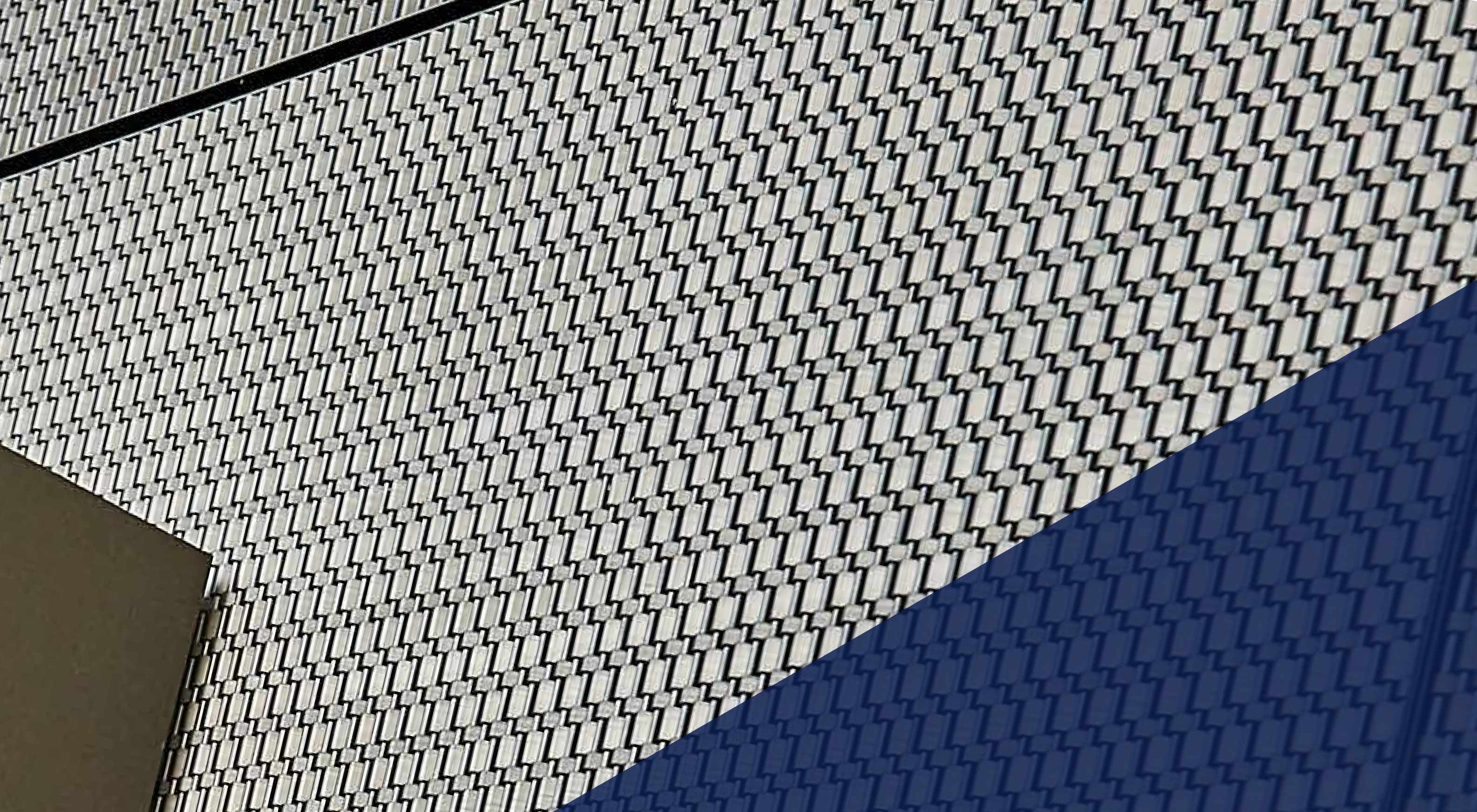
Rothschild & Co
Annual Report 2018

Rothschild & Co



Contents

Message from the Chairman of the Supervisory Board

“The new Executive team remain committed to building long-term value for shareholders through a clear and focused strategy.”

Dear Shareholders,

Firstly, I would like to thank the Board members for accepting my nomination as Chairman of the Supervisory Board, after my appointment as a member, at the Annual General Meeting in May 2018. I would like to take this opportunity to thank Eric de Rothschild, whom I succeed, for his immense hard work as Chairman over the past 14 years. Eric has always been available to offer candid and judicious advice and I am delighted that we will still benefit from his enthusiasm and wisdom in his new position as Deputy Chairman of the Supervisory Board, alongside Adam Keswick.

The members of the Management Board, represented by my son, Alexandre de Rothschild, Executive Chairman, and the three Managing Partners, Marc-Olivier Laurent, Robert Leitão and François Pérol, have already delivered excellent results and together they remain committed to building long-term value for shareholders through a clear, focused strategy.

As Chairman of the Supervisory Board, it is my responsibility to ensure that corporate governance standards and recommendations are respected. The Supervisory Board exercises permanent oversight of the Company’s management, including in particular its financial reporting system and internal control mechanisms.

At the Annual General Meeting held on 17 May 2018, the shareholders approved the re-election of Lucie Maurel-Aubert, Sylvain Héfès, Anthony de Rothschild, Sipko Schat and Peter Smith. I am delighted that these five members of our Board have agreed to remain with us and that we will continue to benefit from their sound advice.

Mr. André Lévy-Lang, who had been a member of the Supervisory Board for 14 years (including his directorships within the Company before it was converted into a limited partnership in 2012), decided to step down in September 2018. During this time, he was also a member of the Audit Committee and a member of the Remuneration and Nomination Committee. Since December 2018, he has been working in the Group as a member of the Supervisory Board of Rothschild Martin Maurel. I would like to express my gratitude for his valuable advice, and we are delighted that the Group can continue to benefit from the wisdom of his views and his deep knowledge of the banking sector in his new role.

In this annual report, as well as on the Company’s website, you will find detailed information on the composition of the Supervisory Board and its specialised committees, as well as the other directorships held by the Board members.

In our Annual General Meeting document to be published soon on our website, you will find the information required by law about the members due to be re-elected at this year’s Annual General Meeting. At this meeting, shareholders will also be asked to approve a dividend of €0.79 per share.

Last, but not least, I would like to thank you as always for your continuing support of Rothschild & Co.

David de Rothschild
Chairman of the Supervisory Board of Rothschild & Co

Message from the Executive Chairman

"With the Managing Partners, we look forward to working on the next stage of the Group's development."

Dear Shareholders,

2018 was an important year in the history of the Group. After 40 years of steadfast and perspicacious leadership, recreating the family business from scratch after nationalisation in 1981 and building it to become one of the world's largest independent financial advisory groups today, my father David de Rothschild was appointed as Chairman of the Supervisory Board of Rothschild & Co. I would like to thank him for handing over to me such a healthy business well positioned for growth. He has always been a role model and an inspiration for me and I am delighted that he is remaining with the Group. I am honoured to have taken the position of Executive Chairman of Rothschild & Co Gestion in his place and look forward to working with the Managing Partners on the next stage of our development.

The Management Board is now made up of the three Managing Partners, Robert Leitão and François Pérol, who co-chair the Group Executive Committee, and Marc-Olivier Laurent. The four of us are responsible for the overall management and strategic direction of Rothschild & Co.

In 2018, we reached an important agreement with the Edmond de Rothschild group on the use of our respective brands, which also led to the unwinding of our cross shareholdings. As a result, the brand name, Rothschild & Co, was rolled out across the Group to harmonise our external communications and thereby better reflect the collegiate culture of the firm.

Our success as a company can be measured not only by the high number of trusted client relationships we have developed, translating into the excellent financial results we have announced this year, but also by the impact we have on the world around us. We are increasingly convinced that in a rapidly changing world, our values of being principled, thoughtful and creative are an important differentiator in today's competitive market. In addition to the business relationships we build, we are passionate about forming close relationships with our local communities making a meaningful difference to young people from deprived backgrounds. We also recognise that our actions have an impact on the environment and that it is our responsibility, as part of our overall business strategy, to try and limit that impact and we are proud that 14 of our offices in the world were confirmed as free of single-use plastic during 2018.

Since taking on my new role, I have had the opportunity to meet many of our talented colleagues and I am impressed by their enthusiasm, dedication and long-term commitment to their clients. One of our priorities over the next few years will be to ensure that we offer all our employees, across our 50 offices worldwide, a balanced, inclusive and flexible working environment allowing them to reconcile their personal and professional aspirations. The Managing Partners and I are working hard with management across the Group to encourage more diversity in our teams not only to reflect more accurately the world in which we operate but also because we believe a diverse team is key to our future success.

At the end of this strong year, it just remains for me to thank our shareholders and clients for their support, and all those who work at Rothschild & Co, for their loyalty, dedication and utmost professionalism.

Alexandre de Rothschild
Executive Chairman of Rothschild & Co Gestion,
Managing Partner of Rothschild & Co

Message from the Management Board

"2018 was a very strong year with excellent performance from across the Group."

Dear Shareholders,

In 2018, Rothschild & Co enjoyed a very strong year with excellent performance from across the Group. Overall revenue grew by 3% to €1,976 million and net income – Group share excluding exceptionals rose 23% to €303 million.

All three divisions performed well: Global Advisory enjoyed the best year ever with a record performance in M&A; Wealth and Asset Management saw an increase of Net New Assets in Wealth Management of €2.2 billion as well as profits, despite challenging markets; and Merchant Banking had an impressive 34% increase in Assets under Management.

For 2018, **Global Advisory** delivered another record annual revenue performance of €1,271 million, an increase of 7%. Our ranking by financial advisory revenue was 6th globally maintaining the position we held last year(1).

Operating income for 2018, excluding ongoing investment in the development of our North American M&A franchise, was €255 million, representing an operating income margin of 20%. This operating income margin continues to be at the top end of our target range over the cycle.

In M&A advisory, we maintained our market leading position. For 2018, we ranked 1st globally by number of completed transactions and 1st in Europe by number of both completed and announced transactions(2). During the year, we advised clients on approaching 400 completed M&A transactions with a total value of c.US$380 billion(3). As a result, M&A advisory revenue for the year reached €941 million, a new annual record, up 17% year-on-year compared to 2017.

Financing Advisory revenue decreased by 13% to €330 million, following a record year in 2017, due to more challenging equity markets and less corporate restructuring activity in the US. Despite this, we continued to be highly active in large and complex debt advisory and restructuring situations, providing advice to clients on approaching 200 transactions with a total value of c.US$210 billion(3). For restructuring assignments completed during the year, we ranked 3rd by number of transactions globally and 1st by number of transactions in Europe(4). We also provided equity advisory services during the year on transactions with a total value of c.US$35 billion, and we continue to advise on more European equity assignments than any other independent adviser(5).

We continue to strengthen our senior team. During 2018, ten new Managing Directors were hired into our offices in the US, the UK and China. In the US, we recruited six Managing Directors in M&A focusing on clients in the Technology, Chemicals, Financial Institutions, General Industrials and Telecoms & Media sectors. We recently also formally launched a dedicated Investor Advisory practice which will combine with Global Advisory's leading independent strategic advisory business, in order to respond to the increasing demand for improving engagement between listed corporates and their investor base.

(1) Company filings.
(2) Refinitiv. Excludes accountancy firms.
(3) Refinitiv. Internal analysis.
(4) Refinitiv.
(5) Dealogic.

In **Wealth & Asset Management**, as announced in October 2018, we completed the sale of our worldwide wealth planning and trust services business, in February 2019. The sale is in line with our strategic decision to focus on our core wealth management and private banking business.

Excluding, therefore, the Trust business, revenue for 2018 was €480 million, up 2% and operating margin was 18%. The revenue progression reflects two factors; an increase in management fees thanks to positive net new assets in Wealth Management; offset by a decrease in performance fees from Asset Management.

We saw growth in profitability of 5% with operating income, excluding Martin Maurel integration costs, rising to €85 million for 2018. The operational integration of Martin Maurel was finalised at the end of 2018.

The business model continues to flourish, as a result net new assets in Wealth management increased by €2.2 billion, representing a growth rate of 5% of AUM with positive net inflows in all European countries. Asset management experienced net outflows of €0.7 billion, which had a limited impact on our margins as gross inflows (€3.9 billion) had higher margins than gross outflows (€4.6 billion).

Merchant Banking continued to perform strongly during 2018 generating revenue of €175 million. When compared to the average for the last three years, revenue is up 20%.

Revenue comprises recurring revenue of €70 million and investment performance related revenue of €105 million. Recurring revenue has more than doubled over the last five years to represent 40% of total revenue in 2018 (versus 22% in 2014).

Operating income was €102 million in 2018 representing a 59% operating margin. The decline in operating income is mainly related to lower realised gains. Aside from this, investment performance related revenue on core strategies remained strong in 2018, after a peak year in 2017, as the Merchant Banking flagship European mid-market private equity fund, Five Arrows Principal Investments I (FAPI I), continued to deliver successful exits.

Merchant Banking's assets under management were €11.1 billion as at 31 December 2018 compared to €8.3 billion 12 months previously.

The division continues to expand with the final closing of Five Arrows Principal Investments III (FAPI III) for €1.25 billion in 2019 and Five Arrows Capital Partners (FACP) its mid-market corporate private equity fund focused on North America for $655 million, Finally, Merchant Banking also expanded its private debt and credit management franchises during 2018.

Outlook

In Global Advisory, whilst we believe the general environment continues to be supportive for this business, we remain alert to signs of a significant turning point in the cycle. At the moment, our visible pipeline of business remains healthy. Looking ahead, our focus remains on growing our North American M&A franchise, whose revenue has increased over time as a result of ongoing investment and where we foresee strong potential for future growth.

Wealth and Asset Management has a solid base from which to grow. However, the macro economic factors are uncertain, resulting in increased market volatility. Nevertheless, thanks to continued investment in our people and processes, we expect net new assets in Wealth Management to increase across all main geographies.

Merchant Banking expects to continue growing its Assets under Management and maintain a significant contribution to the Group's results. The division will be focused on the deployment of the recently launched funds. It also expects to raise successor funds and grow its direct lending and credit management businesses. Our portfolios' performance remains strong and we continue to apply our investment philosophy that is centred around cautious and disciplined capital deployment decisions, focusing on attractive risk-reward opportunities with appropriate downside protection features.

Whilst 2018 was a very strong year, we anticipate 2019 to be more challenging due to the increased uncertainty surrounding the macro environment and its consequential effects on financial markets. We will continue to focus on our strategy of growing our three businesses and improving the synergies between them, while, in the event of a decline in market conditions, remaining ever vigilant to control our cost base.

We are very proud of these excellent results, achieved through hard work and a focus on long-term benefits for our clients. This is a key differentiator in our offering and singles us out among our peers. Our strong culture ensures that as we grow organically across the world, our high quality client offering pervades and provides us with a unique position in the competitive world in which we operate. The quality of our people is of utmost importance and we work hard to recruit, develop and retain this talent producing positive results for our shareholders.

Alexandre de Rothschild
Executive Chairman of Rothschild & Co Gestion

Marc-Olivier Laurent
Robert Leitão
François Pérol
Managing Partners of Rothschild & Co Gestion

1

Overview

Highlights of the year

2018 has been a successful year for our firm, one that has seen many positive developments for our business.

Changes to Rothschild & Co Gestion Management

Alexandre de Rothschild was appointed Executive Chairman of Rothschild & Co Gestion, with David de Rothschild joining Rothschild & Co's Supervisory Board as Chairman, replacing Eric de Rothschild who became its Vice-Chairman.

François Pérol was appointed as Managing Partner and Co-Chairman of the Group Executive Committee alongside Robert Leitão.

Renaming to Rothschild & Co

The renaming of the firm to Rothschild & Co was implemented across the business to reflect the collaborative culture of our firm better, between the family members, our management, and our employees.

Agreement with Edmond de Rothschild Group

Rothschild & Co and Edmond de Rothschild announced the signing of an overall agreement on the use of their respective brands, and the concurrent unwinding of cross-shareholdings between the two firms was completed.

Investment in our intellectual capital

600 new colleagues joined our Group globally, including our largest ever Graduate Training Programme with 144 candidates joining 24 offices around the world.

Strong performance for Merchant Banking

Merchant Banking deployed capital successfully across all funds and strategies and secured a number of highly profitable exits, exceeding targets.

Assets under Management reached €11 billion.

Continued investment in Global Advisory's scale and expertise

Global Advisory maintained its position as the world's most active investment bank.

The growth of our coverage and intellectual capital in North America continued to be a strategic priority, with six new Managing Directors hired in the region during 2018.

Further streamlining of our Wealth Management businesses

Our Trust business was sold in order to focus on our core Wealth Management and private banking activities. We strengthened our offering by opening a new office in Düsseldorf.

We achieved a major milestone in the full structural integration of our French Wealth Management teams following our combination with Martin Maurel.

A Management committee was created to encourage synergies across our Wealth and Asset Management businesses at a Group level.

Investor Relations milestones

Rothschild & Co share entered several Euronext Paris indices: CAC® SMALL, CAC® MID & SMALL and CAC® ALL TRADABLE, and later in the year the SBF 120.

Overview

Key figures for 2018 (versus 2017)

Revenue
€1,976m +3%

Net profit – Group shares[1]
€303m +23%

EPS (Earnings per share)[1]
€4.10 +23%

ROTE (Return on Tangible Equity)[1]
18.0%

Shareholders' equity – Group share
€2,039m +7%

Number of employees
3,633 +4%

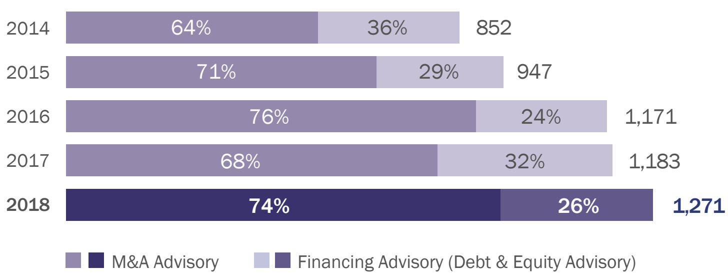
Global Advisory

- **M&A and Strategic Advisory**
- **Financing Advisory**
  - **Debt Advisory and Restructuring**
  - **Equity Advisory**
- Worldwide platform with a presence in over 40 countries
- 1,089 bankers, of which 218 are Managing Directors
- Advisor on c.660 transactions with a total value of US$600 billion

1st globally and 1st in Europe
by number of completed M&A transactions[2]

6th globally by revenue
(12 months to December 2018)

Revenue
(in millions of euros, 12 months to December)



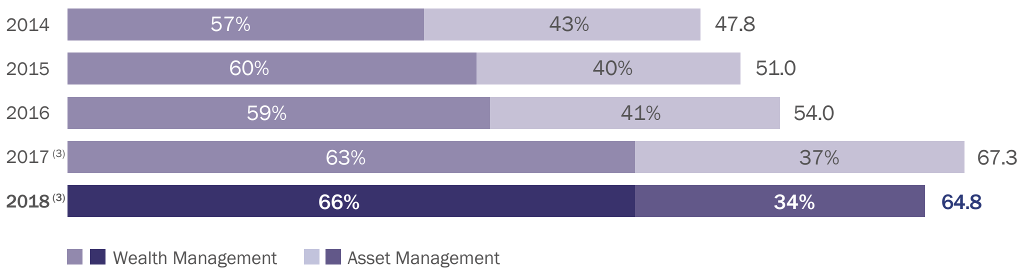
(1) Excluding exceptional items. For more information, please refer to page 52.
(2) Source: Refinitiv.

Wealth and Asset Management

- **Wealth Management**
- **Asset Management**
- Strong European presence with targeted extensions in Asia and the United States
- 161 client advisors for Private Wealth
- 47 investment managers for Asset Management

€64.8bn
Assets under management
(as at 31 December 2018)

Assets under management
(in billions of euros, as at 31 December)

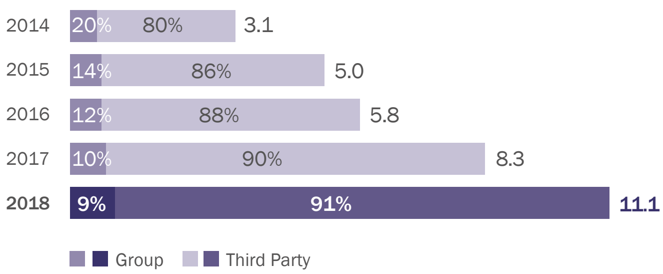


Merchant Banking

- **Corporate private equity**
- **Secondaries, multi-manager funds and co-investments**
- **Direct lending**
- **Credit management**
- Solid position in Europe
- 99 investment professionals

€11.1bn
Assets under management
(as at 31 December 2018)

Assets under management
(in billions of euros, as at 31 December)



(3) Merger with Martin Maurel Group.

World presence

An unrivalled network of specialists at the centre of the world's financial markets, combining scale with deep local knowledge.

63
locations

43
countries


Stockholm
Tallinn(1)
Riga(1)
Moscow
Copenhagen
Vilnius(1)
Manchester
Leeds
Minsk(1)
Birmingham
Amsterdam
Warsaw
London
Düsseldorf
Brussels
Frankfurt
Guernsey
Luxembourg
Prague(1)
Kiev(1)
Paris
Zurich
Lyon
Geneva
Milan
Bordeaux
Grenoble
Aix-en-Provence
Marseille
Monaco
Sofia(1)
Istanbul
Madrid
Lisbon
Athens
Tel Aviv
Beijing
Seoul(1)
Tokyo
Shanghai
Doha
Dubai
Abu Dhabi
Hong Kong
Mumbai
Manila
Kuala Lumpur
Singapore
Jakarta
Johannesburg
Sydney
Auckland(1)
Melbourne
Wellington(1)

Corporate governance

Managing Partner

As at 31 December 2018 and the date of the present report, Rothschild & Co Gestion is the Managing Partner (*Gérant*) of Rothschild & Co, responsible for the overall management of the Company, the Group's lead holding company.

This includes, among other things, establishing the strategic direction of the business, supervising the accounting and financial information, and directing the internal control framework for Rothschild & Co and the Group entities on a consolidated basis.

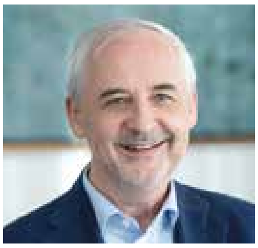
The Managing Partner relies on the Management Board (*Conseil de Gérance*) to fulfil its role.

The Management Board comprises:

Alexandre de Rothschild
Executive Chairman

Marc-Olivier Laurent
Managing Partner

Robert Leitão
Managing Partner
Co-chairman of the GEC



François Pérol
Managing Partner
Co-chairman of the GEC

Group Executive Committee

14
members

As at 31 December 2018 and the date of this report, the Group Executive Committee (GEC), whose members are the most senior corporate officers of the Group's business and support divisions, is the senior executive committee at Rothschild & Co. In its role, the GEC participates in the overall management and definition of the strategy of the Group by Rothschild & Co, represented by the Executive Chairman and Managing Partners, so that Rothschild & Co can ensure its proper implementation across the Group.

Chaired by Robert Leitão and François Pérol, the GEC comprises:

Paul Barry
Group Human Resources Director

Grégoire Chertok
Head of Global Advisory, France
Deputy Head, Global Advisory

Mark Crump
Group Chief Financial Officer
Group Chief Operating Officer

Laurent Gagnebin
Head of Rothschild & Co Bank AG
Co-Head, Wealth Management & Trust

Javed Khan
Deputy Head of Merchant Banking

Marc-Olivier Laurent
Managing Partner
Head of Merchant Banking

Alain Massiera
Head of France Wealth and Asset Management

Jimmy Neissa
Head of Rothschild & Co, North America
Deputy Head, Global Advisory

Gary Powell
Executive Chairman of Wealth Management

Martin Reitz
Head of Rothschild & Co, Germany
Deputy Head, Global Advisory

Helen Watson
Head of Wealth Management, UK
Co-Head, Wealth Management & Trust

Jonathan Westcott
Group Head of Legal and Compliance

Supervisory Board and specialised committees

The Supervisory Board exercises permanent oversight of the management of the Company, including in particular the Company's financial accounting reporting system and its internal control mechanism.

The Supervisory Board relies on three specialised committees: the Audit Committee, the Remuneration and Nomination Committee and the Risk Committee[(1)].

14 Board members

7 independent members

8 nationalities

40% of women

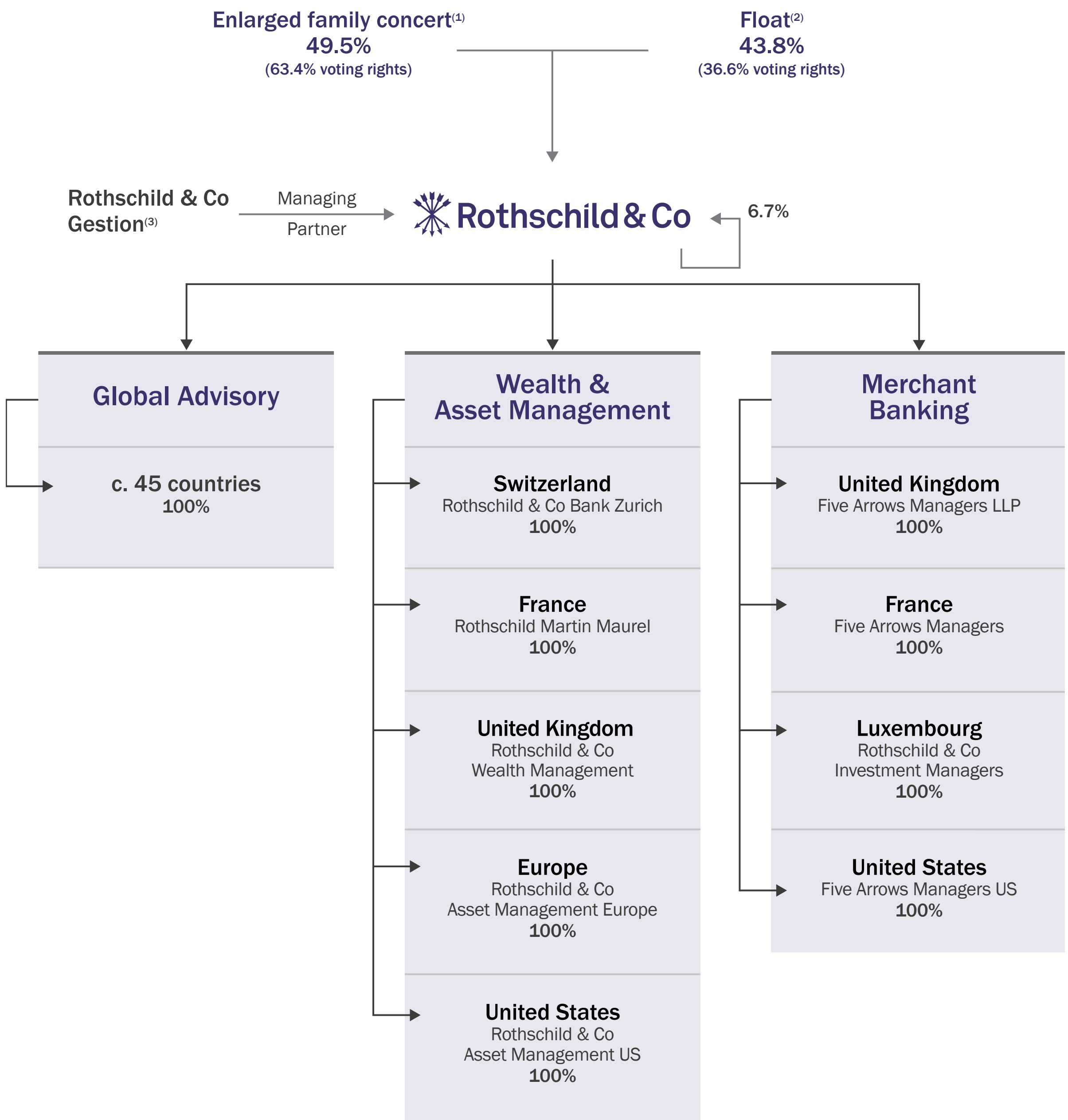
Members	Supervisory Board	Specialised committees: Audit Committee	Specialised committees: Remuneration and Nomination Committee	Specialised committees: Risk Committee
David de Rothschild – French	Chairman, Non-independent member			
Eric de Rothschild – French	Vice-chairman, Non-independent member			
Adam Keswick – British	Vice-chairman, Independent member			
Dr. Daniel Daeniker – Swiss	Independent member			Independent member
Anthony de Rothschild – British	Non-independent member			
Angelika Gifford– German	Independent member			Independent member
Sylvain Héfès – French	Non-independent member	Non-independent member	Chairman, Non-independent member	
Suet-Fern Lee – Singaporean	Independent member	Independent member		
Arielle Malard de Rothschild – French	Non-independent member			Non-independent member
Lucie Maurel-Aubert – French	Non-independent member			
Carole Piwnica – Belgian	Independent member		Independent member	
Sipko Schat – Dutch	Non-independent member			Chairman, Non-independent member
Peter Smith – British	Independent member	Chairman, Independent member	Independent member	
Luisa Todini – Italian	Independent member		Independent member	
François Henrot – French	Non-voting member (*Censeur*)			

- Chairman
- Vice-chairman
- Independent member
- Non-independent member
- Non-voting member (*Censeur*)

(1) It was decided during 2017 that the Strategy Committee would cease to operate in its previous configuration so as to involve directly the Supervisory Board on strategic matters.

Organisation chart as at 31 December 2018

Alignment of interests between the family and management



(1) See details on page 65.
(2) Including Jardine Strategic Holdings Luxembourg Sàrl.
(3) Controlled by the Rothschild family.

Corporate Social Responsibility

Rothschild & Co's approach to business is based on a deeply held sense of responsibility to its people, to the environment and to the communities in which it operates.

- People
- Environment
- Community Investment

Selected initiatives of 2018

Investing in the future

144 graduates in 24 of our offices took part in our Global Graduate Training Programme, making it our largest to date.

Shift to renewable energy

Approximately 54% of Rothschild & Co's electricity consumption is from renewable sources.

Global Community Investment mission

We established a new global mission for our Community Investment Programme: to make a meaningful difference to disadvantaged young people.

The global programme is to be rolled out in Q1 2019.

Balance & Inclusion

We launched a global Balance & Inclusion initiative owned by senior management, with the goal of creating a more balanced, inclusive and flexible environment.

Reducing single-use plastic

Rothschild & Co was awarded the inaugural Plastic Free City Award by the City of London Corporation. Globally, 14 of our offices were confirmed as free of unnecessary single-use plastic in 2018.

Pro-bono Advisory

We formally launched Pro-bono Advisory with the goal of helping the growth and development of promising charities and social enterprises aligned with our Community Investment mission.

Personal development

We initiated Shine: a programme of coaching and support for senior women which aims to maximise individuals' potential and their personal development.

Group environmental management

Our first Group Environment Statement was released, aligned with the United Nations Sustainable Development Goals.

The statement publicly emphasises the Group's responsibilities, commitments and desire to make a meaningful, positive environmental difference.

Skills for Life

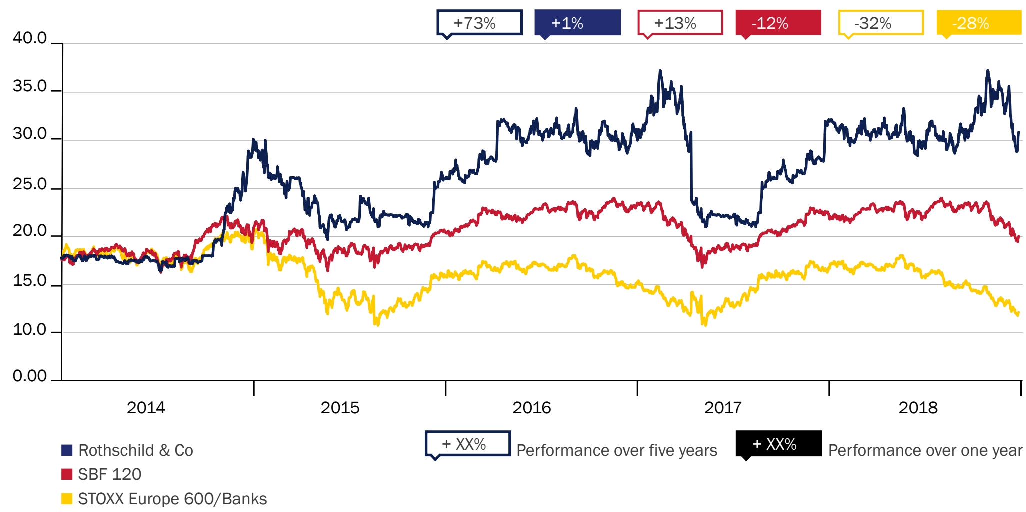
Our employees supported hundreds of disadvantaged young people directly through our Skills for Life volunteering programme which comprises a range of mentoring, tutoring and coaching schemes.

Market data

Key share data

	2014/15 (12 months to March)	2015/16 (12 months to March)	2016/17 (12 months to March)	2017 (12 months to December)	2018 (12 months to December)
Market capitalisation (in millions of euro)	1,403	1,546	2,077	2,364	**2,391**
Share price (in euro)					
At the end of the financial year	19.7	21.7	26.9	30.5	**30.9**
Maximum	19.7	30.1	28.0	32.5	**37.3**
Minimum	16.4	19.1	20.2	25.6	**28.4**
Yearly average	17.6	24.5	23.3	29.2	**31.6**
Number of shares and investment certificates					
Issued	71,137,036	71,137,036	77,290,012	77,407,512	**77,512,776**
Of which treasury shares	*442,701*	*551,434*	*1,054,574*	*909,770*	***3,023,132***
Capital (in euros)	142,274,072	142,274,072	154,580,024	154,815,024	**155,025,552**
Stock market indices					**SBF 120** (entry on 24/12/2018) **CAC Mid & Small** (entry on 24/09/2018) **CAC All tradable** (entry on 24/09/2018)

Rothschild & Co share price evolution



On 24 September 2018, Rothschild & Co's share has been admitted to three Euronext indices: CAC® SMALL, CAC® MID & SMALL and CAC® ALL TRADABLE.

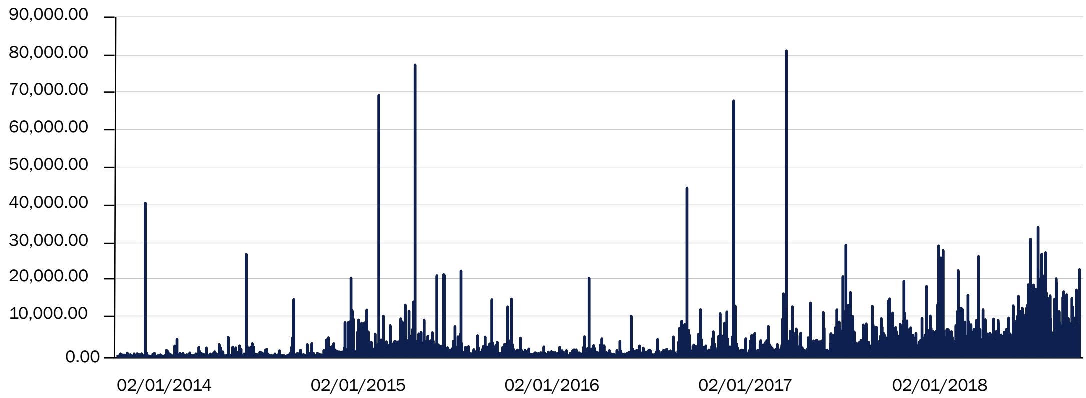
In addition, on 24 December 2018, Rothschild & Co entered the SBF 120 index. The SBF 120 ranks among the leading Paris stock market indices. It consists of the top 120 listed companies in terms of liquidity and market equity.

The admission to these three indices reflects the significant increase in liquidity of the Rothschild & Co share in recent years.

Shareholder scorecard

	2014/15 (12 months to March)	2015/16 (12 months to March)	2016/17 (12 months to March)	2017 (12 months to December)	2018 (12 months to December)
Dividend per share	0.60	0.63	0.68	0.72[1]	**0.79**[2]
Earnings per share	2.08	3.37	2.64	3.18	**3.88**
EPS excluding exceptional items	2.31	1.95	2.74	3.33	**4.10**
Market data					
Total value traded (in millions of euro)	63.8	307.0	151.2	355.1	**773.3**
Total trading volume	3,463,602	12,636,659	6,369,137	12,056,919	**23,934,305**
Average daily traded volume	13,583	49,556	24,497	47,279	**93,860**
% traded on Euronext	*65%*	*37%*	*46%*	*49%*	*36%*
% traded on other platforms	*35%*	*63%*	*54%*	*51%*	*64%*
Excluding exceptional trade blocks over the period[3]					
Total value traded (in millions of euro)	63.8	213.4	117.3	312.7	**722.5**
Total trading volume	3,463,602	8,846,659	4,942,137	10,568,848	**22,434,305**
Average daily traded volume	13,583	34,693	19,008	41,446	**87,978**

Rothschild & Co daily volume evolution over five years

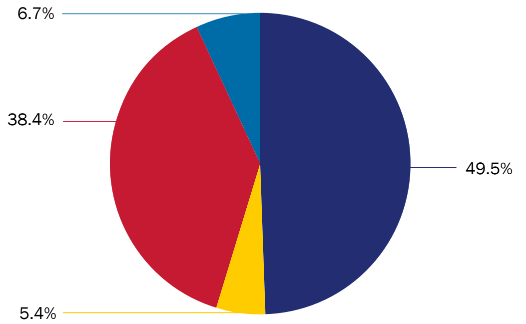


(1) This amount is the pro forma equivalent dividend on a full year basis for 2017, in relation to the shorter financial year of 2017 following the change of year end from March to December.
(2) Dividend proposed at the Annual General Meeting to be held on 16 May 2019.
(3) Exceptional block trades over 500,000 shares.

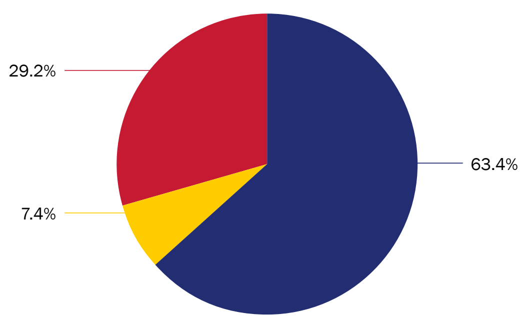
Rothschild & Co and its shareholders

Shareholding structure as at 31 December 2018

Share capital



Voting rights



■ Enlarged family concert(1) ■ Jardine Matheson Group ■ Treasury shares(2) ■ Float

Financial communication

Throughout the year, Rothschild & Co provides information on its activities, results and outlook to its shareholders, investors and analysts through releases on the publication of the annual and half-yearly results, quarterly revenues or any other major event concerning the Group in accordance with regulations and practices for publication.

Rothschild & Co's press releases, financial reports and presentations are available in the "Investor Relations" section on the Group's website – www.rothschildandco.com.

Relationship with institutional investors and financial analysts

To ensure good relations with the financial community, the Investor Relations department regularly participates in events to enable institutional investors and financial analysts to meet with Executive Management. In 2018, Rothschild & Co organised more than 140 meetings in Europe and North America.

(1) More details are provided from page 65 onwards.
(2) The controlling shares held by N M Rothschild & Sons are not included as they are part of the enlarged family concert.

Calendar for Financial communication

14 May 2019
First quarter information 2019
(January – March)

17 September 2019
Half year results 2019
(January – June)

13 November 2019
Third quarter information 2019
(July – September)

Shareholders' timetable

16 May 2019
Annual General Meeting: 10:30 CET
– Auditorium de Capital 8
– 32 rue de Monceau 75008 Paris

20 May 2019
Dividend's ex-dividend date

21 May 2019
Dividend's record date

22 May 2019
Dividend's payment date

Registered shares

Service Titres nominatifs purs
de la Société Générale
GSSI/GIS/NPO/NOM
32, rue du Champ de Tir – BP 81236
44312 Nantes Cedex 3

Investor relations

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2

Business Review

Global Advisory

Global Advisory offers an informed and impartial perspective to help our clients reach their goals through the design and execution of strategic M&A and financing solutions.

We provide impartial, expert advice to large and mid-sized corporations, private equity, families, entrepreneurs, and governments. We design and execute strategic M&A and financing solutions for our clients and act as a trusted partner, taking a long-term and independent view on the challenges they face.

Our deep understanding of financial markets, the high volume of transactions we advise on, and our unrivalled network of industry and financing specialists in over 40 countries, provide clients with a comprehensive perspective to achieve their strategic goals. This allows us to achieve outstanding results for our clients and act as their most trusted advisers over the long-term.

1st globally and 1st in Europe by number of completed M&A transactions[1]

6th globally by advisory revenue[2]

1,089 bankers of which **218** Managing Directors

Global Advisory volume of transactions advised
(12 months to December)[1]

By value (in billions of US$)	2018	2017	% change
M&A transactions	381	297	+28%
Financing Advisory transactions	242	275	(12%)
Total value	**623**	**572**	**+9%**

By number	2018	2017	% change
M&A transactions	383	356	+8%
Financing Advisory transactions	243	281	(14%)
Total transactions	**626**	**637**	**(2%)**

Our expertise was recognised in several leading industry awards

The Banker Investment Banking Awards, 2018

- Most Innovative Independent Investment Bank
- Most Innovative in M&A

IFR, 2018

- Capital Markets Adviser of the Year
- M&A Adviser of the Year
- EMEA Loan of the Year: Melrose's £4.5 billion acquisition loan
- EMEA Secondary Equity Issue of the Year: Cineworld's €1.7 billion rights issue

Mergermarket European M&A Awards, 2018

- European Mid-Market M&A Financial Adviser of the Year
- Baltics M&A Financial Adviser of the Year (with Porta Finance)

GlobalCapital Loan Awards, 2018

- Most Impressive Debt Advisory House for Corporate Borrowers
- Risk Management Advisory Firm of the Year
- Best Equity Capital Markets Adviser

(1) Source: Refinitiv, internal analysis. Completed transactions/assignments (based on target values).
(2) Source: Company filings.

Financial results for 2018

For 2018, Global Advisory delivered another record annual revenue performance of €1,271 million, 7% higher than 2017 (€1,183 million). Our ranking by financial advisory revenue in recent years has varied quarter-on-quarter in the range between 4th and 6th; this position fluctuates depending on our quarterly revenue which can be volatile based on the timing of transaction completions. For the twelve months to December 2018, we ranked 6th globally by financial advisory revenue [1].

Operating income for 2018, excluding ongoing investment in the development of our North American M&A franchise, was €255 million (2017: €211 million), representing an operating income margin of 20.0% (2017: 17.8%). This operating income margin continues to be at the top end of our target range over the cycle. Including investment in senior hiring in North America, operating income was €233 million (2017: €185 million) with an operating income margin of 18.4% (2017: 15.7%).

The compensation ratio, which shows total compensation and benefits on an awarded basis, including social taxes, as a percentage of revenue, was 63.4% in 2018 (2017: 65.0%) after adjusting for the effects of senior hiring in North America and leaver costs.

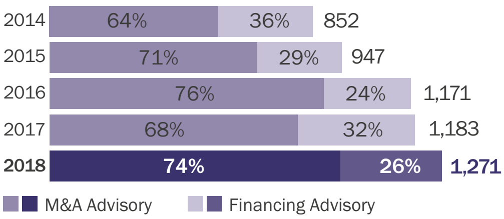
In M&A Advisory, we maintained our market leading position. For 2018, we ranked 1st globally by number of completed transactions and 1st in Europe by number of both completed and announced transactions [2]. During the year, we advised clients on almost 400 completed M&A transactions with a total value of c.US$380 billion [3].

As a result, M&A Advisory revenue for the year reached €941 million, a new annual record, up 17% year-on-year compared to last year (2017: €804 million).

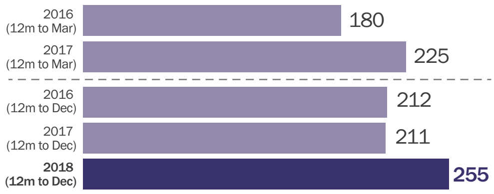
Financing Advisory revenue decreased by 13% to €330 million (2017: €379 million), following a record year in 2017, due to more challenging equity markets and less corporate restructuring activity in the US. Despite this, we continued to be highly active in large and complex debt advisory and restructuring situations, providing advice to clients on almost 200 transactions with a total value of c.US$210 billion [3]. For restructuring assignments completed during the year, we ranked 3rd by number of transactions globally and 1st by number of transactions in Europe [4]. We also provided equity advisory services during the year on transactions with a total value of c.US$35 billion, and we continue to advise on more European equity assignments than any other independent adviser [5].

The quality of our people is our principal competitive advantage and we continue to strengthen our senior team. During 2018, ten new Managing Directors were hired into our offices in the US, the UK and China. In the US, we recruited six Managing Directors focusing on clients in the Technology, Chemicals, Financial Institutions, General Industrials and Telecoms & Media sectors. We recently also formally launched a dedicated Investor Advisory practice which will combine with Global Advisory's leading independent strategic advisory business, in order to respond to the increasing demand for improving engagement between listed corporates and their investor base.

Revenue
(in millions of euros, 12 months to December)



Profit before tax – pre US investment costs
(in millions of euros)



(1) Source: Company filings.
(2) Source: Refinitiv, Excludes accountancy firms.
(3) Source: Refinitiv, internal analysis.
(4) Source: Refinitiv.
(5) Source: Dealogic.

M&A and Strategic Advisory

Our teams provide expert advice and execution services across all aspects of mergers and acquisitions, as well as strategic advice in areas such as joint ventures, corporate governance, sovereign advisory and US special committee and fiduciary matters.

For 2018, we ranked 1st among M&A advisers globally by number of completed and 2nd by number of announced transactions (1). In Europe, we further extended our clear market leading position, advising on more deals than any of our competitors – a position we have held for more than a decade (1).

We advised on c.US$380 billion of completed M&A transactions in 2018, including seven out of the top 50 global M&A transactions by value and five out of the top 20 European M&A transactions by value.

Our global scale and network of relationships with key decision-makers continue to support our position as adviser on large, complex cross-border situations. We continued to improve our market share of global cross-border advisory assignments, ranking 1st among M&A advisers globally by number of completed cross-border transactions, representing c.50% of our total activity (1).

For the financial year, we held top five positions (1) in the majority of industry sectors globally and in Europe, being particularly active in the industrials, consumer and healthcare sectors. We were also the most active adviser on deals with financial sponsor involvement globally and in Europe (1).

A list of notable completed M&A transactions on which we advised during the financial year is shown on the following page.

c.400
M&A transactions in 2018 for a value of c.US$380bn

more than
50%
of deals cross-border(1)

M&A league table rankings by region (as at 31 December) (1)

Region	By value 2018	By value 2017	By number 2018	By number 2017
Global	**10**	12	**1**	1
Global cross-border	**8**	10	**1**	1
Europe	**6**	8	**1**	1
Asia (incl. Japan)	**14**	17	**19**	13
North America	**14**	15	**15**	10
Rest of the world	**8**	7	**2**	1

(1) Source: Refinitiv, completed transactions.

Rothschild & Co advised on a number of significant M&A transactions during the year, including:

AccorHotels
(France)

- Disposal of a majority stake in AccorInvest (€6.25bn)
- Highly complex transaction representing the largest Sale & Management-Back transaction of hotels, both in terms of number of hotels and value

A.P. Moller-Maersk
(Denmark and France)

- Sale of Maersk Oil to Total (US$7.4bn)
- Coordinated work streams of specialist debt, equity and sector teams, as part of our advice on the monetisation of the Group's energy businesses over a two year period

Atos
(France and United States)

- Cash acquisition of Syntel (US$3.4bn)
- Long-standing relationship; our 11th transaction for Atos in 14 years across M&A, debt and equity

Bayer
(Germany and United States)

- All-cash offer to acquire Monsanto (US$66bn)
- Largest global all-cash takeover in history, creating a global leader in agriculture

CVC Capital Partners
(United Kingdom and Canada)

- Sale of Sky Betting & Gaming to The Stars Group (US$4.7bn)
- Ran a dual-track sale and IPO process to maximise value

Informa
(UK)

- Combination with UBM (£4.3bn)
- Integrated independent advice on debt financing including choice of banks, structure, price, terms and subsequent long-term funding strategy

KapStone
(United States)

- Sale to WestRock (US$4.9bn)
- Landmark public company transaction in the paper packaging space; a watershed public market transaction for our established Midwest coverage

Kering
(France and Germany)

- Distribution of a 70% stake in PUMA (€5.1bn)
- Managed complexities relating to Kering and PUMA's different market status (large vs mid cap) and listing location

Melrose Industries
(UK)

- Hostile cash and share offer for GKN (£8.1bn)
- Successful high-profile public takeover battle requiring complex interactions with a variety of stakeholders including the UK Government

PAI Partners and bcIMC
(Netherlands)

- Public-to-private acquisition of Refresco (€3.3bn)
- Highly complex transaction involving detailed work on Dutch public-to-private dynamics

Pinnacle Foods
(United States)

- Sale to Conagra Brands (US$10.9bn)
- The largest US consumer deal to complete in 2018

Rio Tinto
(Australia/UK, Indonesia)

- Sale of interest in Grasberg copper and gold mine to Inalum (US$3.5bn)
- Complex and high-profile transaction involving three counterparties and significant regulatory risk

Santos
(Australia and United States)

- Defence adviser in relation to Harbour Energy's takeover proposal (US$10.9bn)
- Provided comprehensive tactical and strategic advice on all aspects of the successful defence

VTG
(Germany and United States)

- Unsolicited public offer by Morgan Stanley Infrastructure (€4.3bn)
- Fully integrated team including advice on refinancing, a key element of the deal

Westfield
(Australia and France)

- Combination with Unibail-Rodamco (€61bn)
- Secured role as lead adviser as a result of our long-term advisory relationship with the company and its executives

Zodiac Aerospace
(France)

- Combination with Safran (€35bn)
- Largest ever European Aerospace and Defence deal, involving an innovative structure to accommodate both parties' differing shareholder constraints

Financing Advisory

Our Financing Advisory teams, encompassing Debt Advisory and Restructuring and Equity Advisory, provide advice to clients on financing strategy and solutions. On many occasions they work alongside our M&A experts to deliver integrated, comprehensive advice to clients.

Debt Advisory and Restructuring

Our Debt Advisory and Restructuring teams provide strategic capital structure advice to deliver the best possible refinancing and restructuring solutions. During 2018, we continued to be highly active in large and complex debt advisory and restructuring situations, providing independent advice to clients on almost 200 transactions with a total value of c.US$210 billion[1].

Our Debt Advisory capabilities include advice on capital raisings and refinancings across all markets, and expertise across banks, bonds, ratings, derivatives and hedging. We are one of the world leaders in this field. Our track record in successfully helping clients to optimise both the sources of debt and terms of debt finance continues to drive our debt advisory business generation.

Our Restructuring capabilities include lender negotiations, recapitalisations, exchange offers, distressed M&A, in-court and out-of-court transactions and creditor representation. Our independence and the significant volume of deals we advise on across M&A and Financing Advisory place us in a unique position in terms of market knowledge, and enable us to deliver client-focused advice without the conflicts of interests often faced by bulge bracket banks.

Clients continue to engage us on large and highly complex restructuring assignments. For restructuring assignments completed during the financial year, we ranked 3rd by number of deals globally and 1st in Europe[2].

Equity Advisory

Our Equity Advisory teams provide independent advice to clients on Equity Capital Markets, including a wide range of capital-raising transactions such as initial public offerings (IPOs), secondary offerings, block trades, spin-offs and convertible instruments. The teams work in collaboration with our industry sector specialists to deliver integrated advice to our clients, including simultaneous dual-track disposal/IPO advisory.

We have an unparalleled global footprint and deeper resources than any other independent equity adviser, with specialist teams in key equity markets around the world including New York, Hong Kong, Singapore, Sydney, Moscow and throughout Europe.

During 2018, we advised on c.50 equity capital market transactions worldwide with a total value of c.US$35 billion[1] and, for the fifth successive year, we advised on more European equity capital market transactions than any other independent adviser[3].

A list of notable completed financing transactions on which we advised during the financial year is shown on the page opposite.

c.200
debt and restructuring transactions with a total value of c.US$210bn

Adviser on more European equity assignments than any other independent adviser in Europe[1]

Restructuring league table rankings by region (as at 31 December)[2]

	By value		By number	
Region	**2018**	**2017**	**2018**	**2017**
Global	5	2	3	2
Europe	3	1	1	1

(1) Source: Internal data.
(2) Source: Refinitiv, completed transactions.
(3) Source: Dealogic.

Rothschild & Co advised on a number of significant financing advisory assignments during the year, including:

Avast
(Czech Republic)

- Adviser on IPO on the London Stock Exchange (£692m)
- The largest EMEA software IPO ever

CEVA Logistics
(Switzerland)

- Adviser on IPO on SIX Swiss Exchange (US$890m)
- Amongst the 10 largest IPOs ever listed on SIX Swiss Exchange and represents an important milestone in our presence in Switzerland

Corporación América Airports
(Argentina)

- Adviser on IPO on the New York Stock Exchange (US$486m)
- IPO well oversubscribed following a 12 day roadshow across 8 cities on 3 continents, during which the company met more than 180 investors

Republic of Côte d'Ivoire
(Côte d'Ivoire)

- Adviser on notional EUR/USD derivatives transaction (US$1.4bn)
- Part of our overall advisory role which began in 2014 with a total of 7 assignments including a €1.7bn dual tranche 12 and & 30 year EUR denominated Eurobond in 2018

Danaos
(Greece)

- Adviser to ad-hoc creditors committee on the company's restructuring (US$2.3bn)
- Offered an alternative restructuring proposal and led negotiations with the company and lenders, resulting in a significant increase in the value received by the committee

EG Group
(UK)

- Debt advice on cross-border refinancing (€3.5bn)
- Largest single-B rated all-loan deal in Europe since the financial crisis

Empresas ICA
(Mexico)

- Adviser on in-court restructuring and capital raise (US$3.4bn and US$215m respectively)
- Complex process involving the largest construction company, and one of the largest concession operators, in Mexico

Energy Future Holdings

Energy Future Intermediary Holdings
(United States)

- Adviser to second lien creditors on the company's restructuring (US$41.8bn)
- Conclusion of one of the largest and most complex restructurings in history

The Hellenic Republic
(Greece)

- Debt advice on Greece's exit from European institutions programmes and debt reduction on official public sector debt (€97bn)
- Landmark deal for Greece that marks the end of eight years of official financial assistance

ING and Société Générale
(Singapore/Hong Kong)

- Adviser to trade finance providers on Noble Group's debt restructuring (US$3.5bn)
- Highly complex restructuring involving multiple jurisdictions and a 12 month negotiation process

LISEA
(France)

- Debt advice on refinancing and swap restructuring (€2.8bn and €3.8bn respectively)
- Involved an innovative hedging strategy including swap re-profiling

OCI
(Netherlands)

- Debt advice on recapitalisation, including High Yield Bond and credit facility (US$2.2bn)
- Transaction garnered significant investor interest, culminating in a book that was multiple times oversubscribed, allowing the company to tighten pricing several times in market, despite complex financing structure

Old Mutual
(United Kingdom/South Africa)

- Adviser on the listing of Quilter on the London and Johannesburg Stock Exchanges via IPO of £263m and concurrent demerger (£2.8bn), and listing of Old Mutual Limited to establish its domicile in South Africa (US$10bn)
- Part of our ongoing advice to Old Mutual on its managed separation process, involving specialist teams in London and South Africa

Sasol
(South Africa)

- Debt advice on dual-tranche senior notes offering (US$2.25bn)
- Complex cross-border financing for a multinational client and a landmark transaction in the repositioning of the company's capital structure

Seadrill Limited
(Bermuda)

- Adviser to ad-hoc group of unsecured bondholders on the Company's Chapter 11 restructuring (US$13bn)
- Highly complex Chapter 11 bankruptcy involving more than 30 individual investment funds across the globe

SIG Combibloc Group
(Switzerland)

- Adviser on IPO on SIX Swiss Exchange (€1.5bn)
- Largest Swiss IPO of 2018 and the largest ever in the European packaging sector

Wealth and Asset Management

Wealth Management offers an objective long-term perspective on investing, structuring and safeguarding assets, to preserve and grow our clients' wealth.

Asset Management offers an independent perspective in innovative investment solutions, designed around the needs of each and every client.

We serve a diverse client base from our offices in Aix en Provence, Brussels, Düsseldorf, Frankfurt, Geneva, Guernsey, Hong Kong, Grenoble, London, Manchester, Marseille, Milan, Monaco, New York, Paris and Zurich. We continue to develop our activities in line with our stated strategy of diversifying our sources of income.

€64.8bn
Assets under management

€1.5bn
Net new assets in 2018

Market overview

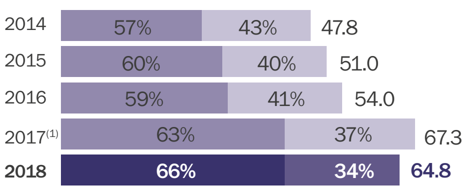
After a strong start, investment markets weakened in 2018, and volatility rebounded from the unusually-low levels of 2017. Stock markets quickly reversed their initial gains, and then fell further from the autumn. Credit markets were also softer, and government bond performance was patchy, with the US benchmark Treasury note yield touching the highest level since 2011. Overall, investment returns firmly lagged inflation.

The major economies slowed after the strong and synchronised expansion seen in late 2017, though not unexpectedly or dramatically. Unemployment fell further, reaching fifty-year lows in the US, and new multi-decade lows in the UK, Germany and Japan, but underlying inflation remained stable. The Federal Reserve continued to increase US interest rates steadily and to shrink its balance sheet, but the other major central banks remained significantly more accommodative. The ECB and the Bank of Japan continued to add to their holdings of securities through the year (though the ECB's programme was set to end in December), while the Bank of England raised interest rates just once. The People's Bank of China eased policy by reducing banks' required reserves. Corporate profits rose steadily, led by a major surge in the US, where big tax cuts and healthy margins amplified the effect of ongoing revenue growth. Currency markets remained mostly rangebound, while oil prices had something of a roller-coaster year, first rising steadily then falling sharply in the autumn in the face of US-led supply.

Market moves were punctuated by recurring political concerns. Trade tensions increased markedly as the US administration raised tariffs. Its focus shifted from North America and Europe to China: a tentative and unconvincing truce was being framed in early December. In Europe, negotiations continued around the UK's secession from the EU: a draft Withdrawal Agreement was achieved, but it managed to upset both sides of the debate in the UK, where the political agenda continued to be dominated by the topic. President Macron's reform programme in France encountered more substantial resistance. In Germany, Chancellor Merkel confirmed that she would not stand for re-election in 2021. An unprecedented meeting between the US and North Korean presidents took place in the summer.

Despite some individual high-profile corporate setbacks, there remained few obvious signs of macroeconomic excess in a US business cycle which entered its tenth year – becoming the second-longest on record – in the summer. After the weakness in the final quarter, overall stock valuations were once again close to trend. Profits seem set to slow markedly after 2018's surge, but the next financial year starts at least with the investment climate cooling, but not frozen.

Assets under management
(in billions of euros, as at 31 December)



Net new assets
(in billions of euros)

Wealth Management Asset Management

(1) Merger with Martin Maurel Group.

Financial results for 2018

Wealth and Asset Management is made up of two main businesses: (i) Rothschild Martin Maurel, which combines our Wealth Management businesses in France, Monaco and Belgium and our Asset Management activity in Europe, (ii) our Wealth Management business in Switzerland, UK, Germany, Italy and Asia. In addition we operate a small Asset Management business in North America.

The sale of our worldwide wealth planning and trust services business, as announced in October 2018, was completed in February 2019. The sale is in line with our strategic decision to focus on our core wealth management and private banking business.

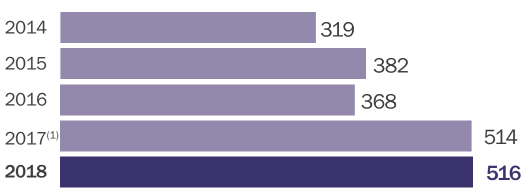
Excluding the Trust business, revenue for 2018 was €480 million (2017: €470 million), up 2% and operating margin was 18% (2017: 17%). The revenue progression reflects two factors; an increase in management fees thanks to positive net new assets in Wealth Management, offset by a decrease in performance fees from Asset Management. We have seen growth in profitability of 5% with operating income, excluding Martin Maurel integration costs (2018: €9 million, 2017: €27 million) rising to €85 million for 2018 (2017: €81 million). The operational integration, following the merger of the two private banks in France of Rothschild & Co and Martin Maurel group in 2017, was finalised at the end of 2018.

Including the Trust business (revenue for 2018: €36 million, 2017: €44 million), revenue for 2018 was €516 million (2017: €514 million). This represents a 17% operating margin (2017: 16%). Its contribution to operating income for both 2017 and 2018 was immaterial.

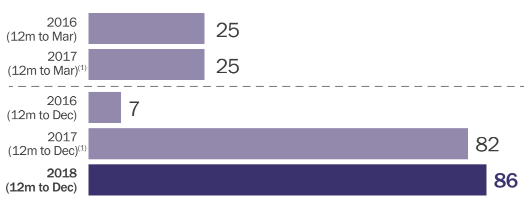
The business model continues to flourish, as a result net new assets in Wealth Management increased by €2.2 billion, representing a growth rate of 5% of AUM with positive net inflows in all European countries. Asset management experienced net outflows of €0.7 billion, which had a limited impact on our margins as gross inflows (€3.9 billion) had higher margins than gross outflows (€4.6 billion).

The positive net new assets inflow of €1.5 billion has been more than offset by negative market performance and exchange rate movements of €4.0 billion, following the sharp decline in stock markets in the last quarter of 2018. Assets under Management decreased by 4% (or €2.5 billion) to €64.8 billion as at 31 December 2018 (31 December 2017: €67.3 billion). Since January, the strong recovery in financial markets has resulted in a significant improvement in AuM.

Revenue
(in millions of euros, 12 months to December)



Profit before tax – excluding exceptional items (2)
(in millions of euros)



(1) Merger with Martin Maurel Group.
(2) Exceptional items are Martin Maurel integration costs (2018: €9 million, 2017: €27 million).

Wealth Management

Wealth Management provides a comprehensive range of services to some of the world's wealthiest and most successful families, entrepreneurs, foundations and charities. In an environment where short-term thinking often dominates, our long-term perspective sets us apart: we believe preservation-first is the right approach to managing wealth.

We understand the issues wealth owners must address and can help them protect their assets. We advise our clients in relation to all their financial and non-financial wealth. When helping our clients invest, we aim to deliver inflation-beating returns and dampen volatility.

We have the scale, intellectual capital and resources to deliver, whilst still being able to provide a truly personal service. Our distinct perspective makes us a secure and enduring home for our clients' assets, safeguarding their legacy for generations.

We also provide lending facilities for our clients. At December 2018 our total loan book was €2.9 billion (2017: €3.0 billion) of which €2.5 billion (2017: €2.5 billion) was private client lending (such as Lombard loans secured on portfolios in our custody and residential mortgages) and €0.4 billion (2017: €0.5 billion) was other lending related to our clients' business activities and interests. Lending is complementary to our wealth management services and enables us to meet the wider private banking requirements of our clients.

Looking ahead, we believe our division is well placed to meet the challenges our industry faces. The demand for our advice-based, unconflicted business model, with stable and multi-generational family ownership makes us truly distinctive in a crowded market. We continue to invest in our infrastructure and high-calibre people who work with clients to become trusted advisers. Over the next few years, we expect to see continued growth with a sustainable improvement in our profitability as we gain scale.

€42.4bn
Assets under management

€2.2bn
Net new assets in 2018

Our expertise was recognised in several leading industry awards:

PAM Private Asset Managers AWARDS
- Winner, Client Service Quality – Ultra High Net Worth, 2018
- Client Service Quality – UHNW winner for 5th consecutive year

WealthBriefing SWISS AWARDS 2018
- Winner, HNW Team, 2018

BILANZ
- Rothschild Private Wealth was among the top three in the Swiss Private Banking rating 2018 published by the business magazine Bilanz
- Further, Rothschild Private Wealth was given an honourable mention as a "longstanding quality leader", additional recognition from Bilanz for banks that have consistently performed well in the ratings

ROTHSCHILD & CO. WEALTH MANAGEMENT
- Team of the Year Wealth Management 2018

SOMMET DES LEADERS DE LA FINANCE
- Best French Independent private bank

Rothschild Martin Maurel

Rothschild Martin Maurel combines the Group's private banking activities in France, Belgium and Monaco.

Rothschild Martin Maurel is a major independent player in private banking in France, Belgium and Monaco with a differentiating and positioning focus mainly on entrepreneurs. It provides its clients with a full range of services including investment advice and private banking services for wealthy individuals and family-owned businesses, associations and foundations. The new entity operates in France under the name of Rothschild Martin Maurel, retaining an entrepreneurial spirit and human scale, enabling it to remain close to its clients.

As a continuation of the merger between the French private banks Rothschild & Co and Compagnie Financière Martin Maurel, we have concluded in 2018 the total acquisition of the Monegasque subsidiary and now operate under the name Rothschild Martin Maurel in Monaco.

Based on a two-pillar model, wealth engineering and financial management, Rothschild Martin Maurel's offering is aimed at all of our private, corporate and charities clients in France, according to their needs and expectations. The teams are structured on a regional basis, in line with the Group's geographical mix, while maintaining a national dimension covered by the business line heads (Private Banking, Fund Management, Wealth Planning and Corporate Banking), with access to the rich capabilities of Rothschild & Co's worldwide network.

In Belgium and Monaco, our investment management and private banking services are particularly aimed at large families, international entrepreneurs as well as associations and non-profit organisations.

As at December 31, 2018, assets under management amounted to €20.6 billion compared to €21.1 billion a year earlier, reflecting significant strong inflows partially offset by negative market impact in the last quarter of 2018.

The growth in assets under management is due in particular to the implementation of the historical model in the regions and in all the teams.

Finally, in 2018, we completed the integration of IT systems on schedule, and our teams are now working with unified front-end systems and a single banking system.

The development of our activities in France will materialise in 2019 with the opening of a new location in Bordeaux, which will densify our network across the territory by serving the South West region.

Wealth and Asset Management

Rothschild & Co Wealth Management

Rothschild & Co Wealth Management is our private banking arm in Düsseldorf, Frankfurt, Geneva, Guernsey, Hong Kong, London, Manchester, Milan and Zurich.

We advise clients in relation to all their financial and non-financial wealth. Our goal is to preserve and grow the real value of our clients' wealth, with a focus on generating attractive investment returns. This involves investing in assets that increase in value over time, beating inflation, and avoiding large losses along the way. This investment management approach, coupled with the stability that comes from our 7th generation of family-controlled ownership, continues to resonate with an increasing number of clients around the world, especially in the current economic environment.

Assets under management slightly increased in 2018 to €21.9 billion. Net New Assets was with a total of €1.3 billion very positive. However, due to the increased volatility and the associated market corrections in the final weeks of 2018, these results are not fully mirrored in our Assets under Management.

Despite elevated levels of volatility, our discretionary portfolios weathered well the market declines and comfortably outperformed our competitors. Meanwhile, our Advisory business grew by 80%, surpassing CHF 2.5 billion assets under management. During the year, we expanded our offering to clients to include the launch of the Exbury Fund for ESG investors in November 2018. In addition, we launched new investment podcasts and publications for clients looking at strategy, advisory investment themes and discretionary performance.

In order to increase the focus on our Wealth Management and private banking business and our core markets, we announced in October 2018 the sale of our Trust business. In line with this strategy we also decided to close our office in Singapore and strengthened our presence in Germany by opening a new office in Düsseldorf. Furthermore, we invested in our IT and Client Relationship Management systems and reviewed our processes in order to enhance the quality of all our services by meeting the highest compliance standards. This will allow us to serve our clients in the best possible way.

During the last financial year we won several prestigious industry awards, which we would like to think is an endorsement of everything we have achieved in our business over the last 12 months.

Asset Management

Rothschild & Co Asset Management is a global specialist asset manager delivering bespoke investment management and advisory services to institutional clients, financial intermediaries, and third-party distributors in Europe and North America.

Rothschild & Co Asset Management Europe

Rothschild & Co Asset Management Europe's business model is grounded in a deep understanding of our clients' needs, institutional and third party distribution (B2B2C), to offer bespoke and innovative services and investment solutions.

Throughout 2018, we consolidated our position on the institutional French market through the development of new offer in open-ended funds. At the end of the year, we won an RFP in Eurozone equities for a large French institutional client, who wanted to restructure its portfolio towards a low carbon investment strategy. In a context where ESG criteria are of utmost importance, this success confirms the validity of our ESG approach and strengthens our expertise.

The French Wholesale business demonstrates a record year thanks to successful B2B2C partnerships including partnerships in open-architecture through R-co Inside solutions. We won a major tender to create and manage a new fund, mixing liquid and alternative assets (private equity, private debt, real estate) for one of the leader in unit-linked products in France.

Finally, Rothschild & Co Asset Management developed new synergies inside the Group with new assets for Merchant Banking equities and debts on a pan-European basis.

All of this achievement allows us to build a complementary and global offer in terms of management expertise and investment solutions, leading to the creation of nearly 15 new funds/mandates over the year. We also obtain new agreements to distribute our products in different European countries, in particular thematic funds.

Signatory of the UN-PRI since 2011 and committed to ensure the proper consideration of Environmental, Social and Governance criteria in the asset management industry, in 2018, we fulfil our commitment with the extension of ESG integration to our full range of products and the creation of a new position of Head of Sustainable Investments role.

Rothschild & Co Asset Management Europe aims to develop complementary expertise in active high-conviction management and open architecture investment solutions. Based in Paris with offices in ten European countries, Rothschild & Co Asset Management Europe has around 170 employees and over €18 billion under management.

Following the merger of Rothschild & Cie Banque and Banque Martin Maurel in 2017, this year achieved the successful and full integration of Martin Maurel expertise within the funds range offered in Europe. We expanded our range of investment solutions with the creation of new funds, expertise and mandates.

- InRIS, the alternative UCITS platform of Rothschild & Co Asset Management Europe, announced the launch of R-co Perdurance Market Neutral Fund, an equity market neutral fund in partnership with Perdurance Asset Management.
- Following the success of two of our flagships, R-co Valor and R-co Euro Crédit, we develop a new product that mixed these two strategies, named R-co Valor Balanced launched in October 2018.

€26.6bn
Assets under management

€18.1bn
Assets under management in Europe

Wealth and Asset Management

High-conviction management
In combining “top-down” and “bottom-up” approaches, Rothschild & Co Asset Management Europe offers assertive, selective and diversified conviction-based strategies in all asset classes, sectors and geographical areas. Our portfolio construction and stock-picking are based on an in-depth fundamental analysis of the economic cycle and valuation of all assets – both equities and fixed-income.

We make strong investment decisions to achieve significant outperformance potential compared to traditional indices. Our portfolios reflect the investment management teams’ strongest convictions. We seek out attractive risk premiums and make opportunistic investments. In this way we target robust medium-/long-term performances, regardless of the market environment, throughout the economic cycle.

In 2018, we continued to implement our high-conviction management strategies in a more inconstant economic environment. Financial markets were affected by the increase of uncertainties and the changes in monetary policies. Nonetheless, the outlooks for the year to come remain favourable and most of these concerns should fade slightly in 2019. In this context, our portfolio managers deployed all their know-how to navigate through this environment and to seize the opportunities created by these moving markets.

Rothschild & Co Asset Management Europe won the “Corbeille” award of the Best Diversified Funds Asset Manager over five years in France delivered by the magazine *Mieux Vivre Votre Argent* for the second consecutive year. In Italy, for the 3rd year in a row, we have been awarded Best Fund Group 2018 in the Mixed Asset EUR category asset class and Best Fund Manager 2018 in the same category for R-co Valor Fund by Citywire Italy.

Open Architecture and investment solutions
Rothschild & Co Asset Management Europe’s goal-driven approach aims to grasp its clients’ needs and deliver suitable investment solutions through three innovative offers: open architecture, R-co Inside’s Investment Solutions, and InRIS & ESSOR delegated asset management.

Our open-architecture approach aims to select the best managers on the major global financial marketplaces, whether through long-only or alternative strategies. Rothschild & Co Asset Management Europe’s offers open-ended funds, separately managed accounts, funds of hedge funds, and long-only multi-management.

In a complex regulatory environment and given the crucial need for diversification, we have developed R-co Inside, a tailored offering of selection and investment management in an open-architecture. These “*à la carte*” modules range from advisory to partnership to white-label products.

Our InRIS and ESSOR delegated asset management offers clients access to the expertise of carefully selected high-quality long-only alternative managers who deploy their strategies in a UCITS format. This truly innovative platform offers additional diversification bricks to clients seeking absolute returns that are decorrelated from traditional asset classes. These are long-term exclusive and conviction-based partnerships.

Rothschild & Co Asset Management North America

Headquartered in New York, Rothschild & Co Asset Management US Inc. manages investments covering a range of US securities including large-cap, small/mid-cap, small-cap, and balanced strategies.

We seek to provide superior performance while controlling risk. Our seasoned teams of investment professionals use a disciplined investment philosophy and an integrated process focused on fundamentals.

We manage assets for a broad range of clients including: corporations, endowments, foundations, healthcare organisations, high-net-worth investors, public pension funds, sub-advisory and Taft-Hartley plans.

Active fundamental management

During the past twelve months, we added 18 new institutional accounts totalling around US$600 million. This total came from the Taft-Hartley (multi-employer) and Pensions and E&F segments, where we were able to gain meaningful new business despite performance challenges and competition from passive management.

As at 31 December 2018, assets under management stood at US$9.6 billion(1). While these assets represent a decline from where we opened the year, due to significant market volatility, the figure reflects an increase of 53.6% from where we stood three years ago (31 December 2015).

Highlights include a large multi-employer account, deepening our sub-advisory relationship with Pacific Funds through a mid-cap equity fund, and capitalising on the appetite for ESG strategies by launching a Gender Diversity strategy.

Although our bottom-up, risk-controlled approach usually resonates with investors during volatile markets, some investors may decide to trim their equity exposure.

Risk-based solutions

Our relationship with National Bank Investments in Canada, where we sub-advise a Canadian-equity and a global equity fund, reached its three-year anniversary in October, an important milestone for advisers and clients who require a live track record.

Assets increased from US$462 million as at 31 December 2017 to US$477 million as at 31 December 2018. While the funds saw inflows of approximately US$56 million during 2018, assets were little changed due to equity market declines in the last quarter of 2018.

Our relationship with Nationwide, a large US-based insurance company, celebrated its one-year anniversary in September. We serve as index provider on a US ETF and an International ETF, with US$100 million and US$105 million, respectively, in assets, as at 31 December 2018.

Given recent market volatility, our risk-based strategies are performing as expected, reducing 2018's maximum drawdown by 21%-31% and increasing risk-adjusted returns by 37%-47%, depending on the index.

US$9.6bn
Assets under management in New York (€8.5bn)

(1) Includes approximately $1 billion in Rothschild & Co Risk Based Investments LLC assets.

Merchant Banking

Merchant Banking is the investment arm of the Rothschild & Co Group with global assets under management of €11.1 billion across Corporate Private Equity, Secondaries, Multi-Managers funds, Co-Investments, Direct Lending and Credit Management. Our business is founded on a passion for investing, a respect for risk and a culture of partnership.

Since its foundation in 2009, Merchant Banking has grown its assets under management from c.€1 billion to €11.1 billion currently through the launch of a series of funds in private equity and private debt. Our cohesive platform now provides a comprehensive offering in Europe, while starting to expand its presence in the US. Overall, the business employs 99 investment professionals across five offices (London, Paris, New York, Los Angeles and Luxembourg).

Our business culture is shaped by the Rothschild family's investing tradition of consistently generating long-term value through an equal emphasis on both risk and return. This is driven by three intertwined principles which define who we are today:

- **Passion for investing:** The Rothschild family has an investing history dating back more than two hundred years – particularly for backing entrepreneurs who the family felt were ahead of their times. At Merchant Banking we celebrate this legacy and passion for investing and we expend significant energy in ensuring that it remains at the heart of our culture.
- **Respect for risk:** Our investing ethos is centred on delivering attractive risk-adjusted returns for our investors. This approach is born out of a long-held Rothschild & Co philosophy of wealth preservation through active avoidance of capital impairment.
- **Culture of partnership:** We aim to form close, enduring relationships with each of our stakeholders: our investors, our managers, our people, our advisers and financiers, and the broader environment in which we operate. We invest significant amounts of capital alongside our investors in each of our funds. Our aspiration is to have a culture of partnership with a shared sense of collective purpose in every important decision we make.

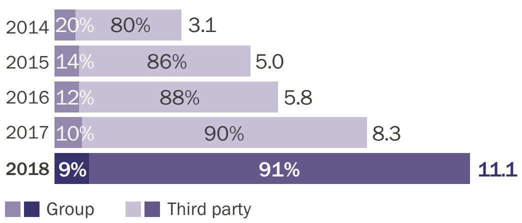
We are committed to Environmental, Social and Governance (ESG) matters and are signatory to the UN PRI (United Nations Principles for Responsible Investment). In 2018, Merchant Banking supported several NGOs and social enterprises mainly focusing on enhancing the prospects of disadvantaged young people globally through a partnership with Epic Foundation. Our partnership is based on individual commitments from our staff with a matching scheme from Rothschild & Co.

As at 31 December 2018, our assets under management (AuM) amounted to €11.1 billion split between €4.9 billion in private equity and €6.2 billion in private debt across four strategies:

- Corporate private equity, including Five Arrows Principal Investments (FAPI) and Five Arrows Capital Partners (FACP)
- Secondaries, multi-manager funds and co-investments including Five Arrows Secondary Opportunities (FASO), Five Arrows Private Equity Program (FAPEP, formerly Arolla) and Rothschild & Co Proprietary Investments (R&Co PI)
- Direct Lending including Five Arrows Credit Solutions (FACS) and Five Arrows Direct Lending (FADL)
- Credit Management (R&Co CM) including Oberon and Elsinore strategies as well as CLO (Collateralised Loan Obligation) structures.

Assets under management

(in billions of euros, as at 31 December)



Note: Assets under management reported from 2014 to 2016 comprised committed capital where a fund was still in its investment period, while it included net asset value after the investment period had expired. This definition changed in 2018: AuM is now calculated (since 2017) as the sum of net asset value, undrawn commitments and recallable distributions, together with co-investment.

€11.1bn
Assets under management

99
investment professionals

4
strategies

Financial results for 2018

Merchant Banking is the investment arm of the Rothschild & Co Group which deploys the firm's and third parties' capital in private equity and debt opportunities. The division continued to perform strongly during 2018 generating revenue of €175 million (2017: €185 million). When compared to the average for the last three years, revenue is up 20%.

Revenue comprises two main sources:

- Recurring revenue of €70 million including management fees net of placement fees was up 15% (2017: €61 million)
- Investment performance related revenue of €105 million, down 15% (2017: €124 million) comprised:
  - €36 million of carried interest (2017: €31 million, up 16%),
  - and €69 million of realised and unrealised investment gains and dividends (2017: €93 million, down 26%).

Merchant Banking's strategy is to steadily increase its recurring revenue stream through the expansion of its assets under management and the launch of new funds. The execution of this strategy has been successful so far with recurring revenue more than doubling over the last five years to represent 40% of total revenue in 2018 (versus 22% in 2014). Further, by deploying its capital over a larger and more diversified range of asset classes, Merchant Banking should be able to reduce the volatility in investment performance revenue in future years.

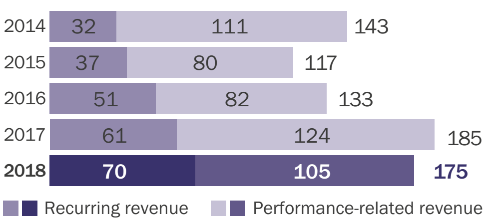
Operating income was €102 million in 2018 (2017: €120 million), representing a 59% operating margin (2017: 65%). The decline in operating income is mainly related to lower realised gains, following the exit of a legacy non-core investment position in Bank of Qingdao that generated a €13 million profit in 2017. Aside from this event, investment performance related revenue on core strategies remained strong in 2018, after a peak year in 2017, as the Merchant Banking flagship European mid-market private equity fund, Five Arrows Principal Investments I (FAPI I), continued to deliver successful exits.

A critical indicator to measure the performance of Merchant Banking is RORAC (Return On Risk Adjusted Capital), a ratio comparing adjusted profit before tax and an internal measure of risk capital invested in the business, on a rolling three year basis. As at 31 December 2018, Merchant Banking RORAC was 28% (2017: 26%), well above our stated target (over 15% through the cycle).

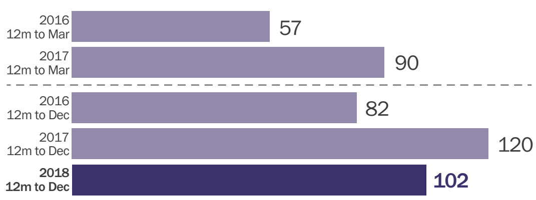
The alignment of interests between the Group and third party investors remains a key differentiator of this business. During 2018 the Group's share of the investments made by the division amounted to €81 million. Disposals generated proceeds of €200 million mainly driven by the FAPI I disposals of Datix, a leading provider of patient safety and risk management solutions (4.5x MOIC[1]), Prospitalia, a leading German group purchasing organisation focused on the healthcare sector (8.0x MOIC), Forno d'Asolo, the #2 Italian manufacturer of frozen bakery (3.9x MOIC) and Etanco, a French supplier of outdoor mechanical fasteners (1.4x MOIC).

Merchant Banking's assets under management were €11.1 billion as at 31 December 2018 (31 December 2017: €8.3 billion), up 34%, mainly due to the launch of the new US fund Five Arrows Capital Partners (FACP), the third European private equity fund, FAPI III and the raising of new CLO vehicles.

Revenue
(in millions of euros, 12 months to December)



Profit before tax
(in millions of euros)



(1) MOIC stands for Multiple On Invested Capital.

Merchant Banking

During the second half of 2018, Merchant Banking launched the marketing of FAPI III, the third generation fund of its flagship European mid-market private equity strategy. By the end of 2018 committed capital raised amounted to €1.1 billion, with a final closing of €1.25 billion in 2019. FAPI III is not only larger than its predecessor funds (€781 million for FAPI II and €583 million for FAPI I), but the swift fundraising process and the larger share of commitments secured with institutional investors are all testaments to the strong track record of the FAPI team and the growing appetite of global institutions for funds managed by the division.

Over 2018, Merchant Banking has also been actively expanding its geographical footprint with the deployment of FACP its mid-market corporate private equity fund focused on North America. The fund has completed its fundraising phase reaching $655 million, in excess of its original target, from a globally diversified group of both new and existing investors. The Group invested alongside third-party investors in line with its Merchant Banking strategy.

Finally, Merchant Banking expanded its private debt and credit management franchises during 2018, with:

- the final closing of Five Arrows Direct Lending (FADL) at €657 million, a fund investing in European unitranche debt facilities,
- the first closing of Elsinore (€68 million), a multi-strategy credit fund,
- and the launch of Oberon USA (AuM of €104 million as at 31 December 2018), an open-ended fund investing in US senior secured loans.

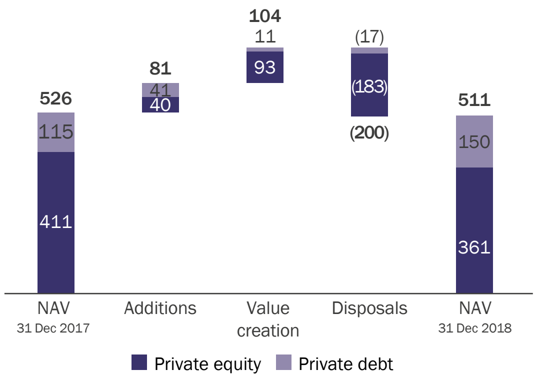
The division also continued to expand its CLO base, finalising the Contego V and Contego VI vehicles at a value of €400 million each and launching an additional CLO structure dedicated to the US market, Ocean Trails VII (still being warehoused as at 31 December 2018).

Net Asset Value (NAV) of the Group's investments in Merchant Banking products

in millions of euro	2018	2017	*Assets under management*
Managed funds	**382**	**386**	**10,535**
Private Equity	**242**	**278**	***4,306***
Primary (inc. FAPI/FACP)	185	235	*3,304*
Secondaries (inc. FASO/FAPEP)	57	43	*1,002*
Private debt	**140**	**108**	***6,229***
Direct Lending (inc. FACS/FADL)	43	36	*1,168*
Credit Management (inc. Oberon/CLOs)	97	72	*5,061*
Rothschild & Co Proprietary Investments (R&Co PI) and others	**129**	**140**	**532**
Total NAV OF GROUP'S INVESTMENTS	**511**	**526**	***11,067***

Change in Net Asset Value (NAV)

(in millions of euros)



Private equity

In private equity, we manage €4.9 billion with a team of 58 investment professionals. We have developed two different business lines:

- Corporate private equity
- Secondaries, multi-manager funds and co-investment.

Corporate private equity

Five Arrows Principal Investments (FAPI)
Launched in 2010, FAPI is our flagship initiative built on Rothschild & Co's successful European mid-market investing strategy over the past two decades.

FAPI concentrates on expansion and buyout deals in the mid-market segment across Europe. It currently manages three funds: FAPI I, which raised €583 million in 2010, FAPI II, which raised €781 million in 2015 and FAPI III which had raised €1.1 billion by the end of 2018 and will hold its final closing in 2019. The investment teams are based in Paris and London.

FAPI I invested in 15 mid-cap companies and, thanks to its affiliation with Rothschild & Co, developed a rare pan-European reach across seven different countries.

In 2018, FAPI I completed four successful exits: full exit of Datix for a gross MOIC[(1)] of 4.5x, full exit of Prospitalia for a gross MOIC of 8.0x, full exit of Forno d'Asolo for a gross MOIC of 3.9x and full exit of Etanco for a gross MOIC of 1.4x.

Its successor fund, FAPI II, is managed by the same team, builds on the same pan-European reach and has adopted a very selective investment strategy focused on just three segments of the economy which FAPI believes enjoy positive momentum: healthcare and education, business services and software and technology-enabled services. During 2018, FAPI II completed three investments: CBA, the largest provider of billing and patient management software for private sector nurses in France, Centric, a leading provider of healthcare services in Ireland, which focuses on primary care clinics, diagnostic imaging, and medical recruitment and Datix (following the exit noted above by FAPI I), a leading provider of patient safety and risk management software in the UK, with a well established market share as well as a fast growing presence in the US, Canada, Australia and the Middle East. FAPI II has eleven companies in its portfolio. The fund has invested c.72% of its committed capital as at 31 December 2018.

Following the near completion of FAPI II's investment portfolio, marketing of FAPI III commenced during 2018. Final closing took place in March.

As at 31 December 2018, the net asset value of the Group's investment in the FAPI funds represented €173 million.

Centric Health

In January 2018, FAPI II acquired Centric Health, an Ireland-based healthcare Group founded in 2003 by two doctors. The company is a leading provider of healthcare services in Ireland, which focuses on primary care clinics, diagnostic imaging, and medical recruitment. Over the past 15 years, Centric has become the only consolidator of General Practices ("GP") in Ireland and had 42 practices at the time of acquisition. FAPI had been in discussions with the company for approximately one year and gained the support of the founder and management for a bilateral deal with formal exclusivity ahead of a broader sale process. Winning exclusivity was based on FAPI's extensive tracking of the ambulatory care sector across Europe for many years, strong technology capabilities and international network. The founder was keen to find an engaged and trusted investor with the experience to help drive value creation and technology enablement in the business.

prospitalia

In July 2018 Prospitalia was sold to a leading Scandinavian private equity firm with deep experience and a track record in healthcare and technology businesses. Prospitalia is the leading German technology platform for spend management and clinical performance improvement, providing a range of value-added services, data and software to healthcare providers and their suppliers. FAPI I invested in Prospitalia in July 2014 as part of a strategic initiative to identify robust revenue models in healthcare outsourcing. In addition to enriching the technology content of Prospitalia's offering, FAPI I helped the company expand its proven business model into adjacent markets such as food and medical goods for university clinics and to position it as the leading Scale Purchasing Organisation for cardiac surgery and related medical goods in Germany. During FAPI I's ownership, the business performed well, with EBITDA having grown from c.€17 million at entry to expected EBITDA of c.€34 million in 2018. The investment in Prospitalia generated a 8.0x MOIC.

(1) MOIC stands for Multiple On Invested Capital.

Five Arrows Capital Partners (FACP)
Launched following the success of the FAPI programme, FACP is the US-based counterpart to FAPI. During 2018 the Fund held a series of closings bringing total capital commitments in excess of US$655 million, above its target, from a globally diversified group of investors including prominent blue-chip institutions and corporations, as well as major international family offices and entrepreneurs.

Like FAPI I and FAPI II, FACP's investment strategy is targeted towards lower middle-market companies valued between US$75 million to US$500 million with a sector focus limited to healthcare and education, business services and software and technology-enabled services with a particular focus on those companies that have scope for increased enablement of technology. FACP's primary geographic mandate, though, will be companies that are either headquartered or that sell into the US and Canada. FACP specialises in investing in franchises with dominant market positions and outstanding management teams; business models with high revenue and earnings visibility; and multiple operational levers to unlock latent value. Typically, FACP targets equity tickets of US$30 million to US$70 million per transaction with the ability to commit significantly larger amounts in conjunction with the Fund's limited partners.

To date, FACP has completed two investments in healthcare and education and software and technology-enabled services, reflecting the sourcing abilities of the platform and the experience of the team. Having completed its first investment in late 2017, the Fund's second investment was completed in April 2018 in Datix alongside FAPI II and following the exit by FAPI I. In July 2018, Datix signed an agreement to acquire the Toronto-based RL Solutions which makes the combined business the clear leader in patient safety software worldwide. Following the completion of this acquisition, FACP has invested c.15% of its committed capital.

As at 31 December 2018, the net asset value of the Group's investment in FACP represented €12 million.

Secondaries, multi-manager funds and co-investments

Five Arrows Secondary Opportunities

The Five Arrows Secondary Opportunities (FASO) team has developed a focus and expertise in European direct secondaries in the small and mid-cap segment. FASO purchases assets from sellers seeking liquidity, divesting non-core assets as well as from fund managers rebalancing portfolios. A specific know-how and network have been developed over the years to tailor solutions to the most complex secondary situations. It currently manages two funds: FASO III, raised in 2012 and FASO IV, raised in 2016/2017 and is in the process of raising FASO V.

With c.80% of commitments invested in secondary direct transactions across 30 deals in FASO III and FASO IV, FASO continues to play a leading role in the fragmented European small and mid-cap market. Its widely diversified portfolio spans across the whole of Europe and 13 sectors. In 2018, FASO exited 26 companies and completed five new deals.

As at 31 December 2018, the net asset value of the Group's investment in FASO III and IV represented €55 million.

Multi-manager funds – Five Arrows Private Equity Program (FAPEP – formerly Arolla)

FAPEP is Merchant Banking's global multi-managers private equity platform. FAPEP capitalises on the Group's private equity expertise and over-the-cycle performance to invest globally across the private equity asset class: primary fund investments, secondary transactions and co-investments. This solution combining a flexible approach with our investment expertise in multiple private equity strategies provides investors with a truly distinct perspective.

Arolla, FAPEP's currently active fund, has now committed 85% of its €195 million capital into 32 transactions across Europe, the US and emerging markets. During 2018 the Fund completed eleven transactions including five primary investments. The fund has also achieved a number of exits with 24 companies sold successfully so far. Given the deployment level achieved in Arolla, in 2018 the team will ramp up the fundraising efforts for FAPEP II.

As at 31 December 2018, the net asset value of the Group's investment in FAPEP represented €2 million.

Rothschild & Co Proprietary Investments (R&Co PI)

R&Co PI was the historical investment arm of the Rothschild & Co Group, investing on an opportunistic basis since the 1990s. Since 2005, the R&Co PI team has developed a strong co-investment expertise, investing alongside a proprietary network of international fund managers. It deployed over €500 million of capital in more than 80 transactions, mainly in growth capital and buy-out situations on a global basis, with a focus on North America, Europe and emerging markets.

Rothschild & Co Private Opportunities (R&Co PO)

In conjunction with R&Co PI balance sheet investment activity, the R&Co PI team also manages the R&Co PO co-investment programme, an investment club launched in 2013 as a joint initiative between the Merchant Banking and Wealth Management divisions for the exclusive benefit of key relationships of the Group. In 2018, R&Co PO offered three co-investment opportunities to its members.

As at 31 December 2018, the net asset value of the Group's investment in R&Co PI and R&Co PO was €134 million.

REFINITIV

In September 2018, R&Co PO invested US$16 million alongside Blackstone in the carve-out of the Financial and Risk division of Thomson Reuters: Refinitiv. The newly formed Company is a leading provider of financial data, trading solutions and data analytics. It is well positioned to capture the explosion of data consumption by financial institutions in the coming years. This investment also offered a convincing reorganisation story, as Blackstone re-designed the Company in order to turn it into a leaner, more agile institution, while generating significant savings.

GROUPEBIO7

In June 2018, R&Co PO announced its exit from Bio7, having held the investment for a period of three and a half years. Bio7 is a lab testing operator in the Paris suburban region with around 80 sites around Paris and the greater Paris area clustered around four platforms; it provides a full range of routine tests through an efficient hub-and-spoke model with tests being collected in the labs and processed in four technical platforms with a high degree of automation.

Private debt

Our private debt activities account for over €6.2 billion of assets under management and our team comprises 41 investment professionals.

We are active through two different business lines:

- Direct Lending
- Rothschild & Co Credit Management

As for all Merchant Banking initiatives, the affiliation with Rothschild & Co's other business activities provides significant market insight and sector knowledge which we believe materially enhance our credit selection processes.

Through our private debt activities, we are able to offer our investors access to both the European mid-size corporate credit market and the larger, broadly syndicated European and US LBO credit markets. This asset class is currently generating increased investor demand, as investors look to diversify away from lower-yielding, traditional fixed-income products.

Direct Lending

Five Arrows Credit Solutions (FACS)
FACS, the Group's junior debt fund, closed with €415 million of commitments in 2014 and is focused on the growing European direct lending market, originating and structuring customised junior/subordinated financing solutions for middle-market companies. The fund supports private equity sponsors, entrepreneurs and family-owned businesses in a broad range of financing needs, including leveraged buy-outs, expansion and acquisition financings, as well as recapitalisations and refinancings. The fund has continued to demonstrate strong deployment momentum during the year and, as of December 2018, had deployed €462 million, representing 111% of its original committed capital, into 14 transactions with attractive risk-reward propositions. As of December 2018, the fund has generated strong cash yield, having already distributed to investors approximatively 0.5x the capital called and has achieved five successful exits from its portfolio, each delivering an attractive return (ranging from 13.6% to 28.3% IRR) in excess of the fund's target.

As at 31 December 2018, the value of the Group's investment in FACS represented €33 million.

Five Arrows Direct Lending (FADL)
Launched in 2017, FADL provides debt capital to mid-market corporates and builds on our existing private debt expertise, franchise and track record to further leverage the potential of the asset class. It held its final closing during 2018 securing total commitments of €657 million. The fund is highly complementary to FACS and extends our direct lending offering into the senior-portion of the debt capital structure, principally in the form of first-ranking unitranche loans. We see significant appetite from mid-sized corporates for these forms of financing as banks continue to retreat from the market due to regulatory and capital constraints. The strength of the market opportunity, as well as that of our existing network and dealflow, is illustrated by our successful fundraising effort. As of December 2018 the fund, with eight investments completed, had deployed 49% of its committed capital.

As at 31 December 2018, the value of the Group's investment in FADL represented €10 million.

In July 2018, FACS invested €41 million as part of a €120 million PIK Note financing made available in connection with the acquisition by Bridgepoint of a minority stake alongside Group Bertrand in the French master franchisee for Burger King®. This transaction should allow further conversion of the French Quick® restaurant network into the Burger King® banner and the acceleration of other Group initiatives. Both Bridgepoint and Group Bertrand have a successful track record and recognised expertise in supply chain cost management and network operation and development.

In November 2018, FADL invested €53.7 million in a second-lien debt instrument as part of a wider financing transaction of Biogroup-LCD, a leading French chain of routine clinical testing laboratories. The broader transaction saw a senior debt add-on and the introduction of a second-lien instrument both held by a syndicate of lending institutions, as well as a bond investment by Caisse de Dépôt et Placement du Québec (CDPQ). This transaction will allow Biogroup to further pursue its growth strategy by completing several accretive regional laboratory chains acquisitions.

Rothschild & Co Credit Management (R&Co CM)

R&Co CM is active in both the European and US leveraged loan markets. It has €5.1 billion of assets under management across CLOs, senior secured credit and multi-strategy credit funds, as well as managed accounts. At the heart of R&Co CM's investment philosophy is capital preservation based on fundamental credit analysis combined with active management.

As at 31 December 2018, the Group's investment in R&Co CM products represented €97 million.

CLO management business

The combined European and US teams actively managed eight CLO funds as at 31 December 2018:

- three Ocean Trails CLOs invested in US assets
- five Contego CLOs invested in European assets

Our CLOs are consistently ranked at the top of the European standings and display low default rates. This is the result of deep fundamental credit analysis, conservative portfolio construction and highly experienced teams. During 2018, R&Co CM launched Contego V and Contego VI, both €400 million European CLOs, and commenced the warehouse for Ocean Trails VII in the US.

Oberon strategy

Oberon is a family of unlevered senior credit funds and managed accounts invested in a portfolio of secured debt across a diverse selection of large cap Western European and North-American corporate borrowers. During 2018, the AuM of the Oberon strategy grew by more than €600 million. This growth was driven by both the funds and the managed account mandates for institutional and private clients, bringing the overall Oberon AuM to €2.1 billion at the end of 2018. This figure also takes account of Oberon's launch into the US market with the Oberon USA fund. The Oberon strategy continues to deliver predictable quarterly cash yields to its investors and to outperform the benchmark Credit Suisse Western European Leveraged Loan Index.

Elsinore multi-strategy credit

Launched in 2017, Elsinore seeks to offer a unique proposition to our clients: a careful combination of some of Merchant Banking's most successful credit strategies in a single, actively managed portfolio. With allocations across a range of credit strategies, including private debt, high yield bonds and structured products, Elsinore aims to deliver attractive returns within and across asset classes. €162 million has been raised to date for this strategy in both funds and investment mandates.

Cineworld

- Global cinema operator
- €4.1bn senior secured debt facilities to support the acquisition of Regal

TDC

- Danish telecommunications network operator
- €4.0bn senior secured debt facilities to support the acquisition of the business by Macquarie

Refinitiv

- Provider of financial data and technology
- $11.0bn of senior secured debt facilities to support the acquisition of the business by Blackstone

Nouryon

- Speciality chemicals division of Akzo Nobel
- €5.4bn of senior debt facilities to support the acquisition of the business by Carlyle

Upfield

- Leading producer of margarine products formerly part of Unilever
- €3.9bn senior secured debt facilities to support the acquisition of the business by KKR

Zentiva

- European generic pharmaceuticals
- €0.9bn senior secured debt facilities to support the acquisition of the business by Advent

3

Management Report

Results for the 2018 financial year (1 January – 31 December)

1 Summary presentation of the results of the Group (consolidated accounts)

1.1 Perimeter of consolidation

The perimeter of consolidation of Rothschild & Co as at 31 December 2018 is set out on pages 194 onwards of this annual report.

1.2 Consolidated results

In millions of euro	01/01/18 31/12/18 (12 months)	01/01/17 31/12/17 (12 months)	01/04/17 31/12/17 (9 months)
INCOME STATEMENT			
Revenues	**1,976**	**1,910**	**1,423**
Staff costs	(1,098)	(1,087)	(821)
Administrative expenses	(309)	(320)	(237)
Depreciation and amortisation	(30)	(34)	(26)
Impairments	(4)	(13)	(4)
Operating income	**535**	**456**	**335**
Other income/(expense) (net)	(4)	21	19
Profit before tax	**531**	**477**	**354**
Consolidated net income	**454**	**412**	**315**
Net income – Group share	**286**	**236**	**191**
Exceptionals[(1)]	17	11	8
Net income – Group share excl. exceptionals[(1)]	**303**	**247**	**199**
Earnings per share (EPS[(2)])	€3.88	€3.18	€2.55
EPS – excl. exceptionals[(2)]	**€4.10**	**€3.33**	**€2.66**
Return on Tangible Equity (ROTE)	17.0%	16.4%	16.1%
ROTE – excl. exceptionals	**18.0%**	**17.2%**	**16.8%**
BALANCE SHEET			
Total assets	13,211	12,116	12,116
Cash and amounts due from central banks	4,692	3,869	3,869
Loans and advances to customers	2,929	2,990	2,990
Due to customers	8,726	7,771	7,771
Non-controlling interests	456	540	540
Shareholders' equity – Group share	**2,039**	**1,912**	**1,912**

(1) Exceptional items comprise the Martin Maurel Group integration cost, provision for Trust and guaranteed minimum pension.
(2) Diluted EPS is €3.82 for twelve months ended 31 December 2018 (twelve months ended 31 December 2017: €3.12; nine months ended 31 December 2017: €2.50).

Details of the consolidated results for 2018 are set out on pages 130 onwards of this report.

1.3 Analysis of the main items of the consolidated financial results

Following the change in the closing date of the financial year, the annual statutory accounts cover a period of twelve months ending on 31 December 2018, and the comparative information about the nine-month period ending on 31 December 2017.

For a better understanding of the performance, the elements hereafter present the 2018 annual results compared to those for 2017.

1.3.1 Revenue

For 2018, revenue was €1,976 million (€1,910 million as at 31 December 2017), representing an increase of €66 million or +3%. The uplift was largely due to Global Advisory business where revenue increased by €88 million. The translation impact of exchange rate fluctuations impacted revenue negatively by €26 million.

1.3.2 Operating expenses

STAFF COSTS

For 2018, staff costs were €1,098 million (2017: €1,087 million), representing an increase of €11 million, largely due to higher variable compensation in connection with excellent revenues in Global Advisory. The translation impact of exchange rate fluctuations resulted in a decrease in staff costs of €18 million. The staff costs benefited from a credit of €30 million (2017: charge of €7 million) relating to deferred bonus accounting.

The adjusted Group compensation ratio, as defined in Section 1.4 on Alternative Performance Measures, was 62.0% as at 31 December 2018 (2017: 63.4%). When adjusting for the effects of senior hiring in the US for the advisory business, the UK guaranteed minimum pension provision and exchange rates; the ratio is 60.8% (2017: 62.4%), in line with our financial target (60% to 65% through the cycle).

Overall Group headcount increased to 3,633 as at 31 December 2018 (31 December 2017: 3,502), largely due to junior staff recruitment.

ADMINISTRATIVE EXPENSES

For 2018, administrative expenses were €309 million (2017: €320 million), a net decrease of €11 million mainly due to the reduction of Martin Maurel integration costs (€9 million for 2018 versus €27 million for 2017). The translation impact of exchange rate fluctuations resulted in a decrease in administrative expenses of €3 million.

DEPRECIATION AND AMORTISATION

For 2018, depreciation and amortisation was €30 million (2017: €34 million), representing a decrease of €4 million. The translation impact of exchange rate fluctuations resulted in a decrease in depreciation and amortisation of €1 million.

IMPAIRMENT CHARGES AND LOAN PROVISIONS

For 2018, impairment charges and loan provisions were €4 million (2017: €13 million) due to a reassessment of certain credit risks, which resulted in a reduction of certain loan provisions.

1.3.3 Other income/expenses

For 2018, other income and expenses, which include results from equity accounted companies and gains/losses on disposal of subsidiaries and associates, was a net expense of €4 million (2017: income of €21 million). The decrease mainly results from a one-off capital gain of €13 million in 2017 relating to a Merchant Banking disposal and an impairment charge of €5 million in 2018 related to the sale of Trust.

1.3.4 Income tax

For 2018, the income tax charge was €77 million (2017: €65 million) comprising a current tax charge of €70 million and a deferred tax charge of €7 million, giving an effective tax rate of 14.5% (2017: 13.7%).

1.3.5 Non-controlling interests

For 2018, the charge for non-controlling interests was €168 million (2017: €176 million). This mainly comprises interest on perpetual subordinated debt and preferred dividends payable to French partners that decreased over the period in line with the performance of the French Global Advisory business.

1.4 Alternative performance measures – Article 223-1 of the AMF's General Regulation

To enhance the presentation of its operating performance, Rothschild & Co uses the following alternative performance measures to communicate the Group's financial results. Additional comments on some of these alternative performance indicators can be found in the section on Corporate Social Responsibility of this report.

Alternative Performance Measures	Definition	Reason for use	Reference to the data in this report
Net income – Group share excluding exceptionals	Net income – Group share excluding exceptional items.	To measure Net result – Group share of Rothschild & Co excluding exceptional items of a significant amount.	Please refer to Section 1.1 above.
EPS excluding exceptionals	EPS excluding exceptional items.	To measure Earnings per share excluding exceptional items of a significant amount.	Please refer to Section 1.1 above.
Adjusted compensation ratio	Ratio between adjusted staff costs divided by consolidated Net Banking Income of Rothschild & Co. Adjusted staff costs represent: 1. staff costs accounted in the income statement (which include the effects of accounting for deferred bonuses over the period in which they are earned as opposed to the "awarded" basis), 2. to which must be added the amount of profit share paid to the French managing partners, 3. from which must be deducted redundancy costs, revaluation of share-based employee liabilities and business acquisition costs treated as employee compensation under IFRS, **– which gives Total staff costs in calculating the basic compensation ratio** 4. from which the investment costs related to the recruitment of senior bankers in the US must be deducted, 5. from which the exceptional provision related to UK Guaranteed Minimum Pension must be deducted, 6. the amount of adjusted staff costs is restated by the exchange rate effect to offset the exchange rate fluctuations from one year to the next one, **– which gives the adjusted staff costs for compensation ratio.**	To measure the proportion of Net Banking Income granted to all employees. Key indicator for competitor listed investment banks. Rothschild & Co calculates this ratio with adjustments to give the fairest and closest calculation to the one used by other comparable listed companies.	Please refer to the comments in Section 1.3.2 above.
Return on Tangible Equity ('ROTE') excluding exceptional items	Ratio between Net income – Group share excluding exceptional items and average tangible equity Group share over the period. Tangible equity corresponds to total equity Group share less intangible assets and goodwill. Average tangible equity over the period equal to the average between tangible equity as at 31 December 2018 and 31 December 2017.	To measure the overall profitability of Rothschild & Co excluding exceptional items on the equity capital in the business.	Please refer to Section 1.1 above.
Business Operating Margin	Each Business Operating Margin is calculated by dividing Profit before tax relative to revenue, business by business. It excludes exceptional items.	To measure businesses' profitability.	Please refer to the comments pages 27, 33 and 41.
Return on Risk Adjusted Capital ('RORAC') for Merchant Banking	Ratio of an adjusted profit before tax divided by an internal measure of risk adjusted capital deployed in the Merchant Banking business on a rolling three-year basis. The estimated amount of capital and debt which management believes would be reasonable to fund the Group's investments in Merchant Banking products is consistent with its cautious approach to risk management. Based on the mix of its investment portfolio as of the reporting dates, management believes that this "risk-adjusted capital" ('RAC') amounts to c.70% of the Group's investments net asset value and that the remainder could be funded by debt. This percentage broadly represents the weighted average of 80% for equity exposures, 50% for junior credit exposures, 40% for CLO exposures in vertical strips and 33% for senior credit exposures. To calculate the RORAC, Rothschild Merchant Banking (RMB) profit before tax is adjusted by a notional 2.5% cost of debt, computed as per the above (i.e. 30% of the Group's investments NAV), divided by the RAC. Disclosed RORAC is calculated on a three-year rolling period average to account for the inevitable volatility in the financial results of the business, primarily relating to investment income and carried interest recognition.	To measure the performance of the Rothschild Merchant Banking business.	Please refer to the comments page 41.

2 Summary presentation of the results of the Company (solo accounts)

2.1 Results of the 2018 financial year

In millions of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
INCOME STATEMENT		
Current income before tax	86	110
Income from capital transactions	(6)	2
Net income[1]	**90**	**122**
BALANCE SHEET		
Balance sheet total	1,913	1,923
Non-current financial assets	1,763	1,701
Current assets	142	213
Borrowings and other financial liabilities	85	132
Shareholders' equity	**1,705**	**1,666**

(1) Net income is post tax. Please refer to Note 20 of the solo accounts of the Company on page 214 for more details.

The solo accounts of the Company for the 2018 financial year are set out on pages 206 onwards of this report.

The main changes in the Company's assets between 2017 and 2018 are as follows:

- as part of an agreement between Rothschild & Co SCA and Edmond de Rothschild on the use of their respective brands, Rothschild & Co SCA bought back all of its own shares (2.5 million shares previously held by Edmond Rothschild) for an amount of €75 million.
- increase in equity investments due to the acquisition of securities of the French subsidiary Martin Maurel S.A. from certain managers for €1.2 million.
- increase in fixed assets in portfolio activity of €63 million due to the acquisition of Rothschild & Co's own shares.

The main changes in the Company's liabilities between 2017 and 2018 mainly concern the reimbursement of certain loans for an amount of €47 million, without any new loan being contracted over the year.

During the financial year ended 31 December 2018, the Company received €104.3 million in dividends from its French subsidiaries (*Paris Orléans Holding Bancaire (POHB) SAS*: €74.8 million; *K Développement SAS*: €24.8 million, *Martin Maurel SA*: €4.7 million), compared with €122.3 million on 2017.

The increase in operating income of €5.0 million mainly corresponds to re-invoiced operating expenses. The remaining amount of increase in operating expenses mainly corresponds to fees charged by N.M. Rothschild & Sons Ltd. Lastly, the result of capital operations with a loss of €6.2 million is mainly explained by the sale of Rothschild & Co's shares pursuant to the Equity Scheme.

2.2 Results of the past five financial years

In euro	31/12/18 (12 months)	31/12/17 (9 months)	31/03/17 (12 months)	31/03/16 (12 months)	31/03/15 (12 months)
I – Financial position at the end of the financial year					
a) Share capital	155,025,552	154,815,024	154,580,024	142,274,072	142,274,072
b) Number of shares and investment certificates issued	77,512,776	77,407,512	77,290,012	71,137,036	71,137,036
c) Maximum number of future shares to be created	–	–	–	–	–
II – Overall result of effective operations					
a) Revenues exclusive of tax (financial and operating income)	116,616,132	127,139,989	88,576,446	68,170,967	26,542,974
b) Income before tax, amortisation and provisions	81,957,909	113,649,623	52,866,266	63,837,937	8,507,693
c) Corporate income tax [1]	(10,800,247)	(8,981,132)	(3,885,460)	2,580,799	(3,832,636)
d) Income after tax, amortisation and provisions	90,363,885	121,763,776	60,712,772	61,498,968	11,764,158
e) Distributed income, excluding treasury shares	53,282,700 [2]	52,637,108	52,557,208	44,562,497	42,423,795
III – Earnings per share data					
a) Income after tax, but before amortisation and provisions	1.20	1.58	0.73	0.93	0.07
b) Income after tax, amortisation and provisions	1.17	1.57	0.79	0.86	0.17
c) Dividend per share	0.79 [2]	0.68	0.68	0.63	0.60
IV – Employees					
a) Average employee headcount	16	18	19	23	25
b) Total of the payroll	1,956,242	1,992,491	3,036,180	3,164,335	3,451,711
c) Total employee benefits (social security, welfare, etc.)	1,241,251	858,405	1,764,709	1,816,360	1,595,239

(1) Negative amounts correspond to tax benefits.
(2) Dividend proposed to General Meeting of shareholders of 16 May 2019.

2.3 Proposed appropriation of income for the 2018 financial year

The Managing Partner will propose to the General Meeting of shareholders that the income for the 2018 financial year be appropriated as follows:

In euro	31/12/18 (12 months)	31/12/17 (9 months)
Net profit for the financial year	**90,363,885**	**121,763,776**
Appropriation to the legal reserve	(21,053)	(32,500)
Credit retained earnings	178,440,897	109,992,321
Distributable profit	**268,783,730**	**231,723,597**
Profit share allocated to the General Partners	1,343,919	1,158,618
Appropriation		
• to the payment of a gross dividend of €0,79 per share [1] to shareholders	**61,235,093**	52,637,108
• to retained earnings	**206,204,718**	177,927,871

(1) Out of a total of 77 512 776 shares eligible for a dividend.

The Company's net profit amounts to €90,363,885 for the 2018 financial year (€121,763,776 for the previous nine month financial year ended 31 December 2017).

This net profit, less the amount of €21,053 assigned to create the legal reserve and in addition to retained earnings of €178,440,897 makes a distributable net profit of €268,783,729 (€231,723,597 for the previous nine month financial year).

In accordance with the provisions of article 14.1 of the Company's articles of association, an amount of €1,343,919 (€1,158,618 for the previous nine month financial year) equal to 0.5% of this distributable profit will be automatically allocated for payment to the two General Partners, *Rothschild & Co Gestion SAS* and *Rothschild & Co Commandité SAS*.

The payment of a dividend of €0.79 per share to shareholders will be submitted for approval to the General Meeting to be held on 16 May 2019. The ex-dividend date shall be 20 May 2019 and the dividend shall be payable on 22 May 2019.

2.4 Dividends distributed by the Company over the past three financial years

In accordance with applicable statutory provisions, the dividends distributed by the Company to the shareholders in respect of the previous three financial years were as follows:

	31/12/17 (statutory financial period of 9 months)	31/03/17 (12 months)	31/03/16 (12 months)
Number of shares and investment certificates which could qualify for a dividend payment (1)	77,447,512	76,361,200	70,734,123 (2)
Gross dividend per share (in euro)	0.68	0.68	0.63
Total amount distributed (in euro)	52,264,602 (3)	51,925,616	44,562,497

(1) Number of shares and investment certificates that could qualify for a dividend, held on the detachment date and excluding treasury shares and investment certificates held by the Company.

(2) Adjusted amount compared to the 2017/2018 Management Report.

(3) As authorised by the General Meeting of 17 May 2018 in its second resolution, the Managing Partner revised the final amount of the actual distribution as the Company did not receive a dividend in respect of the shares it held on the payment date; the amount of the dividend corresponding to these shares was automatically added to retained earnings. The dividend was paid on 24 May 2018.

2.5 Non-deductible expenses

In accordance with the provisions of Articles 223 *quater* and 223 *quinquies* of the French General Tax Code, non-deductible expenses amount to €13,161 for financial year 2018.

3 Accounts payable and accounts receivable policy

The Company's settlement periods for its accounts payable comply with Article L. 441-6 and D. 441-1 of the French Commercial Code. Accounts payable are settled within 30 days of receiving the invoice, unless otherwise arranged as part of a sales agreement or otherwise agreed between the parties.

	Received invoices remaining unpaid as at 31/12/18					
Received invoices	0 day	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total 1 day and more
(A) Late payment ranges						
Aggregate number of concerned invoices		4	4	3	15	26
Aggregate amount due on concerned invoices (inclusive of all taxes) (in euro)		131,445	79,372	13,618	30,547	254,982
Percentage of the total amount of purchases of the financial year inclusive of all taxes		1%	1%	0%	0%	2%
(B) Reference terms of payment used (contractual or legal)						
Terms of payment used for calculating the late payment	☑ Legal terms ☐ Contractual terms					

	Issued invoices remaining unpaid as at 31/12/18					
Issued invoices	0 day	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total 1 day and more
(A) Late payment ranges						
Aggregate number of concerned invoices		59	2	0	40	101
Aggregate amount due on concerned invoices (inclusive of all taxes) (in euro)		2,216,899	188,922	0	239,563	2,645,384
Percentage of the revenue of the financial year inclusive of all taxes		16%	1%	–	2%	19%
(B) Reference terms of payment used (contractual or legal)						
Terms of payment used for calculating the late payment	☐ Legal terms ☑ Contractual terms					

4 Significant events during 2018

4.1 Effects of the legal and economic reorganisation of the Rothschild & Co and Martin Maurel groups during financial year 2018

The operational reorganisation of the Rothschild & Co and Martin Maurel S.A. groups was implemented in 2018 (effective on 2 January 2017) and was finalised at the end of 2018[(1)].

On 3 January 2018, the Group acquired an additional 4,049 shares of *Martin Maurel Stella Banque Privée SAM*, the Monaco subsidiary of Martin Maurel for a total amount of €13.95 million. With this acquisition, the Group now controls 100% of this subsidiary.

4.2 Changes in the governance of the Company

More detailed information on the governance changes resulting from the succession plan of David de Rothschild with the nomination of Alexandre de Rothschild as the executive Chairman of Rothschild & Co Gestion, is provided in this report in the section related to the report on corporate governance.

4.3 Agreement between Rothschild & Co and Edmond de Rothschild on the use of their respective brands and the settlement of their cross-shareholdings

In a press release dated 29 June 2018, Rothschild & Co and Edmond de Rothschild have reached an agreement on the use of their respective brands in order to continue growing their businesses and their customers.

As part of this agreement, the Rothschild & Co Group will use the name Rothschild & Co. Rothschild Martin Maurel is used to identify the private banking and asset management activities of Rothschild & Co in France, Belgium and Monaco.

The Edmond de Rothschild group will continue to develop its business under the Edmond de Rothschild brand.

Neither group may use the name Rothschild on its own in any form whatsoever in the future.

In addition, on 6 August 2018, the two groups unwound all of their cross-shareholdings. These mainly include:

- 8.4% of the capital of Edmond de Rothschild held by Rothschild & Co Holding AG (Rothschild & Co's holding company in Switzerland),
- 9.5% of the capital of Rothschild & Co Holding AG held by Edmond de Rothschild, and
- 5.7% of the capital of Rothschild & Co held by Edmond de Rothschild (4.4 million shares).

To implement these transactions, Edmond de Rothschild delivered 1.9 million Rothschild & Co shares to Rothschild & Co Holding AG as settlement for the difference in value in respect of the investments in Edmond de Rothschild and in Rothschild & Co Holding AG. Rothschild & Co purchased the remaining 2.5 million Rothschild & Co shares held by Edmond de Rothschild for €75 million in cash. The Edmond de Rothschild and Rothschild & Co shares were valued on the basis of their market values (respectively CHF17,000 and €30).

The impact of these transactions was to reduce the CET1 ratio as at 31 December 2018 by 1.4%. Further, they had a mildly accretive effect on earnings per share.

4.4 Exemption from the obligation to launch a tender offer for Rothschild & Co shares

The unwinding of the cross-shareholding operations of the two aforementioned Rothschild & Co and Edmond de Rothschild groups resulted in the loss of 3,929,580 double voting rights attached to the 4,423,830 Rothschild & Co shares held by the Edmond de Rothschild Group and a decrease in voting rights.

As a result, Rothschild & Co Concordia, a member of the Enlarged Rothschild Family's Concert, mechanically increased its voting rights percentage, initially between 30% and 50%, by more than 1% in less than 12 consecutive months, which placed it in the obligation to file a mandatory tender offer for the entire share capital of Rothschild & Co. It therefore requested that the French Financial Markets Authority (*Autorité des Marchés Financiers*) to grant a waiver from the obligation to launch such tender offer.

On 20 July 2018, the French Financial Markets Authority (*Autorité des Marchés Financiers*) granted the requested exemption because Rothschild & Co Concordia remains the main shareholder of the Enlarged Family Concert as it already holds, prior to the proposed transfer transaction, the majority of the voting rights of Rothschild & Co (AMF Decision number 218C1328 of 20 July 2018).

4.5 Indices

Rothschild & Co joined the SBF 120 on 24 December 2018. The SBF 120 ranks among the leading Paris stock market indices. It consists of the top 120 listed companies in terms of liquidity and capitalisation. The admission follows the entry into the CAC® SMALL, CAC® MID & SMALL et CAC® ALL TRADABLE indices at the end of September 2018.

5 Significant events after the end of the financial year

None.

6 Outlook

In Global Advisory, although the value of globally announced M&A deals in the market increased during 2018 compared to 2017, principally driven by an increase in large transactions in the US and Europe, announced activity in the second half of 2018 slowed compared to the first half. Hence, whilst we believe the general environment continues to be supportive for this business, we remain alert for signs of a significant turning point in the cycle. At the moment, our visible pipeline of business remains healthy. Looking ahead, our focus remains on growing our North American M&A franchise, whose revenue has increased over time as a result of ongoing investment and where we foresee strong potential for future growth.

Wealth and Asset Management has a solid base from which to grow. However, the macro economic factors are uncertain, resulting in increased market volatility. Nevertheless, thanks to continued investment in our people and processes, we expect net new assets in Wealth Management to increase across all main geographies.

(1) Please refer to Section 4 of the 2016/2017 Annual Report for more details.

Merchant Banking expects to continue to grow its Assets under Management and maintain a significant contribution to the Group's results. The division will be focused on the deployment of the recently launched funds. It also expects to raise successor funds and grow its direct lending and credit management businesses (launch of new CLOs and a CLO equity fund). Our portfolios' performance remains strong and we continue to apply our investment philosophy that is centred around cautious and disciplined capital deployment decisions, focusing on attractive risk-reward opportunities with appropriate downside protection features.

Whilst 2018 was a very strong year, we anticipate 2019 to be more challenging due to the increased uncertainty surrounding the macro environment and its consequential effects on financial markets. We will continue to focus on our strategy of growing our three businesses and improving the synergies between them, while, in the event of a decline in market conditions, remaining ever-vigilant to control our cost base.

7 Specific risks related to global economy and financial markets

7.1 Brexit consequences

The United Kingdom's exit from Europe was scheduled for 29 March 2019 and the European Union extended it to 12 April 2019. It is possible, given the complexity of the issues at stake and lack of progress to date, that there could be a period of extended uncertainty beyond this date.

Our multiple location model is resilient and very few changes to our legal and operating structure will be required as a consequence of Brexit. Changes that are being implemented are minor and largely concentrated in our Wealth and asset management activities, where we are considering shifting some investment management to existing EU entities. The situation is further eased as a consequence of the decision made jointly by the European Securities and Markets Authority (ESMA) and European securities regulators on 1 February 2019 to agree Memoranda of Understanding with the UK Financial Conduct Authority (FCA).

Of course, there is still much uncertainty surrounding the terms of the UK's departure from the EU, but our current assessment is that the biggest risk for our business is the impact of Brexit on the UK and European economic environment. We continue to monitor developments closely.

7.2 Potential impacts of the low interest rate environment on Rothschild & Co (and more specifically on the Private Wealth and Asset Management businesses)

The low interest rate environment of recent years impacts our business directly through the returns we make on our cash holdings, although there is variation between different currencies. Rothschild & Co's strategy has been to maintain a low risk profile for such holdings, which are predominantly invested with central banks but also in investment grade bonds, systemically important banks and more recently, money and debt funds. Rothschild & Co has also deployed funds to support its strategy of growing private client lending in response to clients' increased demand for credit. This growth is primarily in segments with strong collateral backing, such as Lombard lending and residential mortgages, based on conservative loan to value ratios.

From a client investment perspective, Rothschild & Co has not passed on negative interest rates to clients but the low interest rate environment makes it expensive to hold cash on their behalf, particularly Swiss francs and euros, and we are vigilant to ensure that any enhanced yields, where available, do not come at the expense of significantly higher risk. More generally, low yields even on longer-dated fixed-income securities can affect both advised and discretionary portfolio construction processes. However, we interpret low rates as primarily the result of central bank policy and long-term liability management by institutions rather than as a sign that wider business conditions have taken a turn for the worse. Corporate profitability, outside the volatile energy and banking sectors, has been historically respectable and the corporates held in our portfolios in general have not responded to low rates by recklessly gearing their balance sheets.

There are indications in the major economies that this prolonged period of low interest rates could be coming to an end, with gradual increases expected by central banks.

Details on the other main risks identified by the Company for the 2018 financial year are set out on pages 70 onwards of this Report.

1 Overview of the Company

1.1 Legal form

Rothschild & Co was converted into a French partnership limited by shares (*société en commandite par actions* or SCA) by decisions of the General Meeting of shareholders on 8 June 2012, which approved a reorganisation of the Group that constituted a major step forward in its ongoing international expansion and in the simplification of its structure.

One of these reorganisation stages consisted of converting the Company's form of incorporation into a partnership limited by shares to ensure the commitment and control of the Rothschild family over the long term, leading to changes in the Company's structure and governance.

This legal form is based on two categories of partners: the General Partners, with the status of "*commerçant*", who have an active role in the Company's business and are jointly and severally liable for the Company's debts, and the Limited Partners (also called shareholders), who are not actively engaged in the Company's business and whose liability is limited to the amount of their investment.

1.2 General Partners

1.2.1 General Partners designated by the articles of association

The Company's General Partners were designated in the articles of association when the Company was converted into a partnership limited by shares on 8 June 2012. They are controlled by members of the French and English branches of the Rothschild family:

- *Rothschild & Co Gestion*, a French simplified joint-stock company (SAS) with share capital of €60,000, and whose registered office is at 3 rue de Messine, 75008 Paris (to which the articles of association also confer the role of Managing Partner); and
- *Rothschild & Co Commandité*, a French simplified joint-stock company (SAS) with share capital of €60,000, and whose registered office is at 3 rue de Messine, 75008 Paris.

The General Partners have unlimited joint and several liability for the Company's debts. However, they shall be held liable only if the creditors have already issued the Company with a formal demand by extrajudicial instrument to settle its debts.

Losses shall be divided between the General Partners in equal shares (50% for *Rothschild & Co Commandité SAS* and 50% for *Rothschild & Co Gestion SAS*).

However, in the event of an annual distributable profit, a profit share (*dividende préciputaire*) equal to 0.5% of the said annual distributable profit is allocated automatically to the General Partners who held such position during the year in question and is distributed between them in the same proportions as the distribution of losses specified above. However, in the event that the status of General Partner is lost during the course of that year, the remuneration of the Partner in question in respect of that year will be calculated on a pro-rata basis and the remainder shall be distributed between the other General Partners.

1.2.2 Powers of the General Partners

The General Partners have the power to appoint or revoke the Company's Managing Partner at any time, except for Managing Partners appointed under the Company's articles of association for which an approval from the Extraordinary General Meeting of shareholders is also required.

In the event of a cessation of duties of the Company's Managing Partner, the General Partners shall manage the Company pending the appointment of one or more new Managing Partners under the terms and conditions of the articles of association of the Company.

Under the provisions of the law, no decision is valid unless approved by both General Partners, except for the following decisions for which legal provisions expressly exclude General Partners' votes: vote on all resolutions proposed to the General Meeting of shareholders, except the appointment of members of the Supervisory Board, the appointment and dismissal of the Statutory Auditors, the distribution of dividends for the year and approval of regulated agreements and commitments. Also, pursuant to article 11.3 of the Company's articles of association, any transaction whose purpose or effect could fundamentally call into question the Group's independence, tradition of excellence, links to the Rothschild family or the role played by the Rothschild family, its use of the Rothschild name or the fact that the Group's main activities are financial activities must be approved by the General Partners, including when such transactions do not require authorisation from a General Meeting of shareholders.

1.2.3 Decision-making process

The General Partners take decisions at the Managing Partner's discretion at a General Meeting or by written consultation. Whenever a decision requires the approval of the General Partners and the General Meeting of shareholders, pursuant to the law or the memorandum and articles of association of the Company, the Managing Partner collects the General Partners' votes, in principle, before the General Meeting of shareholders and, in any event, no later than the close thereof.

Decisions or proposals that fall within the remit of the General Partners shall be adopted unanimously, except if the Company is converted to a French limited company (*société anonyme*) or a French limited liability company (*société à responsabilité limitée*) which only requires a majority of the General Partners.

1.3 Limited partners (shareholders)

1.3.1 General presentation

The Limited Partners contribute capital and have therefore the status of shareholders.

They do not take an active part in the Company's day-to-day operations but take decisions including, but not limited to the:

- appointment of the Supervisory Board members, who must be selected from among the Limited Partners, and the Statutory Auditors;
- vote on the accounts approved by the Managing Partner; and appropriation of the income of the financial year (including the distribution of dividends);
- approval of the regulated agreements;
- advisory opinion on the Managing Partner's remuneration;
- modification of the articles of association; and
- delegation of authority relating only to a share capital increase.

1.3.2 Terms and conditions of shareholders' attendance at General Meetings

Decisions are adopted by Limited Partners during General Meetings of shareholders by a simple majority of the votes for ordinary decisions, and by a majority of two-thirds of the votes for extraordinary decisions.

General Meetings are convened by the Managing Partner or by the Supervisory Board and decisions are made, in the conditions provided for by law, by a simple majority of the votes of shareholders attending or represented at the meeting in the case of Ordinary General Meetings, and by a two-thirds majority of the votes of shareholders attending or represented at the meeting in the case of Extraordinary General Meetings.

Meetings are held at the registered office or any other place indicated in the notice of meeting. General Meetings are chaired by the Company's Managing Partner or, with the agreement of the Company's Managing Partner, by the Chairman of the Supervisory Board; failing this, the General Meeting elects its Chairman.

In compliance with Article 11 of the Company's articles of association, any shareholder is entitled to attend General Meetings in accordance with the conditions provided for by law and by the articles of association. These persons may send their proxy forms or mail voting forms concerning any General Meeting in paper format or electronically. The Managing Partner has the power to accept any proxy form, voting form or shareholding certificate received or presented to the General Meeting. By decision of the Company's Managing Partner to use such telecommunication methods, indicated as such in the notice of meeting or invitation to attend, shareholders who attend and vote at General Meetings of shareholders by videoconference or any other telecommunication must enable their identity to be verified in order to be deemed to be present at the meeting for the purposes of quorum and majority.

In case of division of ownership of shares, the voting rights attached to the shares belong to the bare owners (*nus-propriétaires*), except for decisions on the allocation of income, which belongs to the beneficial owners (*usufruitiers*).

More details on the terms and conditions of shareholders' attendance at Rothschild & Co's General Meetings are provided to shareholders in the notice of meeting to be published on the Company's website prior to the General Meeting in accordance with the law.

2 Information on the share capital

2.1 Composition of the share capital

As at 31 December 2018, the Company's share capital was divided into 77,512,766 ordinary shares.

During the 2018 financial year, three authorised share capital increases were decided by the Company's Managing Partner after the exercise of stock options in the framework of the 2013 Equity Scheme (as this term is defined under Section 2.3.2) and the delegation of authority granted by the shareholders:

- on 30 April 2018, with the issuance of 40,000 new shares following the exercise of 40,000 stock options;
- on 5 June 2018, with the issuance of 15,000 new shares following he exercise of 15,000 stock options; and
- on 20 November 2018, with the issuance of 50,264 new shares following the exercise of 50,264 stock options.

2.2 Voting rights

As at 31 December 2018, the total number of voting rights was as follows:

Total number of voting rights	31/12/2018	31/12/2017
Exercisable	114,022,849	121,754,623
Theoretical[(1)]	120,457,497	124,121,787

(1) The total number of theoretical voting rights includes voting rights attached to shares without the capacity to exercise the voting rights attached to them pursuant to the applicable legal or regulatory provisions. The shares concerned are treasury shares and controlling shares. Pursuant to applicable legal and regulatory provisions, the crossing upwards of voting rights thresholds provided for by law or by the articles of association must be calculated based on the total number of theoretical voting rights, as made public by Rothschild & Co every month.

Each month, the Company issues a report on the total number of shares and voting rights comprised in the share capital which is available on its website (www.rothschildandco.com under Section "*Newsroom/Regulated Information*").

Each share and voting right certificate is entitled to one voting right at the General Meetings. However, article 11.1 of the Company's articles of association provides that, as from the General Meeting of shareholders on 8 June 2012, the holder of any fully paid share, held in the form of registered shares for at least two years in the name of a single holder, shall be entitled to two voting rights per share, without any limitation.

In case of capital increase, by incorporation of reserves, benefits or issue premiums, the double voting right is, as from the issuance date, attributed to the registered shares allocated to a shareholder as a consequence of former shares for which he benefits from a double voting right.

In the event of any transfer following inheritance, liquidation of marital property between spouses, or donation *inter vivos* in favour of a spouse or relative entitled to inherit, the right remains acquired and the period referred to above is not interrupted. The double voting right is cancelled *ipso jure* on any share transferred for any other cause.

In case of division of shares and voting right certificates' ownership, the voting right attached to the share or to the voting right certificate is exercised by the bare owner (*nus-propriétaire*), except on decisions relating to the appropriation of income, where it is exercised by the beneficial owner (*usufruitier*).

2.3 Securities granting access to share capital

2.3.1 Background and legal framework

The Managing Partner is authorised by the Company's shareholders to grant stock options for the benefit of the senior employees and executive corporate officers of the Company and its subsidiaries.

Beyond the mere use of the legal authority to implement stock-options plans, the Company also wanted to promote the convergence of interests of the stock-options beneficiaries with the controlling family shareholder as well as other shareholders.

The schemes (the "*Equity Schemes*") implemented also include a characteristic specific to the Company, insofar as the intended beneficiaries of options are required to buy Rothschild & Co shares beforehand in order to be granted options.

According to the rules and regulations of each Equity Scheme:

- shares are invested beforehand in the form of the direct purchase of Rothschild & Co shares, or in the form of the award of restricted share units, giving holders the right to receive Rothschild & Co shares after a set vesting date, subject to certain conditions[(2)], or a combination of the two;
- for each share invested, beneficiaries are awarded a number of stock options; and
- the shares invested are subject to a lock-up period of four years and stock options awarded are subject to a vesting period before being exercised.

Furthermore, the beneficiaries of these options can only exercise their options if they remain in their management or executive role within the Group until the exercise date of the options, subject to some specific exceptions stipulated in the equity scheme rules and regulations.

(2) Within the framework of restricted share units under the Equity Scheme, a number of Rothschild & Co shares were acquired by Group entities in which Equity Scheme participants hold management or executive roles. These shares, intended to be awarded to holders of restricted shares units after the vesting date and subject to certain conditions, are currently – and until the vesting data – treasury shares and therefore do not bear any voting rights.

Before the beginning of the exercise period of the options, the Managing Partner of the Company decides whether the options are exercised by subscribing newly issued shares or by acquiring existing Rothschild & Co shares allocated in this context.

Within the framework of this delegation of authority and characteristics specific to the Company, four Equity Schemes have been implemented and remained in force as at 31 December 2018, namely:

- on 11 October 2013 (the "*2013 Equity Scheme*"),
- on 9 December 2015 (the "*2015 Equity Scheme*"),
- on 13 December 2017 (the "*2017 Equity Scheme*"), and
- on 20 June 2018 (the "*2018 Equity Scheme*").

2.3.2 2013 Equity Scheme

The 2013 Equity Scheme was intended for some Global Partners within the Global Advisory business, as well as for the members of the Group Executive Committee, representing a total of 57 people operating in ten different countries around the world.

The participants have acquired a total of 780,000 Rothschild & Co shares, representing 1.10% of the Company's share capital as at the grant date.

In accordance with the authorisation granted by the General Meeting of shareholders on 26 September 2013, the Company's Managing Partner decided, on 11 October 2013, to grant a total of 3,120,000 stock options.

The options granted under the 2013 Equity Scheme are classified into four distinct categories, the Options 2013-1, the Options 2013-2, the Options 2013-3 and the Options 2013-4, respectively, vesting on the third, fourth, fifth and sixth anniversaries of the 2013 Equity Scheme, and exercisable on the vesting dates at a price of €17.50, €18, €19 and €20 per option.

By decisions on 23 September 2016, the Company's Managing Partner decided that all participants to the Options 2013-1 could exercise their options by subscription of newly issued Rothschild & Co's shares only.

By decisions on 28 September 2017, the Company's Managing Partner decided that all participants to the Options 2013-2 could exercise their options by acquiring existing Rothschild & Co's shares.

By decisions on 9 October 2018, the Company's Managing Partner decided that all participants to the Options 2013-3 could exercise their options by acquiring existing Rothschild & Co's shares.

During the 2018 financial year, 115,000 Options 2013-1, 105,000 Options 2013-2 and 115,000 Options 2013-3 were exercised. 10,000 Options 2013-3 and 10,000 Options 2013-4 were forfeited due to the departures of a beneficiary.

2.3.3 2015 Equity Scheme

The 2015 Equity Scheme was extended to some Wealth Management and Merchant Banking Global Partners, representing a total of ten participants.

The participants acquired a total of 115,000 Rothschild & Co shares, representing 0.16% of share capital as at the grant date.

In accordance with the authorisation granted by the General Meeting of shareholders on 26 September 2013, the Company's Managing Partner decided, on 9 December 2015, to grant a total of 460,000 stock options.

The options granted under the 2015 Equity Scheme are classified into four separate categories, the Options 2015-1, the Options 2015-2, the Options 2015-3 and the Options 2015-4, acquired, respectively, on the third, fourth, fifth and sixth anniversaries of the 2015 Equity Scheme, and exercisable on the vesting dates at a price of €23.62, €24.12, €25.12 and €26.12 per option.

By decisions on 9 December 2015, the Company's Managing Partner decided that all participants to the Options 2015-1 could exercise their options by acquiring existing Rothschild & Co's shares.

During the 2018 financial year, 20,000 Options 2015-1 were exercised. Because of the death of a participant, the vesting period was accelerated and 20,000 Options 2015-1, 20,000 Options 2015-2, 20,000 Options 2015-3 and 20,000 Options 2015-4 were also exercised.

2.3.4 2017 Equity Scheme

The 2017 Equity Scheme was extended to some Asset Management Global Partners and some senior employees having cross-divisional functions in the Rothschild & Co group, representing a total of 20 participants.

The participants acquired a total of 277,500 Rothschild & Co shares, representing 0.36% of share capital as at the grant date.

In accordance with the authorisation granted by the General Meeting of shareholders on 29 September 2016, the Company's Managing Partner decided, on 13 December 2017, to grant a total of 1,110,000 stock options.

The options granted under the 2017 Equity Scheme are classified into four separate categories, the Options 2017-1, the Options 2017-2, the Options 2017-3 and the Options 2017-4, acquired, respectively, on the third, fourth, fifth and sixth anniversaries of the Equity Scheme 2017, and exercisable on the vesting dates at a price of €31.56, €32.06, €33.06 and €34.06 per option.

In the case of a participant holding an executive officer position in an entity of the Rothschild & Co Group on the grant date, the exercise of the options is conditional upon the achievement of a performance condition. The performance condition depends on the entity within which the participant is a Global Partner. For the participants who are not a Global Partner at *Rothschild Martin Maurel* on the grant date, they shall have been effectively granted variable remuneration with respect to the financial year closed on 31 December 2016 or 31 March 2017 (as applicable, depending on the closing date of the financial year of the relevant Rothschild & Co entity) determined before the opening of the relevant exercise period (or the date of the death in case of the death of a participant).

2.3.5 2018 Equity Scheme

The 2017 Equity Scheme was extended in 2018 to a Global Partner in the Global Advisory business.

This participant acquired a total of 20,000 Rothschild & Co shares, representing 0.02% of share capital as at the grant date.

In accordance with the authorisation granted by the General Meeting of shareholders on 17 May 2018, the Company's Managing Partner decided, on 20 June 2018, to grant a total of 80,000 stock options.

The options granted under the 2018 Equity Scheme are classified into four separate categories, the Options 2018-1, the Options 2018-2, the Options 2018-3 and the Options 2018-4, acquired respectively on the third, fourth, fifth and sixth anniversaries of the 2018 Equity Scheme, and exercisable on the vesting dates at a price of €31.56, €32.06, €33.06 and €34.06 per option.

Considering this participant is holding an executive officer position in an entity of the Rothschild & Co Group on the grant date, the exercise of the options is conditional upon the achievement of a performance condition which depends on the entity within the participant is a Global Partner.

2.3.6 Situation as of 31 December 2018

The table below summarises all information on outstanding options as at 31 December 2018.

		Date of authorisation by the General Meeting	Grant date by the Managing Partner	Total of options granted	Number of beneficiaries	Share capital % at the grant date	Subject to the fulfilment of performance conditions	Exercise period start date	Expiration date	Subscription or purchase price (in euro)	Total options exercised	Total options forfeited	Total options remaining
Options 2013	**Options 2013-1**	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	30 Nov. 2016	11 Oct. 2023	17.50	277,500	20,000	**482,500**
	Options 2013-2	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	11 Oct. 2017	11 Oct. 2023	18.00	217,500	20,000	**542,500**
	Options 2013-3	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	11 Oct. 2018	11 Oct. 2023	19.00	115,000	30,000	**635,000**
	Options 2013-4	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	11 Oct. 2019	11 Oct. 2023	20.00	–	30,000	**750,000**
Options 2015	**Options 2015-1**	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2018	9 Dec. 2025	23.62	40,000	–	**75,000**
	Options 2015-2	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2019	9 Dec. 2025	24.12	20,000	–	**95,000**
	Options 2015-3	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2020	9 Dec. 2025	25.12	20,000	–	**95,000**
	Options 2015-4	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2021	9 Dec. 2025	26.12	20,000	–	**95,000**
Options 2017	**Options 2017-1**	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes (1)	11 Oct. 2020	13 Dec. 2027	31.56	–	–	**277,500**
	Options 2017-2	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes (1)	11 Oct. 2021	13 Dec. 2027	32.06	–	–	**277,500**
	Options 2017-3	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes (1)	11 Oct. 2022	13 Dec. 2027	33.06	–	–	**277,500**
	Options 2017-4	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes (1)	11 Oct. 2023	13 Dec. 2027	34.06	–	–	**277,500**
Options 2018	**Options 2018-1**	17 May 2018	20 June 2018	20,000	1	0.02%	Yes (1)	11 Oct. 2020	13 Dec. 2027	31.56	–	–	**20,000**
	Options 2018-2	17 May 2018	20 June 2018	20,000	1	0.02%	Yes (1)	11 Oct. 2021	13 Dec. 2027	32.06	–	–	**20,000**
	Options 2018-3	17 May 2018	20 June 2018	20,000	1	0.02%	Yes (1)	11 Oct. 2022	13 Dec. 2027	33.06	–	–	**20,000**
	Options 2018-4	17 May 2018	20 June 2018	20,000	1	0.02%	Yes (1)	11 Oct. 2023	13 Dec. 2027	34.06	–	–	**20,000**
Total				**4,770,000**	**88**	**6.56%**					**710,000**	**100,000**	**3,960,000**

(1) Please refer to the summary of the performance conditions set out in section 2.3.4 and 2.3.5.

As at 31 December 2018, 3,960,000 options were outstanding and exercisable in accordance with the terms and conditions of the 2013, 2015, 2017 and 2018 Equity Schemes.

2.4 Share buyback programme

In accordance with the provisions of Article 241-2 of the AMF General Regulation, the reason for this section is to describe the purposes and terms of the share buyback programme of the Company. This programme, approved by the shareholders at the General Meeting held on 17 May 2018 and in force during the 2018 financial year, is as follows:

Authorisation of the programme	**General Meeting of 17 May 2018**
Period of validity	from 17 May 2018 to 17 November 2019
Resolution approving the programme	14
Maximum number of shares	10% of the share capital at the date on which the purchases are made, however, the total number of the Company's own shares held, directly or indirectly, by it following such purchases shall not exceed 10% of those outstanding.
Maximum purchase price per share	€50
Maximum amount	€387,037,550

Under the current programme, the shares could be purchased, sold or otherwise transferred, namely to:

- their cancellation through a reduction of the share capital;
- their transfer, in the context of employee shareholding operations, grant of bonus shares to employees and corporate officers of the Group or shares delivered upon the exercise, by their beneficiaries, of the Company's share options;
- the promotion of a secondary market or the liquidity of the Company's shares under a liquidity contract entered into with an independent investment service provider in accordance with the conditions defined by the French Financial Markets Authority (Autorité des marché financiers);
- preservation or subsequent tendering by way of payment or exchange as part of external growth transactions; and
- more generally, any other purpose consistent – or to become consistent – with applicable laws and regulations and in particular any other practice admitted or recognised – or to become admitted or recognised – by law or the French Financial Markets Authority.

As required under Article L. 225-211 of the French Commercial Code, the table below summarises the transactions carried out by the Company under this authorisation during the 2018 financial year.

	Liquidity contract (1)	Stock options coverage	Other purposes	Not covered by the share buyback programme (1)(2)	TOTAL
Number of shares as at 31 December 2017	24 000	428,624	(275,000)	587,106	764,730
Number of shares purchased	449,026	–	–	2,645,040(2)	3,094,066
Number of shares sold	(439,344)	(320,000)	(20,000)(3)	56,320	835,664
Number of shares loaned to members of the Supervisory Board	–	–	–	–	–
Number of shares cancelled	–	–	–	–	–
Average price of purchases and sales(4) (in euro)	–	–	–	–	–
– purchases	31.63	–	–	30.00	n/a
– sales	31.70	20.40	30.00	29.90	n/a
Number of shares as at 31 December 2018	33,682	108,624	(295,000)	3,175,826	3,023,132

(1) The transactions are recorded after settlement delivery.
(2) These treasury shares are not shares previously purchased by the Company under a share buyback programme. They include 145,040 shares consolidated by combining investment certificates historically held by the Company with purchased voting right certificates and 2,500,000 shares acquired following the unwinding of the cross-shareholding operations of Rothschild & Co and Edmond de Rothschild groups on 6 August 2018. These treasury shares are therefore not subject to the allocation obligations provided for by Article L.225-209 of the French Commercial Code.
(3) Shares sold as part of the implementation of the Equity Scheme 2018 (please refer to section 2.3.5 for more details).
(4) Average subscription or purchase price of shares under Rothschild & Co's Equity Scheme plans for transactions concluded between January 1 and December 31, 2018 (please refer to section 2.3 for more details).

In accordance with Article L. 225-212 of the French Commercial Code, Rothschild & Co provides the AMF with a monthly report on the shares acquired, sold, cancelled or transferred by the Company in application of Article L. 225-209 of said Code.

3 Information on the shareholder structure

The table below lists the shareholders of Rothschild & Co holding, as at 31 December 2017 and as at 31 December 2018, a percentage of the share capital or of the voting rights that exceeds the thresholds for disclosure as required under article L.233-9 of the French Commercial Code:

Shareholders	31/12/2018			31/12/2017		
	Total capital	% of share capital	% of exercisable voting rights	Total capital	% of share capital	% of exercisable voting rights
• Rothschild & Concordia SAS (1)	24,806,341	32.00%	43.51%	24,806,341	32.05%	40.74%
• David de Rothschild Family	346,734	0.45%	0.31%	346,734	0.45%	0.29%
• Éric and Robert de Rothschild Family	1,089,254	1.41%	1.19%	670,861	0.87%	0.77%
• Holding Financier Jean Goujon SAS (2)	4,057,079	5.23%	7.12%	4,057,079	5.24%	6.27%
• N.M. Rothschild & Sons Ltd (3)	1,262,173	1.63%	–	1,240,507	1.60%	–
• Bernard Maurel Family	4,229,704	5.46%	7.02%	4,229,704	5.46%	6.57%
• Other members of the Enlarged Family Concert (4)	2,611,072	3.36%	4.26%	2,759,572	3.56%	3.74%
Total Enlarged Family Concert (4)	**38,402,357**	**49.54%**	**63.41%**	**38,110,798**	**49.23%**	**58.39%**
Treasury shares	3,023,132	3.90%	–	909,770	1.18%	–
Other controlling shares (3)	2,149,343	2.77%	–	206,887	0.27%	–
Edmond de Rothschild group (5)	–	–	–	5,413,586	6.99%	8.28%
Jardine Matheson group	4,217,310	5.44%	7.40%	4,217,310	5.45%	6.93%
Float	29,720,634	38.34%	29.19%	28,549,161	36.88%	26.40%
TOTAL	**77,512,776**	**100.00%**	**100.00%**	**77,407,512**	**100.00%**	**100.00%**

(1) For details on the control of Rothschild Concordia SAS, see details in section 3.1.1.
(2) Controlled by Edouard de Rothschild.
(3) Group entities controlled by Rothschild & Co. According to applicable legal provisions, controlling shares cannot have voting rights.
(4) For the composition of the Enlarged Family Concert, see details on section 3.1.
(5) Entities of the Edmond de Rothschild group acting in concert as disclosed to the AMF (AMF Decision & Information number 214C2351 of 7 November 2014 – AMF Decision & Information number 216C2637 of 23 November 2016).

To the Company's knowledge, no other shareholder held as at 31 December 2018, directly or indirectly, alone or acting in concert, above 5% of the Company's share capital or voting rights.

3.1 Control of the Company by a Family Concert

The Company has been controlled, since 2008, by a concert of members of the Rothschild Family (the "*Initial Family Concert*"), which was extended to new members as from the Group reorganisation of 2012 (the "*Enlarged Family Concert*"). The relations between concert members in relation to their shareholding in the Company are ruled by shareholders' agreements which main provisions are presented in section 4 of this report.

3.1.1 Initial Family Concert following the Group reorganisation in January 2008

The Group reorganisation in January 2008 resulted in the establishment of two agreements entered into between shareholders.

Only one of these agreements is still in force, as at 31 December 2018, and as at the date of this report. This agreement was entered into in the form of a shareholders' agreement on 25 January 2008 between shareholders of Rothschild & Co Concordia SAS (the "Rothschild & Co Concordia Shareholders' Agreement") and all members of the Rothschild family. The main provisions of this Rothschild & Co Concordia Shareholders' Agreement are summarised in section 4.1 of this Report and set up a concerted action (*action de concert*) between the shareholders of Rothschild & Co Concordia SAS in respect of the Rothschild & Co shares held by Rothschild & Co Concordia SAS.

As at 31 December 2018, the shareholders of Rothschild & Co Concordia SAS were as followed:

Shareholders	Shares	% of share capital	% of voting rights
David de Rothschild's family branch[(1)]	269,551,815	33.02%	33.02%
Éric and Robert de Rothschild's family branch[(2)]	374,927,451	45.94%	45.94%
Integritas BV branch[(3)]	171,728,995	21.04%	21.04%
Total Rothschild Concordia SAS	**816,208,261**	**100.00%**	**100.00%**

(1) Mr. David de Rothschild, his family and holding companies controlled by his family.
(2) Messrs. Éric and Robert de Rothschild and holding companies controlled by their family.
(3) Controlled by the English branch of the Rothschild family.

Pursuant to the provisions of article L. 233-11 of the French Commercial Code, this agreement was published by the AMF on 25 January 2008 (AMF Decision & Information number 208C0180 of 25 January 2008).

3.1.2 Enlarged Family Concert after the Group reorganisation in June 2012

Following the Group reorganisation in June 2012, the AMF was informed on 12 June 2012 of the new composition of the family concert extended to new members: Rothschild & Co Concordia SAS, the David, Éric and Édouard de Rothschild family branches, certain members of the management bodies and Compagnie Financière Martin Maurel. On this occasion, the AMF was informed of the existence of a new shareholders' agreement (defined as the "Rothschild & Co Shareholders' Agreement" which main terms were published by the AMF (AMF Decision & Information number 212C0752 of 13 June 2012 and Decision & Information number 212C0783 of 19 June 2012), summarised in section 4.2 of this report.

In December 2014, the AMF was informed of the addition of four new members to the Enlarged Family Concert: Messrs. Nicolas Bonnault, Laurent Baril, Philippe Le Bourgeois and Christophe Desprez, four of the Group's Senior Managers. On this occasion, the AMF was informed of the execution of an amendment to the Rothschild & Co Shareholders' Agreement which main provisions were published by the AMF (AMF Decision & Information number 215C0073 of 14 January 2015).

During the financial year ended 31 March 2016, certain members of the Enlarged Family Concert (the Messrs. David, Edouard, Eric and Robert family branches and Olivier Pécoux) acquired 404,142 additional Rothschild & Co shares on 19 October 2015, representing 0.39% of the Company's share capital. On this occasion, declarations were made to the AMF (AMF Decisions & Information number 2015DD396509, 2015DD396510 and 2015DD396511 of 23 October 2015).

On 4 January 2016, the AMF was informed of the addition to the Enlarged Family Concert of a new member, Mr. Nigel Higgins, Managing Partner (formerly Chief Executive Officer) of Rothschild & Co Gestion SAS, after his acquisition of 4,362 shares (AMF Decision & Information number 216C0119 of 12 January 2016).

Moreover, the AMF was informed of a series of share reclassifications by certain members of the Enlarged Family Concert. On this occasion, six individuals within the concert contributed their shares to their holding companies, which are also members of the concert. This series of share reclassifications, which was completed on 31 March 2016, resulted in the loss of double voting rights for members who had held their shares in registered form for more than two years, representing a gross loss of 434,000 voting rights for the Family Concert.

On 2 January 2017, following the merger with Compagnie Financière Martin Maurel, Compagnie Financière Martin Maurel was replaced in the Enlarged Family Concert by its main three shareholders, Mr. Bernard Maurel, Ms. Lucie Maurel-Aubert and BD Maurel which controlled the Compagnie Financière Martin Maurel before the merger. An amendment agreement to the Rothschild & Co Shareholders' Agreement was entered into on the same date, to reflect their adherence to this agreement. On this occasion, the AMF was informed of the change in the shareholding structure of Rothschild & Co following the merger with Compagnie Financière Martin Maurel (AMF Decision & Information number 217C0092 of 9 January 2017).

On 20 March 2017, the AMF was informed of the sale of Rothschild & Co shares held by the Eranda Rothschild Foundation (AMF Decision & Information number 217C0678 of 20 March 2017).

On 28 June 2017, the AMF was informed of the sale of all the Rothschild & Co shares held by the Eranda Rothschild Foundation on 22 June 2017. Following this sale, the Eranda Rothschild Foundation crossed downward each threshold causing its leaving of the Enlarged Family Concert. However, the Enlarged Family Concert did not cross any threshold (AMF Decision & Information number 217C1391 of 29 June 2017).

As at 31 December 2018, the composition of the Enlarged Family Concert was as follows:

Enlarged Family Concert members	Shares	% of share capital	Voting rights	% of exercisable voting rights
Rothschild & Co Concordia SAS	24,806,341	32.00%	49,612,682	43.51%
David de Rothschild Family [(1)]	346,734	0.45%	349,254	0.31%
Éric et Robert de Rothschild Family [(1)]	1,089,254	1.41%	1,356,384	1.19%
Holding Financier Jean Goujon SAS [(2)]	4,057,079	5.23%	8,114,158	7.12%
N.M. Rothschild & Sons Ltd [(3)]	1,262,173	1.63%	–	–
Philippe de Nicolay-Rothschild	102	0.00%	202	0.00%
Alexandre de Rothschild	158	0.00%	158	0.00%
François Henrot Family [(1)]	762,470	0.99%	1,524,930	1.34%
Olivier Pécoux Family [(1)]	438,251	0.57%	584,530	0.51%
Rothschild & Co Gestion SAS	1	0.00%	2	0,00%
Bernard Maurel Family [(1)]	4,229,704	5.46%	8,004,674	7.02%
Nicolas Bonnault Family [(1)]	328,260	0.42%	656,510	0.58%
Laurent Baril Family [(1)]	404,570	0.52%	809,140	0.71%
Philippe Le Bourgeois Family [(1)]	293,260	0.38%	523,510	0.46%
Christophe Desprez Family [(1)]	384,000	0.50%	767,700	0.67%
Total Enlarged Family Concert	**38,402,357**	**49.54%**	**72,303,834**	**63.41%**

(1) Including their family holding company.
(2) Controlled by Mr. Édouard de Rothschild.
(3) Group entity controlled by Rothschild & Co without voting rights, in accordance with applicable legal provisions.

3.2 Ownership threshold disclosure

3.2.1 Threshold disclosure requirements

Pursuant to Article L. 233-7 of the French Commercial Code, any individual or legal entity, acting alone or in concert with others, that comes into possession of more than 5%, 10%, 15%, 20%, 25%, 30%, 33.33%, 50%, 66.66% or 90% or 95% of Rothschild & Co's share capital or voting rights, must inform the Company and the AMF no later than the close of business on the fourth trading day following the crossing of the threshold, and disclose the total number of shares, investment certificates or voting rights held. This disclosure obligation shall apply under the same conditions when the portion of the share capital or voting rights held drops below these thresholds.

In addition to threshold crossings subject to legal provisions, article 7.3 of Rothschild & Co's articles of association establishes disclosure obligations for shareholders who come into possession of a number of shares or voting rights equal to or greater than 1% of the Company's share capital or voting rights, or any multiple of this threshold. This disclosure obligation shall apply under the same conditions when the portion of the share capital or voting rights held drops below these thresholds. The shareholders must inform the Company within the timeframe provided for by law, by registered letter with acknowledgement of receipt, stating whether the number of shares, investment certificates or voting rights are or are not held on behalf of, under the control of, or in concert with, other individuals or legal entities. Subject to the specific provisions stated above, this statutory obligation is governed by the same rules that apply to the legal obligation, including in particular the cases of assimilation of securities held provided for by law.

Summary of the threshold disclosure requirements:

Thresholds (%)	Disclosure to the Company	Disclosure to the AMF	Related obligations
1.00% and any multiple	Yes	No	
5.00%	Yes	Yes	
10.00%	Yes	Yes	Statement of intent
15.00%	Yes	Yes	Statement of intent
20.00%	Yes	Yes	Statement of intent
25.00%	Yes	Yes	Statement of intent
30.00%	Yes	Yes	Public takeover bid or offer of exchange (1)
33.33%	Yes	Yes	
50.00%	Yes	Yes	
66.66%	Yes	Yes	
90.00%	Yes	Yes	
95.00%	Yes	Yes	

(1) Requirement also applicable in the event of an increase of more than 1% of the share capital or voting rights within a period of twelve consecutive months for persons holding between 30% and 50% of the Company's share capital or voting rights.

In the event of a failure to comply with the disclosure requirements provided for above, the securities that exceed the fraction that should have been declared may be deprived of voting rights at all General Meetings held for a period of two years.

Each month the Company publishes a report on its website disclosing the total number of shares and voting rights comprising the share capital on the last day of the previous month (www.rothschildandco.com under the section "Newsletter/Regulated Information"). Shareholders are invited to refer to these monthly publications to determine whether they are subject to the threshold disclosure requirements described above.

3.2.2 Legal thresholds disclosure during the 2018 financial year

As a result of the unwinding of the cross-shareholding operations of Rothschild & Co and Edmond de Rothschild groups on 6 August 2018, displayed in section 4.3 of the results for the 2018 financial year, the Swiss public limited company, Edmond de Rothschild Holding SA, declared on 6 August 2018 that it had crossed downward the 5% thresholds (directly and indirectly through Edmond de Rothschild (Suisse) SA, which it controls) of the Company's share capital and voting rights and announced that it no longer held any Rothschild & Co shares (AMF 218C1439 of 13 August 2018).

3.3 Shares held by the Company's employees

As required under Article L.225-102 of the French Commercial Code, employee share ownership in the share capital of the Company as at 31 December 2018 amounted to 0.05% of the share capital, held by a Company mutual fund (*Fonds Commun de Placement d'Entreprise*) within an employee share ownership scheme (*Plan d'Épargne d'Entreprise*).

3.4 Treasury shares held by the Company

As at 31 December 2018, Rothschild & Co held 3,023,132 of its own shares, without voting rights, as follows:

Total number of shares held by Rothschild & Co	**3,023,132**
• Allocated to the liquidity contract	33,682
• Allocated to the stock options coverage (1)	88,624
• Other treasury shares (2)	2,900,826
% of the share capital	3.90%
Book value	**€85,326,299.78**

(1) Shares acquired in accordance with the authorisation granted to the Managing Partner to buy back the Company's shares as per the 12th resolution approved on 24 September 2015. Allocation disclosed to the AMF and published on the website of Rothschild & Co in 22 October 2015.

(2) Including 400,826 shares contributed to Rothschild & Co as a result of the merger with Compagnie Financière Martin Maurel effective on from 2 January 2017 the modalities of which are displayed in the 2017 management report), and 2,500,000 shares purchased to the Edmond de Rothschild group on 6 August 2018. These shares can be used for future equity schemes (see detailed information in section 2.3 and following of this report) and the remuneration of certain Rothschild & Co group employees in accordance with the non-cash instrument plans.

3.5 Controlling shares held by entities controlled by the Company

As at 31 December 2018, a total of 3,411,516 shares were held by entities controlled by Rothschild & Co, representing 4.40% of the share capital. These shares are by nature without voting rights.

Entities controlled by Rothschild & Co	Rothschild & Co shares held as at 31/12 /2018	% of the share capital
N.M. Rothschild & Sons Ltd (1)	1,262,173	1.63%
Other controlled entities which hold shares pursuant to the Equity Scheme regulations (2)	168,666	0.22%
Other controlled entities which hold shares pursuant to non-cash instruments plans (3)	56,742	0.07%
Other controlled entities which hold shares for other purposes	1,923,935	2.48%

(1) Out of these 1,262,173 shares, 205,122 shares are held pursuant to the Equity Scheme regulations and non-cash instruments plan.
(2) Controlling shares purchased under the Equity Schemes, described on section 2.3 of this report and following, as part of the Rothschild & Co shares investment by certain employees of the Group.
(3) Compensation policy implemented to satisfy regulatory requirement on delivery of compensation under CRD 3 to Regulated Persons within the Group.

4 Shareholders' agreements

4.1 Shareholders' agreement dated 22 January 2008

The AMF has published the main provisions of this agreement, entered into on 25 January 2008 between shareholders of Rothschild & Co Concordia SAS (Decision & Information number 208C0180). The main provisions, in particular with respect to Rothschild & Co Concordia, are as follows:

- The Board of Directors of Rothschild & Co Concordia SAS is comprised of twelve members, each of the three branches of the Rothschild family appointing four members (including three members representing the Rothschild family and an independent member). This power of appointment will be reduced to two members if the concerned branch's participation drops below 15% of Rothschild & Co Concordia SAS' share capital and will be removed if the participation drops below 5% of the share capital.
- A certain number of decisions by the Board of Directors of Rothschild & Co Concordia SAS on specific matters (the "Reserved Matters") are voted by a majority of 75% of its members. They include among others:
  - any investment by Rothschild & Co Concordia SAS other than in Rothschild & Co or within the Group;
  - any decisions relating to Rothschild & Co Concordia SAS's vote in Rothschild & Co's Extraordinary General Meetings;
  - any sale of Rothschild & Co shares or any transaction resulting in a reduction of Rothschild & Co Concordia SAS's interests in Rothschild & Co or any transactions resulting in the loss of control of N.M. Rothschild & Sons Ltd; and
  - any action involving the sale, alienation or licensing to a third party of the "Rothschild" name or of any associated intellectual property rights.
- All decisions of the Board of Directors of Rothschild & Co Concordia SAS other than with respect to a Reserved Matter shall be voted on by a simple majority of the votes cast at the meeting of the Board of Directors. It includes Rothschild & Co Concordia SAS's votes in Rothschild & Co's Ordinary General Meetings (in particular decisions relating to the appointment of the members of the Supervisory Board of Rothschild & Co).
- The Chairman of Rothschild & Co Concordia SAS will consult with the Board of Directors of Rothschild & Co Concordia SAS, prior to any decision or action by the Supervisory Board of Rothschild & Co, with the objective of reaching consensus at the Rothschild & Co Concordia SAS level on matters likely to have an impact on the Rothschild & Co Group.
- The duration of ten years as from the date of the Shareholders' Agreement during which no transfer of the Rothschild & Co Concordia SAS' shares to any third party or any exit transaction (as defined in the Rothschild & Co Concordia Shareholders' Agreement) is authorised, ended on 22 January 2018.
- No Rothschild & Co Concordia SAS shareholder may, directly or indirectly, alone or in concert with any person, acquire any Rothschild & Co shares or take any action that may trigger the requirement to file a mandatory offer for Rothschild & Co without first consulting the Board of Directors of Rothschild & Co Concordia SAS.
- Rothschild & Co Concordia SAS shall have priority over other shareholders in respect of any potential acquisition of Rothschild & Co.

Rothschild & Co Concordia Shareholders' Agreement was still in force as at 31 December 2018.

4.2 Shareholders' agreement dated 8 June 2012

The AMF has published the main provisions of this agreement (the "Rothschild & Co Shareholders' Agreement") (AMF Decision & Information number 212C0752 dated 13 June 2012 and Decision & Information number 212C0783 dated 19 June 2012). These are summarised below.

- The shareholders act in concert. They shall use their best endeavours to reach a consensus as to how they shall vote at each General Meeting of shareholders of Rothschild & Co. If they fail to reach a consensus, they undertake to vote in accordance with the recommendations made by the Chairman of Rothschild & Co Concordia SAS (Mr. Eric de Rothschild at the date of this report).
- Each of the shareholders concerned has undertaken to keep at least the following proportions of the Rothschild & Co shares issued to them as remuneration for the transfers approved by the General Meeting of shareholders of 8 June 2012:
  - 100% for the 12 months as from 8 June 2012; and
  - 50% during the subsequent 24-month period.
- In the event of a sale or transfer of Rothschild & Co shares by a shareholder, Rothschild & Co Concordia SAS has a right of first refusal (together with a right of substitution, in the exercise of this right by Rothschild & Co Concordia SAS, by any person it chooses providing said person acts in concert with it). Rothschild & Co Concordia SAS's right of first refusal applies to all Rothschild & Co shares held by any shareholder at 8 June 2012, whether the shares came into the shareholder's possession as a result of the transfers approved by the General Meeting of shareholders of 8 June 2012 or by any other means.
- Rothschild & Co Concordia SAS may exercise its right of first refusal (i.e. the priority right to acquire shares) in respect of all or part of the shares concerned, at a price equal to the volume weighted average price of the Rothschild & Co shares on Euronext Paris during the 20 trading days preceding the date of notification to Rothschild & Co Concordia SAS by the shareholder concerned.
- Rothschild & Co Concordia SAS's right of first refusal shall also apply in the case of the sale or transfer by a shareholder of preferential subscription rights, preference rights or share subscription warrants issued or allocated by Rothschild & Co in the context of a capital increase.

- The shareholders shall receive the totality of the dividends distributed by Rothschild & Co in respect of the shares they hold and shall dispose of these amounts freely. However, if these dividends are paid in Rothschild & Co shares, the shares thus received shall be governed by the agreement in the same way as the shares in respect of which the dividend in shares was received.
- The shareholders are free (subject to the legal regulations, particularly those relating to insider trading) to acquire additional shares in Rothschild & Co, it being specified that such shares will not be governed by the agreement and that any shareholders planning to increase their shareholdings in Rothschild & Co must first:
  - inform the other shareholders in order to assess the impact of the planned increase on the shareholders' overall shareholdings in Rothschild & Co; and
  - if necessary, obtain all derogations to any obligation to make a tender offer for the Rothschild & Co shares and/or the relevant authorisations from the supervisory bodies.

It is hereby specified that the Rothschild & Co Shareholders' Agreement also provided that the parties to this agreement have a right to give their shares to their family members or their controlled companies. In case of transfer, such shares will still be subject to the terms of the Rothschild & Co Shareholders' Agreement (including the agreement to act in concert with respect to those shares).

In this respect, the AMF was informed that Messrs. Eric de Rothschild and Olivier Pécoux, both members of the family concert, donated, in July 2012, a part of their Rothschild & Co shares to members of their families, who also became members of the Enlarged Family Concert upon the AMF having received notification of the donations. Their adherence to the Rothschild & Co Shareholders' Agreement was formalised by the execution of an amendment to the Shareholders' Agreement, without modification to its main terms and conditions.

On 7 January 2015, the AMF was informed of the adherence of Messrs. Nicolas Bonnault, Laurent Baril, Philippe Le Bourgeois and CD GFA SARL to the Rothschild & Co Shareholders' Agreement. On this occasion, the AMF was informed of the execution of a second amendment to the Rothschild & Co Shareholders' Agreement whose main provisions were published by the AMF and made available on its website (AMF Decision number 215C0073 of 14 January 2015).

On 6 January 2017, the AMF was informed of the substitution of Compagnie Financière Martin Maurel by Mr. Bernard Maurel, Mrs. Lucie Maurel-Aubert and BD Maurel within the Enlarged Family Concert following the merger with Compagnie Financière Martin Maurel (AMF Decision number 217C0092 of 9 January 2017). On this occasion, a third amendment to the Rothschild & Co Shareholders' Agreement has been executed in order to reflect such change and to acknowledge the adherence to the Shareholders' Agreement by the family holding companies of some signatories.

The Rothschild & Co Shareholders Agreement (and its successive amendments) was still in force on 31 December 2018.

4.3 "Dutreil" agreements (*pactes Dutreil*)

The table below lists, to the Company's knowledge, the agreements falling within the scope of the *Dutreil* Act which expired in 2018, as well as those concluded or still in force in 2018:

	Governed by	Date of signature	Collective commitment to retain shares	% of share capital and voting rights covered by agreement	Signatories who hold the quality of corporate officer within the meaning of Article L. 621-18-2 of the French Monetary and Financial Code[1]
Agreement 2012.9	CGI Art. 885 I bis (ISF)	20 Dec. 2012	Six years from registration date (i.e. until 27 Dec. 2018)	Over 20% of share capital and voting rights	• Rothschild & Co Gestion SAS, Managing Partner • David de Rothschild, Chairman of the Supervisory Board
Agreement 2012.11	CGI Art. 885 I bis (ISF)	27 Dec. 2012	Six years from registration date (i.e. until 28 Dec. 2018)	Over 20% of share capital and voting rights	• Rothschild & Co Gestion SAS, Managing Partner • David de Rothschild, Chairman of the Supervisory Board • François Henrot, non-voting member of the Supervisory Board
Agreement 2017.1	CGI Art. 787 B (transmission)	7 July 2017	Two years from registration date (i.e. until 7 July 2019)	Over 20% of share capital and voting rights	• Rothschild & Co Gestion SAS, Managing Partner
Agreement 2017.2	CGI Art. 787 B (transmission)	8 Dec. 2017	Two years from registration date (i.e. until 12 Dec. 2019)	Over 20% of share capital and voting rights	• Rothschild & Co Gestion SAS, Managing Partner • David de Rothschild, Chairman of the Supervisory Board
Agreement 2018.1	CGI Art. 787 B (transmission)	30 Jan. 2018	Two years from registration date (i.e. until 21 Feb. 2020)	Over 20% of share capital and voting rights	• Rothschild & Co Gestion SAS, Managing Partner • David de Rothschild, Chairman of the Supervisory Board

(1) As of this report.

4.4 Other shareholders' agreements

Within the context of the Group's reorganisation approved by the shareholders at the General Meeting held on 8 June 2012[1] lock-up agreements were concluded. In this context, shareholders' agreements were signed with the contributor shareholders, not members of the Enlarged Family Concert, which contributed their interests in *Rothschild Martin Maurel* SCS (formerly *Rothschild & Compagnie Banque SCS)* and their shares in *Financière Rabelais SAS*.

The contributors, not members of the Enlarged Family Concert, of interests in *Rothschild & Compagnie Banque SCS* and shares in *Financière Rabelais SAS* are under an obligation to hold all the Rothschild & Co shares received in exchange for their contributions for lock-up periods ranging from one to 18 years and also have an obligation to notify Rothschild & Co and *Rothschild & Co Concordia SAS* before any sale of said shares. Some of these agreements, which concern natural persons occupying functions within the Group, grant Rothschild & Co a call option on the shares in the event the shareholder ceases to occupy his/her functions before the end of the applicable lock-up period.

(1) Detailed information on the Company's reorganisation is provided in the Document E filed with the AMF on 16 May 2012 under registration number E.12-019 and attached to the Executive Board's report presented to the General Meeting of shareholders on 8 June 2012. These documents are available on Rothschild & Co's website (www.rothschildandco.com).

1. Regulatory context

Rothschild & Co is on the list of the financial holding companies supervised by the *Autorité de contrôle prudentiel et de résolution* ('ACPR') on a consolidated basis. The rules which impact upon the Group arrangements for risk management systems and controls are set out in the French Monetary and Financial Code *(Code monétaire et financier)* and the Order dated 3 November 2014, which defines the conditions for implementing and monitoring internal control systems in banks and investment firms. The Order dated 3 November 2014 lays down the principles relating to control systems for transactions and internal procedures, accounting systems and information processing, risk and performance measurement systems, risk supervision and control systems, and internal control documentation and reporting systems.

As required by the Order dated 3 November 2014, the Group internal control system established by Rothschild & Co operates a distinction between organisations and managers in charge of permanent control (including compliance, anti-money laundering and risk management) and periodic control (i.e. internal audit).

The internal control system of Rothschild & Co must also take into account, as appropriate, the AMF's General Regulations (the "AMF Regulations"), local regulations applicable to branches and subsidiaries outside France and to specialised operations such as portfolio management, the most widely accepted industry practices in this area and the recommendations of international bodies dealing with the capital adequacy framework of international banks, foremost among which are the Basel Committee, the Financial Stability Board and the European authorities (European Banking Authority, European Securities and Markets Authority).

2. Definition, objectives and scope of internal control

The internal control system refers to Rothschild & Co's own internal control system and the Group's internal control system on a consolidated basis.

The internal control system seeks to provide members of the Supervisory Board, officers and shareholders with reasonable assurance that the following objectives are achieved:

- the effectiveness and efficiency of the entity's operations;
- the prevention and detection of fraud;
- compliance with laws and regulations, internal standards and rules;
- the reliability of accounting and financial information; and
- protection of the entity's assets.

It also fulfils the internal control objectives specific to financial holding companies supervised by the ACPR on a consolidated basis.

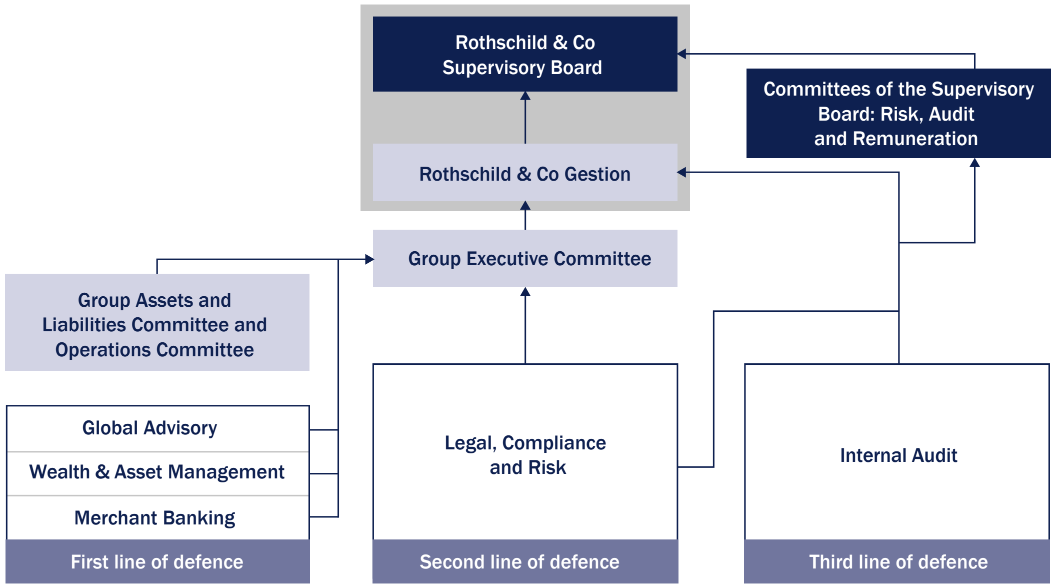
3. Organisation of internal control

The Group's internal control framework is based on the "three lines of defence" model. The first line comprises front line management from the business itself. The second line includes independent risk, compliance (including AML/CFT) and legal functions and, to a lesser extent, finance and human resources to monitor on a continuous basis the activity of the front line management, and the third line comprises internal audit – which exercises periodic surveillance of the Group's activities and support functions.

The three lines of defence for identifying, evaluating and managing risks:

First line of defence	Second line of defence	Third line of defence
It is the responsibility of senior management in each of the Group's business lines to establish and maintain effective risk management systems and to support risk management best practice.	Comprises specialist Group support functions including: risk, compliance, legal, finance and human resources. These functions provide: • operational and technical guidance; • advice to management at Group level and operating entity level; • independent challenge to the businesses; and • assistance in the identification, assessment, management, measurement, monitoring and reporting of financial and non-financial risks.	The Group's Internal audit function provides independent objective assurance on the effectiveness of the control procedures including those relating to the management of risks across the entire Group.

The chart below shows the internal control governance structure through which the Group seeks to comply with these obligations:



3.1 Rothschild & Co Supervisory Board

The Rothschild & Co Supervisory Board, through the workings and reporting of the Rothschild & Co Risk Committee, the Rothschild & Co Audit Committee and the Remuneration and Nomination Committee for matters of their respective concern and which have an impact on risk management, ensures the implementation by Rothschild & Co of reliable procedures and processes for monitoring the internal control systems of the Group in order to identify, assess and manage risk.

The Heads of the Compliance, Risk and Internal Audit functions report on the performance of their duties to Rothschild & Co Gestion and, whenever it is necessary in accordance with legal and regulatory provisions, to the Rothschild & Co Supervisory Board.

3.2 Rothschild & Co Gestion

Rothschild & Co Gestion is the statutory Managing Partner (*Gérant*) of Rothschild & Co and as such its sole legal representative responsible for the overall management of the Company.

The decision-making process at Rothschild & Co Gestion is presented in section 1 of the report on corporate governance. It is organised through its Management Board and lies with its Chairman, assisted by the Group Executive Committee Co-Chairmen and Managing Partners of Rothschild & Co Gestion.

In accordance with the provisions of Article L.511-13 of the French Monetary and Financial Code, the Chairman of Rothschild & Co Gestion, assisted by another managing partner of Rothschild & Co, is specifically in charge of:

- ensuring the effective determination of the direction of the business of the company Rothschild & Co SCA and the entities within the Group on a consolidated basis;
- supervising the accounting and financial information and direct the internal control of the company Rothschild & Co SCA and the entities within the Group on a consolidated basis; and
- determining the regulatory capital of the company Rothschild & Co SCA and the entities within the Group on a consolidated basis.

3.3 Group Executive Committee

The Group Executive Committee, the composition of which is presented on pages 15 onwards of the annual report, is the senior executive committee at Rothschild & Co. The Group Executive Committee is responsible for the definition and oversight of the implementation of Group strategy, review and monitoring of business performance, business plans, budgets and business forecasts, discussion and implementation of cross-divisional synergies, discussion and review of new business opportunities, human resources strategic initiatives, Group risk management and internal control, and communication.

The Group Executive Committee is assisted by the Group Operations Committee which is responsible for the improvement of the efficiency of all the Group's operations.

3.4 Independent control functions

Internal control at Rothschild & Co consists of permanent and periodic controls. While they are complementary, they are distinct and independent of one another:

- permanent control is the overall process for monitoring the risks to which the Group is exposed as a result of its ongoing activities and operations. It is carried out by operational staff, and their line managers, and by independent permanent control functions either within, or independent of, these operational entities; and
- periodic control is the overall process for *ex-post* verification of the operations of the Group, based on investigations that are conducted by the Group Internal Audit function, which performs periodic checks on an independent basis on the design and the effectiveness of the two first lines of defence.

3.4.1 Group Legal & Compliance (including AML/CFT)

The Group legal & compliance responsibilities include, among other things: development and maintenance of compliance policies and procedures (including those dealing with anti-money laundering and combating the financing of terrorism), execution or supervision of monitoring programmes, conduct of any required investigation and advice on compliance aspects of any transactional or business processes, facilitation of certain aspects of risk governance (e.g. the Global Advisory Risk Committee or the Group Financial Crime Compliance Committee, etc.), monitoring and review of legislation and regulatory developments which might affect the Group's business, reporting results of monitoring programmes to senior management, agreeing any remedial action or changes to all of the above with senior management. This independent internal control function reports to the Group Head of Legal & Compliance, who is a member of the Executive Committee. The Group Head of Legal & Compliance reports to the Executive Committee, Rothschild & Co Gestion, the Supervisory Board's Audit and Risk Committee and to various boards (or their equivalent) around the Group.

3.4.2 Group Risk

Group Risk is responsible for ensuring that suitable risk management processes are in place across the Group and for reporting on a consolidated view of risk exposures across the Group. As part of its role, Risk assesses the risks in each business and how they are managed, aims to establish a forward-looking view over emerging risks within the businesses or the external environment and delivers an independent and objective perspective on the risks in the business and whether they are consistent with approved strategy and risk appetite. The Chief Risk Officer reports to one of the two Rothschild & Co *dirigeants effectifs* within the meaning of the provisions of the French Monetary and Financial Code applicable to Rothschild & Co, as a financial holding company. Risk reports to Rothschild & Co Gestion and the Group Executive Committee on significant incidents in accordance with the provisions of the Group Operational Risk Policy. This policy sets out the criteria and thresholds for identifying significant operational risk incidents and the process for escalating them and ensuring that any remedial actions are appropriately monitored.

In addition to the activities highlighted above, Risk presents a report on risk management to the Rothschild & Co Risk Committee on a quarterly basis. This report covers capital reporting for Rothschild & Co, analysis of credit, liquidity, market and operational risk, regulatory and legal issues, any new products and highlights any material limit breaches or issues identified by Risk in its day-to-day activities.

Other functions are important and participate in the internal control system in their specific areas of responsibilities such as Group Finance and Human Resources.

3.4.3 Group Internal Audit

Periodic control is independently exercised by Group Internal Audit. The Head of Internal Audit meets formally every three to four months with the concerned Managing Partners of the Managing Partner and, whenever necessary, to present the activity of the Internal Audit function and discuss any material findings raised during the period. The Head of Internal Audit presents the activity of Internal Audit to the Audit Committee which meets four times a year. At the beginning of the financial year, the Audit Committee approves the audit plan for the coming year and during its meetings in May and September it reviews in detail the activity of the Internal Audit function as described below. The Head of Internal Audit meets regularly, usually every quarter, with the heads of the main lines of business to discuss progress on activity and the evolution of risks for their respective area of responsibility. This forms part of the regular information of the Internal Audit function on the evolution of the Group's risk profile.

Each of the Internal Audit officers is responsible for the audit coverage of some specific lines of business: Global Advisory, Private Wealth, Asset Management, Merchant Banking, Banking and Treasury and Information Technology, in parallel with their local geographical coverage. The other members of the Internal Audit function are not allocated by business and are assigned to different audits according to the scheduling of the annual audit plan. The Head of Internal Audit reports to one of the two Rothschild & Co Gestion *dirigeants effectifs* and to the Audit Committee. The latter receives a summary of every audit report drawn up by the Internal Audit function.

4. Risk Management

The guiding philosophy of risk management in the Group is to adopt a prudent and conservative approach to the taking and management of risk. The maintenance of the Group's reputation is a fundamental driver of risk appetite and of risk management. The protection of reputation guides the type of clients and businesses with which the Group will engage.

The nature and method of monitoring and reporting varies according to the risk type. Risks are monitored regularly with management information being provided to relevant committees on a weekly, monthly or quarterly basis. Where appropriate to the risk type, the level of risk faced by the Group is also assessed through a series of sensitivity and stress tests.

The identification, measurement and control of risk are integral to the management of Rothschild & Co's businesses. Risk policies and procedures are regularly updated to meet changing business requirements and to comply with best practice.

4.1 Credit and counterparty risk

The Group's credit risk exposure primarily arises from its private client lending activity (through Rothschild & Co Bank International Limited, Rothschild & Co Bank AG and Rothschild Martin Maurel SCS), and from corporate lending through Rothschild Martin Maurel SCS. In addition, the legacy banking activities undertaken in N.M. Rothschild & Sons Ltd (including commercial loans to corporates) result in some credit risk, as does co-investment alongside real estate debt management funds.

All credit exposures are closely monitored on a regular basis and a quarterly review of bad and doubtful debts is undertaken.

All material credit exposures are subjected to an intensive process of credit analysis by expert teams and review and approval by formal credit committees. A high proportion of the credit exposures are secured.

Group Credit is responsible for the monitoring of the overall level of credit exposure across the Group, formalising the credit support that is given in relation to private client and corporate lending exposures and reviews Treasury counterparty credit risk. The Group Credit team works closely with the embedded credit staff in Rothschild & Co Bank AG, Rothschild & Co Bank International Limited and Rothschild Martin Maurel SCS and provides a first line of defence in terms of its credit expertise and its monitoring of the type and quantum of the overall lending activity. Group Risk provides independent challenge through the credit process and second line oversight and reporting of lending exposure against limits to the Group Executive Committee and Risk Committee.

4.1.1 Governance of credit risk

The Group Credit Committee ('GCC') oversees all lending in the Group through three sub-Committees – the Private Client Credit Committee ('PCCC'), the Group Credit Committee – France ('GCCF') and the Corporate Credit Committee ('CCC').

The PCCC is responsible for the oversight of private client lending exposures (including credit risk and pricing of loans) in Group entities outside France and will review private client lending which is on the balance sheets of the following lending entities: Rothschild & Co Bank AG, Rothschild & Co Bank International Limited and Rothschild & Co Wealth Management UK Limited. The private client lending policies and associated delegated approval authorities is confirmed by the relevant board (or board committee as appropriate) of each of these entities.

The GCCF is responsible for the oversight of private client lending exposures and corporate lending exposures (including credit risk and pricing of loans) by Rothschild Martin Maurel SAS (the "French Banking Entity"). The lending policies and associated delegated approval authorities are confirmed by the relevant board (or board committee as appropriate) of the French Banking Entity.

The CCC is responsible for the oversight of corporate lending exposures (including credit risk and pricing of loans) by Group entities (excluding lending to clients by the French Banking Entity), including the N.M. Rothschild & Sons Ltd corporate loan book, the Credit Select Series 4 mortgages, the Group's bank counterparty limits and other counterparty limits and lending to Group companies/investments in Group funds.

The CCC is responsible for reviewing staff loans and for any co-investment in or any direct credit exposure to individual Merchant Banking transactions. The lending exposures assumed and the credit policies followed within the Group are subject to the oversight of the Rothschild & Co Risk Committee. The PCCC, GCCF and CCC review the level of risk assumed in respect of lending to ensure it is consistent with the risk appetite of the Group and in accordance with the Group Credit Risk Policy. Any material changes to the lending policies are reviewed by the Group Executive Committee and the Rothschild & Co Group Assets and Liabilities Committee ("Rothschild & Co Group ALCO") and will be reported to the Rothschild & Co Risk Committee.

4.1.2 Approach to credit risk

The Group has credit risk and large exposure policies which are established by Rothschild & Co and reviewed by the Rothschild & Co Risk Committee. In conjunction with the Group's risk appetite the policies set out the credit risk profile of the Group, the limits that have been set and establishes reporting protocols.

All exposure to credit risk is managed by detailed analysis of client and counterparty creditworthiness prior to entering into an exposure, and by continued monitoring thereafter. A significant proportion of the Group's lending exposures are secured in property or assets, and the Group monitors the value of any collateral obtained. The Group also uses netting agreements to restrict credit exposure to counterparties. For internal monitoring purposes, credit exposure on loans and debt securities is measured as the principal amount outstanding plus accrued interest.

Stress testing is an important risk management tool used to evaluate, gain an understanding of the impact of unexpected or extreme events and to validate the firm's risk appetite. Each banking entity is required to set out in its credit risk policy its approach to stress testing and whether it is considered appropriate to the entity's risk management.

4.1.3 Settlement risk

Settlement risk arises in circumstances where a counterparty does not deliver a security or its value in cash as agreed when the security was traded after the other counterparty has already delivered a security or cash value. Within the Rothschild & Co Group, settlement risk can arise when conducting foreign exchange and derivatives transactions as well as through the sale and purchase of securities. There are a number of mitigants available to ensure that such risks are minimised and managed appropriately.

4.2 Operational risk

The Group has defined operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

4.2.1 Governance and organisation of operational risk

The Group has an established operational risk framework with the key objectives of mitigating operational risks by means of policies, processes, systems and procedures; communicating the Group's risk appetite; protecting the Group's assets; defining roles, responsibilities and accountabilities across the Group; and establishing a consistent approach for identifying, monitoring, measuring and reporting operational risk throughout the Group.

The Group Operational Risk Policy, pursuant to the Group Risk Framework for the Group, is reviewed annually and formalises the operational risk framework and is designed to ensure compliance with regulatory requirements in relation to operational risk. Oversight of operational risk matters relies on Rothschild & Co Gestion, the Group Executive Committee and the Group Operations Committee for their respective responsibilities, under the supervision of the Supervisory Board, assisted by its Risk Committee.

Each of the key operating entities have established processes and appointed staff to identify and assess the operational risks that they are exposed to, in the context of their own market conditions, and have appropriate controls or risk mitigation processes in place. The management's assessment of operational risk is supported by the risk assessments which are undertaken at least annually.

All incidents with a loss amount greater than €30,000 are reported in the quarterly legal and compliance report which is presented to the Group Executive Committee, the Rothschild & Co Risk Committee and the Rothschild & Co Audit Committee of the Supervisory Board.

4.2.2 Compliance risk

Regular and targeted compliance training ensures that the Group employees are clear on their regulatory responsibilities and understand the regulatory environment in which they conduct business.

Group Compliance identifies employee training needs based upon a number of factors, including regular monitoring of permanent controls, compliance reviews, regulatory developments, annual compliance risk assessments, breaches of compliance policy, practice or procedure and other factors. In addition, bespoke training is organised at the business line and legal entity level. *Ad hoc* training is given to ensure prompt dissemination to staff of business-related market and best practice, legal, compliance and regulatory developments.

Protection of the Rothschild & Co brand is of fundamental importance to the Group. The Rothschild & Co name and its reputation are the Group's key asset and a number of controls are in place to ensure the culture of professionalism and protection of the firm's reputation is maintained.

Measures to limit reputational risk are set out in Group policies and each of the businesses' Compliance manuals. These include high-level principles to guide behaviour and extensive procedures relating to new client take on/acceptance for all business divisions.

On a monthly basis, each Compliance function in all the major business lines is required to complete a report of Compliance management information. This information comprises quantitative data reporting and qualitative assessments made by local Compliance officers. This gives a Group-wide picture of compliance risk and also allows Compliance to collect the requested information by business line or topic.

4.2.3 Money laundering and terrorist financing risk

The Group legal, compliance and risk functions oversee and coordinate the prevention of money laundering and terrorist financing for all Group entities. The Group Head of Legal & Compliance oversees the Group's AML risk framework and strategy and reports to the Managing Partner. He is assisted by subject matter experts in the Group financial crime compliance team and with execution of operational processes by legal, compliance and risk staff on a global basis.

A Group Financial Crime Compliance Committee (chaired by the Group Head of Financial Crime Compliance) examines the design and effectiveness of the Group's financial crime policies, procedures and monitoring programmes as well as developing a strategic approach to money laundering prevention for the Group. The Committee convenes on a quarterly basis and its members include all regional heads of financial crime.

The Group Financial Crime Compliance team reviews all Group financial crime related policies on an annual basis.

4.3 Market risk

Market risk arises as a result of the Group's activities in interest rate, currency, equity and debt markets. Exposure to market risk on trading activities is small in relation to capital, as trading activity is focused on servicing client requirements rather than on proprietary risk-taking. Foreign exchange and interest rate derivative contracts are predominantly used for hedging purposes. Trading activities in the Group are confined to "vanilla" products – the Group does not trade in complex derivatives or other exotic instruments.

Each of the Group's regulated banking entities is required to manage market risk on a stand-alone basis in accordance with its individual risk appetite and limits approved by the Rothschild & Co Group ALCO.

The Group measures interest rate risk in the banking book by measuring its effect on the fair value of interest-bearing assets and liabilities (and of interest rate derivatives). This is done by showing the impact of a uniform 200 basis point shock upwards or downwards. These are calculated at the entity level.

Exposure to interest rate risk in the banking book is not material in relation to capital and there has been no material changes to the profile of interest rate risk in the banking book in the last twelve months, as reported in the internal report to the ACPR.

4.4 Liquidity risk

Liquidity risk is defined as the risk that a Group banking entity is not able to maintain or generate sufficient cash resources to meet its payment obligations as they fall due. Managing liquidity risk is therefore a crucial element in ensuring the future viability and prosperity of the relevant banking entity as well as the Group.

4.4.1 Governance of liquidity risk

The Group adopts a conservative approach to liquidity risk and its management and has designed its approach in the overall context of the wealth management strategy.

The Group Risk Appetite Statement establishes limits to ensure that the Group will maintain sufficient liquid resources to meet cash flow obligations and maintain a buffer over regulatory and internal liquidity requirements. The Group liquidity risk policy is reviewed annually. Each banking entity must have in place a liquidity risk policy approved by the Rothschild & Co Group ALCO, which defines its liquidity risk limits and how liquidity risk is measured, monitored and controlled.

In line with the directions given by the Managing Partner, the Rothschild & Co Group ALCO is responsible for the development and oversight of the implementation of the liquidity strategy, the approval of local liquidity risk policies and limits, and the implementation of reasonable steps to ensure these are consistent with the Group's risk appetite. The Rothschild & Co Group ALCO establishes and maintains a structure for the management of liquidity risk, including allocations of authority and responsibility to senior managers and ensures that all reasonable steps are taken to measure, monitor and control liquidity risk and identify material changes to the liquidity profile. The Rothschild & Co Group ALCO evaluates the results of stress testing on the liquidity profile and is responsible for the invocation of any Contingency Funding Plan ('CFP') measures if necessary. The Rothschild & Co Group ALCO ensures that the appropriate liquidity impact and liquidity cost of transactions is taken into account in the credit processes and approves the benchmark rate for the cost of liquidity used by banking teams as a key element of their pricing and risk-reward assessment in respect of existing and new business.

The Rothschild & Co Risk Committee has responsibility for reviewing the Group's liquidity risk identification, measurement, monitoring and control policies and procedures.

4.4.2 System for monitoring liquidity risk

The liquidity positions for Rothschild & Co Bank International Limited, Rothschild & Co Bank AG and Rothschild Martin Maurel SCS are reviewed and reported in depth to the Rothschild & Co Group ALCO and summarised for the Rothschild & Co Risk Committee in accordance with the Rothschild & Co Risk Committee's terms of reference. In addition, the Group is required to have a contingency funding plan in place which requires a periodic review of the relevance and degree of severity of the assumptions used the level and sustainability of the funding commitments received and the amount and quality of the liquid assets held. The Group also requires a Recovery Plan for liquidity, which sets out adequate strategies and measures to address any possible shortfalls. These complement the existing plans for individual Group entities.

The Heads of Treasury are responsible for the day-to-day management of liquidity, operating the business within liquidity limits set under their local policy and as approved by the Rothschild & Co Group ALCO and for reporting to its meetings.

Group Finance is responsible for monitoring adherence to the liquidity risk limits and for reporting any limits or target breaches as soon as practicable. Additionally the team is responsible for preparing and submitting regulatory liquidity returns, performing stress tests on the liquidity profile, verifying the appropriateness of such stress tests in consultation with Group Risk and reporting stress test results to the Rothschild & Co Group ALCO.

Group Risk is responsible for monitoring the Group's liquidity risk, preparing periodic reports on it for the Group Executive Committee and the Rothschild & Co Risk Committee, and verifying the appropriateness of stress testing in consultation with Group Finance.

5. Organisation of the Group accounting arrangements

Group Finance has the necessary people to produce the financial, accounting and regulatory information of the Group on a consolidated and regulatory basis. The Finance Department consists of four sections: management accounting; financial accounting (including consolidations); systems; and regulatory reporting.

5.1 Overview of statutory accounting arrangements

The local accounting departments are responsible for local statutory accounts. Group Finance produces the consolidated Rothschild & Co accounts, although it also reviews Rothschild & Co's solo statutory accounts to ensure consistency where appropriate. The systems section manages the chart of accounts in SAP FC, the consolidation tool of Group Finance and the associated databases, as well as the SAP general ledger used throughout the Group. It also manages the interface between SAP and SAP FC.

5.2 Process for establishing consolidated accounts

The Group financial accounting department of Rothschild & Co performs the Group consolidation, controls the consistency and completeness of data and draws up the consolidated accounts and related notes.

In SAP FC, all subsidiaries report their individual accounting information using a chart of accounts and a format that are common to the whole Group.

Accounting data is reported directly under IFRS in SAP FC. The Group defines in its data dictionary how to record specific transactions and defines how the notes to the accounts should be prepared. The data dictionary, as well as other accounting guidance, is available for all offices on Rothschild & Co's intranet. There are also quarterly reporting instructions and a quarterly Group Finance newsletter/circular.

Once data has been input into SAP FC, "blocking" controls defined by the Group are applied in order to validate the consistency of the accounting data, the correctness of the flows and the completeness of the analyses. In addition to these controls, the procedure for preparing the consolidated accounts includes:

- the reconciliation of intercompany transactions and the distribution of shareholdings in the Group's companies;
- checks on the application of consolidation adjustments;
- analysis and justification of consolidated shareholders' equity;
- analysis of changes in balances and ratios on a quarterly and year-to-date basis; and
- consideration of whether the data has been prepared on a materially consistent basis, followed by the data review.

5.3 Accounting control process

The accounting control process at Group level complements the control systems implemented at each level of the Group's organisation.

5.4 Accounting control mechanisms at entity level

Group Finance relies on a decentralised system where the primary control functions are assigned to the persons responsible locally for producing the financial statements.

Local accounting data is largely collected via the SAP general ledger, and then mapped using consistent centrally-maintained software into SAP FC, the Group's consolidation tool. The local finance departments are responsible for validating the accounting data entered in SAP and SAP FC through three levels of control:

- a first level – of the self-control type – which is embedded in the local accounting processes. These controls are operated daily;
- a second level, which is operated by accounting managers, for example, involving controls on securities positions and consistency controls designed to ensure the reliability and completeness of the accounting and financial information; and
- a third level, which involves the statutory auditors who certify the accounts, carried out on an annual and half-yearly basis. Note that not all entities are audited (but most are) and that only the large entities and the significant balances are reviewed for the half-year accounts. The Group Internal Audit department may also be involved in the control process as a third level control, depending on their annual work plan schedule.

Local entities' accounting information is input on an IFRS basis into SAP FC templates. Once data has been input, "blocking" system controls are applied.

5.5 Accounting control mechanisms at consolidation level

In addition to the control procedures at entity level described above, the consolidation process is accompanied by additional checks on the integrity of the consolidated accounting information. These checks are carried out by:

- Group Finance, which in addition to its controls on the integrity of the accounting information, checks the consistency of the data reported with:
  - its knowledge of the major transactions;
  - the Group management accounts and the reconciliation of differences with the Group financial accounts;
  - a category-by-category analysis of key balances; and
  - papers produced by other relevant Committees (for example, the Remuneration and Nomination Committee, the Rothschild & Co Group ALCO, the Group Executive Committee, etc.).
- Rothschild & Co Gestion, as Managing Partner of Rothschild & Co, which approves the consolidated accounts before they are sent to the Audit Committee;
- the statutory auditors, in the context of the certification of the accounts. Their work is carried out in accordance with professional standards; and
- a final level of control takes place through the work of the Audit Committee, which is responsible for examining the Rothschild & Co consolidated accounts.

5.6 Control framework for regulatory reports

The Group Regulatory Reporting Division draws up the relevant Group procedures and ensures the quality and reliability of calculations of the solvency ratio, credit risk, market risk, operational risk and regulatory capital.

At Group level, the regulatory reports prepared for the *Autorité de contrôle prudentiel et de résolution* are those related to:

- solvency ratio (including Capital Adequacy and Risks reports) Leveraged Ratio and Large Exposures;
- liquidity Coverage Ratio, Additional Liquidity Monitoring Metrics and Net Stable Funding Ratio; and
- IFRS/FINREP reports on a regulatory scope.

There are currently four main procedures related to regulatory reporting process:

- solvency ratio procedure was first written and communicated in May 2010;
- large exposures procedure;
- procedures have been defined for FINREP and the list of subsidiaries; and
- counterparty master data procedure.

Furthermore, each quarter the Group regulatory reporting division circulates quarterly regulatory reporting instructions and a quarterly Group regulatory finance newsletter to all relevant finance staff in the Group.

The Supervisory Board's report on corporate governance is drawn up in accordance with article L. 226-10-1 of the French Commercial Code. Its purpose is to provide a presentation of Rothschild & Co's corporate governance.

As a result of the legal form of the Company, its corporate governance structure is based on the Managing Partner and the Supervisory Board.

The corporate governance code referred to by the Company on a voluntary basis in this report is the Corporate Governance Code for Listed corporations (revised in June 2018) published by the French *Association Française des Entreprises Privées* (Afep) and *Mouvement des Entreprises de France* (Medef) (the "Afep-Medef Code"). The Afep-Medef Code can be viewed on the Afep website (http://www.afep.com) and the Medef website (http://www.Medef.com).

In circumstances where Rothschild & Co does not comply – or does not comply in full – with certain recommendations of the Afep-Medef Code, the reasons are set out in the section 2.7 of this report.

1. The Managing Partner, Rothschild & Co Gestion SAS

1.1 Role and duties

Rothschild & Co Gestion is the sole Company's Managing Partner (*Gérant commandité*) and legal representative of Rothschild & Co, ("Rothschild & Co Gestion" or "the Managing Partner"). Rothschild & Co Gestion was appointed by Rothschild & Co's articles of association, as the first statutory Managing Partner, for the duration of the Company. As Managing Partner of Rothschild & Co, Rothschild & Co Gestion is responsible for the overall management of the Company.

The Company's Managing Partner has full power to act in all circumstances in the Rothschild & Co's name and on its behalf, in order to, among other things:

- ensure the effective determination of the direction of the business of Rothschild & Co and the entities within the Group on a consolidated basis;
- supervise the accounting and financial information and direct the internal control of Rothschild & Co and the entities within the Group on a consolidated basis;
- determine the regulatory capital of Rothschild & Co and the entities within the Group on a consolidated basis;
- approve the annual, consolidated and half-yearly accounts of Rothschild & Co;
- determine the agenda and prepare the draft resolutions of the shareholders' General Meetings of Rothschild & Co;
- convene the shareholders' General Meetings of Rothschild & Co; and
- prepare those reports and decisions established in its capacity as the Managing Partner of Rothschild & Co.

In accordance with Rothschild & Co Gestion's articles of association, its Executive Chairman is its sole legal representative.

Subject to the powers granted by Rothschild & Co Gestion shareholders, the Chairman is vested with the broadest powers to act in the name and on behalf of Rothschild & Co Gestion, acting itself as Rothschild & Co's Managing Partner, in any circumstances.

As at 31 December 2018, Mr. Alexandre de Rothschild is the Executive Chairman of the Managing Partner. Acting as legal representative, he is performing the functions referred in article L. 511-13 of the French Monetary and Financial Code (*Code monétaire et financier*) applicable to Rothschild & Co as a financial holding company supervised on a consolidated basis by the French Prudential Control Authority (*Autorité de contrôle prudentiel et de résolution*).

Mr. François Pérol, Managing Partner of Rothschild & Co Gestion SAS, and by virtue of a delegation of power granted to him by Mr. Alexandre de Rothschild, fulfills alongside the Executive Chairman, the functions referred to in article L. 511-13 of the French Monetary and Financial Code (*Code monétaire et financier*).

The list of positions held by the Managing Partner and by Mr. Alexandre de Rothschild is presented on the following page.

Rothschild & Co Gestion SAS

Positions held within Rothschild & Co:

- Statutory Managing Partner

General information

French simplified joint stock company (*société par actions simplifiée*)
Number of Rothschild & Co shares held as at 31 December 2018: 1

Date of first appointment: 8 June 2012
Date of last renewal: n/a (appointed in the Company's articles of association as Managing Partner)
End of term of office: for the duration of the Company

Other directorships and positions held

Within the Group

In France:
Chairman of RCI Gestion SAS
Chairman of RAM Gestion SAS
Managing Partner of RMM Gestion SNC

In other countries:
None

Outside the Group

None

Positions no longer held (but held within the last five years)

None

Alexandre de Rothschild

Positions held within Rothschild & Co:

- Executive Chairman of Rothschild & Co Gestion SAS, Managing Partner

General information

French
Born in 1980
Number of Rothschild & Co shares held as at 31 December 2018: 158

Date of first appointment: 17 May 2018
Date of last renewal: n/a
End of term of office: three years renewal

Other directorships and positions held

Within the Group

In France:
Member of the Board of Directors of Rothschild & Co Concordia SAS
Managing Partner of RCB Partenaires SNC
Managing Partner of Rothschild Martin Maurel SCS
Chairman of K Développement SAS
Managing Partner of Rothschild & Cie SCS
Member of the Supervisory Board of Martin Maurel SA

In other countries:
Chairman of Rothschild & Co Continuation Holdings AG (Switzerland)
Vice-Chairman of the Supervisory Board of Rothschild & Co Bank AG (Switzerland)
Member of the Board of Directors of Rothschild & Co Concordia AG (Switzerland)
Member of the Board of Directors of Rothschild & Co Holding AG (Switzerland)
Member of the Board of Directors of Rothschild & Co Japan Ltd (Japan)

Outside the Group

In France:
Chairman of Rothschild Martin Maurel Associés SAS
Permanent representative of Rothschild & Co Gestion SAS as Managing Partner of RMM Gestion SNC
Managing Partner of Société Civile du Haras de Reux SC (France)
Managing Partner of SCI 66 Raspail SC (France)
Member of the Board of Directors of Bouygues SA (1) (France)

Positions no longer held (but held within the last five years)

In France:
Managing Director of Rothschild Assurance & Courtage SCS (until 2018)
Member of the Board of Directors of Treilhard Investissements S.A.(until 2017)
Managing Director of Rothschild & Compagnie Gestion SCS (until 2017)
Chairman of Messine Managers Investissements SAS (until 2016)
Member of the Supervisory Board of Rothschild & Co SCA (1) (until 2014)
Member of the Strategy Committee of Rothschild & Co SCA (1) (until 2014)

In other countries:
Member of the Board of Directors of Five Arrows (Scotland) General Partner Ltd (Scotland) (until 2018)

(1) Listed company.

1.2 The Management Board of Rothschild & Co Gestion

The decision-making process of the Managing Partner relies on its Management Board (*conseil de gérance*), in the same spirit as from the Executive and Supervisory Boards. The Management Board is a collective body which aims to assist the Chairman of the Company's Managing Partner to fulfil the commitments of Rothschild & Co Gestion SAS acting in its capacity as the Legal representative of the Managing Partner of Rothschild & Co.

The Management Board is consultative, with the final decisions resting with its Executive Chairman. The Management Board is composed alongside the Executive Chairman who chairs the meetings and fixes the agenda of Managing Partners appointed by the Executive Chairman.

In order to maintain the proper and consistent functioning of the Group's management and supervision and streamline the process of information to the Supervisory Board, the Management Board meets monthly or more frequently if so required by the Chairman. On a quarterly basis, the Management Board meets ahead of the meeting of the Supervisory Board and its specialised committees, in particular so as to enable an adequate preparation and review ahead of reports to the Supervisory Board and its committees.

During the 2018 financial year, the composition of the Management Board evolved as a result of the nomination of Mr. Alexandre de Rothschild on 17 May 2018 as the Executive Chairman to succeed Mr. David de Rothschild in the context of his succession plan.

Accordingly:

- on 2 July 2018 Mr. François Pérol was appointed as *Managing Partner* of Rothschild & Co Gestion, and succeeded to Mr. Olivier Pécoux, in performing the functions referred to in article L.511-13 of the French Monetary and Financial Code (*Code monétaire et financier*);
- as of 1 September 2018, Messrs. Robert Leitão and François Pérol took the functions of Co-Chairmen of the Group Executive Committee to succeed Messrs. Nigel Higgins and Oliver Pécoux; and
- the composition of the Group Executive Committee was modified as shown on page 15 of this Report.

At the date of this Report, the Management Board is composed alongside Mr. Alexandre de Rothschild of:

- Messrs. François Pérol and Robert Leitão, Managing Partners, and co-Chairmen of the Group Executive Committee; and
- Mr. Marc-Olivier Laurent, Managing Partner.

A short biography of each member of the Management Board is available on the Company's website at: www.rothschildandco.com.

2. The Supervisory Board

The purpose of this section is to present, with respect to the Supervisory Board, its composition, the duties of its members, its powers and its activity report, the assessment of its organisation and working methods, its specialised committees, as well as the explanations given by the Board regarding the recommendations of the Afep-Medef Code that were not followed.

These arise from the provisions of the Company's articles of association and the Supervisory Board's terms of reference and internal rules of procedure of the specialised committees.

2.1 Composition of the Supervisory Board

In accordance with the articles of association, the Supervisory Board can be composed of a maximum of 18 members. The Supervisory Board members represent limited partners, they are appointed and revoked by the ordinary General Meeting of shareholders, which in accordance with the articles of association, sets the duration of their term of office. The number of members of the Supervisory Board over the age of 75 years may not exceed one-third of the members in office; if this proportion is exceeded, the members who are required to leave the Supervisory Board in order to restore compliance with this proportion will be considered to have resigned, starting with the oldest.

In accordance with recommendation number 13.2 of the Afep-Medef Code, terms of office should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of members of the Supervisory Board.

At the shareholders' Combined General Meeting held on 17 May 2018:

- Mr. David de Rothschild was nominated as a member of the Supervisory Board in the course of the succession plan implemented with the nomination of his son Mr. Alexandre de Rothschild as his successor to be the Executive Chairman of Rothschild & Co Gestion; and
- five members of the Supervisory Board were re-elected: Mrs. Lucie Maurel-Aubert and Messrs. Sylvain Héfès, Anthony de Rothschild, Sipko Schat and Peter Smith.

Following the shareholders' Combined General Meeting, the Supervisory Board which met the same day, decided to:

- appoint Mr. David de Rothschild as the Chairman of the Supervisory Board to succeed to Mr. Éric de Rothschild; and
- appoint, at the invitation of Mr. David de Rothschild, Messrs. Éric de Rothschild and Adman Keswick as Vice-Chairmen of the Supervisory Board.

At the date of present report, the Supervisory Board is composed of 14 members and one non-voting member (*censeur*), comprising seven independent members, as follows:

David de Rothschild, Chairman	Arielle Malard de Rothschild	Carole Piwnica
Éric de Rothschild, Vice-Chairman	Angelika Gifford	Sipko Schat
Adam Keswick, Vice-Chairman	Sylvain Héfès	Peter Smith
Dr. Daniel Daeniker	Suet-Fern Lee	Luisa Todini
Anthony de Rothschild	Lucie Maurel-Aubert	François Henrot

Non-independent members · Independent members as this term is defined in the Afep-Medef Code · Non-voting member

The Group Company Secretary (and General Counsel of the Company) also acts as secretary to the Supervisory Board under the supervision of the Chairman of the Supervisory Board.

2.1.1 Profiles and lists of directorships and functions held by members of the Supervisory Board

A summary profile for each of the members of the Supervisory Board and the non-voting member, as well as the list of their directorships and functions held as at 31 December 2018, within and outside the Group, in France and in other countries, are presented below.

More information, including a short biography for each of the members, is available on the Company's website at: www.rothschildandco.com.

David de ROTHSCHILD

Positions held within Rothschild & Co:

- Chairman of the Supervisory Board (as at 17 May 2018)

Main position:

- Chairman of the Supervisory Board of the Company

General information

French
Born in 1942
Number of shares held as at 31 December 2018: 2,520

Date of first appointment: 17 May 2018
End of term of office: AGM to be held in 2021

Within the Group

In France:
Member of the Supervisory Board of Martin Maurel S.A.
Member of the Board of Directors of Rothschild & Co Concordia SAS
Chairman of SCS Holding SAS
Chairman of Rothschild & Co Commandité SAS
Chairman of RCG Partenaires SAS
Chairman of RCI Partenaires SAS
Chairman of Aida SAS
Chairman of Cavour SAS
Chairman of Verdi SAS
Chairman of Financière Rabelais SAS
Chairman of Paris Orléans Holding Bancaire (POHB) SAS
Chairman of Financière de Reux SAS
Chairman of Financière de Tournon SAS
Manager of Béro SCA
Sole Director of GIE Sagitas

In other countries:
Chairman of Rothschild & Co Europe BV (the Netherlands)

Outside the Group

In France:
Managing Partner of Rothschild Ferrières SC
Managing Partner of SCI 2 Square tour Maubourg SC
Managing Partner of Société Civile du Haras de Reux SC
Member of the Board of Directors of Casino SA (1)
Member of the Remuneration and Nomination Committee of Casino SA (1)
Sole Director of GIE Five Arrows Messieurs de Rothschild Frères

In other countries:
None

Positions no longer held (but held within the last five years)

In France:
Chairman of Rothschild & Co Concordia SAS (until 2018)
Chairman of Rothschild & Co Gestion SAS (until 2018)
Permanent representative of Rothschild & Co Gestion SAS as Managing Partner of RCB Gestion SNC (until 2018)
Manager of Rothschild Martin Maurel SCS (until 2018)
Managing Partner of Rothschild & Cie SCS (until 2018)
Chairman of Rothschild Martin Maurel Associés SAS (until 2018)
Managing Partner of RCB Partenaires SNC (until 2018)
Member of the Governance and CSR Committee of Casino SA (1) (until 2018) (outside the Group)
Manager of Rothschild & Compagnie Banque SCS (until 2017)
Member of the Board of Directors of La Compagnie Financière Martin Maurel S.A.until its merger with the Company (until 2017)
Member of the Board of Directors of Edmond de Rothschild S.A.(until 2015) (outside the Group)
Member of the Supervisory Board of Euris SAS (until 2014) (outside the Group)

In other countries:
Member of the Board of Directors of Continuation Investments NV (the Netherlands) (until 2018)
Member of the Board of Directors of Rothschild Employee Trustees Limited (United Kingdom) (until 2016)
Vice-Chairman of Rothschild Bank AG (Switzerland) (until 2016)
Member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (until 2016)
Member of the Board of Directors of Rothschild Holding AG (Switzerland) (until 2016)
Member of the Board of Directors of Rothschild Concordia AG (Switzerland) (until 2016)
Chairman of Rothschild North America Inc. (United States of America) (until 2015)
Chairman of Rothschilds Continuation Holdings AG (Switzerland) (until 2014)
Member of the Board of Directors of Rothschild Asia Holding Limited (China) (until 2014)
Chairman and Director of N.M. Rothschild & Sons Ltd (United Kingdom) (until 2014)

(1) Listed company.

Éric de ROTHSCHILD

Positions held within Rothschild & Co:
- Vice-Chairman of the Supervisory Board

Main position:
- Vice-Chairman of the Supervisory Board of the Company

General information

French
Born in 1940
Number of Rothschild & Co shares held as at 31 December 2018: 10

Date of first appointment: 29 October 2004
Date of last renewal: 28 September 2017
End of term of office: AGM to be held in 2020

Other directorships and positions held

Within the Group

In France:
Chairman of Rothschild & Co Concordia SAS
Managing Partner of RCB Partenaires SNC
General Partner and Manager of Béro SCA
Permanent representative of Béro SCA as Chairman of Ponthieu Rabelais SAS

In other countries:
Chairman of Rothschild & Co Holding AG (Switzerland)

Outside the Group

In France:
Permanent representative of Béro SCA as Co-Manager of Château Lafite Rothschild SC
Chairman of Fondation nationale des Arts Graphiques et Plastiques
Member of the Supervisory Board of Milestone SAS
Member of the Supervisory Board of SIACI Saint-Honoré SA
Member of the Board of Directors of The Rothschild Archive Ltd (United Kingdom)
Member of the Board of Directors of Baronnes et Barons Associés SAS
Member of the Board of Directors of Christie's France SA
Member of the Board of Directors of Société des Amis du Louvre
Member of the Board of Directors of Centre national de la Photographie

In other countries:
Chairman and Director of DBR USA Inc. (United States of America)
Member of the Board of Directors of Los Vascos S.A.(Chile)

Positions no longer held (but held within the last five years)

In France:
Chairman of the Supervisory Board of Rothschild & Co SCA [(1)]
General Manager of Rothschild & Co Concordia SAS (until 2018)
Permanent representative of Béro SCA as Chairman of Société du Château Rieussec SAS and Manager of Château Duhart-Milon SC (until 2018) (outside the Group)
Permanent representative of Béro SCA as Manager of La Viticole de Participation SCA, Co-Manager of Domaines Barons de Rothschild (Lafite) SCA (until 2017) (outside the Group)

In other countries:
Member of the Board of Directors of Continuation Investments NV (the Netherlands) (until 2018)
Member of the Board of Directors of Rothschild Employee Trustees Ltd (United Kingdom) (until 2016)
Chairman of Rothschild Asset Management Holdings AG (Switzerland) (until 2016)
Member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (until 2016)
Member of the Board of Directors of Rothschild Concordia AG (Switzerland) (until 2016)
Chairman of Rothschild Bank AG (Switzerland) (until 2014)
Member of the Board of Directors of N.M. Rothschild & Sons Ltd (United Kingdom) (until 2014)

(1) Listed company.

Adam KESWICK

Positions held within Rothschild & Co:
- Vice-Chairman of the Supervisory Board

Main position:
- Chairman of Matheson & Co Limited (United Kingdom)

General information

British
Born in 1973
Number of Rothschild & Co shares held as at 31 December 2018: 10

Date of first appointment: 29 September 2016
Date of last renewal: n/a
End of term of office: AGM to be held in 2019

Other directorships and positions held

Within the Group
None

Outside the Group

In France:
None

In other countries:
Chairman of Jardine Pacific Holdings Limited (Bermuda)
Chairman of Jardine Schindler Holdings Limited (British Virgin Islands)
Chairman of Matheson & Co., Limited (United Kingdom)
Member of the Board of Directors of Jardine Matheson Holdings Limited [(1)] (Bermuda)
Member of the Board of Directors of Jardine Motors Group UK Limited (United Kingdom)
Member of the Board of Directors of Dairy Farm International Holdings Limited [(1)] (Bermuda)
Member of the Board of Directors of Hongkong Land Holdings Limited [(1)] (Bermuda)
Member of the Board of Directors of Mandarin Oriental International Limited [(1)] (Bermuda)
Member of the Board of Directors of Jardine Strategic Holdings Limited [(1)] (Bermuda)
Member of the Board of Directors of JMH Finance Holdings Limited (British Virgin Islands)
Member of the Board of Directors of JMH Investments Limited (British Virgin Islands)
Member of the Board of Directors of JMH Management Holdings Limited (British Virgin Islands)
Member of the Board of Directors of JMH Treasury Limited (British Virgin Islands)
Member of the Board of Directors of JSH Treasury Limited (British Virgin Islands)
Vice Chairman of Jardine Lloyd Thompson Group plc [(1)] (United Kingdom)
Non-executive Member of the Board of Directors of Ferrari NV [(1)] (the Netherlands)
Member of the Board of Directors of Yabuli China Entrepreneurs Forum (China)

Positions no longer held (but held within the last five years)

In France:
None

In other countries (outside the Group):
Chairman & Permanent Managing Director of Jardine Motors Group Holdings Limited (Bermuda) (until 2016)
Chairman & Permanent Managing Director & Chief Executive of Jardine Motors Group Limited (Bermuda) (until 2016)
Chairman of Jardine Pacific Limited (Bermuda) (until 2016)
Chairman of Jardine, Matheson & Co., Limited (Hong Kong) (until 2016)
Chairman of Zung Fu Company Limited (Hong Kong) (until 2016)
Chairman of Fu Tung Holdings Limited (Hong Kong) (until 2016)
Chairman & Non-executive Director of the Board of Directors of Gammon China Limited (Hong Kong) (until 2016)
Deputy Chairman & Deputy Managing Director of Jardine Matheson Limited (Bermuda) (until 2016)
Member of the Board of Directors of Zhongsheng Group Holdings Limited [(1)] (Cayman Islands) (until 2016)
Member of the Board of Directors of JRE Asia Capital Management Limited (Cayman Islands) (until 2016)
Member of the Board of Directors of Mandarin Oriental Hotel Group International Limited (Bermuda) (until 2016)
Member of the Board of Directors of Mandarin Oriental Hotel Group Limited (Hong Kong) (until 2016)
Member of the Board of Directors of Dairy Farm Management Services Limited (Bermuda) (until 2016)
Member of the Board of Directors of Yonghui Superstores Co., Limited [(1)] (China) (until 2016)
Member of the Board of Directors of Hongkong Land Limited (Bermuda) (until 2016)
Member of the Board of Directors of Jardine Matheson (China) Limited (Hong Kong) (until 2016)
Member of the Board of Directors of The Hongkong Land Co., Limited (Hong Kong) (until 2016)
Member of the Board of Directors of Hongkong Land China Holdings Limited (Bermuda) (until 2016)
Member of the Board of Directors of Maxim's Caterers Limited (Hong Kong) (until 2016)
Member of the Board of Directors of Mindset Limited (Hong Kong) (until 2016)
Member of the Board of Directors of OHTL Public Company Limited [(1)] (Thailand) (until 2016)

(1) Listed company.

Dr. Daniel DAENIKER

Positions held within Rothschild & Co:
- Independent member of the Supervisory Board
- Member of the Risk Committee

Main position:
- Managing Partner of the law firm Homburger AG (Switzerland)

General information

Swiss
Born in 1963
Number of Rothschild & Co shares held as at 31 December 2018: 2,010

Date of first appointment: 25 September 2014
Date of last renewal: 29 September 2016
End of term of office: AGM to be held in 2019

Other directorships and positions held

Within the Group
None

Outside the Group

In France:
None

In other countries:
Member of the Board of Directors of Hilti AG (Liechtenstein)
Member of the Board of Directors of dormakaba Holding AG [1] (Switzerland)
Member of the Board of Directors of Homburger AG (Switzerland)

Positions no longer held (but held within the last five years)

In France:
None

In other countries:
Member of the Board of Directors of GAM Holding AG [1] (Switzerland) (until 2016) (outside the Group)
Independent member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (until 2014)

Angelika GIFFORD

Positions held within Rothschild & Co:
- Independent member of the Supervisory Board
- Member of the Risk Committee

Main position:
- Member of multiple corporate boards and Technology Executive

General information

German
Born in 1965
Number of Rothschild & Co shares held as at 31 December 2018: 10

Date of first appointment: 25 September 2014
Date of last renewal: 29 September 2016
End of term of office: AGM to be held in 2019

Other directorships and positions held

Within the Group
None

Outside the Group

In France:
None

In other countries:
Member of the Executive Board of Atlantik-Brücke e.V. (Germany)
Member of Board of Directors of ProSieben Sat.1 Media SE [1] (Germany)
Member of the Supervisory Board of TUI AG [1] (Germany)

Positions no longer held (but held within the last five years)

In France:
None

In other countries (outside the Group):
Executive Director and Vice-President of Software business of Micro Focus (Germany) (until 2018)
Executive Director and Vice-President of Software business of Hewlett-Packard GmbH (Germany) (until 2017)

(1) Listed company.

Sylvain HÉFÈS

Positions held within Rothschild & Co:
- Member of the Supervisory Board
- Chairman and member of the Remuneration and Nomination Committee
- Member of the Audit Committee

Main position:
- European Chairman of Rhône Capital

General information

French
Born in 1952
Number of Rothschild & Co shares held as at 31 December 2018: 10

Date of first appointment: 29 March 2012
Date of last renewal: 17 May 2018
End of term of office: AGM to be held in 2021

Other directorships and positions held

Within the Group

In France:
Member of the Board of Directors of Rothschild & Co Concordia SAS
Member of the Advisory Committee of Five Arrows Managers SAS
European Chairman of Rhône Capital

In other countries:
Senior Advisor of N.M. Rothschild & Sons Ltd (United Kingdom)
Member of the Investment Committee of Five Arrows Principal Investments SCA SICAR (Luxemburg)
Member of the Board of Directors of Five Arrows Capital Ltd (British Virgin Islands)
Chairman of Francarep, Inc. (United States of America)

Outside the Group

In France:
None

In other countries:
Member of the Board of Directors of Rhône Capital LLC (United States of America)

Positions no longer held (but held within the last five years)

In France:
Member of the Rothschild Group Risk Committee (until 2014)

In other countries (outside the Group):
Member of the Board of Directors of IntercontinentalExchange Group, Inc. (1) (United States of America) (until 2015)

Suet-Fern LEE

Positions held within Rothschild & Co:
- Independent member of the Supervisory Board
- Member of the Audit Committee

Main position:
- Director of Morgan Lewis Stamford LLC (Singapore)
- Chairwoman, International Leadership Team, Morgan Lewis & Bockius

General information

Singaporean
Born in 1958
Number of Rothschild & Co shares held as at 31 December 2018: 10

Date of first appointment: 28 September 2017
Date of last renewal: n/a
End of term of office: AGM to be held in 2020

Other directorships and positions held

Within the Group
None

Outside the Group

In France:
Member of the Board of Directors of Sanofi SA (1)

In other countries:
Director of Morgan Lewis Stamford LLC (Singapore)
Member of the Board of Directors of Stamford Corporate Services Pte Ltd (Singapore)
Member of the Board of Directors of the World Justice Project (United States of America)
Member of the Board of Directors of Caldecott Inc. (Cayman Islands)
Partner of Morgan Lewis & Bockius (United States of America)

Positions no longer held (but held within the last five years)

In France:
Member of the Board of Directors and member of the Finance Committee of Axa SA (1)

In other countries (outside the Group):
Member of the Board of Directors of Axa Asia (Hong Kong) (until 2018)
Member of the Board of Directors of Rickmers Trust Management Pte Ltd (1) (Singapore) (until 2017)
Chairman of Asian Civilisations Museum (Singapore) (until 2015)
Member of the Board of Directors of National Heritage Board (Singapore) (until 2015)

(1) Listed company.

Arielle MALARD de ROTHSCHILD

Positions held within Rothschild & Co:
- Member of the Supervisory Board
- Member of the Risk Committee
- Member of the Steering Committee on Women Leadership
- Member of the new Client Acceptance Committee

Main position:
- Managing Director of Rothschild & Cie SCS

General information

French
Born in 1963
Number of Rothschild & Co shares held as at 31 December 2018: 10

Date of first appointment: 25 September 2014
Date of last renewal: 29 September 2016
End of term of office: AGM to be held in 2019

Other directorships and positions held within the Group

Within the Group

In France:
Managing Director of Rothschild & Cie SCS
Member of the Board of Directors of Fondation de Rothschild (charity)

In other countries:
None

Outside the Group

In France:
Member of the Board of Directors of Groupe Lucien Barrière SAS
Member of the Board of Societe Fonciere Lyonnaise [1]
Member of the Audit Committee of Societe Fonciere Lyonnaise [1]
Member of the Nomination and Remuneration Committee of Societe Fonciere Lyonnaise [1]
Member of the Board of Directors, Traditions pour demain (charity)

In other countries:
Member of the Supervisory Board and Treasurer of CARE International (Switzerland) (charity)

Positions no longer held (but held within the last five years)

In France:
Member of the Board of Directors of Imerys SA [1] (until 2017) (outside the Group)
Member of the Nomination and Remuneration Committee of Imerys SA [1] (until 2017) (outside the Group)

In other countries:
Member of the Board of Electrica SA [1] (Romania and United Kingdom) (until 2018) (outside the Group)
Member of the Audit and Risk Committee of Electrica SA [1] (Romania and United Kingdom) (until 2018) (outside the Group)
Member of the Nomination and Remuneration Committee of Electrica SA [1] (Romania and United Kingdom) (until 2018) (outside the Group)
Chairwoman of CARE France (charity)

(1) Listed company.

Lucie MAUREL-AUBERT

Positions held within Rothschild & Co:
- Member of the Supervisory Board

Main position:
- Chairwoman of the Supervisory Board of Martin Maurel SA

General information

French
Born in 1962
Number of Rothschild & Co shares held as at 31 December 2018: 12,610

Date of first appointment: 8 June 2012
Date of last renewal: 17 May 2018
End of term of office: AGM to be held in 2021

Other directorships and positions held

Within the Group

In France:
Chairwoman of the Supervisory Board of Martin Maurel SA
Chairwoman of Hoche Paris SAS
Vice-Chairwoman of Rothschild Martin Maurel Associés SAS
Chairman of the Supervisory Board of Wargny BBR SA

In other countries:
None

Outside the Group

In France:
Vice-Chairwoman of the Association Française des Banques
Member of the Board of Directors of Compagnie Plastic Omnium SA [1]
Manager of SC BD Maurel
Manager of SC Paloma
Member of the Board of Directors of Fonds de dotation du Grand Paris

In other countries:
None

Positions no longer held (but held within the last five years)

In France:
Chairwoman of the Supervisory Board of Hoche Gestion Privée S.A.(until 2018)
Member of the Supervisory Board of Fonds de garantie des dépôts et de resolution (until 2018)
Chairwoman of Immobilière Saint Albin SAS (until 2018)
Member of the Supervisory Board of BBR Rogier S.A.(until 2018)
Member of the Board of Directors of Théâtre du Châtelet (until 2017) (outside the Group)
Chairwoman of the Supervisory Board of International Capital Gestion S.A. (until 2017)
Chairwoman of the Supervisory Board of Martin Maurel Gestion S.A.(until 2017)
Chairwoman of Grignan Participations SAS (until 2017)
Chairwoman of the Supervisory Board of Optigestion S.A.(until 2017) (outside the Group)
Member of the Executive Board and CEO of Banque Martin Maurel S.A. (until 2017)
Vice-Chairwoman, Deputy Chief Executive Officer and Director of Compagnie Financière Martin Maurel S.A.(until 2017)
Member of the Supervisory Board of Martin Maurel Gestion S.A.(until 2017)
Permanent representative of Banque Martin Maurel as member of the Supervisory Board of Optigestion S.A.(until 2017) (outside the Group)
Member of the Board of Directors of Fondation Hôpital Saint-Joseph (until 2016) (outside the Group)
Member of the Board of Directors of Montupet SA [1] (until 2016) (outside the Group)
Member of the Supervisory Board of Aéroport Marseille Provence (until 2015) (outside the Group)
Chairwoman of Groupement Européen de Banques (until 2015) (outside the Group)
Member of the Supervisory Board of Foncière INEA S.A.(until 2014) (outside the Group)

In other countries:
Manager (Type A) of Mobilim International Sàrl (Luxemburg) (until 2018)

(1) Listed company.

Carole PIWNICA

Positions held within Rothschild & Co:
- Independent member of the Supervisory Board
- Member of the Remuneration and Nomination Committee

Main position:
- Member of the Board of Directors of Naxos UK Ltd (United Kingdom)

General information

Belgian
Born in 1958
Number of Rothschild & Co shares held as at 31 December 2018: 10

Date of first appointment: 25 September 2014
Date of last renewal: 29 September 2016
End of term of office: AGM to be held in 2019

Other directorships and positions held

Within the Group
None

Outside the Group

In France:
Independent Member of the Board of Directors of Sanofi SA [1]
Independent Member of the Board of Directors of Eutelsat Communications SA [1]
Chairwoman of the Nomination and Governance Committee of Eutelsat Communications SA [1]

In other countries:
Member of the Board of Directors of Naxos UK Ltd (United Kingdom)
Member of the Board of Directors of Elevance (United States of America)
Member of the Board of Directors of Amyris Inc. [1] (United States of America)
Member of the Board of Directors of I20 (United Kingdom)

Positions no longer held (but held within the last five years)

In France:
Member of the Audit Committee of Rothschild & Co SCA [1] (until 2018)
Member of the Audit Committee of Sanofi SA [1] (until 2018) (outside the Group)
Chairwoman of Remunerations Committee of Eutelsat Communications SA [1] (until 2016) (outside the Group)

In other countries (outside the Group):
Member of the Board of Directors of Big Red (United States of America) (until 2018)
Member of the Board of Directors of RecyCoal Ltd (United Kingdom) (until 2015)

Anthony de ROTHSCHILD

Positions held within Rothschild & Co:
- Member of the Supervisory Board

Main position:
- Member of the Board of Directors of Sculpt the future Company Ltd (United Kingdom)

General information

British
Born in 1977
Number of Rothschild & Co shares held as at 31 December 2018: 10

Date of first appointment: 8 June 2012
Date of last renewal: 17 May 2018
End of term of office: AGM to be held in 2021

Other directorships and positions held

Within the Group

In France:
Member of the Board of Directors of Rothschild & Co Concordia SAS

In other countries:
None

Outside the Group

In France:
None

In other countries:
Member of the Board of Directors of Ascott Farms Ltd (United Kingdom)
Member of the Board of Directors of Ascott Nominees Ltd (United Kingdom)
Member of the Board of Directors of Southcourt Stud Company Ltd (United Kingdom)
Member of the Board of Directors of Sculpt the future Company Ltd (United Kingdom)

Positions no longer held (but held within the last five years)

In France:
None

In other countries (outside the Group):
Member of the Board of Directors of Ascott Properties Ltd (United Kingdom) (until 2015)
Member of the Board of Directors of William and Suzue Curley Ltd (United Kingdom) (until 2014)

(1) Listed company.

Sipko SCHAT

Positions held within Rothschild & Co:
- Member of the Supervisory Board
- Chairman of the Risk Committee

Main position:
- Non-executive member of the Board of Directors of OCI N.V

General information

Dutch
Born in 1960
Number of Rothschild & Co shares held as at 31 December 2018: 10

Date of first appointment: 8 June 2012
Date of last renewal: 17 May 2018
End of term of office: AGM to be held in 2021

Other directorships and positions held

Within the Group

In France:
None

In other countries:
Member of the Board of Directors of Rothschild & Co Bank AG (Switzerland)
Chairman of the Audit and Risk Committee of Rothschild & Co Bank AG (Switzerland)

Outside the Group

In France:
None

In other countries:
Member of the Supervisory Board of Drienim B.V. (the Netherlands)
Chairman of the Supervisory Board of VanWonen Holding B.V. (the Netherlands)
Non-executive member of the Board of Directors of OCI N.V. (1) (the Netherlands)
Member of the Board of Directors of Trafigura Group Pte Ltd (Singapore)

Positions no longer held (but held within the last five years)

In France:
None

In other countries (outside the Group)::
Chairman of the Supervisory Board of Vion N.V (the Netherlands) (until 2018)
Member of the Board of Directors of Bank Sarasin & Cie AG (Switzerland) (until 2014)

Peter SMITH

Positions held within Rothschild & Co:
- Independent member of the Supervisory Board
- Chairman of the Audit Committee
- Member of the Remuneration and Nomination Committee

Main position:
- Non-executive Chairman and Member of the Board of Directors of N.M. Rothschild & Sons Ltd (United Kingdom)

General information

British
Born in 1946
Number of Rothschild & Co shares held as at 31 December 2018: 10

Date of first appointment: 27 September 2012
Date of last renewal: 17 May 2018
End of term of office: AGM to be held in 2021

Other directorships and positions held

Within the Group

In France:
None

In other countries:
Non-executive Chairman and member of the Board of Directors of N M Rothschild & Sons Ltd (United Kingdom)
Member of the Board of Directors of Rothschild & Co Bank AG (Switzerland)
Member of the Audit Committee of Rothschild & Co Bank AG (Switzerland)

Outside the Group

In France:
None

In other countries:
Chairman of the Board of Directors of Land Restoration Trust (charity) (United Kingdom)
Member of the Board of Directors of Casa San Damian Limited (United Kingdom)

Positions no longer held (but held within the last five years)

In France:
None

In other countries:
Non-executive Chairman of the Board of Directors of Savills Plc (1) (United Kingdom) (until 2016) (outside the Group)
Member of the Board of Directors of Associated British Foods Plc (1) (United Kingdom) (until 2016) (outside the Group)
Non-executive Chairman of the Board of Directors of Templeton Emerging Markets Investment Trust Plc (1) (United Kingdom) (until 2015) (outside the Group)
Non-executive member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (until 2014)

(1) Listed company.

Luisa TODINI

Positions held within Rothschild & Co:
- Independent member of the Supervisory Board
- Member of the Remuneration and Nomination Committee

Main position:
- Chairwoman of Green Arrow Capital SGR (Italy)

General information

Italian
Born in 1966
Number of Rothschild & Co shares held as at 31 December 2018: 10

Date of first appointment: 25 September 2014
Date of last renewal: 29 September 2016
End of term of office: AGM to be held in 2019

Other directorships and positions held

Within the Group
None

Outside the Group

In France:
None

In other countries:
Chairwoman of Green Arrow Capital SGR (Italy)
Chairwoman of Net Insurance SpA (Italy)
Chairwoman of Todini Finanziaria SpA (Italy)
Honorary President of Todini Costruzioni Generali SpA (Italy)
Vice-President of Green Arrow Capital Asset Management 1 Srl (Italy)
Member of the Board of Directors of Green Arrow Capital Srl (Italy)
Member of the Board of Directors of Green Arrow Capital Asset Management 2 Srl (Italy)
Member of the Board of Directors of Save SpA (Italy)
Member of the Board of Directors of Salini Costruttori SpA (Italy)

Positions no longer held (but held within the last five years)

In France:
None

In other countries (outside the Group):
Chairwoman of Todini Costruzioni Generali SpA (Italy) (until 2018)
Chairwoman of Ecos Energia Srl (Italy) (until 2017)
Chairwoman of Poste Italiane [1] (Italy) (until 2017)
Chairwoman of Uni-Esco Srl (Italy) (until 2016)
Sole Managing Director of Proxima Srl (Italy) (until 2016)
Member of the Board of Directors of Cediv SpA (Italy) (until 2014)
Member of the Board of Directors of RAI SpA[1] (Italy) (until 2014)

François HENROT

Positions held within Rothschild & Co:
- Non-Voting Member (*censeur*) of the Supervisory Board

Main position:
- General Partner and Manager of Rothschild & Cie SCS (through his holding EURL FH GFA)

General information

French
Born in 1949
Number of Rothschild & Co shares held as at 31 December 2018: 476,260

Date of first appointment: 29 September 2016
Date of last renewal: n/a
End of term of office: AGM to be held in 2019

Other directorships and positions held

Within the Group

In France:
Manager of FH GFA SARL, General Partner and Manager of Rothschild & Cie SCS
Manager of FH GFA SARL, Managing Partner of RCB Partenaires SNC
Chief Executive Officer of Paris Orléans Holding Bancaire (POHB) SAS

In other countries:
None

Outside the Group

In France:
Member of the Supervisory Board of Rexel SA [1]

In other countries:
Chairman of the Board of Directors of Copeba (Belgium)
Member of the Board of Directors of Yam Invest NV (the Netherlands)
Non-Executive member of the Board of Directors of BMCE Bank SA [1] (Morocco)

Positions no longer held (but held within the last five years)

In France:
Managing Director of Rothschild & Compagnie Banque SCS (until 2017)
Non-voting member (*censeur*) of the Supervisory Board of Vallourec SA [1] (until 2015) (outside the Group)
General Partner and Manager of Rothschild & Cie SCS (until 2014)
Managing Partner of de RCB Partenaires SNC (until 2014)

(1) Listed company.

It shall be stated that at the next shareholders' Combined General Meeting that will be held on 16 May 2019, shareholders of the Company will be called upon to rule on the renewal of several members' terms as follows:

- renewal of terms of Supervisory Board members, namely Mmes. Arielle Malard de Rothschild, Luisa Todini, Carole Piwnica and Angelika Gifford and Messrs Daniel Daeniker and Adam Keswick;
- renewal of terms of the non-voting member *(censeur)* of the Supervisory Board, Mr. François Henrot, for one year.

The Supervisory Board, at its meeting on 12 March 2019, opined in favour of these renewals upon the recommendation of its Remuneration and Nomination Committee. The necessary information on these proposed renewals submitted to shareholders approval will be presented in the General Meeting Document, grouping all information to be presented to shareholders, including the report to shareholders from the Supervisory Board to be published on the Company's website at: www.rothschildandco.com.

2.1.2 Diversity policy applied to the composition of the Supervisory Board and it's specialised committees

The Supervisory Board of Rothschild & Co attach great importance to the desirable balance within its membership and it's specialised committees, in particular in terms of diversity and equal opportunity (equal representation of women and men, nationality, age, qualifications and professional experience).

Likewise, the Supervisory Board can rely on the professionalism, qualifications and the diverse range of backgrounds and nationalities of the Company's businesses employees.

2.1.3 Equal representation of women and men in the Supervisory Board

The composition of the Supervisory Board is in line with the provision of the law number 2011-103 of 27 January 2011, which requires a balanced representation of men and women in Supervisory Boards, the latter is composed of eight men and six women.

In addition, the Supervisory Board ensures the gender balance among its specialised committees.

2.1.4 Independent members

Rothschild & Co complies with the recommendations stating that the Boards of SBF 120 companies shall integrate at least 33% of independent members in the controlled companies. According to the internal rules of the Supervisory Board, at least one-third of the members shall be independent. An independent Supervisory Board member is one who has no relationship of any kind with the Company, its Group or its management.

The independence criteria that apply are those referred to in recommendations number 8.4 and number 8.5 of the Afep-Medef Corporate Governance code, excluding the criteria relating to terms of office, which is expressly set aside, namely:

- not to be and not to have been within the previous five years: an employee or executive officer of the corporation; an employee, executive officer or director of a company consolidated within the corporation; an employee, executive officer or director of the company's parent company or a company consolidated within this parent company;
- not to be an executive officer of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the corporation (currently in office or having held such office within the last five years) holds a directorship;
- not to be a customer, supplier, commercial banker, investment banker or consultant:
  - that is significant to the corporation or its group; or
  - for which the corporation or its group represents a significant portion of its activities;
- not to be related by close family ties to a company officer; and
- not to have been an auditor of the corporation within the previous five years.

The Supervisory Board may consider that a member of the Board, although fulfilling the above criteria, must not be qualified as independent given his/her particular situation or that of the Company, having regard to its shareholding or any other reason. Conversely, the Supervisory Board may consider that a member who does not strictly meet all the criteria referred to above is, however, independent.

Each year, the Supervisory Board examines, on the recommendation of its Compensation and Appointments Committee, the situation of each member regarding independence criteria.

The Supervisory Board reconsidered at its meeting of 12 March 2019 as part of this annual review, the situation of one of its members, Mr. Sipko Schat.

Mr. Sipko Schat has a business relationship with one of the Group's entities, N.M. European Partnership, under a consultancy agreement relating to the Financial Advisory's activities. The Supervisory Board renewed its assessment that this business relationship was not significant. The Board also extended its opinion based on the fact that Mr. Schat performed management duties in important banking groups and it gives him expertise and capacity of judgement which contributes to the effectiveness of the Supervisory Board.

Upon recommendation of the members of its Remuneration and Nomination Committee, however, the Board has paid particular attention to the terms of Mr. Schat's compensation under his agreement with N.M. European Partnership. It follows that, while reiterating that Mr. Schat's situation did not call into question, in the spirit, his independence, the Supervisory Board considered that Mr. Sipko Schat no longer fulfilled the independence criteria.

2.1.5 Attendance rates of the members of the Supervisory Board

The number of meetings of the Supervisory Board and its specialised committees held during the last financial year is set out below in the section of this report on the review of the Supervisory Board and its specialised committees' activity. The following table gives, in accordance with the recommendation number 10.1 of the Afep – Medef Code, all relevant information on the individual participation of the members of the Supervisory Board to its meetings.

However, it is emphasised that the non-participation of a Board member does not alter or compromise the proper functioning of the Board and its committees and does not call into question his/her involvement in the work of the Board. Indeed, when a member can't attend a Board meeting or a committee meeting in person or by phone or video conference, his/her point of view, opinion or recommendations are always brought to the attention of the Board to the extent that all Board members maintain close relations both among themselves and with the Chairman of the Board and the Secretary to the Board.

Member	Supervisory Board	Audit Committee	Risk Committee	Remuneration and Nomination Committee	Attendance rate by member
David de Rothschild	100%	n/a	n/a	n/a	100%
Eric de Rothschild	100%	n/a	n/a	n/a	100%
André Lévy-Lang (1)	83%	50%	n/a	0%	44%
Daniel Daeniker	71%	n/a	75%	n/a	73%
Sylvain Héfès	100%	100%	n/a	100%	100%
Angelika Gifford	86%	n/a	100%	n/a	93%
Arielle Malard de Rothschild	71%	n/a	100%	n/a	86%
Lucie Maurel-Aubert	100%	n/a	n/a	n/a	100%
Carole Piwnica	100%	100%	n/a	100%	100%
Anthony de Rothschild	71%	n/a	n/a	n/a	71%
Sipko Schat	86%	n/a	100%	n/a	93%
Peter Smith	86%	100%	n/a	75%	87%
Luisa Todini	100%	n/a	n/a	100%	100%
Adam Keswick	100%	n/a	n/a	n/a	100%
Suet-Fern Lee	100%	100%	n/a	n/a	100%
Total	**90%**	**90%**	**94%**	**75%**	**90%**

(1) André Lévy-Lang was a member of the Supervisory Board, the Audit Committee and the Remuneration and Nomination Committee until 25 September 2018.

2.2 Duties of the Supervisory Board members

2.2.1 Code of conduct

In accordance with the recommendations of article 19 of the Afep-Medef Code, the Supervisory Board's internal rules make each Board member aware of his/her responsibilities at the time of appointment and encourage him/ her to observe the rules of ethics relating to his/her term of office.

Before assuming a seat on the Supervisory Board, each member must be aware of the general and special obligations incumbent on them. In particular, they must familiarise themselves with the laws and regulations governing the duties of Supervisory Board members.

The Company provides new members with its articles of association and the Supervisory Board's internal rules of procedure before they take office. By accepting a seat on the Supervisory Board, members agree to abide by its internal rules of procedure.

When taking part in Supervisory Board meetings and casting a vote, Supervisory Board members are representing all of the Company's shareholders and acting in the interests of the Company.

Supervisory Board members must allocate the required time to preparing for Board meetings and meetings of any committees on which they sit (as the case may be) by carefully reading the documentation provided to them. They may ask the Chairman for any further information that they require.

Supervisory Board members must attend all Supervisory Board meetings and meetings of any committees of which they are members (as the case may be), as well as General Meetings of shareholders, unless subject to an impediment and provided that they notify the Chairman and/or the Secretary accordingly beforehand.

Documentation for Supervisory Board meetings as well as information collected before or during Supervisory Board meetings is confidential. In accordance with applicable regulations, Supervisory Board members and all other persons invited to attend the meetings may not pass on such information to a third person, other than within the ordinary scope of their work or occupation, for any purpose or activity other than those for which the information was provided to them. They are required to take appropriate measures to protect the confidentiality of such information. Such information ceases to be personal and confidential when published externally by the Company, particularly in the form of a press release.

Supervisory Board members are not permitted to use their position and/or duties to procure any kind of benefit, whether financial or otherwise, either for themselves or for a third party.

2.2.2 Review of conflicts of interest

As Rothschild & Co is controlled by a group of shareholders acting in concert, the Supervisory Board pays particular attention to preventing potential conflicts of interest and taking into account all interests.

The direct or indirect involvement of any Supervisory Board member in an operation or a transaction in which Rothschild & Co has a direct interest, or of which he is aware as a result of his membership of the Supervisory Board, must be disclosed to the Supervisory Board prior to the conclusion of such operation or transaction.

Supervisory Board members are not permitted to assume personal responsibilities in undertakings or affairs that compete directly or indirectly with those of the Rothschild & Co Group without notifying the Supervisory Board in advance.

In accordance with recommendation number 19 of the Afep-Medef Code and the Supervisory Board's internal rules, each member of the Supervisory Board is required to disclose any situation of conflict of interest, even potential, between the Company's interest and the direct or indirect personal interest or the interest of the shareholder or group of shareholders he/she represents.

As such, each member must:

- inform the Supervisory Board as soon as it becomes aware of it; and
- draw any conclusions regarding the exercise of its mandate. Thus, as the case may be, he/she will have to:
  - abstain from participating in the vote on the corresponding deliberation, or even to the discussion preceding this vote;
  - not attend the Supervisory Board meeting during which he/she is in a conflict of interest situation; or
  - in the extreme, resign from his/her position on the Supervisory Board.

Supervisory Board members and all other persons who are invited to attend Supervisory Board meetings must not engage (either in person or via an intermediary) in transactions involving financial instruments of the Company and/or any other issuer for as long as they possess (as a result of their duties or presence at a Supervisory Board meeting) confidential information that might have a material effect on the price of the said financial instruments or on the price of related financial instruments. This duty applies without the Company being required to stipulate that the relevant information is confidential or privileged. Similarly, Supervisory Board members must refrain from disclosing such information to any other person outside the ordinary scope of their functions or for any purpose other than those for which the information was provided to them. Lastly, members must refrain from advising any other person to purchase or sell the financial instruments to which such information relates.

To this end, the following measures in particular must be taken:

- shares in the Company held by a Supervisory Board member personally or by a member's cohabiting spouse, minor child (not of full age) or any other intermediary must be registered:
  - either in a registered account managed by the holder of the Company's register;
  - or in the books of a French custodian account keeper whose details shall be provided to the Board's Secretary;
- members are not permitted to engage in any short or deferred transaction involving derivatives or financial instruments relating to securities issued by the Company (financial futures, warrants, exchangeable bonds, etc.); and
- transactions involving Rothschild & Co shares, including hedging transactions effected during the 30 calendar days prior to the publication of the annual statutory and consolidated financial statements, half-yearly financial statements and (where applicable) the full quarterly financial statements (such period being reduced to 15 days in respect of the publication of quarterly financial information) and on the publication date may not be undertaken by Supervisory Board members or any other person who attended the Supervisory Board meeting at which the results were reviewed. The same rule applies with respect to the announcement of projected annual and half-yearly results.

2.3 Powers of the Supervisory Board

The powers, mode of operation and activity of the Supervisory Board of the Company must be assessed in the light of its nature as a limited partnership by shares, which constitute its own legal form, even if it borrows both from the general partnership and the limited liability company.

Indeed, the second paragraph of article L. 226-1 of the French Commercial Code provides that the limited partnership by shares is first and foremost governed by specific rules (articles L. 226-1 to L. 226-14 and R. 226-1 to R. 226-3 of the French Commercial Code), and that it also borrows from the rules of limited partnerships (which themselves obey the rules of general partnerships) and limited companies, but only "to the extent that they are compatible with the specific provisions of this chapter" (i.e. the chapter relating to limited partnerships by shares). The rules of the limited company relating to the governance of the company are even expressly excluded (articles L. 225-17 to L. 225-93).

The hybrid nature of partnerships limited by shares dictates the method of organisation and operation that the Supervisory Board has adopted in its internal rules to enable it to carry out its missions as effectively as possible.

The Supervisory Board ensures the permanent control of management of the Company by the Managing Partner, including in particular the financial and accounting information reporting system and the internal control system relating to risks, compliance and internal audit, in accordance with the legal and regulatory provisions applicable to the Company.

The Supervisory Board may convene the General Meeting of Shareholders.

In order to exercise its power of permanent control:

- the Supervisory Board carries out, at any time during the year, the verifications and controls it considers appropriate and may request any documents it considers useful for the performance of its duties;
- quarterly, or more often if the Supervisory Board requests it, the Managing Partner shall submit to the Board a report on the state and progress of corporate affairs, which shall be drawn up under the conditions requested by the Supervisory Board;
- within three months after the end of the financial year, the Managing Partner submits to the Supervisory Board, for verification and control purposes, the annual and consolidated financial statements;
- the Managing Partner submits to the Supervisory Board its annual operational objectives and, at least once a year, its long-term strategic projects;
- the Supervisory Board submits a report to the Annual General Meeting of Shareholders in which it reports, in particular, on irregularities and inaccuracies in the annual and consolidated financial statements and comments on the Company's management;
- regulated agreements and undertakings governed by the combined provisions of Articles L. 226-10 and L. 225-38 to L. 225-43 of the French Commercial Code are subject to the prior authorisation of the Supervisory Board; and
- it ensures the quality of the information provided by the Rothschild & Co Group to its shareholders and to the financial markets through the Company's and Group's financial statements and the annual report prepared by the Managing Partner, or in the event of significant transactions.

In addition to the powers conferred on it by law, the Supervisory Board decides in accordance with the procedures set out in Article 10.2.3 of the Company's articles of association:

- by way of an advisory opinion to the Managing Partner on:
  - the strategic orientations, annual budget and three-year business plan of the Rothschild & Co Group;
  - any significant external growth, sale of an activity or branch of activity, or merger;
  - any strategic initiative or significant reorientation of the Rothschild & Co Group's business; and
- by way of a recommendation to shareholders on the Company's dividend distribution policy.

In addition, the Supervisory Board submits to the shareholders a report and a motivated opinion on any resolution submitted to the General Meeting of Shareholders and on any subject covered by a report of the Company's Statutory Auditors.

The Supervisory Board may be assisted by experts of its choice, at the Company's expense. It has the broadest powers of investigation and may ask written questions to the Managing Partner or request to be heard at any time.

2.3.1 Organisation and operation of the Supervisory Board

NOTICE OF MEETINGS

Following a proposal by its Chairman, the Supervisory Board prepares a schedule of meetings each year, for the following year. The Board is kept informed of the annual work programme of its specialised committees.

The Supervisory Board meets as often as required in the interests of the Company and at least four times a year, further to a notice of meeting issued by any means by the Chairman, at least one half of the Supervisory Board members, the Company's Managing Partner, or a General Partner, subject to reasonable notice unless circumstances require a meeting to be called at very short notice.

The person(s) who call(s) a Supervisory Board meeting prepare(s) the agenda of the meeting and informs the Supervisory Board members in a timely manner and by any appropriate means.

All Supervisory Board members may consult the Secretary and benefit from the latter's services. The Secretary is responsible for all procedures relating to the Supervisory Board practices and for the organisation of the meetings.

Documents are provided to Supervisory Board members to enable them to express an opinion in full knowledge of the facts on items included on the agenda at least 48 hours prior to Supervisory Board meetings, except in an emergency or if there is a requirement to keep such documents strictly confidential.

Members of the Management Board of the Company's Managing Partner attend the meeting of the Supervisory Board in an advisory capacity and to discharge the Managing Partner's reporting duty *vis-à-vis* the Supervisory Board. Any other person outside the Supervisory Board may be invited to attend the whole or part of a Supervisory Board meeting by the Chairman of the Supervisory Board or upon the recommendation of the Company's Managing Partner as given to the Chairman of the Supervisory Board.

ORGANISATION OF MEETINGS

Supervisory Board meetings may be held at the registered office or at any other location indicated in the notice of meeting, as well as by videoconferencing or teleconferencing facilities that identify members of the Supervisory Board and guarantee their effective involvement through the use of technical resources that continually and simultaneously transmit discussions. Meetings shall be chaired by the Chairman or, in the latter's absence, by the longest-standing Vice-Chairman present or, in the absence of a Vice-Chairman, by the member appointed for that purpose by the Supervisory Board.

The items on the agenda are communicated to the members of the Supervisory Board at least 48 hours before each meeting, unless emergencies or a need to ensure complete confidentiality. In any event, the Supervisory Board may, during each of its meetings, in case of emergency, and upon proposal of the Chairman of the meeting, deliberate on matters not on the agenda but which are communicated to the members of the Board.

At each Supervisory Board meeting, the Managing Partner informs its members of the main significant facts and events relating to the Group's activities that have occurred since the previous meeting.

Following the annual assessment conducted by the Supervisory Board in 2018, the Board decided to devote the necessary time at the end of each of its meetings to allow discussions between the members of the Supervisory Board without the presence of the Managing Partner's representatives and the executive officers holding senior positions within the Company and the Group.

ATTENDANCE AND MAJORITY

The Supervisory Board members are entitled to be represented at any meeting by another member, pursuant to specific authorisation set out in a letter, a fax, an email or any other method of communication deemed reasonable and acceptable by both parties.

The Supervisory Board members who take part in a Supervisory Board meeting via the technical resource methods referred to above are deemed present, except where the Supervisory Board is meeting to verify and check the annual report and the statutory and consolidated financial statements.

Decisions are taken by an ordinary majority of members who are present or represented and authorised to vote. In the event of a tie, the chairman of the meeting shall have a casting vote.

2.3.2 The Supervisory Board and the Groups' strategy

In addition to the powers conferred on it by law, in accordance with Article 10.2.3 of the Company's articles of association, the Supervisory Board gives an advisory opinion to the Company's Managing Partner on the following matters:

- the Group's strategic policies, annual budget and three-year business plan; and
- any significant strategic initiative in the Group's business.

2.4 Review of the Supervisory Board's activity during the financial year

The Supervisory Board meets at least four times a year.

Before each meeting, Board members receive a file containing the agenda for the meeting, reports, memos and studies required to review the issues featured on the agenda.

Each quarterly Supervisory Board meeting is preceded by an Audit Committee and Risk Committee meeting. The Remuneration and Nomination Committee meets at least in February and December of each year.

The Supervisory Board met seven times during the financial year ended 31 December 2018, on 7 February, 13 March, 25 April, 17 May, 25 September and 19 December. Information about the rate of attendance of each Supervisory Board member is provided in Section 2.1 of this report.

At its meeting of 7 February 2018, the Supervisory Board meeting agenda included in particular:

- the overall review for an opinion on the Group's projections for 2018 communicated by the Managing Partner; and
- acknowledgement of a follow-up letter sent by the Secretary General of the *Autorité de Contrôle Prudentiel et de Résolution* following an inspection by the regulator of the procedures implemented by the Group on a consolidated basis to combat money laundering and terrorist financing.

The meeting of 13 March 2018 concerned primarily the Group's results and financial statements for the nine-month period ended 31 December 2017. In addition to the review of the financial statements, the Managing Partner's proposed dividend payout submitted to shareholders and the draft press release on the Group's results, the main items on the agenda concerned primarily:

- the Rothschild & Co Group's business activity and results for the nine-month period ended 31 December 2017;
- following their respective meetings, reports on the activity of the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee;
- familiarisation with the report that Rothschild & Co is required as a financial holding company to submit to the Supervisory Board in accordance with Articles 258, 259, 260, 262, and 264 of the Order of 3 November 2014 on internal control of banking sector, payment services and investment services companies subject to the control of the *Autorité de Contrôle Prudentiel et de Résolution*;
- familiarisation with regulatory capital and return on capital;
- for the opinion of the Managing Partner, the three-year business plan; planning of regulatory capital; and
- preparations for the Combined General Meeting convened by the Managing Partner on 17 May 2018.

The meeting of 25 April 2018 concerned solely, at the request of a shareholder of the Company, the inclusion in the agenda for the Combined General Meeting convened on 17 May 2018 of two additional resolutions relating to the appointment of two of its representatives on the Supervisory Board.

The meeting of 17 May 2018 that followed the Combined General Meeting concerned the following main agenda items:

- changes to the governance and executive bodies of the Managing Partner and the Company following the appointment of Mr. Alexandre de Rothschild as Chairman of the Managing Partner, replacing Mr. David de Rothschild;
- the appointment of Mr. David de Rothschild as new Chairman of the Supervisory Board following his appointment as a member by the shareholders, the appointment of Mr. Eric de Rothschild and Mr. Adam Keswick as Vice-Chairmen of the Supervisory Board, and the new composition of the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee;
- familiarisation with the results of the annual assessment conducted by the Supervisory Board members and approval of an action plan on the basis of these results; and
- miscellaneous internal control matters at the level of the Group, including the review of banking limits approved by the executive body and the statement relating to the Group's risk tolerance.

The meeting of 25 September 2018 concerned primarily the Group's results and financial statements for the first half of 2018 approved by the Managing Partner, and projected results to 31 December 2018. The main items on the agenda concerned primarily:

- following their respective meetings, reports on the activity of the Audit Committee and the Risk Committee;
- the review of the loan portfolio of the Group's banking entities;
- for the opinion of the Managing Partner, the proposed sale of the Group's Trust business;
- information about the progress of banking integration operations; and
- approval of an action plan in response to the results of the annual assessment by members of the Supervisory Board communicated at its meeting of 17 May 2018.

At its meeting of 19 December 2018, the Supervisory Board meeting agenda included in particular:

- the Rothschild & Co Group's business activity and results over ten months (31 October 2018);
- following their respective meetings, reports on the activity of the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee;
- the review of Global Advisory and Merchant Banking activities in the United States of America;
- a presentation on cybersecurity within the Group; and
- familiarisation with the Audit Committee's and the Risk Committee's activity programmes for 2019.

2.5 Assessment of the Supervisory Board's organisation and working methods

In accordance with the Afep-Medef code, in 2018, the Board's Secretary carried out an assessment of the Supervisory Board's organisation and working methods in collaboration with the Chairman of the Remuneration and Nomination Committee and an independent member of the Committee.

This assessment took the form of a questionnaire addressing the following issues:

- Composition of the Supervisory Board.
- The duties of the Supervisory Board.
- Organisation of meetings and the functioning of the Supervisory Board.
- Access to the necessary information allowing the Board to perform its duties.
- The work of specialised committees.
- Supervision of internal control and risk management.
- Communication with shareholders.
- The Supervisory Board's assessment methods.
- Ethics and preventing conflicts of interest.
- Remuneration policy for members of the Board and its committees.

On the basis of the results of this annual assessment, at its meeting of 19 December 2018, the Supervisory Board approved an action plan formulated around five main themes: granularity of information given to the Board and its committee selection of the main topics the Board wishes to discuss until the end of the 2019 financial year, notifications to the Board and training of its members in the main regulatory issues, length of Board meetings and composition of the Board and its committees.

The Board deemed it necessary to receive once a year information about issues relating to ethics and culture, the loan portfolio of the Group's banking entities and the associated strategy, cybersecurity, the rollout of operations in the United States, the integration of Rothschild Martin Maurel and succession plans within the Group's main operating divisions.

As regards strategy, the Board has decided to discuss every two years, over a full day's meeting, matters such as the use and allocation of capital, the Group's overall earnings performance and succession plans taken as a whole.

As regards the organisation of Board meetings, the length of each quarterly meeting has been increased to four hours.

As regards the composition of the Board and its committees, the Board expressed the desire within the framework of the Group's expansion strategy in North America to benefit from the skills of a new North American member. Within this framework, the Remuneration and Nomination Committee will focus in 2019 on selecting a member able to provide the Board and the Company with the necessary expertise. As of the date of this Report, the Supervisory Board decided at its meeting of 12 March 2019 to carry out a formalised assessment in 2019 in accordance with recommendation number 9.3 of the Afep-Medef Code.

2.6 Specialised committees of the Supervisory Board

In accordance with legal and regulatory provisions, the Supervisory Board set up an Audit Committee, a Remuneration and Nomination Committee and a Risk Committee, and defined the composition of those committees as well as their tasks and practices.

Only members of the Supervisory Board may sit on these committees and only for their term of office on the Supervisory Board. The composition of each committee is decided by the Supervisory Board.

Members of the Management Board of the Company's Managing Partner may attend a meeting of a Supervisory Board's committee if so requested or at the invitation of the committee's chairman.

2.6.1 Audit Committee

COMPOSITION

As at 31 December 2018, the Audit Committee was composed of three members: Mr. Peter Smith (Chairman and independent member), Mr. Sylvain Héfès and Ms. Suet-Fern Lee (independent member).

Ms. Carole Piwnica was a member of the Audit Committee until 18 September 2018 and Mr. André Lévy Lang (indepentent member) ceased to be a member of the Audit Committee and the Supervisory Board on 25 September 2018.

RESPONSIBILITIES

The Audit Committee is mainly responsible for:

- reviewing the process of drawing up financial information such as annual accounts, half-year accounts and quarterly information;
- reviewing the statutory audit of the annual accounts and consolidated accounts by the Statutory Auditors;
- reviewing the independence and objectivity of the Statutory Auditors;
- giving a recommendation regarding the appointment of the Statutory Auditors proposed to the Ordinary General Meeting of Shareholders; and
- reviewing the effectiveness of the Group's internal control systems.

The Audit Committee is empowered to obtain any information it considers necessary to fulfil its task from the Company's executive body, its staff and the Company's or its subsidiaries' Statutory Auditors. Audit Committee members have the opportunity, if necessary, to seek the opinion of the senior executives of the Group as well as that of the Statutory Auditors.

ACTIVITY

The Audit Committee meets at least four times a year or more frequently if so required. Before each meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda.

The Group Chief Financial Officer, the Group External Reporting Director, the Group Head of Internal Audit, the Group Head of Legal & Compliance, the Group Head of Risk, the Group Company Secretary (and General Counsel of the Company) and the Statutory Auditors are permanent attendees at the meetings of the Audit Committee.

As from the change of year end from 31 March to 31 December, the March and September meetings are mainly focused, respectively, on the review of the solo parent company and consolidated accounts and the half-year accounts and the presentation by the Statutory Auditors of its report after its review of such accounts. In addition, at the March meeting, the Audit Committee reviews the report on risk management and accounting procedures implemented by the Company that are displayed in the report on internal control, risk management and accounting procedures.

At the March meeting and in accordance with articles 258, 259, 260, 262 and 264 of the Order of 3 November 2014, on internal control of companies in the banking, payment services and investment services sector, subject to the supervision of the *Autorité de contrôle prudentiel et de resolution,* is submitted to the Audit Committee for review, the report must be forwarded to the Supervisory Board and then to the *Autorité de contrôle prudentiel et de résolution*.

In advance of each meeting, the Audit Committee members receive the Internal Audit activity report and the status of Statutory Auditors recommendations. The activities of the Group subsidiary audit committees are also presented to the Audit Committee during those two meetings. This year, the Audit Committee also reviewed the list of non-audit fees and took note of the new auditor partner's rotations and audit governance requirements under the revised Statutory Audit Directive.

At the end of each meeting, the Audit Committee usually meets with the Group Head of Internal Audit and the Statutory Auditors without the presence of any representative of senior management.

After each meeting of the Audit Committee, the Chairman of the Audit Committee submits a report on the work of the Audit Committee to the Supervisory Board members.

In addition, the Audit Committee receives, in advance of each meeting, the Group Risk and Compliance quarterly report addressed also to the Group Risk Committee.

Furthermore, every year, at the request of the Chairman of the Audit Committee, the Company Secretary coordinates a review of the annual work programme of the Audit Committee with the committee members to ensure that the Audit Committee discharges its responsibilities in accordance with its Terms of Reference.

During the financial year ended 31 December 2018, the Audit Committee met five times on 24 January, 7 March, 9 May, 18 September and 6 December. Information on the attendance rate of each committee member is provided in Section 2.1 of this report.

The agenda of the meeting of 24 January 2018 focused on:

- the proposed Group internal audit plan for 2018;
- the information of the committee on the recommendations resulting from an inspection conducted by the *Autorité de contrôle prudentiel et de résolution*;
- an update on the main accounting matters for the financial year ended 31 December 2017 (nine months) accounts; and
- the revised draft terms of reference for the Audit Committee.

The agenda of the meeting of 7 March 2018 focused on:

- the review of the consolidated and solo parent company accounts for the financial year ended 31 December 2017 (nine months);
- the report from the co-statutory auditors on the consolidated and solo parent company accounts for the financial year ended 31 December 2017 (nine months);
- the review of the co-statutory auditors non audit fees;
- the review of the draft management report to shareholders, including its section on internal control, risk management and accounting procedures, and its section on corporate social responsibility;
- the review of the report issued in accordance with Articles 258, 259, 260, 262, and 264 of the order of 3 November 2014;
- the Group Legal, Risk and Compliance quarterly report and permanent control report;
- update on the outcome of the IT external reviews;
- the Internal Audit activity report; and
- a summary information of any material outstanding tax matters or disputes with tax authorities and the preparation of a Group Tax policy.

The agenda of the meeting of 9 May 2018 focused on:

- the Group Legal, Risk and Compliance quarterly report;
- an update on status of progress on the remediation plans of the *Autorité de contrôle prudentiel et de résolution*;
- the Group Internal Audit quarterly report;
- the status of the co-statutory auditors recommendations;
- the review of the Group Internal Audit Charter;
- the review of the activity of the Group entities audit committees; and
- the Audit committee annual work programme.

The agenda of the meeting of 18 September 2018 focused on:

- the review of the planning process for the consolidated accounts including regarding IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) applicable as of 1 January;
- the review of provisions for claims and litigation based on the Group Legal, Compliance and Risk report, including the permanent control report;
- the review of the Group Internal Audit recommendations remaining outstanding; and
- the activity report of the head of information technology, in particular as regards the protection against data loss.

The agenda of the meeting of 6 December 2018 focused on:

- the Group Legal, Risk and Compliance quarterly report;
- the review of the validation process for the valuation of Merchant banking assets;
- a preliminary review of accounting matters for the financial year ended 31 December 2018;
- an update status on progress on the remediation plans of the *Autorité de contrôle prudentiel et de résolution*;
- an update status on progress made in the implementation of the requirements on MIFID II;
- the information on the permanent control environnement at Rothschild Martin Maurel;
- the Group Internal audit quarterly report;
- the review of the activity of the Group entities audit committees; and
- the Audit Committee annual work programme.

2.6.2 Remuneration and Nomination Committee

COMPOSITION

As at 31 December 2018, the Remuneration and Nomination Committee was composed of four members: Mr. Sylvain Héfès (Chairman), Ms. Carole Piwnica (independent member, from 17 May 2018), Mr. Peter Smith (independent member) and Ms. Luisa Todini (independent member).

RESPONSIBILITIES

The Remuneration and Nomination Committee is mainly responsible for:

- setting the principles and parameters of remuneration policy for the Group as a whole and periodically reviewing the policy's adequacy and effectiveness taking into account all factors which it deems necessary, including the Group's strategy from time to time;
- supervising and reviewing the broad policy framework for the remuneration arrangements within the Group and principles applicable to all staff members whose professional activities have a material impact on the risk profile of the Group (the "Regulated Persons")(1);
- supervising the remuneration paid/awarded to members of the Compliance and Risk divisions and, where appropriate, the employment and remuneration arrangements of members of the Group Executive Committee;
- identifying the persons within the Group whose remuneration is governed by the regulatory provisions applicable to Rothschild & Co and to the companies regulated within the Group;
- participating in the selection and nomination process of members of the Supervisory Board;
- reviewing the nature and scale of the Group's short and long-term incentive performance arrangements to ensure that they encourage enhanced performance and reward individuals in a fair and responsible manner for their contribution to the success of the Group in light of an assessment of the Group's financial situation and future prospects;
- discussing and reviewing with the Company's Managing Partner the determination and quantum of the total bonus pool; and
- undertaking any other remuneration-related obligations placed upon the Remuneration and Nomination Committee by either the lead regulator or a local regulator.

(1) The criteria used to identify Regulated Persons are notably set out in the following regulations: (i) the third iteration of the Capital Requirements Directive (CRD III) and associated guidelines, and (ii) the qualitative role base criteria set out in the EBA Regulatory Technical Standard (RTS) for identifying material risk takers (Commission Delegated Regulation 604/2014).

ACTIVITY

The Remuneration and Nomination Committee meets at least twice a year or more often as required by the circumstances.

Before each Committee meeting, members receive a set of briefing documents including all reports, memos and other information providing background on each of the agenda items.

No Group employee is allowed to take part in discussions or decisions involving their own remuneration.

The Chairman of the Supervisory Board, the Chairman, the Managing Partners of Rothschild & Co Gestion, the Group Head of Human Resources and the Group Chief Financial Officer are invited to attend all Remuneration and Nomination Committee meetings.

During the year ended 31 December 2018, the Committee met five times on 5 February, 15 February, 13 March, 4 October and 7 December 2018. Information on the attendance rate of each Committee member is provided in section 2.1 of this report.

The meetings held on 5 and 15 February 2018 mainly addressed the following matters:

- review of compliance of the Group's remuneration policy with the provisions of European Directive number 2013/36/EU of 26 June 2013 (CRD IV) as regards the variable remuneration of Group employees falling within the scope of CRD IV; and
- remuneration proposals for 2018 for employees in each of the Group's operational divisions, and for Group Executive Committee members, Group internal control officers and employees subject to CRD IV.

The meeting held on 13 March 2018 was devoted entirely to the annual review of the Supervisory Board's composition, including the nomination of five members of the Board for re-election at the Annual General Meeting.

The meetings held on 4 October and 7 December 2018, like the February meetings, were devoted to reviewing compliance of the Group's remuneration policy as regards employees subject to CRD IV. The Committee also reviewed proposed changes to the policy, deemed necessary in particular to comply with MIFID II requirements.

2.6.3 The Risk Committee

COMPOSITION

As at 31 December 2018, the Risk Committee was composed of four members: Mr. Sipko Schat (Chairman), Ms. Arielle Malard de Rothschild, Dr. Daniel Daeniker (independent member) and Ms. Angelika Gifford (independent member).

RESPONSIBILITIES

The Risk Committee is mainly responsible for:

- advising the Supervisory Board on the overall current and future risk appetite and strategy, both at the Group and Rothschild & Co levels;
- assisting the Supervisory Board in overseeing the implementation of that strategy;
- reviewing on a consolidated basis the material risks of the Group, and the total exposures of the Group's activities to such risks;
- reviewing the results of the Group's risk assessment that identifies and evaluates exposures to risk in the light of internal and external factors;
- reviewing the Group's broad guidelines relating to risk management and examining the effectiveness of the risk management policies put in place;
- reviewing all material new products and new classes of products and funds that have been approved pursuant to the Group's New Products Policy; and
- examining incentives provided by remuneration policies and practices to ensure they are consistent in the light of the risk, capital, liquidity and the likelihood and timing of expected earnings for entities.

ACTIVITY

The Risk Committee meets at least four times a year or more frequently if so required.

Before each meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda.

The Chairman of the Audit Committee, the Group Head of Risk, the Group Head of Legal & Compliance, the Group Head of Internal Audit, the Group Chief Financial Officer, the Group External Reporting Director and the Group Company Secretary (and General Counsel of the Company) are permanent attendees at the meetings of the Risk Committee.

During those meetings, the Risk Committee reviewed the four quarterly Group legal, compliance and risk reports and examined the Group strategic and operational risk assessments. In addition, the Risk Committee checked the implementation of crisis management plans across the Group.

The Risk Committee met four times during the financial year ended 31 December 2018, on 12 March, 16 May, 19 September and 18 December. Information about the rate of attendance of each committee member is provided in Section 2.1 of this report.

The agenda for the meeting of 12 March 2018 concerned primarily:

- the quarterly activity report of the Group's Legal, Risk and Compliance departments;
- the activity report of the head of IT security;
- the review of the Group's strategic risk assessment;
- the review of regulatory ratios;
- the review of the report prepared in accordance with articles 258, 259, 260, 262 and 264 of the Order of 3 November 2014;
- the review of the Group's policies, amendments and the statement relating to the Group's risk appetite;
- the review of the Group's report on permanent controls;
- the review of outsourced activities;
- the review of the recovery plan and the business continuity plan; and
- the review of the section of the draft management report to shareholders relating to internal control, risk management and accounting policies.

The agenda for the meeting of 16 May 2018 concerned primarily:

- the quarterly activity report of the Group's Legal, Risk and Compliance departments;
- the loan portfolio of the Group's credit institutions and credit risk exposure;
- the review of the Group's risk management procedures;
- the review of the Group's liquidity risk management policy; and
- the review of an amended version of the Risk Committee's terms of reference.

The agenda for the meeting of 19 September 2018 concerned primarily:

- the quarterly activity report of the Group's Legal, Risk and Compliance departments;
- the review of a report on data protection;
- information about the loan portfolio of the Group's banking entities;
- directive on personal data protection; and
- the Group's Internal Audit report on matters of interest to the Risk Committee.

The agenda for the meeting of 18 December 2018 concerned primarily:

- the quarterly activity report of the Group's Legal, Risk and Compliance departments;
- progress made in measures implemented within the framework of responses to an inspection by the *Autorité de Contrôle Prudentiel et de Résolution*;
- the review of the Group's strategic risk assessment and operating risk assessment;
- the activity report of the head of IT security; and
- the Risk Committee's annual activity programme.

COOPERATION WITH THE AUDIT COMMITTEE

The Chairmen of the Audit Committee and the Risk Committee consult each other, whenever they deem it necessary on various subjects, including, but not limited to, subjects of common interest and/or cross-committee topics falling within the missions assigned to them, related to the internal control and risk management system.

The cooperation between the Audit and Risk Committees was reinforced during 2018 notwithstanding attendance at a committee meeting of the chairman of the other committee. This cooperation was formalised on a semi-annual basis before the meetings of the Supervisory Board comprising on the agenda the annual and half-year accounts and the annual report prepared in accordance with Articles 258 to 264 of the Order of 3 November 2014 on internal control of banking sector companies.

2.7 Corporate governance code

The Company has decided to refer to the Afep-Medef Code revised in June 2018 as the corporate governance reference code in accordance with the provisions of article L. 225-37-4 8° of the French Commercial Code. The Company considered that this code was more appropriate to its size and its shareholding structure.

The Company is very committed to the principles of good governance and to the recommendations of the Afep-Medef Code. It should, however, be stressed that the very principle of partnerships limited by shares, the Company's form of incorporation, gives a unique structure to governance providing a clear separation of powers between the Company's Managing Partner and the Supervisory Board, which cannot comply with the Afep-Medef recommendations without adaptation. In this situation, the Board takes into account the specific characteristics of this form of incorporation, and the Board is organised in a way that is adapted to the nature of the functions conferred upon it by law and the articles of association as well as by the recommendations of the Afep-Medef Code.

Pursuant to the AMF recommendations, the recommendations of the Afep-Medef Code not applied by the Company are described in the table below, with an explanation for each of them:

Afep-Medef recommendations	Explanations by the Company
Independence criterion for members of the Supervisory Board related to the length of office (§8.5.6 of the Afep-Medef Code): Criterion providing that in order to be considered as independent a Director must not "*have been a Director for more than twelve years.*"	Given the Company's ownership structure, which is controlled by an enlarged Rothschild Family Concert acting in concert with companies owned by members of the Rothschild family and by other shareholders with long-standing ties to the Rothschild family, and given the legal and statutory characteristics of a French partnership limited by shares, the Supervisory Board has expressly decided to waive the criterion relating to the duration of Supervisory Board members' terms of office. This particular criterion was therefore expressly waived in the Supervisory Board's internal rules of procedure as follows: *"The independence criteria that apply are those referred to in article 8.5 of the Afep-Medef Corporate Governance code of December 2008, amended in June 2013 and June 2018, excluding the criterion relating to terms of office, which is expressly set aside."* The Supervisory Board considers that length of service is a key element for assessing and understanding the Rothschild & Co Group's activities and that the effectiveness of the Supervisory Board is ensured by a wide-ranging composition in terms of diversity, professional experience and expertise of its members.
Independence criterion for members of the Supervisory Board related to directorship in a company the corporation consolidates (§8.5.1 of the Afep-Medef Code): Criterion providing that in order to be considered as independent a director must not "*be an employee or executive director of the corporation, or an employee or director of its parent or a company that the latter consolidates, and not having been in such a position for the previous five years.*"	Mr. Peter Smith is non-executive Chairman of the Board of Directors of N.M. Rothschild & Sons Ltd (NMR) and non-executive Director of the Board of Directors of Rothschild Bank AG, two Group entities. In the context of his functions as non-executive Chairman of the Board of Directors of N.M. Rothschild & Sons Ltd, he receives a remuneration justified by the time allocated to discharge his responsivities in the preparation of the meetings and the conduction of the discussions. During its meeting on 12 March 2019, the Supervisory Board renewed its past considerations that Mr. Peter Smith performed duties in important international groups, and in particular as the chairman of on the largest external audit firm, thus giving to him a good perspective and a strong vision which contribute to the effectiveness of the Supervisory Board. Moreover, his experience and Group knowledge gives him a freedom of speech and opinion which is a guarantee of independence. He is therefore able to challenge the Supervisory Board and make an extremely valuable contribution to the discussions at the Supervisory Board.
Status of the Chairman of the Remuneration and Nomination Committee (§16.1-17.1 of the Afep-Medef Code): "*The committee* (in charge of compensation) *should not include any executive directors, and should have a majority of independent directors. It should be chaired by an independent director. It is advised that an employee director be a member of this committee.*"	Mr. Sylvain Héfès is the Chairman of the Remuneration and Nomination Committee. The Supervisory Board renewed during its meeting on 12 March 2018 its past positions entrusting the Chairmanship to Mr. Héfès due to his extensive knowledge of the Group's business operations. He served notably for several years as head of Europe wealth management in one of the top leading global investment banking, securities and investment management firms and thanks to his various positions within this firm, he has developed an excellent appreciation of all matters related to the remuneration policies within the banking sector for the benefit of the Company and the Group. In addition, after having considered the moral authority that he enjoys within the Company and within the family company Rothschild Concordia as statutory independent director, his important knowledge of the specificities of the remuneration systems in France, the United Kingdom and other major locations where the Group operates, the Supervisory Board decided that his expertise and authority within the Remuneration and Nomination Committee are major assets to enable the Group to meet the economic and financial challenges. Therefore, the Supervisory Board considers his situation as not jeopardising his ability to be the Chairman of the Remuneration and Nomination Committee and act in the best interest of the Company and the Group.

2.8 Terms and conditions of shareholders' attendance of General Meetings

Please refer to Section 1.3.2 of the Information on the Company Section for a description of the terms and conditions of shareholders' attendance of General Meetings.

3. Compensation and other benefits received by corporate officers

3.1 Compensation of the Managing Partner Rothschild & Co Gestion

3.1.1 Compensation as Manager

Rothschild & Co Gestion is the sole executive corporate officer of the Company. In application of Rothschild & Co's articles of association, no compensation is paid to Rothschild & Co Gestion in respect of its position as the Company's Managing Partner.

However, it is specified that, in accordance with the Articles of Association of Rothschild & Co, Rothschild & Co Gestion is entitled to reimbursement of its operating expenses related to its role as Managing Partner, in particular operating expenses, statutory auditors' fees and the remuneration of its legal representative(s). In this respect, the total amount of the operating expenses is €1,197,971.18 for the 2018 financial year and €777,000 for the 2017 financial year (nine month period).

3.1.2 Profit share as General Partner

In its capacity as General Partner, Rothschild & Co Gestion and the second General Partner, Rothschild & Co Commandité, are jointly and severally liable for the Company's debts out of their personal assets.

In return for this liability, in accordance with the provisions of article 14.1 of the Company's articles of association, a profit share (*dividende préciputaire*) equal to 0.5% of the distributable profit for the year is allocated automatically to the General Partners. This profit share for Rothschild & Co was €1,343,919 for the 2018 financial year and €1,157,078 for the 2017 financial year, which covered a period of nine months.

3.1.3 Compensation received by the Chairman of the Managing Partner

During 2018, Mr. Alexandre de Rothschild replaced his father Mr. David de Rothschild as Chairman and therefore legal representative of Rothschild & Co Gestion. This change took effect on 17 May 2018.

In accordance with Rothschild & Co Gestion's articles of association, the Chairman is the only executive director and therefore the only legal representative of Rothschild & Co Gestion.

Compensation paid to the Chairman is set by the sole shareholder or the general meeting of shareholders acting by a simple majority after consulting the Nomination Committee, which in turn before giving its opinion consults the Supervisory Board of Rothschild & Co SCA, which consults its own Remuneration and Nomination Committee.

Between 1 January 2018 and 17 May 2018, Mr. David de Rothschild has not benefited from employment contracts, supplementary pension schemes, compensation or benefits due in the event of termination of office or change in function and non-competition clauses.

During the period from 17 May 2018 to 31 December 2018, Mr. Alexandre de Rothschild did not benefit from any employment contracts, supplementary pension schemes, compensation or benefits due or that may be due in the event of termination of office or change in function and non-competition clauses.

Accordingly, the summary tables relating to compensation and other benefits granted to the Managing Partner required in accordance with AMF recommendations are not relevant.

The information given below in the first table concerning items of compensation paid to the Chairman of Rothschild & Co Gestion concern, as regards Mr. Alexandre de Rothschild and Mr. David de Rothschild, compensation received by them during the year and according to the dates they respectively assumed or stood down from their roles.

In accordance with recommendation number 21.1 of the Afep-Medef Code, Mr. Alexandre de Rothschild ended his employment contract with Five Arrows Managers SAS on 17 May 2018 due to his appointment as Chairman of the Managing Partner.

David de Rothschild	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)	Alexandre de Rothschild	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Fixed compensation as legal representative of Rothschild & Co Gestion(1)	189,583	375,000	Fixed compensation as legal representative of Rothschild & Co Gestion(2)	311,828	n/a
Variable as legal representative of Rothschild & Co Gestion	–	–	Variable as legal representative of Rothschild & Co Gestion	–	n/a
Fixed compensation(s) of other Group entities		–	Fixed compensation(s) of other Group entities (3)	146,795	230,769
Variable of other Group entities		–	Variable of other Group entities	232,717(3)(4)	42,032(5)
Other compensation	–	–	Other compensation	16,205	22,713
Extraordinary compensation	–	–	Extraordinary compensation	–	–
Director's fees	–	–	Director's fees		
Benefits in kind	–	–	Benefits in kind		–
TOTAL	189,583	375,000	**TOTAL**	707,544	295,514

(1) Period from 1 January 2018 to 17 May 2018.
(2) Period from 17 May 2018 to 31 December 2018.
(3) In respect of an employment contract with Five Arrows Managers SAS. This employment contract ended on 17 May 2018.
(4) Variable compensation paid in 2018 comprised:
- €172,280 in respect of 2017; and
- in accordance with provisions governing compensation paid to employees, the variable portion of which is subject to EU Directive 2013/36/EU of 26 June 2013 ('CRD IV') as regards variable compensation received in respect of 2014, 2015, 2016 and 2017, €43,796 corresponding to a deferred cash payment and €9,060 corresponding to the deferred delivery of Rothschild & Co shares on the basis of the value of the shares on their delivery date.

(5) Including expatriation premium due in respect of business travel for 2017.

It is also specified that options to subscribe for or purchase Rothschild & Co shares were allocated to Mr. Alexandre de Rothschild before he took up his position as Chairman of Rothschild & Co Gestion. The table below shows past allocations and, in view of his taking up the position of legal representative of the Managing Partner, the number of options exercised if applicable during 2018.

History of allocation of share subscription and purchase options

As from 17 May 2018, Alexandre de Rothschild is the legal representative of Rothschild & Co Gestion SAS, Statutory Managing Partner of Rothschild & Co SCA.

According to their grant date, the exercise of stock options was not subject to performance criteria.

2013 Equity Scheme	Refer to section 2.3.2 of the Informations on the Company
Date of the General Meeting of Shareholders	26 September 2013
Date of the decision of the Managing Partner	11 October 2013
Total number of share subscription and purchase options granted	30,000
Starting date for exercise of options 2013-1	30 November 2016
Expiration date	11 October 2023
Subscription price	€17.50
Starting date for exercise of options 2013-2	11 October 2017
Expiration date	11 October 2023
Subscription price	€18.00
Starting date for exercise of options 2013-3	11 October 2018
Expiration date	11 October 2023
Subscription price	€19.00
Starting date for exercise of options 2013-4	11 October 2019
Expiration date	11 October 2023
Subscription price	€20.00
Terms of exercise of the 2013 Equity Scheme plan, which consists of several tranches	Refer to section 2.3.2, page 60
Number of share subscription or purchase options exercised during the financial year ended 31 December 2018	0
Cumulative number of share subscription options cancelled or lapsed	0
Number of options to subscribe for or purchase shares remaining to be exercised at 31 December 2018	22,500
Subscription or purchase options granted to the Company's top ten employees who are not corporate officers and options exercised by them	None

3.2 Compensation policy for Supervisory Board members

3.2.1 General information

Rothschild & Co's articles of association provide that the Supervisory Board shall freely distribute all or some of any remuneration that the Ordinary General Meeting of shareholders grants to its members.

The General Meeting of shareholders on 25 September 2014 set at €500,000 the maximum amount of fees available for allocation to members of the Supervisory Board of Rothschild & Co, until a new decision is taken.

At its meeting of 19 December 2018, the Supervisory Board reconsidered the decisions made during previous years concerning the compensation policy for Supervisory Board members. Within this framework, the Supervisory Board decided to renew this compensation policy based on a fixed compensation structure for Supervisory Board members and committee members, and to provide for the following compensation for the Supervisory Board Chairman:

	Fees in euro (per member each year)
Position as Chairman of Board	155,000
Supervisory Board membership	20,000
Committee membership (per committee)	5,000
Position as Chairman of committee	10,000

Distribution of fees is subject to the following:

- When a member holds multiple positions in the Supervisory Board and Committees, the fees are cumulative. For example, a Board member chairing a committee shall receive €35,000 per financial year.
- All fees are paid on a pro-rata basis at the end of the annual financial year ended on 31 December. For example, when a Supervisory Board member has been appointed by the General Meeting of shareholders in May, fees payable correspond to the period from the date of the nomination as member of the Board to date of the end of the financial year.

At the meeting of 19 December 2018, the Supervisory Board also decided to conduct a more in-depth review of the compensation policy for Board members. It considered it opportune to determine a variable portion of compensation in respect of effective presence at Board meetings and meetings of its specialised committee in order to encourage members to play an active role in the work of the Board and its committees. As of the date of this Report, on the recommendations of the Remuneration and Nomination Committee, the Supervisory Board approved a new compensation policy that includes a variable component in compensation paid to its members, the terms of which are detailed in the same report to be published in respect of the financial year ending 31 December 2019.

3.2.2 Non-executive director’s fees and other compensation paid during the 2018 financial year

The table below provides the breakdown of compensation received by the members of the Supervisory Board (in position during the financial year) in respect of their positions held at Rothschild & Co in the Supervisory Board and as a member of its specialised committees, and at any other Group company during the 2018 financial period.

In thousands of euro	**01/01/18 31/12/18 (12 months)**			**01/04/17 31/12/17 (9 months)**		
Members of the Supervisory Board	**Rothschild & Co[1]**	**Other compensation[2]**		**Rothschild & Co[1]**	**Other compensation[2]**	
David de Rothschild[3]	97			–		–
Eric de Rothschild[4]	20	Benefits in kind	–	–	Benefits in kind	–
Dr. Daniel Daeniker	25		–	18		–
Angelika Gifford	23		–	15		–
Sylvain Héfès	40	Fixed – Consultancy	168[9]	30	Fixe – Consultancy	127[9]
		Benefits in kind	–		Benefits in kind	–
Adam Keswick[5]	20		–	15		–
Suet-Fern Lee[6]	21		–	15		–
Arielle Malard de Rothschild	25	Fixed – Salary	279	–	Fixed – Salary	186
		Variable	343		Variable	20[7]
		Benefits in kind	22		Benefits in kind	26
Lucie Maurel–Aubert[8]	20	Fixed – Salary	–	15	Fixed – Salary	100
		Variable	–		Variable	156
		Director’s fees	20		Director’s fees	125
		Benefits in kind	48		Benefits in kind	28
Carole Piwnica	27		–	19		–
Anthony de Rothschild	20		–	15		–
Sipko Schat	35	Fixed –Consultancy	150	26	Fixed –Consultancy	113
		Variable – Consultancy	40		Variable – Consultancy	40
Peter Smith	40	Director’s fees	180[9][10]	30	Director’s fees	106[9][10]
		Benefits in kind	–		Benefits in kind	3
Luisa Todini	25		–	19		–

(1) Includes compensation received from Rothschild & Co in respect of the role of member of the Supervisory Board and, if applicable, its committees.
(2) Compensation received by controlled companies of Rothschild & Co.
(3) Chairman of the Supervisory Board from 17 May 2018.
(4) Chairman of the Supervisory Board until 17 May 2018 and Vice-Chairman from that date.
(5) Vice-Chairman of the Supervisory Board from 17 May 2018.
(6) Member of the Audit Committee from 25 September 2018.
(7) Amount corresponding only to the payment of a foreign service premium (2017 financial year (nine months)), excluding the other variable compensation elements which were attributed but unpaid in 2017.
(8) Employment contract with the company Martin Maurel (formerly know was Banque Martin Maurel) was suspended on 1 July 2017.
(9) Based on a £/€ conversion rate as at 31 December 2018.
(10) Compensation received in respect of the role of non-executive Chairman of the board of directors of N. M. Rothschild & Sons Ltd.

3.3 Advisory opinion of the shareholders on the components of compensation of executive corporate officers

The provisions of the "Sapin 2" Act (Act 2016-1691 dated 9 December 2016 on transparency, the fight against corruption and the modernisation of the economy) concern the approval by the General Meeting of Shareholders of the principles and criteria for determining, distributing and allotting the fixed, variable and exceptional components of the compensation and benefits of executive and non-executive non-independent corporate officers (ex-ante approval), and of the components of the compensation paid or alloted to said corporate officers pursuant to these principles (ex-post approval).

These provisions, codified in particular in the articles L. 225-37-2 and L. 225-82-2 of the French Commercial Code, are not applicable to partnerships limited by shares by virtue of article L. 226-1 of said Code.

In addition, Rothschild & Co Gestion would be the only corporate officer of Rothschild & Co concerned by the strict application of the provisions of Articles L. 225-37-2 and L. 225-82-2 of the French Commercial Code.

Nevertheless, Rothschild & Co is committed to implement the best governance practices for the benefit of its shareholders. In accordance with recommendation number 24.1.3 of the Afep-Medef Code for limited partnerships by shares (although such provisions do not apply to Rothschild & Co as regards the compensation of the Chairman of the Supervisory Board and that of the Executive Chairman of Rothschild & Co Gestion), Rothschild & Co applies "the same remuneration rules as those applicable to limited companies, subject only to the differences justified by the specificities of this legal form and more specifically, those attached to the status of "Managing Partner." Rothschild & Co will continue to submit an "ex-post" vote on the compensation of the Chairman of the Supervisory Board and the Chairman of the Managing Partner to the Shareholders' General Meeting as it had done in previous years.

4. Transactions involving the Company's securities by corporate officers

Pursuant to the provisions of article 223-26 of the AMF General Regulations, the transactions involving the Company's securities during the 2018 financial period executed by persons mentioned in article L. 621-18-2 of the French Monetary and Financial Code, disclosed to the Company and the AMF, are summarised in the table below.

Name	Quality	Transaction date	Nature of the transaction	Unit price (in euro)	Total amount (in euro)	AMF decisions (1)
Nigel Higgins	Managing Partner of Rothschild & Co Gestion	04/01/2018	Acquisition(2)	30.53	727,282.63	2018DD532416
Nigel Higgins	Managing Partner of Rothschild & Co Gestion	04/01/2018	Sale	30.30	721,685.40	2018DD532416
Nigel Higgins	Managing Partner of Rothschild & Co Gestion	08/01/2018	Sale	30.71	325,552.00	
Béro SCA	Legal entity related to Éric de Rothschild, Vice-Chairman of the Supervisory Board of Rothschild & Co SCA	06/07/2018	Acquisition	29.74	10,748,256.25	2018DD567635
Béro SCA	Legal entity related to Eric de Rothschild, Vice-Chairman of the Supervisory Board of Rothschild & Co SCA	09/07/2018	Acquisition	29.65	1,689,756.99	2018DD567847 modified by 2019DD594562
Alexandre de Rothschild	Executive Chairman of Rothschild & Co Gestion, Managing Partner of Rothschild & Co SCA	26/10/2018	Sale	33,86	253,933.36	2018DD581517

(1) These decisions are available on the AMF website (www.amf-france.org).
(2) Shares attributed according to the third capital requirements directive (CRD III).

5. Regulated agreements and undertakings

In accordance with articles L.225-40, L.225-40 and R.225-30 of the French Commericial Code, applicable to Rothschild & Co pursuant to article L.226-10 of the said Code, the Statutory Auditors have been informed of a regulated agreement entered into during the 2018 financial year.

This is the conclusion of a financial advisory agreement with Rothschild & Cie in the framework of the preparation of the unwinding of the Rothschild & Co and Edmond de Rothschild group's cross-shareholding transactions. This agreement between the two groups has been announced to the Market by a press release on 28 June 2018. The intervention and expertise of the financial advisory team of Rothschild & Cie SCS were necessary for the successful completion of the transactions.

Additional information on this agreement, which was authorised by the Supervisory Board at its meeting on 28 June and the report of the Statutory Auditors, will be available in the notice of the Combined General Meeting of Shareholders' Meeting. This document, containing all the information made available to shareholders, will be available on the Company's website at www.rothschildandco.com.

In addition, the Statutory Auditors have been informed of agreements and undertakings entered into during previous financial years but still into effect during the 2018 financial year.

It is reminded that during the financial year 2018, the following agreement was approved by the General Meeting of Shareholders held on 17 May 2018 as a regulated agreement:

- the transfer of the shares held by Rothschild & Co in Funds Selection, representing 20% of the share capital of the latter (999 shares), to Rothschild Asset Management; and
- this transfer was previously authorised by the Supervisory Board at its meeting on 28 November 2017.

Additional information on this agreement and the report of the Statutory Auditors will be available in the notice of the Combined General Meeting of Shareholders' Meeting. This document, containing all the information made available to shareholders, will be available on the Company's website at: www.rothschildandco.com.

6. Delegations of authority granted by the shareholders of Rothschild & Co to the Company's Managing Partner relating to the share capital

The following table summarises the outstanding delegations granted to the Company's Managing Partner remain in force and in use during the nine months ended 31 December 2018.

Purpose	Resolution number	Individual limit	Period of validity	Use during the 2018 financial year
Combined General Meeting of 17 May 2018				
To reduce the share capital by cancelling treasury shares.	16	Limited to 10% of the share capital per 24-month period.	26 months	None
To increase the share capital, in one or more transactions, by incorporation of reserves, income or issue, merger or contribution premiums.	17	Limited to a nominal amount of €50 million.	26 months	None
To issue, in one or more transactions, ordinary shares and/or securities giving access to the share capital in order to remunerate contributions in kind granted to the Company consisting of equities or securities giving access to the share capital.	18	Limited to 10% of the share capital (1) or €200 million (debt instrument) (2).	26 months	None
To issue, in one or more transactions, ordinary shares and/or securities giving immediate or deferred access to the Company's share capital with preferential subscription rights maintained.	19	Limited to a nominal amount of €70 million (3) (share capital securities) or €300 million (debt instrument) (3).	26 months	None
To issue, in one or more transactions, ordinary shares and/or securities giving immediate or deferred access to the Company's share capital with waiver of preferential subscription rights, through a public offer.	20	Limited to a nominal amount of €15 million(1) (share capital securities) or €200 million (debt instrument) (3).	26 months	None
To issue, in one or more transactions, ordinary shares and/or securities giving immediate or deferred access to the Company's share capital with waiver of preferential subscription rights and free fixing of issue price.	21	Limited to 10% of the share capital per year(1) (share capital securities) or €200 million (debt instrument) (2).	26 months	None
To increase the number of securities to be issued when increasing the share capital of Rothschild & Co with waiver or not of preferential subscription rights.	22	To be deducted from the individual limit as stipulated in the resolution in respect thereof when the initial issuance is decided (3).	26 months	None
To grant options to subscribe for or purchase the Company's shares to employees and executive officers of the Company and companies related to it.	23	Limited to 10% of the share capital (3) (with a specific limit of 0.74% for the Company's executive officers).	38 months	Share capital increases representing 105,264 shares decided on 30 April 2018, 5 June 2018 and 20 November 2018 following the exercise of options.
To grant bonus shares to employees and corporate officers of the Company and companies related to it.	24	Limited to 5% of the share capital on the date of the Managing Partner's decision.	38 months	None
To issue shares, without preferential subscription rights, reserved for; (i) the Group's employees and corporate officers and foreign subsidiaries in the context of the implementation of stock option plans; or (ii) the Company's foreign subsidiaries within the framework of the deferred remuneration of their employees in Rothschild & Co shares in compliance with Directive 2013/36/EU of 26 June 2013 known as "CRD IV".	25	Limited to 2% of the share capital.	18 months	None
To issue ordinary shares or securities granting immediate or deferred access to the Company's share capital reserved for members of a corporate savings plan.	26	Limited to €1 million (3).	18 months	None

(1) It is specified that the increases of share capital with waiver of preferential subscription rights resulting (i) from the implementation of the 18th, 20th and 21st authorisations to the Managing Partner are capped at a common ceiling of €15 million (ii) and have to be deducted from the aggregate limit fixed by resolution number 27.
(2) To be deducted from the aggregate limit fixed by resolutions number 20 and number 27.
(3) To be deducted from the aggregate limit fixed by resolution number 27.

More information on these delegations granted to the Company's Managing Partner is available in the notice of the Combined General Meeting of Shareholders' Meeting on 17 May 2018, which contains all the information made available to shareholders, published on the Company's website at: www.rothschildandco.com.

7. Elements that can have an impact in the event of a takeover bid

Rothschild & Co is a French partnership limited by shares (*société en commandite par actions*), and it therefore benefits from such legal form, which includes specific legal and statutory provisions that may have an impact in the event of a takeover bid.

7.1 Share ownership structure

The share ownership structure is described in Section 3 of this report. Following Rothschild & Co's conversion into a French partnership limited by shares, this structure has a particularity linked to the existence of two categories of partners: General Partners and Limited Partners.

A change of control therefore implies a change in the composition of these two categories of partners. Subject to the other elements described below that could have an impact in the event of a takeover bid on the Company's shares, a third party could, through a takeover bid, acquire control of the capital and the related voting rights. It could not, however, take control of the General Partners. In these conditions, a third party that acquired control of Rothschild & Co would, in particular, be unable to modify the articles of association or dismiss the Managing Partners as such decisions can only be made with the unanimous agreement of the General Partners. In addition, General Partners may not transfer the shares they hold without the unanimous agreement of all the General Partners. These provisions are such as to prevent a change of control of Rothschild & Co without the unanimous agreement of the General Partners.

7.2 Statutory restrictions on the exercise of voting rights and share transfers

Rothschild & Co's articles of association do not put any direct restrictions on the exercise of voting rights and share transfers.

However, in addition to threshold crossings, subject to legal provisions, Article 7.3 of Rothschild & Co's articles of association establishes statutory disclosure obligations as described in Section 3.2.1 of the Information on the Company and share capital.

7.3 Holders of securities granting special rights of control

As at the date of this report, there were no securities granting special rights of control. However, Rothschild & Co's General Partners, Rothschild & Co Gestion SAS and Rothschild & Co Commandité SAS, have some rights that could be assimilated to special rights of control, as described in Section 1 of the Information on the Company and share capital.

7.4 Rules applicable to the appointment and replacement of the Managing Partner and the members of the Supervisory Board

Pursuant to the articles of association, the Managing Partners of the Company are appointed by unanimous decisions of Rothschild & Co's General Partners, with approval from the Extraordinary General Meeting of Limited Partners (the shareholders) acting by a qualified majority of two-thirds when the Managing Partner has been designated by the Company's articles of association (as is the case at the date of this report). The same rule applies to dismissals, solely on fair grounds. Managing Partners are free to resign subject to giving nine months' notice. If the position of Managing Partner is unoccupied, it shall be filled by the General Partners until a new Managing Partner has been appointed.

The rules that apply to the appointment and replacement of members of the Supervisory Board are set out in the articles of association. Supervisory Board members are appointed and dismissed by the Ordinary General Meeting of Limited Partners based on deliberations in which the General Partners may not take part.

It is nonetheless specified that Rothschild & Co Concordia SAS, following on from the contribution of shares in Rothschilds Continuation Holdings AG made by Jardine Strategic Investment Holdings Sàrl, a company of the Jardine Matheson Group, and approved by the General Meeting of shareholders of 8 June 2012, has given an undertaking to vote in favour of the appointment to the Supervisory Board of a representative of the Jardine Matheson Group for as long it holds at least 5% of the share capital of Rothschild & Co.

7.5 Agreements entered into by the Company that change or cease in the event of a change of control of the Company

Some of the loan agreements entered into by the Group with third parties contain covenants in the event of a change of control, which are usual in this type of loan agreement. They could be triggered by a takeover bid for the Company's shares.

7.6 Other elements that can have an impact in the event of a takeover bid

- Direct or indirect interests in the Company of which it has been informed pursuant to article L. 233-7 and L. 233-12 of the French Commercial Code: see section 3 of the Information on the Company and share capital.
- Control mechanisms provided for in an employee share ownership scheme, when the rights of control are not exercised by the employees: none.
- Shareholders' agreements of which the Company is aware and that may restrict the transfer of shares and the exercise of voting rights: see section 4 of the Information on the Company and share capital.
- Management's powers, particularly with regard to the issue or purchase of shares: see section 2.4 of the Information on the Company and share capital and Section 6 of the Report on corporate governance.
- Agreements providing for the indemnification of the Managing Partner or Supervisory Board members: none.
- Clauses of agreements declared to the Company pursuant to Article L. 233-11 of the French Commercial Code: see section 4 of the Information on the Company and share capital.

Corporate Social Responsibility (CSR)

In this report, Rothschild & Co or the Group refers equally to Rothschild & Co and the Rothschild & Co Group.

In accordance with the provisions of article L. 225-102-1 of the French Commercial code which provides that Corporate Social Responsibility (CSR) information disclosed in this report must be verified by an independent third party, Rothschild & Co's Managing Partner has appointed KPMG as independent third party. The report from KPMG on this report is presented on pages 126 onwards.

1. Our commitments to CSR

Over the years, Rothschild & Co has been developing and implementing policies designed to take CSR issues into greater account in its businesses, and circulating these among its employees and stakeholders.

It should be noted that due to its business activities, the following CSR issues are not considered as relevant to the Rothschild & Co policies:

- responsible, fair and sustainable food;
- fight against food insecurity; and
- respect for animal welfare.

Rothschild & Co's approach to business is based on a deeply held sense of responsibility to our people, global partners, clients, shareholders and the communities and environment in which we operate. As such, CSR issues are embedded in our business model, observed in our core business activities (see Overview of businesses on page 10 in this report) and illustrations are reflected in the reporting information provided to date in this report (see on page 18 and following).

In the continuity and the spirit of initiatives realised for the previous years reported every year in this CSR report, during the financial year 2018, and in the course of the first quarter 2019, the Group conducted a thorough analysis of key CSR priorities that are crucial for a sustainable future of our business and its relationships with our key stakeholders.

This process was focused on:

- the design of a strong and unified CSR governance across the Group, driven by the desire to implement that governance at the highest senior management and board levels; and
- consultation of the management committees of each of our businesses as well as experts on the Group's key stakeholders and CSR topics in order to define the pillars for the group CSR strategy, including philosophy, objectives per area, priority initiatives and activities.

The outcomes of this process guide our appropriate approach and response to CSR.

1.1 Our CSR governance

The CSR governance is based, driven and coordinated by unified governance arrangements at the highest senior management and board levels. Bearing in mind its legal structure and internal statutory arrangements, the CSR governance relies on the **Group Executive Committee** (**GEC**) and the **Supervisory Board**.

1.1.1 Group Executive Committee (GEC)

The organisational structure at GEC level shows the Group's clear determination to embrace and drive CSR at the highest level of the Group. Bearing in mind the composition of the GEC, Rothschild & Co has thus taken the decision on CSR to rely on its main business division leaders and those who have finance, legal, compliance, risk and human resources responsibilities.

The GEC is mainly responsible to define and monitor the Group CSR policy and make strategic decisions, therefore the GEC acts as a reference senior committee for the entire Group on CSR issues. Consideration of CSR issues is given whenever necessary and at least on a quarterly basis.

In the deployment of its CSR strategy initiatives, Rothschild & Co considers it most effective and efficient to assign objectives and responsibilities on environment, balance and inclusion and community investment to global steering committees reporting directly to the GEC.

Therefore with the assistance of these global CSR steering committees, the GEC has the necessary means to identify and select in all of its core business divisions and support functions, the relevant CSR correspondents to help the implementation of the Group CSR strategy.

1.1.2 Supervisory Board

The Supervisory Board is made aware of the CSR initiatives of the Group through this report and when a particular matter is included in the agenda of its reunions.

The Group CSR is presented to the Supervisory Board by the Company's Managing Partner (*Gérant*) Rothschild & Co Gestion.

The Supervisory Board considers the CSR issues at the initiation of senior management unless the Supervisory Board itself identifies an opportunity to discuss. In order to allow a flexible communication between the GEC and the Supervisory Board and ensure a permanent dialogue on CSR with stakeholders, the Supervisory Board selected among its members one member acting as its CSR adviser and correspondent to the GEC. At the date of this report, the Supervisory Board does not exclude the possibility, if deemed appropriate, to rely on one of its specialised committees with regard to CSR matters.

The Supervisory Board reports to shareholders on CSR in its report on corporate governance.

1.2 The Group CSR strategy achievements and objectives

During 2018, actions in the environmental, human resources, corporate and societal areas have been initiated, and for some of them concluded as presented in the reporting information provided below.

Initiated in 2018 and continued until the publication of the present report, the GEC attached consideration and attention to the review of CSR priorities and commitments.

1.2.1 Key milestones and implementation phase

After taking into account its past CSR initiatives and its business environment, the best approach considered for the definition of the Group's CSR strategy, was to conduct a thorough materiality assessment of CSR issues across the Group.

This assessment involved our key internal stakeholders in areas which constitute an inherent part of their expertise and professional activities. More than 50 employees across all businesses, divisions and levels of seniority have been part of this review process, and will continue to be involved in the implementation of activities across these areas in order to foster our CSR agenda going forward.

The key areas that emerged from our materiality assessment as key non-financial CSR-related risks are: compliance and integrity in corporate conduct, people, balance and inclusion, responsible and community investment and environmental management.

These non-financial risks are considered as the key CSR issues for the Group and will be taken into account in the further definition of the Group CSR strategy.

1.2.2 Outlook

With a clear alignment on our priorities across the Group, the GEC has approved a CSR strategy platform including our overall philosophy, business objectives and priority activities for each strategy pillar, as well as a plan to implement key milestones during the present financial year with the assistance of our specialist steering groups and responsible teams.

We know that the impact we can have as a business through the responsible management of our operations is fundamental to reaching our CSR objectives. In addition to this and in order to maximise our impact further, we are implementing initiatives that use our business model and our unique expertise to address inherent CSR risks and opportunities for the Group.

The Group's efforts and progress of this strategic direction will be outlined in the CSR report 2019.

1.2.3 Our business model and CSR

The table below shows among the non-financial business components those we consider in our commitments to CSR.

Business model components		See page
Main activities	Overview of businesses	10/11
Key figures		
Geographies	World presence	12/13
Business overview	Global Advisory Private Wealth & Asset Management Merchant Banking	26 32 40
	Company Integration of social and environmental issues into the company procurement policy Community investment	124 124
Market trends	Outlook	5/56
Sectorial issues of sustained development	Corporate Social Responsibility Considerations taken for investment decision-making purposes pertaining to Environmental, Social and Governance (ESG) criteria	18/19/108 120
Value creation	Corporate governance Shareholder information Remuneration Training and development Conditions of the dialogue with stakeholders	14 20 110 114 123
Values	Our values and culture	3
Strategy	Outlook	5/56
Investment and transformation plans	The Group CSR strategy achievements and objectives	108

2. Reporting of CSR information as at 31 December 2018

2.1 Process for the 2018 (12 months) reporting period

The preparation and coordination of the CSR report for the financial year ended 31 December 2018, involved members of Rothschild & Co and Group entities taking key responsibilities in Human Resources, Health and Safety, Environment, Corporate Conduct and Community Investment areas.

The reporting period is from 1 January 2018 to 31 December 2018.

2.2 Reporting scope

Rothschild & Co provided the Corporate Social Responsibility information, with the overall objective of an enhanced qualitative approach and an improved verification process based on the following:

- **Completeness:** Rothschild & Co strives to provide the most comprehensive information possible, notably by including indicators covering the most significant consolidated entities.
- **Materiality:** the published information is significant and representative of the Group's business. Rothschild & Co's performance data is presented within the social, economic and environmental context, taking into account the challenges facing the Group.

In consideration of the above, the reporting scope has been defined as follows:

- Human Resources information:
  - regarding labour information, all fully consolidated entities within Rothschild & Co (excluding joint-ventures) are included in the report boundary; and
  - regarding training information, only the four major office locations (the UK, North America, France and Switzerland) are included in the report boundary, representing approximately 75% of the Group headcount, with quantitative information provided for the UK (which includes training organised in London for individuals from the office locations across the UK and the world) and France only. As far as the training hours are concerned, the official reporting scope is limited to France.

- Health and safety information from the following office locations is included in the reporting boundary: Birmingham, Brussels, Dubai, Frankfurt, Geneva, Guernsey, Hong Kong, Johannesburg, Leeds, London, Los Angeles (two offices), Lyon, Madrid, Manchester, Marseille (seven offices), Milan, Monaco (two offices), Mumbai, New York, Paris, Sao Paulo, Singapore, Sydney, Warsaw, Washington, Wilmslow and Zurich, representing approximately 94% of the headcount of the Rothschild & Co Group. The number of Group offices reporting environmental information has increased from 15 in the 2017 financial year to 35 in the 2018 financial year.
- Environmental information: the reporting boundary of offices measured to establish the environmental impact has increased from 15, in the 2017 financial year, to 35 in the 2018 financial year. Environmental information from the following office locations has been included: Birmingham, Brussels, Dubai, Frankfurt, Geneva, Guernsey, Hong Kong, Johannesburg, Leeds, London, Los Angeles (two offices), Lyon, Madrid, Manchester, Marseille (seven offices), Milan, Monaco (two offices), Mumbai, New York, Paris, Sao Paulo, Singapore, Sydney, Warsaw, Washington, Wilmslow and Zurich.
- Corporate responsibility information: all fully consolidated entities within Rothschild & Co (excluding joint ventures) are included in the report boundary, except for information on community investment which focuses on offices participating in the programme implemented within the Group.

The information collected covers the period from 1 January 2018 to 31 December 2018.

3. Human resources and social information

3.1 Human resources information

By geography[1]	As at 31/12/2018	As at 31/12/2017
France	1,206	1,180
United Kingdom and Channel Islands	1,014	964
Switzerland	356	365
Other Continental Europe	438	387
North America	337	320
Rest of the world	282	286
Total Group	**3,633**	**3,502**

By business	As at 31/12/2018	As at 31/12/2017
Global Advisory	1,405	1,324
Wealth & Asset Management	1,280	1,245
Merchant Banking	138	125
Specialist Finance	0	24
Central & Support	810	784
Total Group	**3,633**	**3,502**

Employee age profile[2]	As at 31/12/2018	As at 31/12/2017
< 30 years	22.9	22.2%
30 to 39 years	29.4	32.2%
40 to 49 years	25.5	26.7%
> 50 years	22.2	18.9%
Total Group	**100.0%**	**100.0%**

Employee gender profile	As at 31/12/2018	As at 31/12/2017
Male	59.5%	61.0%
Female	40.5%	39.0%
Total Group	**100.0%**	**100.0%**

(1) A presentation of all the Group's office locations is set out on page 12.
(2) Age distribution based on 91% of data.

A global team of talented individuals from a diverse range of backgrounds and cultures

Rothschild & Co attracts, develops and retains some of the industry's brightest minds. We strive to create an inclusive culture that encourages the highest standards of quality, professionalism and ethics.

Rothschild & Co has over 3,600 employees across the world, of which 41% are female. The Group is truly global. Rothschild & Co draws on local talent from each of the 43 countries in which it is based and beyond, hiring and developing the best each region has to offer.

Rothschild & Co offers structured Graduate and Internship programmes in its Global Advisory, Wealth Management, Merchant Banking and Asset Management businesses, for both students in their final year of university (or French *Grande École*) and those who have already graduated. This year, 144 students were hired and placed onto the Global Graduate Training Programme, detailed below. A large number of the graduates had completed an internship with a Group business entity prior to joining the full time programme and the remainder were hired via our online and campus recruitment campaigns. We also offer apprenticeships within a number of our business areas. We have a keen focus on diversity for all our Internship, Graduate and Apprenticeship programmes.

Rothschild & Co also recruits experienced professionals to help grow its business and to fill critical gaps in our succession planning. However, our key focus is always to offer growth potential and progression to our employees internally, and as such we keenly promote internal mobility as a first priority. When Human Resources recruit externally, candidates are sourced in partnership with our business unit heads and departmental managers. Human Resources also work with specialised recruitment agencies/head-hunters to identify candidates, as well as utilising direct sourcing, again considering the broader diversity of the candidates selected.

During the 2018 financial year, the number of redundancies represented 2% of the total headcount, and the aggregate number of new joiners was 622, including the graduates mentioned above.

3.2 Remuneration

The Group's remuneration policies, procedures and practices are in line with Rothschild & Co's business strategy, objectives, values and long-term interests and are designed to promote sound and effective risk management. The Remuneration and Nomination Committee, a specialised committee of the Supervisory Board of Rothschild & Co, is responsible for overseeing remuneration-related matters in accordance with principles defined in the Group's remuneration policy.

Rothschild & Co rewards its people at a total compensation level, paying fixed and variable compensation. The Group ensures that fixed and variable components of total compensation are balanced appropriately.

Fixed compensation is driven by the local market for the role taking into account responsibilities, skills and experience, and annual variable compensation is awarded on a discretionary basis, driven by a combination of the consolidated results of Rothschild & Co and the financial performance of the business division in which an individual works as well as local market competitiveness and is then truly differentiated based on individual performance against financial and non-financial metrics.

In some cases, the Group operates arrangements to defer a proportion of variable compensation over three years. For the regulated population, part of the variable compensation is awarded as non-cash Instruments ensuring compliance with all remuneration regulations applicable to the Group.

Detailed information is presented in the consolidated financial statements, on page 187, under Note 29 "Operating expenses".

3.3 Work organisation

Working hours vary from country to country depending on national legislation and are therefore managed and monitored by local management and HR teams.

Absenteeism is actively monitored and managed by local offices. A Group-wide HR system is now operational providing global consistency to many HR processes.

Absence management functionality is being addressed on a location by location basis. We have now successfully rolled this out to Guernsey, the United Kingdom and North America. Further countries will be considered in due course.

In France, more specifically, all kinds of absenteeism are already recorded in the system: maternity and paternity leave, additional leave, breastfeeding leave, absences for working accident and sick leave.

3.4 Labour relations

Communication with and feedback from employees form a key aspect of Rothschild & Co's values. In particular, two of these values (long-term focus and teamwork) underpin our commitment to our workforce. Attracting, developing and rewarding people are at the heart of what we do. Therefore, providing regular and thorough feedback is critical to this. This is done formally through the performance review, under which employees receive an end of year review. Managers are encouraged to meet with their direct reports on a regular basis to ensure dialogue on progress and two-way feedback is promoted. More generally, Group and division-wide communication is regularly promoted through e-mail updates, the internal Intranet R&COnnect, and the various businesses have their own form of face-to-face divisional gatherings.

Moreover, in France, the social dialogue is organised through the staff representatives (*délégué syndical et comité social et économique*) at the level of Rothschild & Co, and for other companies the social dialogue is organised through the work council (*comité social et économique*), the Health and Safety Committee (*commission santé, sécurité et conditions de travail*), the proximity representatives (*représentants de proximité*) and the union delegates (*délégués syndicaux*). Thereby, social dialogue takes place at least once a month with a member of management and integrates information, consultation and negotiation procedures with employees.

Regarding Rothschild & Co's largest office locations, France is the only country having collective agreements based on applicable French legal provisions. During the 2018 financial year, 38 collective agreements were executed. Some of these agreements are actions plans to promote professional gender equality, particularly regarding recruitment, training, working conditions, effective remuneration and work-life balance. Other agreements deal with employee savings plans for the Group's employees (*PEE/PEG/PERCO*), profit-sharing, social protection and working time.

Moreover, in France, a Health and Safety Committee pays great attention to health, hygiene, safety and the working conditions of employees. Rothschild & Co evaluates and anticipates risks, offers information and implements training on these subjects and we regularly review our procedures and systems at least once a year through the "*Document d'évaluation des risques*" (report identifying the risk on health, safety and working conditions) and the "*Document de prévention des risques*" (report identifying the action plan implemented to control risk). These two documents are regularly reviewed with the social representatives.

In Germany, specific measures are also conducted with the same objective (through, for instance, the "*Gefährdungsbeurteilung*" report which is similar to "*Document d'évaluation des risques*").

3.5 Health and Safety

3.5.1 Health and Safety information

3.5.1.1 HEALTH AND SAFETY

Rothschild & Co continues to strengthen and improve health and safety compliance and conformance requirements by following the continuous improvement programme that it implemented during the financial year ended 31 March 2017. This includes the minimum conformance standards across all of the Group's offices.

The overall governance of health and safety matters comes from the Group Environment, Health and Safety Committee. This committee is formed of senior representatives championing Environment, Health and Safety within Rothschild & Co. This committee, which reports to the Group Executive Committee, a senior management committee at Rothschild & Co, is required to:

- review and provide direction on Rothschild & Co's health and safety strategy;
- promote alignment of Rothschild & Co's health and safety Policy across all Group entities;
- review and endorse health and safety content for the Rothschild & Co Annual Report, including the Corporate Responsibility Annual Report, and health and safety content of other Rothschild & Co reports and the Rothschild & Co website.

The Group Health and Safety Manager is responsible for co-ordinating health and safety activities with employees and senior managers at each office who are accountable for their location's health and safety management.

Implementation of health and safety management activities at each office is the responsibility of the location's Health and Safety Champions, with health & safety being the responsibility of every Rothschild & Co employee.

3.5.1.2 HEALTH AND SAFETY POLICY

The Group Health and Safety Policy, which is published on Rothschild & Co's Intranet, guides the Group's direction and approach to responsible health and safety management.

This policy enables a consistent approach to maintaining the health, safety and wellbeing of all persons who might be affected by the activities within an office. All reporting locations commit to implementing the compliance standards by setting procedures listed within the Group health and safety requirements (HSRs) prescribed in the policy.

3.5.1.3 HEALTH AND SAFETY REQUIREMENTS

Operational guidance is provided to individual locations prepared by the health and safety manager to ensure procedures are created suitable to the needs of their size and activity.

In accordance with the health and safety procedures, the HSRs separate health and safety matters into manageable sectors:

- risk assessments – including general office safety;
- fire management – including fire risk assessment and fire evacuation procedures;
- contractor management and access procedures;
- accident reporting and first aid provision;
- training and information tools;
- health and wellbeing services; and
- inspection and audit.

3.5.1.4 RISK ASSESSMENT FOCUS

Throughout 2018, the health and safety manager led 15 of the 35 reporting offices through the Group risk assessment process. This work will continue to reach the remaining 20 offices.

Zurich and New York have initiated the fire management programme and have completed the fire risk assessment process.

3.5.1.5 COLLECTIVE AGREEMENTS

In France, collective agreements put in place also cover health and safety matters. There are no other collective agreements in place with regard to health and safety matters.

3.5.1.6 REPORTABLE WORKPLACE ACCIDENTS

To increase the reporting scope (number of reporting offices), speed, transparency, accuracy and auditability, the Group invested in environmental reporting software. This system additionally allows to monitor and manage health and safety accident data.

In 2018 Rothschild & Co reported accident data from 35 office locations: Birmingham, Brussels, Dubai, Frankfurt, Geneva, Guernesey, Hong Kong, Johannesburg, Leeds, London, Los Angeles (two offices), Lyon, Madrid, Manchester, Marseille (seven offices), Milan, Monaco (two offices), Mumbai, New York, Paris, Sao Paulo, Singapore, Sydney, Warsaw, Washington, Wilmslow and Zurich. This represents coverage of approximately 94% of the Group's headcount.

For the 2018 financial year, reportable workplace accidents are listed below. All reported accident and near miss data are classed as *"not concerning."*

- **Accident** – *when an individual (whether Rothschild & Co employee or otherwise) has been injured as the result of an accident when on work premises.*
- **Near miss** – *for an event which did not cause harm or injury but had the potential to cause injury or ill health, such as a trip over a loose carpet tile, slip due to wet floor, etc.*

Accident reporting requirements are in accordance with local legislation and are not comparable between office locations.

3.5.1.6.1 Accident Data

Office	Accidents				
	Type of accident	Type of injury	Date of accident	Number of days missed work	Was government notification required?
Sydney	Struck by object	Bruising	26/04/2018	0	No
London (New Court)	Slip trip or fall (same level)	Laceration or cut	01/03/2018	0	No
	Slip trip or fall (same level)	Strain or sprain	18/04/2018	0	No
	Cut or stabbed by object	Laceration or cut	26/04/2018	0	No
	Cut or stabbed by object	Laceration or cut	21/05/2018	0	No
	Slip trip or fall (same level)	Strain or sprain	02/07/2018	0	No
	Other (please add comment below)	Burn or scald	06/07/2018	0	No
	Hit by falling or moving object	Crushing (not major)	30/07/2018	0	No
	Cut or stabbed by object	Laceration or cut	12/08/2018	0	No
	Slip trip or fall (same level)	Fractured bone	17/12/2018	2	No
New York (Ave of the Americas)	Other – ill health	Other – ill health	10/12/2018	2	No
	Other – ill health	Other – ill health	17/12/2018	5	No
	Other – ill health	Other – ill health	23/02/2018	0	No
Marseille (20 rue Grignan)	Slip, trip, fall same level	Strain or sprain	10/09/2018	112	Yes
Marseille (43/45 rue Grignan – 42 rue Montgrand)	Slip, trip, fall same level	Strain or sprain	11/10/2018	0	Yes
Paris (Messine – 23 bis) & Paris (Messine – 29)	Other	Other	18/01/2018	148	Yes
	Other	Other	14/05/2018	0	Yes
	Other	Other	24/05/2018	0	Yes
	Other	Other	12/09/2018	110	Yes
	Other	Fractured bone	25/09/2018	2	Yes

3.5.1.6.2 Near Miss Data

Office	Near Misses	
	Category of near miss	Date of near miss
Sydney	Hit by falling or moving object	30/07/2018
	Security breach	29/11/2018
London – New Court	Damage to property	09/05/2018
	Damage to property	18/09/2018
Los Angeles (RINC)	Maintenance failure	05/01/2018
New York (Ave of the Americas)	Maintenance failure	02/07/2018

3.6 Training and development

The Group offers training and development opportunities, enabling employees to improve their professional competencies. There are local and international training programmes, offered face-to-face, or virtually.

A Learning and Development team is dedicated to assisting the Group's aim to build and provide solutions to satisfy all aspects of an employee's development through services in training, mentoring, coaching and team development.

Some examples of our key programmes:

- **Global Advisory Development Programme:** the Global Advisory Development Programme is a comprehensive technical training curriculum comprised of mandatory, recommended and available courses for employees at all levels in Global Advisory. Organised by grade, the courses are designed to further develop employees' skills as they progress through the firm. As well as offering face-to-face instructor led training, online training is also offered for global offices.
- Transition Programmes for newly promoted Associates and Assistant Directors/Vice Presidents were held. The programmes included technical training, personal development training as well as teambuilding events. Transition Programmes are now an annual event, for all Associates and Assistant Directors/Vice Presidents, and a bi-annual event for Directors.

Each area of **Wealth Management** has its own bespoke career development framework and curriculum which provides guidance to employees on the learning available to them and their specific roles.

This year, we have enhanced the provision of management development by adding additional programmes covering Managing Mental Health and Managing within the Law, in addition to our Performance Management programmes. In addition, the structured development programme for Analysts and Associates has been reviewed and refreshed to include additional technical and soft skills programmes such as Delegating and Time Management, Dealing with Conflict and Networking. These programmes are now available in London, Zurich, Geneva and Milan, and online versions are available for the rest of the world.

Global Graduate Training Programme: this programme is run on an annual basis for graduates within our three separate divisions. The programme commences with a week-long Corporation Induction covering business-led presentations, personal development sessions run by external training providers and concludes with a two-day residential programme. The Global Advisory, Merchant Banking and Asset Management graduates then undertake a further four weeks of intensive technical training. The main programme is based in the UK but additional training sessions also take place in the various global offices as necessary.

Compliance Training is provided through e-learning and face-to-face training workshops to all employees globally, depending on their role and local regulatory requirements.

A new **End of Year Review** process was introduced and face to face and online training sessions were available to all staff globally introducing the new tool. Line managers are offered training prior to the End of Year Review process each year to enhance their skills in managing performance and giving feedback, with a focus on Objective Setting. Several workshops have been held globally and a number of individual coaching sessions for line managers were organised.

Within Global Advisory (GA), a number of bespoke training programmes have been organised. The Financial Institutions team attended Banking and Insurance Valuation training. Managing Directors within UK GA continue to attend communication skills and media training. Our Management Development Programme, "Driving Performance – Getting the Best out of Yourself and Others" continues to be rolled out to Global Advisory team leaders and staffers. Additional modules on Mental Health Wellbeing and Managing within the Law are offered to managers. In North America GA, the Directors Development programme launched for all Directors focusing on developing their new roles and getting to the next level.

The Wellbeing@Rothschild&Co initiatives (formerly Balance@Rothschild) continue to be open to all staff in the UK. This year has seen an introduction of self-management programmes supported by our Wellbeing@ Rothschild&Co initiative. Programmes such as "Optimise your Mindset", "Meet your Mind", "Influence and Impact" and "Mindfulness" have been offered to all of our businesses and Support teams as well as lunchtime sessions on sleep, nutrition, financial awareness and children.

As part of the Balance & Inclusion initiative, a programme specially targeted at senior women (Managing Directors and Directors) has been developed. The programme, named Shine, is designed to help women to build on their own confidence and belief as well as reflect on their career and understand their bigger game.

Moreover, in France, management training was further enhanced for employees whose position has evolved following the merger between Rothschild & Co and Martin Maurel groups in order to assist them facing these changes. It focused on what skills are required for their new role as managers.

Rothschild & Co does not record the number of training hours for office locations (due to system capability) other than in France; however, in the UK 199 training events took place with 3,044 employees from the UK office locations and from other office locations attending. In France, a large budget is allocated to the individual training of employees, well above the legal obligation. In this context, 520 training events were provided with 785 employees, representing 15,894 of training hours. This reporting represents 33% of the Group headcount.

In addition to these global training programmes, each office location has its own training policy and programmes.

3.7 Equal opportunities

Rothschild & Co hires the most talented individuals, from a diverse range of backgrounds, cultures and experiences and is committed to provide equal opportunities in employment. In addition, Rothschild & Co aims to ensure that it, and each office location, will not unlawfully discriminate in employment because of race, colour, religion or belief, gender, national or ethnic origin, disability, age, nationality, marriage or civil partnership, pregnancy or maternity, sexual orientation or gender-reassignment. It is therefore Rothschild & Co's policy to make every effort to provide a working environment free from harassment, intimidation and discrimination, behaviours which it considers to be unacceptable.

The policy applies to all areas of employment including recruitment, the terms and conditions of employment, training, career development, replacement, promotion, transfer, redundancy, rehiring, benefits, compensation, retirement and termination.

As an equal opportunity employer, the Group seeks to recruit on the basis of experience and ability ensuring that the best candidate for the position is recruited. Only those qualifications and skills which are important to the role will be the criteria for selection for recruitment and promotion.

Respect for diversity and an inclusive culture are both central to our success. As such, we support various personal development initiatives including mentoring and membership of networking organisations and forums to connect our professionals and promote inclusivity across the firm.

Rothschild & Co has been participating in the "*Charte de la Diversité*" since 2005. In this regard, we aim at having objective criteria in our recruitment, appraisal and compensation processes and we inform and train our managers on this important subject.

Mr. David de Rothschild is one of the 259 members of the 30% Club which aims to increase female representation on FTSE-350 boards in the UK by 2020 from the current industry average of 27% (25% in 2017) to 30%.

This initiative was launched to support and encourage women's career development and to garner support from chairmen and companies to recognise and cultivate talented women up to board level.

Following the introduction of the Women's Leadership Forum in November 2017, the Global Balance & Inclusion Committee was formed, chaired by Mr. Alexandre de Rothschild, with senior leaders represented across all businesses. Regional committees have been formed for the UK, France and North America with a view to expand accordingly. A number of initiatives have been introduced by the committee, including protected weekends for Global Advisory junior bankers in several countries, Critical Thinking training (to increase awareness around unconscious bias) to newly promoted Associates, Assistant Directors and Directors as part of the Transition Programme and senior female representation at some performance benchmarking meetings and at promotion to Managing Director discussions.

In the UK, the newly formed Balance & Inclusion Committee continues with a number of senior representatives from each major business of the Group. The UK Committee supports the Rothschild Women's Network and the Lesbian Gay Bisexual and Transgender Network. Both Networks have organised a number of speaker series and social events to encourage the Networks overall objective to provide an environment of inclusiveness. The LGBT Network continues to be a member of Stonewall's Diversity Champions Programme which is Britain's best practice forum on sexual orientation in the workplace.

The focus on helping all staff to manage their work-life balance continues with a series of workshops and seminars on health and well-being as mentioned previously in section 3.6.

In France, measures have been put in place to promote gender equality in three key areas: recruitment, compensation and work-life balance. Action plans are presented and reviewed every year with our social representatives.

3.8 Measures implemented to promote employment and integration of disabled people

Rothschild & Co ensures that in each location where it operates, no discriminatory criterion is applied for recruitment, career development and compensation decisions. Where an employee has a disability, we work closely with them and our Occupational Health advisers to provide the appropriate adjustments and support to ensure they can be successful and fulfilled in the workplace. In its UK environment, the Group also collaborates with specific organisations and charities, for example Blind in Business, to ensure that we are providing the best possible care and support to our employees.

In France, the Group contribution to the employment of disabled persons is conducted by the payment of a contribution for disabled people employed, by recruitment activities, by adaptations of jobs, and by investing in educational projects for disabled people.

3.9 Promotion and observation of the International Labour Organisation's Convention

The policies implemented by Rothschild & Co adhere and are in line with the main provisions of the ILO Convention, for example, the elimination of all forms of forced labour, abolition of child labour, elimination of all forms of discrimination in respect of employment and occupation examples of which we have detailed above under Equal Opportunities, but also in respect of freedom of association and collective bargaining.

3.10 Additional Notes

Rothschild & Co adopted Workday for our people processes at the end of 2017. All headcount and employee movement reporting for 2018 is now delivered from the Workday system. Workday is adopted Group-wide and provides a global standard for all jurisdictions. This allows to share common terminology types of workers, role descriptions and maintain overall a structured view on our organisation.

Workday is used locally by all HR teams in a consistent and real time basis.

Rothschild & Co define Group headcount to exclude internships and student placement positions as well as advisory and non-executive roles.

Training is consolidated in Paris for all offices in France. The hours over two years are calculated in proportion to the training carried out in the current year.

4. Environmental information

4.1 General Environment Policy

4.1.1 Company policy addressing environmental issues and steps taken to evaluate performance or obtain environmental certification

Rothschild & Co recognises its environmental responsibilities and the importance of being actively engaged with environmental issues. We recognise that environmental challenges present additional business risks and opportunities that vary in type, severity and frequency.

In recognition of the effects of climate change and its potential impact on societies and ecosystems, resource security and the stability of economic markets, Rothschild & Co gives consideration to climate change challenges and opportunities that affect its businesses.

Underpinned and aligned with the six most relevant United Nations Sustainable Development Goals (SDGs)[1], the Group's environment policy and Environment Statement, define the direction and approach for addressing environmental management and continuous improvement. Furthermore, the Group's continuous improvement programme, Environmental Management Action Plan ('EMAP') aims to monitor and reduce the negative environmental impact of the Group's operations. Its flexibility allows it to evolve with business requirements.

The specific metrics measured by Rothschild & Co, for the financial year ended 31 December 2018 are waste production, water use, materials use, energy use and Greenhouse Gas (GHG) emissions.

As anticipated, the absolute totals of all environmental metrics have increased this year due to the extension of the reporting scope to cover an additional 20 offices. In light of this Rothschild & Co has normalised its total environmental impact against the headcount of full time equivalents (FTE), enabling a better understanding of its impact at a staff level.

Highlights

Materials:
The amount of recycled and sustainably sourced paper used across the Group has increased by 20%.

Electricity:
Group consumption of 100% renewable electricity increased from 38% to 54% of the Group's total electricity consumption.

Greenhouse gas emissions:

- Scope 1 emissions have fallen by 11% per FTE.
- Scope 2 (location based) emissions have fallen by 18% per FTE.
- Scope 2 (market based) emissions have fallen by 7% per FTE.
- Scope 3 emissions have increased by 3% per FTE due to improvements in data collection methods in many offices.

4.1.2 Employee awareness on environmental protection

The Group has continued to raise employee awareness of environmental challenges affecting it, primarily through the internal website, email communications, Environment Advocates network, notice boards and face-to-face meetings. In addition, the Group participated in global programmes, activities and initiatives to increase employee awareness of the various environmental challenges it faces.

4.1.3 Amount of provisions and guarantees for environmental risk

In 2015 and 2016, Rothschild & Co undertook a legal compliance and conformance assessment to understand the legal environmental responsibilities in each jurisdiction where Rothschild & Co has an office. This assessment led to the development of the Group environmental conformance standard for offices worldwide, and which the Group regularly monitors and uses to improve continuously.

Provisions have been identified in order to meet European Union (EU) energy efficiency obligations relevant to EU member states. Provisions in the United Kingdom have been identified for operational environmental risk, pertaining to the existing CRC energy efficiency scheme (formerly the Carbon Reduction Commitment) and the incoming Streamlined Energy and Carbon Reporting (SERC) scheme.

As an office-based business, Rothschild & Co does not consider environmental discharges to air, water, soil or indeed noise pollution to be of material environmental risk.

(1) The Group recognises the importance of all 17 SDGs. However, it has specifically aligned its environmental management initiatives with those that it feels are most relevant to day to day business activities. Specifically these are; SDG 6, Clean water and sanitation, SDG 7, Affordable and clean energy, SDG8, Decent work and economic growth, SDG 12, Responsible consumption and production, SDG 13 Climate action and SDG 15 Life on land.

4.2 Circular economy and responsible resource management

Rothschild & Co understands that applying a traditional approach to resources use can place undue pressure on global resources; is wasteful and uneconomically viable in an increasingly challenging business environment. As a consequence, the Group manages its resource use responsibly and as far as practicable.

Efficient **waste management** forms part of the improvement actions associated with the EMAP. The Group broadened and improved its waste management(4) and circular economy activities by implementing several initiatives, including greater access to centralised recycling stations and significantly reducing single-use items.

Whilst Rothschild & Co is not a large consumer of **water**, it recognises its responsibility in the countries where it operates.

Materials use is predominately paper, although an increase in reporting scope over the years has resulted in more material types being added. The amount of 100% recycled and sustainably sourced paper increased in 2018 by 20%.

Over the years the Group has identified energy efficiency opportunities for office operations. The Group's total **energy use** is 21,560.2 MWh, of which about 75% (16,125.2 MWh) is electricity. The Group procures about 54% of its electricity (8,729 MWh) from certified renewable sources.

Resource use(1)

Waste disposal in tonnes	**01/01/2018 31/12/2018**	**01/01/2017 31/12/2017**
Total Waste Disposal	**621.6**	**527.2**
Tonnes/FTE	0.18	0.18

Food waste in tonnes (included in Total Waste Disposal)	**01/01/2018 31/12/2018**	**01/01/2017 31/12/2017**
Food Waste	**68.9**	**42.1**
Tonnes/FTE	0.02	0.01

Water consumption in m^3	**01/01/2018 31/12/2018**	**01/01/2017 31/12/2017**
Water Consumption(2)	**56,995.0**	**43,657.4**
m^3/FTE	16.75	15.17

Materials use in tonnes	**01/01/2018 31/12/2018**	**01/01/2017 31/12/2017**
Recycled content	50.88	41.19
Non-recycled content	201.64	169.52
Total materials consumption	**252.53**	**210.70**
Tonnes/FTE	0.07	0.07

Total energy use in MWh	**01/01/2018 31/12/2018**	**01/01/2017 31/12/2017**
Total Energy Consumed	**21,560.2**	**18,082.1**
MWh/FTE(3)	6.34	6.28

(1) For more information on waste disposal data please refer below to the additional data notes.
(2) To improve consumption estimations, a Rothschild & Co 'Group average intensity' figure for water consumption has been used for the first time this year. This assumes a water consumption of 14.36m^3 per FTE per year and was used by nine offices.
(3) Industry benchmarks were used for the first time in 2018 to help offices estimate their annual natural gas consumption, resulting in incomplete information in previous years for natural gas. Five offices used the benchmark to estimate their natural gas consumption for 2018.

4.3 Climate change

4.3.1 Adaptation to the consequences of climate change

In the 2016/2017 financial year, Rothschild & Co outlined its position on climate change (please refer to page 116). In the same financial year the Group established its environment policy. This policy will help it adapt to climate change challenges.

(4) Some first-time responding offices were unable to provide waste disposal information. A per FTE waste average was calculated based on the total waste for another reporting office in their country against the associated FTE, resulting in increased landfill disposal.

4.3.2 Significant greenhouse gas emissions items generated as a result of the Group's activity, particularly by the use of goods and services they provide

The Group's **Greenhouse Gas** emissions reporting is in respect of its operational activities and includes Scope 1 and 2 emissions and Scope 3 emissions relating to business travel, water supply and wastewater treatment, materials, waste disposal, and electricity transmission and distribution losses. The Group has produced a "dual report" for Scope 2 GHG emission, accounting for both location and market-based methods.

Per FTE, Scope 1 GHG emissions have decreased by 11%. This is mainly due to the introduction of Biogas in the last quarter of 2018 at the London New Court office.

Scope 2 location-based GHG emissions have decreased. This has been caused by multiple downward revisions to countries emissions factors by the International Energy Agency in 2018. Scope 2 market-based GHG emissions have fallen by 7% on a per FTE basis.

Improvements to data collection methods and the business activity associated with a number of offices reporting for the first time, has resulted in a 22% increase in emissions associated with air travel. Overall, on a per FTE basis, the Scope 3 emissions have increased by 3%.

GREENHOUSE GAS EMISSIONS DATA(1)

Greenhouse gas emissions in tCO_2e(2)		01/01/2018 31/12/2018	01/01/2017 31/12/2017
Direct Emissions (Scope 1)	Natural Gas + Biogas	629.1	569.4
	Gasoil	47.0	58.0
	Owned Vehicles	198.3	196.3
TOTAL SCOPE 1		**874.4**	**823.7**
Indirect Emissions (Scope 2)	Electricity Consumption (Location-based)	3,314.5	3,433.8
	Electricity Consumption (Market-based)	2,075.2	1,901.6
	Heat Consumption	106.8	96.8
TOTAL SCOPE 2 (Location-based)		**3,421.3**	**3,530.6**
TOTAL SCOPE 2 (Market-based)		**2,182.0**	**1,998.3**
Indirect Emissions from Travel (Scope 3)	Business Travel – Flights	19,224.2	15,865.0
	Business Travel – Rail	221.3	108.9
	Business Travel – Taxis	334.0	174.4
Total Emissions – Travel		**19,779.5**	**16,148.3**
Other Emissions (Scope 3)	Water	60.0	45.9
	Materials	240.7	197.5
	Waste	25.7	14.4
	Company Leased Vehicles	273.8	164.2
	Electricity Transmission and Distribution Losses	290.8	352.0
Total Emissions – Other		**891.0**	**774.0**
TOTAL SCOPE 3		**20,670.5**	**16,922.3**
TOTAL SCOPE 1, 2 AND 3 (Location-based)		**24,966.2**	**21,276.6**
TOTAL SCOPE 1, 2 AND 3 (Market-based)		**23,726.9**	**19,744.4**

(1) The GHG emissions data table does not include emissions associated with investment activity from Wealth, Asset Management and Merchant Banking divisions.
(2) Rothschild & Co's GHG emissions are calculated as tonnes of carbon dioxide equivalent (tCO_2e), a universal unit of measurement expressing the impact of each of the Kyoto GHGs in terms of the amount of CO_2 that would create the same amount of warming. The Group calculates tCO_2e by multiplying its activity data, for example, waste incineration, landfill and air miles travelled, by the UK BEIS approved conversion factors or other sources of emissions factors.

GREENHOUSE GAS EMISSIONS DATA PER FTE

Emissions tCO_2e/FTE	Location-based approach		Market-based approach	
	01/01/2018 31/12/2018	01/01/2017 31/12/2017	01/01/2018 31/12/2018	01/04/2017 31/12/2017
FTE Headcount	3,402.0	2,878.2	3,402.0	2,878.2
Scope 1	0.26	0.29	0.26	0.29
Scope 2	1.01	1.23	0.64	0.69
Scope 3 (All)	6.1	5.9	6.1	5.9
Scope 1 and 2	**1.3**	**1.5**	**0.90**	**0.98**
Scope 1, 2 and 3 (All)	**7.3**	**7.4**	**7.0**	**6.9**

4.3.3 Consequences of the use of the services provided by the Group on climate change

In recognition of the effects of climate change and its potential impact on societies and ecosystems, resource security and the stability of economic markets, Rothschild & Co gives consideration to climate change issues and their effect on business.

Rothschild & Co will seek to continuously improve its operational environmental management practices, limiting and reducing its negative impact as far as practicable.

Operationally, Rothschild & Co procures 54% of its electricity from renewable sources, continues to roll out office energy assessments to identify energy optimisation and efficiency improvements and purchases responsibly sourced materials as far as practicable.

The Group recognises that the Taskforce on Climate Related Financial Disclosures ('TCFD') recommendations can assist climate related risk and opportunity identification, and can guide further enhancement of the Group's procedures to manage climate-related risk.

In 2018 the Group engaged professional support to begin a project of increased understanding, awareness and alignment with the TCFD recommendations. Rothschild & Co recognises that the TCFD recommendations present a journey for all businesses and the first phase for the Group is to ensure an even deeper understanding of climate related risk and opportunities impacting it.

5. Considerations taken for investment decision-making purposes pertaining to Environmental, Social and Governance (ESG) criteria

Rothschild & Co provides a range of private wealth services to some of the world's wealthiest and most successful families, entrepreneurs, foundations and charities.

As global financial services specialists, the Group also assists institutional clients, financial intermediaries and third-party distributors in their investment strategies.

Rothschild & Co provides investment advice and creative solutions that meet the individual needs of the Group's clients. The Group understands that consistent performance must be delivered in the long term and ESG criteria considerations contribute to this common goal.

ESG approaches to investment decision processes are the responsibility of individual business entities. By taking this approach, Group entities recognise risks and opportunities relevant to their own investment strategies and can address ESG criteria integration appropriately. Relevant Group entities frequently discuss ESG values and integration approaches to maintain best practice and promote further improvement.

In 2017, the Group conducted an analysis of its ESG and Responsible Investment landscape. Three of the Group's major entities in the Rothschild & Co Wealth and Asset management businesses have ESG policies and are signatories of the United Nations supported Principles for Responsible Investment (UN PRI) and in 2018 a fourth entity began drafting an ESG policy which is currently undergoing internal consultation.

Merchant Banking

Rothschild & Co Merchant Banking has built its reputation on providing the highest levels of excellence. Merchant Banking has defined its business principles to encompass a responsible and sustainable approach to ESG standards. In 2018, Merchant Banking extended its commitment to the UN PRI, which it began in 2012, by aligning its Credit Management business.

Merchant Banking addresses the UN support principles by providing a distinct perspective, which it defines in its ESG Policy. This policy provides a framework that takes ESG criteria into account during the analysis and decision-making processes for investments, made by Merchant Banking, which includes consideration ethical criteria.

Merchant Banking informs its investors of its ESG policy and provides them with information on Merchant Banking's approach to ESG issues on a regular basis.

A responsible, ethical approach is given to governance and Merchant Banking encourages HR policy which values and respects all employees.

To reduce and responsibly manage environmental impact, Merchant Banking aligns itself with the Group approach to environmental management and, wherever practicable, reduces the negative environmental impact of the business, including the impacts associated with energy, water and materials use, waste production and CO_2 emissions.

Its commitment to society aligns with the partnerships, Epic Foundation, and Rothschild & Co's community investment programme, which combines long-term partnerships and employee volunteering with strategic charitable giving.

Rothschild & Co Asset Management Europe (AMEU)

Rothschild & Co Asset Management Europe, has been a signatory to the UN PRI since 2011, and is sensitive to ESG issues.

As a socially responsible and committed investor, the business has created an ethical investment framework and built a dialogue with the holdings on these themes. Across the direct investments funds and external long only funds of the Buy List, AMEU comply with The Ottawa Convention (1997) on anti-personnel mines and the Oslo Convention (2008) on cluster bombs. Moreover, on most of the direct investment funds, AMEU respect additional exclusions related to a set of fundamental principles (Human Rights, serious damage caused to the environment, etc.). The businesses engagement policy also relies on the exercise of voting rights in line with SRI recommendations and dialogue with top management on ESG issues.

As a fiduciary responsible investor, the entity integrates risks and opportunities related to ESG issues in its investment processes. AMEU integrates ESG criteria into fundamental analysis, which leads to a strengthened Company view and contributes to the convexity analysis on a large proportion of the direct management funds. Using the ESG rating tool, the business is able to provide ratings to securities and portfolios based on ESG criteria, both for direct investments and external long only selected funds. The business also calculates specific climate indicators on direct investment portfolios and on a selection of external long only investment funds, in order to further explore the risks and opportunities associated with them.

In the analyses, we focus on assessing the trajectory of both ESG practices and climate policies. As part of AMEU investment practices, we have:

- created two positions related to Responsible Investment in Paris;
- recently won a RFP in Eurozone equities for a large French Institutional client willing to restructure its investment policy towards a low carbon strategy. In a context where ESG criteria are of outmost importance, this success confirms the validity of the AMEU approach and further strengthens its expertise; and
- the entity has also begun the process of obtaining a SRI label on some of its funds.

Rothschild & Co Wealth Management UK

Rothschild & Co Wealth Management UK Limited began a project in 2015 to formalise its approach to ESG. This action resulted in the development and publication of the entity's first ESG Policy, released in 2016 and annual ESG reports, the third edition of which will be published in Q1 2019.

Rothschild & Co Wealth Management UK also became a signatory of the PRI in 2018 as a further demonstration of its commitment to investing responsibly. Also in 2018 we launched, in the United Kingdom, the Exbury Fund, a new fund which, whilst adopting the same investment philosophy that drives its core investment strategies, also applies a higher threshold to certain sustainability and ESG issues. Looking forward to 2019, the business will undertake a strategic review of its approach to ESG, engaging with independent experts to assist in this process, the aim being to establish its 'ESG roadmap' for the next five years.

5.1 Additional notes

Environment information additional notes

GENERAL DATA NOTES

The full-time equivalent headcount (FTE) is taken from the HR system as a “snapshot in time” on 31 December 2018. Third party service provider or contractor employee headcount is not captured by the HR system. A ratio is applied to the total Group FTE headcount based on the offices included in the reporting scope.

The result is used to calculate the impact per FTE (Impact/FTE). Impact per FTE is used to normalise the total impact against headcount.

The reporting boundary of offices measured to establish the environmental impact has increased from 15, in the 2017 financial year, to 35 in the 2018 financial year. In alphabetical order environmental information from the following office locations has been included: Birmingham, Brussels, Dubai, Frankfurt, Geneva, Guernsey, Hong Kong, Johannesburg, Leeds, London, Los Angeles (two offices), Lyon, Madrid, Manchester, Marseille (seven offices), Milan, Monaco (two offices), Mumbai, New York, Paris, Sao Paulo, Singapore, Sydney, Warsaw, Washington, Wilmslow and Zurich.

Our environment reporting software tool references a large database of over 69,000 emission factors, sourced from over 190 different institutions, such as the UK government Department for Business, Energy and Industrial Strategy (BEIS), the Intergovernmental Panel and Climate Change (IPCC) and national government data from reporting countries such as the USA EPA and the Canadian NIR. The emission factors are automatically selected and applied to data based on geographical and temporal relevance, so that country-specific conversions are applied leading to the most accurate estimate of GHG emissions. There are over 300 different units of measurement available for the entry of data, and conversion of these to standard units for reporting is again automatic and location specific. The emissions factor database is accredited as Gold Software by the CDP and a team of analysts ensure that all factors are reviewed and updated when source publications provide new releases. The system is independently assured by PwC.

Where assumptions, estimates or changes have been made, this is explained in the following notes for each section.

WASTE DISPOSAL DATA NOTES

An adjustment to the food waste figure reported for one office was not reflected in the corresponding anaerobic digestion total, resulting in a decrease of 7.1 tonnes of food waste for 2017. The correct weight was used to calculate the associated tCO_2e.

The total weight of food waste reported in 2017 did not include 1.24 tonnes sent to incineration with energy recovery by one office. The 2017 figure has been amended to include this missing amount.

The total reported waste disposal figures for 2017 and 2018 include 0.9 tonnes of re-use and 0.1 tonnes of composting. Due to the small size of these values, they are not displayed in the associated breakdown by disposal method.

Excluding Paris, all ten other office locations in France were unable to provide waste disposal information. A per FTE waste average was calculated based on the total waste for the Paris office against the Paris FTE. The result was recorded as Landfill disposal. This estimation accounts for 65 tonnes of the total waste disposal reported.

ENERGY CONSUMPTION DATA NOTES

Greenhouse gas emissions have been calculated using 2018 Department for Business, Energy and Industrial Strategy (BEIS) emissions factors.

The total electricity figure is reported as tCO_2e, however, non-United Kingdom electricity emissions are in tCO_2. Only tCO_2 is accessible from the International Energy Agency.

A Rothschild & Co ‘Group average intensity’ figure for electricity consumption has been used for the first time in 2018. This assumes an electricity consumption of 0.19 MWh per m^2 of office space per year. In total this figure was used by six offices to estimate their electricity consumption.

Industry benchmarks were used for the first time in 2018 to help offices to estimate their annual natural gas consumption. *Energy efficiency in buildings, CIBSE Guide F* (2012) produced by The Chartered Institution of Building Services Engineers is the source for these benchmarks. Five offices used the benchmark to estimate their natural gas consumption for 2018.

The renewable energy breakdown includes 50% of the electricity consumption for one office due to two separate contracts at this location.

WATER USE DATA NOTES

A Rothschild & Co ‘Group average intensity’ figure for water consumption has been used for the first time in 2018. This assumes a water consumption of $14.36m^3$ per FTE per year. Nine offices used this figure to estimate their annual water consumption.

GHG EMISSIONS DATA NOTES

In line with best practice, the Group has elected to continue to produce a “dual report” for Scope 1 and 2 (predominately electricity and gas consumption) GHG emission. This “dual reporting” uses both location and market-based reporting instruments.

The locations-based methodology uses energy grid average emission factors in location specific geographies and over specific timeframes and allows Rothschild & Co to compare GHG emissions year-on-year.

Given the increase in reporting scope for 2018, the GHG emissions reporting has been amended to display summary per FTE figures for each Scope. This has enabled the identification of true fluctuations across the three scopes. On a per FTE basis:

- Scope 1 has fallen by 11%.
- Scope 2 (location-based) has fallen by 18%.
- Scope 2 (market-based) has fallen by 7%.
- Scope 3 emissions have increased by 3%.

TRAVEL

In 2018, for the first time, the London office included travel made by taxi and recorded in the internal expenses system as GBP, but without journey length information. An industry average produced by the UK Department for Transport was used to estimate the average taxi journey length.

It should be noted that it is only train travel booked through the Group travel agent that is reported for the London office. It is estimated that 20% of train journeys are booked in this way. There are not currently industry benchmarks for train journeys which could enable an accurate estimate of the length of the missing journeys.

In 2018, reports produced by suppliers outlining associated GHG emissions directly related to our taxi travel were verified and used for the first time. This has ensured that active choices made in our offices to select efficient vehicle services are being duly recorded in our Scope 3 emissions for taxi travel.

In 2018 flights have been allocated into the following categories:

1. Domestic (within the United Kingdom).
2. Flights to/from the United Kingdom (short-haul and long-haul by class).
3. International flights (between and within non-United Kingdom countries) (by class).

6. Corporate conduct

6.1 Compliance and integrity in corporate conduct

Rothschild & Co insists on the highest standards of professionalism and integrity from its employees. This applies to all of the advice and services provided to clients, and the way in which our people conduct themselves.

6.1.1 Compliance with laws, rules and regulations

In accordance with the Rothschild & Co Code of Conduct, employees are expected to refrain from any conduct or behaviours that could be perceived unfavourably by our clients, colleagues, regulators or the general public. Employees are constantly reminded that Rothschild & Co's name and reputation is its key asset: if this is harmed, it could have serious and far-reaching consequences. Every Rothschild & Co employee has a responsibility to avoid activities, behaviours or communications that could adversely impact Rothschild & Co's name and reputation.

Rothschild & Co has well-embedded policies and procedures in place, designed to avoid and combat corruption and tax avoidance. Rothschild & Co has a zero tolerance approach to corruption and tax avoidance. These policies and procedures are regularly reviewed and updated to ensure that they conform with changing and different requirements.

Anti-corruption: A Group policy on anti-corruption include requirements such as from the UK Bribery Act, the US FCPA and at Group level on a consolidated basis, Law number 2016-1691, known as "Sapin" II Law.

Regarding the fight against corruption, the Group requires from its employees to act with honesty and integrity and has a zero-tolerance approach. Involvement in any form of corruption has serious consequences, including dismissal or termination of employment.

The anti-corruption system at Rothschild & Co is an essential component of its code of conduct defining the types of behaviour to be prohibited as they are likely to constitute acts of corruption or influence peddling.

Tax evasion: compliance with tax regulations in the course of our business operations is an important and complex issue. To address this issue, Rothschild & Co has set up a team based in Paris working exclusively on tax compliance and transparency. The team is responsible for tax reporting requirements applicable to the Group companies, and in particular FATCA and other laws or regulations such as the DAC 6 directive.

Professionalism of employees: each employee is required to read, understand and comply with the Rothschild & Co policies, procedures and guidelines that apply to his or her job and undertake all mandatory compliance and other professional training as and when required. This includes relevant regulatory qualifications.

Rothschild & Co relies on a process to provide a more empirical and demonstrable link between the fulfilment of compliance and risk obligations, and ratings made in the annual performance review process, including variable remuneration, if applicable. From January 2018, the following data (collected by local and Group compliance) are used for this purpose:

- completion of mandatory Group-wide and local compliance training;
- compliance attestations (e.g. personal account dealing/outside business interests, compliance manual comprehension, etc.); and/or
- operational risk incidents and breaches revealed as a result of risk and compliance monitoring or reviews.

As part of the annual appraisal process, these records are analysed to determine whether an individual has met the Group's expectations. A "cluster" of employees with a high number of breaches in the same team will also be taken into consideration in assessing their managers.

Reporting concerns of irregularities: in accordance with the Rothschild & Co code of conduct, if a Rothschild & Co employee becomes aware of, or suspects, wrongdoing of any sort, he or she must act to make an appropriate person within Rothschild & Co aware of this. Failure to do so could make an employee vulnerable to suggestions of complicity in the wrongdoing and, in certain circumstances, disciplinary action. Employees are asked to refer to the Group policy on reporting concerns or irregularities and the Group Head of Legal and Compliance reports to the Rothschild & Co Audit Committee as necessary.

6.1.2 Group tax strategy

In the conduction of its Group corporate affairs, Rothschild & Co relies on its Group tax strategy which applies to all entities ultimately owned by the Rothschild & Co Group.

The Group tax strategy is evolves around four pillars.

Definition of Tax Risk: Tax risk is defined as the risk of suffering adverse consequences due to inappropriate tax management. This risk can be divided into three categories: tax compliance and reporting risk, transactional risk and reputational risk:

- Tax compliance and reporting risk – This is defined as the risk arising from the failure to submit timely and accurate returns, payments, claims and elections, or where controls and systems are insufficient to support the Group's tax obligations, thereby exposing the Group to penalties, additional tax, audit investigations and inaccurate reporting.
- Transactional risk – This is defined as the risk of unforeseen fiscal loss arising from the poor assessment or execution of a transaction as regards the potential tax implications.
- Reputational risk – This is defined as the risk of tarnishing the Group's reputation in the eyes of the tax authorities, shareholders, customers and public opinion in general, due to ineffective control over compliance and tax reporting risk and transactional risk.

Tax risk governance: the Group Executive Committee has ultimate responsibility for overseeing the Group tax strategy. The Group Chief Financial Officer, who is a member of the Group Executive Committee, is responsible for overseeing tax issues.

The Group Head of Tax, who reports to the Group Chief Financial Officer, is responsible for managing the Group's tax affairs. In addition, the Group Head of Tax reports regularly to Rothschild & Co's Audit Committee on key tax matters concerning the Group.

Tax planning approach: the Group organises its operations so as to meet its business needs while complying with the applicable standards and taking a prudent approach. It will not enter into or facilitate or encourage agreements that do not meet valid commercial objectives, that do not have sufficient economic justification, that do not correspond to the Group's risk profile or that contravene intentions expressed in the legislation.

Managing Group Tax Risks: Group Tax risk management: The Group's tax team has drawn up a Group tax policy comprising documents maintained by the team. Some of these documents are made available for internal use to the local heads of finance and operations or their equivalents on the "Group Tax Affairs" page of the Intranet.

Throughout the year, the Group's tax team identifies and monitors the key tax risks, taking into account changes in business activity and in the applicable tax laws, and ensures that the tax risk control framework is updated as necessary.

The team assists and works with the Group Finance department to ensure that all tax reporting and other requirements are met in a timely fashion in accordance with the legislation. It maintains a close relationship with other departments to ensure that the tax implications of business operations and changes in business activities are properly assessed.

6.2 Conditions of the dialogue with stakeholders

In accordance with the definition provided by the GRI Guidelines, the Rothschild & Co's stakeholders are all entities or individuals that can reasonably be expected to be significantly affected by the Group's activities, products and/or services, and whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives.

Rothschild & Co has identified as its key stakeholders as its shareholders, potential investors and financial analysts. Rothschild & Co seeks to maintain a dialogue with those stakeholders to be in the position to take their interests into account and to promote its own values, specifically through its Investor Relations department.

To ensure good relations with the financial community, the Investor Relations department regularly participates to events to enable institutional investors and financial analysts to meet with the Executive Management. In 2018, Rothschild & Co organised more than 140 meetings in Europe and North America.

As a listed company, Rothschild & Co attaches great importance in complying with applicable listing rules regarding transparency. In accordance with these rules, it discloses in both French and English, the information that is necessary to investors and shareholders to assess its situation and outlook. This financial and extra-financial information is available on Rothschild & Co's website (www.rothschildandco.com) in a section entitled "Investor Relations". Information is also disclosed in a subsection named "Shareholders", including all information relating to General Meetings and the exercise of the voting rights, or explanations about the different ways to hold securities issued by Rothschild & Co.

6.3 Company Integration of social and environmental issues into the company procurement policy

Rothschild & Co in the UK has developed a responsible UK Purchasing Policy (the "Purchasing Policy"), which is applicable to all Rothschild & Co entities purchasing certain goods and services in the UK.

The Purchasing Policy addresses a range of matters from procurement process to aspects such as environment, diversity, health and safety and the modern slave trade.

In the United Kingdom, N.M. Rothschild & Sons Limited ('NMR') and Rothschild & Co Wealth Management UK Limited are obliged pursuant to section 54 of the Modern Slavery Act 2015 ('**MSA**') to report on the steps that each entity has taken to ensure that slavery and human trafficking are not taking place in their business or in their supply chains.

Annually, each of NMR and Wealth Management UK undertakes a risk assessment concerning the potential for vulnerabilities in relation to slavery and human trafficking and considers the control mechanisms in place that attempt to mitigate such risks. As required by the MSA, the relevant reports are published on the Rothschild & Co website.

Given the Group's activities, sub-contracting is not significant.

Supply chain risk assessments are routinely performed in accordance with the Purchasing Policy. In some circumstances – and where larger suppliers are involved – a more detailed assessment of environmental credentials has been carried out.

In due course and where appropriate, the Group Environmental, Health and Safety Committee will investigate options for providing Group entities with a supplier engagement tool to help consider the social and environmental responsibility policies of prospective significant suppliers in a more structured way.

7. Community investment

As a business, we have a strong heritage in supporting disadvantaged communities. Today at Rothschild & Co we continue this tradition through our global Community Investment programme.

We believe that the circumstances in which you grow up should not prove a barrier to success in life. As a Group, we recognise that our access to capital and expertise can have a significant impact on the life chances of young people and we agreed in 2018 to pursue one global Community Investment mission across all of our offices and businesses: to **make a meaningful difference to children and young people whose opportunities in life are restricted as a result of disadvantage**.

Our approach to Community Investment incorporates both giving and volunteering and is implemented across all our major offices.

Through our **Corporate Giving** programme we make targeted donations to some of the most innovative and effective charities and social enterprises supporting disadvantaged young people. We also give directly to young people in need through scholarship and bursary programmes where we are confident on the direct impact that this investment in their future can achieve.

Case Study: The Rothschild & Co South Africa Foundation Scholarship offers full financial support to young disadvantaged students who wish to pursue post-graduate studies in accounting but whose families are unable to afford the costs. The scholarship scheme covers the costs of tuition, accommodation, textbooks and more. In addition, our volunteers provide coaching and support along the way until the students have completed their studies and gained employment. In 2018, twelve students were awarded full scholarships.

Our **Giving Together** programme celebrates and supports the generosity of our people through Company-matched employee giving.

Case Study: In France our Merchant Banking division has established an ongoing partnership with the Epic Foundation – a global nonprofit startup that fights to change the lives of disadvantaged youth around the world. Epic manages a portfolio of rigorously vetted social organisations that use social innovation to resolve systemic injustices affecting children and youth.
Our employees are invited to support Epic via donations and volunteering each year, and participate in selecting the particular charities from the Epic portfolio they wish to support. All individual donations are matched by the business.

We believe that one of the most effective ways for us to make a difference is by sharing the specialist knowledge and skills that we possess as a business. We pursue this through our **Pro-bono Advisory** initiative, offering free professional advice to social purpose organisations with the potential to grow. This advice can take the form of longer term project commitments, or workshops which offer immediate support on a specific issue our charity partners are facing.

Case Study: Right to Succeed is a collective impact charity which searches for solutions to the difference in performance between school pupils from disadvantaged backgrounds and their more affluent peers. This year a team of employees in London supported Right to Succeed with more than 300 hours of pro-bono advice. The team concentrated on: helping the charity to update its strategy and business plan following its merger with another charity; advising on efficiency and how to restructure costs and existing partnerships; suggesting new ideas with regards to marketing and expansion; and creating a financial business model.

"Rothschild & Co's pro-bono support has been pivotal at a time where the charity has grown by 250% over the year we've worked together." Graeme Duncan, CEO, Right to Succeed

Our **Skills for Life** programme enables employees to offer their individual time, skills and experience directly to one or more individuals. Support typically takes the form of mentoring, coaching or tutoring designed to help young people overcome challenges and take steps towards fulfilling their potential.

Case Study: Employees in Switzerland have this year partnered with local employment charity Job Caddie to run a mentoring programme for teenagers who are having difficulty in finding their first jobs. The first cohort of young people to take part has reported benefiting from the contact with professional people and the opportunity to learn from their knowledge the world of work. Overall more than 75% of Job Caddie participants are successful in finding an opportunity for work or further study following participation in the mentoring programme.

In 2018 through our global Community Investment activities we were able to support **more than 50 charities** and social enterprises aligned with our mission, and to make a difference to **more than 2,000 disadvantaged children and young people**.

Report by the Statutory Auditor, appointed as an independent third party on the consolidated non-financial performance statement in the Management Report

This is a free English translation of one of the Statutory Auditors' report issued in French 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 standards applicable in France.

For the year ended 31 December 2018

To the Shareholders,

In our capacity as Statutory Auditor of your Company (hereinafter "Entity") appointed as an independent third party, certified by COFRAC under number 3-1049[1], we hereby report to you on the consolidated non-financial performance statement for the year ended 31 December 2018 (hereinafter the "statement"), included in the management report, in accordance with the legal and regulatory provisions of Articles L.225 102-1, R. 225-105 and R.225-105-1 of the French Commercial Code *(Code de commerce)*.

Responsibility of the Entity

It is the Managing Director's responsibility to prepare a statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of policies applied to mitigate these risks and the outcomes of those policies, including key performance indicators.

The statement has been prepared applying the procedures of the Entity, (hereinafter the "Guidelines"), the most significant aspects of which are presented in the statement and available upon request at the Entity's headquarters.

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code *(Code de commerce)* and the French Code of Ethics *(Code de déontologie)* for statutory auditors. Moreover, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with applicable ethical rules, professional standards, laws and regulations.

Statutory Auditor appointed as an independent third party's responsibility

On the basis of our work, it is our responsibility to express a limited assurance opinion about whether:

- the statement complies with the provisions of Article R. 225-105 of the French Commercial Code *(Code de Commerce)*; and
- the information provided (hereinafter the "information") is fairly presented in accordance with Article R.225-105-I(3) and II of the French Commercial Code *(Code de commerce)* concerning policy outcomes, including key performance indicators and actions relating to the main risks;

However, it is not our responsibility to express an opinion on:

- the Entity's compliance with any other applicable legal and regulatory provisions, in particular, relating to the duty of care requirement and the fight against corruption and tax evasion; and
- the compliance of products and services with applicable regulatory provisions.

Nature and scope of our work

We performed our work described below in compliance with Article A.225-1 and seq. of the French Commercial Code *(Code de commerce)*, defining the conditions under which the independent third party performs its engagement, and with the professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes or CNCC)* relating to this engagement, and with ISAE 3000 (international standard on assurance engagements other than audits or reviews of historical financial information).

We conducted work to form an opinion on the statement's compliance with legal and regulatory provisions and the fair presentation of the information therein:

- We gained an understanding of the activity of all entities in the consolidation scope, of the Entity's exposure to the main social and environmental risks relating to the business activity and of its effects on respect for human rights and the fight against corruption and tax evasion, including any related policies and their outcomes.
- We assessed the appropriateness of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity, by taking into consideration, where relevant, the sector's best practices.
- We verified that the statement covers every category of information required under Article L.225-102-1, Paragraph III concerning social and environmental matters as well as respect for human rights and the fight against corruption and tax evasion.
- We verified that the statement includes a clear, substantiated explanation in the event that the information required by sub-paragraph two of Article L.225-102-1, Paragraph III of the French Commercial Code is missing.
- We verified that the statement presents the business model and the main risks relating to the activity of all entities in the consolidation scope, including – if relevant and proportionate – risks due to its business relationships, products or services and policies, actions and outcomes, including key performance indicators.
- We verified that the statement presents the disclosures required under article R. 225-105-II if they are relevant given the main risks or policies presented.
- We obtained an understanding of the process for selecting and validating the main risks.
- We enquired about the existence of internal control and risk management procedures implemented by the entity.
- We assessed the consistency of the results and key performance indicators selected with regard to the main risks and policies presented.
- We verified that the statement includes a clear, substantiated explanation of the lack of policy for one or more of these risks.
- We verified that the statement covers all entities in the consolidation scope in accordance with Article L. 233-16 within the limits specified in the statement.
- We assessed the data collection process implemented by the entity to ensure the completeness and fair presentation of the Information.
- For key performance indicators and the other quantitative outcomes[2] that we considered the most important, we set up:
  - analytical procedures to verify that data collected are correctly consolidated and that any changes to the data are consistent; and
  - tests of details based on sampling to verify that definitions and procedures are correctly applied and to reconcile data with supporting documents. The work was carried out with a selection of entities contributing[3] to the reported data and represents between 48% and 100% of consolidated data of key performance indicators and outcomes selected for these tests.
- We referred to documentary sources and conducted interviews to corroborate qualitative outcomes (actions and results) that we deemed the most important[4].

1 Scope available at www.cofrac.fr.
2 HR indicators: Total headcount (breakdown of employees by gender, age and geographical area), number of hires, numbers of forced redundancies, number of training hours.
Environmental indicators: Water consumption, energy consumption (electricity, gas, heat and fuel), paper consumption, waste produced, CO_2 emissions related to business travels.
3 Paris office (France), Frankfurt office (Germany), Johannesburg office (South Africa), London office (United Kingdom).
4 Labour relations, health and safety, Equal opportunities, Consideration taken for investment decision-making purposes pertaining to environmental, social and governance (ESG) criteria, compliance with laws, rules and regulations, Group tax strategy, community investment.

- We assessed the overall consistency of the statement based on our understanding of the Company.

We believe that work we have performed, based on our professional judgement, are sufficient to provide a basis for our limited assurance opinion. A higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work drew on the skills of four individuals and took place between November 2018 and March 2019 for a total working time of approximately four weeks.

To assist us in conducting our work, we called on our firm's sustainable development and corporate social responsibility specialists. We conducted around ten interviews with the individuals responsible for preparing the statement.

Opinion

Based on our work, we have no material misstatements to report that would call into question the non-financial performance statements compliance with the applicable regulatory provisions, or the fair presentation of the information, taken as a whole, in accordance with the Guidelines.

Comments

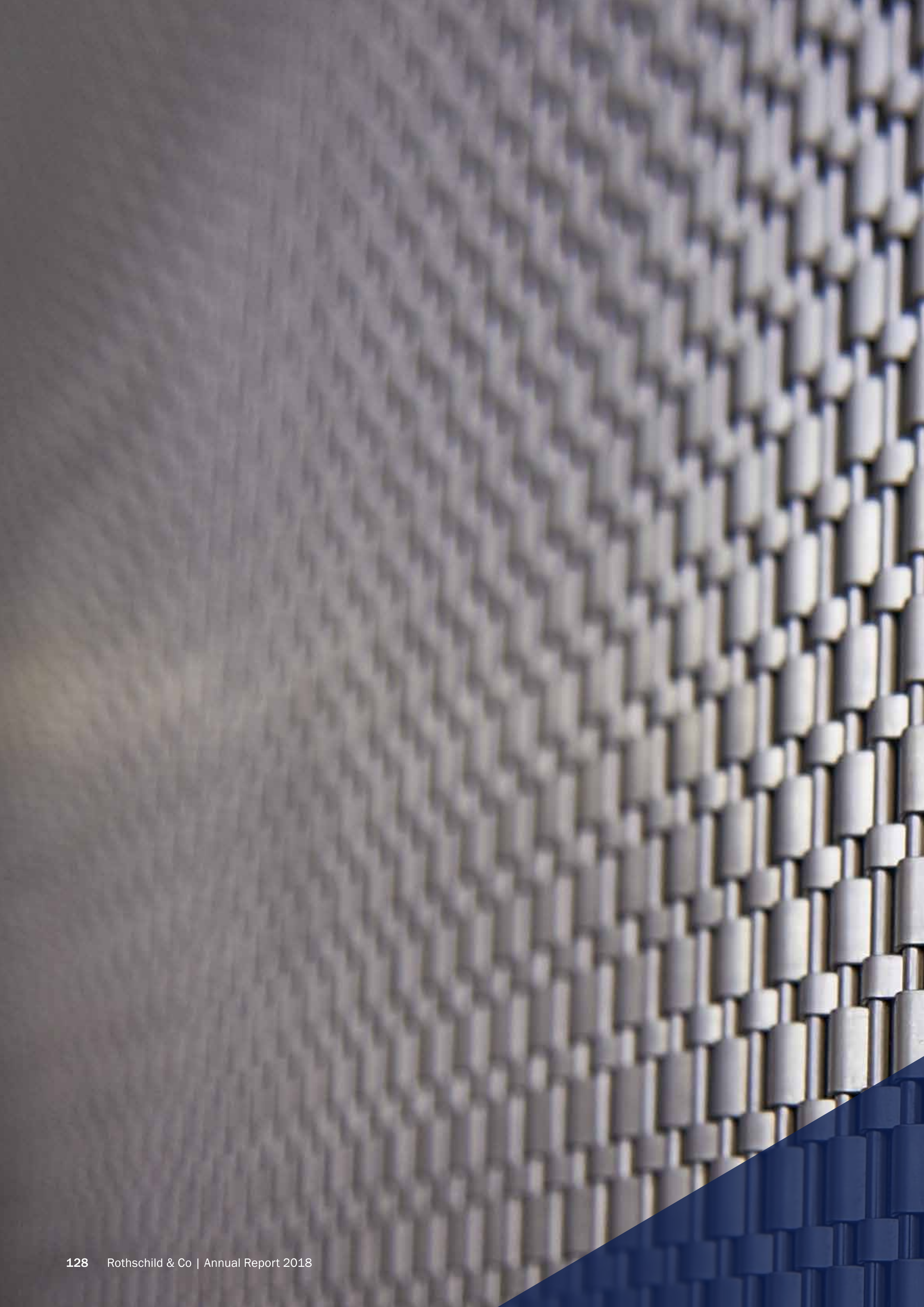
Without qualifying our opinion, in accordance with article A. 225-3 of the French Commercial Code *(Code de commerce)*, we draw your attention to the following matters:

- For the indicator relating to the number of training hours, due to the ongoing deployment of the workdays tool, data for 2018 are reported for the French entities, covering 33% of the Group's consolidated full-time equivalent employees.

Paris-La Défense, 19 March 2019

KPMG S.A.

Anne Garans	Arnaud Bourdeille
Partner	*Partner*
Sustainability Services	



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Financial statements

Consolidated balance sheet as at 31 December 2018

Assets

In thousands of euro	Notes	31/12/2018	*01/01/2018 (following adoption of IFRS 9)*	31/12/2017
Cash and amounts due from central banks		4,692,134	*3,868,907*	3,868,907
Financial assets at fair value through profit or loss	1	1,087,118	*1,070,823*	548,014
Financial assets at fair value through other comprehensive income	3	1,737	*219,512*	–
Available-for-sale financial assets	4	–	–	1,596,343
Securities at amortised cost	5	1,037,144	*853,127*	–
Loans and advances to banks	6	2,043,069	*1,730,153*	1,730,153
Loans and advances to customers	7	2,929,302	*2,985,179*	2,989,919
Current tax assets		33,050	*25,786*	25,786
Deferred tax assets	18	50,587	*62,567*	60,561
Other assets	8	696,429	*650,656*	651,863
Investments accounted for by the equity method	9	7,753	*11,817*	11,817
Tangible fixed assets	10	336,230	*346,640*	346,640
Intangible fixed assets	11	172,061	*162,574*	162,574
Goodwill	12	124,310	*123,162*	123,162
TOTAL ASSETS		**13,210,924**	***12,110,903***	**12,115,739**

Liabilities and shareholders' equity

In thousands of euro	Notes	31/12/2018	*01/01/2018 (following adoption of IFRS 9)*	31/12/2017
Financial liabilities at fair value through profit or loss	1	14,707	*24,823*	24,823
Hedging derivatives	2	7,091	*6,543*	6,543
Due to banks and other financial institutions	13	585,067	*636,377*	636,377
Customer deposits	14	8,725,691	*7,770,954*	7,770,954
Debt securities in issue		16,004	*95,561*	95,561
Current tax liabilities		44,658	*30,970*	30,970
Deferred tax liabilities	18	47,846	*60,935*	60,935
Other liabilities, accruals and deferred income	15	1,198,000	*949,377*	949,377
Provisions	16	76,876	*88,369*	88,270
TOTAL LIABILITIES		**10,715,940**	***9,663,909***	**9,663,810**
Shareholders' equity		**2,494,984**	***2,446,994***	**2,451,929**
Shareholders' equity – Group share		**2,038,748**	***1,906,876***	**1,911,720**
Share capital		155,026	*154,815*	154,815
Share premium		1,142,338	*1,140,706*	1,140,706
Consolidated reserves		516,465	*459,650*	451,934
Unrealised or deferred capital gains and losses		(61,406)	*(38,904)*	(26,344)
Net income – Group share		286,325	*190,609*	190,609
Non-controlling interests	**20**	**456,236**	***540,118***	**540,209**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**13,210,924**	***12,110,903***	**12,115,739**

The Group has applied IFRS 9 and IFRS 15 for the first time as at 1 January 2018. The Group has used the exemption in IFRS 9 to not restate its prior periods, although to aid comparisons in the current year, the balance sheet as at 1 January 2018 is disclosed above (for details, see section 2.4). It also applied IFRS 15 using the cumulative effect method, under which comparative information is not restated.

Consolidated income statement for the twelve months ended 31 December 2018[1]

In thousands of euro		Notes	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
+	Interest income	24	137,421	100,422
-	Interest expense	24	(59,464)	(40,736)
+	Fee income	25	1,858,092	1,299,492
-	Fee expense	25	(89,773)	(74,338)
+/-	Net gains/(losses) on financial instruments at fair value through profit or loss	26	129,434	98,940
+/-	Net gains/(losses) on financial assets at fair value through other comprehensive income	27	–	–
+/-	Net gains/(losses) on derecognition of assets held at amortised cost		(277)	–
+/-	Net gains/(losses) on available-for-sale financial assets	28	–	38,295
+	Other operating income		1,078	1,404
-	Other operating expenses		(678)	(536)
Net banking income			**1,975,833**	**1,422,943**
-	Staff costs	29	(1,097,827)	(820,656)
-	Administrative expenses	29	(308,748)	(236,929)
-	Depreciation, amortisation and impairment of tangible and intangible fixed assets	30	(30,200)	(25,496)
Gross operating income			**539,058**	**339,862**
+/-	Cost of risk	31	(4,297)	(4,532)
Operating income			**534,761**	**335,330**
+/-	Net income from companies accounted for by the equity method	9	339	12,036
-	Impairment of goodwill	12	(637)	–
+/-	Net income/(expense) from other assets	32	(3,865)	6,472
Profit before tax			**530,598**	**353,838**
-	Income tax expense	33	(76,793)	(38,919)
CONSOLIDATED NET INCOME			**453,805**	**314,919**
Non-controlling interests		20	**167,480**	**124,310**
NET INCOME – GROUP SHARE			**286,325**	**190,609**
Earnings per share in euro – Group share (basic)		37	3.88	2.55
Earnings per share in euro – continuing operations (basic)		37	3.88	2.55
Earnings per share in euro – Group share (diluted)		37	3.82	2.50
Earnings per share in euro – continuing operations (diluted)		37	3.82	2.50

(1) The financial reporting period changed following 31 March 2017 so that the financial close is now on 31 December each year. Further consolidated income statement data has been prepared to aid comparison between reported periods and is set out in the notes to the consolidated financial statements, section 1, Highlights.

Statement of comprehensive income for the twelve months ended 31 December 2018

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Consolidated net income	**453,805**	**314,919**
Gains and losses recyclable in profit or loss		
Translation differences	3,597	(71,335)
Recyclable gains/(losses) relating to financial assets at fair value through comprehensive income	(60)	–
Revaluation of available-for-sale financial assets	–	15,977
Gains and losses transferred to income on available-for-sale financial assets	–	(36,631)
Gains and losses relating to net investment hedge	(532)	–
Gains and losses recognised directly in equity for companies accounted for by the equity method	38	5,379
Gains and losses transferred to income on companies accounted for by the equity method	–	(11,123)
Taxes	186	649
Total gains and losses recyclable in profit or loss	**3,229**	**(97,084)**
Gains and losses not recyclable in profit or loss		
Remeasurement gains/(losses) on defined benefit pension funds	9,988	11,359
Gains/(losses) relating to equity instruments at fair value through comprehensive income	(6,262)	–
Taxes	4,800	(2,853)
Total gains and losses not recyclable in profit or loss	**8,526**	**8,506**
Gains and losses recognised directly in equity	**11,755**	**(88,578)**
TOTAL COMPREHENSIVE INCOME	**465,560**	**226,341**
attributable to equity shareholders	*295,272*	*121,841*
attributable to non-controlling interests	*170,288*	*104,500*

Consolidated statement of changes in equity for the twelve months ended 31 December 2018

In thousands of euro

	Capital and associated reserves[1]	Consolidated reserves[3]	Unrealised or deferred capital gains and losses (net of tax)			Shareholders' equity, Group share	Shareholders' equity, NCI	Total shareholders' equity
			Related to translation differences	AFS reserves	Fair value through OCI reserves			
SHAREHOLDERS' EQUITY AT 31 MARCH 2017	**1,293,467**	**495,189**	**(18,168)**	**58,467**		**1,828,955**	**471,575**	**2,300,530**
Impact of elimination of treasury shares	–	3,331	–	–		3,331	57	3,388
Dividends	–	(51,511)	–	–		(51,511)	(2,644)	(54,155)
Issue of shares	2,055	–	–	–		2,055	18	2,073
Capital increase related to share-based payments	–	539	–	–		539	–	539
Interest on perpetual subordinated debt	–	–	–	–		–	(10,636)	(10,636)
Effect of a change in shareholding without a change of control	(1)	(3,482)	9,318	637		6,472	(22,619)	(16,147)
Other movements	–	(24)	152	(98)		30	(67)	(37)
Sub-total of changes linked to transactions with shareholders	**2,054**	**(51,147)**	**9,470**	**539**		**(39,084)**	**(35,891)**	**(74,975)**
2017 net income for the nine months	–	190,609	–	–		190,609	124,310	314,919
Net gains/(losses) from changes in fair value	–	–	–	21,934		21,934	439	22,373
Net (gains)/losses transferred to income on disposal and impairment	–	–	–	(47,023)		(47,023)	(51)	(47,074)
Remeasurement gains/(losses) on defined benefit funds	–	7,689	–	–		7,689	817	8,506
Translation differences and other movements	–	203	(50,639)	(924)		(51,360)	(20,990)	(72,350)
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2017	**1,295,521**	**642,543**	**(59,337)**	**32,993**		**1,911,720**	**540,209**	**2,451,929**
Impact of introduction of IFRS 9 (net of tax) – section 2.4.3	–	7,716	–	(32,993)	20,433	(4,844)	(91)	(4,935)
SHAREHOLDERS' EQUITY AT 1 JANUARY 2018	**1,295,521**	**650,259**	**(59,337)**	**–**	**20,433**	**1,906,876**	**540,118**	**2,446,994**
Impact of elimination of treasury shares	–	(127,442)	–		–	(127,442)	–	(127,442)
Dividends[2]	–	(52,257)	–		–	(52,257)	(157,403)	(209,660)
Issue of shares	1,843	–	–		–	1,843	406	2,249
Capital increase related to share-based payments	–	4,010	–		–	4,010	–	4,010
Interest on perpetual subordinated debt	–	–	–		–	–	(17,661)	(17,661)
Effect of a change in shareholding without a change of control	1	10,294	(2,180)		2,271	10,386	(79,827)	(69,441)
Recycling R&CoHAG realised gain on EdRS out of revaluation reserve and into retained earnings	–	25,492	–		(25,492)	–	–	–
Other movements	(1)	94	(71)		31	53	316	369
Sub-total of changes linked to transactions with shareholders	**1,843**	**(139,809)**	**(2,251)**		**(23,190)**	**(163,407)**	**(254,169)**	**(417,576)**
2018 net income for the twelve months	–	286,325	–		–	286,325	167,480	453,805
Net gains/(losses) from changes in fair value	–	–	–		2,885	2,885	–	2,885
Remeasurement gains/(losses) on defined benefit funds	–	5,581	–		–	5,581	–	5,581
Net gains/(losses) on hedge of net investment in foreign operations	–	–	(346)		–	(346)	–	(346)
Translation differences and other movements	–	434	460		(60)	834	2,807	3,641
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2018	**1,297,364**	**802,790**	**(61,474)**		**68**	**2,038,748**	**456,236**	**2,494,984**

(1) Capital and associated reserves at the period end consist of share capital of €155.0 million and share premium of €1,142.3 million. Share premium, under IFRS measurement, includes costs incurred in the issuance of share capital.

(2) Dividends include €51.1 million of dividends to R&Co shareholders and a total of €1.2 million of dividends to R&Co Gestion and Rothschild & Co Commandité SAS. Distributions to non-controlling interests are analysed in note 20.

(3) Consolidated reserves consist of retained earnings of €659.8 million less treasury shares of €143.3 million plus the Group share of net income.

Cash flow statement
for the twelve months ended 31 December 2018

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Consolidated profit before tax (I)	**530,598**	**353,838**
Depreciation and amortisation expense on tangible fixed assets and intangible fixed assets	30,200	25,496
Impairments and net charge for provisions	12,770	12,881
Remove (income)/loss from associates and long-standing shareholding	(5,813)	(17,278)
Remove (profit)/loss from disposal of a subsidiary	797	(646)
Remove (profit)/loss from investing activities	(102,587)	(122,738)
Non-cash items included in pre-tax profit and other adjustments (II)	**(64,633)**	**(102,285)**
Net (advance)/repayment of loans to customers	**30,719**	**(215,283)**
Cash (placed)/received through interbank transactions	(450,534)	461,834
Increase/(decrease) in due to customers	926,149	27,890
Net inflow/(outflow) related to derivatives and trading items	(14,540)	(19,185)
Issuance/(redemption) of debt securities in issue	(79,556)	(44,096)
Net (purchases)/disposals of assets held for liquidity purposes	(100,435)	(59,486)
Other movements in assets and liabilities related to treasury activities	185,360	28,531
Total treasury-related activities	**466,444**	**395,488**
(Increase)/decrease in working capital	(9,481)	(45,303)
Tax paid	(64,430)	(55,285)
Other operating activities	**(73,911)**	**(100,588)**
Net (decrease)/increase in cash related to operating assets and liabilities (III)	**423,252**	**79,617**
Net cash inflow/(outflow) related to operating and treasury activities (A) = (I) + (II) + (III)	**889,217**	**331,170**
Purchase of investments	(133,201)	(132,630)
Purchase of subsidiaries and associates	(7,711)	–
Cash and cash equivalents acquired in new subsidiaries	7,797	–
Purchase of property, plant and equipment and intangible fixed assets	(21,851)	(20,921)
Total cash invested	**(154,966)**	**(153,551)**
Cash received from investments (disposals and dividends)	263,495	222,500
Cash received from subsidiaries, associates and long-standing shareholding (disposals and dividends)	6,178	5,242
Cash from disposal of property, plant and equipment and intangible fixed assets	320	1,849
Total cash received from investments	**269,993**	**229,591**
Net cash inflow/(outflow) related to investing activities (B)	**115,027**	**76,040**
Dividends paid to shareholders of parent company	(52,257)	(51,511)
Dividends paid to non-controlling interests (note 20)	(156,753)	(2,644)
Interest paid on perpetual subordinated debt	(17,661)	(2,281)
(Acquisition)/disposal of own shares and additional interests in subsidiaries	(81,029)	(22,075)
Net cash inflow/(outflow) related to financing activities (C)	**(307,700)**	**(78,511)**
Impact of exchange rate changes on cash and cash equivalents (D)	**40,221**	**(268,913)**
NET INFLOW/(OUTFLOW) OF CASH (A) + (B) + (C) + (D)	**736,765**	**59,786**
Net opening cash and cash equivalents (note 22)	4,922,107	4,862,321
Net closing cash and cash equivalents (note 22)	5,658,872	4,922,107
NET INFLOW/(OUTFLOW) OF CASH	**736,765**	**59,786**

1. Highlights

1.1 Change of financial year end

As reported last year, the Company changed its financial year end from 31 March to 31 December. The period being reported on for these consolidated financial statements is the twelve months to 31 December 2018.

To aid comparison between reporting periods, further consolidated income statement data is presented below comparing the twelve months to 31 December 2018 to the twelve months to 31 December 2017. The data for the twelve months to 31 December 2017 has been prepared by adding the quarterly income statement for the three months ended 31 March 2017 to the income statement for the nine months ended 31 December 2017. This is set out below:

In thousands of euro	01/01/18 31/12/18 (12 months)	01/01/17 31/12/17 (12 months)
+ Net interest income	77,957	78,767
+ Net fee income	1,768,319	1,672,925
+/- Net gains/(losses) on financial instruments at fair value through profit or loss	129,434	111,442
+/- Net gains/(losses) on financial assets at fair value through other comprehensive income	–	–
+/- Net gains/(losses) on derecognition of assets held at amortised cost	(277)	–
+/- Net gains/(losses) on available-for-sale financial assets	–	41,011
+ Other operating income	1,078	6,756
- Other operating expenses	(678)	(745)
Net banking income	**1,975,833**	**1,910,156**
- Staff costs	(1,097,827)	(1,087,064)
- Administrative expenses	(308,748)	(319,758)
- Amortisation, depreciation and impairment of tangible and intangible fixed assets	(30,200)	(33,938)
Gross operating income	**539,058**	**469,396**
+/- Cost of risk	(4,297)	(13,448)
Operating income	**534,761**	**455,948**
+/- Net income from companies accounted for by the equity method	339	12,268
- Impairment of goodwill	(637)	–
+/- Net income/(expense) from other assets	(3,865)	9,101
Profit before tax	**530,598**	**477,317**
- Income tax expense	(76,793)	(65,308)
CONSOLIDATED NET INCOME	**453,805**	**412,009**
Non-controlling interests[1]	**167,480**	**175,643**
NET INCOME – GROUP SHARE	**286,325**	**236,366**
Earnings per share in euro – Group share (basic)	3.88	3.18
Earnings per share in euro – Group share (diluted)	3.82	3.12

(1) Non-controlling interests include amounts charged of €146.7 million (December 2017: €155.8 million) in respect of preferred shares and €17.7 million (December 2017: €14.3 million) in respect of perpetual subordinated debt. Note 20 to the consolidated financial statements provides further information concerning non-controlling interests.

The table below presents a segmental analysis by business line, which has been prepared on the same basis as described in note 36 to the consolidated financial statements. The data for twelve months ended 31 December 2017 has been derived by adding the statutory reporting for the nine months to 31 December 2017 and the three months to 31 March 2017.

In thousands of euro	Global Advisory	Wealth & Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	01/01/18 31/12/18 (12 months)
Net banking income	**1,271,270**	**516,058**	**174,574**	**21,933**	**1,983,835**	**(8,002)**	**1,975,833**
Operating expenses	(1,037,955)	(443,123)	(72,190)	(57,152)	(1,610,420)	173,645	(1,436,775)
Cost of risk	–	4,296	–	–	4,296	(8,593)	(4,297)
Operating income	**233,315**	**77,231**	**102,384**	**(35,219)**	**377,711**	**157,050**	**534,761**
Share of profits of associated entities	–	–	–	–	–	339	339
Non-operating income	–	–	–	–	–	(4,502)	(4,502)
Profit before tax	**233,315**	**77,231**	**102,384**	**(35,219)**	**377,711**	**152,887**	**530,598**

In thousands of euro	Global Advisory	Wealth & Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	01/01/17 31/12/17 (12 months)
Net banking income	**1,183,420**	**514,176**	**185,039**	**36,116**	**1,918,751**	**(8,595)**	**1,910,156**
Operating expenses	(998,120)	(459,559)	(65,039)	(67,433)	(1,590,151)	149,391	(1,440,760)
Cost of risk	–	–	–	–	–	(13,448)	(13,448)
Operating income	**185,300**	**54,617**	**120,000**	**(31,317)**	**328,600**	**127,348**	**455,948**
Share of profits of associated entities	–	–	–	–	–	12,268	12,268
Non-operating income	–	–	–	–	–	9,101	9,101
Profit before tax	**185,300**	**54,617**	**120,000**	**(31,317)**	**328,600**	**148,717**	**477,317**

1.2 Adoption of new accounting policies

The Group has adopted the accounting standard IFRS 9 Financial Instruments, and amendments to IFRS 9 Prepayment Features with Negative Compensation, which has changed the classification and measurement of the Group’s financial assets. Details of the changes are provided below (section 2.4).

The Group has also adopted the accounting standard IFRS 15 Revenue from Contracts with Customers. IFRS 15 has not had a significant impact on the Group’s accounts. Details of the new accounting policy are provided below (section 2.5).

1.3 Agreement between Rothschild & Co and Edmond de Rothschild

In June 2018 it was announced that R&Co and Edmond de Rothschild had reached an agreement on the use of their respective brands.

As part of this agreement, the Edmond de Rothschild group continues to develop its business under the Edmond de Rothschild brand. The R&Co Group uses the name Rothschild & Co, adopted as a company name since 2015. Rothschild Martin Maurel is used to identify the private banking activities of R&Co from France, Belgium and Monaco. Neither group may use the name Rothschild on its own in any form whatsoever in the future.

In addition, on 6 August 2018, the two groups unwound all of their cross-shareholdings. These mainly included: 8.4% of the capital of Edmond de Rothschild held by R&CoHAG (R&Co’s holding company in Switzerland), 9.5% of the capital of R&CoHAG held by Edmond de Rothschild and 5.7% of the capital of R&Co held by Edmond de Rothschild.

As a result of this unwinding, Edmond de Rothschild delivered 1.9 million R&Co shares to R&CoHAG as settlement for the difference in value in respect of the investments in Edmond de Rothschild and in R&CoHAG. R&Co, for its part, purchased from Edmond de Rothschild all of the remaining 2.5 million R&Co shares in its possession for €75 million in cash. The Edmond de Rothschild and R&Co shares were valued on the basis of their market values (respectively CHF 17,000 and €30) in June 2018. Transactions (of immaterial amounts) relating to other minority interests were settled in cash. The cash required for R&Co Group to finance all of these transactions came from existing resources.

1.4 Acquisition of additional interests in subsidiaries and associates

On 3 January 2018, the Group acquired an additional 4,049 shares in Martin Maurel Sella Banque Privée SAM, a Monaco subsidiary, for cash of €13.95 million. Following this acquisition, the Group now controls 100% of this subsidiary.

The Group also acquired the shares it did not already own in Hoche Gestion Privée S.A.(in June 2018) and in Funds Selection S.A.(in July 2018). These two entities were previously equity accounted. As a result of these acquisitions the Group recognised €4.0m of intangible assets and €1.0m of goodwill. Hoche Gestion Privée S.A.was partially acquired through the anticipated–acquisition method of accounting (see 3.1.6)

1.5 Disposal of Trust business

In October 2018, the Group signed an agreement for the sale of its worldwide wealth planning and trust services business. The completion of the transaction was announced in February 2019. The sale is in line with Rothschild & Co's strategic decision to focus on its core wealth management and private banking business. The net proceeds for this sale will be used for the further development of its core business. Annual revenue for this business in 2018 was €36 million (2017: €44 million).

2. Preparation of the financial statements

2.1 Information regarding the Company

The consolidated financial statements of Rothschild & Co SCA Group (the Group) for the twelve months ended 31 December 2018 are presented in accordance with IFRS in force at the reporting date, as adopted in the European Union by way of EC Regulation number 1606/2002. The format used for the summary financial statements is a banking format. It is consistent with Recommendation number 2017-02 of 2 June 2017 of the French Accounting Standards Authority (*Autorité des normes comptables*). The statements cover the period from 1 January 2018 to 31 December 2018. The presentation of the comparative data relative to financial year 2017 has not been modified and complies with the provisions of ANC Recommendation number 2013-04 of 7 November 2013.

The consolidated accounts were approved by Rothschild & Co Gestion SAS, the Managing Partner of Rothschild & Co, on 4 March 2019 and considered for verification and control purposes by the Supervisory Board on 12 March 2019.

At 31 December 2018, the Group's holding company was Rothschild & Co, a French partnership limited by shares (*société en commandite par actions*), headquartered at 23 bis, avenue de Messine, 75008 Paris (Paris Trade and Companies Registry Number 302 519 228). The Company is listed on the Eurolist market of Euronext Paris (Compartment A).

2.2 General principles

The notes to the accounts have been prepared having taken into account the understanding, relevance, reliability, comparability and materiality of the information provided.

2.3 Subsequent events

On 28 February 2019, the completion of the sale of the Group's Trust business was announced. Further detail is provided in Highlights section 1.5.

2.4 Adoption of new accounting standards in the year ended 31 December 2018 – IFRS 9 Financial instruments

The Group has adopted IFRS 9 and amendments to IFRS 9 Prepayment Features with Negative Compensation with a date of transition of 1 January 2018, which has resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

The adoption of IFRS 9 has resulted in changes in our accounting policy for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

As permitted by the transitional provisions of IFRS 9, the Group has elected not to restate comparative figures. Adjustments to the carrying amounts of financial assets at the date of transition have been recognised in the opening retained earnings and other reserves of the current period. The carrying amount of liabilities has not changed. The Group has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Consequently, for disclosures of notes, the amendments to IFRS 7 have only been applied to disclosures in the current period. Therefore, disclosures of notes for the comparative period repeat those disclosures made in the prior reporting period.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period are described in sections 3.2.3 and 3.2.5.

2.4.1 Implementation of changes to classification and measurements

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories in accordance with IFRS 9 for the Group's financial assets and liabilities as at 1 January 2018.

In thousands of euro	Original classification under IAS 39	Original carrying value under IAS 39	New classification under IFRS 9	New carrying value under IFRS 9
Financial assets				
Cash and amounts due from central banks	Loans and receivables	3,868,907	Amortised cost	3,868,907
Trading assets	FVTPL (held for trading)	47,977	FVTPL (mandatory)	47,977
Debt and equity securities	FVTPL designated	467,178	FVOCI	219,512
	Available for sale	1,596,343	Amortised cost	853,127
			FVTPL (mandatory)	989,987
Loans and advances to banks	Loans and receivables	1,730,153	Amortised cost	1,730,153
Loans and advances to customers	Loans and receivables	2,989,919	Amortised cost	2,985,179
	FVTPL designated	32,859	FVTPL (designated)	32,859
Other financial assets	Amortised cost	426,351	Amortised cost	425,144
Total financial assets		**11,159,687**		**11,152,845**
Financial liabilities				
Financial liabilities at fair value through profit or loss	FVTPL	24,823	FVTPL (mandatory)	24,823
Hedging derivatives	FVTPL	6,543	FVTPL (mandatory)	6,543
Debt securities in issue	Amortised cost	95,561	Amortised cost	95,561
Due to banks and other financial institutions	Amortised cost	636,377	Amortised cost	636,377
Customer deposits	Amortised cost	7,770,954	Amortised cost	7,770,954
Other financial liabilities	Amortised cost	150,100	Amortised cost	150,100
Total financial liabilities		**8,684,358**		**8,684,358**
NET FINANCIAL ASSETS		**2,475,329**		**2,468,487**

2.4.2 Reconciliation of balance sheet categories from IAS 39 to IFRS 9

The Group has performed a detailed analysis of its business models for managing financial assets and analysed the characteristics of their cash flows. The following table reconciles the carrying amounts of financial assets from the measurement categories of IAS 39 to the measurement categories of IFRS 9, upon transition to IFRS 9 on 1 January 2018:

In thousands of euro	Note	Carrying amount 31 December 2017/ 1 January 2018	*Of which: reclassifications*	*Of which: remeasurements*
Cash and balances with central banks		**3,868,907**	**–**	**–**
Loans and advances to banks		**1,730,153**	**–**	**–**
Loans and advances to customers				
Opening balance under IAS 39	(A)	2,989,919	–	–
Remeasurement: ECL allowance		(4,740)	–	*(4,740)*
Closing balance under IFRS 9		**2,985,179**	–	–
Investment securities – amortised cost				
Opening balance under IAS 39		–	–	–
Add: from AFS debt – within liquidity portfolio	(B)	815,991	*815,991*	–
Remeasurement: ECL allowance		(359)	–	*(359)*
Add: from AFS debt – securitised vehicle, senior tranches	(C)	38,031	*38,031*	–
Remeasurement: from FV to amortised cost		(536)	–	*(536)*
Closing balance under IFRS 9		**853,127**	–	–
Other financial assets				
Opening balance under IAS 39		426,351	–	–
Remeasurement: ECL allowance		(1,207)	–	*(1,207)*
Closing balance under IFRS 9		**425,144**	–	–
Total financial assets measured at amortised cost 1 January 2018		**9,862,510**	***854,022***	***(6,842)***
Trading assets		**47,977**	**–**	**–**
Loans and advance to customers		**32,859**	**–**	**–**
Investment securities – FVTPL (mandatory)				
Opening balance under IAS 39		–	–	–
Add: from AFS equity – issued by mutual funds	(D)	422,599	*422,599*	–
Add: from AFS debt investment – securitised vehicle, junior tranches	(C)	10,754	*10,754*	–
Add: from AFS equity – investments	(E)	66,897	*66,897*	–
Add: from AFS debt – not meeting SPPI test	(F)	22,559	*22,559*	–
Add: from designated at FVTPL (IAS 39) – investments	(E)	467,178	*467,178*	–
Closing balance under IFRS 9		**989,987**	–	–
Investment securities – FVTPL (designated)				
Opening balance under IAS 39		467,178	–	–
Less: to mandatory FVTPL (IFRS 9)	(E)	(467,178)	*(467,178)*	–
Closing balance under IFRS 9		–	–	–
Total financial assets measured at FVTPL 1 January 2018		**1,070,823**	***522,809***	**–**
Investment securities – FVOCI (debt instruments)				
Opening balance under IAS 39		–	–	–
Add: from AFS – debt where sales are envisaged	(H)	99,354	*99,354*	–
Closing balance under IFRS 9		**99,354**	–	–
Investment securities – FVOCI (equity instruments)				
Opening balance under IAS 39		–	–	–
Add: from AFS strategic equity instrument	(G)	120,158	*120,158*	–
Closing balance under IFRS 9		**120,158**	–	–

In thousands of euro	Note	Carrying amount 31 December 2017/ 1 January 2018	*Of which: reclassifications*	*Of which: remeasurements*
Investment securities – AFS				
Opening balance under IAS 39	Note 4	1,596,343	–	–
Less: to amortised cost – debt within liquidity profile	(B)	(815,991)	*(815,991)*	–
Less: to amortised cost – securitised vehicle, senior tranches	(C)	(38,031)	*(38,031)*	–
Less: to mandatory FVTPL (IFRS 9) – issued by mutual funds	(D)	(422,599)	*(422,599)*	–
Less: to mandatory FVTPL (IFRS 9) – securitised vehicle, junior tranches	(C)	(10,754)	*(10,754)*	–
Less: to mandatory FVTPL (IFRS 9) – investments	(E)	(66,897)	*(66,897)*	–
Less: to mandatory FVTPL (IFRS 9) – debt not meeting SPPI test	(F)	(22,559)	*(22,559)*	–
Less: to FVOCI – strategic equity instrument	(G)	(120,158)	*(120,158)*	–
Less: to FVOCI – debt where sales are envisaged	(H)	(99,354)	*(99,354)*	–
Closing balance under IFRS 9		–	–	–
Total financial assets measured at FVOCI 1 January 2018		**219,512**	***(1,376,831)***	**–**
TOTAL FINANCIAL ASSETS 1 JANUARY 2018		**11,152,845**	**–**	***(6,842)***

(A) LOANS AND OTHER RECEIVABLES
Loans and other receivables continue to be classified as amortised cost where allowed under IFRS 9 (see 3.2.3 below).

(B) DEBT SECURITIES WITHIN THE LIQUIDITY PORTFOLIO
Certain highly liquid debt securities are held by the treasury function for a long period of time. These securities may be sold before maturity, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets, which were previously classified as AFS, were classified as amortised cost from the date of initial application.

(C) SECURITISED VEHICLES
Under IAS 39, the Group's investments in securitised vehicles were classified as AFS debt investments. When applying IFRS 9, the Group made an assessment of whether the tranches held met the SPPI criteria. A critical point to consider is whether a given tranche has a credit rating that is higher than the underlying portfolio of assets. Those which do (generally the senior tranches) can be classified as amortised cost. Those which do not (generally the junior tranches) must be classified as FVTPL.

(D) EQUITY INSTRUMENTS ISSUED BY MUTUAL FUNDS
Units of mutual funds which qualify as AFS equity under IAS 39 must be measured at FVTPL under IFRS 9, where their value can be redeemed from the issuer of the instrument.

(E) INVESTMENT ASSETS
Assets which are held primarily to make valuation gains are classified as fair value through profit or loss. This includes Merchant Banking investments.

(F) DEBT SECURITIES WHICH FAIL THE SPPI TEST
Debt securities previously held as AFS are classified as FVTPL if they failed to meet the SPPI test.

(G) DESIGNATION OF EQUITY INSTRUMENTS AS FVOCI
Long-term shareholdings held by the Group for strategic purposes, such as its investment in EdRS, are designated under IFRS 9 as FVOCI, because gains and losses made on these are not considered by management as part of the Group's performance. Under IAS 39, this type of shareholding was classified as AFS.

(H) DEBT SECURITIES WHERE THE BUSINESS MODEL INCLUDES THE POSSIBILITY OF SELLING THE ASSET
Debt securities previously held as AFS are classified as FVOCI if they are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling the assets.

2.4.3 Reconciliation of categories of shareholders' equity from IAS 39 to IFRS 9
The following table analyses the impact on reserves and retained earnings, net of tax, of the transition to IFRS 9. The impact affects the fair value reserve and retained earnings. There is no impact on other components of equity.

In thousands of euro	Impact of adopting IFRS 9 at 1 January 2018
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	**32,993**
Remeasurement of investment securities (debt) when reclassified from AFS to amortised cost	(536)
Reclassification of investment securities (equity and debt) from AFS to FVTPL	(12,024)
OPENING BALANCE UNDER IFRS 9 (1 JANUARY 2018)	**20,433**
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	**642,543**
Reclassification of investment securities (equity and debt) from AFS to FVTPL	12,024
Recognition of expected credit losses under IFRS 9	(6,314)
Tax on the expected credit losses under IFRS 9	2,006
OPENING BALANCE UNDER IFRS 9 (1 JANUARY 2018)	**650,259**

2.4.4 Reconciliation of impairment allowances from IAS 39 to IFRS 9

The following table reconciles the impairment allowances at 31 December 2017, measured in accordance with the incurred loss model of IAS 39, to the impairment allowance at 1 January 2018, measured in accordance with the expected loss model of IFRS 9:

In thousands of euro	Loan loss allowance under IAS 39/ Provision under IAS 37	Reclassifications	Remeasurements	Loan loss allowance under IFRS 9
Loans and receivables (IAS 39)/financial assets at amortised cost (IFRS 9)				
Loans and advances to customers	76,923	–	4,740	81,663
Debt securities	–	–	359	359
TOTAL	**76,923**	**–**	**5,099**	**82,022**
AFS financial instruments (IAS 39)/financial assets at FVOCI (IFRS 9)				
Debt securities	9,837	(9,837)	–	–
Equity securities	124,325	(124,325)	–	–
TOTAL	**134,162**	**(134,162)**	**–**	**–**
Other financial assets				
Other financial assets	18,272	–	1,207	19,479
TOTAL	**18,272**	**–**	**1,207**	**19,479**
Loan commitments and financial guarantee contracts				
Loan commitments	995	–	99	1,094
TOTAL	**995**	**–**	**99**	**1,094**

Loss allowances for AFS assets are no longer recorded once the asset is reclassified as FVTPL or as equity at FVOCI.

Further information on the measurement of impairment allowance under IFRS 9 can be found in “Expected Credit Loss Measurement” (section 3.2.5).

2.5 Adoption of new accounting standards in the year ended 31 December 2018 – IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaced the current standards and interpretations on revenue recognition. The Group has adopted IFRS 15 using the cumulative effect method, which means that any changes prior to adoption on 1 January 2018 are made in opening equity, and comparatives are not restated.

In assessing the impact of adopting IFRS 15, the Group has considered Global Advisory to be the line of business most likely to be affected by the new standard. Our assessment reviewed all material GA fees to see whether any would have been recognised differently under IFRS 15. The differences identified last year between revenue recognition under IFRS 15 and IAS 18, the previous standard, were immaterial.

The new IFRS 15 accounting policies applied in the current period are described in section 3.2.15.

2.6 Other changes to accounting standards

Other new amendments and interpretations of accounting standards, which are mandatory for the Group's financial statements for the year ended 31 December 2018, are considered to have no material effect on the Group. The Group did not choose to apply any new standards, amendments and interpretations adopted by the European Union for which the application in the year ended December 2018 was optional, except for the amendment to IFRS 9 Prepayment Features with Negative Compensation.

2.7 Future standards and interpretations

2.7.1 IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. This standard replaces IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Group will elect to not recognise ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low value IT equipment. The payments for such leases are recognised in the income statement on a straight-line basis over the lease term.

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

ASSETS LEASED BY THE GROUP FROM OTHERS

The Group will recognise new assets and liabilities for its operating leases of office space as well as non-property items. The disclosure of expenses related to those leases will change in 2019, because the Group will recognise both a depreciation charge for right-of-use assets and an interest expense arising from unwinding the discount on the lease liabilities.

Previously, the Group recognised an operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for the cost of restoring leased property to its original condition when it is returned to the lessor. Instead, the Group will include the provision in its lease liability.

EXPECTED FINANCIAL IMPACT OF IFRS 16

On transition to IFRS 16, based on the information currently available, the Group estimates that it will recognise approximately €0.2–0.3 billion of ROU assets and leasing liabilities.

The minimum lease payments disclosed as at 31 December 2018 in note 23 are €274 million. The minimum lease payments are expected to exceed the IFRS 16 leasing liabilities, and the differences are mainly caused by:

- the effect of discounting on future lease payments; and
- the estimated length of the lease, as IFRS 16 requires that it must be "reasonably certain" that renewal options or termination options are taken when determining the amount of future payments for which the entity is obliged to pay.

Based on the information currently available, the implementation of IFRS 16 is expected to cause the lease expense in 2019 to be higher than the lease expense that would have been recognised under the previous IAS 17 accounting rules. The increase results from the impact of discounting the liability in early years of the lease and is not expected to be material to the Group's results in 2019.

ASSETS WHICH THE GROUP HAS LEASED TO OTHERS

No significant impact is expected for leases in which the Group is the lessor.

TRANSITION

The Group will apply IFRS 16 on 1 January 2019 using the modified retrospective approach. Therefore, the cumulative effect on the balance sheet of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The comparative information will continue to be reported under IAS 17 rules.

For the purposes of applying the modified retrospective approach to its leases, the Group elects to:

- measure the right-of-use asset as if the right-of-use asset was new as at the date of transition (1 January 2019) using the incremental borrowing rate at the date of transition;
- apply the practical expedient to apply a single discount rate to a portfolio of leases with similar characteristics.

PROJECT PROGRESS

During 2018, the Group has continued its project to implement IFRS 16 consistently across the Group. This has included research, discussion with and training of the finance teams in the Group's subsidiaries, as well as collecting data on the impact on first-time adoption, entity-by-entity in the last quarter of 2018. The results have been analysed, interrogated and compared to previous disclosures made on lease commitments.

System changes are being made to enable subsidiaries to record and account for their leases.

2.7.2 Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRS effective 1 January 2019 (including IFRIC 23 Uncertainty over Income Tax Treatments). These revised requirements are not expected to have a significant impact on the Group.

3. Accounting policies

3.1 Consolidation method

3.1.1 Financial year end of the consolidated companies

As explained in Section 1, Highlights, the Company's accounting period being reported on is for the twelve months to 31 December 2018, following the change announced on 21 March 2017.

For this reporting period, the financial statements of the Group are drawn up to 31 December 2018 and consolidate the financial statements of the Company and its subsidiary undertakings. At each closing date, the Group draws conclusions from past experience and all relevant factors relating to its business.

Rothschild & Co and the majority of its subsidiaries are now consolidated on the basis of a financial reporting date of 31 December 2018. A few entities report on the basis of a different financial reporting date. If a material subsequent event occurs between the closing date of these subsidiaries and 31 December 2018, this event is accounted for in the consolidated financial statements of the Group as at 31 December 2018.

3.1.2 Subsidiaries

Subsidiaries are all entities which are controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity.

In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date on which the Group acquires control and cease to be consolidated from the date that control ceases.

3.1.3 Associates and joint arrangements

Associates are companies over whose financial and operational decisions the Group exercises significant influence but not control (this is generally demonstrated when the percentage of voting rights is equal to or greater than 20% but less than or equal to 50%).

Joint arrangements are where two or more parties, through a contractual arrangement, have joint control over the assets and liabilities of an arrangement. Depending on what those rights and obligations are, the joint arrangement will either be a joint operation (where the parties subject to the arrangement have rights to the assets and obligations for the liabilities of the arrangement) or a joint venture (where the parties subject to the arrangement have rights to the net assets of the arrangement).

The Group's investments in associated undertakings are initially recorded at cost. Subsequently they are increased or decreased by the Group's share of the post-acquisition profit or loss, or by other movements reflected directly in the equity of the associated undertaking. Positive goodwill arising on the acquisition of an associated undertaking is included in the cost of the investment (net of any accumulated impairment loss).

3.1.4 Business combinations and goodwill

Business combinations are accounted for using the acquisition method stipulated by IFRS 3 Business Combinations. Thus, upon initial consolidation of a newly acquired company, the identifiable assets acquired, liabilities assumed and any contingent liabilities of the acquired entity are measured at fair value in accordance with the provisions of IFRS. The costs directly attributable to business combinations are recognised in the income statement for the period.

Contingent cash consideration is normally included in the acquisition cost at its fair value on the acquisition date, even if its payment is not certain. It is recognised as a liability in the balance sheet; any subsequent adjustments to its value are booked in the income statement in accordance with IFRS 9. However, sometimes arrangements are made in which contingent payments to acquire a company are made to a vendor who is an employee, and these can be forfeited if the employee leaves voluntarily. In this case, these contingent payments are not considered as part of the acquisition cost. Instead, these payments are accounted for as a post-purchase staff expense.

Goodwill in an associate or subsidiary represents the excess, at the date of acquisition, of an acquisition's cost over the fair value of the Group's share of net identifiable assets acquired. Identifiable intangible assets are those which can be sold separately or which arise from legal rights, regardless of whether those rights are separate. If the fair value exceeds the cost, the difference ("negative goodwill") is immediately recognised in the income statement. All necessary valuations of assets and liabilities must be carried out within twelve months of the date of acquisition, as must any corrections to the value based on new information.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised, but is tested annually for impairment, or more frequently when circumstances indicate that its carrying amount is too high. Goodwill is allocated to cash-generating units for the purposes of impairment testing. If the value of each of the cash-generating units is insufficient to support its carrying value, then the goodwill is impaired. Impairment losses on goodwill are recognised in the income statement and are not reversed.

Results from subsidiaries acquired during the financial year are included from their acquisition dates and income from subsidiaries sold is included up to their disposal dates.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.1.5 Non-controlling interests
For all business combinations, the Group assesses non-controlling interests as either:

- based on its share of the fair value of the identifiable assets and liabilities at the date of the acquisition, without recognising the goodwill for non-controlling interests (partial goodwill method); or
- at fair value at the date of acquisition. Consequently the recognition of the goodwill is allocated to Group share and to non-controlling interests (full goodwill method).

On the date of acquisition of an entity, any stake in this entity already held by the Group is revalued at fair value through profit or loss, because taking control is accounted for as a sale and repurchase of the shares previously held.

In the event of an increase in the Group's stake in entities over which it already exercises control, the difference between the price paid for the additional stake and the fair value of the share of net assets acquired at this date is booked in the Group's reserves as a reallocation from non-controlling interests to other equity. In the same way, any reduction in the Group's stake in an entity which it continues to control is accounted for as an equity transaction between shareholders. At the date when the Group loses control of a consolidated subsidiary, any investment retained in the former subsidiary is revalued at fair value through the income statement.

3.1.6 Contracts to purchase non-controlled shares in subsidiaries
Where non-controlling shareholders have a contract to sell their equity interests in a subsidiary to the Group, the Group applies the anticipated-acquisition method of accounting for the interests that it did not already own. This means that the contract is accounted for as if the non-controlling shareholders had sold their shares to the Group, even though legally they are still NCI. This happens regardless of how the exercise price is determined (e.g. fixed or variable) and how likely it is that the contract will be exercised. Where the deferred consideration is linked to a put option, not a forward purchase, the Group recognises changes in the carrying amount of the liability in equity, including the accretion of interest.

3.2. Accounting principles and valuation methods

3.2.1 Accounting judgements and estimates
The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the accounts, include:

VALUATION OF FINANCIAL ASSETS AND LIABILITIES
Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value used to measure a financial instrument is, where available, the listed price when the financial instrument is listed on an active market. In the absence of an active market, fair value is determined using measurement techniques.

A description of the valuation techniques used, analysis of assets and liabilities carried at fair value by valuation hierarchy, and a sensitivity analysis of valuations not primarily based on observable market data is provided in section 4.5 of the financial statements.

IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST
The Group used judgements when recognising the Expected Credit Losses (ECL) for financial assets at amortised cost. This applies in particular to the assessment of significant increase in credit risk (SICR), the models and assumptions used to measure ECL. Management determines the size of the impairment allowance required using a range of factors such as the realisable value of any collateral, the likely recovery on liquidation or bankruptcy, the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations.

The accuracy of the allowances made depends on how accurately the Group estimates future cash flows for credit impaired financial assets (stage 3), in particular the fair value of any collateral, and the model assumptions and parameters used in determining allowances for financial assets classified in stage 1 & 2. While this necessarily involves judgement, the Group believes that its allowances are reasonable and supportable.

A description of the methodology used for the main instruments classified at amortised cost is provided in section 4.2.2.1 of the financial statements.

PENSIONS
The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method and the principal assumptions used are set out in note 21. The assumptions that have the greatest impact on the measurement of the pension fund liability, along with their sensitivities, are also set out in note 21.

DEFERRED TAX
Deferred tax assets, including those in relation to tax losses carried forward, are only recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. Further details are provided in note 18.

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES
Goodwill and intangible assets with indefinite lives are assessed at each balance sheet date to determine whether they are impaired. The assessment includes management assumptions on future income flows and judgements on appropriate discount rates. Management performs sensitivity analysis of these assumptions as part of this assessment. Further details of management's assessment are contained in notes 11 and 12.

PROVISIONS

From time to time the Group is involved in legal proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, provisions are made where it is probable that an outflow of resources will be required and the amount can be reliably estimated.

CONSOLIDATION OF STRUCTURED ENTITIES

The Group manages some structured entities in the form of funds in which the Group's own money is also invested. In these situations, a judgement must be made whether there is a need to consolidate these funds or not. The judgement is explained in note 19.

3.2.2 Foreign currency transactions

The consolidated financial statements are presented in euro, which is the Company's functional currency and the Group's reporting currency. Items included in the financial statements of each of the Group's subsidiaries and associates are measured using their functional currency. The functional currency is the currency of the primary economic environment in which the entity operates.

Income statements and cash flows of foreign entities are translated into the Group's reporting currency at closing exchange rates for each month, where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Their balance sheets are translated at the exchange rate at the end of the period. Exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. On disposal of a foreign entity, these translation differences are recognised in the income statement as part of the gain or loss on sale.

Translation differences on equities classified as FVTPL are reported as part of the fair value gain or loss in the income statement. In the absence of hedge accounting, translation differences on equities classified as FVOCI are included in the FVOCI reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

The table below shows at each quarter end the main exchange rates against the euro that were used to prepare the consolidated accounts.

	01/01/18 31/12/18 (12 months)			01/04/17 31/12/17 (9 months)		
	GBP	CHF	USD	GBP	CHF	USD
1 January	**0.8877**	**1.1702**	**1.2008**			
31 March	0.8783	1.1748	1.2318			
1 April				**0.8553**	**1.0706**	**1.0695**
30 June	0.8843	1.1593	1.1670	0.8769	1.0873	1.1236
30 September	0.8909	1.1344	1.1621	0.8938	1.1461	1.1909
31 December	**0.8938**	**1.1288**	**1.1439**	**0.8877**	**1.1702**	**1.2008**

3.2.3 IFRS 9 Financial assets and liabilities – classification and measurement (from 1 January 2018)

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

FINANCIAL ASSETS AT AMORTISED COST

A financial asset is measured at amortised cost only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in section 3.2.5 IFRS 9 Financial assets – impairment (from 1 January 2018). Interest income from these financial assets is included in "Interest income" using the effective interest method.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net banking income. Interest income from these financial assets is included in "interest income" using the effective interest method.

On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in OCI. This election is made on an investment-by-investment basis. Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial assets that meet the criteria for the classification of amortised cost or FVOCI, but which are managed, and whose performance is evaluated, on a fair value basis, are measured at FVTPL on a designated basis.

Financial assets that do not meet the criteria for the classification of amortised cost or FVOCI are measured at FVTPL on a mandatory basis.

These financial assets are recognised at fair value, with transaction costs recorded immediately in the income statement, and they are subsequently measured at fair value. Gains and losses arising from changes in fair value, or on derecognition, as well as interests and dividends from financial assets at FVTPL are recognised in the income statement as net gains or losses on financial assets at FVTPL.

BUSINESS MODEL ASSESSMENT

The Group makes an assessment of the business model in which an asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, the Group considers whether management's strategy focuses on earning interest revenue, maintaining a particular interest profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets; or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated, e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reason for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed on a fair value basis are measured at FVTPL.

ASSESSMENT WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST (SPPI)

For the purposes of this assessment "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amounts and timing of cash flows;
- prepayment and extension terms;
- leverage features;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment compensation is considered as reasonable, and therefore SPPI compliant, when the amount is calculated as a percentage of the outstanding amount of the loan and is capped by regulations (in France, for example, compensation for the prepayment of mortgage loans by individuals is legally capped at an amount equal to six months of interest or 3% of the principal outstanding).

RECLASSIFICATIONS

Financial assets are not reclassified subsequent to their initial recognition, except when the Group changes its business model for managing financial assets.

FINANCIAL LIABILITIES

Financial liabilities are carried at amortised cost using the effective interest rate method, except for derivatives that are classified as fair value through profit or loss on initial recognition (unless designated as cash flow hedges).

3.2.4 Financial assets (up to 31 December 2017)

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category comprises financial assets held for trading (i.e. primarily acquired for the purpose of selling in the short term), assets that are designated as fair value through profit or loss and derivatives that are not designated as hedges.

These financial assets are recognised at fair value, with transaction costs recorded immediately in the income statement, and they are subsequently measured at fair value. Gains and losses arising from changes in fair value, or on derecognition, are recognised in the income statement as net gains or losses on financial assets at fair value through profit or loss. Interest and dividend income from financial assets at fair value through profit or loss is recognised in net gains or losses on financial assets at fair value through profit or loss.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans which are intended to be sold in the short term are classified as held for trading and are recorded at fair value through profit or loss.

Loans and receivables are initially recorded at fair value, including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses on loans and receivables that are derecognised are booked as Income from other activities.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale investments comprise non-derivative financial assets that are either designated as available for sale on initial recognition or are not classified into the categories described above. Available-for-sale investments include some loans and debt securities that do not meet the criteria for classification as loans and receivables as they are quoted in an active market. They are initially recognised at fair value, including direct and incremental transaction costs, and are subsequently measured at fair value.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity until the financial asset is sold or impaired, at which time the cumulative gain or loss is transferred to the income statement. Interest (determined using the effective interest rate method), impairment losses and translation differences on monetary items are recognised in the income statement as they arise. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

3.2.5 IFRS 9 Financial assets – impairment (from 1 January 2018)

SCOPE OF APPLICATION

The Group recognises loss allowances for Expected Credit Loss (ECL) on the following financial instruments that are not measured at FVTPL:

- loans, advances and debt securities;
- accounts receivable;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments as required by IFRS 9.

CREDIT RISK AND PROVISIONING STAGES

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit impaired. See below for a description of how the Group determines when an SICR has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of the lifetime ECL that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis. See below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

For the accounts receivable, the Group uses the "simplified" approach, under which impairments are calculated as ECL lifetime at initial recognition, regardless of any changes in the counterparty's credit risk.

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are disclosed below.

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, which are based on the Group's credit risk management process. The Group has decided that an SICR is indicated if the relevant credit committee decides that the credit rating of a financial asset is Category 2 or 3.

Financial instruments are often considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. For fee income receivable by the GA business, the Group has rebutted this presumption and it considers that a significant increase is experienced only after 90 days past due. This rebuttal is based on historical experience of payments and is in line with the internal provisioning process (more detail is in section 4.2.2.1).

The Group has not used the low credit risk exemption for any financial instruments in the period.

DEFINITION OF DEFAULT

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt instruments at FVOCI are credit impaired (Stage 3). When an asset is considered as credit impaired, it is also considered to be in default. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated cash flows of the financial asset have occurred.

Objective evidence that a financial asset or group of assets is credit impaired includes the following observable data:

- significant financial difficulty of the issuer;
- a breach of contract, such as a default or delinquency in repayment of interest or principal;
- granting to the borrower, for economic or legal reasons relating to its financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

A financial asset that is classified as credit impaired (Stage 3) has a credit rating of Category 4 or 5 (more detail on credit rating is given in 4.2.1).

EXPECTED CREDIT LOSS MEASUREMENT

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired (Stage 1 & 2) at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired (Stage 3) at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

ECL is the discounted product of the following factors:

ECL = Probability of Default (PD) x Exposure at Default (EAD) x Loss Given Default (LGD)

The PD represents the likelihood of a borrower defaulting on its financial obligation (based on the definition of default in our accounting principles), either over the next twelve months (12m PD), or over the remaining lifetime (lifetime PD) of the obligation.

The EAD is based on the amounts the Group expects to be owed at the time of default, over the next twelve months (12m EAD) or over the remaining lifetime (lifetime EAD). The Group derives the EAD from the current exposure to the counterparty.

LGD is the percentage of the likely loss if there is a default. The Group estimates LGD parameters informed by historical recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral and recovery cost of any collateral that is provided to secure the financial asset. For loans secured by property, LTV ratios are a key parameter in determining LGD.

These parameters are generally derived from internally developed models and other historical data.

PRESENTATION OF ALLOWANCE FOR ECL IN THE BALANCE SHEET

Loss allowances for ECL are presented in the balance sheet as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the balance sheet because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

WRITE-OFF

The Group writes off financial assets (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

3.2.6 Impairment of financial assets (up to December 2017)

IMPAIRMENT OF LOANS AND RECEIVABLES

The Group first assesses whether objective evidence of impairment exists: individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment losses are calculated on a collective basis for any losses on loans that are subject to individual assessment for impairment, where those losses have been incurred but not yet identified. Collective assessment is also used for homogeneous groups of loans that are not considered individually significant. If no objective evidence of impairment exists for an individually assessed financial asset, it is included in a collective assessment for impairment with other assets with similar risk characteristics.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced using an allowance account. The amount of the loss is recognised in the income statement.

The calculation of the present value of the estimated future cash flows of a financial asset reflects the cash flows that may result from scheduled interest payments, principal repayments or other payments due, including liquidation of collateral where available. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the value of any underlying collateral or guarantees in the Group's favour. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are reviewed by the relevant Credit Committee on a regular basis. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Collectively assessed credit risk allowances cover credit losses inherent in portfolios of financial assets with similar economic characteristics where there is objective evidence to suggest that they contain impaired assets but the individual impaired items cannot yet be identified. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Future cash flows are estimated on the basis of historical loss experience. These estimates are subject to regular review and adjusted to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the original effective interest rate which was used to discount the future cash flows for the purpose of measuring the impairment loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an objective event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance for loan impairment. The amount of the reversal is recognised in the income statement.

When a loan is deemed uncollectable, it is written off against the related allowance for loan impairment. Recoveries received in respect of loans previously written off are recorded as a decrease in the impairment losses on loans and advances recorded in the income statement in the year in which the recovery was made. Loans whose terms have been renegotiated and which would have been past due or impaired had they not been renegotiated, are reviewed to determine whether they are impaired or past due.

IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale assets are assessed at each balance sheet date to determine whether there is objective evidence that these are impaired.

For equity instruments, a significant or prolonged fall in their price below their acquisition cost is an objective indication of value impairment. The Group considers that this is the case, in particular, for equity instruments which at the reporting date show unrealised losses exceeding 40% of their acquisition cost and for those in a situation of an unrealised loss during a continuous five-year period. Even if the criteria mentioned above were not met, management may decide to examine the results for other criteria (financial position of the issuer, outlook for the issuer, multiple-criteria valuations, etc) in order to determine whether the fall in value is of a permanent nature. Where there is an objective indication of value impairment, the cumulative loss is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value on an impaired AFS equity increases, the impairment loss is not reversed through the income statement. However, any further decline in the fair value will be recognised as a further impairment charge.

Impairment of available-for-sale debt securities is based on the same criteria as for all other financial assets. If in a subsequent period the fair value of a debt instrument classified as available for sale increases, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

The loss recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

3.2.7 Derivative instruments and hedge accounting

DERIVATIVES

Derivatives are entered into for trading or risk management purposes. Derivatives used for risk management are recognised as hedging instruments when they qualify as such under IAS 39.

Derivatives are initially recognised at fair value and are subsequently measured at fair value with changes in fair value recognised in the income statement. If there is a designated hedging relationship between a hedging instrument and a hedged item, the recognition of the profit or loss on the hedging instrument and the hedged instrument must comply with the conditions of IAS 39, depending on the hedging relationship.

HEDGE ACCOUNTING

The Group may apply hedge accounting when transactions meet the criteria set out in IAS 39. At the inception of the hedge, the Group assesses whether the hedging derivatives meet the effectiveness criteria of IAS 39 in offsetting changes in the fair value or cash flows of the hedged items. The Group then documents the relationship between the hedging instrument and the hedged item. It also records its risk management objectives, its strategy for undertaking the hedge transaction and the methods used to assess the effectiveness of the hedging relationship.

After inception, effectiveness is tested on an ongoing basis. Hedge accounting is discontinued when it is determined that a derivative has ceased to be highly effective, or when the derivative or the hedged item is derecognised, or when the forecast transaction is no longer expected to occur.

FAIR VALUE HEDGE ACCOUNTING

Changes in value of fair value hedge derivatives are recorded in the income statement, together with fair value changes to the underlying hedged item in respect of the risk being hedged.

If the hedge no longer meets the criteria for hedge accounting, the difference between the carrying value of the hedged item on termination of the hedging relationship and the value at which it would have been carried had the hedge never existed is amortised to the income statement over the residual period to maturity based on a recalculated effective interest rate. Where the hedged item is an available-for-sale equity security, the adjustment remains in equity until the disposal of the equity security.

NET INVESTMENT HEDGE IN FOREIGN OPERATIONS

Hedges of net investments in foreign operations are accounted for in a way similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are transferred to the income statement when the foreign operation is disposed of.

3.2.8 Derecognition

The Group derecognises a financial asset when:

- the contractual rights to cash flows arising from the financial assets have expired; or
- it transfers the financial asset including substantially all of the risks and rewards of the ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of the asset, but no longer retains control of the asset.

When a sale is followed by an immediate buyback and the Group considers that it has substantially retained the risks and rewards of ownership, it would not derecognise the asset.

3.2.9 Securitisation transactions

The Group may enter into funding arrangements with lenders in order to finance specific financial assets.

In general, the assets from these transactions are held on the Group's balance sheet on origination. However, to the extent that substantially all the risks and returns associated with the assets have been transferred to a third party, the assets and liabilities are derecognised in whole or in part.

Interests in securitised financial assets may be taken in the form of senior or subordinated tranches of debt securities, or other residual interests. Under IAS 39, the Group's investments in securitised vehicles were classified as AFS debt instruments. When applying IFRS 9, the Group made an assessment of whether the tranches held met the SPPI criteria. A critical point to consider is whether the given tranche has a credit rating that is higher than the underlying portfolio of assets. Those which do (generally the senior tranches) can be classified as amortised cost. Those which do not (generally the junior tranches) must be classified as FVTPL.

3.2.10 Intangible assets

Intangible assets include software, intellectual property rights and assets acquired through business combinations such as brands, contracts to earn management fees, and client relationships. These are carried at historical cost less amortisation, if any, and less any accumulated impairment losses.

For assets with a definite life, amortisation is charged over the useful economic life of the asset, which is determined case by case based on the asset or contract. Contracts to earn management fees are amortised in line with income earned from the contracts; otherwise a straight-line amortisation method is used. The intangible assets which have a definite useful life are reviewed at each reporting date to determine whether there is objective evidence of impairment. If such evidence exists, an impairment test is performed.

The acquired brands have been considered to have an indefinite life and are not amortised; instead they are subject to an annual impairment test.

3.2.11 Tangible assets

Tangible assets comprise plant, property and equipment and are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the given asset. The deemed cost refers to the situation in which, on transition to IFRS, the Group elected, as IFRS 1 First-time adoption of IFRS permits, to consider the fair value of a tangible asset at that time to be its deemed cost.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to write down the cost of assets to their residual values over their estimated useful lives, as follows:

Computer equipment	2 – 10 years
Cars	3 – 5 years
Fixtures and fittings	3 – 10 years
Leasehold improvements	4 – 24 years
Buildings	10 – 60 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are recognised in the income statement, in "net income/(expense) from other assets".

3.2.12 Impairment of tangible assets

At each balance sheet date, or more frequently where events or changes in circumstances dictate, tangible assets are assessed for indications of impairment. If such indications are present, these assets are subject to an impairment review. If impaired, the carrying values of assets are written down by the amount of any impairment and the loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset is only increased up to the amount that it would have been had the original impairment not been recognised.

3.2.13 Provisions and contingent liabilities

Provisions are recognised only when the Group has a present obligation (legal or constructive) as a result of past events. In addition, it must be probable that a transfer of economic benefits will be required to settle the obligation, and it must also be possible to make a reliable estimate of the amount of the obligation.

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed by one or more uncertain future events not wholly within the Group's control, or present obligations that are not recognised either because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be reliably estimated. Contingent liabilities are disclosed unless the possibility of a transfer of economic benefits is remote.

3.2.14 Pensions

The Group operates a number of pension and other post-retirement benefit schemes, both funded and unfunded, and of the defined benefit and defined contribution types.

For defined contribution schemes, the contribution payable in respect of the accounting period is recognised in the income statement.

Remeasurement gains and losses for defined benefit schemes are recognised outside the income statement and are presented in the statement of comprehensive income.

The amount recognised in the balance sheet in respect of defined benefit schemes is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of the plan's assets. Independent actuaries calculate the defined benefit obligation annually using the projected unit credit method. The obligations' present values are determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currencies in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

3.2.15 IFRS 15 Revenue from Contracts with Customers (from 1 January 2018)

With effect from 1 January 2018, the Group adopted IFRS 15 Revenue from Contracts with Customers, replacing IAS 18 Revenue.

The Group earns fee and commission income from a range of services it provides to clients. Under IFRS 15, revenue is recognised when a customer obtains control of the service. Fee income generated by the Group can be categorised into the two broad categories below, depending upon the timing of the relevant service.

POINT IN TIME SERVICES

These fees are earned from providing services for which revenue is earned only when the service has been completed, i.e. once a performance obligation has been satisfied. Examples include a payment for advisory services that will only be made after the successful completion of a mandate. Revenue is recognised when it is highly probable that there will not be a significant reversal of the revenue in future.

SERVICES PROVIDED OVER TIME

These are fees earned from services that are provided over a period of time. Examples in the WAM business include asset management fees related to investment funds as well as income from wealth management, financial planning and custody services that are continuously provided over an extended period of time. For GA, these services include advisory services paid upfront or on a retainer basis. Revenue is recognised over the period in which the services are provided, once one of the following occurs:

i) the customer consumes the benefits provided by the Group and another entity would not need to substantially re-perform the work that the Group has completed to date; or

ii) the Group has an enforceable right to payment for performance completed to date.

The amount of fee and commission income is based on consideration specified in a legally enforceable contract. The revenue recognised for each mandated service represents a market price, and consideration received is allocated to the separately identifiable performance obligations in a contract.

Fees and commissions that are an integral part of a loan, and loan commitment fees for loans that are likely to be drawn down, are deferred (together with related direct costs) and recognised over the life of the loan as an adjustment to the effective interest rate.

Costs can sometimes be charged to the client in the course of a mandate. Where recoverable, these are recognised as a receivable rather than revenue.

3.2.16 Interest income and expense

Interest receivable and payable represents all interest arising out of banking activities, including lending and deposit-taking business, interest on related hedging transactions and interest on debt securities. Interest on all financial instruments, excluding those classified as held for trading or designated at fair value through profit or loss, is recognised in the income statement using the effective interest rate method.

Where negative interest arises from financial assets, the negative interest income is disclosed within interest expense.

The effective interest rate is the rate that exactly discounts the estimated future cash flows of a financial instrument to its net carrying amount. It is used to calculate the amortised cost of a financial asset or a financial liability and to allocate the interest over the relevant period (usually the expected life of the instrument). When calculating the effective interest rate, the Group considers all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes any premiums or discounts, as well as all fees and transaction costs that are an integral part of the loan.

3.2.17 Income from fees and commissions (up to 31 December 2017)

The Group earns fee and commission income from services provided to clients. Fee income from advisory and other services can be divided into two broad categories: fees earned from services that are provided over a period of time, which are recognised over the period in which the service is provided; and fees that are earned on completion of a significant act or on the occurrence of an event, such as the completion of a transaction, which are recognised when the act is completed or the event occurs.

The Group recognises revenue from providing services when the following criteria are met: there is persuasive evidence of an arrangement with a client; the agreed-upon services have been provided; the amount of fees has been determined; and collection is probable.

Fees and commissions that are an integral part of a loan, and loan commitment fees for loans that are likely to be drawn down, are deferred (together with related direct costs) and recognised over the life of the loan as an adjustment to the effective interest rate.

Portfolio and other management fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

3.2.18 Carried interest

The Group is entitled to receive carried interest in relation to certain of the private equity and private debt funds that it manages. Carried interest receivable is accrued if the performance conditions associated with earning it would be achieved, on the assumption that the remaining assets in the fund were realised at the balance sheet date at fair value. Fair value is determined using the valuation methodology applied by the Group in its role as manager to its funds and is measured at the balance sheet date. An accrual is made equal to the Group's share of profits in excess of the performance conditions, taking into account any cash already paid to the fund's investors and the fair value of assets remaining in the fund.

Certain employees may also hold classes of share capital which give them a right to receive carried interest from investments managed by the Group. Where such carry shares held by staff are in an investment vehicle which is not consolidated, the interests of the staff are reflected in a reduced investment return of the Group's own interests. Where the carry shares held by staff are in a vehicle which is consolidated, the interests of the staff are treated as non-controlling interests of the Group. The valuation of the interests held by staff is calculated at the balance sheet date using the same method as the valuation of the Group's interests, as described above.

3.2.19 Long-term incentive schemes

LONG-TERM PROFIT SHARE SCHEMES

The Group operates long-term profit share schemes for the benefit of employees. The costs of such schemes are recognised in the income statement over the period in which the services are rendered that give rise to the obligation. Where the payment of profit share is deferred until the end of a specified vesting period, the deferred amount is recognised in the income statement over the period up to the date of vesting.

SHARE-BASED PAYMENTS

The Group has issued share options which are treated as equity-settled share-based payments. These are valued at the date they are granted to employees and that value is recognised in staff costs over the vesting period, with a corresponding adjustment to shareholders' equity. The fair value is calculated on the basis of the overall plan value at the date of grant. In the absence of any market for stock options, models are used to value the share-based payments. The only assumptions revised after the initial measurement, and hence resulting in a revaluation of the expense, are those relating to the probability that employees will leave the Group.

The Group also pays certain employees using R&Co shares. These are also treated as equity-settled share-based payments. These are valued at the date they are granted to employees and that value is recognised in staff costs over the vesting period.

3.2.20 Taxation

Tax payable on profits and deferred tax are recognised in the income statement, except to the extent that they relate to gains and losses that are recognised in equity.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates and laws that are expected to apply when a deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets, including the tax effects of income tax losses available for carry forward, are only recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax liabilities are provided on temporary differences arising from investments in subsidiaries and associates, unless the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

3.2.21 Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders at the Annual General Meeting or, in the case of interim dividends, when they are paid by the Company after decisions of the Managing Partner, Rothschild & Co Gestion.

3.2.22 Classification of debt and shareholders' equity

Under IFRS, the critical feature in differentiating a debt instrument from an equity instrument is the existence of a contractual obligation of the Group to deliver cash (or another financial asset) to another entity. Where there is no such contractual obligation, the Group will classify the financial instrument as equity; otherwise it will be classified as a liability and carried at amortised cost. The terms of the perpetual debt instruments issued by the Group permit interest payments to be waived unless discretionary dividends have been paid in the previous six months. These instruments are, therefore, considered to be equity. When they are classified as equity, securities issued by the Company are recorded within Capital and associated reserves. If they are issued by Group subsidiaries and held by parties outside the Group, these securities are recognised as non-controlling interests.

3.2.23 Finance leases and operating leases

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

WHERE THE GROUP IS THE LESSOR

- Finance leases
  When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised in interest income over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

- Operating leases
  Assets acquired for use by customers under operating lease agreements, including initial direct costs incurred by the lessor in negotiating an operating lease, are capitalised in the relevant category of fixed assets. Depreciation is charged on a straight-line basis to write down the value of the asset to the expected residual value over a period consistent with other assets of a similar type.

  Operating lease income and the initial direct costs are then recognised in other operating income on a straight-line basis over the period of the lease.

WHERE THE GROUP IS THE LESSEE

The Group has entered into operating leases. The total payments made under those operating leases are charged to the income statement as operating expenses. Commitments arising from operating leases are separately disclosed.

As explained in 2.7.1, the Group will be adopting IFRS 16 from the start of 2019.

3.2.24 Fiduciary activities

The Group acts as custodian and in other fiduciary capacities that result in the holding or placing of assets on behalf of customers. These assets and the income arising therefrom are excluded from these financial statements, as they are not assets or income of the Group.

4. Financial risk management

4.1 Governance

The risks relating to financial instruments, and the way in which these are managed by the Group, are described below. A description of the Group's governance environment is provided in the Corporate Governance section of the annual report (page 77).

4.2 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group.

4.2.1 Credit rating

The Group reviews credit exposures on financial assets on a quarterly basis and for this purpose they are classified as follows:

Category	Definition	Mapping to IFRS 9 three-stage model for impairment (see 3.2.5)
Category 1	Exposures which are considered to be fully performing.	Stage 1
Category 2	Exposures where the payment of interest or principal is not currently in doubt, but which require closer observation than usual, due perhaps to some deterioration in the position of the client. Examples include: poor trading results; difficult conditions in the client's market sector; competitive or regulatory threats; or the potential impact from currency or other factors. Unimpaired GA receivables which are past due over 90 days are included in this category.	Stage 2
Category 3	Exposures where there has been further deterioration in the position of the client compared to Category 2. Although the exposure is not considered to be impaired, the relationship requires close monitoring by the front office team.	Stage 2
Category 4	Exposures that are considered to be impaired and which carry a provision against part of the loan (unless collateral exists which exceeds the exposure's carrying value). At least some recovery is expected to be made.	Stage 3
Category 5	Exposures that are considered to be impaired and which carry a full provision. No significant recovery of value is expected.	Stage 3

All Group companies map their own credit monitoring to these categories for the purposes of Group reporting.

Credit risk management is covered in the report on internal control, risk management and accounting procedures (page 70).

The tables below and on the next page disclose the maximum exposure to credit risk at 31 December 2018 and at 31 December 2017 for financial assets with exposure to credit risk, without taking account of collateral held or other credit risk mitigation.

In millions of euro	Category 1	Category 2	Category 3	Category 4	Category 5	Impairment allowance	31/12/2018
Cash and amounts due from central banks	4,692.1	–	–	–	–	–	4,692.1
Financial assets at fair value through profit or loss	86.9	5.0	–	–	–	–	91.9
Loans and advances to banks	2,043.1	–	–	–	–	–	2,043.1
Loans and advances to customers	2,809.7	62.4	44.4	64.9	15.8	(67.9)	2,929.3
Debt securities at FVOCI	1.7	–	–	–	–	–	1.7
Debt at amortised cost	1,037.4	–	–	–	–	(0.3)	1,037.1
Other financial assets	420.5	10.2	–	6.6	17.3	(24.5)	430.1
Subtotal assets	**11,091.4**	**77.6**	**44.4**	**71.5**	**33.1**	**(92.7)**	**11,225.3**
Commitments and guarantees	524.2	–	–	–	–	n/a	524.2
TOTAL	**11,615.6**	**77.6**	**44.4**	**71.5**	**33.1**	**(92.7)**	**11,749.5**

Credit risk on financial assets at fair value through profit or loss is not measured on equity instruments. Allowances against commitments and guarantees are booked in "Provisions" (note 16).

In millions of euro	Category 1	Category 2	Category 3	Category 4	Category 5	Impairment allowance	31/12/2017
Cash and amounts due from central banks	3,868.9	–	–	–	–	–	3,868.9
Financial assets at fair value through profit or loss	50.2	–	–	–	–	–	50.2
Loans and advances to banks	1,730.2	–	–	–	–	–	1,730.2
Loans and advances to customers	2,855.2	33.1	34.2	128.3	16.0	(76.9)	2,989.9
Available-for-sale debt securities	985.2	–	–	2.0	9.3	(9.8)	986.7
Other financial assets	387.1	34.3	–	10.6	10.1	(15.7)	426.4
Subtotal assets	**9,876.8**	**67.4**	**34.2**	**140.9**	**35.4**	**(102.4)**	**10,052.3**
Commitments and guarantees	563.6	–	0.3	–	–	n/a	563.9
TOTAL	**10,440.4**	**67.4**	**34.5**	**140.9**	**35.4**	**(102.4)**	**10,616.2**

4.2.2 Credit risk exposure

4.2.2.1 GROUPING OF INSTRUMENTS FOR LOSSES MEASURED ON A COLLECTIVE BASIS

For expected credit loss provisions calculated on a collective basis, a grouping of exposures is performed on the basis of risk characteristics that are shared by exposures.

Lending by the R&Co Group is primarily focused on supporting the WAM business by way of lending to private clients, either by way of mortgages against residential properties or against portfolios of securities (Lombard lending). In addition, following the recent merger with Banque Martin Maurel, there is a portfolio of corporate loans which includes some sector specialisations (this equates to approximately €0.3 billion of the total). The UK commercial legacy book continues to run off and is now down to approximately €50 million.

The majority of the private client loan books are secured and there is no historical loss data for these. Nevertheless, we have adopted a conservative approach to measuring losses on a collective basis for these loans, based on assumptions of PD and LGD for different loan types. The approach for the remaining book, which generally comprises a larger number of smaller loans, does have some loss data, and this has been factored into the IFRS 9 calculations.

PCL Lombard and mortgage loans

The Group has a history of very low defaults on its Lombard and mortgage loans made by PCL and the PD and the LGD have been determined by the history of observed defaults alongside realistic downside scenarios based on management assessment.

For the Lombard loans, the LGD is estimated based on the amount of collateral held, and whether it is diversified or not, as well as nature of the client and the potential difficulties of recovering the value of the collateral.

For the mortgage loans, the LGD is estimated considering the value of the properties which are mortgaged, and varies based on the LTV; the amount of costs likely to be incurred in recovering and realising any collateral; the nature of the client; and the potential difficulties of recovering the value of the collateral.

Debt at amortised cost

For debt securities in the Treasury portfolio, S&P credit ratings are used to determine the ECL. These published ratings are continuously monitored and updated. The 12m and lifetime PDs associated with each rating are determined based on realised default rates published by S&P. To estimate the LGD, the Group has used the Basel III LGD, which is 45% for senior debt.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

4.2.2.2 MAXIMUM EXPOSURE TO CREDIT RISK – FINANCIAL INSTRUMENTS SUBJECT TO IMPAIRMENT

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets. The credit risk exposure of other financial assets is shown in section 4.2.3.

In millions of euro	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Gross carrying amounts				
Loans and advances to banks	2,043.1	–	–	2,043.1
PCL loans to customers	2,473.0	29.8	–	2,502.8
Other loans to customers	336.7	77.0	80.7	494.4
FVOCI debt securities	1.7	–	–	1.7
Securities at amortised cost	1,037.4	–	–	1,037.4
TOTAL	**5,891.9**	**106.8**	**80.7**	**6,079.4**
Loss allowance				
Loans and advances to banks	–	–	–	–
PCL loans to customers	(1.4)	(0.0)	–	(1.4)
Other loans to customers	(1.3)	(10.3)	(54.9)	(66.5)
FVOCI debt securities	–	–	–	–
Securities at amortised cost	(0.3)	–	–	(0.3)
TOTAL	**(3.0)**	**(10.3)**	**(54.9)**	**(68.2)**
Net carrying amount				
Loans and advances to banks	2,043.1	–	–	2,043.1
PCL loans to customers	2,471.6	29.8	–	2,501.4
Other loans to customers	335.4	66.7	25.8	427.9
FVOCI debt securities	1.7	–	–	1.7
Securities at amortised cost	1,037.1	–	–	1,037.1
TOTAL	**5,888.9**	**96.5**	**25.8**	**6,011.2**

Information on how the ECL is measured and how the three stages above are determined is provided in "Expected credit loss measurement", in section 3.2.5.

For loans to customers, the movement in the loss allowance is provided in the table below. Additionally, the movement in other loss allowances is shown in "Impairments" (note 17).

Loans to customers

In millions of euro	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Loss allowance at beginning of period (31 December 2017)	**–**	**(13.8)**	**(63.1)**	**(76.9)**
IFRS 9 first time application (1 January 2018)	(4.7)	–	–	(4.7)
Movements with P&L impact				
Transfers				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	1.9	(1.9)	–
(Charge)	(0.1)	–	(12.0)	(12.1)
Release	2.1	1.7	10.8	14.6
Recovered loans	–	–	1.4	1.4
Total net P&L (charge)/release during the period	**2.0**	**3.6**	**(1.7)**	**3.9**
Movements with no P&L impact				
Written off	–	–	9.6	9.6
Exchange	–	(0.1)	0.3	0.2
LOSS ALLOWANCE AT END OF PERIOD (31 DECEMBER 2018)	**(2.7)**	**(10.3)**	**(54.9)**	**(67.9)**

No loans have been classified as purchased or originated credit-impaired (POCI) assets.

The changes in the gross amounts of loans to customers decreased the Stage 1 allowance by €1.1 million and the Stage 2 allowance by €0.5 million in the period. These are mostly due to movements in the past due loans, as shown below:

Loans to customers which are past due

In millions of euro	31/12/2018	31/12/2017
Less than 30 days past due	102.8	160.5
Between 30 and 90 days past due	50.0	55.4
Over 90 days past due	26.8	31.0
TOTAL	**179.6**	**246.9**

4.2.2.3 COLLATERAL

The Group holds collateral against loans to customers, as substantially all third-party commercial lending is secured. The majority of collateral is in the form of charges over property assets, or over marketable securities (Lombard lending). There is a realistic possibility, if necessary, of both taking possession of, and realising, the collateral.

Stage 1 and 2 loans (Categories 1 to 3) are usually covered by collateral. For Category 1, 2 and 3 loans the level of collateral at exit is expected to be sufficient to cover the balance sheet exposure. Where a loan is deemed to be impaired (Categories 4 and 5), the level of the impairment charge is primarily driven by any expected shortfall in the collateral value, though it is also influenced by the ability of the borrower to service the debt.

Collateral is valued independently at the time the loan is made and periodically thereafter on a rolling basis. Management is able to roll forward a valuation for reporting purposes via a combination of specific knowledge of the collateral and the application of general indices.

The table below gives an estimate of the fair value of collateral held by the Group as security against its loans to customers that are credit impaired. For each loan, the value of disclosed collateral is capped to the nominal amount less provision of the loan that it is held against, and the comparatives have been restated to be in line with this revised disclosure.

In millions of euro	31/12/2018 Stage 3 loans	31/12/2017 Individually impaired
Tangible assets collateral	17.8	77.7
Financial assets collateral	7.2	5.3
TOTAL	**25.0**	**83.0**
Gross value of loans	80.7	144.3
Impairment	(54.9)	(57.1)
Net value of loans	**25.8**	**87.2**
% of Stage 3/individually impaired loans covered by collateral	97%	95%

4.2.2.4 MODIFICATION OF FINANCIAL ASSETS

Where refinancing and sale options are difficult, it is generally in the lender's and borrower's interest to extend certain facilities at maturity and not to foreclose on the security. This assumes there are no underlying issues regarding the borrower's ability to continue to service the loan and the level of collateral is expected to be of sufficient quality to secure the principal.

Unimpaired loans extended in this manner are not categorised as either past due or as renegotiated. As at 31 December 2018 the cumulative value of all loans within this category was €2.7 million (31 December 2017: €3.1 million). All of these loans were property loans.

Some loans were renegotiated on substantially different terms than before. Typically these loans will include revised covenants and higher margins to reflect higher credit risk as well as having extended maturities. If these loans had not been renegotiated, they would have been deemed to have been impaired. As at 31 December 2018, the carrying value of all loans renegotiated was €0.3 million (31 December 2017: €0.6 million).

4.2.3 Credit risk management of other financial assets

Other financial assets mainly contain trade receivables from the GA and WAM businesses. For these assets, the Group applies a simplified approach to the calculation of impairments. This means that the loss allowance is always measured at an amount equal to the asset's lifetime ECL. Therefore, the concept of significant increase in credit risk is not applicable to these assets. Fee income is widespread in terms of location and of sector, so concentration risk is not significant.

The Group considers a receivable to be in default when the borrower is unlikely to pay the Group in full. For each GA office, a quarterly review of the outstanding receivables over 90 days is conducted by local management and the GA Global Finance Director. This review determines if the receivable should be impaired and ensures that impairments are made, or not made, consistently around the Group.

Management has reviewed historical payment behaviour and believes on this basis that receivables less than 90 days overdue have, prima facie, an immaterial risk of not being recoverable in full. These receivables are therefore classified as Category 1 in our internal credit risk table. Management considers that all individual unimpaired receivables over 90 days past due merit assessment for potential credit losses, in addition to more recent debts which are known to have credit issues. These receivables are considered to be on a watchlist. Where these are not impaired, management provides a percentage of all these assets to reflect losses that might be expected to eventually arise. The provision percentage takes account of both historical experience and management's assessment of future potential losses.

The table below shows the ageing of other financial assets and the associated provisions as at 31 December 2018.

In millions of euro	Credit risk category classification	% total gross exposure	Gross carrying amount	Lifetime ECL
Not impaired				
Current to 90 days past due	Category 1	93%	420.5	–
90 – 180 days past due	Category 2	1%	6.7	(0.1)
180 days – 1 year past due	Category 2	0%	1.6	(0.2)
More than 1 year past due	Category 2	0%	1.9	(0.4)
Impaired				
Partially impaired	Category 4	1%	6.6	(6.5)
Fully impaired	Category 5	4%	17.3	(17.3)
TOTAL		**100%**	**454.6**	**(24.5)**

The movements in the loss allowance are disclosed in "Impairments" (note 17).

4.2.4 Further credit risk analysis

The tables below show an analysis of credit risk by location and by sector as at 31 December 2018 and 31 December 2017.

4.2.4.1 CREDIT RISK BY LOCATION

Location for loans and advances is measured by reference to the location of the borrower. Debt securities are recorded based on the location of the issuer of the security.

In millions of euro	France	Switzerland	UK and Channel Islands	Rest of Europe	Americas	Australia and Asia	Other	31/12/2018
Cash and amounts due from central banks	1,738.0	2,949.2	–	4.9	–	–	–	4,692.1
Financial assets at FVTPL[1]	34.2	2.9	27.7	23.6	1.9	1.6	–	91.9
Loans and advances to banks	835.0	117.3	541.4	167.1	323.0	44.0	15.3	2,043.1
Loans and advances to customers	1,479.8	109.3	745.2	335.7	112.9	78.2	68.2	2,929.3
Debt securities at FVOCI	–	–	–	1.4	–	0.3	–	1.7
Debt at amortised cost	305.7	–	246.0	353.4	123.5	8.5	–	1,037.1
Other financial assets	197.5	12.7	59.9	82.7	44.5	19.6	13.2	430.1
Subtotal assets	**4,590.2**	**3,191.4**	**1,620.2**	**968.8**	**605.8**	**152.2**	**96.7**	**11,225.3**
Commitments and guarantees	372.7	4.8	66.7	66.1	7.5	1.9	4.5	524.2
TOTAL	**4,962.9**	**3,196.2**	**1,686.9**	**1,034.9**	**613.3**	**154.1**	**101.2**	**11,749.5**

(1) Excluding equity.

In millions of euro	France	Switzerland	UK and Channel Islands	Rest of Europe	Americas	Australia and Asia	Other	31/12/2017
Cash and amounts due from central banks	1,206.9	2,658.6	–	3.4	–	–	–	3,868.9
Financial assets at FVTPL[1]	18.9	9.3	5.2	15.5	0.5	0.7	0.1	50.2
Loans and advances to banks	657.5	50.9	342.8	328.6	313.0	22.8	14.6	1,730.2
Loans and advances to customers	1,514.9	115.9	795.2	264.9	158.8	78.6	61.6	2,989.9
Available-for-sale debt securities	306.3	–	147.8	422.2	100.0	9.4	1.0	986.7
Other financial assets	138.8	25.5	62.5	102.4	63.3	24.2	9.7	426.4
Subtotal assets	**3,843.3**	**2,860.2**	**1,353.5**	**1,137.0**	**635.6**	**135.7**	**87.0**	**10,052.3**
Commitments and guarantees	321.3	48.5	82.5	98.1	0.1	11.4	2.0	563.9
TOTAL	**4,164.6**	**2,908.7**	**1,436.0**	**1,235.1**	**635.7**	**147.1**	**89.0**	**10,616.2**

(1) Excluding equity.

4.2.4.2 CREDIT RISK BY SECTOR

In millions of euro	31/12/2018	%	31/12/2017	%
Cash and amounts due from central banks	4,692.1	40%	3,868.9	36%
Credit institutions	2,676.9	23%	2,384.6	22%
Households	2,492.8	21%	2,551.7	24%
Real estate	457.9	4%	374.6	4%
Short-term fee income receivable (diversified customers)	338.5	3%	331.9	3%
Other financial corporations	300.8	3%	400.3	4%
Government(1)	259.3	2%	184.4	2%
Liquid debt securities (other sectors)	156.1	1%	150.0	1%
Other	375.1	3%	369.8	3%
TOTAL	**11,749.5**	**100%**	**10,616.2**	**100%**

(1) The "Government" exposure predominantly consists of high-quality government securities.

The sectors above are based on NACE classification codes ("Nomenclature of Economic Activities"), and other categories used for FINREP regulatory reporting.

Short-term accounts receivable and liquid debt securities, issued by non-financial corporations and held for treasury management, are exposed to various diversified sectors. Any temporary exposure to these sectors is not thought by management to pose a significant sectoral risk, and is not expected to be indicative of sectoral concentration for these assets in future. Therefore, these exposures are not analysed further in this section.

4.3 Market risk

Market risks associated with treasury and equity positions are described below with a description of the levels of risk. Market risk management is covered in the report on internal control, risk management and accounting procedures (page 70).

4.3.1 Equity investments

The Group has exposure to equity price risk through holdings of equity investments. Each of these positions is individually approved by management and is monitored on an individual basis.

If the price of these equities were to fall by 5% at 31 December 2018, then there would be a post-tax charge to the income statement of €37.8 million (31 December 2017: €24.2 million) and no reduction in equity (31 December 2017: €21.3 million). Under IFRS 9, the charge through P&L is higher because the equities are all measured at FVTPL.

Moreover, the Group is exposed through its investments to the risks affecting the companies in which it invests.

The table below shows the Group's equity price risk in relation to these instruments, by location. The comparative figures for December 2017 have been reassigned, following a change in the current period in the way that equity price risk is allocated to different locations.

In millions of euro	31/12/2018	%	31/12/2017	%
France	332.2	33%	359.6	32%
Rest of Europe	241.4	24%	222.4	20%
United Kingdom and Channel Islands	171.0	17%	197.1	18%
Americas	168.5	17%	115.3	10%
Australia and Asia	44.4	4%	55.3	5%
Switzerland	2.7	0%	122.9	11%
Other	35.0	4%	34.3	4%
TOTAL	**995.2**	**100%**	**1,106.9**	**100%**

4.3.2 Currency risk

The Group has exposure to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. The table below summarises exposure to foreign currency exchange rate risk. The net positions in the table are measured by reference to the net carrying amounts of monetary assets and liabilities other than those in a subsidiary's functional currency, and are shown after taking account of positions in derivatives.

In millions of euro	31/12/2018 Long/(short)	31/12/2017 Long/(short)
USD	28.5	34.3
EUR	11.7	21.8
GBP	4.6	2.3
CHF	(2.2)	(0.1)
Other	3.0	0.6

If the euro strengthened against these currencies by 5%, then the effect on the Group would be a loss to the income statement of €0.5 million (31 December 2017: loss of €0.5 million).

4.3.3 Interest rate risk

Because of the nature of its business, only the banking entities in the Group are exposed to interest rate risk. These entities take a conservative approach to the management of this risk, and manage it primarily through the use of derivatives. The Group reports its combined interest rate risk to its regulator in the form of a table which estimates the impact of a uniform 200 basis point rise with the assumption all sight deposits reprice overnight. The impact of such a shock at 31 December 2018 would have been a decrease in balance sheet fair values of €30.9 million (31 December 2017 €43.9 million).

4.4 Liquidity risk

4.4.1 Liquidity

Liquidity risk arises from the mismatch between the legal maturity of assets and liabilities. Management of liquidity risk is covered in the report on internal control, risk management and accounting procedures (page 70).

The Group's three main banking groups manage their own liquidity independently of each other. An illustration of how they manage their short-term liquidity is summarised below, together with a measure of their liquidity coverage ratio (LCR). The LCR is a ratio of highly liquid assets to short-term obligations. The figures below are taken from our regulatory returns but are not audited.

ROTHSCHILD & CO BANK AG ZURICH

R&CoBZ's liquidity policy includes a behavioural adjustment applied across different client types, which allows for approximately one third of client deposits to be withdrawn over 30 days. Although the regulatory framework would permit significant mismatches within the 30-day time bucket, R&CoBZ maintains a more conservative approach to liquidity.

Internal limits provide for R&CoBZ to be cumulatively cash positive in all periods (after behavioural adjustments). The behavioural adjustments are complemented by an additional requirement that 20% of all client call deposits are held in cash and assets realisable within 48 hours.

R&CoBZ's LCR at 31 December 2018 was 129%, as measured for regulatory purposes (31 December 2017: 153%). The regulatory limit is 90%.

ROTHSCHILD MARTIN MAUREL

RMM maintains a stable and diverse pool of customer deposits with a low customer loan-to-deposit ratio. Treasury manages liquidity to ensure that a conservative position is maintained at all times by holding a significant amount of short-term liquidity with the central bank and other banks alongside a portfolio of highly rated securities. Exposure to liquidity risk is considered to be very low and is monitored on a daily basis independently of the front office.

At 31 December 2018, RMM's LCR was 298% (31 December 2017: 205%). The regulatory limit is 90%.

ROTHSCHILD & CO BANK INTERNATIONAL LIMITED

In order to comply with the liquidity regime set by the Guernsey Financial Services Commission (GFSC), R&CoBI manages liquidity to ensure that a conservative position is maintained at all times by holding significant stock of High Quality Liquid Assets (HQLA), the criteria of such assets being set by the GFSC. Exposure to liquidity risk is considered to be low and is monitored on a daily basis independently of the front office with a mandatory submission made to the regulator on a monthly basis.

At 31 December 2018 R&CoBI's LCR was 300% (31 December 2017: 186%). The regulatory limit is 90%.

4.4.2 Contractual maturity

The following table shows the Group's financial assets and liabilities, analysed by remaining contractual maturity at the balance sheet date.

In millions of euro	Demand - 1m	1m - 3m	3m - 1yr	1yr - 2yr	2yr - 5yr	>5yr	No contractual maturity	31/12/2018
Cash and balances at central banks	4,692.1	–	–	–	–	–	–	4,692.1
Financial assets at FVTPL	518.9	8.2	24.1	94.7	39.8	220.5	180.9	1,087.1
Financial assets at FVOCI	–	0.2	–	–	–	1.5	–	1.7
Securities at amortised cost	127.5	217.3	231.0	279.2	125.4	56.7	–	1,037.1
Loans and advances to banks	1,562.7	389.9	89.8	0.4	–	0.3	–	2,043.1
Loans and advances to customers	767.9	252.5	530.1	520.9	448.9	409.0		2,929.3
Other financial assets	374.7	46.4	8.2	0.8	–	–	–	430.1
TOTAL	**8,043.8**	**914.5**	**883.2**	**896.0**	**614.1**	**688.0**	**180.9**	**12,220.5**
Financial liabilities at FVTPL	8.3	1.8	4.3	–	0.3	–	–	14.7
Hedging derivatives	–	1.3	0.2	0.5	2.8	2.3	–	7.1
Due to banks and other financial institutions	278.0	4.1	9.2	66.5	77.5	149.8	–	585.1
Due to customers	8,336.3	190.7	81.3	99.5	17.7	0.2	–	8,725.7
Debt securities in issue	–	1.5	–	14.5	–	–	–	16.0
Other financial liabilities	285.0	31.6	3.0	3.0	7.0	–	–	329.6
TOTAL	**8,907.6**	**231.0**	**98.0**	**184.0**	**105.3**	**152.3**	**–**	**9,678.2**
Loan and guarantee commitments given	420.5	68.4	18.4	–	4.4	12.5	–	524.2

Loan and guarantee commitments given are disclosed in the period in which they could first be drawn down.

The undiscounted cash flows of liabilities and commitments are not materially different from the amounts disclosed in the contractual maturity table above.

4.5 Fair value disclosures

4.5.1 Fair value hierarchy

For financial reporting purposes, IFRS 13 requires fair value measurements applied to financial instruments to be allocated to one of three levels, reflecting the extent to which the valuation is based on observable data.

LEVEL 1: INSTRUMENTS QUOTED ON AN ACTIVE MARKET

Level 1 comprises instruments whose fair value is determined based on directly usable prices quoted on active markets. This mainly includes listed securities and derivatives traded on organised markets (futures, options, etc.) whose liquidity can be demonstrated, and shares of funds where the value is determined and reported on a daily basis.

LEVEL 2: INSTRUMENTS MEASURED ON THE BASIS OF RECOGNISED VALUATION MODELS USING OBSERVABLE INPUTS OTHER THAN QUOTED PRICES

Level 2 comprises instruments not directly quoted on an active market, measured using a valuation technique which incorporates parameters that are either directly observable or indirectly observable through to maturity.

Derivatives

Derivatives are classified in Level 2 in the following circumstances:

- fair value is predominantly derived from prices or quotations of other Level 1 and Level 2 instruments, through standard market extrapolation or interpolation or through corroboration by real transactions; or
- fair value is derived from other standard techniques and models. The most frequently used measurement model is the discounted cash flow technique (DCF). The values derived from these models are materially affected by the measurement assumptions used, such as the amounts and settlement dates of future cash flows, the discount rates and solvency. When those parameters are determined on the basis of directly observable inputs, the derivatives are classified in Level 2.

Debt securities and debt securities in issue

Level 2 debt securities are less liquid than Level 1 securities. They are predominantly government bonds, corporate debt securities, mortgage-backed securities, and certificates of deposit. They can be classified in Level 2 when external prices for the same security can be regularly observed from a reasonable number of market makers that are active in this security, but these prices do not represent directly tradable prices (when supplied, for example, by consensus pricing services with a reasonable number of contributors that are active market makers as well as indicative runs from active brokers and/or dealers). Where prices are not directly observable in the market, a DCF valuation is used. The discount rate is adjusted for the applicable credit margin determined by similar instruments listed on an active market for comparable counterparties.

Equity securities

In the absence of a price available on an active market, fair value of Level 2 equity securities is determined using parameters derived from market conditions, based on data from comparable companies at the closing date.

The measurement techniques of Level 2 equity securities are:

- **Transaction multiples**
  The preferred measurement technique is based on transaction multiples. This technique uses recent transactions in the sector under consideration. Multiples are established based on the enterprise value of comparable transactions and accounting measures such as EBITDA, EBIT or profit, which are applied to the asset to be measured.

- **Earnings multiples**
  This consists of applying a multiple to the earnings of the company to be valued. It is based on multiples from a sample of listed companies, which are in the peer group of the company to be valued. The earnings multiples used are the price/earnings ratio (PER), enterprise value/earnings before interest and tax (EV/EBIT) and enterprise value/earnings before interest, tax, depreciation and amortisation (EV/EBITDA). These are historical multiples of the company to be valued and of the peer-group companies. They are restated to exclude all non-recurring and exceptional amounts, as well as the amortisation of goodwill.

  Companies in the selected peer group must operate in a similar sector to that of the target company. They are of a relatively comparable size and have similar growth prospects. Specific factors may also be taken into account in the selection: country, regulatory aspects specific to each market, and the presence or otherwise of related business activities.

  The value of the peer group companies is obtained by adding together the market capitalisation, net financial debt and non-controlling interests, based on the most recently available financial data.

  Stock exchange multiples are calculated excluding any control premium. The valuation is made from the point of view of a non-controlling shareholder. However, if the investment to be valued is not listed, the lack of liquidity relative to listed companies in the peer group may be reflected through an illiquidity discount.

- **Measurement of share subscription warrants**
  Securities providing access to the capital, which generally take the form of share subscription warrants, are regularly assessed to determine the probability of exercise and the possible impact thereof on the value of the investment. At each closing date, the probability of exercising of the warrants is determined by comparing the cost of exercising with the expected benefit derived from exercising.

- **Historical cost**
  When the Group has made an investment in an unquoted instrument within the past twelve months, the transaction price (i.e. an entry price) is often considered as a reasonable starting point for measuring the fair value of this unquoted equity instrument at the measurement date.

- **Net assets**
  Net asset value is, for a company, the amount a shareholder would receive if the company sold all its assets at their current market value, paid off any outstanding debts with the proceeds, and then distributed the remainder to the stockholders. For funds, the net asset value is based on the value of securities and working capital held in a fund's portfolio.

Loans to/due to banks and customers

Loans to customers and their associated interest rates: these are compared, by maturity, with similar recent transactions. In the event of a material difference in interest rates or any other factor indicating that an asset's fair value is materially different from the net carrying amount, the fair value is adjusted accordingly. To determine an asset's fair value, the Group estimates the counterparty's default risk and calculates the sum of future cash flows, taking into account the debtor's financial standing.

Repurchase agreements and amounts due to banks and customers: the fair value of these instruments is determined using a DCF technique, the discount rate of which is adjusted for the appropriate credit margin.

LEVEL 3: INSTRUMENTS MEASURED USING MODELS THAT ARE NOT COMMONLY USED AND/OR THAT DRAW ON NON-OBSERVABLE INPUTS

Level 3 comprises instruments which are measured, at least in part, on the basis of non-observable market data which is liable to impact the valuation materially. This could include:

- unquoted shares whose fair value could not be determined using observable inputs and for which the net asset value is the best approximation of fair value at the closing date; or
- shares of private equity funds or investments managed by third parties, for which the manager and third-party assessor has published a net asset value, using a valuation technique incorporating parameters that are not directly observable, or using observable inputs with a significant adjustment which is not observed; or
- more generally, all unquoted equity investments for which the Group uses a valuation technique (comparable valuation multiple, transaction multiple), as described above, but which incorporates parameters that are not directly observable. Such parameters might include cash flow forecasts for a DCF, or a discount rate which incorporates a risk premium; for these, the parameters may not be directly observable in the market; or
- impaired loans where the carrying value is determined by a DCF, using best estimates of recoverable cash flows.

4.5.2 Fair value of financial instruments

CARRIED AT AMORTISED COST

In millions of euro	31/12/2018				
	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and amounts due from central banks	4,692.1	4,692.1	–	4,692.1	–
Securities at amortised cost	1,037.1	1,030.5	974.4	56.1	–
Loans and advances to banks	2,043.1	2,043.1	–	2,043.1	–
Loans and advances to customers	2,929.3	2,926.1	–	2,919.6	6.5
TOTAL	**10,701.6**	**10,691.8**	**974.4**	**9,710.9**	**6.5**
Financial liabilities					
Due to banks and other financial institutions	585.1	595.9	–	595.9	–
Due to customers	8,725.7	8,725.7	–	8,725.7	–
Debt securities in issue	16.0	16.0	–	16.0	–
TOTAL	**9,326.8**	**9,337.6**	**–**	**9,337.6**	**–**

In millions of euro	31/12/2017				
	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and amounts due from central banks	3,868.9	3,868.9	–	3,868.9	–
Loans and advances to banks	1,730.2	1,730.2	–	1,730.2	–
Loans and advances to customers	2,989.9	2,987.1	–	2,947.7	39.4
TOTAL	**8,589.0**	**8,586.2**	**–**	**8,546.8**	**39.4**
Financial liabilities					
Due to banks and other financial institutions	636.4	647.6	–	647.6	–
Due to customers	7,771.0	7,771.0	–	7,771.0	–
Debt securities in issue	95.6	95.6	–	95.6	–
TOTAL	**8,503.0**	**8,514.2**	**–**	**8,514.2**	**–**

CARRIED AT FAIR VALUE

In millions of euro	31/12/2018			
	TOTAL	Measured using		
		Level 1	Level 2	Level 3
Financial assets				
Mutual funds	501.5	479.9	21.6	–
Other financial assets at FVTPL	548.2	67.4	452.0	28.8
Derivative financial instruments	37.4	–	37.4	–
FVOCI bonds, other fixed income securities and accrued interest	1.7	1.7	–	–
TOTAL	**1,088.8**	**549.0**	**511.0**	**28.8**
Financial liabilities				
Derivative financial instruments	21.8	–	21.8	–
TOTAL	**21.8**	**–**	**21.8**	**–**

In millions of euro	31/12/2017			
	TOTAL	Measured using		
		Level 1	Level 2	Level 3
Financial assets				
Trading securities	30.6	30.6	–	–
Financial assets at FVTPL	500.0	42.0	458.0	–
Derivative financial instruments	17.4	–	17.4	–
AFS public bills and similar securities	112.3	112.3	–	–
AFS bonds, other fixed income securities and accrued interest	874.4	825.2	45.8	3.4
AFS equity securities	609.7	568.0	8.3	33.4
TOTAL	**2,144.4**	**1,578.1**	**529.5**	**36.8**
Financial liabilities				
Derivative financial instruments	31.4	–	31.4	–
TOTAL	**31.4**	**–**	**31.4**	**–**

4.5.3 Fair value Level 3 disclosures

Following the adoption of IFRS 9 Financial Instruments, assets which were previously categorised as available for sale are now classified as FVTPL.

VALUATION TECHNIQUE BY CLASS OF LEVEL 3 FINANCIAL ASSET

Description	Fair value at 31 December 2018 (in millions of euro)	Valuation technique	Unobservable input	Range (weighted average)
Securities portfolios (CDOs, CLOs, etc)	1.7	Discounted cash flow, based on expected cash flows of securitised assets and expectation of how these will be distributed to different noteholders	Default and recovery data according to the various asset classes	n/a
FVTPL debt	**1.7**			
Funds and other equity	26.1	External valuation	n/a	n/a
	1.0	Valued at cost	n/a	n/a
FVTPL equity	**27.1**			

SENSITIVITY OF FAIR VALUE FOR LEVEL 3 INSTRUMENTS

Out of €27.1 million of FVTPL equity securities classified in Level 3 as at 31 December 2018, €26.1 million were subject to a third-party valuation. To quantify the fair value sensitivity of these instruments, measured using unobservable inputs, the Group has determined the impact in the event of a fall of 5% in the carrying value. In such an event, there would be a pre-tax charge to the income statement of €1.3 million.

MOVEMENT IN LEVEL 3 ASSETS

The following table presents the movement in assets valued using Level 3 valuation methods in the period.

In millions of euro		Bonds and other fixed income securities	Funds and other equities	TOTAL
As at 1 January 2018		**3.4**	**33.4**	**36.8**
Total gains or losses for the period included in income statement		–	(0.5)	(0.5)
Purchases, issues, sales and settlements	Additions	–	3.1	3.1
	Disposals	(1.7)	(8.9)	(10.6)
AS AT 31 DECEMBER 2018		**1.7**	**27.1**	**28.8**

4.5.4 Selected controls in the valuation process

MERCHANT BANKING

The calculation of fair value is subject to control procedures aimed at verifying that fair values are determined or validated by an independent function. Fair values determined by reference to external quoted prices or market parameters are validated by the relevant fund's valuation committee.

These committees review, twice a year, the valuation of the investments made by Merchant Banking.

The parameters of valuation that are reviewed in committee include the following:

- the origin of the external source;
- the consistency of the various sources;
- the events that took place during the period which could affect the value; and
- the frequency with which the data is updated.

Merchant Banking funds are valued by their management companies in accordance with the international private equity and venture capital valuation (IPEV) guidelines developed by the *Association Française des Investisseurs en Capital* (AFIC), the British Venture Capital Association (BVCA) and the European Private Equity and Venture Capital Association (EVCA). Dedicated advisory committees exist to approve half-yearly investment valuations, which are sent to investors in the Group's merchant banking funds. As such, these committees act as the valuation committees under the Alternative Investment Fund Managers Directive (AIFMD) requirements.

In addition, the valuation of assets held by MB funds are supported by statutory audits of those funds.

VALUATION OF DERIVATIVES

The Group's OTC (i.e. non-exchange traded) derivatives are valued using external valuation models. These models calculate the present value of expected future cash flows. The Group's derivative products are of a "vanilla" nature, such as interest rate swaps and cross-currency swaps; for these, the modelling techniques used are standard across the industry. Inputs to the valuation models are determined from observable market data, including prices available from exchanges, dealers, brokers or providers of consensus pricing.

Exchange traded derivatives are valued by the exchange on which they are traded, which asks for margin calls depending on the value.

5. Notes to the balance sheet

Note 1 – Financial instruments at fair value through profit or loss

Financial assets

In thousands of euro	31/12/2018	31/12/2017
Equity securities	–	467,178
Loans to customers	33,090	32,859
Financial assets designated at fair value through profit or loss	**33,090**	**500,037**
Debt securities	21,417	–
Equity instruments issued by mutual funds	501,460	–
Other equity instruments	493,715	–
Trading equities	–	30,598
Financial assets mandatorily at fair value through profit or loss	**1,016,592**	**30,598**
Trading derivative assets (see note 2)	**37,436**	**17,379**
TOTAL	**1,087,118**	**548,014**

No loans to customers designated at FVTPL suffered a change in fair value that is attributable to changes in their credit risk, over the period and on a cumulative basis.

Financial liabilities

In thousands of euro	31/12/2018	31/12/2017
Trading derivative liabilities (see note 2)	**14,707**	**24,823**
TOTAL	**14,707**	**24,823**

Note 2 – Derivatives

A derivative is a financial instrument, the value of which is derived from another financial instrument, an index or some other variable ("the underlying"). Typically the underlying is an interest rate, a currency exchange rate or the price of a debt or equity security. Derivatives require little or no net investment or a lower investment than a non-derivative financial instrument to obtain the same sensitivity to changes in the underlying.

Derivative instruments are carried at fair value, shown in the balance sheet as separate totals of positive fair values (assets) and negative fair values (liabilities). Positive fair values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour if the counterparties default. Negative fair values represent the cost to the Group's counterparties of replacing all their transactions with the Group with a fair value in the counterparties' favour if the Group were to default. Positive and negative fair values on different transactions are only netted if there is legal right of set-off, the transactions are with the same counterparty and the cash flows will be settled on a net basis. Changes in fair values of derivative instruments are recognised in trading income unless they qualify as cash flow or net investment hedges for accounting purposes.

Derivatives may be transacted for trading or hedging purposes. The accounting treatment of hedge transactions depends on the nature of the hedging relationship and whether the hedge qualifies as such for accounting purposes. Most of the Group's transactions that do not qualify as hedges for accounting purposes are nonetheless for the purpose of reducing market risk, by hedging exposures in the trading or non-trading books.

Trading derivatives

In thousands of euro	31/12/2018			31/12/2017		
	Notional principal	Of which: asset	Of which: liability	*Notional principal*	Of which: asset	Of which: liability
Firm interest rate contracts	*197,611*	2,068	152	*141,972*	958	308
Conditional interest rate contracts	*18,867*	15	134	*19,150*	178	175
Firm foreign exchange contracts	*8,469,395*	34,051	13,867	*5,293,305*	15,435	23,725
Conditional foreign exchange contracts	*259,334*	1,302	237	*240,971*	501	482
Other swaps	*7,100*	–	290	–	–	–
Equity-related options	*57,678*	–	27	*69,893*	307	133
TOTAL	***9,009,985***	**37,436**	**14,707**	***5,765,291***	**17,379**	**24,823**

Hedging derivatives

In thousands of euro	31/12/2018			31/12/2017		
	Notional principal	Of which: asset	Of which: liability	*Notional principal*	Of which: asset	Of which: liability
Firm interest rate contracts	*124,000*	–	5,804	*137,000*	–	6,543
Firm foreign exchange contracts	*167,815*	–	1,287	–	–	–
TOTAL	***291,815***	**–**	**7,091**	***137,000***	**–**	**6,543**

Fair value hedges

The Group holds a portfolio of medium and long-term fixed rate customer loans and is, therefore, exposed to changes in fair value due to movements in market interest rates. The Group manages this risk exposure by entering into interest rate swaps whereby it pays fixed rates and receives floating rates. The Group applies hedge accounting to these derivatives, which it treats as fair value hedges.

Only the interest risk element is hedged; other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component which is hedged is the change in fair value of the medium/long-term fixed rate customer loans arising solely from changes in EONIA (the benchmark rate of interest). Such changes are usually the largest component of the overall change in fair value.

For the purposes of hedge accounting, efficiency tests are performed, prospectively at the date of designation and retrospectively at each balance sheet date, to ensure that there is no risk of over-coverage. The ineffectiveness of these hedges is considered immaterial and has therefore not been recognised in the income statement.

Most of these macro hedging swaps are carried out against EONIA and are intended to be held until maturity without periodic revision (i.e. they are non-dynamic).

The following table sets out the maturity profile and average fixed rate payable on the hedging instruments that are used in the Group's non-dynamic hedging strategies.

	Total	Demand - 1 month	1m - 3m	3m - 1yr	1yr - 5yr	>5yr
Fair value hedges – interest rate swap						
Notional (in thousands of euro)	124,000	–	2,000	16,000	55,000	51,000
Average fixed interest rate paid	1.79%	–	3.28%	3.32%	2.06%	0.96%

The following table contains details of the loans and advances to customers at the period end that are covered by the Group's hedging strategies.

In thousands of euro	31/12/2018
Carrying amount of hedged fixed rate loans	458,425
Accumulated amount of fair value adjustments on the hedged loans	5,804
Change in fair value of hedged loans during the year for effectiveness assessment	(739)

Net investment hedges

A foreign currency exposure arises from a net investment in subsidiaries that have a different functional currency from that of the Group. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Group's functional currency, which causes the amount of the net investment to vary. This risk may have a significant impact on the Group's financial statements. The Group's policy is to hedge these exposures only when not doing so would be expected to have a significant impact on the regulatory capital ratios of the Group and its banking subsidiaries.

The hedged risk in the Group's net investment hedges is the risk of weakening sterling exchange rates against the euro that would result in a reduction in the carrying amount of the Group's net investment in its sterling subsidiaries.

The Group uses forward foreign exchange contracts as hedging instruments. The Group assesses effectiveness by comparing past changes in the fair value of the derivative with changes in the fair value of a hypothetical derivative.

Because the Group expects to hold the net investment for a period longer than the maturity of the forward foreign exchange contract, and the Group policy is to hedge only a portion of the net investment, any ineffectiveness is expected to be immaterial.

The following table sets out the maturity profile and average exchange rate on the forward foreign exchange contracts that are used in the Group's net investment hedging strategies.

	Total	Demand - 1 month	1m - 3m	3m - 1yr	1yr - 5yr	>5yr
Net investment hedges – currency forward						
Notional (in thousands of euro)	167,815	–	167,815	–	–	–
Average EUR-GBP exchange rate	0.90	–	0.90	–	–	–

The following table contains details of the Group's net investment hedge.

In thousands of euro	31/12/2018
Change in value of the GBP net investment during the year for effectiveness assessment	(532)
Cumulative foreign currency translation reserve	(532)

Offsetting financial assets and financial liabilities

The following table shows the impact on the consolidated balance sheet of offsetting assets and liabilities with the same counterparties. The hypothetical financial impact of netting instruments subject to an enforceable master netting arrangement, or similar agreements, with available cash and financial instrument collateral would not be material.

In thousands of euro	31/12/2018		
	Gross assets	Amounts set off	Net amounts as per balance sheet
Trading derivative assets	45,660	(8,224)	37,436
Loans and advances to banks	2,084,011	(40,942)	2,043,069
Other assets not subject to netting	11,130,419	–	11,130,419
Total assets	**13,260,090**	**(49,166)**	**13,210,924**
Due to banks	585,102	(35)	585,067
Trading derivative liabilities	63,838	(49,131)	14,707
Other liabilities not subject to netting	10,116,166	–	10,116,166
Total liabilities	**10,765,106**	**(49,166)**	**10,715,940**

Note 3 – Financial assets at fair value through other comprehensive income

In thousands of euro	31/12/2018
Fixed income securities	1,737
Total FVOCI debt securities	**1,737**
Strategic equity securities	–
Total FVOCI equity securities	**–**
TOTAL	**1,737**

The Group's strategic 8.4% equity investment in EdRS group was classified as an equity security at FVOCI on 1 January 2018 as part of the adoption of IFRS 9. The value on 1 January 2018 was €120.2 million. On 6 August 2018, the Group and Edmond de Rothschild completed their agreement to unwind all of their cross-shareholdings. As a result, the holding in EdRS was sold by the Group on that date.

Note 4 – Available-for-sale financial assets

In thousands of euro	31/12/2017
Public bills and similar securities	112,267
Other fixed income securities	874,085
Accrued interest	337
Total AFS debt securities	**986,689**
of which impairment losses	*(9,837)*
Total AFS equity securities	**609,654**
of which impairment losses	*(124,325)*
TOTAL	**1,596,343**

From 1 January 2018, AFS assets do not exist and have been reclassified to other balance sheet categories (section 2.4.2).

Note 5 – Securities at amortised cost

In thousands of euro	31/12/2018
Debt securities at amortised cost – gross amount	**1,037,469**
Stage 1 – 2 allowances	(325)
TOTAL	**1,037,144**

Before 1 January 2018, securities at amortised cost did not exist as a balance sheet category.

Note 6 – Loans and advances to banks

In thousands of euro	31/12/2018	31/12/2017
Interbank demand deposits and overnight loans	828,417	1,032,840
Interbank term deposits and loans	201,710	159,610
Reverse repos and loans secured by bills	1,010,583	536,456
Accrued interest	2,359	1,247
Loans and advances to banks – gross amount	**2,043,069**	**1,730,153**
Allowance for credit losses	–	–
TOTAL	**2,043,069**	**1,730,153**

Note 7 – Loans and advances to customers

In thousands of euro	31/12/2018	31/12/2017
Overdrafts	67,529	186,765
PCL loans to customers	2,502,766	2,446,474
Other loans to customers	408,543	415,189
Accrued interest	18,411	18,414
Loans and advances to customers – gross amount	**2,997,249**	**3,066,842**
Collective provisions (IAS 39)	–	(19,857)
Specific provisions (IAS 39)	–	(57,066)
Stage 1 – 2 allowances (IFRS 9)	(13,017)	–
Stage 3 allowances (IFRS 9)	(54,930)	–
Allowance for credit losses	**(67,947)**	**(76,923)**
TOTAL	**2,929,302**	**2,989,919**

Note 8 – Other assets

In thousands of euro	31/12/2018	31/12/2017
Accounts receivable[1]	188,523	220,968
Guarantee deposits paid[1]	19,850	19,288
Settlement accounts for transactions of securities[1]	71,836	75,094
Defined benefit pension scheme assets (note 21)	27,173	19,523
Other sundry assets	214,145	180,920
Other assets	**521,527**	**515,793**
Prepaid expenses	24,968	25,069
Accrued income[1]	149,934	111,001
Prepayments and accrued income	**174,902**	**136,070**
TOTAL	**696,429**	**651,863**

(1) These balances represent other financial assets as reported in section 4.

Note 9 – Investments accounted for by the equity method

The amounts in the balance sheet and income statement for associates are shown below

In thousands of euro	31/12/2018	01/01/18 31/12/18 (12 months)	31/12/2017	01/04/17 31/12/17 (9 months)
	Equity accounted value	Share of profit after tax	Equity accounted value	Share of profit after tax
Jardine Rothschild Asia Capital (Luxembourg) Sàrl	395	(19)	395	11,637
Réponse Invest	–	–	982	–
Merchant Banking Investments	**395**	**(19)**	**1,377**	**11,637**
St Julian's Properties Limited	7,358	247	7,641	167
Others	–	111	2,799	232
Other investments	**7,358**	**358**	**10,440**	**399**
TOTAL	**7,753**	**339**	**11,817**	**12,036**

Information about the underlying accounts of the associates is as follows.

In thousands of euro	31/12/2018	
	Jardine Rothschild Asia Capital (Luxembourg) Sàrl	St Julian's Properties Limited
Loans and receivables with bank, net	1,116	252
Other assets	–	14,696
Total assets	**1,116**	**14,948**
Total creditors	**326**	**232**
Net banking revenue	(39)	(219)
Profit before tax	(39)	618
Net income	**(39)**	**495**
Other comprehensive income	39	(111)
Total comprehensive income	**–**	**384**
Dividends received	**–**	**–**

In the year ended 31 December 2018, the Group applied the amendment to IAS 28 Investments in Associates and Joint Ventures. This amendment allows an entity to measure an associate held by a venture capital organisation as FVTPL, rather than equity accounted. As a result, Réponse Invest is now classified as FVTPL, because this is the way that it is viewed by management.

All other associates are accounted for using the equity method. Information about business activities, Group voting rights and ownership interest is disclosed in note 38.

Note 10 – Tangible fixed assets

In thousands of euro	01/01/18	Additions	Disposals/ write-offs	Depreciation charge (note 30)	Exchange rate and other movements	31/12/2018
Gross tangible fixed assets						
Operating land and buildings	397,979	4,441	(5,140)	–	2,153	399,433
Other tangible fixed assets	127,524	13,416	(3,369)	–	(1,199)	136,372
Total tangible fixed assets – gross amount	**525,503**	**17,857**	**(8,509)**	–	**954**	**535,805**
Depreciation and allowances						
Operating land and buildings	(105,529)	–	5,140	(12,453)	(320)	(113,162)
Other tangible fixed assets	(73,334)	–	3,080	(14,540)	(1,619)	(86,413)
Total depreciation and allowances	**(178,863)**	–	**8,220**	**(26,993)**	**(1,939)**	**(199,575)**
TOTAL	**346,640**	**17,857**	**(289)**	**(26,993)**	**(985)**	**336,230**

Note 11 – Intangible fixed assets

In thousands of euro	01/01/18	Additions	Disposals/ write-offs	Acquisition of subsidiaries	Amortisation/ impairment (note 30)	Exchange rate and other movements	31/12/2018
Gross intangible fixed assets							
Brand names	157,485	–	–	–	–	–	157,485
Other intangible assets	43,791	3,994	(23,501)	6,073	–	2,440	32,797
Total intangible assets – gross amount	**201,276**	**3,994**	**(23,501)**	**6,073**	–	**2,440**	**190,282**
Amortisation and allowances							
Brand names	–	–	–	–	–	–	–
Other intangible assets	(38,702)	–	23,501	–	(3,207)	187	(18,221)
Total amortisation and allowances	**(38,702)**	–	**23,501**	**–**	**(3,207)**	**187**	**(18,221)**
TOTAL	**162,574**	**3,994**	**–**	**6,073**	**(3,207)**	**2,627**	**172,061**

The most significant of the brand names is the asset related to the use of the "Rothschild & Co" brand name. This is considered to have an indefinite useful life and is, therefore, not amortised, but is instead subject to an annual impairment test. The economic and commercial rights obtained in the original acquisition of this brand have been substantively retained following the agreement reached with Edmond de Rothschild this year.

As at 31 December 2018, the Group performed its annual impairment test for this brand name. It valued the brand using the "royalty relief" method, whereby the value of the brand is based on the theoretical amount that would be paid if the brand were licensed from a third party, and not owned. The key assumptions used for the test were:

- income is determined on the basis of a business plan of the acquired subsidiaries, which is derived from a three-year plan drawn up through the Group's budget process and then extended in perpetuity to a terminal value, using a long-term growth rate;
- royalty rate = 2%;
- growth rate in perpetuity = 2%; and
- discount rate = 8.5%.

Results of sensitivity tests on the Rothschild & Co brand name show that:

- a 50 bp increase in discount rates combined with a 50 bp reduction in perpetual growth rates would reduce the value by €37 million;
- a 25 bp decrease in the royalty rate would reduce the value by €40 million; and
- a 10% decrease in the income in the future business plan cash flows would reduce the value by €31 million.

Such decreases would not result in an impairment.

Note 12 – Goodwill

In thousands of euro	Global Advisory	Wealth & Asset Management	Merchant Banking	TOTAL
As at 1 January 2018	107,916	11,306	3,940	123,162
Additions	–	1,610	–	1,610
Charge to the income statement	(637)	–	–	(637)
Currency translation	(21)	–	196	175
AS AT THE END OF THE PERIOD	**107,258**	**12,916**	**4,136**	**124,310**

Testing for impairment

As at 31 December 2018, the Group performed an annual impairment test for each of the cash generating units (CGU) to which goodwill has been allocated. The recoverable amount of the CGUs was calculated using the most appropriate method.

In the year ended 31 December 2018, goodwill allocated to a discrete business which is part of the GA segment was fully impaired.

For our wider GA business, the fair value less cost of disposal has been calculated using PE multiples which have been applied to the normalised profit after tax. The value was determined using parameters derived from market conditions and based on data from comparable companies. The valuation technique would be classified in Level 2 of the fair value hierarchy.

The following assumptions were used:

- normalised profit after tax is determined over a three-year period; and
- trading multiples used were PE multiples of long-term M&A-focused peers.

Results of sensitivity tests on the wider GA business show that a 10% decrease in either the PE multiples or in the normalised profit after tax would reduce the CGU by €225 million and would not result in an impairment

Note 13 – Due to banks and other financial institutions

In thousands of euro	31/12/2018	31/12/2017
Interbank demand and overnight deposits	261,466	261,312
Repurchase agreements	50,000	–
Interbank term deposits and borrowings	268,270	370,145
Accrued interest	5,331	4,920
TOTAL	**585,067**	**636,377**

Note 14 – Customer deposits

In thousands of euro	31/12/2018	31/12/2017
Demand deposits	7,905,132	7,085,767
Term deposits	751,850	604,680
Borrowings secured by bills	65,834	79,143
Accrued interest	2,875	1,364
TOTAL	**8,725,691**	**7,770,954**

Note 15 – Other liabilities, accruals and deferred income

In thousands of euro	31/12/2018	31/12/2017
Due to employees	561,466	485,443
Other accrued expenses and deferred income	207,282	195,532
Accrued expenses	**768,748**	**680,975**
Settlement accounts for transactions of securities[1]	301,984	128,893
Accounts payable[1]	27,639	21,207
Sundry creditors	99,629	118,302
Other liabilities	**429,252**	**268,402**
TOTAL	**1,198,000**	**949,377**

(1) These balances represent other financial liabilities as reported in section 4.

Note 16 – Provisions

In thousands of euro	01/01/2018	Impact of introduction of IFRS 9	Charge/ (release)	Utilised	Exchange movement	Other movements	31/12/2018
Provisions for counterparty risk	995	99	(39)	–	–	1	1,056
Provisions for claims and litigation	30,896	–	2,308	(4,542)	57	9	28,728
Provisions for property	324	–	24	–	5	–	353
Provisions for staff costs	2,783	–	469	(108)	(19)	(662)	2,463
Other provisions	–	–	5,049	–	–	–	5,049
Subtotal	**34,998**	**99**	**7,811**	**(4,650)**	**43**	**(652)**	**37,649**
Retirement benefit liabilities (note 21)	53,272	n/a	n/a	n/a	n/a	(14,045)	39,227
TOTAL	**88,270**	**99**	**7,811**	**(4,650)**	**43**	**(14,697)**	**76,876**

From time to time the Group is involved in legal proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, provisions are made where it is probable that an outflow of resources will be required and the amount can be reliably estimated.

Also within provisions for claims and litigation are amounts set aside to cover estimated costs of other legal proceedings and claims arising from the conduct of business.

Management believes that the level of provisions made in these financial statements continues to be sufficient for any potential or actual proceedings or claims which are likely to have an impact on the Group's financial statements, based on information available at the reporting date.

Note 17 – Impairments

In thousands of euro	01/01/2018	Impact of adopting IFRS 9	Income statement (charge)	Income statement reversal	Written off	Exchange rate and other movements	31/12/2018
Loans and advances to customers	(76,923)	(4,740)	(13,994)	17,922	9,440	349	(67,946)
Available-for-sale financial assets	(134,162)	134,162	–	–	–	–	–
Other financial assets	(18,272)	(1,207)	(8,901)	643	4,701	(1,494)	(24,530)
Securities at amortised cost	–	(359)	(1)	34	–	–	(326)
TOTAL	**(229,357)**	**127,856**	**(22,896)**	**18,599**	**14,141**	**(1,145)**	**(92,802)**

The impact of adopting IFRS 9 is explained in section 2.4, in particular in the table disclosed in 2.4.4.

Note 18 – Deferred tax

The movement in the deferred tax account is as follows.

In thousands of euro	31/12/2018	31/12/2017
Net (liability)/asset as at beginning of period	**(374)**	**1,637**
of which deferred tax assets	*60,561*	*67,966*
of which deferred tax liabilities	*(60,935)*	*(66,329)*
Recognised in income statement		
Income statement (expense)/income	(7,089)	1,513
Recognised in equity		
Defined benefit pension arrangements	(4,407)	(2,853)
Financial assets at fair value through other comprehensive income	9,207	830
Share options	2,064	–
Net investment hedge	186	–
Reclassification to current tax	1,816	246
Exchange differences	(534)	(2,032)
Purchase/sale of a subsidiary	–	413
Change in accounting policies	2,006	–
Other	(134)	(128)
NET (LIABILITY)/ASSET AS AT END OF PERIOD	**2,741**	**(374)**
of which deferred tax assets	*50,587*	*60,561*
of which deferred tax liabilities	*(47,846)*	*(60,935)*

Deferred tax net assets are attributable to the following items.

In thousands of euro	31/12/2018	31/12/2017
Deferred profit share arrangements	26,822	22,599
Provisions	5,474	6,803
Losses carried forward	5,025	12,171
Defined benefit pension liabilities	2,932	10,300
Accelerated depreciation	2,800	2,973
Share options	1,855	–
Financial assets at fair value	100	116
Other temporary differences	5,579	5,599
TOTAL	**50,587**	**60,561**

The majority of the Group's deferred tax assets are in NMR, a UK subsidiary. For these financial statements, NMR considers that there will be sufficient profits within eight years to utilise deferred tax assets that remain recognised on its balance sheet.

In accordance with the Group's accounting policy, some deductible temporary differences have not given rise to the recognition of deferred tax assets, mainly in the United States, Canada and Asia. Unrecognised deferred tax assets amounted to €57.4 million at 31 December 2018 (€56.7 million at 31 December 2017).

Deferred tax net liabilities are attributable to the following items.

In thousands of euro	31/12/2018	31/12/2017
Fair value adjustments to properties	16,624	17,340
Intangible assets recognised following acquisition of subsidiaries	13,459	13,674
Financial assets at fair value	9,727	18,445
Defined benefit pension assets	979	1,911
Accelerated capital allowances	2,054	1,956
Other temporary differences	5,003	7,609
TOTAL	**47,846**	**60,935**

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to set-off and the balance relates to income tax levied by the same tax authority on the same taxable entity or tax group. There must also be the intention and the will to settle on a net basis or to realise the assets and liabilities simultaneously.

The deferred tax (expense)/income in the income statement comprises the following temporary differences.

In thousands of euro	31/12/2018	31/12/2017
Deferred profit share arrangements	4,466	(3,182)
Depreciation differences	(269)	(631)
Defined benefit pension liabilities	(2,068)	(2,041)
Financial assets carried at fair value	(3,221)	467
Allowances for loan losses	(3,584)	4,120
Tax losses carried forward	(6,228)	(405)
Other temporary differences	3,815	3,185
TOTAL	**(7,089)**	**1,513**

Note 19 – Structured entities

A structured entity is one which has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It will often have restricted activities and a narrow or well-defined objective and can include some investment funds.

In most cases it is clear under IFRS 10 that the Group need not consolidate its investments in structured entities. However, some structured entities are managed by the Group in the form of funds in which the Group's own money is also invested. In these situations, a judgement must be made as to whether there is a need to consolidate these funds or not. To do this, a combined assessment of two key indicators is made:

- remuneration and other economic interests in aggregate; and
- kick-out rights.

To assess economic interests it is considered, at a particular level of returns, how much of any further increase in the performance of a fund accrues to the manager ("the variability of the economic interest"). The level of returns at which this is measured is the level at which performance fees begin to accrue.

A high level of variability would support the conclusion that a manager might be a principal (and would probably consolidate the managed fund). Meanwhile, a low level of variability would indicate that a manager might be an agent for the other investors (and would probably not consolidate).

Additionally, negligible rights for the investors to remove the manager or transfer their funds might indicate that a manager is a principal (and would probably consolidate) while strong rights might suggest that a manager is an agent (and would probably not consolidate).

The Group's judgement is guided by both IFRS 10 and its understanding of market practice.

Interest in unconsolidated structured entities

The following table shows the Group's interest in unconsolidated structured entities which it manages.

In thousands of euro	31/12/2018		
	Equity funds	Debt funds	TOTAL
Total assets within the underlying vehicles	**2,269,400**	**5,483,537**	**7,752,937**
Assets under management including third party commitments	**4,634,876**	**6,233,841**	**10,868,717**
Interest held in the Group's balance sheet:			
Debt and equity securities at FVTPL	299,604	79,513	379,117
Debt securities at amortised cost	–	56,682	56,682
Loans and advances to customers	22,647	10,857	33,504
Total assets in the Group's balance sheet	**322,251**	**147,052**	**469,303**
Off-balance sheet commitments made by the Group	378,231	40,787	419,018
Group's maximum exposure	**700,482**	**187,839**	**888,321**

Note 20 – Non-controlling interests

Non-controlling interests (NCI) represent the share of fully consolidated subsidiaries that is not directly or indirectly attributable to the Group. These interests comprise the equity instruments which have been issued by these subsidiaries and which are not held by the Group. The Group's income, net assets and distributions which are attributable to NCI arise from the following sources:

In thousands of euro	01/01/18 31/12/18 (12 months)	31/12/2018	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)	31/12/17	01/04/17 31/12/2017 (9 months)
	Income	Amounts in the balance sheet	Distributions	Income	Amounts in the balance sheet	Distributions
Share of profit attributable to NCI						
Preferred shares	146,670	159,748	156,792	110,348	170,036	1,051
R&CoHAG group	2,542	–	535	1,606	58,271	744
Other	584	5,848	76	1,710	22,903	849
Expense, net of tax, charged to equity						
Perpetual subordinated debt	17,684	290,640	17,661	10,646	288,999	10,636
TOTAL	**167,480**	**456,236**	**175,064**	**124,310**	**540,209**	**13,280**

Preferred shares

Preferred shares within NCI mainly consist of amounts calculated in accordance with legal clauses applicable to French limited partnerships owned by Rothschild Martin Maurel SCS, the French holding company of our WAM and GA businesses located in France. The preferred amounts are based on the partnerships' individual local earnings, and take into account the share that relates to workers' remuneration.

Perpetual subordinated debt

Subsidiaries inside the Group have issued perpetual subordinated debt instruments which have discretionary clauses relating to the payment of the interest. Under IFRS, these instruments are considered to be equity instruments and are shown as part of NCI because they were issued by subsidiaries and not held by the Group. The interest payable on these instruments is shown as a charge to NCI. The instruments are shown below.

In thousands of euro	31/12/2018	31/12/2017
Perpetual fixed rate subordinated notes 9 per cent (£125 million)	165,455	166,605
Perpetual floating rate subordinated notes (€150 million)	57,868	58,270
Perpetual floating rate subordinated notes (US$200 million)	67,317	64,124
TOTAL	**290,640**	**288,999**

Rothschild & Co Holding AG group

At 31 December 2018 the Group held a 100.00% (31 December 2017: 90.09%) economic interest in the equity of Rothschild & Co Holding AG (R&CoHAG), the Swiss holding company of part of our Wealth Management business. The non-controlling interest in the Group's income statement and balance sheet is calculated based on this economic interest.

The following table shows a summarised income statement and balance sheet of the R&CoHAG group of companies.

In thousands of euro	R&CoHAG Group	
Income statement information	**01/01/18 31/12/18 (12 months)**	**01/04/17 31/12/17 (9 months)**
Net banking revenue	228,743	158,839
Net income	39,375	19,109
Total other comprehensive income for the period, after tax(1)	17,842	(38,728)
Total comprehensive income for the period	**57,217**	**(19,619)**
Balance sheet information		**31/12/2017**
Cash and amounts due from central banks		2,658,600
Loans and advances to banks		255,165
Loans and advances to customers		1,120,016
Other assets		412,845
Total assets		**4,446,626**
Due to customers		2,743,959
Other liabilities		1,086,180
Total liabilities		**3,830,139**
Shareholders' equity		616,487

(1) Other comprehensive income in R&CoHAG comprises gains and losses from translation, actuarial movements and revaluation of long-standing shareholdings.

As explained in section 1.3, on 6 August 2018 the Group and Edmond de Rothschild completed their agreement to unwind all of their cross-shareholdings. As a result, from that date R&CoHAG has been wholly owned by the Group. The balance sheet of R&CoHAG group as at 31 December 2017 is shown above.

Note 21 – Retirement benefit obligations

The Group supports various pension schemes for the employees of operating subsidiaries. Where material, these are described below.

The NMR Pension Fund (NMRP) is operated by NMR for the benefit of employees of certain Group companies in the United Kingdom. This fund comprises a defined benefit section, which closed to new entrants in 2003, and a defined contribution section, established with effect from the same date.

The NMR Overseas Pension Fund (NMROP) is operated for the benefit of employees of certain Group companies outside the United Kingdom. The defined benefit section also closed to new entrants, and a defined contribution section was opened, in 2003. The employees in the NMROP stopped earning additional defined benefit pensions on 5 April 2017. Benefits built up by former in-service members will increase between the date of closure and each member's retirement date in line with the standard deferred revaluation in the fund's rules. As part of this closure exercise, each member who was in-service on 5 April 2017 was granted an additional six months' service. The cost of this additional service was recognised as a past service cost in the prior year.

Rothschild & Co North America Inc maintains an unfunded qualified non-contributory defined benefit pension plan and other pension agreements for certain employees (R&CoNAP). Neither the plan nor the pension agreements provide for health or other benefits for employees or retirees. The last time that new benefits were accrued was 2001.

R&CoBZ also operates funded pension schemes (R&CoBZP). These schemes have been set up on the basis of the Swiss method of defined contributions but have characteristics of a defined benefit pension plan. Current employees and pensioners (former employees or their surviving partners) receive benefits upon retiring as well as in the event of death or invalidity. These benefits are financed through employer and employee contributions.

Additionally, certain companies in the Group have smaller unfunded obligations in respect of pensions and other post-employment benefits.

The latest formal actuarial valuations of the NMRP and the NMROP were carried out as at 31 March 2016. The value of the defined benefit obligation has been updated to 31 December 2018 by qualified independent actuaries. Valuations of R&CoBZP are performed for each closing, also by qualified actuaries.

The defined benefit obligations expose the Group to a number of risks, including longevity, inflation, interest rate and investment performance. These risks are mitigated where possible by applying an investment strategy for the funded schemes which aims to minimise the long-term costs. This is achieved by investing in a diversified selection of asset classes, which aims to reduce the volatility of returns and also achieves a level of matching with the underlying liabilities. The matching assets, which the funded schemes invest in, include corporate bonds, government gilts and a specific liability-driven investment mandate, which provide a partial hedge of the funds' interest rate and inflation exposure.

Overall, the objective is to select assets which will generate income and capital growth to meet, together with new contributions, the cost of current and future benefits payable by the funds.

Amounts recognised in the balance sheet

In thousands of euro	NMRP and NMROP	R&CoBZP	R&CoNAP	Other	31/12/2018
Present value of funded obligations	1,005,057	239,052	–	–	1,244,109
Fair value of plan assets	(1,027,603)	(228,929)	–	–	(1,256,532)
Subtotal	**(22,546)**	**10,123**	**–**	**–**	**(12,423)**
Present value of unfunded obligations	–	–	14,044	10,433	24,477
TOTAL	**(22,546)**	**10,123**	**14,044**	**10,433**	**12,054**
of which schemes with net liabilities	–	*14,750*	*14,044*	*10,433*	*39,227*
of which schemes with net (assets)	*(22,546)*	*(4,627)*	–	–	*(27,173)*

In thousands of euro	NMRP and NMROP	R&CoBZP	R&CoNAP	Other	31/12/2017
Present value of funded obligations	1,074,756	227,860	–	–	1,302,616
Fair value of plan assets	(1,067,832)	(227,576)	–	–	(1,295,408)
Subtotal	**6,924**	**284**	**–**	**–**	**7,208**
Present value of unfunded obligations	–	–	16,043	10,498	26,541
TOTAL	**6,924**	**284**	**16,043**	**10,498**	**33,749**
of which schemes with net liabilities	*19,490*	*7,241*	*16,043*	*10,498*	*53,272*
of which schemes with net (assets)	*(12,566)*	*(6,957)*	–	–	*(19,523)*

Movement in net defined benefit obligation

In thousands of euro	Plan (assets)	Defined benefit obligations	Net defined benefit liability
As at 1 January 2018	**(1,295,408)**	**1,329,157**	**33,749**
Current service cost (net of contributions paid by other plan participants)	–	14,206	14,206
Contributions by the employees	(3,430)	3,430	–
Past service costs	–	5,594	5,594
Interest (income)/cost	(28,999)	29,587	588
Remeasurements due to:			
– actual return less interest on plan assets	56,207	–	56,207
– changes in financial assumptions	–	(59,136)	(59,136)
– changes in demographic assumptions	–	(5,538)	(5,538)
– experience (gains)/losses	–	(1,521)	(1,521)
Benefits paid	43,469	(43,469)	–
(Contributions) by the Group	(35,984)	–	(35,984)
Administration expenses	2,003	–	2,003
Exchange and other differences	5,610	(3,724)	1,886
AS AT 31 DECEMBER 2018	**(1,256,532)**	**1,268,586**	**12,054**

Following the March 2016 triennial actuarial valuation of the NMRP, the trustees of the defined benefit pension fund have agreed a contribution plan with the Group to reduce the resulting deficit in accordance with pensions regulation. The aim is to eliminate the funding deficit by 2023 with €17.0 million of additional contributions per year. In addition, participating employers in the fund have agreed to pay 46.6% of in-service members' pensionable salaries.

It is estimated that total contributions of €34 million will be paid to the defined benefit pension schemes in the twelve months ending 31 December 2019.

The Group has assessed that no further liability arises for the NMRP, the NMROP or the R&CoBZP under IFRIC 14 – *IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. This conclusion was reached because the trustees of the NMRP and NMROP funds do not have a unilateral power to wind up the fund and the fund's rules allow the Company an unconditional right to a refund assuming the gradual settlement of plan liabilities over time until all members have left the fund. Meanwhile, the plan assets of the R&CoBZP contain a repurchase value of CHF4.5 million, resulting from a reinsurance contract with Zurich Insurance Company Ltd, Zurich (Zurich Insurance). Zurich Insurance does not have a unilateral power to wind up the reinsurance contract.

The net pension asset in the R&CoBZP is expected to become available to the Group because the statutory employer contributions do not fully cover the employer service cost according to IAS 19. According to IFRIC 14, the maximum economic benefit is the capitalised value of the difference between the employer service cost and the expected employer's contributions to the fund for the following financial year.

The weighted average projected maturity of the fund's liabilities is 19 years for the NMRP and 17 years for the main R&CoBZP.

Amounts recognised in the income statement relating to defined benefit post-employment plans

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Current service cost (net of contributions paid by other plan participants)	14,206	11,009
Net interest cost	588	1,886
Past service cost	5,594	286
Administration costs	2,003	314
Curtailments	–	263
TOTAL (included in staff costs)	**22,391**	**13,758**

A recent court judgement in the UK required that occupational pension schemes must remove any inequality of treatment between men and women that arises as a result of paying guaranteed minimum pensions (GMP). GMP is the pension that had to be provided by schemes that had contracted out of the State Earnings Related Pension Scheme and affects employees who were members of the fund between May 1990 and April 1997.

Our actuaries have estimated the increase in liabilities to be €5.6 million, included in the income statement charge as a past service cost.

Amounts recognised in statement of comprehensive income

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Remeasurement gains recognised in the period	9,988	11,359
Cumulative remeasurement losses recognised in the statement of comprehensive income	(190,543)	(200,531)

Actuarial assumptions and sensitivities

The principal actuarial assumptions used as at the balance sheet date were as follows.

	31/12/2018			31/12/2017		
	NMRP and NMROP	R&CoBZP	R&CoNAP	NMRP and NMROP	R&CoBZP	R&CoNAP
Discount rate	2.9%	0.8%	3.6%	2.6%	0.7%	2.9%
Retail price inflation	3.2%	n/a	n/a	3.2%	n/a	n/a
Consumer price inflation	2.1%	0.5%	n/a	2.1%	0.3%	n/a
Expected rate of salary increases	2.0%	1.0%	n/a	2.0%	0.5%	n/a
Expected rate of increase of pensions in payment:						
Uncapped increases	n/a	0.0%	n/a	n/a	0.0%	n/a
Capped at 5.0%	3.1%	n/a	n/a	3.1%	n/a	n/a
Capped at 2.5%	2.1%	n/a	n/a	2.1%	n/a	n/a
Life expectancy in years of a:						
Male pensioner aged 60	28.7	27.3	27.7	28.8	27.2	25.6
Female pensioner aged 60	29.7	29.6	29.9	29.9	29.5	29.1
Male pensioner aged 60 in 20 years' time	30.2	29.2	n/a	30.3	29.1	n/a
Female pensioner aged 60 in 20 years' time	31.3	31.4	n/a	31.4	31.3	n/a

The value placed on the defined benefit net liabilities and assets is sensitive to the actuarial assumptions used. Those assumptions that have the most significant impact on the measurement of the liability, along with an illustration of the sensitivity to each assumption, are as follows:

In thousands of euro	31/12/2018	
	NMRP and NMROP	R&CoBZP
0.5% increase in discount rate	(86,000)	(18,000)
0.5% increase in inflation	66,000	1,000
One year increase in life expectancy	34,000	n/a

The sensitivities shown above reflect only an estimate of the change in the assessed defined benefit obligation for the funds. In practice, any movement leading to a change in the discount rate or price inflation is likely to be partially offset by a change in asset values, and the corresponding overall impact on the net liability is therefore likely to be lower than the amounts above.

Composition of plan assets

	31/12/2018			31/12/2017		
	NMRP	NMROP	R&CoBZP	NMRP	NMROP	R&CoBZP
Equities – quoted	26%	30%	30%	35%	36%	31%
Bonds – quoted	14%	25%	41%	16%	26%	45%
Liability hedges	21%	22%	2%	22%	25%	2%
Hedge funds and private equity	14%	5%	13%	12%	4%	11%
Cash and gilts	13%	15%	6%	12%	7%	5%
Structured credit – quoted	11%	–	–	2%	–	–
Property and others	1%	3%	9%	1%	2%	6%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Equities includes €0.8 million (31 December 2017: €0.8 million) of shares in companies that are related parties of the Company.

Note 22 – Net cash and cash equivalents

For the purposes of drawing up the cash flow statement, the “cash and cash equivalents” items are analysed as follows.

In thousands of euro	31/12/2018	31/12/2017
Cash and accounts with central banks	4,692,134	3,868,907
Interbank demand deposits and overnight loans (assets)	828,417	1,032,840
Other cash equivalents	399,787	281,672
Interbank demand deposits and overnight loans (liabilities) and due to central banks	(261,466)	(261,312)
TOTAL	**5,658,872**	**4,922,107**

Cash includes cash on hand and demand deposits placed with banks. Other cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of value change. These comprise overnight interbank reverse repos and public bills which are held for trading.

Note 23 – Commitments given and received

Commitments given

In thousands of euro	31/12/2018	31/12/2017
Given to banks	1,546	1,500
Given to customers	382,316	418,186
Loan commitments	**383,862**	**419,686**
Given to banks	44,762	45,208
Given to customers	95,551	98,956
Guarantee commitments	**140,313**	**144,164**
Investment commitments	343,488	264,057
Irrevocable nominee commitments	176,211	130,601
Pledged assets and other commitments given	62,684	57,229
Other commitments given	**582,383**	**451,887**

Investment commitments relate to Merchant Banking funds and investments. Irrevocable nominee commitments represent commitments to funds where the Group acts as a nominee on behalf of its clients. The commitment to employees in respect of deferred remuneration is set out in note 29.

Commitments received

In thousands of euro	31/12/2018	31/12/2017
Received from banks	276,390	313,727
Loan commitments	**276,390**	**313,727**
Received from banks	90,835	97,184
Received from customers	3,004	3,232
Guarantee commitments	**93,839**	**100,416**

Operating lease commitments payable

In thousands of euro	31/12/2018		31/12/2017	
	Land and buildings	Other	Land and buildings	Other
Up to one year	35,201	1,439	34,295	1,698
Between one and five years	123,854	2,798	118,230	983
Over five years	115,276	–	124,846	–
TOTAL	**274,331**	**4,237**	**277,371**	**2,681**

The operating lease commitments above mainly relate to leases of rented offices around the world.

6. Notes to the income statement

Note 24 – Net interest income

Interest income

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Interest income – loans to banks	7,122	4,673
Interest income – loans to customers	65,697	50,140
Interest income – available-for-sale instruments	–	7,259
Interest income – debt securities at FVTPL	607	–
Interest income – debt securities at FVOCI	634	–
Interest income – debt securities at amortised cost	6,292	–
Interest income – derivatives	56,748	37,227
Interest income – other financial assets	321	1,123
TOTAL	**137,421**	**100,422**

Interest expense

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Interest expense – due to banks and other financial institutions	(9,927)	(9,825)
Negative interest income from loans to banks	(27,039)	(18,097)
Interest expense – due to customers	(17,295)	(8,719)
Interest expense – debt securities in issue	(57)	(112)
Interest expense – derivatives	(3,371)	(2,695)
Interest expense – other financial liabilities	(1,775)	(1,288)
TOTAL	**(59,464)**	**(40,736)**

Note 25 – Net fee and commission income

Fee and commission income

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Fees for advisory work and other services	1,288,111	874,793
Portfolio and other management fees	555,814	408,703
Banking and credit-related fees and commissions	5,656	5,713
Other fees	8,511	10,283
TOTAL	**1,858,092**	**1,299,492**

Fee and commission expense

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Fees for advisory work and other services	(10,596)	(14,631)
Portfolio and other management fees	(76,756)	(55,608)
Banking and credit-related fees and commissions	(517)	(48)
Other fees	(1,904)	(4,051)
TOTAL	**(89,773)**	**(74,338)**

The first-time application of IFRS 15 has no impact on the accounting principles applicable to fee and commission income.

Note 26 – Net gains/(losses) on financial instruments at fair value through profit or loss

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Net income – financial instruments at fair value through profit or loss	62,528	53,572
Net income – carried interest	40,020	28,872
Net income – foreign exchange operations	26,960	15,612
Net income – equity securities and related derivatives held for trading	178	36
Net income – other trading operations	(252)	848
TOTAL	**129,434**	**98,940**

Net gains and losses on financial instruments at fair value through profit or loss include the changes in fair value of financial instruments at fair value through profit or loss, and financial instruments held in the trading portfolio, including derivatives.

Of the €62.5 million income from financial instruments at FVTPL, €61.4 million was from investments mandatorily at FVTPL, with the rest from instruments designated at FVTPL.

Financial instruments at fair value through profit or loss include both ordinary equity and carried interest shares held by the Group in its Merchant Banking funds. They also include certain loans made to its Merchant Banking funds.

Note 27 – Net gains/(losses) on financial assets at fair value through other comprehensive income

In thousands of euro	01/01/18 31/12/18 (12 months)
Dividend income from strategic equity securities designated at FVOCI	–
TOTAL	**–**

Dividend income from the Group's interest in EdRS is included as dividend income within "net income/(expense) from other assets" (note 32).

Note 28 – Net gains/(losses) on available-for-sale financial assets

In thousands of euro	01/04/17 31/12/17 (9 months)
Gains or losses on disposal	37,707
Impairment losses on AFS equities	(2,113)
Dividend income	2,701
TOTAL	**38,295**

Note 29 – Operating expenses

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Compensation and other staff costs	(1,062,852)	(797,243)
Defined benefit pension expenses	(22,391)	(13,758)
Defined contribution pension expenses	(12,584)	(9,655)
Staff costs	**(1,097,827)**	**(820,656)**
Administrative expenses	(308,748)	(236,929)
TOTAL	**(1,406,575)**	**(1,057,585)**

Staff costs

As part of its variable pay strategy, the Group pays bonuses to employees. In some cases, the cash payment is deferred to future years.

Deferred cash awards are paid one, two and three years after the year of the award, and the expense is recognised over the two, three and four-year periods from the start of the year of the award to the date of payment. These awards are paid on the condition that the recipient is still an employee of the Group. For certain employees, a portion of the bonus will be settled in the form of a non-cash instrument. There are two such non-cash instruments in the R&Co Group, used in response to the Capital Requirements Directive 4 (CRD4). Firstly, an equity-settled deferred share award consisting of R&Co shares rather than cash: the R&Co shares are released to the employees six months after the vesting date of the award. Secondly, a cash-settled share-linked cash award (non-deferred): this vests immediately but the value of the amount paid moves in line with the R&Co share price over a six month holding period.

A commitment to employees exists in connection with deferred remuneration. Some of this has not yet accrued because it relates to a future service period. The amount of potential future payments that have not yet accrued is €109.8 million (€79.2 million as at 31 December 2017).

The objective of the deferred share-based payment awards is to link the reward of certain key staff with the performance of the Group. In addition to the requirement to remain employed by the Group, these awards may also be cancelled under specific circumstances.

R&Co Equity Scheme

R&Co also operates an Equity Scheme for some of its senior staff. Equity Scheme participants are required to invest in R&Co shares and for each share owned they are granted four share options. The shares are subject to a four-year lock-up period and the share options granted are subject to a vesting period before exercise.

Movements in the number of share options outstanding are as follows:

	31/12/2018		31/12/2017	
	Number, 000s	Weighted average exercise price, €	Number, 000s	Weighted average exercise price, €
At the beginning of the period	4,335	22.9	3,525	19.4
Issued	80	30.0	1,110	32.7
Forfeited	(20)	19.5	(80)	–
Exercised	(435)	19.6	(220)	17.8
AS AT THE END OF THE PERIOD	**3,960**	**23.5**	**4,335**	**22.9**
Exercisable at the end of the period	1,735	18.5	1,245	17.8

Share options outstanding at the end of the period were as follows:

Exercise price €	31/12/2018 Number of outstanding options, 000s	31/12/2018 Weighted average contractual life (years)	31/12/2017 Number of outstanding options, 000s	31/12/2017 Weighted average contractual life (years)
€16.01 – €18.00	1,025	4.8	1,245	5.8
€18.01 – €20.00	1,384	4.8	1,520	5.8
€20.01 – €22.00	–	–	–	–
€22.01 – €24.00	75	6.8	115	7.8
€24.01 – €26.00	190	6.8	230	7.8
€26.01 – €28.00	95	6.8	115	7.8
€28.01 – €30.00	–	–	–	–
€30.01 – €32.00	298	8.8	278	9.8
€32.01 – €35.00	893	8.8	832	9.8
TOTAL	**3,960**	**6.1**	**4,335**	**7.0**

The fair value of the share-based payment made was €0.1 million (31 December 2017: €2.8 million). Fair values are charged to the income statement over the period of employee service required under the vesting conditions. As the options are equity-settled, there is no liability booked in the balance sheet in respect of these options, and there is no periodic charge or credit in the income statement as the options change in value.

On issuance, options are valued by an independent valuer using a Black-Scholes option valuation model. The key inputs into this model are the price of the underlying R&Co shares, the expected volatility of the share price (for which the historic volatility has been the primary consideration), and the estimated exercise date of the options (which is assumed to be the mid-point between the dates of vesting and expiry). The valuation is based on the assumption that all recipients will remain with the Group.

The charge arising in the period that relates to share-based payments is included in the line Compensation and other staff costs, and amounts to €1.1 million (31 December 2017: €0.5 million).

Note 30 – Depreciation, amortisation and impairment of tangible and intangible fixed assets

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Depreciation of tangible assets	(26,993)	(17,297)
Amortisation of intangible assets	(3,207)	(4,757)
Impairment of intangible assets	–	(3,442)
TOTAL	**(30,200)**	**(25,496)**

Note 31 – Cost of risk

In thousands of euro	Impairment	Impairment reversal	Recovered loans	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Loans and advances to customers	(13,994)	16,480	1,442	3,928	(2,797)
Available for sale financial assets	–	–	–	–	1,120
Securities at amortised cost	(1)	34	–	33	–
Other assets	(8,901)	643	–	(8,258)	(2,855)
TOTAL	**(22,896)**	**17,157**	**1,442**	**(4,297)**	**(4,532)**

Note 32 – Net income/(expense) from other assets

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Dividend from long-standing shareholding, designated at FVOCI	5,474	5,242
Non-operating income/(expense)	(3,533)	–
Gains/(losses) on sales of tangible or intangible assets	41	583
Gains/(losses) on acquisition, disposal and impairment of subsidiaries and associates	(5,847)	647
TOTAL	**(3,865)**	**6,472**

Following the agreement to sell its Trust business, (see Highlights section 1.5), the Group booked an impairment provision of €5 million.

Note 33 – Income tax expense

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Current tax	(69,704)	(40,432)
Deferred tax	(7,089)	1,513
TOTAL	**(76,793)**	**(38,919)**

The net tax charge can be analysed between a current tax charge and a deferred tax charge as follows.

Current tax

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Tax charge for the period	(70,165)	(42,584)
Adjustments related to prior periods	3,031	7,261
Irrecoverable dividend-related tax	(2,434)	(4,698)
Other	(136)	(411)
TOTAL	**(69,704)**	**(40,432)**

The adjustment related to prior periods in the nine months to December 2017 was mainly due to the French supreme court decision of 6 October 2017. The supreme court judged the 3% tax paid by French companies on dividend distributions to be contrary to the French constitution. This decision gave rise to a return of the tax paid, together with the payment of interest. The Group has received a repayment of €6.7 million.

The French Parliament has passed legislation for a new additional corporate income tax to provide funds to meet the cost of these claims. The Group is outside of the scope of this new tax.

Deferred tax

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Temporary differences	(6,119)	313
Changes in tax rates	694	994
Adjustments related to prior years	(1,664)	206
TOTAL	**(7,089)**	**1,513**

Reconciliation of the tax charge between the French standard tax rate and the effective rate

In thousands of euro		01/01/18 31/12/18 (12 months)		01/04/17 31/12/17 (9 months)
Profit before tax		**530,598**		**353,838**
Expected tax charge at standard French corporate income tax rate	**34.43%**	**182,685**	**34.43%**	**121,827**
Main reconciling items[(1)]				
Impact of foreign profits and losses taxed at different rates	(12.0%)	(63,844)	(13.7%)	(48,451)
Tax on partnership profits recognised outside the Group	(8.8%)	(46,525)	(10.4%)	(36,775)
Recognition of previously unrecognised deferred tax	(0.7%)	(3,692)	–	–
Tax impacts relating to prior years	(0.3%)	(1,367)	(2.1%)	(7,467)
Tax impact on deferred tax relating to change of the corporate income tax rate	(0.1%)	(695)	(0.3%)	(996)
Tax on income from associate recorded net of tax	(0.0%)	(258)	(1.2%)	(4,413)
Tax on dividends received through partnerships	+0.1%	607	+1.6%	5,834
Irrecoverable and other dividend-related taxes	+0.5%	2,434	+1.3%	4,699
(Gains)/losses where no deferred tax is recognised	+0.5%	2,912	+0.1%	373
Permanent differences	+0.7%	3,705	+0.9%	3,147
Other tax impacts	+0.2%	831	+0.3%	1,141
Actual tax charge	**14.5%**	**76,793**	**10.9%**	**38,919**
EFFECTIVE TAX RATE		**14.5%**		**10.9%**

(1) The categories used in the comparative disclosure are presented in a way that is consistent with the categories used to explain the tax in the current period.

Note 34 – Related parties

The term “Executive Directors”, in the context of this note and the Group governance arrangements surrounding the decision-making process at the R&Co level, refers to executive corporate officers (*mandataires sociaux*) of R&Co Gestion, the Managing Partner of R&Co. In accordance with the provisions of R&Co Gestion’s articles of association, its chairman is the sole executive corporate officer in the twelve-month financial period to 31 December 2018. The following remuneration was received by the executive corporate officer in 2018, paid by R&Co Gestion but reimbursed by R&Co in accordance with the provisions of R&Co’s articles of association relating to R&Co Gestion’s operating expenses.

In thousands of euro	01/01/18 31/12/18 (12 months)
Fixed remuneration	500
TOTAL	**500**

The chairman of R&Co Gestion did not benefit from payments in shares in respect of 2018 and no severance benefits were provided for termination of work contracts. No other long-term benefits were granted.

The transactions during the period and balances at the end of the period between Group companies which are fully consolidated are eliminated on consolidation, and so are not disclosed. Transactions and balances with companies accounted for by the equity method are shown separately in the table on the next page.

Other related parties are: R&Co Gestion, the Managing Partner of R&Co; the members of the Supervisory Board; people with active control of the Group; people with active control of the parent company of R&Co as Rothschild & Co Concordia SAS directors; companies that are controlled by the principal officers; and any person directly or indirectly responsible for management or control of the activities of R&Co. They also include close family members of any person who controls, exercises joint control or significant influence on R&Co, and persons related to Executive Directors and members of the Supervisory Board or to board members of its parent company.

Amounts reported in the Group's accounts that are linked to related parties are disclosed below.

In thousands of euro	31/12/2018			31/12/2017		
	Companies accounted for by the equity method	Executive Directors	Other related parties	Companies accounted for by the equity method	Executive Directors	Other related parties
Assets						
Loans and advances to customers	–	–	9,839	4,925	–	10,111
Other assets	–	–	1	25	–	39
TOTAL ASSETS	**–**	**–**	**9,840**	**4,950**	**–**	**10,150**
Liabilities						
Due to customers	–	1,535	85,562	–	2,814	56,133
Other liabilities	61	–	–	–	–	–
TOTAL LIABILITIES	**61**	**1,535**	**85,562**	**–**	**2,814**	**56,133**
Loan and guarantee commitments						
Guarantees and commitments given	–	–	73	–	–	125
TOTAL COMMITMENTS	**–**	**–**	**73**	**–**	**–**	**125**

In thousands of euro	01/01/18 31/12/18 (12 months)			01/04/17 31/12/17 (9 months)		
	Companies accounted for by the equity method	Executive Directors	Other related parties	Companies accounted for by the equity method	Executive Directors	Other related parties
Income and expenses from transactions with related parties						
Net interest received	113	19	–	–	–	21
Net fee and commission income/(expense)	(298)	–	–	–	–	–
Other income	–	–	223	560	–	474
TOTAL NET BANKING INCOME	**(185)**	**19**	**223**	**560**	**–**	**495**
Other expenses	(569)	–	(2,861)	(247)	–	(2,346)
TOTAL EXPENSES	**(569)**	**–**	**(2,861)**	**(247)**	**–**	**(2,346)**

Note 35 – Fees to statutory auditors

In thousands of euro	KPMG				Cailliau Dedouit et Associés			
	01/01/18 31/12/18 (12 months)		01/04/17 31/12/17 (9 months)		01/01/18 31/12/18 (12 months)		01/04/17 31/12/17 (9 months)	
		%		%		%		%
AUDIT								
Statutory audit of consolidated and solo accounts, and related services								
R&Co (parent company)	192	6%	156	5%	191	42%	156	36%
Subsidiaries	2,346	75%	2,334	75%	232	51%	238	56%
Services other than the statutory audit of accounts, required for legal or regulatory reasons								
R&Co (parent company)	34	1%	40	1%	–	–	15	4%
Subsidiaries	264	8%	298	10%	26	6%	19	4%
Subtotal	**2,836**	**91%**	**2,828**	**91%**	**449**	**98%**	**428**	**100%**
SERVICES OTHER THAN THE STATUTORY AUDIT OF ACCOUNTS, PROVIDED AT THE REQUEST OF ENTITIES								
Law, tax and social	57	2%	225	7%	9	2%	–	–
Other	220	7%	50	2%	–	–	–	–
Subtotal	**277**	**9%**	**275**	**9%**	**9**	**2%**	**–**	**–**
TOTAL	**3,113**	**100%**	**3,103**	**100%**	**458**	**100%**	**428**	**100%**

Note 36 – Segmental information

The table below presents a segmental analysis by business line, used internally for assessing business performance, which is then adjusted to conform to the Group's statutory accounting policies. The reconciliation to IFRS mainly reflects: the treatment of profit share paid to French partners as non-controlling interests; accounting for deferred bonuses over the period that they are earned; the application of IAS 19 for defined benefit pension schemes; an impairment provision in "net income/(expense) from other assets"; removing realised gains on sales of investment securities where the unrealised gain was in the AFS reserve at 31 December 2017 before the introduction on IFRS 9; and reallocation of impairments and certain operating income and expenses for presentational purposes.

Following the change of financial year end, further consolidated income statement data has been prepared to aid comparison between reporting periods. This information includes additional segmental information and is set out in section 1, Highlights.

Segmental information split by business

In thousands of euro	Global Advisory	Wealth & Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	01/01/18 31/12/18 (12 months)
Net banking income	**1,271,270**	**516,058**	**174,574**	**21,933**	**1,983,835**	**(8,002)**	**1,975,833**
Operating expenses	(1,037,955)	(443,123)	(72,190)	(57,152)	(1,610,420)	173,645	(1,436,775)
Cost of risk	–	4,296	–	–	4,296	(8,593)	(4,297)
Operating income	**233,315**	**77,231**	**102,384**	**(35,219)**	**377,711**	**157,050**	**534,761**
Share of profits of associated entities	–	–	–	–	–	339	339
Non-operating income	–	–	–	–	–	(4,502)	(4,502)
Profit before tax	**233,315**	**77,231**	**102,384**	**(35,219)**	**377,711**	**152,887**	**530,598**

In thousands of euro	Global Advisory	Wealth & Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	01/04/17 31/12/17 (9 months)
Net banking income	**855,200**	**385,900**	**165,500**	**32,603**	**1,439,203**	**(16,260)**	**1,422,943**
Operating expenses	(736,700)	(347,000)	(50,200)	(49,703)	(1,183,603)	100,522	(1,083,081)
Cost of risk	–	–	–	–	–	(4,532)	(4,532)
Operating income	**118,500**	**38,900**	**115,300**	**(17,100)**	**255,600**	**79,730**	**335,330**
Share of profits of associated entities	–	–	–	–	–	12,036	12,036
Non-operating income	–	–	–	–	–	6,472	6,472
Profit before tax	**118,500**	**38,900**	**115,300**	**(17,100)**	**255,600**	**98,238**	**353,838**

Net banking income split by geographical segment

In thousands of euro	01/01/18 31/12/18 (12 months)	%	01/04/17 31/12/17 (9 months)	%
United Kingdom and Channel Islands	596,155	30%	348,369	25%
France	546,859	28%	433,603	31%
Rest of Europe	355,092	18%	256,835	18%
Americas	265,904	13%	229,640	16%
Switzerland	119,924	6%	90,507	6%
Australia and Asia	63,627	3%	46,394	3%
Other	28,272	1%	17,595	1%
TOTAL	**1,975,833**	**100%**	**1,422,943**	**100%**

The breakdown by geographic segment is based on the geographic location of the entity that records the income.

Note 37 – Earnings per share

	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Net income – Group share (millions of euro)	286.3	190.6
Preferred dividends adjustment (millions of euro)	(1.4)	(0.6)
Net income – Group share after preferred dividends adjustment (millions of euro)	**284.9**	**190.0**
Basic average number of shares in issue – 000s	73,388	74,642
Earnings per share – basic (euro)	**3.88**	**2.55**
Diluted average number of shares in issue – 000s	74,649	75,915
Earnings per share – diluted (euro)	**3.82**	**2.50**

Basic earnings per share are calculated by dividing Net income – Group share (after removing accrued preferred dividends, which are not part of the profit earned by ordinary shareholders) by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share are calculated using the treasury share method, whereby net income is divided by the weighted average number of ordinary shares outstanding plus the bonus number of ordinary shares that would be issued through dilutive option or share awards. Share options and awards which are dilutive are those which are in the money, based on the average share price during the period. The majority of potential ordinary shares which are not dilutive are connected to the Rothschild & Co Equity Scheme, which is described in note 29.

As there were no gains or losses on discontinued activities, the earnings per share on continuing activities are the same as earnings per share.

Following the change of financial year end, further earnings per share data has been prepared to aid comparison between reporting periods. This further data is set out in section 1, Highlights.

Note 38 – Consolidation scope

Article 7 of Law number 2013-672 of 26 July 2013, amending Article L.511-45 of the French Monetary and Financial Code, requires credit institutions to publish information on their locations and activities in each country or territory.

The following table shows the material subsidiaries and associates which are included in the Group consolidated accounts, and the territory in which they are domiciled. The list below does not include dormant or nominee companies, on account of their immateriality.

The activities below are those used in note 36, and the abbreviations used are defined in the glossary of this report.

Company name	Activity	31/12/2018		31/12/2017		Consolidation method[1]	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2018	31/12/2017
Australia							
Rothschild & Co Australia Limited	GA	100.00	100.00	100.00	99.52	FC	FC
Belgium							
Rothschild & Co Wealth Management Belgium	WAM	100.00	99.99	100.00	99.82	FC	FC
Rothschild & Co Belgium S.A.NV	GA	100.00	100.00	100.00	99.98	FC	FC
Transaction R&Co Belgique	GA	100.00	99.71	100.00	99.55	FC	FC
Bermuda							
Rothschild Trust (Bermuda) Limited	WAM	100.00	100.00	100.00	90.09	FC	FC
Brazil							
Rothschild & Co Brasil Ltda	GA	100.00	100.00	100.00	99.52	FC	FC
British Virgin Islands							
Master Nominees Inc.	WAM	100.00	100.00	100.00	90.09	FC	FC
Rothschild BVI Ltd	WAM	100.00	100.00	100.00	90.09	FC	FC
Canada							
Rothschild & Co Canada Inc	GA	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Holdings Canada Inc	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Securities Canada Inc	GA	100.00	100.00	100.00	99.52	FC	FC
Rothschild Trust Canada Inc	WAM	100.00	100.00	100.00	90.09	FC	FC
Rothschild Trust Protectors Limited	WAM	100.00	100.00	100.00	90.09	FC	FC
Cayman Islands							
JRE Asia Capital Management Ltd – *in liquidation*	MB	50.00	50.00	50.00	49.87	EM	EM
Rothschild Trust Cayman Limited	WAM	100.00	100.00	100.00	90.09	FC	FC
VC Acquisition Limited Partnership	Other	99.00	99.00	99.00	98.52	FC	FC
China							
Rothschild & Co Asset Management US Inc – Beijing representative office	WAM	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co China Holding AG – Beijing representative office	Other	–	–	100.00	99.52	–	FC
Rothschild Financial Advisory Services (Beijing) Co. Ltd	GA	100.00	100.00	100.00	99.52	FC	FC
Rothschild Financial Advisory Services (Beijing) Co. Ltd – Shanghai Branch	GA	100.00	100.00	100.00	99.52	FC	FC
Nathan Financial Advisory Services (Tianjin) Co. Ltd	GA	100.00	100.00	100.00	99.52	FC	FC
Curaçao							
Rothschild & Co Asia NV	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Latin America NV	Other	100.00	100.00	100.00	99.52	FC	FC

(1) FC: full consolidation.
EM: equity method.

Company name	Activity	31/12/2018		31/12/2017		Consolidation method[1]	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2018	31/12/2017
Denmark							
N M Rothschild & Sons Limited, Denmark Filial	GA	100.00	100.00	100.00	99.52	FC	FC
France							
Aida SAS	Other	100.00	100.00	100.00	99.98	FC	FC
Aix-Rabelais	Other	100.00	99.99	100.00	99.82	FC	FC
Albinoni SAS	Other	100.00	99.99	100.00	99.82	FC	FC
Martin Maurel S.A.(formerly Banque Martin Maurel)	WAM	97.90	99.99	97.43	99.97	FC	FC
Bastia Rabelais	WAM	100.00	99.99	100.00	99.82	FC	FC
BBR Rogier S.A.– *liquidated*	WAM	–	–	99.99	99.81	–	FC
Cavour SAS	Other	100.00	100.00	100.00	99.98	FC	FC
Concordia Holding SARL	Other	100.00	100.00	100.00	99.98	FC	FC
Courtage Etoile SNC	WAM	100.00	99.98	100.00	99.81	FC	FC
Financière Rabelais SAS	Other	100.00	100.00	100.00	99.98	FC	FC
Five Arrows Managers SAS	MB	100.00	100.00	100.00	99.97	FC	FC
Funds Selection SA	WAM	100.00	99.99	20.00	20.00	FC	EM
GEDAF SAS	WAM	100.00	99.99	–	–	FC	–
GIE Rothschild & Co	WAM	100.00	99.99	100.00	99.82	FC	FC
Hoche Paris SAS	WAM	99.70	99.69	99.70	99.52	FC	FC
Immobilière Saint Albin SASU – *liquidated*	WAM	–	–	100.00	99.82	–	FC
K Développement SAS	MB	100.00	100.00	100.00	99.98	FC	FC
Messine Participations SAS	WAM	100.00	99.91	100.00	99.74	FC	FC
Montaigne Rabelais SAS	Other	100.00	99.99	100.00	99.82	FC	FC
Paris Orléans Holding Bancaire SAS	Other	100.00	100.00	100.00	99.98	FC	FC
PO Capinvest 1 SAS	MB	100.00	100.00	100.00	99.98	FC	FC
PO Fonds SAS	MB	100.00	100.00	100.00	99.98	FC	FC
PO Mezzanine SAS	MB	100.00	100.00	100.00	99.98	FC	FC
R&Co Investments France SAS	WAM	100.00	99.99	100.00	99.82	FC	FC
RAM Gestion SAS (formerly Vivaldi)	Other	–	–	100.00	99.82	–	FC
RCI Gestion SAS (formerly Puccini)	Other	–	–	100.00	99.82	–	FC
Réponse Invest	MB	–	–	39.00	38.99	–	EM
Rothschild & Cie SCS[2]	GA	99.98	99.97	99.98	99.80	FC	FC
Rothschild & Co Asset Management Europe[2]	WAM	100.00	99.99	100.00	99.82	FC	FC
Rothschild & Co Europe SNC	GA	100.00	99.98	100.00	99.66	FC	FC
Rothschild & Co SCA	MB and Other	100.00	100.00	100.00	99.98	Parent company	Parent company
Rothschild Assurance & Courtage SCS[2] – *liquidated*	WAM	–	–	99.83	99.65	–	FC
Rothschild Martin Maurel SCS[2]	WAM	99.99	99.99	99.99	99.82	FC	FC
RTI Partenaires SCS[2]	GA	98.80	98.77	98.80	98.61	FC	FC
SCI Du 20 Rue Grignan	WAM	99.99	99.97	99.99	99.81	FC	FC
SCI Du 6 Rue De La Bourse	WAM	99.99	99.98	99.99	99.82	FC	FC
SCI Prado Marveyre	WAM	99.99	99.98	99.99	99.82	FC	FC

(1) FC: full consolidation.
EM: equity method.
(2) Some subsidiaries are limited partnerships (*sociétés en commandite simple*). The percentage interest recorded in the consolidated accounts is calculated in accordance with the statutory regulations applicable to limited partnerships based on the individual results of each partnership, after taking into consideration the share attributable to workers' remuneration.

Company name	Activity	31/12/2018		31/12/2017		Consolidation method[1]	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2018	31/12/2017
SCS Holding SAS	Other	100.00	100.00	100.00	99.52	FC	FC
Transaction R&Co Partenaires	GA	50.00	49.86	50.00	49.77	FC	FC
Transaction R&Co SCS[2]	GA	99.79	99.76	99.76	99.55	FC	FC
TrésoPlus	WAM	100.00	99.99	100.00	99.82	FC	FC
Verdi SAS	Other	100.00	100.00	100.00	99.98	FC	FC
Verseau SAS	MB	95.00	95.00	95.00	94.98	FC	FC
Wargny BBR (formerly HOGEP – Hoche Gestion Privée)	WAM	100.00	99.99	34.69	34.63	FC	EM
Germany							
Rothschild & Co Deutschland GmbH	GA	100.00	99.98	100.00	99.66	FC	FC
Rothschild & Co Vermögensverwaltungs-GmbH	WAM	100.00	100.00	100.00	90.09	FC	FC
Guernsey							
Blackpoint Management Limited	WAM	100.00	99.99	100.00	99.82	FC	FC
Guernsey Global Trust Limited	WAM	100.00	100.00	100.00	90.09	FC	FC
Jofran Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Maison (CI) Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Asset Management Holdings (CI) Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Bank International Limited	WAM	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Continuation Finance (CI) Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Mexico Holdings Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild Corporate Fiduciary Services Limited	WAM	100.00	100.00	100.00	90.09	FC	FC
Rothschild Switzerland (CI) Trustees Limited	WAM	100.00	100.00	100.00	90.09	FC	FC
Rothschild Trust Canada Inc. – Guernsey branch	WAM	100.00	100.00	100.00	90.09	FC	FC
Rothschild Trust Financial Services Limited	Other	100.00	100.00	100.00	90.09	FC	FC
Rothschild Trust Guernsey Limited	WAM	100.00	100.00	100.00	90.09	FC	FC
S y C (International) Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Shield Holdings (Guernsey) Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Shield Securities Limited	Other	100.00	100.00	100.00	99.52	FC	FC
St. Julian's Properties Limited	Other	50.00	50.00	50.00	49.76	EM	EM
TM New Court Plan Trust	Other	100.00	100.00	100.00	99.52	FC	FC
Hong Kong							
Hong Kong Win Go Fund Management Limited	MB	33.33	33.33	33.33	33.32	EM	EM
JRE Asia Capital (Hong Kong) Ltd – *liquidated*	MB	–	–	50.00	49.87	–	EM
Rothschild & Co (Hong Kong) Limited	GA	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Bank AG – Hong Kong representative office	WAM	100.00	100.00	100.00	90.09	FC	FC
Rothschild & Co Wealth Management Hong Kong Limited	WAM	100.00	100.00	100.00	90.09	FC	FC

(1) FC: full consolidation.
EM: equity method.

Company name	Activity	31/12/2018		31/12/2017		Consolidation method[1]	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2018	31/12/2017
India							
JRE Asia Capital Advisory Services (India) Private Limited – *liquidated*	MB	–	–	50.00	49.87	–	EM
Rothschild & Co India Private Limited	GA	100.00	100.00	100.00	99.52	FC	FC
Indonesia							
PT RothschildCo Advisory Indonesia	GA	100.00	100.00	100.00	99.52	FC	FC
Israel							
Rothschild & Co Israel BV-Israel branch	GA	100.00	99.98	100.00	99.66	FC	FC
Italy							
Rothschild & Co Asset Management Europe – Milan Branch	WAM	100.00	99.99	100.00	99.82	FC	FC
Rothschild & Co Italia S.p.A.	GA	100.00	99.98	100.00	99.66	FC	FC
Rothschild & Co SRL – *liquidated*	Other	–	–	100.00	99.66	–	FC
Rothschild Trust Italy SRL	WAM	100.00	100.00	100.00	90.09	FC	FC
Rothschild & Co Wealth Management Italy SIM SpA	WAM	100.00	100.00	–	–	FC	–
Rothschild & Co Wealth Management UK Limited – Milan branch	WAM	100.00	100.00	100.00	92.92	FC	FC
Japan							
Rothschild & Co Japan Ltd	GA	100.00	100.00	100.00	99.98	FC	FC
Jersey							
Arena Plaza Jersey GP Limited	MB	100.00	100.00	100.00	99.52	FC	FC
FAC Carry LP – *liquidated*	MB	–	–	100.00	99.52	–	FC
Five Arrows Capital GP Limited – *liquidated*	MB	–	–	100.00	99.52	–	FC
Five Arrows Mezzanine Holder LP – *liquidated*	MB	–	–	100.00	87.57	–	FC
Five Arrows Partners LP – *liquidated*	MB	–	–	100.00	99.52	–	FC
Five Arrows Proprietary Feeder LP – *liquidated*	MB	–	–	100.00	99.52	–	FC
Five Arrows Staff Co-investment LP – *liquidated*	MB	–	–	100.00	99.52	–	FC
Luxembourg							
Centrum Jonquille Sàrl	MB	100.00	100.00	100.00	99.98	FC	FC
Centrum Narcisse Sàrl	MB	100.00	100.00	100.00	99.98	FC	FC
Elsinore I GP Sàrl	MB	100.00	100.00	100.00	99.97	FC	FC
Fin PO SICAR	MB	100.00	100.00	100.00	99.97	FC	FC
Five Arrows Co-Investments Feeder V SCA SICAR – *liquidated*	MB	–	–	100.00	99.97	–	FC
Five Arrows Credit Solutions C General Partner	MB	100.00	100.00	100.00	99.97	FC	FC
Five Arrows Credit Solutions General Partner	MB	100.00	100.00	100.00	99.97	FC	FC
Five Arrows Managers S.A.	MB	100.00	100.00	100.00	99.97	FC	FC
Five Arrows Mezzanine Investments Sàrl	MB	100.00	100.00	100.00	99.97	FC	FC
Five Arrows Principal Investments International Feeder SCA SICAR	MB	100.00	100.00	100.00	99.97	FC	FC
HRA Investment SCSp	MB	84.62	84.20	90.89	90.87	FC	FC
Jardine Rothschild Asia Capital (Luxembourg) Sàrl – *in liquidation*	MB	50.00	50.00	50.00	49.87	EM	EM

(1) FC: full consolidation.
EM: equity method.

Company name	Activity	31/12/2018		31/12/2017		Consolidation method[1]	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2018	31/12/2017
Messine Investissement S.A.– *liquidated*	WAM	–	–	100.00	99.96	–	FC
Mobilim International (Luxembourg) – *liquidated*	WAM	–	–	100.00	99.97	–	FC
Oberon GP Sàrl	MB	100.00	100.00	100.00	99.97	FC	FC
Oberon II GP Sàrl	MB	100.00	100.00	100.00	99.97	FC	FC
Oberon III GP Sàrl	MB	100.00	100.00	100.00	99.97	FC	FC
Oberon USA General Partner Sàrl	MB	100.00	100.00	100.00	99.97	FC	FC
Parallel GP Sàrl	MB	100.00	100.00	100.00	99.97	FC	FC
PO Co Invest GP Sàrl	MB	100.00	100.00	100.00	99.97	FC	FC
PO Invest 2 S.A.	MB	93.85	93.85	93.85	93.83	FC	FC
Rothschild & Co Investment Managers (formerly PO Participations SA)	MB and WAM	100.00	100.00	100.00	99.97	FC	FC
R Commodity Finance Fund General Partner – *in liquidation*	WAM	100.00	99.99	100.00	99.82	FC	FC
RPI Invest 2 SCSp	MB	100.00	100.00	100.00	99.47	FC	FC
RPO GP Sàrl	MB	100.00	100.00	100.00	99.97	FC	FC
RPO Invest 1 SCSp	MB	99.50	99.50	99.50	99.47	FC	FC
Malaysia							
RothschildCo Malaysia Sdn. Bhd.	GA	70.00	100.00	70.00	99.52	FC	FC
Mexico							
Rothschild & Co Mexico, S.A.de CV	GA	100.00	100.00	100.00	99.52	FC	FC
Monaco							
Rothschild Martin Maurel Monaco	WAM	99.97	99.95	54.98	54.88	FC	FC
Rothschild Martin Maurel Monaco Gestion	WAM	99.30	99.25	99.30	54.54	FC	FC
Rothschild Martin Maurel SCS – Monaco branch	WAM	100.00	99.99	97.43	99.97	FC	FC
SCI VDP 2	WAM	100.00	71.27	100.00	55.14	FC	FC
SCPM VDP 1	WAM	71.00	70.98	71.00	55.14	FC	FC
Netherlands							
Continuation Investments NV – *liquidated*	MB	–	–	39.33	38.59	–	EM
Rothschild & Co Israel BV	GA	100.00	99.98	100.00	99.66	FC	FC
Rothschild & Co CIS BV	GA	100.00	99.98	100.00	99.66	FC	FC
Rothschild & Co Europe BV	GA	100.00	99.98	100.00	99.66	FC	FC
Rothschild & Co Continuation Finance BV	Other	84.00	84.00	69.00	68.74	FC	FC
New Zealand							
Rothschild Trust New Zealand Limited	WAM	100.00	100.00	100.00	90.09	FC	FC
Poland							
Rothschild & Co Polska Sp ZOO	GA	100.00	99.98	100.00	99.66	FC	FC
Portugal							
Rothschild & Co Portugal Limitada	GA	100.00	99.98	100.00	99.65	FC	FC
Qatar							
Rothschild & Co Doha LLC	GA	100.00	99.98	100.00	99.66	FC	FC
Russia							
Rotshchild & Co CIS BV – Moscow branch	GA	100.00	99.98	–	–	FC	–
Rotshchild & Co CIS BV – Moscow Representative Office	GA	100.00	99.98	100.00	99.66	FC	FC

(1) FC: full consolidation.
EM: equity method.

Company name	Activity	31/12/2018		31/12/2017		Consolidation method[1]	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2018	31/12/2017
Singapore							
Rothschild & Co Singapore Limited	GA	100.00	100.00	100.00	99.52	FC	FC
Rothschild Trust (Singapore) Limited	WAM	100.00	100.00	100.00	90.09	FC	FC
Rothschild Wealth Management Singapore Limited – *in liquidation*	WAM	100.00	100.00	100.00	90.09	FC	FC
South Africa							
Rothschild & Co (South Africa) Foundation	GA	100.00	100.00	100.00	99.52	FC	FC
Rothschild and Co South Africa (Pty) Limited	GA	100.00	100.00	100.00	99.52	FC	FC
Southern Arrows Proprietary Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Spain							
RothschildCo Espana S.A.	GA	100.00	99.98	100.00	99.66	FC	FC
Sweden							
Rothschild & Co Nordic AB	GA	100.00	99.98	100.00	99.66	FC	FC
Switzerland							
Creafin AG – *liquidated*	WAM	–	–	100.00	90.09	–	FC
Equitas SA	WAM	100.00	100.00	90.00	81.08	FC	FC
RBZ Fiduciary Ltd. – *in liquidation*	WAM	100.00	100.00	100.00	90.09	FC	FC
Rothschild & Co Bank AG	WAM	100.00	100.00	100.00	90.09	FC	FC
Rothschild & Co AG	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co China Holding AG	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Concordia AG	Other	100.00	100.00	100.00	99.10	FC	FC
Rothschild & Co Global Advisory Switzerland AG	GA	100.00	100.00	100.00	99.98	FC	FC
Rothschild & Co Holding AG[3]	Other	90.52	100.00	90.52	90.09	FC	FC
Rothschild Private Trust Holdings AG	Other	100.00	100.00	100.00	90.09	FC	FC
Rothschild Trust (Schweiz) AG	WAM	100.00	100.00	100.00	90.09	FC	FC
Rothschild Trust Canada Inc – Swiss branch	WAM	100.00	100.00	100.00	90.09	FC	FC
Rothschild & Co Continuation Holdings AG[3]	Other	100.00	100.00	99.99	99.52	FC	FC
RTB Administrators AG	WAM	100.00	100.00	100.00	90.09	FC	FC
RTB Trustees AG	WAM	100.00	100.00	100.00	90.09	FC	FC
RTS Geneva SA	WAM	100.00	100.00	100.00	90.09	FC	FC
Turkey							
Rothschild & Co Kurumsal Finansman Hizetleri Limited Sirketi	GA	100.00	99.98	100.00	99.66	FC	FC
United Arab Emirates							
Rothschild & Co Middle East Limited	GA	100.00	99.98	100.00	99.66	FC	FC
Rothschild & Co Europe BV – Abu Dhabi representative office	GA	100.00	99.98	100.00	99.66	FC	FC
United Kingdom							
Continuation Computers Limited	Other	100.00	100.00	100.00	99.52	FC	FC
FA International Limited – *liquidated*	Other	–	–	100.00	99.52	–	FC
Five Arrows (Scotland) General Partner Limited	MB	100.00	100.00	99.99	99.52	FC	FC
Five Arrows Credit Solutions Co-Investments, LP	MB	50.00	50.00	50.00	49.99	EM	EM

(1) FC: full consolidation.
EM: equity method.
(3) Following the completion on 6 August 2018 of the agreement to unwind cross-shareholdings with Edmond de Rothschild, the Group has a voting interest of 100% from this date.

Company name	Activity	31/12/2018		31/12/2017		Consolidation method[1]	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2018	31/12/2017
Five Arrows Finance Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Five Arrows Leasing Holdings Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Five Arrows Managers LLP	MB	100.00	100.00	100.00	99.52	FC	FC
International Property Finance (Spain) Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Investor Perceptions Limited	GA	100.00	100.00	100.00	99.52	FC	FC
Lanebridge Holdings Limited	MB	100.00	100.00	100.00	99.52	FC	FC
Lanebridge Investment Management Limited	MB	100.00	100.00	100.00	99.52	FC	FC
Marplace (No 480) Limited	Other	100.00	100.00	100.00	99.52	FC	FC
N M Rothschild & Sons Limited	GA and Other	100.00	100.00	100.00	99.52	FC	FC
New Court Securities Limited	Other	100.00	100.00	100.00	99.52	FC	FC
O C Investments Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Risk Based Investment Solutions Ltd	WAM	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Australia Holdings Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Continuation Finance Holdings Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Continuation Finance PLC	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Continuation Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Credit Management Limited	MB	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Europe Partnership	GA	100.00	99.98	100.00	99.66	FC	FC
Rothschild & Co Gold Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Holdings Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Holdings UK Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Wealth Management (UK) Limited	WAM	100.00	100.00	100.00	92.92	FC	FC
Rothschild HDF Investment Adviser Limited *– in liquidation*	WAM	100.00	99.99	100.00	99.82	FC	FC
Rothschild Trust Corporation Limited	WAM	100.00	100.00	100.00	90.09	FC	FC
Scott Harris UK Limited	GA	100.00	100.00	100.00	99.52	FC	FC
Second Continuation Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Shield MBCA Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Shield Trust Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Third New Court Limited	Other	100.00	100.00	100.00	99.52	FC	FC
Walbrook Assets Limited	Other	100.00	100.00	100.00	99.52	FC	FC
United States of America							
FACP General Partner LP	MB	100.00	100.00	100.00	99.97	FC	FC
FACP GP-GP	MB	100.00	100.00	100.00	99.97	FC	FC
Five Arrows Friends & Family Feeder LP *– liquidated*	MB	–	–	100.00	99.52	–	FC
Five Arrows Managers (USA) LLC	MB	100.00	100.00	100.00	99.97	FC	FC
Five Arrows Managers North America LLC	MB	100.00	100.00	100.00	99.52	FC	FC
Francarep Inc	MB	100.00	100.00	100.00	99.98	FC	FC
PO Elevation Rock, Inc	MB	100.00	100.00	100.00	99.97	FC	FC
PO Black LLC	MB	100.00	100.00	100.00	99.97	FC	FC

(1) FC: full consolidation.
EM: equity method.

Company name	Activity	31/12/2018		31/12/2017		Consolidation method(1)	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2018	31/12/2017
Rothschild & Co Asset Management (Canada) LLC	WAM	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Asset Management US Inc.	WAM	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Holdings North America Inc	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co North America Inc	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Realty Group Inc	Other	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co Risk Based Investments LLC	WAM	100.00	100.00	100.00	99.52	FC	FC
Rothschild & Co US Inc	GA	100.00	100.00	100.00	99.52	FC	FC
Rothschild Realty Inc – *liquidated*	Other	–	–	100.00	99.52	–	FC
Rothschild Trust North America LLC	WAM	100.00	100.00	100.00	90.09	FC	FC

Note 39 – Results, tax and headcount by territory

Pursuant to Article L.511-45 II to V of the French Monetary and Financial Code, referred to in note 38, the table below specifically provides information linked to net banking income, pre-tax profit, income tax and headcount for the twelve months to 31 December 2018.

Country/region of operation	Net banking income (in millions of euro)	Profit before tax (in millions of euro)	Current tax (in millions of euro)	Deferred tax (in millions of euro)	Headcount (full-time equivalent at the period end)
United Kingdom	572.3	136.2	(14.3)	(8.4)	931
France	546.9	178.7	(11.1)	(4.3)	1,202
Other Europe	250.9	80.4	(26.7)	2.2	428
North America	248.4	21.1	(4.2)	–	337
Switzerland	119.9	14.2	(6.0)	2.8	358
Luxembourg	107.7	100.4	(0.1)	–	22
Asia-Pacific and Latin America	81.1	(17.9)	(3.3)	–	231
Channel Islands	23.9	10.6	(0.8)	–	74
British Virgin Islands	0.0	0.0	–	–	–
Curaçao	–	(0.0)	–	–	–
Cayman Islands	0.0	(0.0)	–	–	–
Bermuda	–	(0.0)	–	–	–
Other	28.7	6.9	(3.2)	0.6	50
Total before intercompany elimination	**1,979.8**	**530.6**	**(69.7)**	**(7.1)**	**3,633**
Intercompany elimination	(4.0)	–	–	–	–
TOTAL	**1,975.8**	**530.6**	**(69.7)**	**(7.1)**	**3,633**

Revenues and profits are measured before the elimination of intercompany fees and interest income and expense.

The Group has not received any public subsidies in the period. For France, profit before tax is stated before amounts deducted as non-controlling interests, being profit share paid as preferred amounts to French partners who individually account for tax (see also note 33).

(1) FC: full consolidation.
EM: equity method.

Statutory auditors' report on the consolidated financial statements for the year ended 31 December 2018

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Dear Shareholders,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of Rothschild & Co for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Emphasis of Matter

We draw your attention to the following matter described in Note 2.4 to the consolidated financial statements relating to the first time application of IFRS 9 "Financial Instruments" from 1 January 2018. Our opinion is not modified in respect of this matter.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

1. First time application of IFRS 9

Key Audit Matter

Since January 1, 2018, Rothschild & Co has applied IFRS 9 "Financial Instruments", which defines in particular new rules for the classification and measurement of financial instruments and a new methodology for impairment of financial assets.

The impact of the first application of IFRS 9 on the Group's shareholders' equity (Group share) as at January 1, 2018 amounted to a reduction of €4.8 million net of tax, of which €4.3 million was in relation to the expected credit loss (net of deferred tax).

The classification of financial assets is based on how they are managed (called "management model") and on the analysis of the characteristics of their contractual flows (called "SPPI test").

For the impairment of financial assets, this new standard leads in particular to a widening of the asset base considered for impairment. All financial assets, including loans with no default, must now be written off against the expected credit loss.

The determination of the expected credit loss amount is to a large extent based on the use of models and parameters whose assumptions have an impact on the amount of depreciation calculated.

We considered that the first application of this standard was a key audit matter due to:

- the potential impact of an incorrect analysis of the classification of financial assets on the financial statements;
- the importance of the areas of judgment used in the determination of impairment models for financial assets, the risks related to the quality of the data that feed them and the risks associated with their operational integration.

The effects of the first application of IFRS 9 are detailed in Notes 2.4, 3.2.3 and 3.2.5 of the consolidated financial statements on pages 8 to 12 and 16 to 19.

Our response

To assess the implementation of these new rules for the classification and valuation of financial instruments, the new impairment methodology for financial instruments and the effects of their application in the accounts of Rothschild & Co Group, we conducted the following work of understanding and examination:

- Examination of the classification and the valuation of financial assets:
  - In relation with equity instruments, we understood the allocation between equity instruments at fair value through profit or loss or equity instruments at fair value through non-recyclable equity. We performed an examination of the financial impacts reflected in equity as at January 1, 2018, based on the fair values at that date.
  - For debt instruments and loans and advances to customers, we examined their classification and valuation based on the chosen management model and the contractual characteristics ("SPPI test"). In particular, we have examined the procedures put in place by the Group to analyse the credit portfolios and debt instruments in relation with the criteria defined by the standard in order to be registered at amortised cost. We also tested on a sampling basis the compliance with the eligibility criteria for the classification at amortised cost of debt instruments and loans and advances to customers recorded in this accounting category.

- Examination of the new impairment methodology for financial instruments and its application as of January 1, 2018: in order to assess the implementation of the impairment models covering the main credit risks identified, our work focused in particular on the following aspects with the support of our experts in financial modelling and credit risk analysis. This work covers in particular:
  - the methodological principles applied for the construction of the models (compliance of the methodological principles with IFRS 9, segmentation into homogeneous groups of risks, probability of default (PD), criteria of transfer in bucket 2, loss given default (LGD) and exposure at default (EAD));
  - the quality of the data used to calibrate the parameters used in the models (PD, LGD);
  - the governance of the models with regard to the methods for determining and changing the parameters, and the independent validation process.

We have ensured of the relevance of the information given in the notes to the consolidated financial statements in relation with the presentation of the impact of the first application of the standard at the beginning of the financial year.

2. Valuation of financial instruments carried at Fair Value through P&L

Key Audit Matter

As at 31 December 2018, the Group holds financial instruments categorised as Level 2 and Level 3 according to the IFRS fair value hierarchy. These financial instruments are presented at fair value through P&L on the asset side of the balance sheet for €481 million ("Other financial assets at FVTPL"), representing 4% of total assets.

The fair value of these financial assets, whose market prices are not available or the valuation parameters are not observable, is determined using valuation techniques or complex internal and external valuation models and requires exercise of judgement.

We considered that the valuation of Level 2 and 3 financial instruments recognised at fair value through P&L was a key audit matter for the consolidated financial statements due to the exercise of the judgement that it requires and its sensitivity to the assumptions made.

Information on the valuation of financial instruments is presented in note 4.5 of the consolidated financial statements on pages 34 to 39.

Our response

Our procedures consisted of:

- understanding of the internal control and governance put in place by Management to identify and value the financial assets in level 2 and 3 of the fair value hierarchy;
- assessing the soundness of the methodology applied and the relevance of the parameters and assumptions used by the Group to determine the fair values of these financial assets;
- testing the valuations used by the Group for these level 2 and 3 financial assets.

We have ensured that the information presented in the financial statements is appropriate.

3. Provision for litigation

Key Audit Matter

As at 31 December 2018, the Group has accrued a total provision of EUR 29m arising from litigation proceedings.

The Group may be involved in legal proceedings or receive claims arising from the conduct of its business. Based on available information and, where appropriate, legal advice, provisions are recognised when it is probable that a settlement will be necessary and a reliable estimate of this amount can be made.

We considered the determination of litigation provisions as a key audit matter because of the significant judgement required to evaluate these estimates.

Information on provisions for litigation is presented in note 16 of the notes to the consolidated financial statements on page 47.

Our response

Our procedures consisted in obtaining an understanding of the internal control and governance system put in place by Management to identify, evaluate and measure potential obligations arising from legal proceedings or claims in the conduct of the Group's business.

For significant legal proceedings that have undergone significant developments or that have emerged during the period, we have:

- assessed the facts and circumstances that motivate the existence of the obligation and the need to recognise a provision;
- questioned the Group's internal and external legal advice;
- carried out a critical analysis of the assumptions retained and the key judgements applied.

For the other procedures, we ensured that there was no development that could question Management's assessment of the level of the obligation and the resulting provision.

We have ensured that the information presented in the financial statements is appropriate.

4. Revenue recognition for Advisory work and other services

Key Audit Matter

As at 31 December 2018, the Group records net fees for Advisory work and other services over the year of €1,278 million, representing 65% of net banking income.

Revenues are recognised either during the period during which the service is provided, or when a significant act is completed or an event occurs.

We considered that revenue recognition for Advisory work and other services was a key audit matter considering the relative importance of these fees in the Group's income statement and because the recognition of these revenues requires a case-by-case analysis of the contractual conditions.

Information on the recognition of revenue from Advisory work and other services is presented in note 3.2.15 and note 25 of the consolidated financial statements on pages 23, 56 and 57.

Our response

Our procedures consisted of:

- understanding the internal control system put in place within the Group;
- testing, on a sample basis, the occurrence of the events generating contractual eligibility of the fees as well as the correct cut-off to the related accounting period.

Lastly, we made sure that the information presented in the financial statements is appropriate.

Verification of the Information Pertaining to the Group Presented in Management Report

As required by laws and regulations we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in Management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated declaration of extra-financial performance, required under Article L. 225-102-1 of the French Commercial Code (Code de commerce), is included in the information relating to the group provided in the Management report, being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information provided in this declaration and this information must be reported by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Rothschild & Co by the General Meeting held on 29 September 2005 for KPMG and on 24 June 2003 for Cailliau Dedouit et Associés.

As at 31 December 2018, KPMG S.A. and Cailliau Dedouit et Associés were in the 14th year and 16th year of total uninterrupted engagement, of which respectively 14 and 16 years since securities of the Company were admitted to trading on a regulated market, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by Management.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

French original signed by the statutory auditors

Paris La Défense, on the 19 March 2019
KPMG S.A.

Arnaud Bourdeille
Partner

Paris, on the 19 March 2019
Cailliau Dedouit et Associés

Sandrine Le Mao
Partner

Parent Company balance sheet as at 31 December 2018

Assets

In thousands of euro	Notes	31/12/2018			31/12/2017
		Gross value	Depreciation, amortisation and provisions	Net carrying amount	Net carrying amount
Non-current assets					
Intangible assets					
Concessions, patents, brand and software		240	231	10	2
Total intangible assets		**240**	231	**10**	2
Property, plant and equipment	1				
Land		3,170	–	3,170	3,170
Buildings		4,410	441	3,969	4,181
Other property, plant and equipment		201	135	65	71
Total property, plant and equipment		**7,780**	576	**7,204**	7,421
Non-current financial assets					
Investments in Group and other companies	2	1,673,532	577	1,672,956	1,671,897
Portfolio holdings	3	100,235	9,949	90,286	29,261
Receivables related to portfolio holdings		–	–	–	–
Loans		1	–	1	1
Other non-current financial assets		6	–	6	6
Total non-current financial assets		**1,773,773**	10,525	**1,763,248**	1,701,164
Total non-current assets		**1,781,794**	11,332	**1,770,462**	**1,708,587**
Current assets					
Accounts receivable	4	**45,107**	–	**45,107**	90,003
Marketable securities	5				
Treasury stock		1,052	–	1,052	695
Other securities		25,000	–	25,000	25,000
Cash		**71,140**	–	**71,140**	97,233
Prepaid expenses		–	–	–	75
Total current assets		**142,299**	–	**142,299**	**213,006**
Loan issue costs		**360**	155	**205**	265
Unrealised translation losses	6	–	–	–	918
TOTAL ASSETS		**1,924,453**	11,487	**1,912,966**	**1,922,776**

Liabilities and shareholders' equity

In thousands of euro	Notes	31/12/2018	31/12/2017
Shareholders' equity	7		
Share capital		155,026	154,815
Share premium		1,112,721	1,111,089
Reserves			
Legal reserves		15,482	15,449
Regulated reserves		–	–
Other reserves		153,044	153,044
Retained earnings		**178,441**	**109,992**
Net income for the year		**90,364**	**121,764**
Regulated provisions		303	303
Total shareholders' equity		**1,705,380**	**1,666,456**
Provisions for contingencies and charges	8		
Provisions for contingencies		1	1
Provisions for charges		2,307	2,726
Total provisions for contingencies and charges		**2,308**	**2,727**
Liabilities			
Financial liabilities			
Borrowings and other financial liabilities – banks	9	84,533	131,910
Borrowings and other financial liabilities – others		29	29
Operating liabilities	10	**8,737**	**11,589**
Other liabilities	11	**111,981**	**110,063**
Total liabilities		**205,280**	**253,594**
Unrealised translation gains		(1)	–
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,912,966**	**1,922,776**

Company income statement for the year ended 31 December 2018

In thousands of euro	Notes	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Income transactions			
Operating income transactions			
Operating income	12	7,571	2,608
Operating expenses	13	(26,814)	(16,425)
Net operating income		**(19,243)**	**(13,816)**
Other income transactions			
Income from investments in Group and other companies and portfolio holdings	14	105,450	123,712
Other financial income	15	2,697	1,114
Capital gains/(losses) on disposals of marketable securities	16	80	83
Charge/(recovery) of provisions on transactions affecting the income	17	–	16
Financial expenses	18	(3,191)	(704)
Income from other income transactions		**105,036**	**124,221**
Income from joint ventures			
Share of profit/(loss)		**–**	–
Current income before tax		**85,793**	**110,404**
Income from capital transactions	19	**(6,229)**	**2,378**
Income tax charge/(credit)	20	10,800	8,981
NET INCOME		**90,364**	**121,764**

I Highlights of the financial year

Net income for the year

For this financial year, the term is 12 months from 01/01/2018 to 31/12/2018 compared to the previous financial period of 9 months from 01/04/2017 to 31/12/2017.

Due to the company's holding activity and seasonal nature of its income, it was not considered relevant to disclose in its annual financial statements the restated income statement of the 9 months from 01/04/2017 to 31/12/2017 into 12 months.

Rothschild & Co SCA (R&Co) and Edmond de Rothschild have reached an agreement on the use of their respective brands. In addition, the two groups have unwound all of their cross-shareholdings. R&Co has purchased from Edmond de Rothschild all of the remaining 2.5 million R&Co shares in its possession for €75 million in cash.

R&Co ended the 2018 calendar year with net income of €90.4 million, compared with €121.8 million the prior period.

For the year ended 31 December 2018, the Company received dividends of €104.3 million from its French subsidiaries (Paris Orléans Holding Bancaire SAS (POHB) €74.8 million; K Développement €24.8 million; Martin Maurel €4.7 million), versus €122.3 million for the previous period.

II Subsequent events

No significant adjusting events have occurred after 31 December 2018 closing date.

III Accounting principles and valuation methods

To abide by the going concern, conservatism and reliability principles, and to ensure consistency of accounting methods from one reporting period to the next, the financial statements have been prepared in accordance with the provisions of French law and with French generally accepted accounting principles.

The financial statements have been approved in accordance with Financial Regulation 2014-03 modified by regulations 2015-06 and 2016-07 from the French Accounting Standards Authority *(Autorité des normes comptables)*.

To provide relevant reporting on the Company's business, the income statement is presented in accordance with the so-called 'TIAP' model as recommended by the French Accounting Standards Authority for financial companies.

Income transactions are split into: firstly, operating income transactions, followed by other income transactions (primarily financial transactions).

Current income corresponds to 'income from ordinary activities', i.e. all activities in which the company engages in the normal course of its business, and any related activities that it carries out on an add-on basis or as an extension of its ordinary activities.

Operating profit does, however, include non-recurring income and expenses from events which are clearly separate from the Company's ordinary activities and which are not, therefore, deemed to occur on a frequent or regular basis.

Capital transactions include transactions concerning holdings classified as non-current assets.

The main accounting policies applied are as follows:

Intangible assets and property, plant and equipment are valued at their acquisition cost and amortised and depreciated in the following manner:

	Estimated useful life	Method
Start-up costs	3 years	straight-line
Software	3 years	straight-line
Buildings	20 to 30 years	straight-line
Plant and general improvements	8 to 10 years	straight-line
Vehicles	5 years	straight-line
Office equipment	3 years	reducing-balance
Office furniture	10 years	straight-line

Non-current financial assets are valued at their acquisition cost. The values of holdings denominated in foreign currencies are translated into euro at the exchange rate on the transaction date. All loans and receivables denominated in foreign currencies classified among non-current financial assets are translated at the closing rate for the financial year.

Investments in Group and other companies and portfolio holdings are recognised at their acquisition cost. An impairment loss is recognised when fair value is below acquisition cost.

The fair values of investments in Group and other companies and portfolio holdings are calculated in the following manner:

- unlisted securities: market value. This is obtained using either the Company's share of book net assets or re-appraised net assets of the holding or the price used for a recent transaction in the security;
- treasury stock: average price in the final month of the financial year;
- listed securities: last quoted price of the financial year; and
- funds: an impairment is recognised when the acquisition cost or total investments in the fund exceed the Company's share of the fund's adjusted net asset value as certified by the fund's auditors or the redemption value as determined by the issuer. The portion of unrealised capital losses linked to currency effects is recognised separately from impairment, which relates solely to changes in the value of the underlying assets.

The value of the portfolio at 31 December 2018 was measured using the same methodology as applied in the preceding financial period. Dividends are recorded in the month in which it is decided to distribute them.

Regarding FCPR-type venture capital funds, in accordance with market practice, only amounts actually called up are recorded, and the unfunded capital commitment is recorded as an off-balance sheet item.

Sales of shareholdings, long-term portfolio holdings or investment securities are recognised using the first-in, first-out (FIFO) method, i.e. the longest-held securities will be deemed to be the first sold.

Receivables are recognised at their nominal value. An impairment loss is recognised when the inventory value is lower than the carrying cost. Receivables denominated in foreign currencies are translated at the closing rate for the financial year.

Marketable securities are recognised at their acquisition cost. When their overall inventory value is lower than their acquisition cost, an impairment loss is recognised. The book value is equal to the closing price for the financial year.

Transactions denominated in foreign currencies are recognised at the rate on the transaction date. At the end of the financial year, all assets and liabilities are converted at the closing rate.

IV Notes to the Company balance sheet

Note 1 – Property, plant and equipment

In thousands of euro	01/01/2018	Acquisitions	(Disposals)	31/12/2018
Gross value	7,981	13	(213)	7,780
		(Increases)	Decreases	
Impairment/amortisation	(560)	(16)	–	(576)
TOTAL	**7,421**	**(3)**	**(213)**	**7,204**

Equipment has been purchased in 2018 for €13,000. Disposals were primarily the sale of office equipment for €147,000 and the sale of computer equipment for €66,000.

Note 2 – Investments in Group and other companies

In thousands of euro	01/01/2018	Acquisitions	(Disposals)	31/12/2018
Gross value	1,672,340	1,192	–	1,673,532
		(Increases)	Decreases	
Impairment	(443)	(278)	144	(577)
TOTAL	**1,671,897**	**914**	**144**	**1,672,956**

Acquisitions/increases in equity securities for the year concerned, the French subsidiary Martin Maurel SA, as detailed in F. 3 Off-balance sheet commitments in connection with the acquisition of Martin Maurel shares from certain managers.

Note 3 – Portfolio holdings

This heading includes all non-current strategic portfolio investments that cannot be classified as 'Investment in Group and other companies'.

In thousands of euro	01/01/2018	Acquisitions	(Disposals)	31/12/2018
Gross value	37,245	75,000	(12,010)	100,235
		(Increases)	Decreases	
Impairment	(7,984)	(3,073)	1,108	(9,949)
TOTAL	**29,261**	**71,927**	**(10,902)**	**90,286**

Acquisitions/increases as well as disposals/exits for the year mostly concerned Rothschild & Co treasury shares.

As at 31 December 2018, the estimated value of the portfolio of participating interests and investments amounted to €98,266,000, of which €89,170,000 were in treasury shares and €3,865,000 were in investment certificates Rothschild & Co.

Note 4 – Accounts receivable

In thousands of euro	Total	< 1 year	Between 1 and 5 years	> 5 years
Group and associated companies' advances and current accounts (cash pooling)	12,779	12,779	–	–
Current accounts related to the tax consolidation group	9,979	9,979	–	–
Amounts receivable from the tax authorities(1)	18,977	18,977	–	–
Other accounts receivable	3,372	3,372	–	–
TOTAL	**45,107**	**45,107**	**–**	**–**

(1) Of which accrued income: €757,000.

Note 5 – Marketable securities

Marketable securities consist of:

- 33,682 treasury shares (held in accordance with a liquidity contract) of €1,052,000. As at 31 December 2018, the estimated value of the marketable securities was €1,070,000, with an unrealised gain of €18,000.
- The other securities (€25 million) consist mainly of mutual funds and short-term liquid investments. As at 31 December 2018, the fair value of these securities also amounted to €25 million.

Note 6 – Unrealised translation losses

Nil.

Note 7 – Shareholders' equity

In thousands of euro	Share capital	Share premium	Legal reserves	Other reserves	Retained earnings	Regulated provisions	Net income for the year	Total shareholders' equity
Shareholders' equity as at 01/01/2018	**154,815**	**1,111,089**	**15,449**	**153,044**	**109,992**	**303**	**121,764**	**1,666,456**
Capital increase	211	1,632	–	–	–	–	–	1,843
Appropriation of net income for FY 31/12/2017	–	–	33	–	121,731	–	(121,764)	–
Dividend payment(1)	–	–	–	–	(53,283)	–	–	(53,283)
Net income for FY 31/12/2018	–	–	–	–	–	–	90,364	90,364
SHAREHOLDERS' EQUITY AS AT 31/12/2018	**155,026**	**1,112,721**	**15,482**	**153,044**	**178,441**	**303**	**90,364**	**1,705,380**

(1) The dividends distributed during 2018 financial year in respect of the previous year were €646,000 lower than the amount proposed to the Combined General Meeting on 17 May 2018, since no dividends were paid on treasury stock and investment certificates.

At 31 December 2018, the Company's capital comprised 77,512,776 shares with a nominal value of €2 each.

Treasury shares:

As at 31 December 2018, R&Co holds 2,989,380 of its own shares, including 33,682 shares held as part of the liquidity contract. As at 31 December 2017, R&Co held 145,040 of its own investment certificates, 764,730 own shares including 24,000 shares held as part of the liquidity contract.

Note 8 – Provisions for contingencies and charges

In thousands of euro	01/01/2018	Charge for the year	Recovery for the year (provision used)	Recovery for the year (provision unused)	31/12/2018
Provisions for contingencies	**1**	–	–	–	**1**
– Insufficient hedging of foreign currency risk	**1**	–	–	–	**1**
– Legal dispute	–	–	–	–	–
Provisions for charges	**2,726**	–	(419)	–	**2,307**
TOTAL	**2,727**	–	(419)	–	**2,308**

The provision for charges of €2,307,000 corresponds to a liability deferred tax following the merger with CFMM.

The accounting method for retirement commitments, recommended by French General Chart of Accounts, was not applied in these accounts and would not have had a material impact on the total assets or current income of the Company.

Note 9 – Borrowings and financial liabilities – banks

In thousands of euro	Total	< 1 year	Between 1 and 5 years	> 5 years
Medium-term loan	84,331	12,860	71,471	–
Bank overdrafts	52	52	–	–
Accrued interest	179	179	–	–
TOTAL	**84,562**	**13,091**	**71,471**	**–**

These loans and credits were contracted at a variable rate. Borrowings were amortised or repaid during the year for an amount of €47 million while there were no new loans contracted during the year.

Note 10 – Operating liabilities

In thousands of euro	Total	< 1 year	Between 1 and 5 years	> 5 years
Accounts payable(1)	3,677	3,677	–	–
Tax and social liabilities(2)	5,060	5,060	–	–
TOTAL	**8,737**	**8,737**	**–**	**–**

(1) Of which accrued expenses: €3,421,000.
(2) Of which accrued expenses: €266,000.

Note 11 – Other liabilities

In thousands of euro	Total	< 1 year	Between 1 and 5 years	> 5 years
Group advances and current accounts	111,809	111,809	–	–
Sundry liabilities(1)	171	171	–	–
TOTAL	**111,981**	**111,981**	**–**	**–**

(1) Included 170 thousand euros of options related to 2013-1 equity scheme exercised on 27/11/2018.

V Notes to the Company income statement.

R&Co ended the 2018 financial year (12 months) with net income of €90.4 million compared with €121.8 million for the prior period (9 months). The 2018 financial year saw €105.5 million in dividend income from equity securities. The company generated a great profit on ordinary activities before tax of €85.8 million in 2018, compared with €110.4 million in 2017, 9 month financial period.

Note 12 – Operating income

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Expenses re-charged to related companies	7,217	2,306
Other operating income	355	303
TOTAL	**7,571**	**2,608**

Note 13 – Operating expenses

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
General and administration costs	20,019	11,250
Taxes other than those on income	2,878	1,805
Salaries and payroll taxes	3,197	2,852
Depreciation and amortisation	296	238
Other expenses	424	281
TOTAL	**26,814**	**16,425**

Note 14 – Income from investments in Group and other companies and portfolio holdings

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Dividends from investments in Group and other companies	104,281	122,326
Dividends from portfolio holdings	1,169	1,386
TOTAL	**105,450**	**123,712**

Note 15 – Other financial income

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Interest income on forward contracts and certificates of deposit	46	57
Interest income from advances granted to Group companies	488	901
Foreign exchange gain	2,162	156
TOTAL	**2,697**	**1,114**

Note 16 – Capital gains/(losses) on disposals of marketable securities

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Capital gains on sales of marketable securities	98	100
Capital losses on sales of marketable securities	(18)	(16)
TOTAL	**80**	**83**

Note 17 – Charge/recovery of provisions on other income transactions

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Provisions on exchange rate risk	–	1
Recoveries of provisions on other income transactions	–	15
TOTAL	**–**	**16**

Note 18 – Financial expenses

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Interest on medium-term borrowings	(961)	(566)
Other interest expense	(8)	(16)
Exchange losses	(2,222)	(122)
TOTAL	**(3,191)**	**(704)**

Note 19 – Income from capital transactions

In thousands of euro	01/01/18 31/12/18 (12 months)	01/04/17 31/12/17 (9 months)
Capital gains on disposals of investments in Group and other companies and portfolio holdings	893	3,024
Recoveries of impairment of investments in Group and other companies and portfolio holdings	1,253	–
Capital losses on disposals of investments in Group and other companies and portfolio holdings	(5,024)	–
Charges for impairment of investments in Group and other companies and portfolio holdings	(3,351)	(646)
TOTAL	**(6,229)**	**2,378**

Note 20 – Income tax

For the year ended 31 December 2018, net tax income amounted to €10.8 million. This amount comprises tax income of €7.7 million primarily received from subsidiaries (including a €10.0 million net tax income reduced by €2.3 million of charges) which are consolidated for tax purposes, and a claim for the 2017 period for €3.1 million.

VI Other information

A. Employees

For the year ended 31 December 2018, the average headcount of 16 people included 13 executives and 3 other employees compared to 18 people for the previous period.

B. Compensation of management bodies

In respect of their functions as corporate officers of R&Co for 2018, members of the Supervisory Board entitled to compensation under the terms fixed by Supervisory Board, received compensation of €460,000. In addition, the Supervisory Board members received €70,000 in benefits in kind.

C. Tax consolidation

R&Co is the head of a tax group that includes the following companies:

- Paris Orléans Holding Bancaire SAS;
- Concordia Holding SARL;
- Financière Rabelais SAS;
- K Développement SAS;
- PO Fonds SAS;
- PO Mezzanine SAS;
- Verseau SAS.

As part of the tax consolidation process, each subsidiary in the tax consolidation group calculates its income tax as if it were taxed on a stand-alone basis.

As at 31 December 2018, the tax consolidation group headed by R&Co had no tax loss carry-forward at the standard income tax rate.

D. Consolidation

Rothschild & Co, the parent company of the R&Co Group, prepares consolidated financial statements as at 31 December 2018, which are in turn consolidated into the Rothschild & Co Concordia SAS, registered at 23 bis, avenue de Messine, 75008 Paris, France.

E. Forward financial instruments

Hedging principles are covered by ANC rules n° 2015-05 (art. PCG n° 628-6 to 628-17).

A foreign currency exposure arises from a net investment in subsidiaries that have a different functional currency from that of the Group. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Group's functional currency, which causes the amount of the net investment to vary. This risk may have a significant impact on Group's financial statements.

The hedged risk in the net investment hedges is the risk of weakening sterling exchange rates against the euro that will result in a reduction in the carrying amount of the Group's net investment in the subsidiaries. The Group uses forward foreign exchange contracts as hedging instruments.

The notional of this investment hedge amounts to €167.8 million. In accordance with hedging accounting principles, no charge/revenue have been booked as at 31 December 2018.

The hedging premium of €784,500 booked at inception, as at 1 August 2018, has not been booked in the balance sheet in accordance with art. 833-2/3 of the PCG.

F. Off-balance sheet commitments

In thousands of euro	31/12/2018	31/12/2017
Commitments given		
Guarantees given and other commitments	289	289
Investment commitments in various funds	–	1
Earn-out amounts to be paid for shares purchased	11,045	12,827
TOTAL	**11,334**	**13,117**
Commitments received		
Undrawn lines of credit	105,000	62,795
TOTAL	**105,000**	**62,795**

1. Off-balance sheet commitments relating to the purchase of preferred shares in MMI

In July 2015 and March 2016, R&Co acquired from minority shareholders all b1, b2, b3 and b4 preference shares not yet held by MMI. MMI involves the Company's managers in potential capital gains that may be realised by the Company within its private equity activities on making divestments. Within the framework of agreements with these minority shareholders, the Company agreed to pay them earnouts on shares transferred, estimated at an amount of €4,540,000 as at 31 December 2018.

2. Off-balance sheet commitments relating to the Equity Schemes

A LEGAL AUTHORISATION ALLOWING FOR THE IMPLEMENTATION OF EQUITY SCHEMES

As at 31 December 2018, Rothschild & Co has implemented four equity schemes (the "Equity Schemes"), as follows:

- on 11 October 2013 (the "2013 Equity Scheme"),
- on 9 December 2015 (the "2015 Equity Scheme"),
- on 13 December 2017 (the "2017 Equity Scheme"),
- and on 20 June 2018 (the "2018 Equity Scheme").

The Equity Schemes are intended for the Rothschild & Co Global partners, as well as the members of the Group Executive Committee.

In accordance with the Equity Schemes rules and regulations:

- participants are required to invest in Rothschild & Co shares and at the grant date for each Rothschild & Co share invested, four stock options are awarded,
- before the opening of an exercise period for the stock options awarded, the Company's Managing Partner makes decisions whether stock options are exercised by subscription of newly issued Rothschild & Co shares, or by acquisition of existing Rothschild & Co shares allocated by Rothschild & Co to such purpose.

B. 2013 EQUITY SCHEME

The 2013 Equity Scheme intended for certain Global Advisory partners, as well as the members of the Group Executive Committee (represented a total of 57 people operating in 10 different countries around the world.

Participants invested in a total of 780,000 Rothschild & Co shares, representing 1.10% of the Company's share capital at the grant date.

Accordingly in accordance with the authorisation granted by the General Meeting of shareholders on 26 September 2013, the Company's Managing Partner decided, on 11 October 2013, to grant a total of 3,120,000 stock options.

The options granted under the 2013 Equity Scheme are classified into four distinct categories, the Options 2013-1, the Options 2013-2, the Options 2013-3 and the Options 2013-4, respectively vesting on the third, fourth, fifth and sixth anniversaries of the 2013 Equity Scheme, and exercisable on the vesting dates at a price of €17.50, €18, €19 and €20 per option.

By decisions on 23 September 2016, the Company's Managing Partner decided that all participants wanting to exercise the Options 2013-1 could exercise their options by subscription of newly issued Rothschild & Co's shares only.

By decisions on 28 September 2017, the Company's Managing Partner decided that all participants wanting to exercise the Options 2013-2 could exercise their options by share purchase only.

By decisions on 9 October 2018, the Company's Managing Partner decided that all participants wanting to exercise the Options 2013-3 could exercise their options by share purchase only.

During the 2018 financial year, 115,000 Options 2013-1, 105,000 Options 2013-2 and 105,000 Options 2013-3 were exercised respectively and 10,000 Options 2013-3 and 10,000 Options 2013-4 were forfeited due to the departures of one beneficiary.

C. 2015 EQUITY SCHEME

The 2015 Equity Scheme was extended to some Wealth Management and Merchant Banking Global partners, representing a total of 10 participants.

Participants invested in a total of 115,000 Rothschild & Co shares, representing 0.16% of the Company's share capital at the grant date.

Accordingly, in accordance with the authorisation granted by the General Meeting of shareholders on 26 September 2013, the Company's Managing Partner decided, on 9 December 2015, to grant a total of 460,000 stock options.

The options granted under the 2015 Equity Scheme are classified into four separate categories, the Options 2015-1, the Options 2015-2, the Options 2015-3 and the Options 2015-4, acquired respectively on the third, fourth, fifth and sixth anniversaries of the 2015 Equity Scheme, and exercisable on the vesting dates at a price of €23.62, €24.12, €25.12 and €26.12 per option.

By decisions on 9 December 2015, the Company's Managing Partner decided that all participants wanting to exercise the Options 2015-1 could exercise their options by share purchase only.

During the 2018 financial year, 20,000 Options 2015-1 were exercised and 20,000 Options 2015-1, 20,000 Options 2015-2 and 20,000 Options 2015-3 and 20,000 Options 2015-4 were exercised in advance due to the death of a beneficiary.

D. 2017 EQUITY SCHEME

The 2017 Equity Scheme was extended to some Wealth Asset Management Global partners and some senior employees having a cross-divisional role in the Rothschild & Co Group, representing a total of 20 participants.

Participants invested in a total of 277,500 Rothschild & Co shares, representing 0.36% of the Company's share capital at the grant date.

Accordingly, in accordance with the authorisation granted by the General Meeting of shareholders on 29 September 2016, the Company's Managing Partner decided, on 13 December 2017, to grant a total of 1,110,000 stock options.

The options granted under the 2017 Equity Scheme are classified into four separate categories, the Options 2017-1, the Options 2017-2, the Options 2017-3 and the Options 2017-4, acquired respectively on the third, fourth, fifth and sixth anniversaries of the 2017 Equity Scheme, and exercisable on the vesting dates at a price of €31.56, €32.06, €33.06 and €34.06 per option.

For all the participants holding any executive officer position in an entity of the Rothschild & Co Group on the grant date, the exercise of the options is conditional upon the achievement of a performance condition. The performance condition depends on the entity in which the beneficiary is a Global Partner. For the participants who are not a Global Partner at Rothschild Martin Maurel on the grant date, the participants shall have been effectively granted variable remuneration with respect to each fiscal year closed on or after 31 December 2016 or 31 March 2017 (as applicable, depending on the closing date of the fiscal year of the relevant Rothschild & Co entity) and before the opening of the relevant exercise period (or the date of the death in case of the death of a participant).

E. EQUITY SCHEME

The 2018 Equity Scheme was extended to one senior Global Advisory Global partner.

The participants invested in a total of 20,000 Rothschild & Co shares, representing 0.02% of the Company's share capital at the grant date.

As with the previous 2013, 2015 and 2017 Equity Schemes, for each Rothschild & Co share invested, four stock options were awarded.

Accordingly, in accordance with the authorisation granted by the General Meeting of shareholders on 29 September 2016, the Company's Managing Partner decided, on 20 June 2018, to grant a total of 80,000 stock options.

The options granted under the 2018 Equity Scheme are classified into four separate categories, the Options 2018-1, the Options 2018-2, the Options 2018-3 and the Options 2018-4, acquired respectively on the third, fourth, fifth and sixth anniversaries of the 2018 Equity Scheme, and exercisable on the vesting dates at a price of €31.56, €32.06, €33.06 and €34.06 per option.

The participant holding any executive officer position within the Rothschild & Co Group on the grant date, the exercise of the options granted is conditional upon the achievement of a performance condition. The performance condition depends on the entity in which the participant is a Global Partner.

F. SITUATION AS AT 31 DECEMBER 2018

The table below summarises all information on outstanding options as at 31 December 2018.

		Date of authorization by the General Meeting	Grant date by the Managing Partner	Total of options granted	Number of beneficiaries	Share capital % at the grant date	Subject to the fulfilment of performance conditions	Exercise period start date	Expiration date	Subscription or purchase price (in euro)	Total options exercised	Total options forfeited	Total options remaining
Options 2013	Options 2013-1	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	None	30 Nov. 2016	11 Oct. 2023	17.50	277,500	20,000	**482,500**
	Options 2013-2	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	None	11 Oct. 2017	11 Oct. 2023	18.00	217,500	20,000	**542,500**
	Options 2013-3	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	None	11 Oct. 2018	11 Oct. 2023	19.00	115,000	30,000	**635,000**
	Options 2013-4	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	None	11 Oct. 2019	11 Oct. 2023	20.00	–	30,000	**750,000**
Options 2015	Options 2015-1	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	None	11 Oct. 2018	9 Dec. 2025	23.62	40,000	–	**75,000**
	Options 2015-2	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	None	11 Oct. 2019	9 Dec. 2025	24.12	20,000	–	**95,000**
	Options 2015-3	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	None	11 Oct. 2020	9 Dec. 2025	25.12	20,000	–	**95,000**
	Options 2015-4	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	None	11 Oct. 2021	9 Dec. 2025	26.12	20,000	–	**95,000**
Options 2017	Options 2017-1	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes(1)	11 Oct. 2020	13 Dec. 2027	31.56	–	–	**277,500**
	Options 2017-2	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes(1)	11 Oct. 2021	13 Dec. 2027	32.06	–	–	**277,500**
	Options 2017-3	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes(1)	11 Oct. 2022	13 Dec. 2027	33.06	–	–	**277,500**
	Options 2017-4	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes(1)	11 Oct. 2023	13 Dec. 2027	34.06	–	–	**277,500**
Options 2018	Options 2018-1	17 May 2018	20 June. 2018	20,000	1	0.02%	Yes(1)	11 Oct. 2020	13 Dec. 2027	31.56	–	–	**20,000**
	Options 2018-2	17 May 2018	20 June. 2018	20,000	1	0.02%	Yes(1)	11 Oct. 2021	13 Dec. 2027	32.06	–	–	**20,000**
	Options 2018-3	17 May 2018	20 June. 2018	20,000	1	0.02%	Yes(1)	11 Oct. 2022	13 Dec. 2027	33.06	–	–	**20,000**
	Options 2018-4	17 May 2018	20 June. 2018	20,000	1	0.02%	Yes(1)	11 Oct. 2023	13 Dec. 2027	34.06	–	–	**20,000**
Total				**4,770,000**		**6.56%**					**710,000**	**100,000**	**3,960,000**

(1) Please refer to the summary of the performance conditions set out in Section 2.3.4.

As at 31 December 2018, 3,960,000 options were still outstanding and exercisable in accordance with the terms and conditions of the 2013, 2015, 2017 and 2018 Equity Schemes.

3. Off-balance-sheet commitments in correction with the acquisition of Martin Maurel S.A. (MM) shares from certain managers

Between 1 June 2016 and 10 June 2016, Rothschild & Co signed memoranda of understanding with a number of managers at MM, including commitments to buy and sell MM shares held by these managers and available as a result of the legal obligation to hold these shares until the fifth anniversary of their payment into the Martin Maurel group savings plan.

In accordance with the stipulations of these memoranda of understanding, Rothschild & Co is entitled to buy unavailable MM shares in the month following the date this unavailability to various managers is lifted.

As the unavailable shares are paid into the Martin Maurel group savings plan staggered over several years, the shares will be available on a staggered basis between 12 March 2017 and 22 March 2021.

R&Co notified managers for whom the shares' period of unavailability ended on 12 March 2017, with the promise to buy these shares being exercised on 31 March 2017. Accordingly, during the 2018 financial year, R&Co acquired 5,189 MM shares on 25 April 2018, representing 0.81% of MM's share capital, held by 16 MM managers, for €1,192,432 in total consideration.

These promises initially covered a total number of 39,417 MM shares, which represented a commitment estimated at €9.7 million. Following the exercise of these options, there remain 23,894 MM shares subject to put and call options that R&Co is entitled to buy, which may be acquired according to the terms and conditions laid down in the preliminary agreements. These represent a commitment of €6.5 million for R&Co.

G. ANALYSIS OF SUBSIDIARIES AND PARTICIPATING INTERESTS

Companies or groups of companies In millions of euro	Share capital	APIC, reserves and retained earnings excluding net income for the year	Share of capital held	Carrying value of shares held		Outstanding loans and advances from the company	Gross revenues (excluding VAT) for the last financial year	Net income for the last financial year	Dividends received by the Company during the financial year
				Gross	Net				
A. Subsidiaries (Company holds at least 50% of capital)									
Paris Orléans Holding Bancaire SAS (Paris)(4)	729.6	491.2	100%	1,335.5	1,335.5	18.1	–	70. 2	74.8
K Développement SAS (Paris)(4)	99	148.4	100%	104.2	104.2	0.6	–	15.4	24.8
Francarep Inc. (USA) (2)(4)	–	2.4	100%	2.6	2.5	–	–	0.2	–
Cavour SASU (Paris)(2) (4)	0.06	–	100%	0.06	0.05	–	–	–	–
Verdi SASU (Paris)(2) (4)	0.06	–	100%	0.06	0.05	–	–	–	–
Aida SASU (Paris)(2) (4)	0.3	–	100%	0.3	0.2	–	–	–	–
Martin Maurel S.A. (Marseille)(2) (4)	51.1	134.06	96.9%	218.3	218.3	–	12.9	11.1	4.7
B. Participating interests (Company holds 5 to 50% of capital)									
Finatis S.A. (Paris)(1) (3) (4) (5)	85	(2.0)	5%	12.3	12.3	–	36,788	622	0.6

(1) Consolidated figures.
(2) Financial year ended 31 December 2018 (FX rate: 1 EUR = 1.20081 USD).
(3) Reserves and net income (Group share).
(4) No guarantees were given by the Company to the above companies or groups of companies.
(5) Financial year ended 31 December 2016.

Statutory auditors’ report on the financial statements for the year ended 31 December 2018

This is a translation into English of the statutory auditors’ report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors’ report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Dear Shareholders,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying financial statements of Rothschild & Co for the year ended 31 December 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors’ Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Impairment of investments in Group, other companies and portfolio holdings

Key Audit Matter

As at 31 December 2018, the company holds 1,763 million euros through investments in Group, other companies and portfolio holdings, which represent 92% of the total amount of assets.

The net asset value of these investments in Group, other companies and portfolio holdings is determined by Management, depending on the availability of the data and by using quotation prices, net or revalued share in equity or references to recent transactions.

When the inventory value thus determined is lower than the acquisition cost of these investments, an impairment is recognised.

The methodology and assumptions used to determine the inventory value of investments in Group, other companies and portfolio holdings requiring the exercise of judgement, and considering the relative importance of the amount of these financial assets in the balance sheet of the Company, we considered that the determination of impairment of investments in Group, other companies and portfolio holdings is a key audit matter for the annual accounts of the Company.

Paragraph III “Accounting principles, rules and methods” of the appendix sets out the methods for recording an impairment to cover the risk of a decline in the value of investments in Group, other companies and portfolio holdings.

Our response

Our procedures consisted in:

- understanding the internal control and governance put in place by Management to measure the inventory value of investments in Group, other companies and portfolio holdings;
- considering the validity of the methodologies applied and the relevance of the parameters and assumptions used by the Company to determine the inventory values of these financial assets;
- testing, on a sample basis, the inventory values used by the Company for these financial assets and the correct application of the methods.

Lastly, we made sure that the information presented in the financial statements are appropriate.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French laws and regulations.

Statutory auditors' report on the financial statements for the year ended 31 December 2018

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment terms, required under Article D.441-4 of the French Commercial Code (Code de commerce).

We attest that the consolidated declaration of extra-financial performance, required under Article L. 225-102-1 of the French Commercial Code (Code de commerce), is included in the management report, being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information provided in this declaration and this information must be reported by an independent third party.

Report on corporate governance

We attest that the Supervisory Board's report on corporate governance sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L.225-37-5 of the French Commercial Code, we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Rothschild & Co by the General Meeting held on 29 September 2005 for KPMG S.A. and on 24 June 2003 for Calliau Dedouit ett Associés.

As at 31 December 2018, KPMG S.A. and Calliau Dedouit et Associés were in the 14th year and 16th year of total uninterrupted engagement, which are the 14th year and 16th year since securities of the Company were admitted to trading on a regulated market, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Management.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

French original signed by the statutory auditors

Paris La Défense, on the 19 March 2019
KPMG S.A.

Arnaud Bourdeille
Partner

Paris, on the 19 March 2019
Cailliau Dedouit et Associés

Sandrine Le Mao
Partner

Abbreviations and glossary

Term	Definition
Order dated on 3 November 2014	*The 3 November 2014 Order on the internal control of banking sector companies*
ACPR	Autorité de Contrôle Prudentiel et de Résolution (French Prudential and Resolution Authority)
AFS	Available for sale
AMF	Autorité des Marchés Financiers
AML	Anti-money laundering
AuM	Assets under Management
BMM	Banque Martin Maurel
bp	Basis point
Category 1/2/3/4/5	Classification of credit risk rating by the Group, explained in section 4.2.1
CCC	Corporate Credit Committee
CFMM	Compagnie Financière Martin Maurel
CFT	Combatting the financing of terrorism
CGU	Cash-generating Unit
CLO	Collateralised Loan Obligation
Company	Rothschild & Co SCA
CRD4	Capital Requirements Directive 4
CSR	Corporate Social Responsibility
DCF	Discounted Cash Flow
EAD	Exposure at default (IFRS 9)
ECL	Expected credit loss (IFRS 9), which can be measured on either a 12-month basis (12m ECL) or a lifetime basis (lifetime ECL)
EdRS	Edmond de Rothschild (Suisse) SA
EMAP	Environmental Improvement Action Plan
EPS	Earnings per Share
Equity Scheme	Rothschild & Co operates a scheme for certain senior staff where participants are required to invest in Rothschild & Co shares and for each share owned they are granted four share options.
ESG	Environmental, Social and Governance
FACP	Five Arrows Capital Partners
FACS	Five Arrows Credit Solutions
FADL	Five Arrows Direct Lending
FAPEP	Five Arrows Private Equity Program
FAPI	Five Arrows Principal Investments
FASO	Five Arrows Secondary Opportunities
FCPR	Fonds commun de placement à risque
FIFO	First-in, first-out method
FTE	Full time equivalents
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GA/Global Advisory	Global Advisory (business segment)
GCC	Group Credit Committee
GEC	Group Executive Committee
Gérant	Rothschild & Co Gestion SAS
GFSC	Guernsey Financial Services Commission
GHG	Greenhouse Gas
Group	Rothschild & Co SCA consolidated Group
Group ALCO	Group Assets and Liabilities Committee
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
KDEV	K Développement
LBO	Leveraged Buy-Out
LCR	Liquidity Coverage Ratio
Level 1/2/3	IFRS 13 fair value hierarchy, explained in section 4.5.1

Term	Definition
LGBT	Lesbian Gay Bisexual and Transgender
LGD	Loss given default (IFRS 9)
Lombard lending	Lending secured against portfolios of securities
LTV	Loan to value
M&A	Mergers and Acquisitions
Managing Partner	Rothschild & Co Gestion SAS (the Gérant)
MB/Merchant Banking	Merchant Banking (business segment)
MMI	Messine Managers Investissements SAS
MOIC	Multiple of Invested Capital
MSA	Modern Slavery Act
NMR	N M Rothschild & Sons Limited
NMROP	N M Rothschild & Sons Limited Overseas pension fund
NMRP	N M Rothschild & Sons Limited pension fund
OCI	Other comprehensive income
PCCC	Private Client Credit Committee
PCL	Private Client Lending (business line)
PD	Probability of default (IFRS 9)
POCI	Purchased or originated credit-impaired financial asset
POHB	Paris Orléans Holding Bancaire SAS
R&Co	Rothschild & Co SCA
R&Co Gestion	Rothschild & Co Gestion SAS (the Gérant/Managing Partner)
R&CoBI	Rothschild & Co Bank International Limited
R&CoBZ	Rothschild & Co Bank AG Zurich
R&CoBZP	Rothschild & Co Bank AG Zurich pension funds
RCB	Rothschild & Compagnie Banque SCS
RCM	Rothschild Credit Management
RGA	Rothschild Global Advisory (business segment)
R&CoHAG	Rothschild & Co Holding AG
R&CoNAP	Defined benefit pensions maintained by Rothschild & Co North America Inc
R&Co PI	Rothschild & Co Proprietary Investments
R&Co PO	Rothschild & Co Private Opportunities
MB/Merchant Banking	Rothschild Merchant Banking (business segment)
RMM	Rothschild Martin Maurel SCS
ROTE	Return on Tangible Equity
SA	Société anonyme
SARL	Société à responsabilité limitée
SAS	Société par actions simplifiée
SASU	Société par actions simplifiée unipersonnelle
SC	Société civile
SCA	Société en commandite par actions
SCS	Société en commandite simple
SDGs	Sustainable Development Goals
SICR	Significant increase in credit risk (IFRS 9)
SNC	Société en nom collectif
SPPI	Solely payments of principal and interest (IFRS 9)
Stage 1/2/3	IFRS 9 credit quality assessments, explained in section 3.2.5
Supervisory Board	Rothschild & Co Supervisory Board
TIAP	Titres immobilisés de l'activité de placement
UCITS	Undertakings for Collective Investment in Transferable Securities
UN PRI	United Nations Principles for Responsible Investment
WAM/Wealth & Asset Management	Wealth & Asset Management (business segment)

General information

Persons responsible for the annual financial report

Rothschild & Co Gestion SAS	**Mark Crump**
Managing Partner	Group Chief Financial Officer

Statement by the persons responsible for the annual financial report

We hereby certify that, to the best of our knowledge, the accounts are prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and all the undertakings included in the consolidation, and that the management report includes a fair review of the development and performance of the business, profit or loss and financial position of the Company and all the undertakings included in the consolidation, together with a description of the principal risks and uncertainties that they face.

Paris, 12 March 2019

Rothschild & Co Gestion SAS	**Mark Crump**
Managing Partner	Group Chief Financial Officer
Represented by Alexandre de Rothschild, Chairman	

Persons responsible for the audit of the financial statements

Statutory Auditors

Cailliau Dedouit et Associés SA
Represented by Ms Sandrine Le Mao
19 rue Clément-Marot
75008 Paris, France

Start date of first term: 24 June 2003

Date of last renewal: 28 September 2017

End date of term: General Meeting called to approve the financial statements for the financial year ending 31 December 2022

KPMG SA
Represented by Mr Arnaud Bourdeille
Tour Eqho 2 avenue Gambetta
92066 Paris la Défense Cedex

Start date of first term: 27 September 2011

Date of last renewal: 28 September 2017

End date of term: General Meeting called to approve the financial statements for the financial year ending 31 December 2022

The information relating to the fees paid to the Statutory Auditors in respect of the financial year ended 31 December 2017 is presented on page 192 of this report.

About Rothschild & Co

With a team of c.3,500 talented financial services specialists on the ground in over 40 countries across the world, our integrated global network of trusted professionals provides in-depth market intelligence and effective long-term solutions for our clients in Global Advisory, Private Wealth, Asset Management, and Merchant Banking. Rothschild & Co is family-controlled and independent and has been at the centre of the world's financial markets for over 200 years.

Rothschild & Co is a French partnership limited by shares (société en commandite par actions) listed on Euronext in Paris, Compartment A with a share capital of €155,025,552. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

For further information:

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www.rothschildandco.com

Notes