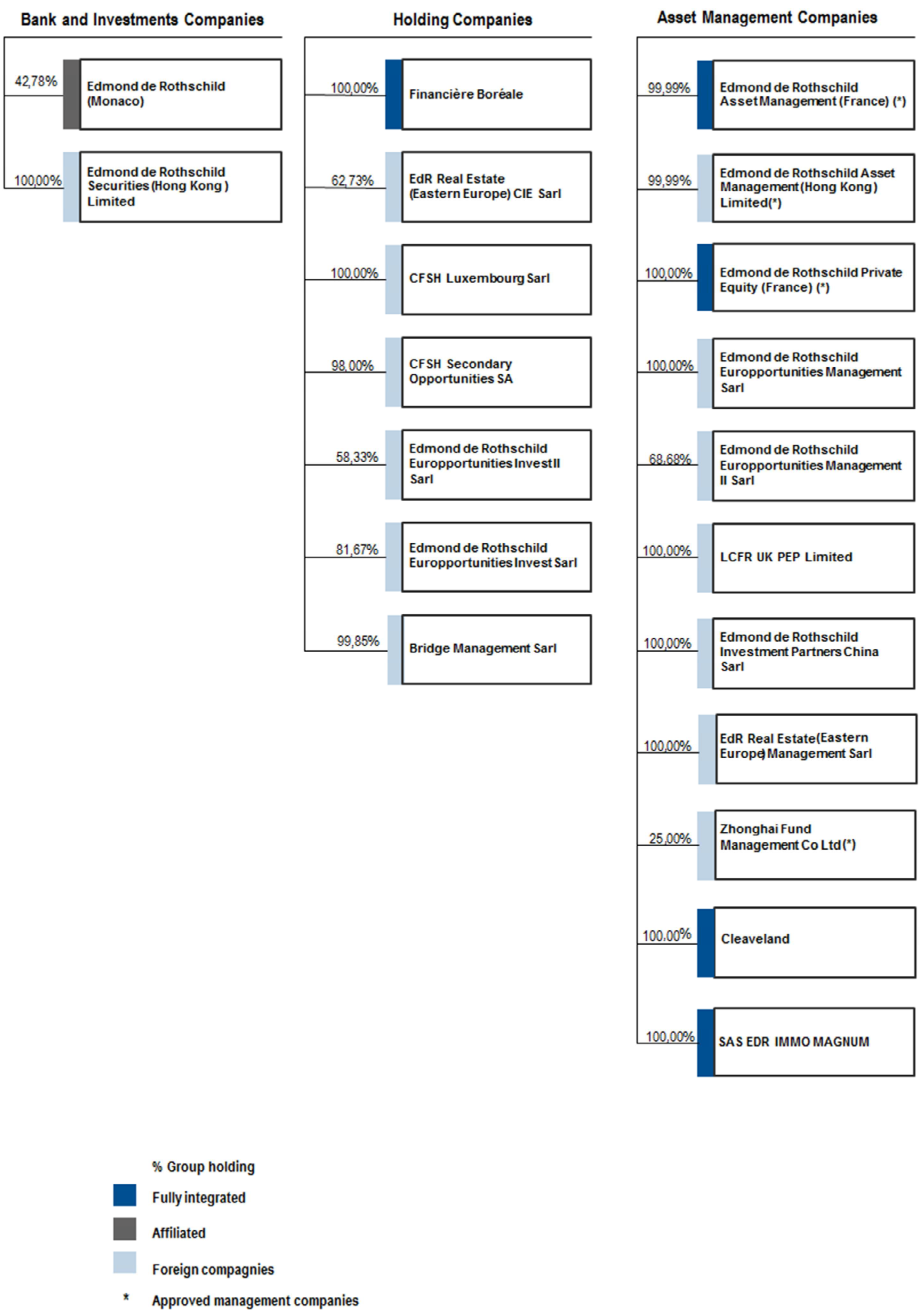
Company or group of companies	Share capital	Other equity	Percentage of share capital held
I - Details of investments (with net carrying amount exceeding 1% of Edmond de Rothschild (France)'s share capital)			
A - Subsidiaries (at least 50% held)			
Financière Boréale	6,040,024	–1,789,415	100.00%
Edmond de Rothschild Asset Management (France)	11,033,769	* 62,967,967	99.99%
Edmond de Rothschild Corporate Finance	61,300	1,789,548	100.00%
Edmond de Rothschild Private Equity (France)	2,700,000	* 4,903,727	100.00%
Edmond de Rothschild Assurances et Conseils (France)	7,034,600	* 6,922,217	100.00%
CFSH Luxembourg	12,000	* 3,194,688	100.00%
Cleaveland	250,000	7,071,869	100.00%
Edmond de Rothschild Boulevard Buildings Ltd	*** 17,529,000	*** -863,000	100.00%
B - Associates (10% to 50% held)			
Edmond de Rothschild (Monaco)	12,000,000	* 81,272,929	42.78%
Zhonghai Fund Management Co., Ltd.	** 146,666,700	** 87,225,802	25.00%
Edmond de Rothschild Private Equity China Investment S.C.A.	18,058,000	–4,027,765	27.97%
II - AGGREGATE FIGURES			
A - Subsidiaries not included in Section I above	-	-	-
B - Associates not included in Section I above			
French companies (aggregate)	-	-	-
Foreign companies (aggregate)	-	-	-

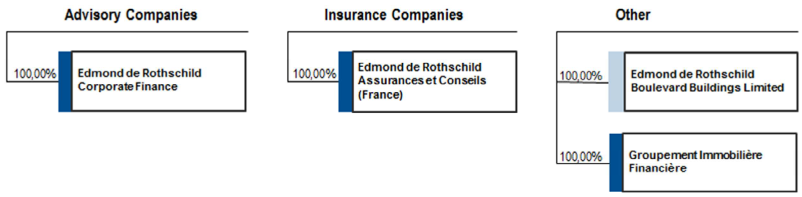
* Excluding interim dividend paid in 2018.
** In CNY.
*** Rounded to the nearest thousand.

Carrying amount of securities held Gross	Net	Outstanding loans and advances made by the Bank	Guarantees provided by the Bank	Revenue for the last financial year	Net income/(loss) in the last financial year	Dividends received by the Bank during the financial year
6,400,630	4,230,206	-	20,321,188	555,530	–292,639	-
69,277,270	69,277,270	-	85,737	238,568,784	19,348,982	25,006,952
11,305,037	11,305,037	-	-	17,867,997	496,495	-
2,700,014	2,700,014	-	-	3,919,577	10,781,967	10,017,000
39,978,118	39,978,118	-	-	37,880,279	11,829,775	11,958,820
66,840,000	43,182,756	15,000,000	-	-	18,329,827	22,008,000
36,695,101	36,695,101	-	-	6,940,289	1,855,970	-
17,546,861	17,546,861	6,713,247	-	-	*** -552,000	-
4,896,449	4,896,449	-	-	88,232,944	16,469,904	3,047,885
31,517,330	14,577,593	-	-	** 166,008,347	** 322,766	-
4,374,717	4,374,717	-	-	-	–1,163,557	
1,131,461	873,235	87,000	-	-	-	2,181,774
263,229	263,069	-	-	-	-	1,530
66,314	66,314	-	-	-	-	23,738

Companies consolidated

by Edmond de Rothschild (France) at 31 December 2018




Advisory Companies
100,00%
Edmond de Rothschild Corporate Finance
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

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)

Assets		31/12/2018	31/12/2017
Cash, due from central banks and postal accounts		2,248,216	2,025,601
Treasury notes and similar securities	2.1	-	-
Due from credit institutions	2.2	42,825	109,492
Transactions with clients	2.3	788,005	710,338
Bonds and other fixed-income securities	2.4	3,833	23,765
Equities and other variable-income securities	2.5	68,935	72,558
Investments in associates and other long-term investments	2.6	24,178	34,605
Investments in affiliates	2.7	225,789	233,032
Intangible assets	2.8	20,791	19,817
Property, plant and equipment	2.9	17,922	18,056
Treasury shares	2.10	-	-
Other assets	2.11	102,325	75,507
Accruals	2.12	101,517	102,091
Total assets		**3,644,336**	**3,424,862**

Liabilities and equity		31/12/2018	31/12/2017
Due to credit institutions	2.14	975,765	995,233
Transactions with clients	2.15	1,632,461	1,506,860
Debt securities	2.16	535,783	455,012
Other liabilities	2.11	99,624	71,024
Accruals	2.12	88,641	82,017
Provisions	2.17	6,228	9,836
Subordinated debt	2.18	21,023	21,023
Equity (excluding fund for general banking risks)	2.20	284,811	283,857
. Share capital		*83,076*	*83,076*
. Share premiums		*98,244*	*98,244*
. Reserves	2.19	*32,278*	*32,278*
. Retained earnings (+/-)		*51,206*	*51,558*
. Net income for the period (+/-)		*20,007*	*18,701*
Total liabilities and equity		**3,644,336**	**3,424,862**

Off-balance sheet items	31/12/2018	31/12/2017
Commitments given		
Loan commitments	216,019	180,451
Guarantee commitments	37,966	59,835
Securities-related commitments	38,776	47,380
Commitments received		
Guarantee commitments	10,471	12,871
Securities-related commitments	3,930	-

Parent company income statement

In thousands of euros		2018	2017
+ Interest and similar revenues	3.1	30,061	20,473
- Interest and similar expenses	3.2	-51,584	-26,959
+ Revenues from variable-income securities	3.3	77,751	43,422
+ Fee income	3.4	80,478	89,894
- Fee expense	3.4	-15,017	-10,863
+/- Net gain/loss from trading portfolios	3.5	34,336	19,890
+/- Net gain/loss from available-for-sale securities portfolios and similar	3.6	-1,968	368
+ Other banking revenue	3.7	34,043	39,389
- Other banking expenses	3.8	-3,916	-4,939
Net banking income		**184,184**	**170,675**
- General operating expenses	3.9	-139,839	-143,262
- Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-11,651	-11,296
Gross operating income		**32,694**	**16,117**
+/- Cost of risk	3.10	2	26
Operating income		**32,696**	**16,143**
+/- Net gain/loss from long-term assets	3.11	-16,469	-8,763
Recurring income before tax		**16,227**	**7,380**
+/- Extraordinary income/loss	3.12	-713	-8,437
- Income tax	3.13	4,493	19,758
Net income		**20,007**	**18,701**

Notes to the parent company financial statements

Note 1 – Accounting policies and measurement methods

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 affiliates 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 a loan is restructured 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 is being contested, not the solvency of the counterparty. 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, associates and affiliates 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 affiliates
- 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 those rules has no impact on the financial statements, as these principles were already being applied to the parent company financial statements.

Additions to and reversals of provisions and expenses related to the plans are now presented under personnel expenses.

In relation to treasury shares allocated to a plan, a liability provision is set aside over the grant period and adjusted on the basis of the number of shares granted to beneficiaries.

Treasury shares not allocated to a plan may be impaired if their net carrying amount is greater than the share price on the balance-sheet date, as for other available-for-sale securities.

Interest and fee income and expenses

Income from interest and bank charges are recorded in the income statement on an accrual basis.

In general, fees are also recorded on an accrual basis.

Valuation of securities

Securities held at year-end are valued as follows:

- held-for-trading securities are valued at market price at year-end, with positive or negative valuation differences being taken to income ,

- available-for-sale securities are measured at the lower of acquisition cost and market value (based on the average market price in December) or, in the case of unlisted securities, at their estimated realisable value,
  There is no netting between the resulting unrealised gains and losses, and only unrealised losses are recognised through impairment of the securities portfolio,
- investment securities on which the interest-rate risk is hedged are not impaired when their market value falls below their carrying amount. Unrealised gains are not recognised,
- investments in subsidiaries and associates are measured at their value in use. For listed securities, market prices are not the only assessment criterion. Unrealised gains are not recognised, and unrealised losses give rise to impairment of the securities portfolio.

The value in use is calculated using a multi-criteria approach, in particular based on the discounted estimated future cash flows value and the share of equity.

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 2018, that provision totalled €1.138 million.

Income tax

On 1 January 2018, Edmond de Rothschild (France) and its former subsidiaries that were part of its tax group joined the tax group headed by the parent company Edmond de Rothschild S.A. The Edmond de Rothschild S.A. Group had 10 subsidiaries in 2018.

Accordingly, Edmond de Rothschild (France)'s income tax is calculated according to the rules applying to tax groups. In accordance with the agreements signed after the increase in scope, the Edmond de Rothschild (France) sub-group remains part of the new Edmond de Rothschild S.A. scope.

Mandatory employee profit-sharing

Amounts to be paid under the French mandatory 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).

Related-party transactions

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	31/12/2018	31/12/2017
2.1.	**Treasury notes and similar securities**		
	Available for sale	-	-
	Sub-total	**-**	**-**
	Impairment	-	-
	Net total	**-**	**-**

		31/12/2018			31/12/2017		
	In thousands of euros	Demand deposits	Time deposits	Total	Demand deposits	Time deposits	Total
2.2.	**Due from credit institutions**						
	Overdrafts	42,825	-	42,825	109,492	-	109,492
	Loans	-	-	-	-	-	-
	Securities received under	-	-	-	-	-	-
	Sub-total	**42,825**	**-**	**42,825**	**109,492**	**-**	**109,492**
	Related receivables	-	-	-	-	-	-
	Total	**42,825**	**-**	**42,825**	**109,492**	**-**	**109,492**

	In thousands of euros	31/12/2018	31/12/2017
2.3.	**Transactions with clients**		
	Other loans and financing		
	- Loans	*208,013*	*201,742*
	- Securities received under repurchase agreements	*-*	*6,370*
	Sub-total	**208,013**	**208,112**
	Overdrafts	579,701	502,226
	Unassigned values	291	-
	Total gross value	**788,005**	**710,338**
	Doubtful loans (1)	337	339
	Impairment of doubtful loans (1)	–337	–339
	Total (2)	**788,005**	**710,338**

(1) At 31 December 2018, compromised doubtful loans amounted to €337 thousand and were fully provisioned.
(2) Including related receivables totalling €948 thousand in 2018 and €891 thousand in 2017.

No loans were eligible for central-bank refinancing at 31 December 2018.

No client loans classified as doubtful at 31 December 2017 were reclassified as performing loans during 2018.

	In thousands of euros	31/12/2018	31/12/2017
2.4.	**Bonds and other fixed-income securities**		
	Available for sale	2,478	22,481
	Investment	-	-
	Sub-total	**2,478**	**22,481**
	Related receivables	1,699	1,631
	Total gross value	**4,177**	**24,112**
	Impairment	–344	–347
	Net total	**3,833**	**23,765**

No securities changed category during 2018.
The total net carrying amount of unlisted securities was €3.83 million.

The “available-for-sale securities” item includes €2.48 million of undated subordinated notes issued by Financière Eurafrique.

In thousands of euros	31/12/2018 Held for trading	Available for sale	Total	31/12/2017 Held for trading	Available for sale	Total
2.5. Equities and other variable-income securities						
Securities held	28	77,107	77,135	28	78,758	78,786
Impairment	-	–8,200	–8,200	-	–6,228	–6,228
Net total	**28**	**68,907**	**68,935**	**28**	**72,530**	**72,558**
Unrealised capital gains (1)	-	22,230	22,230	-	18,278	18,278

(1) Difference between cost and market value.

No securities changed category during 2018.

The total net carrying amount of listed securities was €48 thousand and the total net carrying amount of unlisted securities was €68,887 thousand.

Within the available-for-sale securities category, shares and fund units break down as follows:

In thousands of euros	31/12/2018 French	Foreign	Total	31/12/2017 French	Foreign	Total
Capitalisation funds	51,044	17,842	68,886	64,098	8,412	72,662
Other funds	-	-	-	-	-	-
Total	**51,044**	**17,842**	**68,886**	**64,250**	**8,412**	**72,662**

In thousands of euros	31/12/2018 Gross	Impairment	Net	31/12/2017 Gross	Impairment	Net
2.6. Investments in associates and other long-term investments						
Investments in subsidiaries						
- Credit institutions	*4,964*	*-*	*4,964*	*4,964*	*-*	*4,964*
- Other companies	*36,154*	*–16,940*	*19,214*	*42,579*	*–12,938*	*29,641*
Sub-total	**41,118**	**–16,940**	**24,178**	**47,543**	**–12,938**	**34,605**
Exchange difference	-	-	-	-	-	-
Total	**41,118**	**–16,940**	**24,178**	**47,543**	**–12,938**	**34,605**

The total net carrying amount of listed securities was €14.64 million and the total net carrying amount of unlisted securities was €9.53 million.

Major investments in subsidiaries and affiliates are listed in the table “Investments in subsidiaries”.

In thousands of euros	31/12/2018 Gross	Impairment	Net	31/12/2017 Gross	Impairment	Net
2.7. Investments in affiliates						
Financial and non-financial companies	252,077	–26,086	225,991	246,145	–12,758	233,387
Exchange difference	–202	-	–202	–355	-	–355
Total	**251,875**	**–26,086**	**225,789**	**245,790**	**–12,758**	**233,032**

The total net carrying amount of securities relates to unlisted securities.

The list of affiliates is as follows:

- Edmond de Rothschild Asset Management (France)
- Financière Boréale
- Edmond de Rothschild Corporate Finance
- Edmond de Rothschild Private Equity Partners (France)
- 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
- SAS EDR IMMO MAGNUM

In thousands of euros		Start of period	Acquisitions/transfers in	Disposals/transfers out	Other changes	End of period
2.8.	**Intangible assets**					
	Gross value					
	Business goodwill (including leasehold right)	3,881		-		3,881
	Other intangible assets	105,285	9,984			115,269
	Intangible assets in progress	-	-	-		-
	Total	**109,166**	**9,984**	**-**	**-**	**119,150**
	Amortisation and impairment					
	Other intangible assets	–89,349	–9,010	-		–98,359
	Total	**–89,349**	**–9,010**	**-**	**-**	**–98,359**
	Net carrying amount	**19,817**	**974**	**-**	**-**	**20,791**

In thousands of euros		Start of period	Acquisitions/transfers in	Disposals/transfers out	Other changes	End of period
2.9.	**Property, plant and equipment**					
	Gross value					
	Land	11,434	-	-	-	11,434
	Buildings	21,100	-	-	-	21,100
	Computer hardware	27,005	2,145	-		29,150
	Fixtures, fittings and other property, plant and equipment	38,402	363			38,765
	Property, plant and equipment in progress	-	-		-	-
	Total	**97,941**	**2,508**	**-**	**-**	**100,449**
	Depreciation and impairment					
	Buildings	–20,591	–49		-	–20,640
	Computer hardware	–24,368	–1,488			–25,856
	Fixtures, fittings and other property, plant and equipment	–34,926	–1,105			–36,031
	Total	**–79,885**	**–2,642**	**-**	**-**	**–82,527**
	Net carrying amount	**18,056**	**–134**	**-**	**-**	**17,922**

2.10. Treasury shares and stock option plans

The Bank no longer holds treasury shares.

At 31 December 2018, there was no longer any stock option plan for Edmond de Rothschild (France) employees.

		31/12/2018		31/12/2017	
In thousands of euros		Assets	Liabilities	Assets	Liabilities
2.11	**Other assets and liabilities**				
	Option premiums	-	-	-	-
	Margin calls	24,550	20,383	21,891	19,017
	Guarantee deposits	11,620	10,590	9,927	6,076
	Other	66,155	68,651	43,689	45,931
	Total	**102,325**	**99,624**	**75,507**	**71,024**

In thousands of euros	31/12/2018 Assets	31/12/2018 Liabilities	31/12/2017 Assets	31/12/2017 Liabilities
2.12 Accruals, assets and liabilities				
Items under collection	65	-	265	-
Prepaid expenses	6,438	-	9,347	-
Accrued income	88,827	-	81,220	-
Prepaid income	-	2,261	-	1,623
Accrued expenses	-	81,156	-	57,153
Other	6,187	5,224	11,259	23,241
Total	**101,517**	**88,641**	**102,091**	**82,017**

In thousands of euros	Start of period	Acquisitions/transfers in	Disposals/transfers out	Other changes	End of period
2.13. Long-term financial assets					
Gross value					
Bonds and other fixed-income securities	-	-	-	-	-
Investments in associates and other long-term	47,543	31	–6,456	-	41,118
Investments in affiliates	245,790	6,085	-	-	251,875
Total	**293,333**	**6,116**	**–6,456**	**-**	**292,993**
Impairment					
Investments in associates and other long-term	–12,938	–4,002		-	–16,940
Investments in affiliates	–12,758	–13,328		-	–26,086
Total	**–25,696**	**–17,330**	**-**	**-**	**–43,026**
Net carrying amount					
Bonds and other fixed-income securities	-	-	-	-	-
Investments in associates and other long-term	34,605	–3,971	–6,456	-	24,178
Investments in affiliates	233,032	–7,243	-	-	225,789
Total	**267,637**	**–11,214**	**–6,456**	**-**	**249,967**

In thousands of euros	31/12/2018 Demand deposits	31/12/2018 Time deposits	31/12/2018 Total	31/12/2017 Demand deposits	31/12/2017 Time deposits	31/12/2017 Total
2.14. Due to credit institutions						
Deposits	26,067	-	26,067	25,131	-	25,131
Borrowings	8,943	936,717	945,660	2,502	965,909	968,411
Sub-total	**35,010**	**936,717**	**971,727**	**27,633**	**965,909**	**993,542**
Related payables		4,038	4,038	-	1,691	1,691
Total	**35,010**	**940,755**	**975,765**	**27,633**	**967,600**	**995,233**

In thousands of euros	31/12/2018 Demand deposits	31/12/2018 Time deposits	31/12/2018 Total	31/12/2017 Demand deposits	31/12/2017 Time deposits	31/12/2017 Total
2.15 Transactions with clients						
Special savings accounts						
- Special savings accounts	*-*	*88,690*	*88,690*	*-*	*65,306*	*65,306*
- Related payables	*-*	*-*	*-*	*-*	*-*	*-*
Sub-total	**-**	**88,690**	**88,690**	**-**	**65,306**	**65,306**
Other payables						
- Demand deposits	*1,378,014*	*-*	*1,378,014*	*1,350,351*	*-*	*1,350,351*
- Time deposits	*-*	*160,458*	*160,458*	*-*	*76,118*	*76,118*
- Securities delivered under repurchase	*-*	*-*	*-*	*-*	*6,369*	*6,369*
- Other miscellaneous payables	*-*	*5,138*	*5,138*	*-*	*8,689*	*8,689*
- Related payables	*-*	*161*	*161*	*-*	*27*	*27*
Sub-total	**1,378,014**	**165,757**	**1,543,771**	**1,350,351**	**91,203**	**1,441,554**
Total	**1,378,014**	**254,447**	**1,632,461**	**1,350,351**	**156,509**	**1,506,860**

In thousands of euros		31/12/2018	31/12/2017
2.16	**Debt securities**		
	Interbank market instruments and negotiable debt instruments	535,732	450,768
	Bonds	-	-
	Sub-total	**535,732**	**450,768**
	Related payables	51	4,244
	Total	**535,783**	**455,012**

	In thousands of euros	Start of period	Additions	Reversed and used	Reversed to income	Other changes	End of period
2.17.	**Provisions**						
	Provisions for charges						
	Provisions for long-service benefits	1,265	171	–90	–208	-	1,138
	Provisions for possible losses on treasury shares (1)	-	-	-	-	-	-
	Provisions for litigation expenses	-	-	-	-	-	-
	Other provisions for charges	609	657	–199	–47	-	1,020
	Sub-total	**1,874**	**828**	**–289**	**–255**	**-**	**2,158**
	Provisions for contingencies						
	Provisions for litigation (2)	5,812	1,041	–2,614	–1,867	-	2,372
	Other contingency provisions	2,150	38	-	–490	-	1,698
	Sub-total	**7,962**	**1,079**	**–2,614**	**–2,357**	**-**	**4,070**
	Total	**9,836**	**1,907**	**–2,903**	**–2,612**	**-**	**6,228**

(1) Treasury shares held for stock option plans:

At 31 December 2018, 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. Reversals of provisions relate mainly to litigation and the private equity business.

An additional supplementary pension plan set up in December 2004 was closed on 31 December 2012, although its provisions were maintained for beneficiaries born before 31 December 1953.

It applies to a category of senior employees for whom the existing basic and complementary pension plans provide a significantly lower rate of income replacement than for other categories of personnel.

This plan is a defined-benefit plan expressed in terms of the overall final pension (limited in time) or in terms of the top-up pension it provides in addition to the basic pensions.

The unfunded actuarial liability at the rate of 1.89% rose from €27.515 million to €27.266 million at 31 December 2018. 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 €5.211 million would have been set aside in 2018 as opposed to €3.627 million in 2017.

Plan assets were valued at €22.055 million in 2018 and the net residual gain relating to past service cost was zero at 31 December 2018.

Provisions do not include any amounts for termination benefits to be paid to retiring employees (€3.668 million in 2018 against €4.128 million in 2017).

Provisions for banking risks came to €2.361 million in 2018 (€3.297 million in 2017).

In thousands of euros		31/12/2018	31/12/2017
2.18	**Subordinated debt**		
	Undated subordinated notes [1]	21,000	21,000
	Related payables	23	23
	Total	**21,023**	**21,023**

(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		31/12/2018	31/12/2017
2.19.	**Reserves**		
	Statutory reserve	8,308	8,308
	Regulated reserves	152	152
	Other reserves	23,818	23,818
	Total	**32,278**	**32,278**

In thousands of euros		Share capital	Share premiums	Reserves	Retained earnings	Income	Total
2.20.	**Changes in equity**						
	Position at start of period	**83,076**	**98,244**	**32,278**	**51,558**	**18,701**	**283,857**
	Capital increase	-	-	-	-	-	-
	Net income for the period (before	-	-	-	-	20,007	20,007
	Dividends	-	-	-	–352	-	–352
	Other movements	-	-	-	-	–18,701	–18,701
	Position at end of period	**83,076**	**98,244**	**32,278**	**51,206**	**20,007**	**284,811**

At 31 December 2018, the share capital amounted to €83,075,820, consisting of 5,538,388 shares with nominal value of €15 each, and was held as follows:

	Number of shares	% interest
Edmond de Rothschild S.A.	5,514,156	99.56%
EDRRIT Limited	24,172	0.44%
Group employees	-	-
Other non-controlling shareholders	60	-
Total	5,538,388	100.00%

Net income available for distribution (in euros):

Net income for 2018	20,007,436.44
Balance carried forward at end of period	51,206,077.05
Appropriation to the statutory reserve	-
Net income available for distribution	**71,213,513.49**

Net income available for distribution is appropriated as follows (*):

Payment of a dividend of €0 euros per share	0
Retained earnings	71,213,513.49

(*) Subject to approval by the Annual General Meeting of 15 May 2019.

	In thousands of euros	31/12/2018	31/12/2017
2.21	**Transactions with affiliates**		
	Assets		
	Transactions with clients (excluding related receivables)	24,383	37,014
	Liabilities		
	Transactions with clients (excluding related liabilities)	36,742	90,710

	In thousands of euros	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total
2.22	**Analysis of certain assets and liabilities**					
	Assets					
	Due from credit institutions	42,825				42,825
	Transactions with clients	647,235	85,642	50,963	4,165	788,005
	Bonds and other fixed-income securities				3,833	3,833
	Total	**690,060**	**85,642**	**50,963**	**7,998**	**834,663**
	Liabilities					
	Due to credit institutions	870,854	104,911			975,765
	Transactions with clients	1,503,525	85,264	43,672		1,632,461
	Debt securities	64,547	40,936	362,733	67,567	535,783
	- Interbank market instruments and	*64,547*	*40,936*	*362,733*	*67,567*	*535,783*
	- Bonds	-	-	-	-	-
	Total	**2,438,926**	**231,111**	**406,405**	**67,567**	**3,144,009**

Note 3 – Analysis of income statement items

	In thousands of euros	2018	2017
3.1.	**Interest and similar revenues**		
	On transactions with credit institutions	5,610	9,911
	On transactions with clients	9,426	8,579
	On bonds and other fixed-income securities	-	-
	Other interest and similar revenues	15,025	1,983
	Total	**30,061**	**20,473**

	In thousands of euros	2018	2017
3.2.	**Interest and similar expenses**		
	On transactions with credit institutions	–45,255	–17,017
	On transactions with clients	–306	–92
	On bonds and other fixed-income securities	–5,352	–8,710
	Other interest and similar expenses	–671	–1,140
	Total	**–51,584**	**–26,959**

	In thousands of euros	2018	2017
3.3.	**Revenues from variable-income securities**		
	Equities and other variable-income securities	3,506	1,089
	Investments in associates and other long-term investments	3,073	4,351
	Investments in affiliates	71,172	37,982
	Total	**77,751**	**43,422**

		2018		2017	
	In thousands of euros	Revenues	Expenses	Revenues	Expenses
3.4.	**Fees**				
	Cash and interbank transactions	-	–15	-	–24
	Transactions with clients	48	-	154	-
	Securities transactions	-	-	-	–21
	Foreign exchange transactions	39	-	19	-
	Off-balance sheet transactions			-	-
	- Securities transactions	*184*	-	*303*	-
	– Transactions in forward financial instruments	*1,977*	*–1,221*	*1,122*	*–745*
	Financial services	78,230	–13,781	88,296	–10,073
	Additions to/reversals of provisions	-	-	-	-
	Total	**80,478**	**–15,017**	**89,894**	**–10,863**

		2018			2017		
	In thousands of euros	Gains	Losses	Balance	Gains	Losses	Balance
3.5	**Gains/losses on transactions in trading portfolios**						
	Held-for-trading securities	612	–4	608	104	–3	101
	Foreign exchange transactions	451,196	–417,468	33,728	408,655	–388,866	19,789
	Forward financial instruments	-	-	-	-	-	-
	Additions to/reversals of provisions	-	-	-	-	-	-
	Total	**451,808**	**–417,472**	**34,336**	**408,759**	**–388,869**	**19,890**

	In thousands of euros	2018 Gains	2018 Losses	2018 Balance	2017 Gains	2017 Losses	2017 Balance
3.6.	**Gains/losses on transactions in available-for-sale assets and similar**						
	Losses on disposal	-	-	-	-	-	-
	Gains on disposal	-	-	-	1,294	-	1,294
	Additions to/reversals of impairment	489	–2,457	–1,968	358	–1,217	–859
	Additions to/reversals of provisions			-	-	–67	–67
	Total	**489**	**–2,457**	**–1,968**	**1,652**	**–1,284**	**368**

	In thousands of euros	2018	2017
3.7.	**Other banking revenues**		
	Expenses transferred to other companies	10,139	10,812
	Other ancillary income	22,980	27,045
	Miscellaneous	432	692
	Additions to/reversals of provisions	492	840
	Total	**34,043**	**39,389**

	In thousands of euros	2018	2017
3.8.	**Other banking expenses**		
	Revenues transferred to other companies	–3,824	–4,030
	Miscellaneous	–83	–553
	Additions to/reversals of provisions	–9	–356
	Total	**–3,916**	**–4,939**

	In thousands of euros	2018	2017
3.9.	**General operating expenses**		
	Wages and salaries	–51,400	–56,494
	Social security expenses	–24,241	–24,869
	Employee incentive plans	–15	–216
	Mandatory employee profit-sharing	–3,262	–2,429
	Payroll taxes	–4,668	–6,369
	Additions to provisions for personnel expenses	–1,842	–5,121
	Reversals of provisions for personnel expenses	4,514	5,425
	Sub-total - Personnel expenses	**–80,914**	**–90,073**
	Taxes other than income tax	–2,803	4,103
	Rental expenses	–11,281	–11,756
	External services	–43,697	–44,479
	Travel expenses	–1,144	–1,057
	Miscellaneous operating expenses	-	-
	Additions to provisions for administrative expenses	-	-
	Reversals of provisions for administrative expenses	-	-
	Sub-total - Administrative expenses	**–58,925**	**–53,189**
	Total	**–139,839**	**–143,262**

In thousands of euros	2018	2017
3.10 Cost of risk		
Impairment of doubtful debts	-	-
Additions to provisions	-	-
Net losses on receivables written off	-	–878
Reversals of impairment on doubtful debts now performing	2	3
Reversals of provisions	-	878
Amounts recovered on receivables formerly written off	-	23
Total	**2**	**26**

In thousands of euros	2018	2017
3.11. Gains and losses on long-term assets		
Gains on sales of intangible assets and property, plant and equipment	-	-
Gains on sales of long-term financial assets	861	740
Losses on sales of intangible assets and property, plant and equipment	-	-
Losses on sales of long-term financial assets	-	-
Additions to impairment of long-term financial assets	–17,330	–13,206
Reversals of impairment of long-term financial assets	-	3,703
Reversals of contingency and loss provisions	-	-
Total	**–16,469**	**–8,763**

3.12. Non-recurring items

Non-recurring items produced a loss of €713 thousand in 2018.

3.13. Income tax

Calculated on the basis of the tax consolidation group, there was an income tax credit of €4.493 million in 2018 versus €19.758 million in 2017. The decrease was partly due to a change in the method for calculating corporate income tax, related to the non-deductibility of bonus provisions.

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	2018	2017
- Asset management	64,627	78,241
- Interest-earning operations	8,916	8,196
- Capital markets transactions	8,914	9,630
- Corporate advisory services	187	68
- Securities portfolio and other	101,540	74,540
Net banking income	**184,184**	**170,675**

Net banking income amounted to €184.2 million in 2018, up 7.9% relative to 2017 (€170.7 million).

The €13.5 million increase was due to a €27 million increase in portfolio revenues (€101.5 million versus €74.5 million in 2017) and a €13.6 million decrease in asset management fee income (€64.6 million versus €78.2 million in 2017). The latter decrease was due to the entry into force of MiFID II, which caused a decline in investment fees, along with the signature of a delegated asset management agreement (Private Banking Investment Advisory or PBIA agreement) with Edmond de Rothschild Asset Management.

Revenues from interest-earning operations rose €0.7 million between 2017 and 2018. The increase was the result of a higher amount of financing being granted to clients and interest charges for credit balances in the accounts of institutional clients.

Capital market transactions, which were again affected by historically low interest rates, and movements in the foreign exchange market had a €0.7 million negative impact on net banking income in 2018.

Note 5 – Off-balance sheet items

	In thousands of euros	31/12/2018	31/12/2017
5.1.	**Transactions with affiliates**		
	Commitments given		
	Loan commitments	20,321	35,642
	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 SA and the Bank that Edmond de Rothschild S.A. would systematically be substituted for the Bank in the performance of these contracts, with Edmond de Rothschild S.A. reserving 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 break down as follows (nominal value of contracts):

31 December 2018	Micro-hedging		Trading portfolio		Total	
In thousands of euros	Purchases	Sales	Purchases	Sales	Purchases	Sales
Organised or similar markets						
Futures contracts						
Currency swaps (1)	2,239,119	2,099,670	-	-	2,239,119	2,099,670
Total	**2,239,119**	**2,099,670**	**-**	**-**	**2,239,119**	**2,099,670**
Over the counter						
Futures contracts						
Interest-rate and index swaps (1)	1,283,910	87,264	-	-	1,283,910	87,264
Sub-total	1,283,910	87,264	-	-	1,283,910	87,264
Interest-rate and index options						
	-	-	-	-	-	-
Sub-total						
Total	**1,283,910**	**87,264**	**-**	**-**	**1,283,910**	**87,264**

(1) including €2.000 million with affiliates.

31 December 2017	Micro-hedging		Trading portfolio		Total	
In thousands of euros	Purchases	Sales	Purchases	Sales	Purchases	Sales
Organised or similar markets						
Futures contracts						
Currency swaps (1)	1,881,258	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
Sub-total	988,802	59,564	-	-	988,802	59,564
Interest-rate and index	-	-	-	-	-	-
options	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Total	**988,802**	**59,564**	**-**	**-**	**988,802**	**59,564**

(1) including €20.000 million with affiliates.

The residual values of the above commitments break down as follows:

31 December 2018	Less than 1 year		1 to 5 years		More than 5 years	
In thousands of euros	Purchases	Sales	Purchases	Sales	Purchases	Sales
Organised or similar markets	1,982,892	1,970,631	256,227	129,039	-	-
Over the counter	1,085,444	19,364	139,694	63,900	58,772	4,000

31 December 2017	Less than 1 year		1 to 5 years		More than 5 years	
In thousands of euros	Purchases	Sales	Purchases	Sales	Purchases	Sales
Organised or similar markets	1,875,235	1,921,304	6,023	2,595	-	-
Over the counter	831,308	11,569	59,745	41,995	97,749	6,000

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	Assumptions	Sensitivity	
			31/12/2018	31/12/2017
Interest-rate risk	Short-term transactions in euros	1% adverse movement in the yield curve	1,121	527
	Short-term transactions in foreign-currencies	1% adverse movement in the yield curve	63	92
Exchange-rate risk	Spot and forward foreign exchange transactions	8% adverse movement in exchange rates	28	96

		Positive value		Negative value	
	In thousands of euros	31/12/2018	31/12/2017	31/12/2018	31/12/2017
5.4.	**Fair value of transactions in forward financial instruments**				
	Organised or similar markets				
	Futures contracts				
	Currency swaps	22,265	6,775	–16,315	–22,728
	Over the counter				
	Futures contracts				
	Interest-rate and index swaps	6,121	6,642	–15,409	–4,659

The fair value of forward financial instruments is determined with reference to their market value, calculated daily as part of counterparty risk measurements.

Note 6 – Additional information on counterparty risks relating to derivatives

6.1. Nature and method of the calculation

Risk equivalents and the effect of netting agreements are calculated in accordance with the principles established by Regulations 91-05 and 95-02 of the French Banking and Financial Regulation Committee, and by Instruction 96-06 of the French Banking Commission.
The positive replacement value of risk equivalents represents the 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 risk-weighted assets		Net risk-weighted assets	
In thousands of euros	31/12/2018	31/12/2017	31/12/2018	31/12/2017
6.2. Breakdown of weighted risk equivalents by type of counterparty				
Banks	10,837	6,081	5,825	3,799
Clients	6,145	2,383	2,803	2,873

	Effect of netting		Effect of collateralisation	
In thousands of euros	31/12/2018	31/12/2017	31/12/2018	31/12/2017
6.3. Effect of netting on total weighted risk equivalents				
Banks	6,573	3,505	–1,562	–1,223
Clients	3,342	222	-	–712

Note 7 – Average number of employees

	31/12/2018	31/12/2017
Operatives	96	98
Executives and senior management	300	309
Unclassified	86	91
Total	**482**	**498**

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.

8.1. Post-balance sheet events

No material events took place after the balance-sheet date of 31 December 2018.

The parent company financial statements contained in this document were finalised by the Executive Board on 25 February 2019 and will be presented for approval at the Annual General Meeting of 15 May 2019.

Note 9 – Transactions with related parties

9.1. Transactions with related natural persons and others

In thousands of euros	31/12/2018	31/12/2017
Loans and overdrafts	19,045	19,064
Assets	**19,045**	**19,064**

In thousands of euros	31/12/2018	31/12/2017
Demand deposits	2,284	592
Liabilities	**2,284**	**592**

In thousands of euros	31/12/2018	31/12/2017
+ Interest and similar revenues	115	94
Net banking income	115	94
Gross operating income	**115**	**94**

9.2. Transactions with related companies

- ***Transactions related to the income statement***

			31/12/2018	
In thousands of euros	Name	Relationship with the related party	Revenues	Expenses
- Revenues/expenses on transactions with credit institutions	EDRAM	Subsidiary	-	-
- Financial services	EDRAM	Subsidiary	-	–14
+ Gains on sales of long-term financial assets	EDRAM	Subsidiary	-	-

			31/12/2017	
In thousands of euros	Name	Relationship with the related party	Revenue s	Expenses
- Expenses on transactions with credit institutions	EDRAM	Subsidiary	-	-
- Financial services	EDRAM	Subsidiary	-	–71
+ Gains on sales of long-term financial assets	EDRAM	Subsidiary	-	-

- ***Transactions in forward financial instruments***

In thousands of euros			Amount
Total return index swap	EDRAM	Subsidiary	-

Parent company five year summary

	2014	2015	2016	2017	2018
Financial position at end of period					
Share capital	83,075,820	83,075,820	83,075,820	83,075,820	83,075,820
Number of shares in issue	5,538,388	5,538,388	5,538,388	5,538,388	5,538,388
Number of convertible bonds	-	-	-	-	-
Equity (1)*	254,206,000	247,823,000	254,056,000	265,156,000	264,804,000
Long-term funds (1)*	275,206,000	268,823,000	275,056,000	286,156,000	285,804,000
Total liabilities and equity *	2,151,961,000	2,524,048,000	2,713,132,000	3,424,862,000	3,644,336,000
Results of operations for the period					
Revenues excluding VAT	470,304,585	828,081,237	612,547,436	540,578,183	670,683,166
Income before tax, depreciation, amortisation and	–15,951,894	34,124,730	20,085,747	19,891,140	42,852,972
Income tax expense	–14,300,382	–13,430,948	–10,684,248	–19,757,739	–4,492,843
Income after tax, depreciation, amortisation and	11,118,408	30,713,023	24,391,581	18,700,508	20,007,436
Total dividends paid	17,501,306	24,479,675	13,292,131	19,052,055	-
Per-share data					
Income after tax but before depreciation, amortisation	–0.30	8.59	5.56	7.16	8.55
Income after tax, depreciation, amortisation and	2.01	5.55	4.40	3.38	3.61
Dividend **	3.16	4.42	2.40	3.44	-
Employees					
Number of employees at end of period	532	537	507	511	483
Total gross payroll	59,101,566	48,440,745	46,557,739	44,734,108	43,136,381
Social security contributions and employee benefits	30,276,567	25,146,697	23,540,011	24,869,906	24,240,623
Mandatory employee profit-sharing	2,208,329	2,396,097	878,803	2,428,568	3,262,173

(1) Excluding net income for the year.
* Rounded to the nearest thousand euros.
** Subject to the decision of the Annual General Meeting held on 15 May 2019.

Statutory Auditors' reports

Year ended 31 December 2018

Report on the consolidated financial statements

To the Shareholders,

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 2018.

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 2018 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 of our 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 2018 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.

Emphasis of matter

We draw attention to the notes in the appendix presenting the accounting change resulting from the first application of IFRS 9 "Financial Instruments" and its impact on the consolidated financial statements. (Note 1.2 "Compliance with accounting standards", Note 2 "Valuation accounting policies and explanatory notes", Note 3 "Information on balance sheet items - Financial assets and liabilities transition tables: IAS 39 vs IFRS 9 at 1 January 2018 "). Our opinion is not modified in respect of this matter.

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

<table>
<tr><th colspan="2">Measurement of goodwill</th></tr>
<tr><td>Description of 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 amounted to 82,2 mn€ as at December 31, 2018;

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.</td>
<td>How our audit addressed this risk

We examined the methodology used by the Group to measure a potential need for impairment of goodwill.

Our work consisted primarily in the following :
A critical assessment of the business plans used to establish the projected cash flows;
A critical assessment of the assumptions used by management to determine the discount rates and the perpetuity growth rates used in discounted cash flow calculations, if necessary by comparing them with external sources
Finally, the verification that the notes to the financial statements provided appropriate information.</td></tr>
</table>

Specific verifications

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.

We attest that the consolidated non-financial performance reporting required by Article L.225-102-1 of the French Commercial Code is included in the management report. We add that, in accordance with the provisions of Article L.823-10 of this Code, the information contained in this statement has not been the subject of our verifications of fairness or consistency with the consolidated financial statements and must be certified by an independent third party.

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 2018, both firms were in the twentieth 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, 25 April 2019

The Statutory Auditors

PricewaterhouseCoopers Audit... .... Philippe Chevalier
Cabinet Didier Kling& Associés............ Solange Aïache

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Report on the parent company financial statements

To the Shareholders,

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 2018.

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 2018 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 of our 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 2018 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 our assessments – Key points of the audit

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.

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Key audit matter

<table>
<tr><th colspan="2">Measurement of investments in subsidiaries, other long-term investments and associates</th></tr>
<tr><td>Description of risk</td><td>How our audit addressed this risk</td></tr>
<tr><td>Investments in subsidiaries and associates represent one of the largest assets on the balance sheet (€250.0m at 31 December 2018 compared to €276.6m at 31 December 2017) and a material portion of their measurement is based on estimates.

As stated in Note 1 to the financial statements “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.</td><td>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 2018.

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.</td></tr>
</table>

Specific Verifications

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 except for the point described below:

We have the following matter to report regarding the fair presentation and consistency with the annual accounts related to payment terms stipulated in Article D. 441-4 of the French Commercial Code call.

As stated in the management's report, this information does not include bank and other related transactions, as your Company considers that such operations fall outside the scope of the information to be disclosed.

We attest that the non-financial performance reporting required by Article L.225-102-1 of the French Commercial Code is included in the management report. We add that, in accordance with the provisions of Article L.823-10 of this Code, the information contained in this statement has not been the subject of our verifications of fairness or consistency with the consolidated financial statements and must be certified by an independent third party.

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 2018, both firms were in the twentieth 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, 25 April 2018

The Statutory Auditors

PricewaterhouseCoopers Audit... .... Philippe Chevalier
Cabinet Didier Kling& Associés............ Solange Aïache

Special 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

In accordance with article R.225-88 of the French Commercial Code, we were informed that the following agreements and commitments were authorised during the year by your Supervisory Board.

Tax consolidation agreement

Tax consolidation agreement dated September 14, 2018 between Edmond de Rothschild SA, Edmond de Rothschild (France) and its subsidiaries Cleaveland, Edmond de Rothschild Asset Management (France), Edmond de Rothschild Assurances et Conseils (France), Edmond de Rothschild Corporate Finance, Edmond de Rothschild Private Equity (France) and Financière Boréale.

- Supervisory Board authorising the agreement: March 14, 2018

- Effect date: January 1st, 2018

- Purpose: The agreement formally defines the manner in which Edmond de Rothschild SA, Edmond de Rothschild (France) and its affiliates divide among themselves the income tax charge and tax savings arising from the tax consolidation.

- Reason: At January 1st, 2017, Edmond de Rothschild (France) and Edmond de Rothschild SA each had a tax consolidation group for which they were respectively parent company, while Edmond de Rothschild SA held 94.22% of the share capital of Edmond de Rothschild (France).

With the purchase completed in June 2017 by Edmond de Rothschild SA of all the shares held by the Caisse de dépôt et de placement du Québec in the capital of Edmond de Rothschild (France), the capital held by Edmond de Rothschild (France) by Edmond de Rothschild SA amounted to more than 95%. Consequently, Edmond de Rothschild (France) could no longer legally be the parent company of a tax-integrated Group after 31 December 2017.

In order to allow all the companies in the former Edmond de Rothschild (France) area to join the Edmond de Rothschild SA tax group on January 1st, 2018, it was necessary to conclude a tax consolidation agreement between Edmond de Rothschild SA and Edmond de Rothschild (France) and the subsidiaries formerly a member of the integrated Edmond Group. Rothschild (France).

- <u>Persons concerned:</u>
  - Vincent Topin is the General Manager of Edmond de Rothschild SA ,
  - Philippe Cieutat is the the Chief Operating Officer of Edmond de Rothschild SA,

  Both are members of the Executive Board of Edmond de Rothschild (France).

  - Benjamin de Rothschild is the Chairman of the board of Edmond de Rothschild SA,
  - Ariane de Rothschild is the Vice-Chairman of the board of Edmond de Rothschild SA,
  - Véronique Morali, Jacques Ehrmann, Jean Laurent-Bellue and Christian Varin are Board members of Edmond de Rothschild SA,

Edmond de Rothschild SA hold more than 10% of the capital of Edmond de Rothschild (France).

- <u>Amounts concerned for Financial year 2018</u>: The provision for income Tax for 2018 of the Edmond de Rothschild (France) subgroup amounted to € 8,897,692.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE ANNUAL GENERAL MEETING

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 2018.

Agency agreement with Edmond de Rothschild Asset Management (France)

<u>Nature and purpose</u>

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 on 30 July 2007.

Edmond de Rothschild (France) holds 99.85% of the capital of Edmond de Rothschild Asset Management (France).

<u>Terms and conditions</u>

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 2018 by Edmond de Rothschild (France) to its subsidiary under this agreement amounted to €1,091,875 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, 25 April 2019

The Statutory Auditors

PricewaterhouseCoopers Audit... .... Philippe Chevalier
Cabinet Didier Kling& Associés............ Solange Aïache

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 2018, 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 €445,923 in 2018, corresponding to €148,641 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 2018, 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):

Net income for 2018	20,007,436.44
Retained earnings	51,206,077.05
Appropriation to the statutory	-
Income available for	71,213,513.49

The General Meeting resolves to appropriate all 2018 income available for distribution, amounting to €20,007,436.44, to retained earnings, which will amount to €71,213,513.49 after the appropriation.

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:

	2017	2016	2015
Dividend per share	3.44	2.40	4.42
Amount eligible for relief under Article 158-3-2 of the French General Tax Code	40%	40%	40%

Fifth resolution

The General Meeting, having considered the result of work carried out in relation to the appointment of a member of the Supervisory Board, and noting that the criteria of integrity, knowledge, experience, skills and availability required by regulations in force are met, whereas the independence criteria are not met because of his role within the Edmond de Rothschild Group, resolves to appoint Vincent Taupin as a member of the Supervisory Board for a three-year term expiring at the end of the General Meeting convened to approve the financial statements for 2021.

Sixth resolution

The General Meeting, having considered the result of work carried out in relation to the appointment of a member of the Supervisory Board, and noting that the criteria of integrity, knowledge, experience, skills and availability required by regulations in force are met, whereas the independence criteria are not met because of her role within the Edmond de Rothschild Group, resolves to appoint Cynthia Tobiano as a member of the Supervisory Board for a three-year term expiring at the end of the General Meeting convened to approve the financial statements for 2021.

Seventh 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 (i) the report of the Supervisory Board on Corporate Governance and (ii) the Supervisory Board's decision of 15 May 2019, 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 Vincent Taupin in respect of his role as the Company's Chairman of the Executive Board until 14 March 2019, as set forth in the "Remuneration and commitments given to corporate officers" section of this report; and
- the new payment terms relating to Vincent Taupin's variable remuneration deferred over three years, decided by the Supervisory Board in its meeting of 15 May 2019; for the payment of that variable remuneration deferred over three years, given his new role in the Edmond de Rothschild Group, he is no longer required to have an ongoing role as corporate officer of the company but is required to be present within the Group. Accordingly, Vincent Taupin will, following the change in his role within the Group, retain all of the deferred variable remuneration awarded to him in 2017, 2018 and 2019. That deferred variable remuneration will be paid by Edmond de Rothschild (France) on the dates and according to the terms provided for by the corresponding deferred remuneration plans.

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 Renzo Evangelista in respect of his role as the Company's Chairman of the Executive Board with effect from 14 March 2019, as set forth in the "Remuneration and commitments given to corporate officers" section of 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 Philippe Cieutat in respect of his role as the company's Chief Executive Officer, as presented in this report in the "Remuneration and commitments given to corporate officers" section of this report.

Tenth 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.

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:

- total remuneration of €2,012,787.98 awarded to Mr Vincent Taupin for 2018 with respect to his role as a corporate officer and in accordance with the principles and criteria approved by the ordinary general meeting of 16 May 2018 under article 225-82-2 of the French Commercial Code, breaking down as follows:

  - Fixed remuneration 750,009.00
  - Immediate variable remuneration 492,000.00
  - Variable remuneration deferred in thirds over three years:
    - Deferred cash 123,000.00
    - Deferred instrument (Group Performance Plan) 445.000,00
  - Entitlement to participation certificates (Employee Share Plan) 170.000,00
  - Exceptional remuneration 0
  - Unemployment-benefit insurance for executives 31,646.54
  - Other benefits in kind * 1,132.44

- remuneration paid to Mr Vincent Taupin in 2018 with respect to 2018 represents an amount of €782,787.98:

  - Fixed remuneration 750,009.00
  - Unemployment-benefit insurance for executives 31,646.54
  - Other benefits in kind * 1,132.44

Other benefits in kind consist of a company phone and restaurant vouchers

Twelfth 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 €45,000 to be paid in the form of directors' fees, allotted for 2018 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 16 May 2018.

Thirteenth 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 €11,423,822.95 paid during 2018 to persons covered by Article L. 511-71 of the French Monetary and Financial Code.

Fourteenth 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 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