EDMOND DE ROTHSCHILD

Edmond de Rothschild (France)

# Interim Report

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# Contents

# Interim business report

## GROUP FINANCIAL RESULTS

Against a global backdrop dominated by the coronavirus crisis, Edmond de Rothschild (France) reported a net loss attributable to equity holders of the parent of €5.4 million for the first six months of 2020, €24.9 million less than the figure reported for the same period in 2019.

Assets under management totalled €47.4 billion as at 30 June 2020 versus €50.8 billion as at 31 December 2019, representing a 6.6% decrease, with adverse effects from both net new money (-1.6 points) and asset performance (-5.1 points). There was a net €0.8 billion outflow of client money, breaking down into net new money of €0.7 billion in Private Banking and a €1.5 billion net outflow in Asset Management.

### Net banking income

Net banking income totalled €116.4 million, down 30.4% relative to the prior-year period, due in particular to the market decline in the first half of the year.

- Management and advisory fees fell 5.8% year-on-year, with decreases in both Private Banking and Asset Management.
- Income from the investment portfolio was also hit hard by €5.3 million of provisions, whereas distributions in early 2019 produced income of almost €41.6 million in the prior-year period.
- On the plus side, trading activity increased by 13.4% year-on-year.
- In addition, lending in the Private Banking business and activity in the foreign exchange markets remained strong.
- Other revenue, including Corporate Finance revenue, was similar to that seen in the first half of 2019, showing an increase of 0.7%.
- Based on the above, gross margin was 48bp versus 65bp in the first half of 2019, and the difference was similar excluding performance-related fees.

### Operating expenses

Operating expenses totalled €126.8 million, 7.5% less than in the first half of 2019.

- Personnel expenses amounted to €69.6 million, a year-on-year decrease of 11.0% due to the lower amount of provisions set aside to cover variable remuneration.
- Against the backdrop of the current public health crisis and because of careful management of discretionary expenditure, other operating expenses fell 2.6% compared with the first half of 2019.

### Operating income

Edmond de Rothschild (France) made a gross operating loss of €10.4 million in the first half of 2019, a €40.6 million deterioration compared with the year-earlier period.

The cost/income ratio was 97%, versus 74% in the first half of 2019.

### Net profit attributable to equity holders of the parent

After taking into account income from associates (€4.4 million), income attributable to non-controlling interests (€0.7 million) and a tax benefit of €1.5 million, the net loss attributable to equity holders of the parent amounted to €5.4 million, representing a deterioration of €24.9 million compared with the first half of 2019.

## Private Banking

Private Banking assets under management ended the period at €16.6 billion, roughly the same as at the end of 2019. The 4.2% negative impact from market movements cancelled out the results of ongoing firm commercial impetus, which resulted in net new money of €692 million. Gross new money amounted to €1,611 million in the first half of 2020.

Net banking income was €47.7 million, 18.8% more than in the first half of 2019. Against a backdrop of market volatility:

- Private Banking revenue in France rose by 19.5% year-on-year, driven by a 59.3% increase in transaction fees and a 6.7% increase in management and advisory fees.
- Private Banking revenue in Italy rose by 12%.

As a result, gross margin in the Private Banking division increased by 7 basis points compared with the first half of 2019.

Operating expenses rose 1% year-on-year to €40.1 million.

- Expenses in the French Private Banking business were stable, while
- expenses in the Italian Private Banking business increased by 4.8%, due in particular to the arrival of new relationship managers in late 2019.

The cost/income ratio (excluding depreciation and amortisation) was 77%, a 13-point improvement on the figure for the first half of 2019.

Gross operating income amounted to €7.5 million, a €7.1 million improvement on the year-earlier period.

## Asset Management

Assets under management ended the period at €30.1 billion, down 10.1% or €3.4 billion compared with the end of 2019. They were adversely affected by significant outflows (€3.4 billion) and a 5.6% negative market effect.

Net banking income amounted to €64.1 million, 15.0% less than in the first half of 2019. Adjusted for performance-related fees, net banking income fell 12.6% and included:

- a €7.3 million or 14.9% decrease in management and advisory fee income compared with the first half of 2019, caused by the deterioration in the product mix;
- a €2.7 million year-on-year decrease in performance-related fees;
- a €1.6 million decline in transaction fee income;

a 2-basis-point fall in gross margin compared with the first half of 2019 to 38 basis points (excluding performance-related fees).

Operating expenses fell 14.4% year-on-year:

- personnel expenses were down €7.3 million or 18.1%, due in particular to variable remuneration decreasing in line with revenue;
- other expenses fell by €2.8 million as a result of the coronavirus crisis.

As a result, gross operating income was €1.1 million in the first half of 2020, down €0.7 million year-on-year.

## Private Equity

Assets in the Private Equity division amounted to €703 million at end-June 2020, slightly higher than the end-2019 figure after one close totalling €35 million took place during the first-half period.

Net banking income totalled €2.8 million, up 8.1% compared with the first half of 2019 because of the Kenneth and Privilège closes that took place in 2019.

Expenses fell 2.4% year-on-year.

The division made a gross operating loss of €0.1 million in the first half of 2020, as opposed to a €0.4 million loss in the year-earlier period.

## Other activities

**Corporate advisory services**

Revenue from corporate advisory services amounted to €5.4 million in the first half of 2020, slightly lower than the €6 million recorded in the first half of 2019, although the number of transactions remained very firm.

Operating expenses fell 10.0% year-on-year.

Overall, corporate advisory services made a gross operating loss of €4.1 million in the first half of 2020.

**Proprietary trading**

Proprietary trading generated negative revenue of €3.6 million, due to €5.3 million of mark-to-market provisions on the investment portfolio.

Operating expenses rose by 9.8% compared with the first half of 2019, due in particular to a €0.5 million increase in the contribution to the single resolution fund.

Overall, proprietary trading generated a gross operating loss of €14.9 million in the first-half period.

# DESCRIPTION OF THE PRINCIPAL RISKS AND CONTINGENCIES FOR THE REMAINING SIX MONTHS OF THE FINANCIAL YEAR

The global Covid-19 situation and political developments in the second half of the year may affect the Group's 2020 results.

## Transactions with related parties

In the first half of 2020, relations between Edmond de Rothschild (France) and related companies were similar to those in 2019. No transactions that were unusual, because of either their nature or amount, took place during the period.

# Consolidated financial statements and notes

## IFRS consolidated balance sheet (in thousands of euros)

| | | 30/06/2020 | 31/12/2019 |
|---|---|---|---|
| **Assets** | | | |
| Cash, due from central banks and postal accounts | | 1,694,217 | 2,229,167 |
| Financial assets at fair value through profit and loss | 3.1 | 139,193 | 171,859 |
| Financial assets at fair value through equity | 3.2 | 2,266 | 3,719 |
| Securities at amortised cost | 3.4 | 6,390 | 10,384 |
| Loans and receivables due from credit institutions, at amortised cost | 3.5 | 324,142 | 234,936 |
| Loans and receivables due from clients, at amortised cost | 3.6 | 906,185 | 876,774 |
| Current tax assets | | 6,791 | 6,073 |
| Deferred tax assets | | 15,522 | 13,166 |
| Accruals and other assets | 3.7 | 221,824 | 158,733 |
| Investments in associates | 3.8 | 68,075 | 67,964 |
| Property, plant and equipment | | 38,423 | 39,640 |
| Right-of-use assets | | 39,365 | 43,989 |
| Intangible assets | | 21,070 | 23,783 |
| Goodwill | 3.9 | 74,313 | 74,313 |
| **Total assets** | | **3,557,776** | **3,954,500** |

| | | 30/06/2020 | 31/12/2019 |
|---|---|---|---|
| **Liabilities and equity** | | | |
| Financial liabilities at fair value through profit and loss | 3.10 | 1,177,103 | 1,582,115 |
| Hedging derivatives | | - | - |
| Due to credit institutions | 3.13 | 39,221 | 88,276 |
| Due to clients | 3.11 | 1,689,293 | 1,603,964 |
| Debt securities | | - | - |
| Current tax liabilities | | 1,057 | 575 |
| Deferred tax liabilities | | 224 | 243 |
| Accruals and other liabilities | 3.7 | 230,030 | 248,670 |
| Provisions | 3.12 | 25,590 | 24,590 |
| Subordinated debt | | - | - |
| Equity | | 395,258 | 406,067 |
| Equity attributable to equity holders of the parent | | 388,833 | 395,496 |
| *. Share capital and related reserves* | | *201,195* | *201,195* |
| *. Consolidated reserves* | | *188,325* | *173,549* |
| *. Other comprehensive income* | | *4,687* | *6,378* |
| *. Earnings for the period* | | *-5,374* | *14,375* |
| Non-controlling interests | | 6,425 | 10,571 |
| **Total liabilities and equity** | | **3,557,776** | **3,954,500** |

# IFRS consolidated income statement(in thousands of euros)

| | | First half 2020 | First half 2019 |
|---|---|---|---|
| + Interest and similar revenues | 4.1 | 11,249 | 9,326 |
| - Interest and similar expenses | 4.2 | -16,483 | -23,635 |
| + Fee income | 4.3 | 160,479 | 163,586 |
| - Fee expense | 4.3 | -38,219 | -39,835 |
| +/- Net gains or losses on financial instruments at fair value through profit and loss | 4.4 | 2,423 | 53,815 |
| +/- Net gains or losses on financial assets at fair value through equity | 4.5 | 153 | 5,965 |
| + Other revenues | 4.6 | 5,715 | 5,516 |
| - Other expenses | 4.6 | -8,910 | -7,423 |
| Net banking income | | 116,407 | 167,315 |
| - General operating expenses | 4.7 | -113,487 | -123,236 |
| - Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | | -13,292 | -13,825 |
| Gross operating income | | -10,372 | 30,254 |
| +/- Cost of risk | | -172 | 41 |
| Operating income | | -10,544 | 30,295 |
| +/- Share in net income of associates | | 4,436 | 3,206 |
| +/- Net gains or losses on other assets | 4.8 | -15 | 1,209 |
| +/- Changes in the value of goodwill | | - | - |
| Income (loss) before tax | | -6,123 | 34,710 |
| - Income tax | | 1,470 | -12,259 |
| Net income | | -4,653 | 22,451 |
| - Net income attributable to non-controlling interests | | -721 | -2,949 |
| **Net income attributable to equity holders of the parent** | | **-5,374** | **19,502** |
| Earnings per share (in euro) | | -0.97 | 3.49 |
| Diluted earnings per share (in euro) | | -0.97 | 3.49 |

## Statement of comprehensive income (in thousands of euros)

| | First half 2020 | First half 2019 |
|---|---|---|
| **Net income** | **-4,653** | **22,451** |
| Exchange difference | -535 | 1,024 |
| Deferred change in value of hedging derivatives (*) | - | - |
| Change in value of financial assets at fair value through equity (*) | -276 | -2 |
| Actuarial gains or losses on defined-benefit plans (*) | -880 | 281 |
| **Total comprehensive income** | **-1,691** | **1,303** |
| **Net income and comprehensive income** | **-6,344** | **23,754** |
| *Attributable to equity holders of the parent* | *-7,065* | *20,805* |
| *Attributable to non-controlling interests* | *721* | *2,949* |

(*) Net of tax.

## IFRS cash flow statement (in thousands of euros)

| | First half 2020 | First half 2019 |
|---|---|---|
| **Cash flow from operations** | | |
| **Net income for the period** | **-4,653** | **22,451** |
| Net gain or loss on disposals of long-term assets | -138 | -7,174 |
| Net additions to depreciation, amortisation and provisions | 9,127 | 10,293 |
| Income from associates | -4,436 | -3,206 |
| Reclassification of net gain or loss on financial instruments at fair value through profit and loss | -2,423 | -53,815 |
| Other unrealised income and expenses | 61 | 592 |
| Net gain/loss on financing activities | - | - |
| Income tax expense (including deferred taxes) | -1,470 | 12,259 |
| Cash flow from operations before financing activities and tax | -3,933 | -18,600 |
| Income tax paid | -758 | -11,930 |
| Net increase/decrease from transactions with credit institutions | -70,061 | -381 |
| Net increase/decrease from transactions with clients | 56,985 | 145,401 |
| Net increase/decrease from transactions in other financial assets and liabilities | -362,467 | -13,017 |
| Net increase/decrease from transactions in other non-financial assets and liabilities | -81,342 | -1,422 |
| **Net cash flow from operating activities** | **-461,576** | **100,051** |
| Cash flow from investing activities | | |
| Purchases of property, plant and equipment and intangible assets | -4,749 | -5,156 |
| Purchases of long-term financial assets | - | - |
| Change in guarantee deposits | - | - |
| Dividends received from associates | 4,203 | - |
| Disposals of long-term assets | 574 | - |
| **Net cash flow from investing activities** | **28** | **-5,156** |
| Cash flow from financing activities | | |
| Increase/decrease in cash generated by financing activities | - | - |
| Increase/decrease in cash from transactions with shareholders | -5,102 | -249 |
| **Net cash flow from financing activities** | **-5,102** | **-249** |
| Effect on cash and cash equivalents of changes in exchange rates | -18 | 79 |
| **Net change in cash and cash equivalents** | **-466,668** | **94,725** |
| Net balance of cash and amounts due from central banks | 2,229,167 | 2,248,217 |
| Money-market funds qualifying as cash equivalents | 14 | 14 |
| Net balance of demand deposits with and loans from credit institutions | -28,370 | 24,124 |
| **Cash and cash equivalents at the beginning of the period** | **2,200,811** | **2,272,355** |
| Net balance of cash and amounts due from central banks | 1,694,217 | 2,325,785 |
| Money-market funds qualifying as cash equivalents | 14 | 14 |
| Net balance of demand deposits with and loans from credit institutions | 39,912 | 41,281 |
| **Cash and cash equivalents at the end of the period** | **1,734,143** | **2,367,080** |
| **Change in net cash** | **-466,668** | **94,725** |

## Statement of changes in equity (in thousands of euros)

| | 31/12/2018 | Capital increase | Appropriation of income | Other changes | 31/12/2019 |
|---|---|---|---|---|---|
| **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) | -16,436 | - | - | -336 | -16,772 |
| – Elimination of treasury shares | - | - | - | - | - |
| - Other reserves | 166,725 | - | 28,373 | -4,778 | 190,320 |
| – Other comprehensive income | 88 | - | - | 6,290 | 6,378 |
| – 2018 net income | 28,373 | - | -28,373 | - | - |
| **Sub-total** | **379,945** | **-** | **-** | **1,176** | **381,121** |
| – 2019 net income | - | - | - | 14,375 | 14,375 |
| **Total equity attributable to equity holders of the parent** | **379,945** | **-** | **-** | **15,551** | **395,496** |
| Non-controlling interests in: | | | | | |
| – Reserves | 6,922 | - | 4,907 | -2,849 | 8,980 |
| – 2018 net income | 4,907 | - | -4,907 | - | - |
| – 2019 net income | - | - | - | 1,591 | 1,591 |
| **Total non-controlling interests** | **11,829** | **-** | **-** | **-1,258** | **10,571** |

| | 31/12/2019 | Capital increase | Appropriation of income | Other changes | 30/06/2020 |
|---|---|---|---|---|---|
| **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) | -16,772 | - | - | -160 | -16,932 |
| – Elimination of treasury shares | - | - | - | - | - |
| - Other reserves | 190,320 | - | 14,375 | 562 | 205,257 |
| – Other comprehensive income | 6,378 | - | - | -1,691 | 4,687 |
| – 2019 net income | 14,375 | - | -14,375 | - | - |
| **Sub-total** | **395,496** | **-** | **-** | **-1,289** | **394,207** |
| – 2020 net income | - | - | - | -5,374 | -5,374 |
| **Total equity attributable to equity holders of the parent** | **395,496** | **-** | **-** | **-6,663** | **388,833** |
| Non-controlling interests in: | | | | | |
| – Reserves | 8,980 | - | 1,591 | -4,867 | 5,704 |
| – 2019 net income | 1,591 | - | -1,591 | - | - |
| – 2020 net income | - | - | - | 721 | 721 |
| **Total non-controlling interests** | **10,571** | **-** | **-** | **-4,146** | **6,425** |

# 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. The financial statements were approved by the Executive Board on 28 July 2020. They were reviewed by the Audit Committee on 25 August 2020 and by the Supervisory Board on 26 August 2020.

### 1.2. COMPLIANCE WITH ACCOUNTING STANDARDS

*Applicable accounting standards*

The Group's condensed interim consolidated financial statements for the six months ended 30 June 2020 have been prepared and presented in accordance with IAS 34 "Interim Financial Reporting". The financial statements presented reflect material items during the half-year period and must be read in conjunction with the consolidated financial statements for the full year ended 31 December 2019, which were prepared in accordance with IFRSs as adopted by the European Union.

*New standards published but not yet applicable*

The Group did not opt for early application of any new standards, amendments or interpretations adopted by the European Union where their application in 2020 was only optional.

### 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;
- measurement of any material increase in credit risk when calculating expected loan losses;
- 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. CHANGES IN THE SCOPE OF CONSOLIDATION

In the first quarter of 2020, Edmond de Rothschild (France) acquired two companies: Financière Eurafrique and Immopéra.

Edmond de Rothschild Securities (Hong Kong) Limited was wound up on 15 April 2020.

## Note 2 – Accounting policies, valuation methods and explanatory notes

### Translation of transactions in foreign currencies

Monetary assets and liabilities in foreign currencies are translated into euros using official exchange rates as published by the Banque de France at the balance sheet date. Unrealised foreign exchange gains and losses are recorded in profit and loss. Spot foreign exchange transactions are measured at the official spot rates at the end of the period. The resulting gains and losses are recorded in profit and loss. Forward exchange contracts are measured at the rate for the residual term at the balance sheet date, with the impact of changes in fair value taken to profit and loss.
Non-monetary assets in foreign currencies, particularly investments in non-consolidated subsidiaries and associates denominated in foreign currencies, are recorded in the balance sheet at the euro equivalent of their historical foreign-currency cost, using exchange rates prevailing at the date of acquisition or subscription. Unrealised foreign exchange gains and losses related to these assets are only recognised in profit and loss upon disposal or

recognition of impairment, or when the fair value is hedged for foreign exchange risk.

## Financial assets and liabilities

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

### Loans and receivables

- Loans made to clients in the course of commercial banking activities are included in the balance sheet item "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. The Group 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, use of the fair value option can eliminate the distortion that arises from different accounting treatments for financial assets and liabilities that share the same interest-rate risk, and experience changes in fair value that tend to be mutually offsetting.
Similarly, when an interbank loan not originally recognised as a hedging relationship undergoes the same changes in fair value (due to exposure to interest-rate risk) but in the opposite direction, 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 individual line of securities.
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 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 instruments 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 instruments at fair value through profit and loss".

### Hedging derivatives

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.

All derivative financial instruments held by the Group are fair-value hedges measured at fair value through profit and loss.

Since IFRS 9 does not contain any of IAS 39's provisions regarding hedge accounting except for those relating to fair-value hedge accounting for a portfolio hedge of interest rate risk, IAS 39's hedging provisions continue to apply until the future accounting standard on macro-hedging comes into force.

### 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.

## Tangible assets

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.

### Borrowings represented by 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

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

recorded in equity, in which case it is recorded in equity.
Current taxes are the forecast taxes payable on taxable income for the period, calculated at the rates in force at the balance sheet date, and any adjustment of taxes due in respect of previous years. Current tax assets and liabilities are offset when Edmond de Rothschild (France) intends to pay the net amount and is legally authorised to do so.
Deferred taxes are recognised based on timing differences between the carrying amount and tax base of balance sheet assets and liabilities. As a rule, all taxable timing differences lead to recognition of deferred tax liabilities, whereas deferred tax assets are recognised where the probability exists of sufficient future taxable profit to utilise the deductible timing differences. Deferred tax assets and liabilities are offset when the entity is legally authorised to do so, provided they relate to the same tax consolidation group and are governed by the same tax authorities. Deferred taxes are not discounted to present value.

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

In France, the standard corporate income tax rate is 31%. 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 2020 financial year, the tax rate used to determine the deferred taxes of French companies was 32.02% 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 releases from impairment of fixed-income securities and loans and receivables due from clients and credit institutions, additions to and releases from provisions relating to financing and guarantee commitments given, losses on receivables written off and amounts recovered on receivables formerly written off.

## Fees

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

## Employee-benefit commitments

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

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

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

Post-employment benefits are classified as either defined-contribution plans or defined-benefit plans, depending on the actual economic impact on the company.
In **defined-contribution plans**, liabilities are covered by contributions, which are recognised as expenses as and when they are paid to the independent pension bodies that manage subsequent payment of the pensions.

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

In **defined-benefit plans**, the actuarial risk and investment risk are borne by the company. They cover several types of commitment, principally "additional supplementary" pension plans and termination benefits for retiring employees. A provision is recorded in liabilities to cover the total value of those pension commitments. They are valued annually by an independent actuary at the balance-sheet date.
In accordance with IAS 19, the Group uses the projected unit credit method to calculate its employee-benefit commitments. This retrospective method uses projections regarding career-end salaries and prorated final-benefit entitlements based on length of service, taking into account actuarial assumptions regarding the employee's probable future period of service with the company, future remuneration levels, life expectancy and personnel turnover.
Actuarial gains and losses, determined for each plan, include the effect of differences between actuarial assumptions previously adopted and actual outcomes, and the effect of changes in actuarial assumptions.

The Group applies the "SoRIE" amendment to IAS 19 relating to the method for recognising of actuarial gains and losses on defined-benefit pension plans. All such gains and losses are recorded under equity 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;
- the expected return on plan assets;
- amortisation of 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.

## 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

## 3.1. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

| *In thousands of euros* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Interest rate instruments – futures | 151 | 587 |
| Foreign exchange instruments – futures | - | 24 |
| Equity and index-linked instruments – futures | 3,621 | 11,990 |
| Receivables related to trading derivatives | 53 | 131 |
| **Sub-total - Derivatives** | **3,825** | **12,732** |
| Equities and other variable-income securities | - | - |
| **Sub-total - Other financial instruments held for trading** | **-** | **-** |
| **Sub-total - Trading securities** | **3,825** | **12,732** |
| Treasury notes and similar securities | 2,099 | 2,140 |
| Treasury notes and similar securities - related receivables | 55 | 21 |
| **Sub-total - Financial assets designated as at fair value** | **2,154** | **2,161** |
| Investments in subsidiaries and associates | 10 | 11 |
| Other variable-income securities | 11,295 | 13,107 |
| **Sub-total** | **11,305** | **13,118** |
| **Sub-total - Equity instruments** | **11,305** | **13,118** |
| Debt instruments and similar | 121,909 | 143,848 |
| **Sub-total - Non-SPPI debt instruments** | **121,909** | **143,848** |
| **Sub-total - Other financial assets at fair value through profit and loss** | **133,214** | **156,966** |
| **Total** | **139,193** | **171,859** |

The total notional amount of trading derivatives was €4.105 million at 30 June 2020 as opposed to €5.436 million at 31 December 2019.
The notional value of derivatives indicates only the volume of the Group's business on the financial instruments markets, without reflecting the market risks related to those instruments.

## 3.2. FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY

| *In thousands of euros* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Treasury notes and similar securities | - | - |
| Bonds and other fixed-income securities | - | - |
| **Sub-total - Debt instruments at fair value through equity with recycling** | **-** | **-** |
| Investments in subsidiaries and associates | 2,266 | 3,719 |
| Equities and other variable-income securities | - | - |
| **Sub-total - Equity instruments at fair value through equity without recycling** | **2,266** | **3,719** |
| **Total** | **2,266** | **3,719** |

## 3.3. DISTRIBUTION OF FINANCIAL INSTRUMENTS BY TYPE OF MARKET PRICE OR VALUATION MODEL USED

| | 30/06/2020 | | | | 31/12/2019 | | | |
|---|---|---|---|---|---|---|---|---|
| *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 | - | 3,825 | - | 3,825 | - | 12,732 | - | 12,732 |
| Non-SPPI debt instruments | | 121,909 | - | 121,909 | | 143,848 | - | 143,848 |
| Other financial instruments at fair value through profit and loss | 2,157 | 11,302 | - | 13,459 | 2,165 | 13,114 | - | 15,279 |
| **Total financial assets at fair value through profit and loss** | **2,157** | **137,036** | **-** | **139,193** | **2,165** | **169,694** | **-** | **171,859** |
| Debt instruments at fair value through equity | | | | - | | | | - |
| Investments in subsidiaries and associates at fair value through equity | | 1,812 | 454 | 2,266 | | 3,285 | 434 | 3,719 |
| **Total financial assets at fair value through equity** | **-** | **1,812** | **454** | **2,266** | **-** | **3,285** | **434** | **3,719** |
| Financial instruments held for trading at market value through profit and loss | 5,349 | 25,308 | - | 30,657 | 8,112 | 4,301 | - | 12,413 |
| Financial instruments designated as at market value through profit and loss | - | 791,730 | 354,716 | 1,146,446 | - | 1,120,667 | 449,035 | 1,569,702 |
| **Total financial liabilities at fair value through profit and loss** | **5,349** | **817,038** | **354,716** | **1,177,103** | **8,112** | **1,124,968** | **449,035** | **1,582,115** |

## 3.4 SECURITIES AT AMORTISED COST

| *In thousands of euros* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Treasury notes and similar securities | - | - |
| Bonds and other fixed-income securities | 6,390 | 10,384 |
| **Total** | **6,390** | **10,384** |

## 3.5. LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, AT AMORTISED COST

| *In thousands of euros* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Due from credit institutions | | |
| - Demand deposits | 79,125 | 59,914 |
| – Time deposits | 245,026 | 175,021 |
| **Sub-total** | **324,151** | **234,935** |
| Related receivables | 1 | 1 |
| **Total gross value** | **324,152** | **234,936** |
| Impairment | -10 | - |
| **Total net value** | **324,142** | **234,936** |

## 3.6. LOANS AND RECEIVABLES DUE FROM CLIENTS, AT AMORTISED COST

| *In thousands of euros* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Overdrafts | 655,559 | 652,989 |
| Other loans and financing | | |
| *- Loans* | 250,876 | 223,851 |
| *- Securities received under repurchase agreements* | - | - |
| *- Trade notes* | - | - |
| **Total gross value** | **906,435** | **876,840** |
| *- Of which related receivables* | 523 | 748 |
| Impairment | -250 | -66 |
| **Total net value** | **906,185** | **876,774** |
| **Fair value of loans and receivables due from clients** | **907,719** | **877,081** |

### Impairment of loans and receivables due from clients at amortised cost

| *In thousands of euros* | 31/12/2019 | Additions | Reversals | Transfers | 30/06/2020 |
|---|---|---|---|---|---|
| Impairment of healthy assets (Stage 1) | -18 | -12 | 3 | 11 | -16 |
| Impairment of healthy assets that have deteriorated (Stage 2) | -13 | -10 | 13 | -3 | -13 |
| Impairment of doubtful assets (Stage 3) | -35 | -188 | 10 | -8 | -221 |
| **Total** | **-66** | **-210** | **26** | **-** | **-250** |

## 3.7. ACCRUALS AND OTHER ASSETS AND LIABILITIES

| *In thousands of euros* | 30/06/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Items under collection | 101 | - | 80 | - |
| Guarantee deposits paid (*) | 78,106 | - | 48,378 | - |
| Prepaid expenses | 10,618 | - | 8,069 | - |
| Accrued income | 107,610 | - | 74,507 | - |
| Prepaid income | - | 146 | - | 227 |
| Accrued expenses | - | 95,514 | - | 84,158 |
| Other miscellaneous assets and liabilities (**) | 25,389 | 134,370 | 27,699 | 164,285 |
| **Total** | **221,824** | **230,030** | **158,733** | **248,670** |

(*) Of which €27,852 thousand related to collateral at 30 June 2020 versus €3,550 thousand of deposits paid at 31 December 2019.
(**) Of which €4,276 thousand related to collateral at 30 June 2020 versus €13,054 thousand of other liabilities at 31 December 2019.

## 3.8. INVESTMENTS IN ASSOCIATES

| *In thousands of euros* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Edmond de Rothschild (Monaco) | 54,691 | 54,080 |
| Zhonghai Fund Management Co. LTD. | 12,314 | 12,436 |
| ERAAM | 1,070 | 1,448 |
| **Investments in associates** | **68,075** | **67,964** |

### Condensed financial information at 30 June 2020

### Edmond de Rothschild (Monaco)

| *In thousands of euros* | 30/06/2020 |
|---|---|
| Current assets | 2,763,428 |
| Non-current assets | 52,040 |
| Current liabilities | 2,574,550 |
| Non-current liabilities | 240,918 |
| Net banking income | 40,409 |
| **Share of net income** | **4,814** |

## 3.9. GOODWILL

| *In thousands of euros* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Net carrying amount at the beginning of the period** | **74,313** | **82,418** |
| Acquisitions and other increases | - | - |
| Disposals and other decreases | - | - |
| Impairment | - | -8,105 |
| **Net carrying amount at the end of the period** | **74,313** | **74,313** |

| | Net carrying amount | |
|---|---|---|
| *In thousands of euros* | 30/06/2020 | 31/12/2019 |
| Edmond de Rothschild Asset Management (France) | 39,891 | 39,891 |
| Cleaveland | 23,800 | 23,800 |
| Edmond de Rothschild Assurances et Conseils (France) | 5,753 | 5,753 |
| Edmond de Rothschild Corporate Finance, Paris | 4,481 | 4,481 |
| CFSH Luxembourg SARL | 371 | 371 |
| Other | 17 | 17 |
| **Total** | **74,313** | **74,313** |

## 3.10. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

| *In thousands of euros* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Interest rate instruments – futures | 943 | 722 |
| Interest rate instruments – options | - | - |
| Foreign exchange instruments – futures | 5,355 | 8,112 |
| Foreign exchange instruments – options | - | - |
| Equity and index-linked instruments – futures | 24,804 | 4,383 |
| Equity and index-linked instruments – options | - | - |
| **Sub-total** | **31,102** | **13,217** |
| Payables related to trading derivatives | -445 | -804 |
| **Sub-total – trading securities** | **30,657** | **12,413** |
| Due to credit institutions | 771,114 | 1,092,588 |
| Due to clients | 18,739 | 23,369 |
| **Sub-total** | **789,853** | **1,115,957** |
| Related payables | 1,859 | 4,710 |
| **Sub-total - payables designated as at fair value through profit and loss** | **791,712** | **1,120,667** |
| Negotiable debt instruments | 353,447 | 447,715 |
| Bonds | - | - |
| Other debt securities | - | - |
| **Sub-total** | **353,447** | **447,715** |
| Related payables | 1,287 | 1,320 |
| **Sub-total - debt securities at fair value through profit and loss** | **354,734** | **449,035** |
| **Sub-total - financial liabilities designated as at fair value through profit and loss** | **1,146,446** | **1,569,702** |
| **Total financial liabilities at fair value through profit and loss** | **1,177,103** | **1,582,115** |

| In thousands of euros | 30/06/2020 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 | 1,146,446 | 1,173,384 | -26,938 |

| In thousands of euros | 31/12/2019 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 | 1,569,702 | 1,576,924 | -7,222 |

## 3.11. DUE TO CLIENTS

| | 30/06/2020 | | | 31/12/2019 | | |
|---|---|---|---|---|---|---|
| *In thousands of euros* | Demand deposits | Time deposits | Total | Demand deposits | Time deposits | Total |
| Special savings accounts | | | | | | |
| - Special savings accounts | - | 92,084 | 92,084 | - | 111,164 | 111,164 |
| - Related payables | - | - | - | - | - | - |
| **Sub-total** | **-** | **92,084** | **92,084** | **-** | **111,164** | **111,164** |
| Other payables | | | | | | |
| - Demand deposits | 1,521,110 | - | 1,521,110 | 1,408,489 | - | 1,408,489 |
| - Time deposits | - | 38,088 | 38,088 | - | 21,306 | 21,306 |
| - Securities delivered under repurchase agreements | - | - | - | - | - | - |
| - Other miscellaneous payables | - | 38,000 | 38,000 | - | 63,000 | 63,000 |
| - Related payables | - | 11 | 11 | - | 5 | 5 |
| **Sub-total** | **1,521,110** | **76,099** | **1,597,209** | **1,408,489** | **84,311** | **1,492,800** |
| **Total** | **1,521,110** | **168,183** | **1,689,293** | **1,408,489** | **195,475** | **1,603,964** |
| **Fair value of amounts due to clients** | | | **1,689,372** | | | **1,603,967** |

## 3.12. PROVISIONS

| *In thousands of euros* | Legal and tax risks | Post-employment benefit obligations | Loan and guarantee commitments | Losses on contracts | Other provisions | Total carrying amount |
|---|---|---|---|---|---|---|
| **Balance at 31/12/2019** | **-** | **12,137** | **-** | **-** | **12,453** | **24,590** |
| Additions | - | 286 | - | - | 5,434 | 5,720 |
| Amounts used | - | - | - | - | -1,388 | -1,388 |
| Unused amounts reversed to profit and loss | - | - | - | - | -2,850 | -2,850 |
| Other movements | - | 1,185 | - | - | -1,667 | -482 |
| **Balance at 30/06/2020** | **-** | **13,608** | **-** | **-** | **11,982** | **25,590** |

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).

## 3.13. DUE TO CREDIT INSTITUTIONS

| *In thousands of euros* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| - Demand deposits | 39,221 | 88,276 |
| – Time deposits | - | - |
| **Sub-total** | **39,221** | **88,276** |
| Related payables | - | - |
| **Total due to credit institutions** | **39,221** | **88,276** |

## 3.14. 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 set by reference to the 10-year swap rate in euros on 4 June 2007: 4.71% + 1.65%.

# Note 4 – Analysis of income statement items

## 4.1. INTEREST AND SIMILAR REVENUES

| *In thousands of euros* | First half 2020 | First half 2019 |
|---|---|---|
| **Interest and other revenues on loans and receivables due from credit institutions, at amortised cost** | **365** | **446** |
| - Demand deposits and interbank loans | 365 | 446 |
| - Loan and guarantee commitments | - | - |
| - Repurchase transactions | - | - |
| **Interest and other revenues on loans and receivables due from clients** | **4,919** | **4,552** |
| - Demand deposits and loans | 4,919 | 4,552 |
| - Repurchase transactions | - | - |
| **Interest on financial instruments** | **5,965** | **4,328** |
| - Debt instruments at amortised cost | 20 | 55 |
| - Financial assets at fair value through equity | - | - |
| - Financial assets at fair value through equity | 35 | 35 |
| - Interest on derivatives | 5,910 | 4,238 |
| **Total interest and similar revenues** | **11,249** | **9,326** |

## 4.2. INTEREST AND SIMILAR EXPENSES

| *In thousands of euros* | First half 2020 | First half 2019 |
|---|---|---|
| **Interest and other expenses on loans and payables due to credit institutions, at amortised cost** | **-9,593** | **-17,489** |
| - Demand deposits and interbank loans | -9,593 | -17,489 |
| - Loan and guarantee commitments | - | - |
| - Repurchase transactions | - | - |
| **Interest and other expenses on payables due to clients, at amortised cost** | **-233** | **-400** |
| - Demand deposits and loans | -233 | -400 |
| - Loan and guarantee commitments | - | - |
| - Repurchase transactions | - | - |
| **Interest on financial instruments** | **-6,471** | **-5,516** |
| - Debt securities | -5,443 | -5,382 |
| - Interest on derivatives | -1,028 | -134 |
| **Interest and expenses on lease liabilities** | **-186** | **-230** |
| **Total interest and similar expenses** | **-16,483** | **-23,635** |

## 4.3. FEES

| | First half 2020 | | First half 2019 | |
|---|---|---|---|---|
| *In thousands of euros* | Income | Expense | Income | Expense |
| Cash and interbank transactions | - | -3 | - | -3 |
| Transactions with clients | 228 | - | 85 | - |
| Securities transactions | - | - | - | - |
| Foreign exchange transactions | 16 | - | 15 | - |
| Off-balance sheet transactions | - | - | - | - |
| *- Securities commitments* | *558* | - | *69* | - |
| *- Commitments on forward financial instruments* | *3,792* | *-2,766* | *1,040* | *-619* |
| Financial services | 155,885 | -35,450 | 162,377 | -39,213 |
| Additions to/reversals of provisions | - | - | - | - |
| **Total fees** | **160,479** | **-38,219** | **163,586** | **-39,835** |

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

| *In thousands of euros* | First half 2020 | First half 2019 |
|---|---|---|
| Net gains or losses on financial assets held for trading | -3,487 | -2,599 |
| Net gains or losses on financial liabilities at fair value through profit and loss | 28,044 | -12,145 |
| Net gains or losses on derivatives | -28,095 | 12,496 |
| Net gains or losses on foreign exchange transactions | 11,279 | 20,446 |
| Net gains or losses on equity instruments at fair value through profit and loss | -428 | 147 |
| Net gains or losses on non-SPPI debt instruments (*) | -4,890 | 35,470 |
| **Total net gains or losses on financial instruments at fair value through profit and loss** | **2,423** | **53,815** |

## 4.5. NET GAINS OR LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY

| *In thousands of euros* | First half 2020 | First half 2019 |
|---|---|---|
| Dividends received on equity instruments at fair value through equity | 153 | 5,965 |
| Net gains or losses on financial assets at fair value through equity | - | - |
| **Total net gains or losses on financial assets at fair value through equity** | **153** | **5,965** |

## 4.6. REVENUES AND EXPENSES RELATING TO OTHER ACTIVITIES

| *In thousands of euros* | First half 2020 | First half 2019 |
|---|---|---|
| Expenses transferred to other companies | 1,015 | 1,074 |
| Other ancillary income | 664 | 1,058 |
| Other | 4,036 | 3,384 |
| **Revenues from other activities** | **5,715** | **5,516** |
| Revenues transferred to other companies | -6,900 | -7,129 |
| Other | -2,010 | -294 |
| **Expenses relating to other activities** | **-8,910** | **-7,423** |

## 4.7. GENERAL OPERATING EXPENSES

| *In thousands of euros* | First half 2020 | First half 2019 |
|---|---|---|
| Wages and salaries | -43,142 | -48,596 |
| Pension expenses | -4,539 | -4,580 |
| Social security expenses | -16,283 | -16,817 |
| Employee incentive plans | -9 | -291 |
| Mandatory employee profit-sharing | -785 | -1,453 |
| Payroll taxes | -5,234 | -5,535 |
| Additions to provisions for personnel expenses | -3,739 | -3,611 |
| Reversals of provisions for personnel expenses | 4,140 | 2,730 |
| **Sub-total - Personnel expenses** | **-69,591** | **-78,153** |
| Taxes other than income tax | -2,514 | -2,576 |
| Rental expenses | -1,805 | -1,531 |
| External services | -38,935 | -39,542 |
| Travel expenses | -642 | -1,327 |
| Miscellaneous operating expenses | - | - |
| Additions to provisions for administrative expenses | - | -110 |
| Reversals of provisions for administrative expenses | - | 3 |
| **Sub-total - Administrative expenses** | **-43,896** | **-45,083** |
| **Total general operating expenses** | **-113,487** | **-123,236** |

## 4.8. GAINS OR LOSSES ON OTHER ASSETS

| *In thousands of euros* | First half 2020 | First half 2019 |
|---|---|---|
| Losses on sales of intangible assets and property, plant and equipment | - | - |
| Gains on sales of intangible assets and property, plant and equipment | - | - |
| Gain/(loss) on transactions related to investments in consolidated companies | -15 | 1,209 |
| **Total net gains or losses on other assets** | **-15** | **1,209** |

# Note 5 – Note on commitments

| *In thousands of euros* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Commitments given** | | |
| Loan commitments | | |
| To credit institutions | - | - |
| To clients | 302,995 | 292,492 |
| Guarantee commitments | | |
| To credit institutions | 15,443 | 12,443 |
| To clients | 37,872 | 39,110 |
| **Commitments received** | | |
| Loan commitments | | |
| From credit institutions | - | - |
| From clients | - | - |
| Guarantee commitments | | |
| From credit institutions | 2,539 | 13,487 |
| From clients | - | - |

# Note 6 – Employee benefits and share-based payments

## 6.1.A. PENSION COSTS - DEFINED-BENEFIT PLANS

At 30 June 2020, the amount of commitments came to €27.417 million before tax, the fair value of the assets was €20.736 million and residual net past service income was zero, resulting in a provision of €6.681 million.

| In thousands of euros | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Present value of the commitment | 27,417 | 27,581 |
| - Value of plan assets | -20,736 | -22,773 |
| **Financial position of plan** | **6,681** | **4,808** |
| - Unrecognised past service cost | - | - |
| **Provision** | **6,681** | **4,808** |

## 6.1.B. TERMINATION BENEFITS FOR RETIRING EMPLOYEES

The gross liability was €6.927 million at 30 June 2020 and €7.329 million at 31 December 2019. Service cost was €244 thousand in the first half of 2020, the cost of discounting was €28 thousand and the actuarial gain with respect to the first half of 2020 was €674 thousand.

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

Breakdown of the expense recognised

| In thousands of euros | First half 2020 | First half 2019 |
|---|---|---|
| Current period service cost | -244 | -268 |
| Interest cost | -131 | -300 |
| Expected return on plan assets | 89 | 206 |
| **Net expense recognised** | **-286** | **-362** |

| Main actuarial assumptions (termination benefits for retiring employees) | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Discount rate | 1.05% | 0.79% |
| 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 13 15 | THTF 13 15 |

Change in provision

| In thousands of euros | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Provision/asset at the beginning of the period** | **12,137** | **11,237** |
| *– Expense recognised in profit and loss* | *384* | *811* |
| *- Benefits directly paid by the employer (unfunded)* | *-98* | *-36* |
| *- Changes in consolidation scope (acquisitions and disposals)* | *-* | *-* |
| *- Actuarial gains and losses* | *1,185* | *125* |
| **Provision/asset at the end of the period** | **13,608** | **12,137** |

Recognition of commitments

| In thousands of euros | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Change in the value of commitments** | | |
| Present value of the commitment at the beginning of the period | 34,910 | 33,292 |
| *- Past service cost* | *341* | 593 |
| *- Discount expense* | *131* | 567 |
| *- Actuarial gains or losses* | *-412* | 1,533 |
| *- Benefits paid by the employer and/or the fund* | *-626* | -1,075 |
| *- Changes in consolidation scope (acquisitions and disposals)* | - | - |
| **Total present value of the commitment at the end of the period (A)** | **34,344** | **34,910** |
| **Change in plan assets and reimbursement rights** | | |
| Fair value of plan assets at the beginning of the period | 22,773 | 22,055 |
| *- Return on plan assets* | *89* | *349* |
| *- Actuarial gains or losses* | *-1,599* | *1,408* |
| *- Benefits paid by the fund* | *-527* | *-1,039* |
| **Fair value of plan assets at the end of the period (B)** | **20,736** | **22,773** |
| **Funding status** | | |
| Financial position (A) - (B) | 13,608 | 12,137 |
| **Provision / asset** | **13,608** | **12,137** |

## 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 supervision and resolution 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 2020 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 has been set up.

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 Edmond de Rothschild Holding 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 2020 is being spread between 1 January 2020 and the vesting dates, i.e. over 2.25, 3.25 and 4.25 years for the tranches due to vest in March 2022, March 2023 and March 2024 respectively.

In the first half of 2020, the net income arising from the Group's Employee Share Plan was €11 thousand as opposed to a net expense of €474 thousand in the first half of 2019.

# Note 7 – Additional information

| | Percentage held | | Percentage controlled | |
|---|---|---|---|---|
| | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 |
| **7.1. Scope of consolidation** | | | | |
| **Consolidating entity** | | | | |
| **Bank** | | | | |
| • EdR France | | | | |
| **Controlled companies** | | | | |
| **Holding companies** | | | | |
| • Financière Boréale | 100.00 | 100.00 | 100.00 | 100.00 |
| • EdR Real Estate (Eastern Europe) Cie SARL * | 62.73 | 62.73 | 62.73 | 62.73 |
| • CFSH Luxembourg SARL * | 100.00 | 100.00 | 100.00 | 100.00 |
| • CFSH Secondary Opportunities SA * | 100.00 | 100.00 | 100.00 | 100.00 |
| • Edmond de Rothschild Europportunities Invest II SARL * | 58.33 | 58.33 | 58.33 | 58.33 |
| • Edmond de Rothschild Europportunities Invest SARL * | 81.67 | 81.67 | 81.67 | 81.67 |
| • Bridge Management SARL * | 99.99 | 99.99 | 100.00 | 100.00 |
| **Investment company** | | | | |
| • Edmond de Rothschild Securities (Hong Kong) Limited * | - | 100.00 | - | 100.00 |
| **Asset management companies** | | | | |
| • Edmond de Rothschild Asset Management (France) | 99.99 | 99.99 | 99.99 | 99.99 |
| • Edmond de Rothschild Private Equity (France) | 100.00 | 100.00 | 100.00 | 100.00 |
| • Edmond de Rothschild Europportunities Management SARL * | 100.00 | 100.00 | 100.00 | 100.00 |
| • Edmond de Rothschild Europportunities Management II SARL * | 68.68 | 68.68 | 68.68 | 68.68 |
| • EdR Real Estate (Eastern Europe) Management SARL * | 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 | 99.99 | 100.00 | 100.00 |
| • Edmond de Rothschild Investment Partners China SARL * | 100.00 | 100.00 | 100.00 | 100.00 |
| • Edmond de Rothschild REIM (France) | 100.00 | 100.00 | 100.00 | 100.00 |
| • EDR Immo Magnum | 100.00 | 100.00 | 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 |
| • Immopéra | 99.92 | - | 99.92 | - |
| **Associates** | | | | |
| **Bank** | | | | |
| • Edmond de Rothschild (Monaco) * | 36.93 | 36.93 | 36.93 | 36.93 |
| • Financière Eurafrique | 100.00 | - | 100.00 | - |
| **Asset management company** | | | | |
| • Zhonghai Fund Management Co. Ltd * | 25.00 | 25.00 | 25.00 | 25.00 |
| • ERAAM | 34.00 | 34.00 | 34.00 | 34.00 |

* Foreign company.

| | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **7.2 Average number of employees** | | |
| French companies | 719 | 730 |
| *- Operatives* | *68* | *78* |
| *- Executives and senior* | *651* | *652* |
| Foreign companies | 62 | 53 |
| **Total** | **781** | **783** |

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. Post-balance sheet events

There are no significant post-balance sheet events to report.

### 7.4. 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 30 June 2020, the capital of Edmond de Rothschild (France) amounted to €83,075,820, consisting of 5,538,388 shares with par value of €15 each.

# 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.

Asset Management covers the following types of management:
- long-only management including equity management, corporate debt management, asset allocation and sovereign bond management;
- proprietary investment solutions;
- real-estate management by Edmond de Rothschild REIM;
- private equity fund management by Edmond de Rothschild Private Equity (France).

The "Other Activities and Proprietary Trading" business line includes:
- under Other Activities, corporate advisory services provided by the dedicated subsidiary Edmond de Rothschild Corporate Finance, including M&A advisory, business valuations and financial engineering, and the proprietary activities of the Capital Markets Department;
- under Proprietary Trading, management of the Group's assets (particularly its securities portfolio), the Bank's financing activities for all of its businesses, expenses related to this business line's specific activities and its co-ordination role within the Group, and income and expenses not directly attributable to the other business lines.
-

*Methodologies*

Each business line's management accounts are intended to:
- show the results of each business line as if it were an independent entity;
- provide a fair view of their results and profitability over the period.

The main conventions used in establishing these accounts are as follows:
- each business line's net banking income corresponds to the revenues generated by its business, net of fees passed on to business providers;
- each business line's management expenses comprise its direct costs, its share of expenses related to the logistical and operational support provided by the Bank, and a share of the Group's overheads;
- provisions are allocated between the business lines to reflect the risk inherent in each business line's activities. Provisions that cannot be allocated to a business line are allocated to Proprietary Trading.

A detailed analysis of each business line's results and its contribution to Group earnings is provided below.

| In thousands of euros | Private Banking | | Asset Management & Private Equity | | Other Activities and Proprietary Trading | | Group | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Net banking income** | **47,707** | **40,156** | **66,838** | **77,913** | **1,862** | **49,246** | **116,407** | **167,315** |
| Operating expenses | -40,132 | -39,717 | -65,832 | -76,483 | -20,815 | -20,861 | -126,779 | -137,061 |
| Personnel expenses | -24,144 | -24,188 | -35,095 | -42,596 | -10,352 | -11,369 | -69,591 | -78,153 |
| *- direct* | *-17,968* | *-17,225* | *-26,324* | *-32,290* | *-7,149* | *-8,624* | *-51,441* | *-58,139* |
| *- indirect* | *-6,176* | *-6,963* | *-8,771* | *-10,306* | *-3,203* | *-2,745* | *-18,150* | *-20,014* |
| Other operating expenses | -12,554 | -11,913 | -26,342 | -29,110 | -5,000 | -4,060 | -43,896 | -45,083 |
| Depreciation and amortisation | -3,434 | -3,616 | -4,395 | -4,777 | -5,463 | -5,432 | -13,292 | -13,825 |
| **Gross operating income** | **7,575** | **439** | **1,006** | **1,430** | **-18,953** | **28,385** | **-10,372** | **30,254** |
| Cost of risk | - | - | - | - | -172 | 41 | -172 | 41 |
| **Operating income** | **7,575** | **439** | **1,006** | **1,430** | **-19,125** | **28,426** | **-10,544** | **30,295** |
| Share in net income of associates | 4,813 | 3,206 | -377 | - | - | - | 4,436 | 3,206 |
| Net gains or losses on other assets | - | - | - | - | -15 | 1,209 | -15 | 1,209 |
| Change in value of goodwill | - | - | - | - | - | - | - | - |
| **Recurring income before tax** | **12,388** | **3,645** | **629** | **1,430** | **-19,140** | **29,635** | **-6,123** | **34,710** |
| Income tax | -2,621 | -162 | -321 | -463 | 4,412 | -11,634 | 1,470 | -12,259 |
| **Net income** | **9,767** | **3,483** | **308** | **967** | **-14,728** | **18,001** | **-4,653** | **22,451** |

## Note 9 – Transactions with related parties

In the first half of 2020, relations between Edmond de Rothschild (France) and related companies were similar to those in 2019. No transactions that were unusual, because of either their nature or amount, took place during the period.

# Parent company financial statements

## Parent company balance sheet and off-balance sheet items (in thousands of euros)

| | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Assets** | | |
| Cash, due from central banks and postal accounts | 1,694,216 | 2,229,166 |
| Treasury notes and similar securities | - | - |
| Due from credit institutions | 295,801 | 222,280 |
| Transactions with clients | 913,528 | 884,838 |
| Bonds and other fixed-income securities | 3,895 | 3,872 |
| Equities and other variable-income securities | 71,208 | 71,349 |
| Investments in subsidiaries and associates and other long-term investments | 19,344 | 20,815 |
| Investments in affiliates | 217,527 | 212,923 |
| Intangible assets | 19,936 | 21,680 |
| Property, plant and equipment | 16,348 | 17,011 |
| Treasury shares | - | - |
| Other assets | 117,426 | 83,254 |
| Accruals | 90,110 | 87,675 |
| **Total assets** | **3,459,339** | **3,854,863** |

| | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Liabilities and equity** | | |
| Due to credit institutions | 810,635 | 1,185,142 |
| Transactions with clients | 1,740,773 | 1,681,470 |
| Debt securities | 447,594 | 516,939 |
| Other liabilities | 61,981 | 94,996 |
| Accruals | 89,484 | 69,447 |
| Provisions | 7,289 | 6,930 |
| Subordinated debt | 21,021 | 21,022 |
| Equity (excluding fund for general banking risks) | 280,562 | 278,917 |
| *. Share capital* | *83,076* | *83,076* |
| *. Share premiums* | *98,244* | *98,244* |
| *. Reserves* | *32,278* | *32,278* |
| *. Retained earnings (+/-)* | *65,319* | *71,213* |
| *. Net income for the period (+/-)* | *1,645* | *-5,894* |
| **Total liabilities and equity** | **3,459,339** | **3,854,863** |

| | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Off-balance sheet items** | | |
| **Commitments given** | | |
| Loan commitments | 264,143 | 251,793 |
| Guarantee commitments | 38,048 | 39,196 |
| Securities-related commitments | 24,465 | 27,486 |
| **Commitments received** | | |
| Guarantee commitments | 2,711 | 13,487 |
| Securities-related commitments | - | - |

# Parent company income statement

| In thousands of euros | First half 2020 | First half 2019 |
|---|---|---|
| + Interest and similar revenues | 27,486 | 6,325 |
| - Interest and similar expenses | -32,022 | -20,293 |
| + Revenues from variable-income securities | 10,418 | 17,258 |
| + Fee income | 44,714 | 34,812 |
| - Fee expense | -11,482 | -8,756 |
| +/- Net gain/loss from trading portfolios | 11,533 | 20,298 |
| +/- Net gain/loss from available-for-sale securities portfolios and similar | -908 | 950 |
| + Other banking revenue | 19,407 | 19,285 |
| - Other banking expenses | -1,976 | -1,739 |
| **Net banking income** | **67,170** | **68,140** |
| - General operating expenses | -68,814 | -68,573 |
| - Depreciation, amortisation and impairment of intangible assets and property, plant and | -6,109 | -5,968 |
| **Gross operating income** | **-7,753** | **-6,401** |
| +/- Cost of risk | 13 | 1 |
| **Operating income** | **-7,740** | **-6,400** |
| +/- Net gain/loss from long-term assets | 4,829 | 6,972 |
| **Recurring income before tax** | **-2,911** | **572** |
| +/- Extraordinary income/loss | 75 | 6 |
| - Income tax | 4,481 | 36 |
| **Net income** | **1,645** | **614** |

# Statutory auditors' review report on the half-year financial information

Period from January, 1st to June 30, 2020

This is a free translation into English of the statutory auditors' review report issued in French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders
EDMOND DE ROTHSCHILD (FRANCE)
47, rue du Faubourg St Honoré
75008 PARIS cedex 08

In compliance with the assignment entrusted to us by your general assembly and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code (code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Edmond de Rothschild France, for the six months ended June 30,2020;
- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements were prepared under the responsibility of the Board of directors on July 28, 2020, based on information available at that date in the evolving context of the COVID-19 crisis and difficulties in understanding its impacts and future prospects. Our role is to express a conclusion on these financial statements based on our review.

*I - Conclusion on the financial statements*

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, the standard of IFRSs as adopted by the European union applicable to interim financial information.

*II - Specific verification*

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements prepared on July 28,2020 subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Paris, Septembre 22, 2020

The Statutory Auditors

| PricewaterhouseCoopers Audit | Cabinet Didier Kling& Associés |
|---|---|
| Philippe Chevalier | Solange Aïache |

# Declaration relating to the interim financial report

## Declaration by the person responsible for the first-half financial report

I hereby declare that, to the best of my knowledge, the condensed financial statements for first half of 2020 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, the financial position and results of the company and all the companies included in the scope of consolidation, and that the attached interim report on operations provides an accurate description of the significant events during the first six months of the financial year, their impact on the financial statements, the main transactions between related parties and a description of the main risks and contingencies for the remaining six months of the financial year.

Paris, 18 September 2020

Chairman of the Executive Board

**Renzo Evangelista**