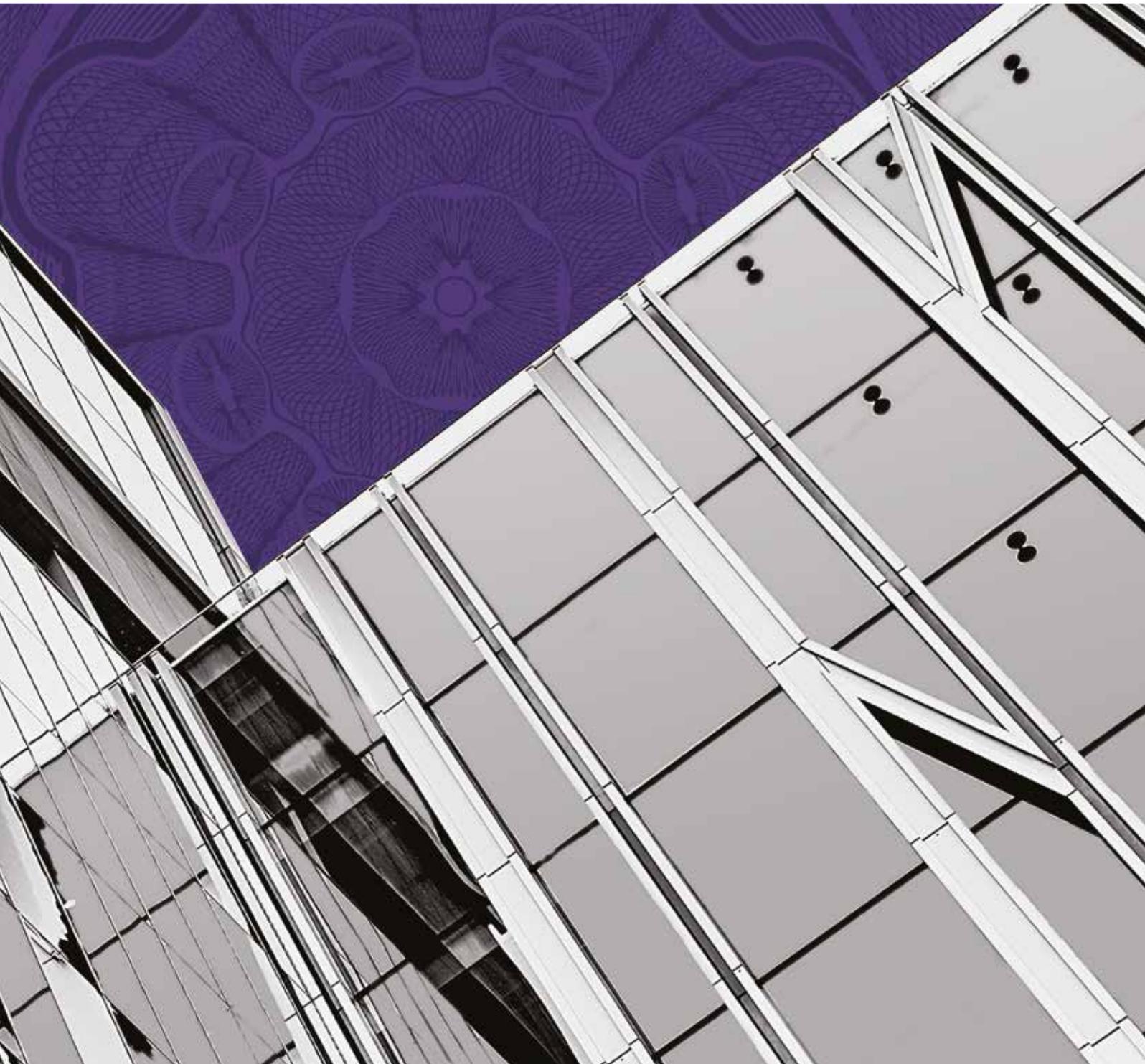


# Rothschild & Co

Annual Report 2017





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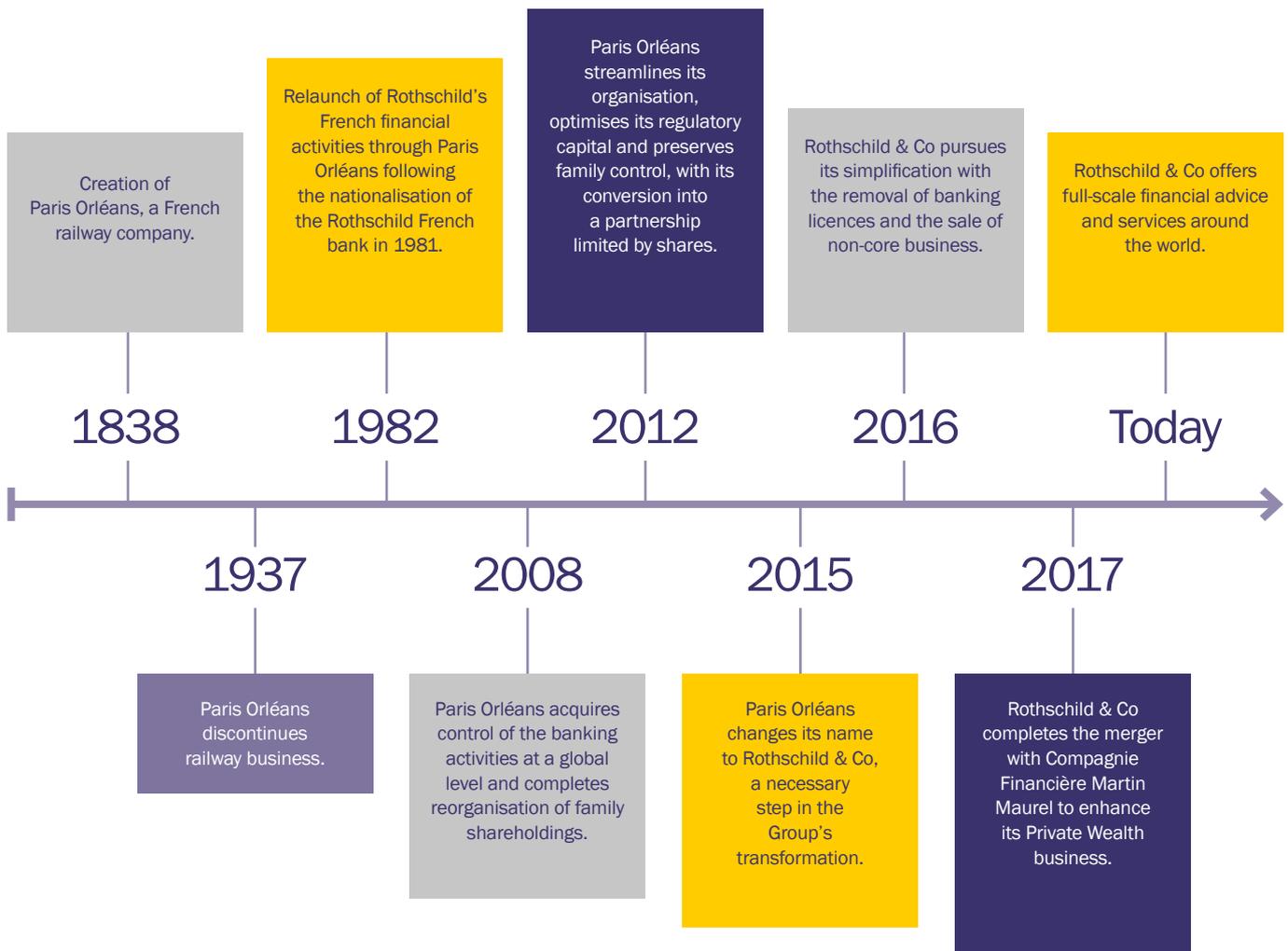
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# History

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## Preserving a first-class reputation across generations



# Key figures

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A distinct perspective that makes a meaningful difference

## Key figures for the 12 months to December 2017

(versus 12 months to December 2016)<sup>(1)</sup>

Revenues

€1,910m +12%

Rothschild & Co provides independent advice on M&A, strategy and financing, as well as investment and private wealth and asset management solutions to large institutions, families, individuals and governments, worldwide.

Operating income

€456m +18%

With approximately 3,500 talented employees on the ground in over 40 countries around the world, we deliver a unique global perspective.

Net profit – Group share<sup>(2)</sup>

€247m +35%

As a family-controlled business that has been at the centre of the world's financial markets for over 200 years, we can rely on an unrivalled network of experts and are known for our track record of outstanding execution in financial services.

EPS<sup>(2)</sup> (Earnings Per Share)

€3.33 +25%

Our integrated global network of trusted professionals and decision-makers provide in-depth market intelligence, meaning we can be closer to current issues than any other global financial institution in our core markets.

ROTE<sup>(2)</sup> (Return On Tangible Equity)

17.2% +19%

Informed by experience yet not limited by convention, we are able to separate insight from information and access opportunities for our clients from a unique angle.

Shareholders' equity – Group share

€1,912m +24%

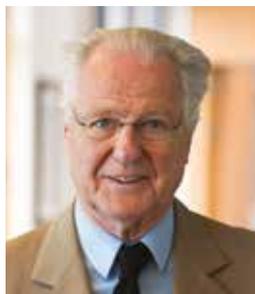
It is this scale, local knowledge and intellectual capital that allow us to provide a distinct perspective and effective long-term solutions for our partners.

(1) As a result of the change in financial year from 31 March to 31 December, the financial year 2017 spanned only nine months (April to December 2017). To facilitate the understanding of the activity, Rothschild & Co presented its results for the full calendar year 2017 compared to the calendar year of 2016.

(2) Excluding exceptional items. For more information, please refer to page 46.

# Message from the Chairman of the Supervisory Board

---



Dear Shareholders,

I would like to thank the Supervisory Board, the management team and the employees for their hard work and dedication over this period allowing us to announce another excellent set of financial results. The Managing Partner, Rothschild & Co Gestion, represented by its Chairman, David de Rothschild, its Executive Deputy Chairman, Alexandre de Rothschild and the four Managing Partners, Nigel Higgins, Marc-Olivier Laurent, Robert Leitão and Olivier Pécoux, lead the Group with vision and energy. Their successful strategy is committed to building long-term value for shareholders and over the last five years they have successfully diversified the Group's sources of income, creating some very exciting prospects.

At the Shareholders' General Meeting held on 28 September 2017, shareholders gave their approval for the change in our financial year end from 31 March to 31 December. As a result of this change, the statutory reporting for 2017 covers only nine months (April to December 2017). To enable a better understanding of its performance, Rothschild & Co has chosen to present its results for the full 2017 calendar year versus the 2016 calendar year. From now on, our results will continue to be presented on this twelve-month basis. Information for the nine-month period, from April to December 2017, can be found in the Consolidated Financial Statements.

As Chairman of the Supervisory Board, my role is to ensure that the Company maintains a high level of corporate governance. 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 mechanisms. This year has been particularly active in France as the merger with Martin Maurel has created significant, additional challenges.

The composition of the Supervisory Board has slightly changed over the past twelve months, with the re-election of Mr. André Levy Lang and myself, the departure of Mr. Jacques Richier and the nomination of Mrs. Suet-Fern Lee.

Mr. Jacques Richier, board member for the last six years, decided to step down in 2017 in order to focus on his new role within the Group as a member of Rothschild Martin Maurel's Supervisory Board. I would like to take this opportunity to thank Mr. Richier for all the valuable advice he has provided and I am pleased that the Group will still benefit from his wisdom in his new position.

We were delighted to welcome Mrs. Suet-Fern Lee to the Board following her appointment at the Shareholders General Meeting last year. Mrs. Lee has significant experience as senior partner of a law firm specialising in mergers and acquisitions. With her deep understanding of Southeast Asian markets, her appointment strengthens the Board for the benefit of our shareholders. Six female members sit on a board totalling fourteen members and one non-voting member, and comprising nine independent members.

In the present annual report and the Company's website, you will find more detailed information on the Board's composition. In addition, our Shareholders' General Meeting document to be published soon, will provide you detailed information regarding those members whose re-election will be on the agenda of the Shareholders' General Meeting this year.

Shareholders will also be asked to approve a dividend of €0.68 per share at the same meeting, unchanged compared to last year but for a nine-month period.

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

**Eric de Rothschild**

Chairman of the Supervisory Board of  
Rothschild & Co

# Message from the Chairman

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**Dear Shareholders,**

**2017 has been another strong year for Rothschild & Co. Our Group has reached global scale today which demonstrates the relevance of our model and our values. We believe that purpose and principles allow us to hire some of the most talented individuals who together form true partnerships and teams across more than 40 countries.**

Our Global Advisory business had another record-breaking year in terms of revenues and we maintained our leading position as the number one advisor for the number of deals globally. Private Wealth and Asset Management saw a significant improvement in revenue and profits thanks to tight cost control and strong organic growth. Our more recently developed Merchant Banking business is starting to reach maturity and we saw its revenue jump 39%.

Thanks to these strong results, our shareholders will be rewarded with a dividend of €0.68 per share, which although at the same level as last year, represents an effective increase since it is only for a shorter nine-month period, in line with our progressive dividend policy. This will be subject to approval at the Annual General Meeting to be held on 17 May 2018.

Global economic activity gathered momentum and broadened through 2017, bringing the economic cycle to a high point. Signs of excess remain limited despite some variations; US consumer finances remain healthy and despite the political uncertainties which persist, especially in the UK, we believe the business climate can continue to offer opportunities, even if it is more reasonable to think that the growth cycle is close to full maturity.

In the long term, there are certain risks, such as inflation, which could lead central banks to adjust their monetary policy or even gradually increase their interest rates. This partly explains why volatility has recently revived after a particularly favourable 2017. That said, we believe that markets still offer attractive opportunities for far-sighted managements and investors.

Long-term thinking is also one that has always guided us in our strategic choices. The integration of Rothschild & Compagnie Banque and Banque Martin Maurel in France, was finalised in July to create Rothschild Martin Maurel and we welcomed some 500 new colleagues to the Group, whilst expanding our geographic footprint, essentially in France. The combination of two family-owned businesses that share a similar history and understanding of their industry is on track to creating a first class group to serve our clients.

Before ending my message I would like to share with you some information concerning our investment in the United States in mergers and acquisitions and restructurings. In this world leading market, we have significantly strengthened our teams in New York, continued to develop in Los Angeles, Chicago and launched our new team specialising in technology, based in the heart of Silicon Valley. We will pursue this investment policy which we believe will lead to strong results.

At the end of this more than satisfactory period, I would like to take this opportunity to thank our shareholders and our clients for their support. I would also like to thank all those who work in our Group, who always give their utmost in support of our firm and its clients.

## **David de Rothschild**

Chairman of Rothschild & Co Gestion  
Managing Partner of Rothschild & Co

# Message from the Management Board

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Dear Shareholders,

**Rothschild & Co produced another set of strong results in 2017 with good growth in revenue and profit. Overall revenue increased 12% to €1,910 million and net income – Group share excluding exceptionals<sup>(1)</sup> rose 35% to €247 million. Our strategy is on track with all three business lines performing well.**

The uplift in revenue was largely due to Private Wealth and Asset Management, up €146 million, of which €105 million was due to the merger with Martin Maurel, and Merchant Banking where revenue increased by €52 million.

All our financial targets set by the Group have been achieved in 2017. In particular, our compensation ratio, targeted at low to mid 60s through the cycle, decreased from 64% to 62.4% thanks to our growth in revenue. This in turn drove our Return on Tangible Equity, excluding exceptional items<sup>(1)</sup>, which is targeted at 10-15% through the cycle, to 17.2% up from 14.4% for the prior 12 months.

For the first time we have disclosed the profitability for Private Wealth & Asset Management and for Merchant Banking so as to provide transparency on the performance of these two businesses.

For 2017, **Rothschild Global Advisory** delivered another record annual revenue performance with a healthy balance between M&A and Financing Advisory despite lower global M&A activity levels. Revenue reached €1,183 million and the business ranked sixth globally by financial advisory revenue for the year to December 2017, maintaining its position from the previous quarter<sup>(2)</sup>.

Operating income for the year was €211 million, representing an operating income margin of 17.8%. This excludes ongoing investment in the development of our North American M&A franchise, and including this investment, the margin would have been 15.7%.

In M&A advisory, we continue to outperform compared to the overall M&A market. We ranked 1<sup>st</sup> globally and in Europe by numbers of both completed and announced transactions in 2017, the same position as in the previous year<sup>(3)</sup>. M&A advisory revenue for the year was €804 million, down 9% year-on-year from a record performance in 2016, in the context of an 11% decline in global completed M&A activity by value.

Financing Advisory revenue increased by 34% to €379 million, with particularly strong activity levels in our European Debt Advisory and Equity Advisory businesses as well as in our US restructuring franchise.

We continue to add to and strengthen our senior team. During 2017, fourteen new Managing Directors were hired into our offices in the US, the UK, Japan and Switzerland. In the US, we recruited eight Managing Directors into our M&A advisory team. We also made investments elsewhere during the year by opening two new offices: a new wholly-owned subsidiary in Tokyo, as well as the establishment of a new office in Switzerland.

**Rothschild Private Wealth & Asset Management** revenue for the year increased significantly to €514 million, up 40% when compared to the previous year, mainly due to good organic growth and the consolidation of Martin Maurel (representing €105 million of revenue).

In a highly evolving market that has been challenging on several fronts including regulatory change (MIFID II) and fee pressure from clients, we have undertaken a number of initiatives to build revenue, cut costs and refocus the business on its core activities. This resulted in growth in profitability with operating income, excluding Martin Maurel integration costs of €27 million, rising to €82 million for 2017. This represents a 16% operating margin, significantly better than previous years and on track to reach our target of 20% by 2020.

(1) Exceptional items include Martin Maurel integration costs and a one-off tax credit.

(2) Source: Company filings.

(3) Source: Thomson Reuters, completed and announced transactions. Excludes accountancy firms.

In July 2017, the merger of the two French private banks Rothschild & Cie Banque and Banque Martin Maurel was completed and the French private banking activity is now operating under the name “Rothschild Martin Maurel”. The operational integration is progressing to plan.

Assets under management increased to €67.3 billion in 2017 due to €10.0 billion from the merger with Martin Maurel group, €1.7 billion of net inflows and market appreciation partly offset by negative exchange rate effects of €1.6 billion. Net new assets were driven by inflows of €1.3 billion in Private Wealth across all major geographies and of €0.4 billion in Asset Management.

**Rothschild Merchant Banking** continued to perform strongly during 2017 and profitability here has developed into a major contributor to the Group’s growth. The business generated revenue of €185 million, an increase of 39% on the prior year and of 28% when compared to the average of the last three years. Revenue from Rothschild Merchant Banking comprises recurring revenue of €61 million and investment performance related revenue of €124 million. Operating income rose to €120 million for 2017, representing a 65% operating margin.

The increase of both revenue and operating income reflects the enduring strong performance of funds, mainly driven by the performance of the Five Arrows business line.

The alignment of interests between the Group and third-party investors remains a key differentiator. During the year the Group’s share of the investment made by the division amounted to €116 million, of which €94 million was the Group’s own investments in funds managed by Merchant Banking, and €22 million in direct investments (including those made as part of the Rothschild Private Opportunities co-investment programme). Disposals generated proceeds of €156 million.

Thanks to the team’s strong track record in private equity and private debt across multiple economic and credit cycles, the division continues to expand. Our teams have now developed a recognised, niche position in Europe with a solid track record of long-term value creation.

Merchant Banking’s assets under management were €7.5 billion as at 31 December 2017 compared to €5.8 billion as at 31 December 2016.

## Outlook

In Global Advisory, we continue to maintain our position as one of the leading global advisers. Despite lower global M&A market activity in 2017, principally at the large cap end of the market, the conditions for M&A continue to be relatively positive. We therefore expect current activity levels to persist into 2018, although the Group remains alert to the risk of volatility.

Private Wealth & Asset Management is well positioned to deliver net asset inflows and improving profitability. Our strategy of focusing on our core target markets, leveraging our network and targeting entrepreneurs is bearing fruit across our geographies. In France, the operational integration of Martin Maurel is on track to be finalised by the end of the year.

Merchant Banking is committed to growing its assets under management. Within the Private Equity funds, FAPI II has successfully deployed in excess of 70% of its commitment and we will therefore aim to launch FAPI III in the course of 2018. In the Private Debt funds, following the successful FADL fundraising, we will continue to expand our product offering both in Europe and the US.

Overall, financial markets have been much more volatile in recent weeks than seen for the whole of 2017. If such volatility were to continue through 2018 then that could impact market sentiment with a negative effect on our businesses. However, if markets continue to be benign we would expect our performance to be broadly in line with recent years.

This has been a successful year for Rothschild & Co and we are proud of our achievements, but we remain single minded in our focus on the long-term and growing the business for the future. As each of our businesses develops, we are seeing increasing synergies between them, producing positive results. Our strategy of diversifying our earnings is progressing well. This success is due to the highly talented and devoted teams of people who work within Rothschild & Co and who share the same culture of utmost professionalism towards their clients, providing outstanding execution and effective long-term solutions. This strong culture is what gives Rothschild & Co its distinct perspective and unique position in the financial markets.

### Alexandre de Rothschild

Executive Deputy Chairman of Rothschild & Co Gestion

### Nigel Higgins

Marc-Olivier Laurent

Robert Leitão

and Olivier Pécoux

Managing Partners of Rothschild & Co Gestion



## Overview

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# Overview of businesses

## An integrated global network

### Rothschild Global Advisory

- M&A and Strategic Advisory
- Financing advisory
  - Debt Advisory and Restructuring
  - Equity Advisory
- Worldwide platform with a presence in over 40 countries
- 1,039 bankers, of which 212 are Managing Directors
- Advisor on c.650 transactions with a total value of US\$560 billion

**1<sup>st</sup> globally and  
1<sup>st</sup> in Europe**  
by number of completed  
M&A transactions<sup>(1)</sup>

**6<sup>th</sup> globally**  
by revenue  
(12 months to December  
2017)

(1) Source: Thomson Reuters, completed transactions, any nation/region involvement, as at 31 December 2017.

### Rothschild Private Wealth & Asset Management

- Private Wealth
- Asset Management
- Trust
- Strong European presence with targeted extensions in Asia and the United States
- 202 relationship managers for Private Wealth
- 41 investment managers for Asset Management

**€67.3bn**  
of Assets under management  
(as at 31 December 2017)

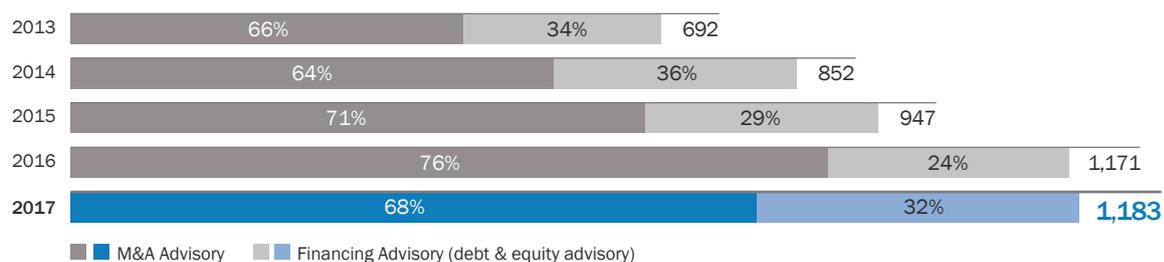
### Rothschild Merchant Banking

- Corporate private equity
- Secondaries, multi-managers' funds and co-investments
- Direct lending
- Credit management
- Solid position in Europe
- Proprietary investments in emerging countries
- 84 investment professionals

**€7.5bn**  
of Assets under management  
(as at 31 December 2017)

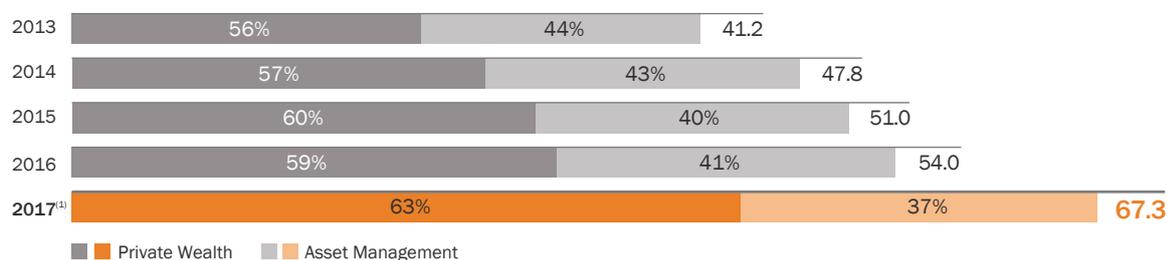
## Revenue

(in millions of euros, 12 months to December)



## Assets under management

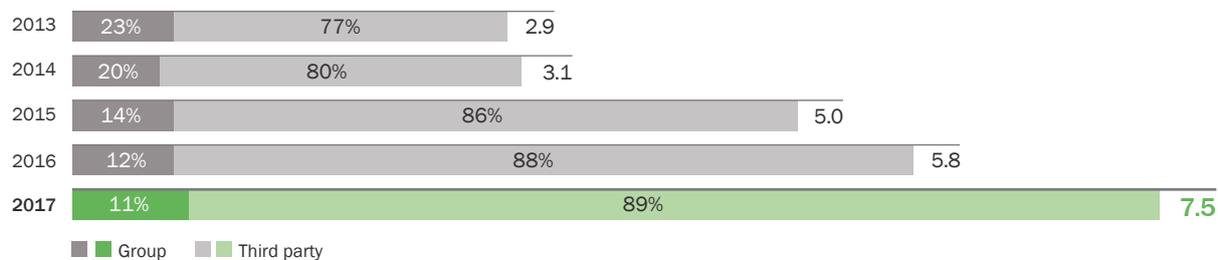
(in billions of euros, as at 31 December)



(1) Including Martin Maurel Group.

## Assets under management

(in billions of euros, as at 31 December)



# World presence

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





## Managing Partner

As at 31 December 2017 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 Management Board comprises:



**David de Rothschild**  
Chairman



**Alexandre de Rothschild**  
Executive Deputy  
Chairman

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



**Nigel Higgins**  
Managing Partner –  
Co-Chairman of the GEC



**Marc-Olivier Laurent**  
Managing Partner



**Robert Leitão**  
Managing Partner



**Olivier Pécoux**  
Managing Partner –  
Co-Chairman of the GEC

## Group Executive Committee

9  
members

As at 31 December 2017 and the date of the present report, the Group Executive Committee (GEC), whose members are the most senior corporate officers of the Group business and support divisions, is the senior Executive Committee at Rothschild & Co. In its role, the GEC participates in the overall management and defining the strategy of the Group by Rothschild & Co, represented by the Executive Deputy Chairman and the Managing Partners, so that Rothschild & Co ensures its proper implementation across the Group.

Chaired by Nigel Higgins and Olivier Pécoux, the GEC comprises:



**Paul Barry**  
Group Human  
Resources Director



**Mark Crump**  
Group Chief  
Financial Officer



**Richard Martin**  
Chief Operating Officer  
of Rothschild Wealth  
Management & Trust



**Alain Massiera**  
Head of France  
Private Wealth



**Bruno Pfister**  
Chairman of Rothschild  
Wealth Management  
& Trust



**Gary Powell**  
Head of Group Strategy  
and Corporate  
Development



**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<sup>(1)</sup>.

Members	Supervisory Board	Specialised committees		
		Audit Committee	Remuneration and Nomination Committee	Risk Committee
Eric de Rothschild – French	■ ■			
André Lévy-Lang – French	■ ■	■	■	
Dr. Daniel Daeniker – Swiss	■			■
Angelika Gifford – German	■			
Sylvain Héfès – French	■	■	■ ■	
Adam Keswick – British	■			
Suet-Fern Lee – Singaporean	■			
Arielle Malard de Rothschild – French	■			■
Lucie Maurel-Aubert – French	■			
Carole Piwnica – Belgian	■	■		
Anthony de Rothschild – British	■			
Sipko Schat – Dutch	■			■ ■
Peter Smith – British	■	■ ■	■	
Luisa Todini – Italian	■		■	
François Henrot – French	■			

■ Chairman  
 ■ Vice-Chairman  
 ■ Independent Member  
 ■ Non-Independent Member  
 ■ Non-Voting Member (*Censeur*)

14  
Board members

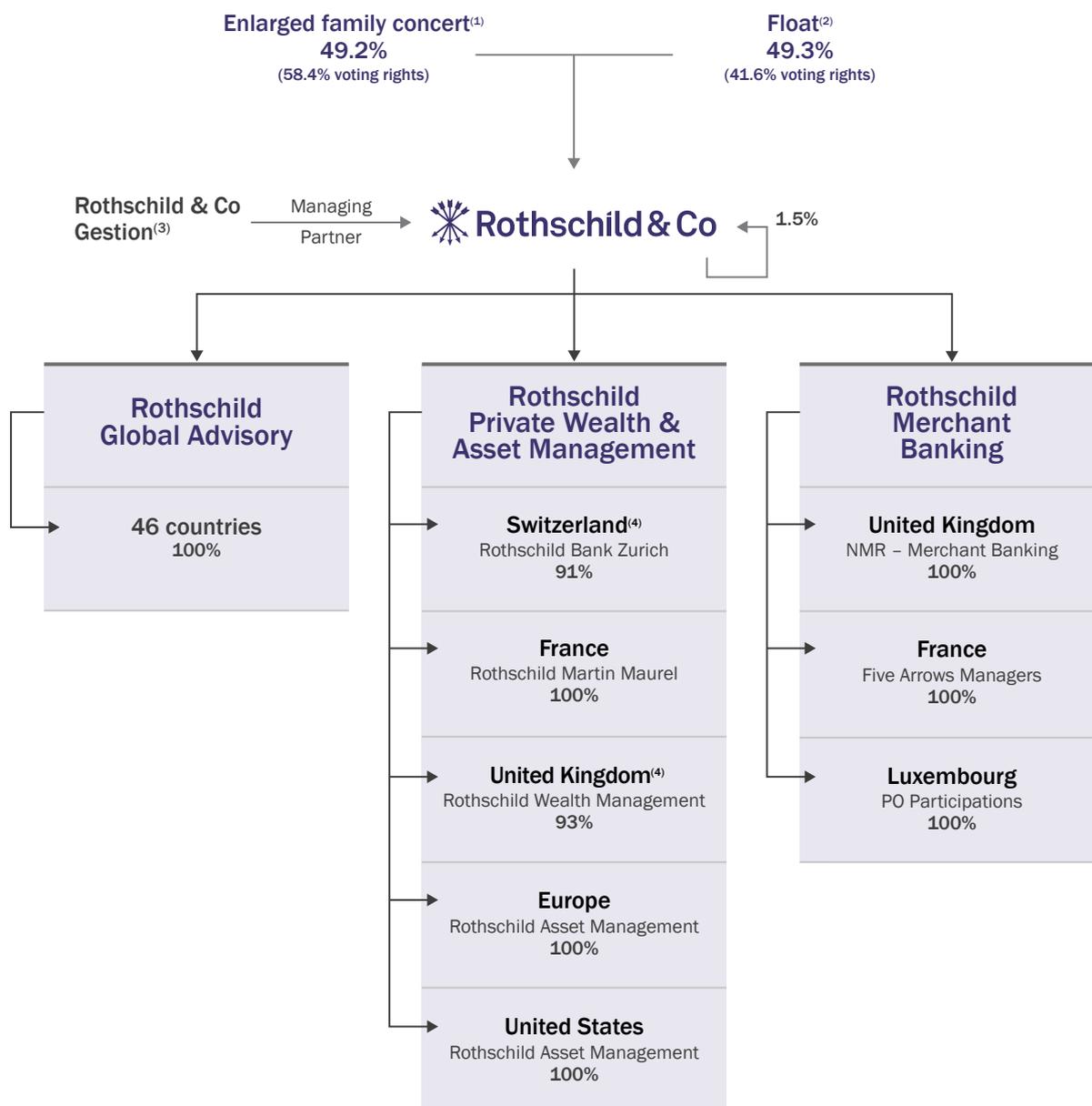
9  
independent members

8  
nationalities

(1) It was decided during the 2017 financial year that the Strategy Committee would cease to operate in its previous configuration so as to involve directly the Supervisory Board on strategic matters (for more details, please refer to Section 1.2.8 of the Corporate Governance Section on page 89).

# Organisation chart as at 31 December 2017

## Rothschild family aligned with management interests



(1) See details on page 61.  
 (2) Including Jardine Strategic Holdings Luxembourg Sàrl and Edmond de Rothschild Group.  
 (3) Controlled by the Rothschild family.  
 (4) Minority interests held by the Rothschild family.

# Corporate Social Responsibility

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

<b>People</b>	<b>We are committed to the development and retention of a world-class team</b>	<ul style="list-style-type: none"><li>• 3,500 employees across the world with a broad range of ages, backgrounds and cultures</li><li>• An inclusive culture in which diversity is valued</li><li>• Recruitment and promotion based on merit</li><li>• A wide range of training and development opportunities</li><li>• A focus on well-being and a healthy and safe working environment</li></ul>
<b>Environment</b>	<b>We are committed to managing and taking action to reduce our negative environmental impact and to being actively engaged with environmental issues</b>	<ul style="list-style-type: none"><li>• The majority of our offices have Environment Advocate representation</li><li>• Several programmes have been implemented including the introduction of recycled paper, the purchase of renewable electricity and waste reduction &amp; separation initiatives</li><li>• The Group supports United Nations Sustainable Development Goals, specifically aligning to six goals that it believes will help reduce negative operational environmental impact (clean water, clean energy, responsible consumption, climate action, decent work &amp; economic growth and life on land)</li></ul>
<b>Community investment</b>	<b>We are committed to helping socio-economically disadvantaged young people to raise and realise their aspirations</b>	<ul style="list-style-type: none"><li>• We combine a global approach with implementation based on local needs</li><li>• We engage in long-term partnerships with charities, educational institutions and social enterprises with which we share the same aims</li><li>• Employees support young people directly through mentoring and tutoring, and indirectly through strategic advice for our community partners</li><li>• In 2017, we helped more than 1,300 disadvantaged young people to develop new skills and make more ambitious educational choices</li></ul>

# Shareholder information

## Market data

	2014 (12 months to March)	2015 (12 months to March)	2016 (12 months to March)	2017 (12 months to March)	2017 (12 months to December)
<b>Market capitalisation (in millions of euro)</b>	1,280	1,403	1,546	2,077	2,364
<b>Share price (in euro)</b>					
At the end of the financial year	18.0	19.7	21.7	26.9	30.5
Maximum	20.7	19.7	30.1	28.0	32.5
Minimum	16.8	16.4	19.1	20.2	25.6
Yearly average	18.1	17.6	24.5	23.3	29.2
<b>Number of shares and investment certificates</b>					
Issued	71,104,108	71,137,036	71,137,036	77,290,012	77,407,512
Of which treasury shares	644,197	442,701	551,434	1,054,574	909,770
<b>Per share (in euro)</b>					
Dividend	0.50	0.60	0.63	0.68	0.68 <sup>(1)</sup>
Earnings per share (EPS)	0.11	2.08	3.37	2.64	3.18
EPS excluding exceptional items	0.74	2.31	1.95	2.74	3.33
<b>Market data</b>					
Total value traded (in millions of euro)	65.7	63.8	307.0	151.2	355.1
Total trading volume	3,741,749	3,463,602	12,636,659	6,369,137	12,056,919
Average daily traded volume	14,616	13,583	49,556	24,497	47,279
% traded on Euronext	84%	65%	37%	46%	49%
% traded on Electronic and OTC platforms	16%	35%	63%	54%	51%
<b>Excluding exceptional block trades<sup>(2)</sup> over the period</b>					
Total value traded (in millions of euro)	37.2	63.8	213.4	117.3	312.7
Total trading volume	2,141,749	3,463,602	8,846,659	4,942,137	10,568,848
Average daily traded volume	8,366	13,583	34,693	19,008	41,446

(1) Dividend proposed at the Annual General Meeting to be held on 17 May 2018. This dividend is payable for the nine-month period (April-December).

(2) Exceptional block trades over 300,000 shares.

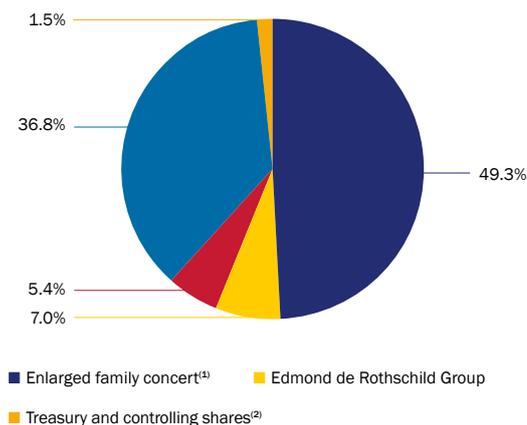
# Shareholder information

## Rothschild & Co share price evolution

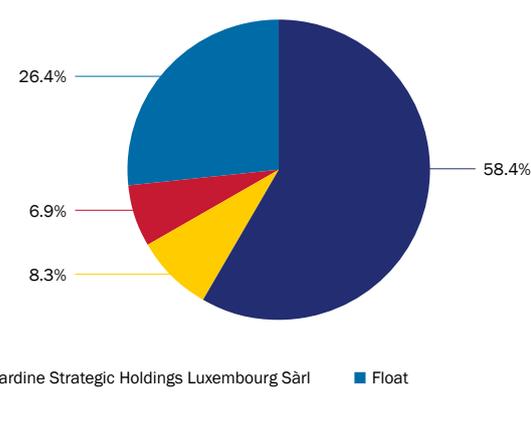


## Shareholding structure as at 31 December 2017

### Share capital



### Exercisable voting rights



(1) More details are provided from page 59 onwards.

(2) The controlling shares held by N M Rothschild & Sons are not included as they are part of the enlarged family concert.

## Proposed dividend

A dividend of €0.68 per share will be proposed by the Managing Partner, Rothschild & Co Gestion SAS, at the Rothschild & Co Annual General Meeting on 17 May 2018, called to approve the financial statements for the nine-month period ended 31 December 2017.

### 22 May 2018

Ex-dividend date

### 23 May 2018

Record date

### 24 May 2018

Payment date

## Liquidity

Since January 2008, Rothschild & Co has awarded a liquidity contract to Rothschild Martin Maurel, a subsidiary, in order to improve the share's liquidity, regulate the share price and avoid unjustified differences between market price and fair value. When this contract was put in place, 150,000 shares were made available to the liquidity manager.

As at 31 December 2017, 24,000 shares and €3.8 million cash were booked to the liquidity contract<sup>(1)</sup>.

The Company releases half-yearly reports on the liquidity contract. All reports are posted on the corporate website under the Investor Relations – Regulated information section.

## Financial communication

Rothschild & Co provides its shareholders with information throughout the year in English and in French, 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 website ([www.rothschildandco.com](http://www.rothschildandco.com)) allows visitors to browse the latest updates, share prices and its own publications. The annual report may be reviewed and downloaded from the website.

Visitors can also join Rothschild & Co's mailing list to receive the latest news about the Company. At any time, visitors can also request information from the Investor Relations Department.

For more information about our businesses, career opportunities or our Corporate Social Responsibility initiatives, please visit our corporate website at [www.rothschild.com](http://www.rothschild.com).

## Financial calendar

### 15 May 2018

First quarter information 2018  
(January-March 2018)

### 17 May 2018 (10:30am CET)

Annual General Meeting

### 25 September 2018

Half-year results 2018  
(January-June 2018)

### 13 November 2018

Third quarter information 2018  
(July-September 2018)

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[www.rothschild.com](http://www.rothschild.com)

## Share information

ISIN code: FR0000031684  
Ticker: ROTH  
Market: Euronext Compartment A (France)  
Listing place: Paris

(1) See page 57 section entitled 'Share buyback programme'.





## Business review

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Rothschild 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 to achieve their strategic goals with a comprehensive perspective. This allows us to achieve outstanding results for our clients, achieving their strategic goals and acting as their most trusted advisers over the long-term.

## Rothschild Global Advisory transaction volumes (12 months to December)<sup>(1)</sup>

	2017	2016	% change
Value of M&A transactions (in billions of US\$)	286	322	(11%)
Value of Financing Advisory transactions (in billions of US\$)	275	220	+25%
<b>Total value (in billions of US\$)</b>	<b>561</b>	<b>542</b>	<b>+4%</b>
Number of M&A transactions	363	345	+5%
Number of Financing Advisory transactions	285	297	(4%)
<b>Total transactions</b>	<b>648</b>	<b>642</b>	<b>+1%</b>

## Our expertise was recognised in several leading industry awards



### The Banker Investment Banking Awards, 2017

- Most Innovative Independent Investment Bank



### IFR, 2017

- Capital Markets Adviser of the Year
- North American IPO of the Year: US\$1.2bn IPO of Athene
- European High Yield Bond of the Year: Maxeda's €475m High Yield Bond



### Mergermarket European M&A Awards, 2017

- European Private Equity Financial Adviser of the Year
- Denmark M&A Financial Adviser of the Year
- Israel M&A Financial Adviser of the Year



### GlobalCapital Loan Awards, 2017

- Best Corporate Finance Adviser

**1<sup>st</sup>** globally and  
**1<sup>st</sup>** in Europe  
by number of completed M&A transactions<sup>(1)</sup>

**6<sup>th</sup>** globally  
by advisory revenue<sup>(2)</sup>

**1,039**  
bankers  
of which  
212 Managing  
Directors

(1) Source: Thomson Reuters, Rothschild & Co analysis. Completed transactions.

(2) Source: Company filings.

## Financial results for 2017

For 2017, Rothschild Global Advisory delivered another record annual revenue performance of €1,183 million, 1% higher than 2016 (€1,171 million) and ranked 6<sup>th</sup> globally by financial advisory revenue for the year to December 2017, maintaining its position from the previous quarter<sup>(1)</sup>.

Operating income for the year, excluding ongoing investment in the development of our North American M&A franchise was €211 million (2016: €212 million), representing an operating income margin of 17.8% (2016: 18.1%). Including this investment, the operating income would have been €185 million (2016: €189 million) or a margin of 15.7% (2016: 16.2%).

The compensation ratio, which shows total staff costs on an awarded basis including social taxes as a percentage of revenue, was 65.0% in 2017 (2016: 65.6%) after adjusting for the effects of leaver costs and senior hiring in North America.

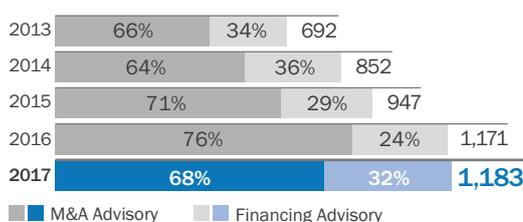
In M&A advisory, we continue to outperform compared to the overall market. We ranked 1<sup>st</sup> globally and in Europe by numbers of both completed and announced transactions in 2017, the same position as in the previous year<sup>(2)</sup>. M&A advisory revenue for the year was €804 million, down 9% year-on-year from a record performance last year (2016: €888 million), in the context of an 11% decline in global completed M&A activity by value.

Financing Advisory revenue increased by 34% to €379 million (2016: €283 million), with particularly strong activity levels in our European Debt Advisory and Restructuring and Equity Advisory businesses as well as in our US restructuring franchise. During the year, we continued to be highly active in large and complex debt advisory and restructuring situations, providing independent advice to clients on c.200 transactions with a total value of c.US\$230 billion<sup>(3)</sup>. For restructuring assignments completed during the year, we ranked 2<sup>nd</sup> by number of transactions globally and 1<sup>st</sup> by number of transactions in Europe<sup>(4)</sup>. We also provided equity advisory services during the year related to transactions with a total value of c.US\$40 billion, and we continue to advise on more European equity assignments than any other independent adviser<sup>(3)</sup>.

The quality of our people is our principal competitive advantage and we continue to add to and strengthen our senior team. During 2017, fourteen new Managing Directors were hired into our offices in the US, the UK, Japan and Switzerland. In the US, we recruited eight Managing Directors into our M&A advisory team, focusing on clients in the Healthcare, Consumer, Retail and Technology sectors, the latter recruitment being alongside the opening of a new office in Silicon Valley. We also made investments elsewhere during the year by opening two new offices: a new wholly-owned subsidiary in Tokyo employing the full team from our previous alliance partner Global Advisory Japan, as well as the establishment of a new office in Switzerland.

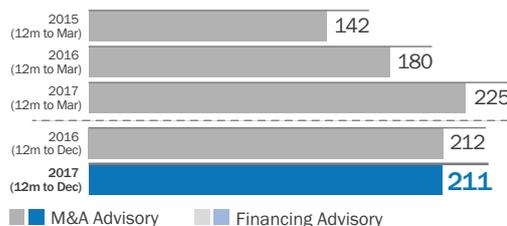
### Revenue

(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: Thomson Reuters, completed and announced transactions. Excludes accountancy firms.

(3) Source: Dealogic; internal analysis.

(4) Source: Thomson Reuters.

## 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 2017, we ranked 1<sup>st</sup> among M&A advisers globally by number of both completed and announced transactions<sup>(1)</sup>. 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<sup>(1)</sup>.

We advised on approximately US\$285 billion of completed M&A transactions in the 12 months to December 2017, including 5 out of the top 50 global M&A transactions by value and 7 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 in large, complex cross-border situations. We continued to improve our market share of global cross-border advisory assignments, with cross-border transactions representing over 55% of our total activity<sup>(1)</sup>.

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

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

**c.360**  
M&A transactions  
in 2017 for  
a value of  
c.US\$285bn

more than  
**55%**  
of deals  
cross-border

### M&A league table rankings by region (as at 31 December)<sup>(1)</sup>

Region	By value		By number	
	2017	2016	2017	2016
Global	12	12	1	1
Global cross-border	10	9	1	1
Europe	8	8	1	1
Asia (incl. Japan)	17	14	13	12
North America	15	19	10	14
Rest of the world	7	12	1	2

(1) Source: Thomson Reuters. Based on completed deals by number, unless specified. Excludes accountancy firms.

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



#### Arnault Family Group/ Christian Dior (France)

- Tender offer on Christian Dior minority shareholders, and concurrent advice to Christian Dior on its disposal of Christian Dior Couture (€12.0bn and €6.5bn respectively)
- High-profile transactions involving an iconic luxury fashion brand



#### Asahi (Japan, various Central and Eastern European countries)

- Acquisition of SABMiller's CEE business from AB InBev (€7.3bn)
- Marked Asahi's transformation from an Asia-Pacific focused player to a global premium beer powerhouse



#### Bain Capital and Cinven (Germany)

- Public takeover offer for STADA (€5.4bn)
- Represents the largest ever pharma public-to-private transaction and the largest German public takeover by a financial sponsor since 2007



#### BM&FBOVESPA (Brazil)

- Combination with Cetip (US\$11.2bn)
- Trusted adviser to BM&FBOVESPA; seventh engagement since demutualisation in 2006



#### Boehringer (Germany, France)

- Strategic asset swap between Boehringer Ingelheim and Sanofi (€22.8bn)
- Continued our outstanding recent track record in the pharmaceuticals sector



#### Engie (France)

- Acquisition of GE Water & Process Technologies by SUEZ (€3.2bn)
- Part of our wider role to optimise Engie's portfolio over three years



#### Intel (United States, Israel)

- Acquisition of Mobileye (US\$15.3bn)
- Complex US acquisition of an Israeli company, US-listed and Dutch-incorporated; continued our long-standing relationship with Intel



#### IP Group (United Kingdom)

- Combination with Touchstone Innovations and simultaneous £200m equity raise (£1.3bn)
- The combination of these transactions is unprecedented in the UK market



#### Kennedy Wilson Europe Real Estate (United Kingdom, United States)

- Recommended all share offer by Kennedy Wilson Holdings (£2.7bn)
- The largest European Real Estate deal to complete in 2017



#### Koch Equity Development (United States)

- Minority investment in Infor (+US\$2bn)
- Largest software deal of the last two years in terms of valuation (EV US\$10bn), building on our momentum in US software



#### Lone Star (Portugal)

- Acquisition of a 75% stake in Novo Banco (€1bn)
- Largest ever bank acquisition by assets and the first acquisition of a top-three national banking group by a private equity house in Europe



#### Metro Group (Germany)

- Demerger into METRO and CECONOMY (€15bn)
- Largest ever German retail deal



#### SourceHOV (United States)

- Three-way merger to form Exela Technologies (US\$2.8bn)
- The largest transaction involving a US special purpose acquisition company in the last decade



#### SunEdison (United States)

- Sale of controlling stakes in Terraform Power and Terraform Global to Brookfield (US\$1.3bn and US\$6.6bn respectively)
- Part of our advice on the company's US\$8.7bn Chapter 11 restructuring and successful emergence from bankruptcy



#### Technip (France, United States)

- Combination with FMC Technologies to create TechnipFMC (€11bn)
- Leveraged relationships to assist in discussions with French government and Bpifrance (key shareholder of Technip)



#### Vivendi (France)

- Acquisition of Havas Group (€4.1bn)
- Highly strategic transaction for Vivendi and the largest European media deal to be announced in 2017

## 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 the financial year, we continued to be highly active in large and complex debt advisory and restructuring situations, providing independent advice to clients on c.200 transactions with a total value of close to US\$230 billion<sup>(1)</sup>.

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 2<sup>nd</sup> by number of deals globally and 1<sup>st</sup> in Europe<sup>(2)</sup>.

### 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 the year ended December 2017, we advised on c.80 equity capital market transactions worldwide with a total value of c.US\$40 billion<sup>(1)</sup> and, for the fourth successive year, we advised on more European IPOs than any other independent adviser<sup>(1)</sup>.

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 US\$230bn

Advised more  
European equity  
assignments than  
any other  
independent  
adviser in  
Europe<sup>(1)</sup>

### Restructuring league table rankings by region (as at 31 December)<sup>(2)</sup>

Region	By value		By number	
	2017	2016	2017	2016
Global	2	5	2	2
Europe	1	3	1	1

(1) Source: Internal data.

(2) Source: Thomson Reuters, completed deals, ranked by number of transactions.

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



#### Ant Financial (China)

- Debt advice on debt raising (US\$3.5bn)
- High-profile debt financing, highlighting our capabilities in advising Chinese borrowers on capital raising from the international loan market



#### Avaya (United States)

- Adviser to the ad hoc Bondholder Committee on the company's restructuring (US\$8.0bn)
- Highly complex and litigious bankruptcy process resulting in a consensual deal with all creditors, new money exit term loan and listing on the NYSE postmerger



#### Caesars Entertainment Operating Company (United States)

- Adviser to First Lien Term Loan Lenders on the company's restructuring (US\$18.5bn)
- One of the most complex Chapter 11 restructurings in history



#### Cerberus/GoldenTree (Austria)

- IPO of BAWAG (€1.9bn)
- Largest ever IPO on the Vienna Stock Exchange and one of the largest European IPOs of 2017



#### Codelco (Chile)

- Debt advice on dual-tranche issuance and associated liability management exercise (US\$2.75bn)
- Utilised mining sector and sovereign advisory expertise to explore all angles and options



#### Department of Finance (Republic of Ireland)

- Privatisation IPO of Allied Irish Banks (€3.4bn)
- Continued our long-standing relationship following advice on the bailout of the Irish banking system post financial crisis



#### Emaar Properties and Emaar Development (UAE)

- IPO of Emaar Development (US\$1.3bn)
- First IPO on the Dubai Financial Market in three years and one of the largest ever



#### NLFI (Netherlands, Australia)

- Sell-down of a 7% stake in ABN AMRO (€1.5bn)
- Followed advice on the privatisation IPO of ABN AMRO in 2015 – the largest ever Dutch privatisation and IPO



#### PDMA (Greece)

- Debt advice on bond and liability management exercise (€3bn and €1.5bn respectively)
- Part of our ongoing role to prepare Greece for a full return to the international capital markets and exit the financial assistance programme



#### Premier Oil (United Kingdom)

- Restructuring of Premier Oil (US\$3.8bn)
- One of the North Sea's most complex financial restructurings, implemented via a Scottish scheme of arrangement and conversion of German law into an English law term loan



#### Royal Dutch Shell (Netherlands)

- Sell-down of the entire remaining 13.28% shareholding in Woodside Petroleum (US\$2.7bn)
- Long-standing relationship with Royal Dutch Shell, lasting over 100 years



#### Sorgenia (Italy)

- Debt restructuring (€1.5bn)
- Played crucial role in building consensus for the new restructuring proposal amongst the 20 plus lenders



#### Teva Pharmaceutical (Israel)

- Debt advice on equivalent bond offering (US\$20.4bn)
- Involved debt and equity work streams and dedicated teams in New York, Tel Aviv, Paris and London



#### Ukraine Ministry of Finance (Ukraine)

- 15-year Eurobond issue and tender offer on outstanding 2019 and 2020 Eurobonds (US\$3bn and US\$1.6bn respectively)
- Largest Ukrainian sovereign issuance ever, constituting the country's return to international capital markets following its sovereign debt restructuring in 2015



#### Ultra Petroleum (United States)

- Chapter 11 restructuring (US\$6bn)
- Achieved successful emergence from bankruptcy and raised US\$3bn of exit financing in the process



#### U. S. Steel Canada (Canada)

- Restructuring and sale to Bedrock Industries (US\$3.3bn)
- Complex multi-stakeholder negotiation and sale process which included the debtor, acquirer, multiple creditors, labour and government

# Rothschild Private Wealth & Asset Management

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

Rothschild 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, Frankfurt, Geneva, Grenoble, Guernsey, Hong Kong, London, Manchester, Marseille, Milan, Monaco, New York, Paris, Reno, Singapore and Zurich. We continue to develop our activities in line with our stated strategy of diversifying our sources of income.

## Market overview

Investment markets remained broadly benign through 2017. Global stock markets comfortably outpaced most inflation rates, and did so with unusually low levels of volatility. Bonds lagged behind stocks, but most corporate bonds at least also managed to beat inflation.

The economic expansion gathered some momentum and broadened into one of the most widely-based upturns seen in recent years. The developed world grew at a respectable pace, with the Eurozone in particular continuing to outpace expectations, while China's economy defied sceptics to deliver neither a hard nor soft landing but a small acceleration. Unemployment dropped to multi-decade lows in the US, UK, Germany and Japan, while corporate profits growth resumed after the interruption caused by falling oil and mining profits in 2015/2016.

The year had started with political concerns uppermost in many investors' minds. In the event, the US administration's protectionist talk did not translate into action, and the year ended with the passage of significant tax-cutting measures that seem set to boost US growth and corporate profits further. In Europe, talk of a populist backlash against the EU proved premature: the year ended with President Macron embarked on a programme of liberal reform in France, and Chancellor Merkel seemingly poised to form another administration in Germany. Negotiations over UK secession from the EU proved less disruptive than feared, but the snap election in mid-year left it, alone amongst the major countries, facing increased political uncertainty at year end.

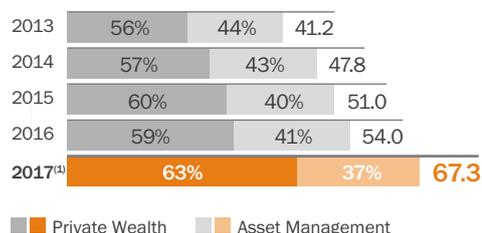
There remain few signs of economic excess in this increasingly lengthy business cycle. However, market valuations are relatively full, and monetary conditions may start to normalise a little faster. A long-overdue revival in volatility seems to have started in February. Nonetheless, the next financial year begins at least with the economic climate a broadly constructive one.

**€67.3bn**  
of Assets under management as at 31 December 2017

**€1.7bn**  
of net new assets in 2017

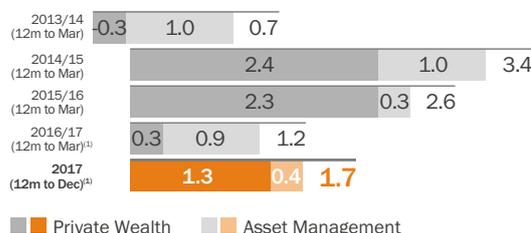
## Assets under management

(in billions of euros, as at 31 December)



## Net new assets

(in billions of euros)



(1) Including Martin Maurel Group.

**+40%**  
revenue growth  
over 12 months

**×12**  
profit before tax  
over 12 months

## Financial results for 2017

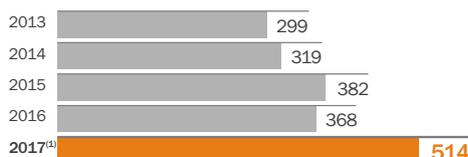
Rothschild Private Wealth & Asset Management revenue for 2017 was €514 million, up 40% (2016: €368 million) mainly due to organic growth and the consolidation of Martin Maurel (representing €105 million of revenue).

In a highly evolving market that has been challenging on several fronts including regulatory change (MIFID II) and fee pressure from clients, we have undertaken a number of initiatives to build revenue, cut costs and refocus the business on its core activities. This resulted in growth in profitability with income, excluding Martin Maurel integration costs of €27 million, rising to €82 million for 2017 (2016: €7 million excluding Martin Maurel integration costs of €6 million). This represents a 16% operating margin (2016: 2%), significantly better than the previous years.

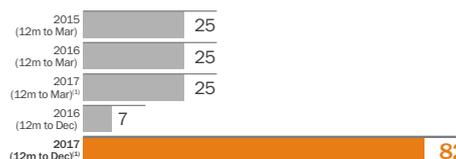
In July 2017, the merger of the two private banks in France of Rothschild & Compagnie Banque and Banque Martin Maurel was completed and the French private banking activity is now operating under the name "Rothschild Martin Maurel". The operational integration is progressing to plan.

Assets under management increased to €67.3 billion in 2017 due to €10.0 billion from the merger with Martin Maurel Group, €1.7 billion of net inflows and market appreciation partly offset by negative exchange rate effects of €1.6 billion. Net new assets were driven by inflows of €1.3 billion in Private Wealth across all major geographies and of €0.4 billion in Asset Management.

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



**Profit before tax – excluding exceptional items<sup>(2)</sup>**  
(in millions of euros)



(1) Including Martin Maurel Group.

(2) Exceptional items are Martin Maurel integration costs (2017: €27 million, 2016: €6 million).

## Rothschild Private Wealth

Rothschild Private Wealth 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 provide lending in Private Wealth (total loan book €2.8bn at December 2017) including private client lending (€2.4bn at December 2017) such as loans secured on clients' investment portfolios and mortgages secured on clients' residential real estate; and other lending (€0.4bn at December 2017) such as loans to clients' businesses. Lending is complementary to our investment management, wealth planning and administration services, and enables us to meet the wider private banking requirements of our clients.

Looking ahead, we believe our Private Wealth 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.

## Rothschild Martin Maurel

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

2017 saw the successful completion of the plan to combine the French private banking activities of Rothschild & Co and Compagnie Financière Martin Maurel to create one of the leading private banks in France. This merger reflects the Rothschild & Co Group's aim of expanding in private wealth management. The new entity, which operates in France under the name Rothschild Martin Maurel, retains an entrepreneurial spirit and a human scale, enabling it to remain close to its clients.

Rothschild Martin Maurel is a major independent player in private banking in France, Belgium and Monaco, with a differentiated positioning focusing mainly on entrepreneurs. It can now leverage the complementary expertise of the two groups and expand its range of services to encompass a full corporate banking service for family SMEs (including transactional banking, lending, etc.), an improved and more diversified lending capability (wealth management, corporate, real estate) and expertise in supporting real estate businesses.

The model is based on two core businesses, wealth planning plus corporate banking services for family companies. The teams are now 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's worldwide network.

At 31 December 2017, assets under management stood at €21.2 billion versus €11.1 billion one year earlier, driven by the merger with Martin Maurel, strong net inflows and a positive market effect.

This strong asset growth bears witness to the successful integration of the two groups' front office teams, whose ability to develop new business has not been affected by the merger process. On the contrary, they have now begun to harness synergies between the Group's various business activities, which will be even more visible in 2018.

In parallel, the information systems integration continues according to plan, with unified front office systems due to come on stream in the first half of 2018 and a single banking system in the second half.

€21.5bn

of assets managed by Rothschild Wealth Management & Trust

€21.2bn

of assets managed by Rothschild Martin Maurel

€1.3bn

of net new assets in 2017 in Private Wealth

## Rothschild Wealth Management & Trust

Rothschild Wealth Management & Trust is the private banking arm of Rothschild & Co in Frankfurt, Geneva, Guernsey, Hong Kong, London, Manchester, Milan, Reno, Singapore 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 seventh generation of family-controlled ownership, continues to resonate with an increasing number of clients around the world, especially in the current economic environment.

2017 saw strong performance across the business with both client referrals and acquisition levels positive. Despite positive net new assets and excellent market performance, our assets under management remain stable at €21.5 billion. This is due to the appreciation of the euro against all other currencies in 2017 and the international composition of our portfolios. In local currencies, all our offices are showing an increase in assets.

To complement our successful New Court offering, in Switzerland 2017 saw the launch of Mosaïque, a top-down investment process that provides advice and portfolio management solutions that cut through the complexity of today's world to meet the diverse needs of an international

client base. Thanks to this new approach, the Division's Advisory business more than doubled the assets under management and we expect growth to continue into next year.

Within our Trust business, we continued to focus on wealth planning, family governance and business succession planning on an international basis, on helping clients to safeguard their assets and create a legacy. With our distinctive proposition and unique positioning in the market we remain very well placed to benefit from the major trends that will continue to re-shape the international wealth management landscape in the years ahead.

In 2017 we also strengthened our presence in Switzerland as our Geneva office moved to new, upgraded premises. Furthermore, in today's era of rapid digitisation and increased customer sophistication we initiated an upgrade of our IT systems by creating a new suite of digital tools. Our efforts have been recognised by clients as an independent survey found that 89% of our UK clients are happy with their Client Adviser and team, the highest rating achieved within our peer group.

Our expertise was recognised in several leading industry awards:



- Winner, Client Service Quality – Ultra High Net Worth, 2017
- Client Service Quality – UHNW winner for 4<sup>th</sup> consecutive year



- Best Private Bank in Switzerland, 2017
- Number one Foreign Bank in Switzerland, 2017



- Winner, Foreign Private Bank, 2017
- Best Foreign Private Bank for the 3<sup>rd</sup> consecutive year



- Best Advisory Services, 2017



- Winner, Wealth Management – Specialised Bank, 2018
- Best Wealth Management – Specialised Bank for the 4<sup>th</sup> consecutive year

## Rothschild Asset Management

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

Rothschild Asset Management offers an independent perspective in innovative investment solutions, designed around the needs of each and every client. Across its complementary fields of expertise in active high-conviction management and open architecture investment solutions, its business model is grounded in deep understanding of each and every client's needs.

## Rothschild Asset Management – Europe

**In 2017, following the merger in France of Rothschild & Cie Banque and Banque Martin Maurel, the complementarity of the management teams of the two entities allowed us to build a global offer in terms of management expertise and investment solutions through the newly created entity Rothschild Asset Management.**

### Our management expertise

Rothschild Asset Management – Europe offers a range of complementary funds, conviction-based strategies to seize investment opportunities in various asset classes.

We offer assertive, selective and diversified conviction-based strategies in all asset classes (Equities, Fixed Income, Convertible Bonds, Diversified Management, etc.), 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. Fund managers take strong investment decisions to be able to achieve significant outperformance compared to traditional indices. Portfolios reflect the investment management teams' strongest convictions, which are sometimes at odds with the consensus. Our teams 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. We implement our capabilities in Equities, Fixed Income, Diversified Management, Thematic Investments, and Small & MidCaps.

In 2017, our fund range performed very well, whether fixed income, equity or diversified strategies, thanks to their low bond yield sensitivity, the strength showing by peripheral bonds, the outperformance by equities, and a good stock-picking. The current macroeconomic environment points to a continuation in this trend, which could show up even more clearly in our equity portfolios if large caps were to outperform small caps.

**€15.6bn**  
of assets  
managed by  
Rothschild Asset  
Management  
– Europe

**US\$10.6bn**  
of assets  
managed in  
New York (€9bn)



- Best Asset Management company – 1 year

## Our expertise in investment solutions

Our goal-driven approach aims to grasp its clients' needs and offer suitable investment solutions through three innovative offers:

- Open architecture
- R Inside Investment Solutions
- InRIS and ESSOR delegated asset management.

The open-architecture approach aims to select the best managers on the major global financial markets, whether in long-only or alternative strategies. Its investment philosophy is based on four pillars: a real open architecture, active management, the quest for excellence, and robust risk control. Our specialised teams show international expertise in accessing the best managers, developing tailored products, and seizing the best opportunities on the markets. Our funds of funds are monitored constantly for the special risks they entail, with an objective of creating value. With this in mind, we offer open-ended funds, separately managed accounts, funds of hedge funds, and long-only multi-management for institutional clients.

In a complex regulatory environment and given the crucial need for diversification, we offer R Inside, a tailored offering of stock-picking and investment management in an open-architecture environment. Our *à la carte* modules range from advisory to partnership to white-label products. Under this approach, we undertake the necessary due diligence, select the funds, allocate assets, construct model portfolios, place orders, publish performance reports, and handle marketing. This makes the entire chain of value of the open-architecture platform available to our partners.

Rothschild Asset Management's InRIS and ESSOR platform of selected asset management offers our clients access to the expertise of carefully selected high-quality long-only and alternative managers who deploy their strategies in a UCITS format. This truly innovative platform offers additional diversification bricks to our clients seeking absolute returns that are decorrelated from traditional asset classes. These are long-term exclusive and conviction-based partnerships. Our team is backed by the Group's know-how and fund-selection network in detecting talented and complementary managers who have thus far been absent from the UCITS universe. Our products offer all the standards, involvement and thoroughness in the areas of transparency, easy-to-understand performance reports, and client service.

In 2017, the increase in assets under management in alternative UCITS funds continues and the InRIS platform has launched a new product, R Perdurance Market Neutral Fund, in Partnership with the fund management team Perdurance Asset Management and the managed account platform Innocap. Following the merger with the Compagnie Financière Martin Maurel, we now integrate to our offer the ESSOR fund range, notably specialised in the United States and emerging markets.

## Rothschild Asset Management – North America

Data from consulting firm FUSE Research Network shows that Rothschild Asset Management – North America is among the 6% of US-based active equity managers that have seen positive inflows in each of the past four years.

In 2017, we added 23 new institutional accounts, helping to increase our assets to US\$10.6 billion on 31 December 2017.

During the last three years, we have more than doubled our AUM and achieved a significant milestone in crossing the US\$10 billion threshold. Rothschild Asset Management – North America is now well-positioned and privileged to serve a diverse client base.

### Our management expertise

In New York, we offer 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. We are guided by a clear and strongly held investment philosophy that seeks to add value through stock selection while controlling benchmark risk.

To that end, six out of seven of our actively managed US strategies outperformed their benchmarks gross of fees in 2017. Nor has our success been short-term: all seven strategies have outperformed their benchmarks since inception, and have done so with less risk. In addition, none of our strategies have ever underperformed their benchmarks in a negative calendar year.

### Our complementary offering: risk-based investments

As the asset management industry continues to evolve, investors have increasingly looked to hybrid solutions that combine the best features of active and passive solutions. In addition, after an extended bull market, many clients are seeking a way to participate in the upside while reducing the risk associated with traditional market capitalisation-weighted indices.

Based in New York, Rothschild Risk Based Investments LLC (RRBI) takes a new approach to portfolio construction, offering bespoke solutions based on risk. These solutions are designed to reduce volatility and maximum drawdown, while improving the Sharpe ratio.

Our relationship with National Bank Investments in Canada, where we sub-advise a Canadian-equity and a global equity fund, continues to thrive. Our business has grown with the addition of two ETF mandates from Nationwide, a large US-based insurance company.

Rothschild Merchant Banking is the investment arm of the Rothschild & Co Group with global Assets under management of €7.5 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, respect for risk and culture of partnership.

**€7.5bn**  
of Assets under management

**84**  
investment professionals

**4**  
strategies

Since its foundation in 2009, Rothschild Merchant Banking has grown its assets under management from c.€1.1 billion to €7.5 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. Overall, the business employs 84 investment professionals across four offices (London, Paris, 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:

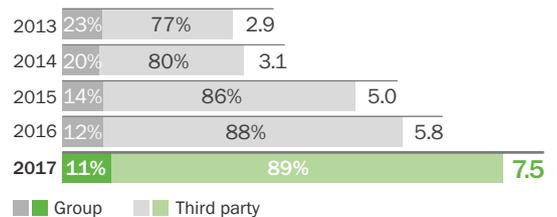
- **Passion for investing:** The Rothschild family has an investing history dating back more than a couple of centuries – particularly for backing entrepreneurs who the family felt were ahead of their times. At Rothschild Merchant Banking we celebrate this legacy and passion for investing and we expend 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 2016, Rothschild Merchant Banking has supported four NGOs and social enterprises 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 2017, our assets under management amounted to €7.5 billion split between €3.0 billion in private equity and €4.5 billion in private debt across four strategies:

- Corporate private equity including Five Arrows Principal Investments (FAPI)
- Secondaries, multi-manager funds and co-investments including Five Arrows Secondary Opportunities (FASO), Arolla and Rothschild Proprietary Investments (RPI)
- Direct Lending including Five Arrows Credit Solutions (FACS) and Five Arrows Direct Lending (FADL)
- Credit Management (RCM) including Oberon and Elsinore strategies as well as CLO funds.

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



Note: Assets under management comprise committed capital where a managed fund is still in its investment period, and includes net asset value after the investment period has expired.

## Financial results for 2017

Rothschild Merchant Banking continued to perform strongly during 2017 generating revenue of €185 million up 39% (2016: €133 million). When compared to the average of the last three years revenue is up 28%.

Revenue comprises two main sources:

- Recurring revenue of €61 million was made up of management fees net of placement fees (2016: €51 million).
- Investment performance related revenue of €124 million (2016: €82 million) comprised:
  - €31 million of carried interest (2016: €29 million),
  - €95 million of realised and unrealised investment gains and dividend (2016: €62 million),
  - less €2 million of provisions (2016: €9 million).

Operating income rose to €120 million for 2017 (2016: €82 million), representing a 65% operating margin (2016: 62%). To measure the performance of this investing business, we look at the RORAC (Return On Risk Adjusted Capital – being adjusted profit before tax divided by an internal measure of risk capital invested in the business on a rolling three years basis). As at 31 December 2017, the RORAC was 26% (31 December 2016: 25%).

The increase of both revenue and operating income reflects the enduring strong performance of funds, mainly driven by the performance of the funds forming part of the Five Arrows business line (corporate private equity, secondaries and private debt).

The alignment of interests between the Group and third party investors remains a key differentiator. During the year the Group's share of the investment made by the division amounted to €116 million, of which €94 million was the Group's own investments in funds managed by Merchant Banking, and €22 million in proprietary investments (including those made as part of the Rothschild Private Opportunities co-investment programme).

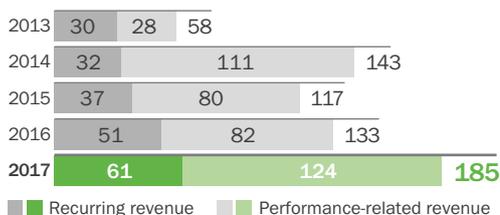
Disposals generated proceeds of €156 million following the sale of investments in Autodata, a provider of technical automotive data (2.6x MOIC)<sup>(1)</sup>, Munters, a provider of humidity and climate control solutions (2.5x MOIC), Grand Frais, a fresh food retailer (3.3x MOIC), Kisimul, a specialised education and care provider (3.2x MOIC) and Baozun, a leading Chinese digital and e-commerce service partner (5.0x MOIC).

Thanks to the team's strong track record in private equity and private debt across multiple economic and credit cycles, the division continues to expand.

During the year, within the private equity funds, Merchant Banking held the final closing at €195 million for Arolla, a global multi-manager private equity platform and, within the private debt funds, Five Arrows Direct Lending (FADL), a European mid-market direct lending fund, completed a further closing to bring committed capital to €540 million. Rothschild Credit Management priced its latest CLO, Contego IV at €360 million and raised over €300 million in new commitments for its third Oberon fund (unlevered senior secured loans).

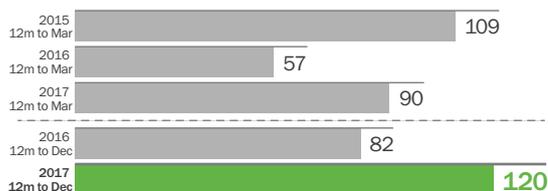
### Revenue

(in millions of euros, 12 months to December)



### Profit before tax

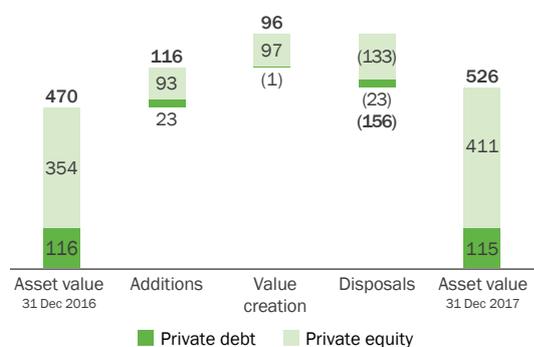
(in millions of euros)



(1) MOIC stands for Multiple On Invested Capital.

## Group's investment portfolio valuation (as at 31 December)

in millions of euro	2017	2016	Assets under management
<b>Managed funds</b>	<b>386</b>	<b>299</b>	<b>7,100</b>
<b>Private Equity</b>	<b>278</b>	<b>190</b>	<b>2,600</b>
Direct (inc. FAPI)	235	154	1,800
Secondaries (inc. FASO/Arolla)	43	36	800
<b>Private debt</b>	<b>108</b>	<b>109</b>	<b>4,500</b>
Senior (inc. Oberon/CLOs)	72	82	3,500
Junior (inc. FACS/FADL)	36	27	1,000
<b>Rothschild Proprietary Investments (RPI) and others</b>	<b>140</b>	<b>171</b>	<b>400</b>
<b>TOTAL GROSS ASSETS</b>	<b>526</b>	<b>470</b>	<b>7,500</b>

Change in Group's investment Net Asset Value  
(in millions of euros)

## Private equity

In private equity, we manage €3.0 billion with a team of 54 investment professionals. We have developed two different business lines:

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

## Corporate private equity

### Five Arrows Principal Investments (FAPI)

Launched in 2010, Five Arrows Principal Investments (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 two funds: FAPI I, which raised €583 million in 2010 and FAPI II, which raised €781 million in 2015. The investment teams are based in Paris and London.

FAPI I is invested in 15 mid-cap companies in seven different European countries. Thanks to its affiliation to Rothschild & Co, the fund has developed a rare pan-European reach and distinctive sector plays in selected segments of the economy which it believes enjoy positive momentum: healthcare, business services, data, as well as software and technology-enabled services.

In 2017, FAPI I completed four successful exits: full exit of Autodata for a gross MOIC<sup>(1)</sup> of 2.6x, full exit of Grand Frais for a gross MOIC of 3.3x, full exit of Munters for a gross MOIC of 2.5x and full exit of Kisimul for a gross MOIC of 3.2x.

Its successor fund, FAPI II, builds on the same strategy and is managed by the same team. During 2017, FAPI II completed four investments: Opus 2, a UK leading cloud-based litigation and legal transcript management software and services business, Voogd & Voogd, a Dutch technology-enabled insurance distribution platform, Menix Group, a French fast-growing manufacturer and distributor of orthopaedic and dental implants, as well as related instruments, and A2Mac1, a fast-growing benchmarking and technical data provider to the automotive sector. In total, FAPI II has eight companies in its portfolio.

As at 31 December 2017, the net asset value of the Group's investment in FAPI I and II represented €219 million.



In 2017 Kisimul was sold to a leading infrastructure private equity firm focused on assets with high revenue visibility. Kisimul is a leading UK-based provider of specialised education and care services for individuals with severe learning disabilities. In late 2009, FAPI identified Kisimul as one of the UK healthcare sector's most attractive assets due to its combination of earnings visibility, niche nature and politically protected status. During FAPI's ownership, the business performed well, with revenue growing from £31 to £55 million at the time of exit. The company also generated significant cashflow, which in 2016 enabled a dividend recapitalisation. The investment in Kisimul generated a 3.2x MOIC.



In December 2017, FAPI II acquired A2Mac1, a leading technical benchmarking data provider to the automotive sector. A2Mac1 specialises in operating and maintaining a database of over 600 fully disassembled vehicles and their individual components. Thanks to its unparalleled value proposition, the company has shown a remarkable track record of organic growth with more than 20% revenue compound annual growth rate over the last five years. FAPI had identified A2Mac1 as a very high quality asset with a diversified blue-chip customer base, very low churn and a global footprint. The company epitomises the classic FAPI investment thesis combining mission critical product offering with high barriers to entry, and a compelling story with multiple avenues of growth.

(1) MOIC stands for Multiple On Invested Capital.

## Secondaries, multi-manager funds and co-investments

### Five Arrows Secondary Opportunities

The Five Arrows Secondary Opportunities (FASO) team has developed a focus and expertise on 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.

With c.80% of secondary direct transactions across its 25 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 more than 13 sectors. In 2017, FASO exited 30+ companies across its latest two funds. It also completed four new deals, of which 90% were proprietary.

As at 31 December 2017, the net asset value of the Group's investment in FASO III and IV represented €42 million.

### Multi-manager funds – Arolla

Arolla is Rothschild Merchant Banking's global multi-managers private equity platform. Arolla 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 combination of our flexibility and experience in multiple private equity strategies gives us a truly distinct perspective.

Arolla successfully reached its final closing at €195 million and is now 50% committed in 20 transactions across Europe, the US and emerging markets. Arolla accelerated its investment pace in 2017 with nine transactions completed including six primary investments. During the year the fund has also achieved a number of exits with 15 companies sold successfully.

As at 31 December 2017, the net asset value of the Group's investment in Arolla represented €1 million.

### Rothschild Proprietary Investments (RPI)

Rothschild Proprietary Investments has been the historical investment arm of the Rothschild & Co Group, investing on an opportunistic basis since the 1990s. From 2005 onwards, the RPI 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 Private Opportunities (RPO)

In conjunction with RPI balance sheet investment activity, the RPI team also manages the Rothschild Private Opportunities co-investment programme, an investment club launched in 2013 as a joint initiative between the Rothschild Merchant Banking and the Rothschild Private Wealth divisions for the exclusive benefit of key relationships of the Group. In 2017, RPO offered four co-investment opportunities to its members.



In May 2017, RPI invested alongside Norland Capital in DPR Software. DPR has designed a software suite primarily focused on managing mortgage workflows for banks, building societies and specialist lenders in the UK.



In September 2017, RPI announced its exit from Baozun generating a 33% IRR and 5.0x MOIC through an IPO. In 2011, RPI had invested alongside Crescent Point in Baozun, China's leading e-commerce outsourcer providing end-to-end solutions helping companies establish their Chinese online presence.

## Private debt

Our private debt activities account for over €4.5 billion of assets under management and our team comprises 30 investment professionals.

We are active through two different business lines:

- Direct Lending
- Rothschild 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 products and 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 sponsor, entrepreneur and family-owned businesses in a broad range of financing needs, including leveraged buyouts, 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 2017, is 93% deployed into 13 transactions with attractive risk-reward propositions. As of December 2017, the fund has generated a strong cash yield, having already distributed to investors approx. 0.5x the capital called and has achieved four 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 2017, the value of the Group's investment in FACS represented €28 million.

### Five Arrows Direct Lending (FADL)

2017 has seen the launch of FADL, which provides senior-secured debt 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. 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 form 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 of our existing network and dealflow, is illustrated by the successful fundraising effort (c.€600 million raised as of December 2017 prior to final closing) and by the positive deployment momentum of the fund, with six investments completed and c.40% of the fund committed as of December 2017.

As at 31 December 2017, the value of the Group's investment in FADL represented €8 million.



Witherslack is a leading provider of specialist education and care for children and young people with special educational needs. In December 2014 FACS provided a bespoke financing solution to help fund the company's growth. This loan was repaid in August 2017 following the sale of the company. Having developed a strong relationship with management, FACS positioned itself as preferred debt provider for the acquisition by the incoming investor.



Founded in 2006, BFCC is a French dental laboratory manufacturing prosthesis devices. The company pioneered the import strategy and now co-leads an extremely fragmented market with key competitive advantages built around its cost base and logistic model. In 2017 FADL backed a private equity investor for the company's primary LBO, by providing a unitranche loan facility.

## Rothschild Credit Management

Rothschild Credit Management (RCM) is active in both the European and US leveraged loan markets. It has €3.5 billion of assets under management across CLOs, senior secured credit and multi-strategy credit funds, as well as managed accounts. At the heart of RCM's investment philosophy is capital preservation based on fundamental credit analysis combined with active management. As at 31 December 2017, the Group's investment in RCM products represented €72 million.

### CLO management business

The combined European and US teams actively manage six CLO funds:

- three Ocean Trails CLOs invested in US assets;
- three 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 2017, RCM launched Contego IV, a €360 million European CLO, and started the fundraising for Contego V, a European CLO with a final target size of c.€400 million planned for the second quarter of 2018.

### 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 corporate borrowers. During 2017, the RCM team raised over €300 million for its third Oberon fund, bringing the total

fundraising effort for this fund to c.€460 million and the overall Oberon strategy commitments to €1.5 billion, of which c.€760 million on accounts managed on behalf of institutional and private clients. 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. €101 million has been raised to date for this strategy.



#### Telenet

- €4.1bn senior secured debt facilities to support the refinancing of the business



#### Nets

- €2.2bn senior secured debt facilities to support the acquisition of the business by Hellman & Friedmann



#### Stada

- €2.4bn senior secured debt facilities to support the acquisition of the business by Bain and Cinven



#### Euro Garages

- Leading European petrol forecourt operator
- €2.8bn senior secured debt facilities to support acquisitions and the refinancing of the business



#### Verisure

- Leading European provider of monitored alarm solutions
- €3.0bn senior secured debt facilities to support the refinancing of the business



#### Ineos

- Global chemical conglomerate
- €5.2bn senior secured debt facilities to support the refinancing of the business





## Management report

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# Results for the 2017 financial year

The statutory financial period 2017 started on 1 April 2017 and ended on 31 December 2017, due to the change of financial year end decided by Rothschild & Co's shareholders at the General Meeting held on 28 September 2017 (please refer to Section 4.2 for more details). To aid comparison between reporting periods, further consolidated income statement data has been prepared comparing the 12 months to December 2017 to the 12 months to December 2016.

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

### 1.1 Consolidated results

In millions of euro	01/01/17 31/12/17 (12 months)	01/01/16 31/12/16 (12 months)	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
<b>INCOME STATEMENT</b>				
Revenues	1,910	1,713	1,423	1,767
Staff costs	(1,087)	(1,013)	(821)	(1,016)
Administrative expenses	(320)	(268)	(237)	(279)
Depreciation and amortisation	(34)	(32)	(26)	(32)
Impairments	(13)	(14)	(4)	(11)
<b>Operating income</b>	<b>456</b>	<b>386</b>	<b>335</b>	<b>429</b>
Other income/(expense) (net)	21	7	19	7
<b>Profit before tax</b>	<b>477</b>	<b>393</b>	<b>354</b>	<b>436</b>
<b>Consolidated net income</b>	<b>412</b>	<b>331</b>	<b>315</b>	<b>366</b>
<b>Net income – Group share</b>	<b>236</b>	<b>179</b>	<b>191</b>	<b>186</b>
Exceptionals <sup>(1)</sup>	11	4	8	7
<b>Net income – Group share excl. exceptionals<sup>(1)</sup></b>	<b>247</b>	<b>183</b>	<b>199</b>	<b>193</b>
<i>Earnings per share<sup>(2)</sup></i>	€3.18	€2.60	€2.55	€2.64
<b>EPS excl. exceptionals<sup>(2)</sup></b>	<b>€3.33</b>	<b>€2.66</b>	<b>€2.66</b>	<b>€2.74</b>
<i>Return on Tangible Equity (ROTE)</i>	16.4%	14.1%	16.1%	14.0%
<b>ROTE excl. exceptionals</b>	<b>17.2%</b>	<b>14.4%</b>	<b>16.8%</b>	<b>14.6%</b>
<b>BALANCE SHEET</b>				
Total assets	12,116	8,916	12,116	12,177
Cash and amounts due from central banks	3,869	3,284	3,869	3,907
Loans and advances to customers	2,990	1,554	2,990	2,867
Due to customers	7,771	5,265	7,771	8,063
Non-controlling interests	540	613	540	472
<b>Shareholders' equity – Group share</b>	<b>1,912</b>	<b>1,540</b>	<b>1,912</b>	<b>1,829</b>

(1) Exceptional items comprise Martin Maurel integration cost and a one-off tax credit.

(2) Diluted EPS is €3.12 for 12 months ended 31 December 2017 (versus for 12 months ended 31 December 2016: €2.56) – €2.50 for nine months ended 31 December 2017 (versus for 12 months ended 31 March 2017: €2.60).

Details of the consolidated results for 2017 are set out on pages 118 onwards of this report.

## 1.2 Analysis of the main items of the consolidated financial results

### 1.2.1 Revenue

For 2017, revenue was €1,910 million (€1,713 million as at 31 December 2016), representing an increase of €197 million or +12%.

The uplift was largely due to Private Wealth and Asset Management where revenue was up €146 million, of which €105 million was due to the merger with Compagnie Financière Martin Maurel, and Merchant Banking where revenue increased by €52 million. The translation impact of exchange rate fluctuations impacted revenue negatively by €46 million.

### 1.2.2 Operating expenses

#### 1.2.2.1 STAFF COSTS

For 2017, staff costs were €1,087 million (€1,013 million as at 31 December 2016), representing an increase of €74 million, of which €54 million is related to the first consolidation in respect of the merger with Compagnie Financière Martin Maurel. The translation impact of exchange rate fluctuations resulted in a decrease in staff costs of €35 million.

The Group's compensation ratio, as defined in Section 1.3 below, was 63.4% as at 31 December 2017 (65.3% as 31 December 2016). When adjusting for the effects of senior hiring in the US for the advisory business, and exchange rates, the ratio decreased from 64.0% to 62.4%.

Overall Group headcount increased from 2,946 to 3,502 as at 31 December 2017, largely due to the merger of Compagnie Financière Martin Maurel (+463), new junior staff recruitment and hires in the US.

#### 1.2.2.2 ADMINISTRATIVE EXPENSES

For 2017, administrative expenses were €320 million (€268 million as at 31 December 2016), a net increase of €52 million. Of this increase, €40 million relates to the merger with Compagnie Financière Martin Maurel, of which €21 million is integration costs (€27 million as at 31 December 2017 versus €6 million as at 31 December 2016) and €19 million for the first year of consolidation. The translation impact of exchange rate fluctuations resulted in a decrease in administrative expenses of €6 million.

#### 1.2.2.3 DEPRECIATION AND AMORTISATION

For 2017, depreciation and amortisation was €34 million (€32 million as at 31 December 2016), representing an increase of €2 million, of which €4 million is related to the first consolidation in respect of the merger with Compagnie Financière Martin Maurel. The translation impact of exchange rate fluctuations resulted in a decrease in depreciation and amortisation of €1 million.

#### 1.2.2.4 IMPAIRMENT CHARGES AND LOAN PROVISIONS

For 2017, impairment charges and loan provisions were €13 million, €1 million below 2016, which comprises €5 million related to the legacy banking book, €5 million to Global Advisory receivables and the remainder relates to other businesses.

### 1.2.3 Other income/(expenses)

For 2017, other income and expenses, which includes results from equity accounted companies, was a net income of €21 million (€7 million as at 31 December 2016). The increase mainly comprises the capital gain of €11 million following the sale of one investment in Merchant Banking that is accounted for by the equity method.

### 1.2.4 Income tax

For 2017, the income tax charge was €65 million (€62 million as at 31 December 2016) comprising a current tax charge of €68 million and a deferred tax credit of €3 million, giving an effective tax rate of 13.7% (15.8% as at 31 December 2016).

In France, the Supreme Court judged the 3% tax paid by French companies on dividend distributions to be contrary to the French Constitution. This decision gives rise to a rebate of €7 million included as a credit in the tax charge and which should be received in 2018.

### 1.2.5 Non-controlling interests

For 2017, the charge for Non-controlling interests was €176 million (€152 million as at 31 December 2016). This mainly comprises interest on perpetual subordinated debt and preferred dividends payable to French partners that increased over the period in line with the strong performance of the French Global Advisory business.

Moreover, the review of the Group's activities by businesses during the 2017 financial year is presented on pages 24 onwards of this report.

# Results for the 2017 financial year

## 1.3 Alternative performance measures (“APM”) – 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. A commentary on some of these alternative performance measures can be found on pages 24 to 43 in the business review Section of the annual report.

Alternative Performance Measures	Definition	Reason for use	Reference to the data in this report
Net income – Group share excluding exceptional items	Net income attributable to equity holders 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 and page 6 Message from Management Board
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: <ol style="list-style-type: none"> <li>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);</li> <li>to which must be added the amount of profit share paid to the French partners;</li> <li>from which must be deducted redundancy costs, revaluation of share-based employee liabilities and business acquisition costs treated as employee compensation under IFRS; <ul style="list-style-type: none"> <li>which gives Total staff costs in calculating the basic compensation ratio;</li> </ul> </li> <li>from which the investment costs related to the recruitment of senior bankers in the United States must be deducted;</li> <li>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 <ul style="list-style-type: none"> <li>which gives the adjusted staff costs for compensation ratio.</li> </ul> </li> </ol>	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 to 1.2.2.1 above and page 6 Message from Management Board
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 2017 and 31 December 2016.	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 and page 6 Message from Management Board
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 25, 31 and 38
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 years’ 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 38

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

### 2.1 Results of the 2017 financial year

In millions of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
<b>INCOME STATEMENT</b>		
Current income before tax	110	59
Income from capital transactions	2	(2)
<b>Net income<sup>(1)</sup></b>	<b>122</b>	<b>61</b>
<b>BALANCE SHEET</b>		
Balance sheet total	1,923	1,845
Non-current financial assets	1,701	1,700
Current assets	213	136
Borrowings and other financial liabilities	132	95
<b>Shareholders' equity</b>	<b>1,666</b>	<b>1,595</b>

(1) Net income is post tax. Please refer to Note 20 of the solo accounts of the Company on page 189 for more details.

The solo accounts of the Company for the 2017 financial year are set out on pages 181 onwards of this report.

### 2.2 Results of the past five financial years

In euro	31/12/17 (9 months)	31/03/17 (12 months)	31/03/16 (12 months)	31/03/15 (12 months)	31/03/14 (12 months)
<b>I – Financial position at the end of the financial year</b>					
a) Share capital	154,815,024	154,580,024	142,274,072	142,274,072	142,208,216
b) Number of shares and investment certificates issued	77,407,512	77,290,012	71,137,036	71,137,036	71,104,108
c) Maximum number of future shares to be created	-	-	-	-	-
<b>II – Overall result of effective operations</b>					
a) Revenues exclusive of tax (financial and operating income)	127,139,989	88,576,446 <sup>(2)</sup>	68,170,967	26,542,974	25,238,744
b) Income before tax, amortisation and provisions	113,649,623	52,866,266	63,837,937	8,507,693	6,478,796
c) Corporate income tax <sup>(1)</sup>	(8,981,132)	(3,885,460)	2,580,799	(3,832,636)	(2,029,187)
d) Income after tax, amortisation and provisions	121,763,776	60,712,772	61,498,968	11,764,158	9,985,781
e) Distributed income, excluding treasury shares	52,637,108 <sup>(3)</sup>	52,557,208	44,562,497	42,423,795	35,233,340
<b>III – Earnings per share data</b>					
a) Income after tax, but before amortisation and provisions	1.58	0.73 <sup>(2)</sup>	0.93	0.07	0.06
b) Income after tax, amortisation and provisions	1.57	0.79	0.86	0.17	0.14
c) Dividend per share	0.68 <sup>(3)</sup>	0.68	0.63	0.60	0.50
<b>IV – Employees</b>					
a) Average employee headcount	18	19	23	25	29
b) Total of the payroll	1,992,491	3,036,180	3,164,335	3,451,711	5,230,484
c) Total employee benefits (social security, welfare, etc.)	858,405	1,764,709	1,816,360	1,595,239	2,887,383

(1) Negative amounts correspond to tax benefits.

(2) Adjusted amount compared to the 2016/2017 Management Report.

(3) Dividend proposed to General Meeting of shareholders of 17 May 2018.

# Results for the 2017 financial year

## 2.3 Proposed appropriation of income for the 2017 financial year

The Managing Partner will propose to the Combined General Meeting of shareholders that the income for the 2017 financial year be appropriated as follows:

In euro	31/12/17 (9 months)
<b>Net profit for the financial year</b>	<b>121,763,776</b>
Appropriation to the legal reserve	(32,500)
Credit retained earnings	109,992,321
<b>Distributable profit</b>	<b>231,723,597</b>
Profit share allocated to the General Partners	1,158,618
<b>Appropriation</b>	
• to the payment of a gross dividend of €0.68 per share <sup>(1)</sup> to shareholders	<b>52,637,108</b>
• to retained earnings	<b>177,927,871</b>

(1) Out of a total of 77,262,472 shares and 145,040 investment certificates eligible for a dividend.

The Company's net profit amounts to €121,763,776 (€60,712,772 for the previous 12-month year).

This net profit, less the amount of €32,500 assigned to create the legal reserve and in addition to retained earnings of €109,992,321 makes a distributable net profit of €231,723,597 (€162,731,595 for the previous 12-month year).

In accordance with the provisions of article 14.1 of the Company's articles of association, an amount of €1,158,618 (€813,658 for the previous 12-month 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 €0.68 per share to shareholders will be submitted for approval to the General Meeting to be held on 17 May 2018. The ex-dividend date shall be 22 May 2018 and the dividend shall be payable on 24 May 2018.

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:

	31/03/17	31/03/16	31/03/15
Number of shares and investment certificates which could qualify for a dividend payment <sup>(1)</sup>	76,361,200	70,734,123 <sup>(2)</sup>	70,706,325
Gross dividend per share (in euro)	0.68	0.63	0.60
Total amount distributed (in euro)	51,925,616 <sup>(3)</sup>	44,562,497	42,423,795

(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 2016/2017 Management Report.

(3) As authorised by the General Meeting of 28 September 2017 in its 2<sup>nd</sup> 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.

## 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 the end of the last financial year					
	0 day	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total 1 day and more
<b>(A) Late payment ranges</b>						
Aggregate number of concerned invoices	8	-	-	-	6	6
Aggregate amount due on concerned invoices (inclusive of all taxes) (in euro)	235,682	-	-	-	4,616	4,616
Percentage of the total amount of purchases of the financial year inclusive of all taxes	2%	-	-	-	0%	0%
<b>(B) Reference terms of payment used (contractual or legal)</b>						
Terms of payment used for calculating the late payment	<input checked="" type="checkbox"/> Legal terms <input type="checkbox"/> Contractual terms					

	Issued invoices remaining unpaid as at end of the last financial year					
	0 day	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total 1 day and more
<b>(A) Late payment ranges</b>						
Aggregate number of concerned invoices	12	-	-	5	11	16
Aggregate amount due on concerned invoices (inclusive of all taxes) (in euro)	71,843	-	-	24,160	123,110	147,270
Percentage of the revenue of the financial year inclusive of all taxes	1%	-	-	0%	2%	2%
<b>(B) Reference terms of payment used (contractual or legal)</b>						
Terms of payment used for calculating the late payment	<input type="checkbox"/> Legal terms <input checked="" type="checkbox"/> Contractual terms					

## 4 Significant events during 2017

### 4.1 Legal and economic reorganisation of the Rothschild & Co and Martin Maurel groups

Following the merger between Rothschild & Co SCA and Compagnie Financière Martin Maurel SA which completed on 2 January 2017<sup>(1)</sup>, the two groups carried out an internal reorganisation through an operational and legal combination of their banking and collective and institutional management businesses with the aim of:

- combining the banking business performed by Banque Martin Maurel SA and Rothschild & Compagnie Banque SCS under one credit institution, Rothschild & Compagnie Banque SCS, which has been renamed "Rothschild Martin Maurel"; and
- combining the current collective and institutional management business performed by Martin Maurel Gestion SA and Rothschild & Cie Gestion SCS under one newly created portfolio management company, Rothschild Asset Management SCS.

In accordance with the provisions of the articles of association of the Company, at its meeting on 30 March 2017, the Supervisory Board gave a positive opinion to the Managing Partner of the Company on this proposed legal and economic reorganisation. It was implemented on 1 July 2017 through the following transactions, occurring on the same day:

- the contribution by Banque Martin Maurel SA of all of its assets and liabilities and any equity interests it held to Rothschild & Compagnie Banque SCS, with the exception of certain equity interests, items relating to certain taxes and the cash necessary for their payment, as well as for the capital reduction realised on 2 January 2017;
- the merger of Rothschild & Cie Gestion SCS into Martin Maurel Gestion SA;
- the contribution of the collective and institutional management business of Martin Maurel Gestion SA (following the absorption of Rothschild & Cie Gestion SCS) into the newly-created portfolio management company referred to above; and
- the merger of Martin Maurel Gestion SA, which no longer included its collective and institutional asset management business contributed to Rothschild Asset Management SCS into Rothschild & Compagnie Banque SCS. As a result of this merger, Martin Maurel Gestion SA contributed its private banking activities (including those of Rothschild & Cie Gestion SCS) to Rothschild Martin Maurel.

Moreover, the Rothschild & Compagnie Banque's corporate name was changed into Rothschild Martin Maurel.

The completion of the transactions was subject to the fulfilment of the following conditions precedent:

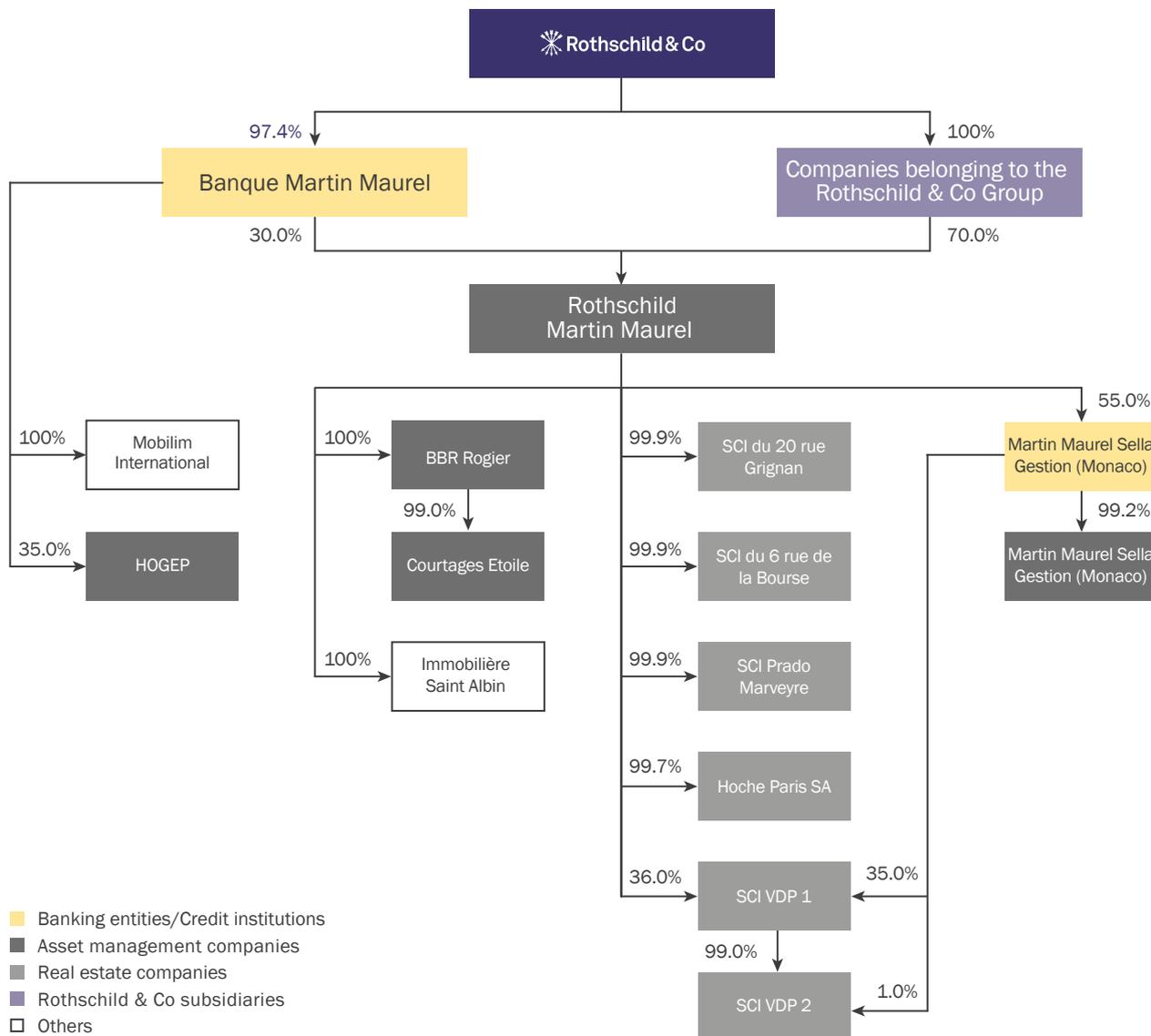
- authorisation from the European Central Bank for the contribution realised by Banque Martin Maurel SA to the benefit of Rothschild & Compagnie Banque SCS resulting in the acquisition by Banque Martin Maurel SA of a qualifying holding reaching 30% of the capital and voting rights in Rothschild & Compagnie Banque SCS;
- authorisation from the French Prudential Authority (*Autorité de contrôle prudentiel et de résolution*) for the takeover of Martin Maurel – Sella (Monaco) as a result of the contribution realised by Banque Martin Maurel SA to the benefit of Rothschild & Compagnie Banque SCS;
- approval from the French financial markets authority (*Autorité des marchés financiers* or "AMF") authorising Rothschild Asset Management SCS to act as a portfolio management company; and
- approval of the transactions by the shareholders of the companies involved in the internal reorganisation.

As a result of this reorganisation, the Rothschild & Co Group has become a leading independent family-controlled private banking group operating in France, Belgium and Monaco, with a distinctive market positioning targeted notably at entrepreneurs. The Group, which has total assets under management ("AUM") of c.€36 billion in France out a total of c.€67 billion as at 31 December 2017, offers a particularly broad wealth management, asset management, financing and corporate finance advisory service and enjoys a greater geographic footprint in France.

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

# Results for the 2017 financial year

The chart below shows the legal organisation of the Rothschild Martin Maurel sub-group post completion of the transaction as at 31 December 2017<sup>(1)</sup>.



(1) Please note that:

- for the sake of clarity, this chart includes the former Martin Maurel entities only; and
- the asset management business carried out by Martin Maurel Gestion was contributed to Rothschild Asset Management in the context of the economic and legal reorganisation described above.

## 4.2 Change of financial year end

On 28 September 2017, the Combined General Meeting of shareholders approved the change of the Company's financial year end from 31 March to 31 December. This change of year end was implemented so as to allow the Company's subsidiaries to be aligned with the financial year end required for its regulated banking entities in France.

## 5 Significant events after the end of the financial year

On 3 January 2018, the Group acquired an additional 4,049 shares in Martin Maurel Sella Banque Privée SAM, a Monaco subsidiary. The shares were bought for cash of €13.95 million. Thanks to this acquisition, the Group now controls 100% of this subsidiary.

## 6 Outlook

In Global Advisory, the Group continues to maintain its position as one of the leading global advisers. Despite lower global M&A market activity in 2017, principally at the large-cap end of the market, the conditions for M&A continue to be relatively positive. Rothschild & Co therefore expects current activity levels to persist into 2018, although the Group remains alert to the risk of volatility. The Group's focus remains on growing the business, particularly in the US market whose contribution is increasing as a result of our on-going investment and where Rothschild & Co continues to foresee strong potential for growth.

Private Wealth & Asset Management is well positioned to deliver net asset inflows and improving profitability. The Group's strategy of focusing on its core target markets, leveraging its network and targeting entrepreneurs is bearing fruit across our geographies. In France, the operational integration of Martin Maurel is on track to be finalised by the end of the year.

Merchant Banking is committed to growing its assets under management. Within the Private Equity funds, FAPI II has successfully deployed in excess of 70% of its commitment and Rothschild & Co will therefore aim to launch FAPI III in the course of 2018. In the Private Debt funds, following the successful FADL fundraising, the Group will continue to expand its product offering both in Europe and the United States of America. Overall, its portfolios' performance remains strong but, consistent with its investment philosophy, the Group remains cautious in its capital deployment efforts, focusing on attractive risk-reward opportunities with appropriate downside protection features.

Overall, financial markets have been much more volatile in recent weeks than seen for the whole of 2017. If such volatility were to continue through 2018 then that could impact market sentiment with a negative effect on the Group's businesses. However, if markets continue to be benign Rothschild & Co would expect our performance to be broadly in line with recent years.

## 7 Specific risks related to global economy and financial markets

### 7.1 Brexit

Following the vote for Brexit, the full impact of this decision on the relationship between the United Kingdom and the European Union is far from clear, and it is not sure what progress will be made in 2018. The recent agreement on certain transitional matters is a positive step but it seems likely, given the complexity of the issues at stake, that we will continue to face an extended period of uncertainty before the final negotiated position is reached.

As a firm which has operations in all the major economies of Europe the implications for our business model are relatively modest. Our multiple location model is resilient and very few changes to our legal and operating structure are likely to be required as a consequence of Brexit. The biggest risk for our business is the impact on the United Kingdom's economic environment.

We continue to monitor these issues closely. Nevertheless, as previously stated, we believe that overall, Brexit will not be a significant challenge for our business.

### 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 2017 financial year are set out on pages 68 onwards of this report.

# Information on the Company and share capital

## 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<sup>(1)</sup> 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 and 50% for Rothschild & Co Gestion).

However, in the event of an annual distributable profit, a profit share (*dividende précipitaire*) 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.

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 the 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, 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) Detailed information on the Company's reorganisation is provided in the Document E filed with the AMF on 16 May 2012 under registration No. 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](http://www.rothschildandco.com)).

### 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.

General 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 or holder of voting right certificates 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 and holders of voting right certificates 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 or voting right certificates, the voting rights attached to the shares or the voting right certificates belong to the bare owners (*nus-proprétaires*), 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 2017, the Company's share capital was divided into 77,262,472 ordinary shares and 145,040 investment certificates. Moreover, 145,040 voting right certificates, not included in the share capital, were also in existence. A whole share is automatically consolidated by combining an investment certificate with a voting right certificate.

During the 2017 financial year (i.e. period from 1 April 2017 to 31 December 2017), three authorised share capital increases were implemented:

- 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 to the Company's Managing Partner, the latter decided on 21 July 2017 to authorise the issue of 32,500 shares following the exercise of 32,500 stock options;
- in the framework of the 2013 Equity Scheme and the delegation of authority granted by the shareholders to the Company's Managing Partner, the latter decided on 30 November 2017 to authorise the issue of 65,000 shares following the exercise of 65,000 stock options; and

- in the framework of the 2013 Equity Scheme and the delegation of authority granted by the shareholders to the Company's Managing Partner, the latter decided on 29 December 2017 to authorise the issue of 20,000 shares following the exercise of 20,000 stock options.

In addition, during this financial year, Rothschild & Co acquired 145,040 voting certificates on 22 December 2017, so it held on 31 December 2017, the last remaining 145,040 voting certificates and the last remaining 145,040 investment certificates in circulation. The Managing Partner of the Company decided on 15 January 2018 to form 145,040 new shares by consolidation of these 145,040 voting right certificates, with the 145,040 investment certificates already owned by Rothschild & Co.

### 2.2 Voting rights

As at 31 December 2017, the total number of voting rights was as follows:

Total number of voting rights	31/12/2017
Exercisable	121,764,623
Theoretical <sup>(1)</sup>	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](http://www.rothschildandco.com) under Section "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-proprétaire*), 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 Rothschild & Co'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.

# Information on the Company and share capital

The schemes implemented (the “Equity Schemes”) 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<sup>(1)</sup>, 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.

Within the framework of this delegation of authority and characteristics specific to the Company, three Equity Schemes have been implemented and remained in force as at 31 December 2017.

## 2.3.2 Equity Scheme implemented on 11 October 2013

The Equity Scheme implemented on 11 October 2013 (the “2013 Equity Scheme”) was intended for some Global Advisory partners, as well as the members of the Group Executive Committee (formerly named the Group Management Committee), representing a total of 57 people operating in 10 different countries around the world.

In accordance with the aforementioned rules and regulations for the 2013 Equity Scheme, participants have been required to invest in a total of 780,000 Rothschild & Co shares, representing 1.10% of the Company's share capital at the grant date.

For each Rothschild & Co share invested, four stock options were awarded.

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, either by share subscription or by share purchase (the exercise option being decided by the Company's Managing Partner before the start of the exercise period).

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.

During the 2017 financial year, 107,500 Options 2013-1 and 112,500 Options 2013-2 were exercised respectively and 20,000 Options 2013-1, 20,000 Options 2013-2, 20,000 Options 2013-3 and 20,000 Options 2013-4 were forfeited due to the departures of two beneficiaries.

## 2.3.3 Equity Scheme implemented on 9 December 2015

Following on from the 2013 Equity Scheme, on 9 December 2015, Rothschild & Co implemented a second incentive scheme (the “2015 Equity Scheme”), for which participation was extended to some Wealth Management and Merchant Banking partners, representing a total of 10 participants.

In accordance with the aforementioned terms and conditions, 115,000 Rothschild & Co shares, representing 0.16% of share capital on the date of the 2015 Equity Scheme, were invested in this way.

As with the 2013 Equity Scheme, for each Rothschild & Co share invested, four stock options were awarded.

As a result, 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, either by share subscription or by share purchase (the exercise option being decided by the Company's Managing Partner before the start of the exercise period).

## 2.3.4 Equity Scheme implemented on 13 December 2017

Following on from the 2013 and 2015 Equity Schemes, on 13 December 2017, Rothschild & Co implemented a third incentive scheme (the “2017 Equity Scheme”), for which participation was extended to some Rothschild Asset Management partners and some senior employees having a cross-divisional role in the Rothschild & Co Group, representing a total of 20 participants.

In accordance with the aforementioned terms and conditions, 277,500 Rothschild & Co shares, representing 0.36% of share capital on the date of the 2017 Equity Scheme, were invested in this way.

As with the previous 2013 and 2015 Equity Schemes, for each Rothschild & Co share invested, four stock options were awarded.

As a result, 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, either by share subscription or by share purchase (the exercise option being decided by the Company's Managing Partner before the start of the exercise period).

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).

(1) 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 share units after the vesting date and subject to certain conditions, are currently – and until the vesting date – treasury shares and therefore do not bear any voting rights.

## 2.3.5 Situation as at 31 December 2017

The table below summarises all information on outstanding options as at 31 December 2017.

		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
<b>Options 2013</b>	<b>Options 2013-1</b>	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	30 Nov. 2016	11 Oct. 2023	17.50	162,500	20,000	<b>597,500</b>
	<b>Options 2013-2</b>	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	11 Oct. 2017	11 Oct. 2023	18.00	112,500	20,000	<b>647,500</b>
	<b>Options 2013-3</b>	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	11 Oct. 2018	11 Oct. 2023	19.00	-	20,000	<b>760,000</b>
	<b>Options 2013-4</b>	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	11 Oct. 2019	11 Oct. 2023	20.00	-	20,000	<b>760,000</b>
<b>Options 2015</b>	<b>Options 2015-1</b>	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2018	9 Dec. 2025	23.62	-	-	<b>115,000</b>
	<b>Options 2015-2</b>	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2019	9 Dec. 2025	24.12	-	-	<b>115,000</b>
	<b>Options 2015-3</b>	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2020	9 Dec. 2025	25.12	-	-	<b>115,000</b>
	<b>Options 2015-4</b>	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2021	9 Dec. 2025	26.12	-	-	<b>115,000</b>
<b>Options 2017</b>	<b>Options 2017-1</b>	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes <sup>(1)</sup>	11 Oct. 2020	13 Dec. 2027	31.56	-	-	<b>277,500</b>
	<b>Options 2017-2</b>	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes <sup>(1)</sup>	11 Oct. 2021	13 Dec. 2027	32.06	-	-	<b>277,500</b>
	<b>Options 2017-3</b>	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes <sup>(1)</sup>	11 Oct. 2022	13 Dec. 2027	33.06	-	-	<b>277,500</b>
	<b>Options 2017-4</b>	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes <sup>(1)</sup>	11 Oct. 2023	13 Dec. 2027	34.06	-	-	<b>277,500</b>
<b>Total</b>		-	-	<b>4,690,000</b>	-	<b>6.5%</b>	-	-	-	-	<b>275,000</b>	<b>80,000</b>	<b>4,335,000</b>

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

As at 31 December 2017, 4,335,000 options were still outstanding and exercisable in accordance with the terms and conditions of the 2013, 2015 and 2017 Equity Schemes.

## 2.4 Share buyback programme

### 2.4.1 Share buyback programme during the 2017 financial year

The share buyback programme approved by the shareholders at the General Meeting held on 28 September 2017 and in force during the 2017 financial year, is as follows:

	<b>General Meeting of 28 September 2017</b>
Period of validity	From 28 September 2017 to 28 March 2018
Resolution approving the programme	16
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	€386,450,050

Under the current programme, the shares could be purchased, sold or otherwise transferred for the purposes set out in the European regulations and in accordance with the market prices accepted by the French Financial Markets Authority ("AMF"), namely to:

- reduce the share capital;
- award shares to employees;
- tender in exchange or as consideration for future external growth transactions; and
- make a market and promote liquidity in the shares under liquidity contracts entered into with independent investment service providers authorising them to purchase a certain number of shares in accordance with the AMF Regulations.

# Information on the Company and share capital

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 2017 financial year.

	Liquidity contract <sup>(1)</sup>	Stock-options coverage	Other purposes	Not covered by share buyback programmes <sup>(1),(2)</sup>	TOTAL
Number of shares as at 31 March 2017	24,237	238,095 <sup>(3)</sup>	10	647,192	909,534
Shares purchased	384,255	303,029	-	-	687,284
Shares sold	(384,492)	(112,500)	(275,000)	(60,086)	(832,078)
Shares loaned to members of the Supervisory Board <sup>(4)</sup>	-	-	(10)	-	(10)
Number of shares cancelled	-	-	-	-	0
Average price of purchases and sales <sup>(5)</sup>					
- Purchases (in €)	30.03	31.98	-	-	n/a
- Sales (in €)	29.99	18.00	31.56	31.94	n/a
<b>Number of shares as at 31 December 2017</b>	<b>24,000</b>	<b>428,624</b>	<b>(275,000)</b>	<b>587,106</b>	<b>764,730</b>

(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 but shares either automatically consolidated by combining investment certificates historically held by the Company with purchased voting right certificates or shares acquired by the Company due to the merger between Rothschild & Co and Compagnie Financière Martin Maurel, which held Rothschild & Co shares. These treasury shares are therefore not subject to the allocation obligations provided for by Article L. 225-209 of the French Commercial Code.

(3) Transactions disclosed to the AMF and published on the website of Rothschild & Co (press release of 22 October 2015).

(4) During the 2017 Financial Year, Rothschild & Co has loaned 20 of its shares to new members of its Supervisory Board but also received 10 shares due to it at the end of the term of office of another Supervisory Board member.

(5) Weighted averages of the share market prices for transactions settled from 1 April 2017 to 31 December 2017.

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.

## 2.4.2 Authorisation to establish a new share buyback programme

The General Meeting of shareholders of 17 May 2018 will be invited to adopt a new share buyback programme, in accordance with the provisions of Article L. 225-209 of the French Commercial Code, whose main characteristics are the following:

- the number of shares purchased may not exceed 10% of the share capital on the purchase date which, based on the current share capital and taking account of shares held directly on that date, would authorise the purchase of 7,740,751 shares, assuming that the Company does not cancel, transfer or sell any of the shares currently held;
- the purchase price may not exceed €50 per share;
- the total aggregate amount of purchases may not exceed €387,037,550;
- the share buyback programme shall be valid for a period of eighteen months as from 17 May 2018; and

- the authorisation will be used by the Company for the following purposes:
  - market making for the Company's shares under a liquidity contract signed with an independent investment service provider;
  - the cancellation of some or all of the shares purchased;
  - the granting of shares to employees and officers of the Company and/or companies related to it;
  - delivery of shares upon the exercise, by the beneficiaries, of options to purchase shares in the Company;
  - the selling of shares to employees of the Company or its subsidiaries, directly or through a company mutual fund or implementation of any company or group savings plan (or similar plan) and, more generally, to make any allocation of ordinary shares of the Company to these employees and corporate officers, particularly in the context of the variable compensation for members of the professional financial market staff whose activities have a material impact on the risk exposure of the Company, for whom these awards are dependent upon the fulfilment of performance conditions;
  - to deliver shares upon the exercise of rights attaching to securities giving immediate or deferred access to the share capital; and
  - more generally, any other practice admitted or recognised by law or the French Financial Markets Authority, or any other purpose consistent with applicable laws and regulations.

### 3 Information on the shareholding structure

The table below lists the shareholders of Rothschild & Co holding, as at 31 December 2017 and 31 March 2017, 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	31/12/2017			31/03/2017		
	Total capital	% of share capital	% of exercisable voting rights	Total capital	% of share capital	% of exercisable voting rights
• Rothschild Concordia SAS <sup>(1)</sup>	24,806,341	32.05%	40.74%	24,806,341	32.10%	41.12%
• David de Rothschild Family	346,734	0.45%	0.29%	113,635	0.15%	0.10%
• Eric and Robert de Rothschild Family	670,861	0.87%	0.77%	437,763	0.57%	0.58%
• Holding Financier Jean Goujon SAS <sup>(2)</sup>	4,057,079	5.24%	6.27%	4,057,079	5.25%	6.15%
• N M Rothschild & Sons Ltd <sup>(3)</sup>	1,240,507	1.60%	0.00%	1,465,645	1.90%	0.00%
• Bernard Maurel Family	4,229,704	5.46%	6.57%	4,121,838	5.33%	6.62%
• Other members of the Enlarged Family Concert <sup>(4)</sup>	2,759,572	3.56%	3.74%	2,676,511	3.46%	2.89%
Total Enlarged Family Concert <sup>(4)</sup>	38,110,798	49.23%	58.39%	38,245,009	49.48%	58.41%
Treasury shares	909,770	1.18%	-	1,054,574	1.36%	-
Other controlling shares <sup>(3)</sup>	206,887	0.27%	-	273,674	0.35%	-
Edmond de Rothschild group <sup>(5)</sup>	5,413,586	6.99%	8.28%	5,573,586	7.21%	8.50%
Jardine Matheson group	4,217,310	5.45%	6.93%	4,217,310	5.46%	6.99%
Float	28,549,161	36.88%	26.40%	27,925,859	36.13%	26.10%
<b>TOTAL</b>	<b>77,407,512</b>	<b>100.00%</b>	<b>100.00%</b>	<b>77,290,012</b>	<b>100.00%</b>	<b>100.00%</b>

(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 page 61.

(5) Entities of the Edmond de Rothschild group acting in concert as disclosed to the AMF (AMF Decision & Information No. 214C2351 of 7 November 2014 – AMF Decision & Information No. 216C2637 of 23 November 2016).

To the Company's knowledge, no other shareholder held as at 31 December 2017, 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 is 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 whose main provisions are presented on pages 63 onwards.

##### 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.

The first agreement was a shareholders' agreement entered into on 25 January 2008 between shareholders of Rothschild Concordia SAS (the "Rothschild Concordia Shareholders' Agreement"), all members of the Rothschild family. The main provisions of this Rothschild Concordia Shareholders' Agreement are summarised on page 63 of this report and were set up by an action in concert between the shareholders of Rothschild Concordia SAS in respect of the Rothschild & Co shares held by Rothschild Concordia SAS.

# Information on the Company and share capital

As at 31 December 2017, the shareholders of Rothschild Concordia SAS were as followed:

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

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

The second agreement was a Share Disposal Agreement entered into between Rothschild & Co and the Eranda Rothschild Foundation on 22 January 2008 (the "Share Disposal Agreement"). The main terms and conditions of this Share Disposal Agreement, which is no longer in force as at 31 December 2017, are summarised in page 63.

Pursuant to the provisions of Article L. 233-11 of the French Commercial Code, those two agreements were published by the AMF on 25 January 2008 (AMF Decision & Information No. 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 Concordia SAS, the David, Eric and Edouard 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" in Section 4.2) whose main terms were published by the AMF (AMF Decision & Information No. 212C0752 of 13 June 2012 and Decision & Information No. 212C0783 of 19 June 2012), summarised on page 64 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 whose main provisions were published by the AMF (AMF Decision & Information No. 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 No. 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 No. 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 No. 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 No. 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 No. 217C1391 of 29 June 2017).

As at 31 December 2017, 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 Concordia SAS	24,806,341	32.05%	49,612,682	40.74%
David de Rothschild Family <sup>(1)</sup>	346,734	0.45%	349,254	0.29%
Eric and Robert de Rothschild Family <sup>(1)</sup>	670,861	0.87%	937,991	0.77%
Holding Financier Jean Goujon SAS <sup>(2)</sup>	4,057,079	5.24%	7,638,764	6.27%
N M Rothschild & Sons Ltd <sup>(3)</sup>	1,240,507	1.60%	-	0.00%
Philippe de Nicolay-Rothschild	102	0.00%	202	0.00%
Alexandre de Rothschild	7,587	0.01%	15,087	0.01%
François Henrot <sup>(1)</sup>	762,470	0.99%	1,238,730	1.02%
Olivier Pécoux Family <sup>(1)</sup>	485,251	0.63%	784,580	0.64%
Nigel Higgins	94,071	0.12%	94,071	0.08%
Rothschild & Co Gestion SAS	1	0.00%	2	0.00%
Bernard Maurel Family <sup>(1)</sup>	4,229,704	5.46%	8,004,674	6.57%
Nicolas Bonnault Family <sup>(1)</sup>	328,260	0.42%	550,510	0.45%
Laurent Baril Family <sup>(1)</sup>	404,570	0.52%	714,140	0.59%
Philippe Le Bourgeois Family <sup>(1)</sup>	293,260	0.38%	453,510	0.37%
Christophe Desprez Family <sup>(1)</sup>	384,000	0.50%	702,000	0.58%
<b>Total Enlarged Family Concert</b>	<b>38,110,798</b>	<b>49.23%</b>	<b>71,096,197</b>	<b>58.39%</b>

(1) Including their family holding company.

(2) Controlled by Mr. Edouard 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.

# Information on the Company and share capital

## 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 <sup>(1)</sup>
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 12 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](http://www.rothschildandco.com) under the Section "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 disclosures during the nine-month financial period

By notification received by the AMF on 28 June 2017, the AMF was informed of the sale of all the shares held by the Eranda Rothschild Foundation on 22 June 2017. On this occasion, the AMF was informed that the Enlarged Family Concert did not cross any threshold (AMF Decision & Information No. 217C1391 of 29 June 2017).

## 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 2017 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 2017, Rothschild & Co held 909,770 of its own shares and certificates, without voting rights, as follows:

<b>Total number of shares held by Rothschild &amp; Co</b>	<b>764,730</b>
• Allocated to the liquidity contract	24,000
• Allocated to the stock options coverage <sup>(1)</sup>	428,624
• Other treasury shares <sup>(2)</sup>	312,106
Number of investment certificates held by Rothschild & Co	145,040
<b>Total of shares and investment certificates held by Rothschild &amp; Co</b>	<b>909,770</b>
% of the share capital	1.18%
Book value	€21,810,447

(1) Transactions disclosed to the AMF and published on the website of Rothschild & Co (Press release of 22 October 2015).

(2) Including shares formerly held by Compagnie Financière Martin Maurel, which were transferred to Rothschild & Co in accordance with the framework of the merger with Compagnie Financière Martin Maurel.

## 3.5 Controlling shares held by entities controlled by the Company

As at 31 December 2017, a total of 1,447,394 shares were held by entities controlled by Rothschild & Co, representing 1.87% of the share capital. These shares are by nature without voting rights.

Entities controlled by Rothschild & Co	Rothschild & Co shares held as at 31/12/2017	% of the Rothschild & Co share capital
N M Rothschild & Sons Ltd <sup>(1)</sup>	1,240,507	1.60%
Other controlled entities which hold shares pursuant to the Equity Scheme regulations <sup>(2)</sup>	158,666	0.20%
Other controlled entities which hold shares pursuant to non-cash instruments plans <sup>(3)</sup>	48,116	0.06%
Other controlled entities which hold shares for other purposes	105	Less than 0.01%

(1) Out of these 1,240,507 shares, 183,456 shares are held pursuant to the Equity Scheme regulations and non-cash instruments plan.

(2) Controlling shares purchased under the Equity Schemes, described on page 56 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' Agreements dated 22 January 2008

#### 4.1.1 Rothschild Concordia Shareholders' Agreement

The AMF has published the main provisions of this agreement, entered into on 25 January 2008 between shareholders of Rothschild Concordia SAS (Decision & Information No. 208CO180). The main provisions, in particular with respect to Rothschild & Co or the Group, are as follows:

- the Board of Directors of Rothschild Concordia SAS is comprised of 12 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 the 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 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 Concordia SAS other than in Rothschild & Co or within the Group;
  - any decisions relating to Rothschild 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 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 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 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 Concordia SAS will consult with the Board of Directors of Rothschild Concordia SAS, prior to any decision or action by the Supervisory Board of Rothschild & Co, with the objective of reaching consensus at the Rothschild Concordia SAS level on matters likely to have an impact on the Rothschild & Co Group;

- for a duration of 10 years as from the date of the Rothschild Concordia Shareholders' Agreement, unless decided otherwise by at least 90% of Rothschild Concordia SAS's shareholders, no transfer of the shares to any third party or any exit transaction (as defined in the Rothschild Concordia Shareholders' Agreement) is authorised;
- no Rothschild 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 Concordia SAS; and
- Rothschild Concordia SAS shall have priority over other shareholders in respect of any potential acquisition of Rothschild & Co.

Rothschild Concordia Shareholders' Agreement was still in force as at 31 December 2017.

#### 4.1.2 Share Disposal Agreement

On 22 January 2008, Rothschild & Co (formerly known as Paris Orléans), the Eranda Rothschild Foundation and Rothschild & Co entered into a Share Disposal Agreement, the main provisions of which related to the terms and conditions of the transfer by the Eranda Rothschild Foundation of its Rothschild & Co shares. This Share Disposal Agreement is no longer in force at 31 December 2017 to the extent that the Eranda Rothschild Foundation sold its shareholding in Rothschild & Co on 22 June 2017 (please refer to Section 3.1.2 for more details).

## 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 No. 212C0752 dated 13 June 2012 and Decision & Information No. 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 Concordia SAS (Mr. David 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 Concordia SAS has a right of first refusal (together with a right of substitution, in the exercise of this right by Rothschild Concordia SAS, by any person it chooses providing said person acts in concert with it). Rothschild 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 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 Concordia SAS by the shareholder concerned.
- Rothschild 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 & Information No. 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 & Information No. 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 2017.

### 4.3 “Dutreil” agreements (*pactes Dutreil*)

The following agreements, falling within the scope of the Dutreil Act and concluded or still in force in 2017, were communicated to the Company:

	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 <sup>(1)</sup>
<b>Agreement 2012.9</b>	CGI Art. 885 I bis (ISF)	20 Dec. 2012	Six years from registration date (i.e., 27 Dec. 2018)	Over 20% of share capital and voting rights	<ul style="list-style-type: none"> <li>Rothschild &amp; Co Gestion SAS, Managing Partner</li> <li>David de Rothschild, Chairman of Rothschild &amp; Co Gestion SAS, Managing Partner</li> </ul>
<b>Agreement 2012.11</b>	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	<ul style="list-style-type: none"> <li>Rothschild &amp; Co Gestion SAS, Managing Partner</li> <li>David de Rothschild, Chairman of Rothschild &amp; Co Gestion SAS, Managing Partner</li> <li>Eric de Rothschild, Chairman of the Supervisory Board</li> <li>François Henrot, non voting member of the Supervisory Board</li> </ul>
<b>Agreement 2017.1</b>	CGI Art. 787 B (transmission)	7 July 2017	Two years from registration date (i.e., until 7 July 2019)		<ul style="list-style-type: none"> <li>Rothschild &amp; Co Gestion SAS, Managing Partner</li> </ul>
<b>Agreement 2017.2</b>	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	<ul style="list-style-type: none"> <li>Rothschild &amp; Co Gestion SAS, Managing Partner</li> <li>David de Rothschild, Chairman of Rothschild &amp; Co Gestion SAS, Managing Partner</li> </ul>

(1) As of this report.

### 4.4 Other shareholders' agreements

Within the context of the Group's reorganisation in June 2012 approved by the shareholders at the General Meeting held on 8 June 2012<sup>(1)</sup> 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 & 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 1 to 18 years and also have an obligation to notify Rothschild & Co and Rothschild 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 No. 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](http://www.rothschildandco.com)).

# Internal control, risk management and accounting procedures

## 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).

### 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: <ul style="list-style-type: none"> <li>operational and technical guidance;</li> <li>advice to management at Group level and operating entity level;</li> <li>independent challenge to the businesses; and</li> <li>assistance in the identification, assessment, management, measurement, monitoring and reporting of financial and non-financial risks.</li> </ul>	Provides independent objective assurance on the effectiveness of the control procedures including those relating to the management of risks across the entire Group.  This is provided by the Group's Internal Audit function.

## 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 directors, officers and shareholders with reasonable assurance that the following objectives are achieved:

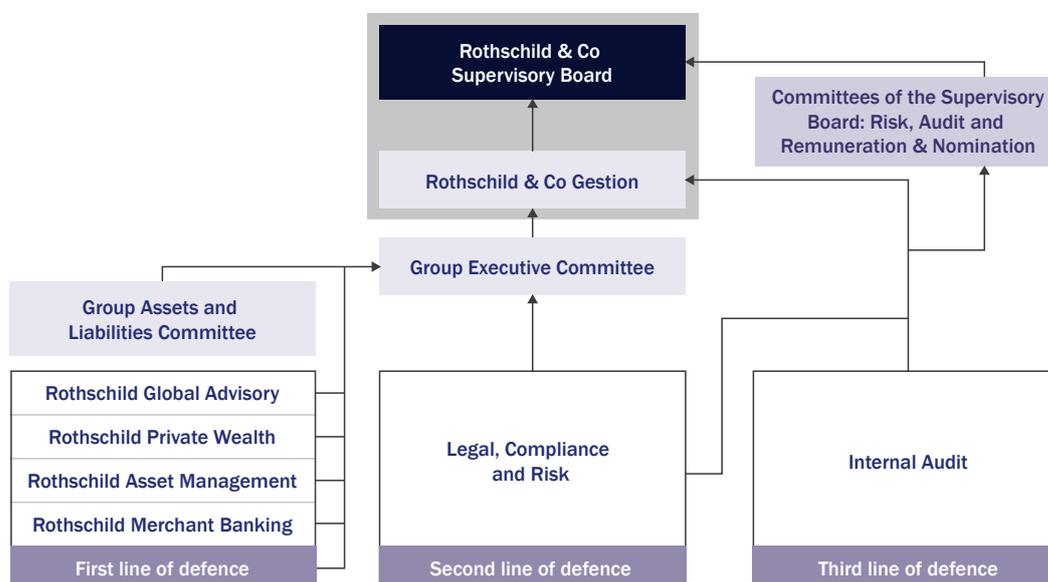
- the effectiveness and efficiency of the entity's operations;
- the prevention and detection of fraud;
- compliance with laws and regulations, internal standards and rules;
- the reliability of accounting and financial information; and
- protection of the entity's assets.

It also fulfils the internal control objectives specific to financial 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 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 Supervisory Board, through the workings and reporting of the Risk Committee, the Audit Committee and the Remuneration and Nomination Committee for matters which have an impact on risk management, ensures the implementation by Executive Management as defined below in Section 3.2 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 the Managing Partner, and, whenever it is necessary in accordance with legal and regulatory provisions, to the Supervisory Board.

### 3.2 Rothschild & Co Gestion SAS

The Managing Partner is responsible for the overall management of Rothschild & Co, the Group's 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's entities on a consolidated basis. The Managing Partner exercises its management and supervising responsibilities through its Chairman, Mr. David de Rothschild, assisted by the Management Board (*Conseil de gérance*).

In addition, a senior committee at Rothschild & Co, the Group Executive Committee, assists the Managing Partner in the overall management, the definition of the strategy of the Group and the direction of the Group internal control framework, so that Rothschild & Co ensures its proper implementation across the Group.

The Managing Partner, its Management Board and the Group Executive Committee are referred to as "Executive Management" but for the avoidance of doubt, the final decision-making authority rests with the Managing Partner, represented by its Chairman.

Executive Management, reporting to the Supervisory Board, is responsible for the Group's overall internal control system. The Managing Partner defines the general guidelines of the internal control and risk management systems and monitors the actions implemented within the Group and the local management committees of each business unit.

### 3.3 Group Executive Committee

The Group Executive Committee plays an active role in internal control matters by assisting the Managing Partner in defining the general guidelines of the internal control and risk management systems and monitoring the actions implemented within the Group and the local management committees of each business unit, enabling the Managing Partner on behalf of Rothschild & Co to formulate:

- the Group strategy, long-term strategic projects and three-year business plan;
- the Group's strategic capital determination and allocation; and
- the Group's risk management and control framework.

The Managing Partner is represented at the Group Executive Committee by five members of the Management Board of Rothschild & Co Gestion (i.e. the Managing Partner of Rothschild & Co), Messrs. Nigel Higgins and Olivier Pécoux, who co-chair the Group Executive Committee, plus Messrs. Alexandre de Rothschild, Marc-Olivier Laurent and Robert Leitão.

### 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.

# Internal control, risk management and accounting procedures

## 3.4.1 Group 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. Rothschild Global Advisory Risk Committee or the Group Financial Crime Committee, etc.), monitoring and review of legislation and regulatory developments which might affect the Group's business and reporting results of monitoring programmes to Senior Management and 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 Group Executive Committee. The Group Head of Legal & Compliance reports to the Group Executive Committee, the Managing Partner, the Supervisory Board's Audit and Risk committees and to various boards 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 a consolidated view of risk exposures across the Group. As part of its role, Group 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 Group Chief Risk Officer reports to one of the two *dirigeants responsables* within the meaning of the provisions of the French Monetary and Financial Code applicable to Rothschild & Co, as the financial holding company. Group Risk reports to Executive Management 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, Group Risk presents a report on the risk management to the 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 Group 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 Group 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 Group 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 of Rothschild & Co Supervisory Board 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 Group 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 Group Head of Internal Audit of Rothschild & Co Supervisory Board reports to the Officers of Rothschild & Co Gestion and to the Audit Committee, which 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 for the management to adopt a prudent and conservative approach to the taking and management of risk management. The maintenance of 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. Most risks are monitored daily 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 managed 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 Bank International Limited, Rothschild Bank AG and Rothschild Martin Maurel SCS), and from corporate lending through Banque Martin Maurel together with a small amount of mezzanine debt financing in Merchant Banking. In addition, the legacy banking activities undertaken in N M Rothschild & Sons Ltd (commercial loans to corporates) result in some credit risk.

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.

In addition, following the legal and economic reorganisation of the Rothschild & Co and Martin Maurel groups (as described in paragraph 4.1 of the Results for the 2017 Financial Year Section – see details on page 51), a Group Credit team has been created by the Group Executive Committee. This Group Credit team 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 Bank AG, Rothschild Bank International Limited and Rothschild Martin Maurel SCS and provides a first line of defence in terms of its monitoring of the type and quantum of the overall lending activity and challenge at the various credit committees. Group Risk will continue to provide further oversight and reporting of lending exposure against limits to the Group Executive Committee and Risk committees.

#### 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 Bank AG, Rothschild Bank International Limited and Rothschild Wealth Management (UK) Limited (together the “Private Wealth Lending Entities”). The Private Client Lending policies and associated delegated approval authorities will be confirmed by the relevant board (or board committee as appropriate) of each of the Private Wealth Lending 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 (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 lending exposures assumed and the credit policies followed within the Group are subject to the oversight of the Rothschild & Co Risk Committee. The PCCC and GCCF will 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 will be reviewed by the Group Executive Committee and the Group Assets and Liabilities Committee (“Group ALCO”) and will be reported to the Rothschild & Co Risk Committee.

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 NM Rothschild & Sons Ltd corporate loan book, the CreditSelect 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 also responsible for reviewing staff loans.

The CCC is not responsible for loans/investments made by funds managed by Rothschild Merchant Banking or Real Estate Debt Management or other funds managed by the Group since each fund managed by the Group has its own separate investment committee. However the CCC is responsible for any co-investment in, or any direct credit exposure to individual Rothschild Merchant Banking transactions.

#### 4.1.2 Approach to credit risk

The Group has Credit Risk and Large Exposure policies which are reviewed by the Managing Partner and the Risk Committee. In conjunction with the Group’s Risk Appetite Statement the policies set out the credit risk appetite of the Group, the limits that have been set and establish 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 on property or assets; 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 Group, settlement risk can arise when conducting derivatives transactions and also through the sale and purchase of securities. There are a number of mitigants available to ensure that such risks are minimised and managed appropriately.

# Internal control, risk management and accounting procedures

## 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 is undertaken by the Group Executive Committee, the Managing Partner and the Risk Committee of Rothschild & Co Supervisory Board.

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 €30k are reported in the quarterly Legal, Compliance & Risk report which is presented to the Group Executive Committee, the Risk Committee and the Audit Committee of Rothschild & Co 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. Group Compliance works in conjunction with the Learning and Development (L&D) team in Group HR to identify and implement compliance training requirements across the Group. 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 brand is of fundamental importance to the Group. The Rothschild 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 relating to guarding of 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 Team and with execution of operational processes by Legal, Compliance and Risk staff on a global basis.

A Group Financial Crime Committee (chaired by the Group Head of Financial Crime) 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 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 and comprises interest rate, foreign exchange, equity and debt position risk. 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 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 over one year. These are calculated at the entity level.

Exposure to interest rate risk in the banking book is small in relation to capital and there have been no material changes to the profile of interest rate risk in the banking book in the last 12 months, as reported in the internal report to the ACPR.

## 4.4 Liquidity risk

Liquidity risk is defined as the risk that the Group 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 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 Banking and 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 assessment of liquidity requirements. The Group Liquidity Risk Policy is reviewed annually. Each banking entity must have in place a liquidity risk policy approved by the Group ALCO and 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 Group ALCO is responsible for the development and oversight of the implementation of 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 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 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 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 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 Bank International Limited, Rothschild Bank AG and Rothschild Martin Maurel are reviewed and reported in depth to the Group ALCO and summarised for the Risk Committee in accordance with the 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 day-to-day management of liquidity, operating the business within liquidity limits set under their local policy and as approved by the 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 Group ALCO.

Group Risk is responsible for monitoring the Group's liquidity risk and preparing periodic reports on it for the Risk Committee, and verifying the appropriateness of stress testing in consultation with 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 three sections: management accounting, financial accounting (including consolidations) 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 does review Rothschild & Co's solo statutory accounts to ensure consistency where appropriate.

### 5.2 Process for establishing consolidated accounts

The consolidation department of Rothschild & Co manages the chart of accounts at Group level and the associated databases, performs the Group consolidation, controls the consistency and completeness of data and draws up the consolidated accounts and related notes.

In SAP FC, the consolidation tool of Group Finance, 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.

# Internal control, risk management and accounting procedures

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 shareholders’ equity;
- analysis of changes in balances and ratios on a quarterly and year-to-date basis; and
- review at consolidated level of the provisioning policy.

## 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 in the Group

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 collected using SAP FC, the Group’s consolidation tool. The local finance departments are responsible for validating the accounting data entered in 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 Internal Audit department is also involved in the control process as a third level control.

As described above, 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 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 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.
- 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. The present report for the 2017 financial year was approved by the Supervisory Board at its meeting on 13 March 2018.

## 1 Corporate governance structure

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 Companies (revised in November 2016) published by the French employers' organisation *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 table on page 90 of this report.

### 1.1 The Managing Partner, Rothschild & Co Gestion SAS

#### 1.1.1 Role and duties

Rothschild & Co Gestion SAS, the sole Company's Managing Partner (*Gérant*) and legal representative of Rothschild & Co, was appointed by Rothschild & Co's articles of association, as the first statutory Managing Partner, for the duration of the Company. Rothschild & Co Gestion SAS, as Managing Partner of Rothschild & Co, is responsible for the overall management of Rothschild & Co, the Group's lead holding company.

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

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

As at 31 December 2017 and at the date of present report, Mr. David de Rothschild is the Chairman of the Company's Managing Partner. Subject to the powers granted by Rothschild & Co Gestion SAS's shareholders, the Chairman is vested with the broadest powers to act in the name and on behalf of Rothschild & Co Gestion SAS, acting itself as the Company's Managing Partner, in any circumstances.

The list of positions held by Mr. David de Rothschild is presented on page 74.

In addition, Messrs. David de Rothschild and Olivier Pécoux perform the functions referred to in Article L. 511-13 of the French Monetary and Financial Code (*Code monétaire et financier*) in the context of the Company as a financial holding company supervised on a consolidated basis by the French Prudential Control Authority (*Autorité de contrôle prudentiel et de résolution*).

#### 1.1.2 The Management Board of Rothschild & Co Gestion SAS

The decision-making process of the Managing Partner relies on its Management Board (*conseil de gérance*), 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 Managing Partner of Rothschild & Co. The Management Board is consultative, with the final decisions resting with its Chairman.

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

During the 2016/2017 financial year, the governance arrangements surrounding the functioning and composition of the Management Board evolved as follows:

- Mr. Alexandre de Rothschild has been appointed as Executive Deputy Chairman of the Managing Partner;
- the composition of the Management Board has been reinforced, in the spirit of an executive board (*directoire*) of a public limited company with executive and supervisory boards (*société anonyme à directoire et conseil de surveillance*): joining the Management Board alongside the Chairman, the Executive Deputy Chairman, Messrs. Nigel Higgins and Olivier Pécoux, Marc-Olivier Laurent, the Group Head of Merchant Banking, and Robert Leitão, the Group Head of Global Advisory; and
- Messrs. Nigel Higgins, Olivier Pécoux, Marc-Olivier Laurent, and Robert Leitão have each been appointed as Managing Partners of Rothschild & Co Gestion SAS.

As at 31 December 2017, the Management Board comprised six members: the Chairman, the Executive Deputy Chairman and the four Managing Partners.

The Supervisory Board during its meeting on 23 February 2017 considered upon the recommendation of its Remuneration and Nomination Committee, that these changes not only enhance the quality and strength of Rothschild & Co but also reinforce the management and control of the Group for the benefit of the Supervisory Board and the Company's shareholders.

Furthermore, Messrs. Nigel Higgins and Olivier Pécoux represent the Company's Managing Partner at the Group Executive Committee, the senior executive committee at Rothschild & Co. They co-chair the Group Executive Committee and are jointly responsible for the oversight and coordination of the support functions of the Group. The Group Executive Committee meets monthly to ensure, among other things, that the Company and the Company's Group entities implement effectively the decisions taken by the Company's Managing Partner on behalf of the Company.

# Corporate governance

## Rothschild & Co Gestion SAS

### Positions held within Rothschild & Co SCA:

- Managing Partner

### General information

French simplified joint stock company (*société par actions simplifiée*)  
Number of Rothschild & Co shares held as at 31 December 2017: 1

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

### Other directorships and positions held

#### Within the Group

**In France:**  
Managing Partner of RCB Gestion SNC

**In other countries:**  
None

#### Outside the Group

None

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

None

## David de ROTHSCHILD

### Positions held within Rothschild & Co SCA:

- Chairman of Rothschild & Co Gestion SAS in its capacity as Managing Partner

### General information

French  
Born in 1942  
Number of shares held as at 31 December 2017: 2,520

Date of first appointment: 8 June 2012  
Date of last renewal: n/a  
End of term of office: term defined in accordance with the provisions of the articles of association of Rothschild & Co Gestion

### Other directorships and positions held

#### Within the Group

**In France:**  
Chairman of Rothschild Concordia SAS  
Member of the Supervisory Board of Banque Martin Maurel SA  
Managing Partner of Rothschild & Cie SCS  
Chairman of SCS Holding SAS  
Chairman of Rothschild & Co Commandité SAS  
Chairman of RCG Partenaires SAS  
Chairman of RCI Partenaires SAS  
Chairman of Cavour SAS  
Chairman of Verdi SAS  
Chairman of Aida 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  
Chairman of Rothschild Martin Maurel Associés SAS  
Managing Partner of RCB Partenaires SNC  
Manager of Bero SCA  
Manager of Rothschild Martin Maurel SCS  
Permanent representative of Rothschild & Co Gestion SAS as  
Managing Partner of RCB Gestion SNC  
Sole Director of GIE Sagittas

**In other countries:**  
Chairman of Rothschild Europe BV (Netherlands)  
Member of the Board of Directors of Continuation Investments NV (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<sup>(1)</sup>  
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:**  
Manager of Rothschild & Compagnie Banque SCS (until 2017)  
Member of the Board of Directors of La Compagnie Financière Martin Maurel SA until its merger with the Company (until 2017)  
Member of the Board of Directors of Edmond de Rothschild SA (until 2015) (outside the Group)  
Member of the Supervisory Board of Euris SAS (until 2014) (outside the Group)  
Chairman of RCG Gestion SAS (until 2013)  
Chairman of RCB Gestion SNC (until 2013)  
Chairman of RCBP Gestion SAS (until 2013)  
Chairman of RCI Gestion SAS (until 2013)  
Chairman of Norma SAS (until 2013)

**In other countries:**  
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)  
Member of the Remuneration and Nomination Committee of Rothschilds Continuation Holdings AG (Switzerland) (until 2013)  
Member of the Board of Directors of De Beers SA<sup>(1)</sup> (Luxembourg) (until 2013) (outside the Group)

(1) Listed company.

## 1.2 The Supervisory Board

This section describes the Supervisory Board's powers and duties, the duties of its members, and the status, powers and duties of the Supervisory Board's specialised committees. 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.

All of the work that went into the preparation of this report was presented to the Supervisory Board, which approved its terms at its meeting of 13 March 2018.

### 1.2.1 Composition of the Supervisory Board

In accordance with the articles of association, the Supervisory Board is composed of a maximum of 18 members, all of whom are shareholders in the Company. The Supervisory Board members are appointed 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.

At the shareholders' Combined General Meeting held on 28 September 2017, two members' terms of office were renewed, Messrs. Eric de Rothschild and André Lévy-Lang and one member, Ms. Suet-Fern Lee, was appointed. The term of office of Mr. Jacques Richier, who decided to step down from the Supervisory Board in order to focus on his new role within the Group as a member of Rothschild Martin Maurel's Supervisory Board, was not renewed.

As at 31 December 2017, the Supervisory Board was composed of fourteen members and one non-voting member (*censeur*), comprising nine independent members (as this term is defined in the Afep-Medef Code), as follows:

Eric de Rothschild, Chairman	■	Adam Keswick	■	Anthony de Rothschild	■
André Lévy-Lang, Vice-Chairman	■	Suet-Fern Lee	■	Sipko Schat	■
Dr. Daniel Daeniker	■	Arielle Malard de Rothschild	■	Peter Smith	■
Angelika Gifford	■	Lucie Maurel-Aubert	■	Luisa Todini	■
Sylvain Héfès	■	Carole Piwnica	■	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.

# Corporate governance

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## 1.2.2 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 list of their directorships and functions held as at 31 December 2017, 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](http://www.rothschildandco.com).

### Eric de ROTHSCHILD

#### Positions held within Rothschild & Co SCA:

- Chairman of the Supervisory Board

#### Main position:

- Chairman of the Supervisory Board of Rothschild & Co

#### General information

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French  
Born in 1940  
Number of shares held as at 31 December 2017: 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

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##### Within the Group

###### In France:

Member of the Board of Directors and General Manager of Rothschild 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 Holding AG (Switzerland)  
Member of the Board of Directors of Continuation Investments NV (Netherlands)  
Member of the Board of Directors of The Rothschild Archive Ltd (United Kingdom)  
Member of the Board of Directors of Rothschild Concordia AG (Switzerland)

##### Outside the Group

###### In France:

Permanent representative of Béro SCA as:  
– Chairman of Société du Château Rieussec SAS  
– Co-Manager of Château Lafite Rothschild SC  
– Manager of Château Duhart-Milon 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 Barannes 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 SA (Chile)

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

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###### In France:

Permanent representative of Béro SCA as Manager of La Viticole de Participation SCA,  
Co-Manager of Domaines Barons de Rothschild (Lafite) SCA (until 2017)

###### In other countries:

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)  
Member of the Remuneration and Nomination Committee of Rothschilds Continuation Holdings AG (Switzerland) (until 2013)  
Member of the Board of Directors of Rothschild North America Inc. (United States of America) (until 2013)

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## André LEVY-LANG

### Positions held within Rothschild & Co SCA:

- Vice-Chairman and independent member of the Supervisory Board
- Member of the Audit Committee
- Member of the Remuneration and Nomination Committee

### Main Position:

- Chairman and founder of Institut Louis Bachelier

### General information

French  
Born in 1937  
Number of shares held as at 31 December 2017: 4,305

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

None

#### Outside the Group

##### In France:

Chairman of the Supervisory Board of Les Échos SAS  
Chairman of La Fondation du Risque (association)  
Chairman of Institut Louis Bachelier (association)  
Member of the Board of Directors of Institut Français des Relations Internationales (association)  
Member of the Board of Directors of Hôpital Américain de Paris (association)  
Member of the Board of Directors of Institut des Hautes Études Scientifiques (association)  
Member of the Board of Directors of Paris Sciences et Lettres (association)  
Member of the Board of Directors of Paris Dauphine University

##### In other countries:

None

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

#### In France:

Chairman of Institut Français des Relations Internationales (association) (until 2015) (outside the Group)  
Chairman of the Audit Committee of Paris Orléans SCA<sup>(1)</sup> (until 2013)  
Vice-Chairman of Institut Europlace de Finance (association) (until 2013) (outside the Group)  
Member of the Board of Directors of Groupe des Ecoles Nationales d'Économie et Statistique (until 2013) (outside the Group)

#### In other countries:

None

## Dr. Daniel DAENIKER

### Positions held within Rothschild & Co SCA:

- Member of the Supervisory Board
- Member of the Risk Committee

### Main position:

- Managing Partner of Homburger AG (Switzerland)

### General information

Swiss  
Born in 1963  
Number of shares held as at 31 December 2017: 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 dormakaba Holding AG<sup>(1)</sup> (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<sup>(1)</sup> (Switzerland) (until 2016) (outside the Group)  
Independent member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (until 2014)

(1) Listed company.

# Corporate governance

## Angelika GIFFORD

### Positions held within Rothschild & Co SCA:

- Independent member of the Supervisory Board

### Main position:

- Executive Director and Vice-President of Software business of Micro Focus GmbH (Germany)

### General information

German  
Born in 1965  
Number of shares held as at 31 December 2017: 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:**

Executive Director and Vice-President of Software business of Micro Focus GmbH (Germany)  
Member of the Executive Board of Atlantik-Brücke e.V. (Germany)  
Member of Board of Directors of ProSieben Sat.1 Media SE<sup>(1)</sup> (Germany)  
Member of the Supervisory Board of TUI AG<sup>(1)</sup> (Germany)

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

**In France:**  
None

**In other countries:**

Executive Director and Vice-President of Software business of Hewlett-Packard GmbH (Germany) (until 2017) (outside the Group)

## Sylvain HÉFÈS

### Positions held within Rothschild & Co SCA:

- Member of the Supervisory Board
- Chairman 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 shares held as at 31 December 2017: 10

Date of first appointment: 29 March 2012  
Date of last renewal: 24 September 2015  
End of term of office: AGM to be held in 2018

### Other directorships and positions held

#### Within the Group

**In France:**  
Member of the Board of Directors of Rothschild Concordia SAS  
Member of the Advisory Committee of Five Arrows Managers SAS

**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 Rhone 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:**

Member of the Board of Directors of IntercontinentalExchange Group, Inc. <sup>(1)</sup> (United States of America) (until 2015) (outside the Group)

Director of NYSE Euronext Inc. (United States of America) (until 2013) (outside the Group)  
Member of the Advisory Committee of General Atlantic LLC (United States of America) (until 2013) (outside the Group)  
Member of the Audit Committee of Rothschild Bank AG (Switzerland) (until 2013)  
Member of the Board of Directors of Rothschild Bank AG (Switzerland) (until 2013)  
Non-Executive member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (until 2013)

(1) Listed company.

## Adam KESWICK

### Positions held within Rothschild & Co SCA:

- Independent member of the Supervisory Board

### Main position:

Chairman of Matheson & Co Limited (United Kingdom)

### General information

British  
Born in 1973  
Number of shares held as at 31 December 2017: 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<sup>(1)</sup> (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<sup>(1)</sup> (Bermuda)  
Member of the Board of Directors of Hongkong Land Holdings Limited<sup>(1)</sup> (Bermuda)  
Member of the Board of Directors of Mandarin Oriental International Limited<sup>(1)</sup> (Bermuda)  
Member of the Board of Directors of Jardine Strategic Holdings Limited<sup>(1)</sup> (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)  
Deputy Chairman of Jardine Lloyd Thompson Group plc<sup>(1)</sup> (United Kingdom)  
Non-executive Member of the Board of Directors of Ferrari NV<sup>(1)</sup> (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:

Chairman & Managing Director of Jardine Motors Group Holdings Limited (Bermuda) (until 2016) (outside the Group)  
Chairman & Managing Director & Chief Executive of Jardine Motors Group Limited (Bermuda) (until 2016) (outside the Group)  
Chairman of Jardine Pacific Limited (Bermuda) (until 2016) (outside the Group)  
Chairman of Jardine, Matheson & Co., Limited (Hong Kong) (until 2016) (outside the Group)  
Chairman of Zung Fu Company Limited (Hong Kong) (until 2016) (outside the Group)  
Chairman of Fu Tung Holdings Limited (Hong Kong) (until 2016) (outside the Group)  
Chairman & Non-executive Member of the Board of Directors of Gammon China Limited (Hong Kong) (until 2016) (outside the Group)  
Deputy Chairman & Deputy Managing Director of Jardine Matheson Limited (Bermuda) (until 2016) (outside the Group)  
Member of the Board of Directors of Zhongsheng Group Holdings Limited<sup>(1)</sup> (Cayman Islands) (until 2016) (outside the Group)  
Member of the Board of Directors of JRE Asia Capital Management Limited (Cayman Islands) (until 2016) (outside the Group)  
Member of the Board of Directors of Mandarin Oriental Hotel Group International Limited (Bermuda) (until 2016) (outside the Group)

Member of the Board of Directors of Mandarin Oriental Hotel Group Limited (Hong Kong) (until 2016) (outside the Group)  
Member of the Board of Directors of Dairy Farm Management Services Limited (Bermuda) (until 2016) (outside the Group)  
Member of the Board of Directors of Yonghui Superstores Co., Limited<sup>(1)</sup> (China) (until 2016) (outside the Group)  
Member of the Board of Directors of Hongkong Land Limited (Bermuda) (until 2016) (outside the Group)  
Member of the Board of Directors of Jardine Matheson (China) Limited (Hong Kong) (until 2016) (outside the Group)  
Member of the Board of Directors of The Hongkong Land Co., Limited (Hong Kong) (until 2016) (outside the Group)  
Member of the Board of Directors of Hongkong Land China Holdings Limited (Bermuda) (until 2016) (outside the Group)  
Member of the Board of Directors of Maxim's Caterers Limited (Hong Kong) (until 2016) (outside the Group)  
Member of the Board of Directors of Mindset Limited (Hong Kong) (until 2016) (outside the Group)  
Member of the Board of Directors of OHTL Public Company Limited<sup>(1)</sup> (Thailand) (until 2016) (outside the Group)  
Member of the Board of Directors of JRE Asia Capital Limited (Cayman Islands) (until 2013) (outside the Group)  
Member of the Board of Directors of Jardine Motors (China) Limited (Hong Kong) (until 2013) (outside the Group)  
Member of the Board of Directors of Pandora Asset One Limited (Hong Kong) (until 2013) (outside the Group)

(1) Listed company.

# Corporate governance

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## Suet-Fern LEE

### General information

Singapore  
Born in 1958  
Number of shares held as at 31 December 2017: 10

### Positions held within Rothschild & Co SCA:

- Independent member of the Supervisory Board

### Main position:

- Partner of Morgan Lewis Stamford LLC (Singapore)
- Chair, International Leadership Team, Morgan Lewis & Bockius

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<sup>(1)</sup>  
Member of the Board of Directors and member of the Finance Committee of Axa SA<sup>(1)</sup>

##### In other countries:

Partner of Morgan Lewis Stamford LLC (Singapore)  
Member of the Board of Directors of Axa Asia (Hong Kong)  
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)  
Member of the Board of Directors of Morgan Lewis & Bockius (United States of America)

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

In France:  
None

##### In other countries:

Member of the Board of Directors of Rickmers Trust Management Pte Ltd<sup>(1)</sup> (Singapore) (until 2017) (outside the Group)  
Chairman of Asian Civilisations Museum (Singapore) (until 2015) (outside the Group)  
Member of the Board of Directors of National Heritage Board (Singapore) (until 2015) (outside the Group)

## Arielle MALARD de ROTHSCHILD

### General information

French  
Born in 1963  
Number of shares held as at 31 December 2017: 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

### Positions held within Rothschild & Co SCA:

- 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

### Other directorships and positions held within the Group

#### Within the Group

In France:  
Managing Director of Rothschild & Cie SCS  
Member of the Steering Committee on Women Leadership of Rothschild & Co SCA  
Member of the Board of Directors, Fondation de Rothschild (charity)  
Member of the Board of Directors, Traditions pour demain (charity)

In other countries:  
None

#### Outside the Group

##### In France:

Member of the Board of Directors of Groupe Lucien Barrière SAS  
Chairwoman of CARE France (charity)

##### In other countries:

Member of the Board of Directors of Electrica SA<sup>(1)</sup> (Romania and United Kingdom)  
Member of the Nomination and Remuneration Committee of Electrica SA<sup>(1)</sup> (Romania and United Kingdom)  
Member of the Audit and Risk Committee of Electrica SA<sup>(1)</sup> (Romania and United Kingdom)  
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<sup>(1)</sup> (until 2017) (outside the Group)  
Member of the Nomination and Remuneration Committee of Imerys SA<sup>(1)</sup> (until 2017) (outside the Group)

##### In other countries:

Vice-Chairwoman of CARE International (Switzerland) (until 2016) (outside the Group)

(1) Listed company.

## Lucie MAUREL-AUBERT

### Positions held within Rothschild & Co SCA:

- Member of the Supervisory Board

### Main position:

- Chairwoman of the Supervisory Board of Banque Martin Maurel SA

### General information

French  
Born in 1962  
Number of shares held as at 31 December 2017: 12,610

Date of first appointment: 8 June 2012  
Date of last renewal: 24 September 2015  
End of term of office: AGM to be held in 2018

### Other directorships and positions held

#### Within the Group

##### In France:

Chairwoman of the Supervisory Board of Banque Martin Maurel SA  
Chairwoman of Hoche Paris SAS  
Chairwoman of Immobilière Saint Albin SAS  
Vice-Chairwoman of Rothschild Martin Maurel Associés SAS  
Member of the Supervisory Board of BBR Rogier SA

##### In other countries:

Manager (Type A) of Mobilim International Sàrl (Luxemburg)

#### Outside the Group

##### In France:

Chairwoman of the Supervisory Board of Hoche Gestion Privée SA  
Member of the Supervisory Board of Fonds de garantie des dépôts et de résolution  
Vice-Chairwoman of the Association Française des Banques  
Member of the Board of Directors of Compagnie Plastic Omnium SA<sup>(1)</sup>  
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:

Member of the Board of Directors of Théâtre du Châtelet (until 2017) (outside the Group)  
Chairwoman of the Supervisory Board of International Capital Gestion SA (until 2017)  
Chairwoman of the Supervisory Board of Martin Maurel Gestion SA (until 2017)  
Chairwoman of Grignan Participations SAS (until 2017)  
Chairwoman of the Supervisory Board of Optigestion SA (until 2017) (outside the Group)  
Member of the Executive Board and CEO of Banque Martin Maurel SA (until 2017)  
Vice-Chairwoman, Deputy Chief Executive Officer and Director of Compagnie Financière Martin Maurel SA (until 2017)  
Member of the Supervisory Board of Martin Maurel Gestion SA (until 2017)  
Permanent representative of Banque Martin Maurel as member of the Supervisory Board of Optigestion SA (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<sup>(1)</sup> (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 SA (until 2014) (outside the Group)  
Vice-Chairwoman of the Supervisory Board of Optigestion SA (until 2013) (outside the Group)

##### In other countries:

None

## Carole PIWNICA

### Positions held within Rothschild & Co SCA:

- Independent member of the Supervisory Board
- Member of the Audit Committee

### Main position:

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

### General information

Belgian  
Born in 1958  
Number of shares held as at 31 December 2017: 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<sup>(1)</sup>  
Member of the Audit Committee of Sanofi SA<sup>(1)</sup>  
Independent Member of the Board of Directors of Eutelsat Communications SA<sup>(1)</sup>  
Chairwoman of the Nomination and Governance Committee of Eutelsat Communications SA<sup>(1)</sup>

##### In other countries:

Member of the Board of Directors of Naxos UK Ltd (United Kingdom)  
Member of the Board of Directors of Big Red (United States of America)  
Member of the Board of Directors of Elevance (United States of America)  
Member of the Board of Directors of Amyris Inc.<sup>(1)</sup> (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:

Chairwoman of Remunerations Committee of Eutelsat Communications SA<sup>(1)</sup> (until 2016)

##### In other countries:

Member of the Board of Directors of RecyCoal Ltd (United Kingdom) (until 2015) (outside the Group)  
Member of the Board of Directors of Louis Delhaize<sup>(1)</sup> (Belgium) (until 2013) (outside the Group)

(1) Listed company.

# Corporate governance

## Anthony de ROTHSCHILD

### Positions held within Rothschild & Co SCA:

- 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 shares held as at 31 December 2017: 10

Date of first appointment: 8 June 2012  
Date of last renewal: 24 September 2015  
End of term of office: AGM to be held in 2018

### Other directorships and positions held

#### Within the Group

**In France:**  
Member of the Board of Directors of Rothschild 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:**  
Member of the Board of Directors of Ascott Properties Ltd (United Kingdom) (until 2015) (outside the Group)  
Member of the Board of Directors of William and Suzue Curley Ltd (United Kingdom) (until 2014) (outside the Group)  
Member of the Board of Directors of A7 Music Ltd (United Kingdom) (until 2013) (outside the Group)

## Sipko SCHAT

### Positions held within Rothschild & Co SCA:

- Independent member of the Supervisory Board
- Chairman of the Risk Committee

### Main position:

- Chairman of the Supervisory Board of Vion N.V. (Netherlands)

### General information

Dutch  
Born in 1960  
Number of shares held as at 31 December 2017: 10

Date of first appointment: 8 June 2012  
Date of last renewal: 24 September 2015  
End of term of office: AGM to be held in 2018

### Other directorships and positions held

#### Within the Group

**In France:**  
None

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

#### Outside the Group

**In France:**  
None

**In other countries:**  
Chairman of the Supervisory Board of VanWonen Holding B.V. (Netherlands)  
Chairman of the Supervisory Board of Vion N.V. (Netherlands)  
Non-executive member of the Board of Directors of OCI N.V.<sup>(1)</sup> (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:**  
Representative of Rabobank as member of the Board of Directors of NYSE Euronext (until 2013) (outside the Group)

**In other countries:**  
Member of the Executive Board of Rabobank Nederland (Netherlands) (until 2013) (outside the Group)  
Chairman of the Wholesale Management Team of Rabobank International (Netherlands) (until 2013) (outside the Group)

Member of the Board of Directors of Bank Sarasin & Cie AG (Switzerland) (until 2014) (outside the Group)  
Member of the Board of Directors of Rabo Real Estate (Netherlands) (until 2013) (outside the Group)  
Representative of Rabobank as Director of VNO-NCW (Confederation of Netherlands Industry and Employers) (until 2013) (outside the Group)

(1) Listed company.

## Peter SMITH

### Positions held within Rothschild & Co SCA:

- 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 shares held as at 31 December 2017: 10

Date of first appointment: 27 September 2012  
Date of last renewal: 24 September 2015  
End of term of office: AGM to be held in 2018

### 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 Bank AG (Switzerland)  
Member of the Audit Committee of Rothschild 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<sup>(1)</sup> (United Kingdom) (until 2016) (outside the Group)  
Member of the Board of Directors of Associated British Foods Plc<sup>(1)</sup> (United Kingdom) (until 2016) (outside the Group)

Non-executive Chairman of the Board of Directors of Templeton Emerging Markets Investment Trust Plc<sup>(1)</sup> (United Kingdom) (until 2015) (outside the Group)  
Non-executive member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (until 2014)  
Chairman of the Audit Committee of Rothschilds Continuation Holdings AG (Switzerland) (until 2013)  
Member of the Remuneration Committee of Rothschilds Continuation Holdings AG (Switzerland) (until 2013)

## Luisa TODINI

### Positions held within Rothschild & Co SCA:

- Independent member of the Supervisory Board
- Member of the Remuneration and Nomination Committee

### Main position:

- Chairwoman of Todini Costruzioni Generali SpA (Italy)

### General information

Italian  
Born in 1966  
Number of shares held as at 31 December 2017: 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 Todini Costruzioni Generali SpA (Italy)  
Member of the Board of Directors of Green Arrow Capital Srl (Italy)  
Vice-President of Green Arrow Capital Asset Management 1 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)  
Chairwoman of Todini Finanziaria SpA, Ecos Energia Srl (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:

Chairwoman of Ecos Energia Srl (Italy) (until 2017) (outside the Group)  
Chairwoman of Poste Italiane<sup>(1)</sup> (Italy) (until 2017) (outside the Group)

Member of the Board of Directors of RAI SpA (Italy) (until 2014) (outside the Group)  
Chairwoman of Uni-Esco Srl (Italy) (until 2016) (outside the Group)  
Sole Managing Director of Proxima Srl (Italy) (until 2016) (outside the Group)  
Member of the Board of Directors of Cedit SpA (Italy) (until 2014) (outside the Group)  
Chairwoman of Cantina Todini Srl (Italy) (until 2013) (outside the Group)  
Member of the Board of Directors of Salini SpA (Italy) (until 2013) (outside the Group)  
Member of the Board of Directors of Tiesse Holding Srl (Italy) (until 2013) (outside the Group)

The terms of office held by Lucie Maurel-Aubert, Sylvain Héfès, Anthony de Rothschild, Sipko Schat and Peter Smith will come to an end at the shareholders' Combined General Meeting to be held on 17 May 2018; their re-election for another term of office will be submitted to shareholders for approval.

(1) Listed company.

# Corporate governance

The Supervisory Board, at its meeting on 13 March 2018, opined in favour of these renewals upon the recommendation of its Remuneration and Nomination Committee. More detailed information will be presented on these proposed renewals 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](http://www.rothschildandco.com).

## 1.2.3 Profile and list of positions held by the non-voting member of the Supervisory Board

A summary profile for François Henrot, who has been appointed as a non-voting member of the Supervisory Board and the list of his directorships and positions held as at 31 December 2017, within and outside the Group, in France and in other countries, is presented below.

### François HENROT

#### Positions held within Rothschild & Co SCA:

- Non-Voting Member (*censeur*) of the Supervisory Board

#### Main position:

- Managing Director of Rothschild & Cie SCS (through his holding FH GFA SARL)

#### General information

French  
Born in 1949  
Number of shares held as at 31 December 2017: 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<sup>(1)</sup>

**In other countries:**  
Chairman of the Board of Directors of Copeba (Belgium)  
Member of the Board of Directors of Yam Invest NV (Netherlands)  
Non-Executive member of the Board of Directors of BMCE Bank SA<sup>(1)</sup> (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<sup>(1)</sup> (until 2015) (outside the Group)  
General Partner and Manager of Rothschild & Cie SCS (until 2014)  
Managing Partner of de RCB Partenaires SNC (until 2014)  
Member of the Supervisory Board of 3 Suisses SA (until 2013) (outside the Group)

**In other countries:**  
Member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (until 2013)

(1) Listed company.

## 1.2.4 Powers of the Supervisory Board

The Supervisory Board continually monitors the way in which the Company is managed by the Managing Partner, including in particular the Company's financial and accounting reporting system and its internal control mechanisms applicable to risk, compliance and internal audit, in accordance with the laws and regulations applicable to the Company.

The Supervisory Board may call a General Meeting of shareholders.

In order to exercise its authority in the area of permanent oversight:

- the Supervisory Board conducts such checks and controls as it considers appropriate at any time of the year, and may ask to be provided with such documents as it considers useful to perform its duties;
- every three months (or more frequently if requested by the Supervisory Board), the Managing Partner presents a report to the Supervisory Board on the status and conduct of corporate affairs, such report to be drawn up as directed by the Supervisory Board;
- within three months of the end of each financial year, the Managing Partner presents the annual and consolidated financial statements to the Supervisory Board for verification and control purposes;

- the Managing Partner submits its annual operating objectives to the Supervisory Board and, at least once a year, its long-term strategic projects;
- the Supervisory Board presents a report to shareholders at the annual General Meeting of shareholders in which it reports any discrepancies and/or inaccuracies in the annual and consolidated financial statements and comments on the way in which the Company is managed;
- the agreements and commitments relating to the combined provisions of Article L. 226-10 and L. 225-38 to L. 225-43 of the French Commercial Code are submitted to the Supervisory Board for prior authorisation; and
- it checks the quality of information issued by the Rothschild & Co Group to shareholders and the financial markets, through the Company and Group financial statements prepared by the Managing Partner and the annual report drawn up by the Managing Partner, or at the time of major transactions.

In addition to the powers granted to it by law, using the methods set forth in Article 10.2.3 of the Company's articles of association, the Supervisory Board issues:

- an advisory opinion to the Managing Partner in respect of:
  - the strategic policies, annual budget and three-year business plan of the Rothschild & Co Group;
  - any significant acquisition or disposal of a business or part of a business, and
  - any strategic initiative or major refocusing of the business of the Rothschild & Co Group, and
- a recommendation to shareholders regarding the Company's dividend policy.

Moreover, the Supervisory Board presents a report to the shareholders and a reasoned opinion on any resolution submitted to the shareholders at their General Meeting and on any matter that is the subject of a report by the Company's Statutory Auditors.

The Supervisory Board may be assisted by experts of its choosing, whose expenses shall be paid by the Company. It has the broadest powers of investigation and may submit written questions to, or seek the opinion of the Managing Partner at any time.

### 1.2.5 Duties of the Supervisory Board members

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.

Members must notify the Supervisory Board of any actual or potential conflict of interest with the Rothschild & Co Group. They must abstain from voting on the corresponding decision and from taking part in the discussion held prior to the vote.

The direct or indirect involvement of any Supervisory Board member in an operation or a transaction in which the Rothschild & Co Group 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.

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.

## 1.2.6 Organisation and operation of the Supervisory Board

### 1.2.6.1 NOTICE OF MEETINGS

Following a proposal by its Chairman, the Supervisory Board prepares a schedule of meetings each year, for the following year.

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 prepares 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.

### 1.2.6.2 ORGANISATION OF MEETINGS

Under any circumstances, at any of its meetings, in the event of an emergency and on a proposal by the chairman of the meeting, the Supervisory Board may discuss matters referred to its members that are not included on the agenda.

At each Supervisory Board meeting, the Chairman informs Supervisory Board members of the main facts and significant events concerning the Group's operations that have occurred since the date of the previous Supervisory Board meeting.

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.

### 1.2.6.3 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.

### 1.2.6.4 REVIEW OF THE SUPERVISORY BOARD'S ACTIVITY DURING THE FINANCIAL YEAR

The Supervisory Board meets at least four times a year. In the context of the previous year end as at 31 March, the Supervisory Board met in March, June, September and November 2017. An additional meeting was convened in February 2017.

During the 2017 financial year, the average rate of attendance at all meetings was 75%.

Before each meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda.

Each meeting of the Supervisory Board is preceded by a meeting of the Audit and Risk Committees and as necessary, by meetings of the Remuneration and Nomination Committee.

At its meeting on 14 June 2017, agenda items comprised, in particular:

- the Rothschild & Co Group Performance Review and results for 12 months ended 31 March 2017;
- the Rothschild & Co accounts for the year ended 31 March 2017;
- the Audit Committee report following its meeting on 7 June 2017;
- the Risk Committee report following its meeting on 13 June 2017;
- the Remuneration and Nomination Committee report following its meetings held on 5 and 16 May 2017;
- the regulatory capital planning; and
- in advance of the Annual General Meeting, the draft agenda and resolutions and the Supervisory Board's report to shareholders.

At its meeting on 6 September 2017, agenda items comprised only the opinion submitted to the Company's Managing Partner and shareholders, in relation with two resolutions presented by one shareholder, the company Edmond de Rothschild Holding SA with respect to the Combined General Meeting held on 28 September 2017.

At its meeting on 28 September 2017, agenda items comprised, in particular:

- the composition of the Supervisory Board and its Committees as at 28 September 2017;
- the Rothschild & Co Group Performance Review and results for four months ended 31 July 2017;
- the Audit Committee report following its meeting on 14 September 2017;
- the Risk Committee report following its meeting on 13 September 2017; and
- the terms and conditions of the 2017 Rothschild & Co Equity Scheme and the recommendations from the Remuneration & Nomination Committee.

At its meeting on 28 November 2017, agenda items comprised, in particular:

- the Rothschild & Co Group Performance Review to 30 September 2017 and forecast for the year to 31 December 2017;
- the 2017 Half-Year Consolidated Accounts and the draft results announcement;
- the Audit Committee report following its meeting on 21 November 2017;
- the Risk Committee report following its meeting on 27 November 2017; and
- the prior authorisation of an interest party transaction to be entered into between Rothschild & Co and Rothschild Asset Management relating to the sale by Rothschild & Co of its shareholding in Funds Participation.

### 1.2.6.5 ASSESSMENT OF THE SUPERVISORY BOARD'S ORGANISATION AND WORKING METHODS

At the date of publication of this report on the Company's website, the Company Secretary, in liaison with the Chairman of the Supervisory Board, conducted a self-assessment of the Supervisory Board's organisation and working methods as regards the 2017 financial year.

Bearing in mind in the context of the meeting schedule that a self-assessment could not be implemented before the meeting of the Supervisory Board on 13 March 2018 convened mainly to review the consolidated and solo parent company accounts as at 31 December 2017, the Supervisory Board, following the opinion of its Remuneration and Nomination Committee, considered it more appropriate to discuss the results of this self-assessment during its meeting on 17 May 2018 following the shareholders' annual general meeting.

The same report for the next financial year will provide the results of this self-assessment of the Supervisory Board, and the main considerations and actions if any, decided accordingly.

## 1.2.7 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.

### 1.2.7.1 AUDIT COMMITTEE

#### 1.2.7.1.1 COMPOSITION

As at 31 December 2017, the Audit Committee was composed of four members: Mr. Peter Smith (Chairman and independent member), Ms. Carole Piwnica (independent member), Mr. Sylvain Héfès and Mr. André Lévy-Lang (independent member).

#### 1.2.7.1.2 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.

### 1.2.7.1.3 ACTIVITY

The Audit Committee meets at least four times a year or more frequently if so required. As a result of the change of year end from 31 March to 31 December, a new meeting schedule has been adopted to reflect this change.

During the nine months to 31 December 2017, the Audit Committee met four times, with an average rate of attendance of 87.5% for all meetings.

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 on pages 72 onwards of this report.

At the March meeting the Audit Committee receives for consideration, the Group annual internal control report to be submitted to the French Prudential and Control Authority (*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.

## 1.2.7.1.4 SIGNIFICANT ACCOUNTING JUDGEMENTS CONSIDERED

In reviewing the annual and half-year accounts, the Audit Committee takes particular note of the significant accounting judgements and estimates that have been made in the accounts' preparation. These accounting judgements and estimates are set out in the notes to the consolidated financial statements on pages 145 to 176.

At meetings to consider the accounts, the Audit Committee receives a report from management that explains the judgements and estimates made and this report is considered at the respective Audit Committee meeting.

Furthermore, the Group's external auditors submit their report to the Audit Committee on the accounts, which includes their consideration of the main accounting judgements and estimates, as well as other matters to report. In their formal report to the Group's shareholders, the Group's external auditors include the key audit matters that were addressed in the context of their audit of the consolidated financial statements.

In conducting its review process, the Audit Committee ensures that the matters reported by management and by the Group's external auditors are consistent, after allowing for variations in emphasis.

## 1.2.7.2 REMUNERATION AND NOMINATION COMMITTEE

### 1.2.7.2.1 COMPOSITION

As at 31 December 2017, the Remuneration and Nomination Committee was composed of four members: Mr. Sylvain Héfès (Chairman), Mr. André Lévy-Lang (independent member), Mr. Peter Smith (independent member) and Ms. Luisa Todini (independent member).

### 1.2.7.2.2 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")<sup>(1)</sup>;
- 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 Regulated Persons as we define them in each of Rothschild & Co, Rothschild & Compagnie Banque SCS and its subsidiaries, N M Rothschild & Sons Limited and its subsidiaries for the purposes of the French Prudential and Control Authority, and the United Kingdom Financial Conduct Authority and Prudential Regulatory Authority as appropriate;
- participating in the selection and nomination process of members of the Supervisory Board, as provided by the Afep-Medef Code;
- 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.

## 1.2.7.2.3 ACTIVITY

The Remuneration and Nomination Committee meets at least two times a year or more frequently if so required. As a result of the change of year end from 31 March to 31 December, a new meeting schedule has been adopted to reflect this change.

As from the change of year end from 31 March to 31 December, the December meeting is to review the Rothschild Martin Maurel sub-group's compensation and the February meeting is to review the Group entities' compensation.

During the nine months to 31 December 2017, the Remuneration and Nomination Committee met five times, with an average attendance rate of 80% for all meetings.

In advance of each meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda.

The meetings of the Remuneration and Nomination Committee were mainly convened to set and to periodically review the principles and parameters of its remuneration policies and their adequacy and effectiveness, review developments in remuneration regulations and ensure that the Company's Managing Partner and business divisions are in compliance.

In addition, the Remuneration and Nomination Committee reviews the proposals submitted by business divisions regarding fixed and variable compensation with absolute discretion to adjust fixed compensation proposals, bonus pools and individual payments, and to supervise and review the broad policy framework for the remuneration of senior employees, including the Regulated Persons across the Rothschild & Co Group.

No Group employee is permitted to participate in discussions or decisions relating to his or her remuneration.

The Chairman of the Supervisory Board, the Chairman, the Executive Deputy Chairman and the Managing Partners of the Company's Managing Partner, the Group Human Resources Director and the Group Chief Financial Officer are permanent attendees at the meetings of the Remuneration and Nomination Committee.

In addition, as regards the meetings of the Remuneration and Nomination Committee to review the proposals submitted by business divisions regarding fixed and variable compensation, the Heads of Group business divisions attend the meetings for part of the meeting to present their own business division.

(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).

### 1.2.7.3 THE RISK COMMITTEE

#### 1.2.7.3.1 COMPOSITION

As at 31 December 2017, the Risk Committee was composed of three members: Mr. Sipko Schat (Chairman and independent member), Ms. Arielle Malard de Rothschild and Dr. Daniel Daeniker (independent member).

#### 1.2.7.3.2 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.

#### 1.2.7.3.3 ACTIVITY

The Risk Committee meets at least four times a year or more frequently if so required.

As a result of the change of year end from 31 March to 31 December, a new meeting schedule has been adopted to reflect this change.

During the nine months to 31 December 2017, the Risk Committee met three times, with an average rate of attendance of 88.9% to all meetings.

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 reviewed various Group policies, and checked the implementation of crisis management plans across the Group.

#### 1.2.7.3.4 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 will be reinforced during 2018 notwithstanding attendance at a committee meeting of the chairman of the other committee. This cooperation will be 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 or more, depending on the issues, if any.

### 1.2.8 The Supervisory Board and strategy

In addition to the powers granted to it by law, in accordance with Article 10.2.3 of the Company's Articles of Association, the Supervisory Board provides an advisory opinion to the Managing Partner of the Company in respect of:

- the strategic policies, annual budget and three-year business plan of the Rothschild & Co Group; and
- any strategic initiative or major refocusing of the business of the Rothschild & Co Group.

During 2017, the Company's Managing Partner and the Supervisory Board conducted a review of the strategic review process that involved, since the Group reorganisation implemented in June 2012, a Strategy Committee made up of members of the Supervisory Board. It was subsequently decided that the Strategy Committee would cease to operate in its previous configuration so as to involve directly the Supervisory Board on strategic matters, as part of the normal business of the Supervisory Board. Since that decision, the Supervisory Board reviews specific strategic matters at each of its meetings.

### 1.2.9 Corporate governance code

The Company has decided voluntarily to adhere to the Afep-Medef Code.

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.

# Corporate governance

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
<p><b>Independence criterion for members of the Supervisory Board related to the length of office (§8.5 of the Afep-Medef Code):</b></p> <p>Criterion providing that in order to be considered as independent a Director must not “<i>have been a Director for more than twelve years</i>”.</p>	<p>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.</p> <p>This particular criterion was therefore expressly waived in the Supervisory Board’s internal rules of procedure as follows:</p> <p>“The independence criteria that apply are those referred to in Article 9.4 of the Afep-Medef Corporate Governance code of December 2008, amended in June 2013, excluding the criterion relating to terms of office, which is expressly set aside.”</p> <p>The Supervisory Board considers that length of service is a key element for assessing and understanding the Rothschild &amp; 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.</p>
<p><b>Independence criterion for members of the Supervisory Board related to directorship in a company the corporation consolidates (§8.5 of the Afep-Medef Code):</b></p> <p>Criterion providing that in order to be considered as independent a director must not “<i>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</i>”.</p>	<p>Mr. Peter Smith is non-executive Chairman of the Board of Directors of N M Rothschild &amp; Sons Ltd (NMR) and non-executive Director of the Board of Directors of Rothschild Bank AG, two Group entities. However the Supervisory Board considered that as a result of Mr. Peter Smith performing duties in important international groups, this gives him a good perspective and a strong vision which contributes 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.</p> <p>Mr. Sipko Schat is a director at Rothschild Bank Zurich AG, Chairman of its Audit and Risk Committees and a senior advisor at NMR. However the Supervisory Board considered that he performed management duties in an important banking group and it gives him expertise and capacity of judgement which contributes to the effectiveness of the Supervisory Board.</p> <p>Accordingly, the Supervisory Board considers their situations do not affect their independence and they can be deemed as independent members.</p>
<p><b>Status of the Chairman of the Remuneration and Nomination Committee (§16.1-17.1 of the Afep-Medef Code):</b></p> <p>“<i>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.</i>”</p>	<p>Mr Sylvain Héfès is the Chairman of the Remuneration and Nomination Committee despite his status of non-independent member.</p> <p>The Supervisory Board renewed during its meeting on 13 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.</p> <p>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 his appointment is justified to support the Group’s economic and financial challenges.</p> <p>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.</p>

## 1.2.10 Gender quota on the Supervisory Board

The composition of the Supervisory Board complies with the provisions of Law No. 2011-103 of 27 January 2011, which requires representation of both genders on the Supervisory Board, the Supervisory Board comprising eight men and six women.

In addition, the Supervisory Board considers what would be the desirable balance within its membership and within that of its specialised committees in particular as regards the representation of women and men. This representation is reflected in the membership of the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee.

### 1.2.11 Terms and conditions of shareholders' attendance of General Meetings

Please refer to Section 1.3.2 of the Information on the Company Section (on page 55) for a description of the terms and conditions of shareholders' attendance of General Meetings.

## 1.3 Compensation and other benefits received by corporate officers

### 1.3.1 Compensation received by the Company's Managing Partner and its Chairman

#### 1.3.1.1 COMPENSATION RECEIVED BY THE MANAGING PARTNER

In application of Rothschild & Co's articles of association, no compensation is paid to Rothschild & Co Gestion SAS in respect of its position as the Company's Managing Partner. Accordingly, the summary tables relating to compensation and other benefits granted to the Managing Partner required in accordance with AMF recommendations are not relevant.

It is, however, hereby specified that the Company's articles of association provide that Rothschild & Co Gestion SAS is entitled to reimbursement of its operating expenses. In this respect, a total amount of €777,000 has been due to Rothschild & Co Gestion SAS as reimbursement of its operating expenses for the nine months ended 31 December 2017.

In accordance with the provisions of Article 14.1 of the articles of association, an amount of €1,157,078, equal to 0.5% of the distributable profit of the 2017 financial period, will be automatically allocated for payment to the two General Partners, Rothschild & Co Gestion SAS and Rothschild & Co Commandité SAS. This does not constitute compensation for their services as General Partners.

#### 1.3.1.2 COMPENSATION RECEIVED BY THE CHAIRMAN

Pursuant to the AMF recommendations, the table below presents an overview of compensation due or paid to Mr. David de Rothschild, Chairman of Rothschild & Co Gestion.

In thousands of euro	01/04/2017 31/12/17 (9 months)	01/04/2016 31/03/2017 (12 months)
Fixed compensation	375	500
Variable compensation	-	-
Extraordinary compensation	-	-
Director's fees	-	-
Benefits in kind	-	-
<b>TOTAL</b>	<b>375</b>	<b>500</b>

Moreover, 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-compensation clauses during the nine months ended 31 December 2017.

### 1.3.2 Compensation policy for Supervisory Board members

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.

During its meeting on 13 March 2018, the Supervisory Board reiterated its decisions taken at its meeting held on 30 March 2016 to have a compensation policy based on a fixed fee structure for Supervisory Board and committee memberships, as follows:

	Fees in euro (per member each year)
Supervisory Board membership	20,000
Committee membership (per committee)	5,000
Position as Chairman of Board/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.
- The Supervisory Board decided not to award attendance fees in respect of their position on the Supervisory Board and its specialised committees, to Mr. Eric de Rothschild, Ms. Arielle Malard de Rothschild and Mr. François Henrot, because of their specific positions within the Group.

# Corporate governance

The table below shows, in the framework described above, following decisions of the Supervisory Board at its meeting on 13 March 2018, the compensation allocated by the Company to the members of the Supervisory Board, in respect of their positions held at Rothschild & Co's Supervisory Board and its committees, during the 2017 nine-month financial period.

	Supervisory Board	Audit Committee	Remuneration & Nomination Committee	Risk Committee	01/04/2017 31/12/17 (9 months)
Eric de Rothschild	■ ■				-
André Lévy-Lang <sup>(1)</sup>	■ ■	■	■		€22,521.00
Dr. Daniel Daeniker <sup>(1)</sup>	■			■	€18,767.50
Angelika Gifford <sup>(1)</sup>	■				€15,014.00
Sylvain Héfès <sup>(1)</sup>	■	■	■ ■		€30,028.00
Adam Keswick <sup>(1)</sup>	■				€15,014.00
Suet-Fern Lee <sup>(2)</sup>	■				€5,150.00
Arielle Malard de Rothschild	■			■	-
Lucie Maurel-Aubert <sup>(1)</sup>	■				€15,014.00
Carole Piwnica <sup>(1)</sup>	■	■			€18,767.50
Jacques Richier <sup>(3)</sup>	■				€9,864.00
Anthony de Rothschild <sup>(1)</sup>	■				€15,014.00
Sipko Schat <sup>(1)</sup>	■			■ ■	€26,274.50
Peter Smith <sup>(1)</sup>	■	■ ■	■		€30,028.00
Luisa Todini <sup>(1)</sup>	■		■		€18,767.50
François Henrot	■				-
<b>TOTAL</b>					<b>€240,224.00</b>

- Chairman
- Vice-Chairman
- Independent member
- Non-independent member
- Non-voting member

(1) A pro-rata basis of 274/365 days, corresponding to the period 1 April 2017 to 31 December 2017.

(2) A pro-rata basis of 94/365 days, corresponding to the period from 28 September 2017, the date of the nomination as member of the Supervisory Board, to 31 December 2017.

(3) A pro-rata basis of 180/365 days, corresponding to the period from 1 April 2017 to 28 September 2017, the date of the end of term as member of the Supervisory Board.

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 and at any other Group company during the 2017 nine-month financial period.

In thousands of euro	01/04/17 31/12/17 (9 months)		01/04/16 31/03/17 (12 months)	
	Rothschild & Co <sup>(1)</sup>	Other compensation <sup>(2)</sup>	Rothschild & Co <sup>(1)</sup>	Other compensation <sup>(2)</sup>
Members of the Supervisory Board				
Eric de Rothschild	-	Benefits in kind -	-	Benefits in kind -
André Lévy-Lang	23	-	30	-
Dr. Daniel Daeniker	18	-	25	-
Angelika Gifford	15	-	20	-
Sylvain Héfès	30	Fixed - Consultancy 127 <sup>(5)</sup> Benefits in kind -	40	Fixed - Consultancy 173 Benefits in kind 2
Adam Keswick	15	-	10	-
Suet-Fern Lee <sup>(3)</sup>	5	-	-	-
Arielle Malard de Rothschild	-	Fixed - Salary 186 Variable 20 Benefits in kind 26	-	Fixed - Salary 242 Variable 273 Benefits in kind 25
Lucie Maurel-Aubert	15	Fixed - Salary 121 Director's fees 125 Benefits in kind 6	20	Fixed - Salary 5 Consultancy 68 -
Carole Piwnica	19	-	25	-
Jacques Richier <sup>(4)</sup>	10	-	20	-
Anthony de Rothschild	15	-	20	-
Sipko Schat	26	Fixed - Consultancy 113 Bonus 40	35	Fixed - Consultancy 150 -
Peter Smith	30	Director's fees 106 <sup>(5)</sup> Benefits in kind 3	40	Directors' fees 144 -
Luisa Todini	19	-	25	-

(1) Includes compensation received from Rothschild & Co in respect of the role of member of the Supervisory Board and, if applicable, its committees.

(2) Received from controlled companies.

(3) Member of the Supervisory Board from 28 September 2017.

(4) Member of the Supervisory Board until 28 September 2017.

(5) Based on a £/€ conversion rate as at 31 December 2017.

### 1.3.3 Shareholders' advisory vote on compensation

In accordance with the recommendations of the Article 26 of the Afep-Medef, compensation paid or due for the nine months ended 31 December 2017 to Rothschild & Co Gestion SAS, as Managing Partner of Rothschild & Co, and Mr. David de Rothschild, as the Chairman and sole legal representative of Rothschild & Co Gestion SAS, and the Chairman of the Supervisory Board will be submitted to the shareholders' advisory vote at the next General Meeting of shareholders on 17 May 2018.

# Corporate governance

## 1.3.4 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 2017 nine-month 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 <sup>(1)</sup>
Béro SCA	Legal entity related to Eric de Rothschild, Chairman of the Supervisory Board of Rothschild & Co	22/06/2017	Acquisition	29.5	3,438,195	2017DD491676
Ponthieu Rabelais SAS	Legal entity related to Eric de Rothschild, Chairman of the Supervisory Board of Rothschild & Co	22/06/2017	Acquisition	29.5	3,438,195	2017DD491679
Financière de Reux SAS	Legal entity related to David de Rothschild, Chairman of Rothschild & Co Gestion SAS	22/06/2017	Acquisition	29.5	6,879,420.5	2017DD491680
Nigel Higgins	Managing Partner of Rothschild & Co Gestion SAS	11/10/2017	Acquisition	17.50	185,500	2017DD514853
Nigel Higgins	Managing Partner of Rothschild & Co Gestion SAS	17/10/2017	Acquisition	30.56	1,069,600	2017DD514704
Nigel Higgins	Managing Partner of Rothschild & Co Gestion SAS	18/10/2017	Acquisition	30.86	532,335	2017DD514705
Nigel Higgins	Managing Partner of Rothschild & Co Gestion SAS	19/10/2017	Acquisition	30.64	589,820	2017DD514708

(1) These decisions are available on the AMF website ([www.amf-france.org](http://www.amf-france.org)).

## 1.3.5 Regulated agreements and undertakings

In accordance with applicable legal and regulatory provisions, the Statutory Auditors have been informed of all the regulated agreements and undertakings entered into during the 2017 nine-month financial period, and of agreements and undertakings entered into during previous financial years but still in effect during the 2017 nine-month financial period.

During the 2017 nine-month financial period, the following transaction was approved by the Supervisory Board as regulated agreement:

- the transfer of the shares held by Rothschild & Co in Funds Selection, representing 20% of the share capital of the latter, to Rothschild Asset Management.

This regulated agreement will be submitted for approval to the shareholders at the General Meeting to be held on 17 May 2018.

More detailed information on this regulated agreement and the report of the Statutory Auditors related thereto will be presented in the General Meeting Document.

## 2 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 2017.

Purpose	Resolution number	Individual limit	Period of validity	Use during the 2017 financial year
<b>Combined General Meeting of 28 September 2017</b>				
To issue shares, without preferential subscription rights, reserved for (i) the Group's employees and corporate officers and (ii) the foreign subsidiaries in the context of the implementation of the stock option plans	17	Limited to 1.5% of the share capital <sup>(1)</sup>	18 months	None
To issue securities granting immediate or deferred access to the share capital reserved for members of a corporate savings plan	18	Limited to a nominal amount of €1 million <sup>(1)</sup>	26 months	None
<b>Combined General Meeting of 29 September 2016</b>				
To decrease, in one or several transactions, the share capital by cancelling treasury shares	15	Limited to 10% of the share capital per 24-month period	26 months	None
To increase, in one or several transactions, the share capital by incorporation of all or part of reserves, income or issue, merger or contribution premiums, by granting bonus shares, by increasing the par value of existing shares or by using such two methods jointly	16	Limited to a nominal amount of €50 million	26 months	None
To issue, in one or several transactions, transferable securities with preferential subscription rights, giving access to the Company's share capital	17	Limited to a nominal amount of €70 million (share capital securities) <sup>(1)</sup> or €300 million (debt instrument) <sup>(2)</sup>	26 months	None
To issue, in one or several transactions, transferable securities with waiver of preferential subscription rights, giving access to the Company's share capital by public offer	18	Limited to a nominal amount of €15 million <sup>(1)(3)</sup> (capital share securities) or €200 million (debt instrument) <sup>(2)</sup>	26 months	None
To issue, in one or several transactions, transferable securities with waiver of preferential subscription rights and free fixing of issue price, giving access to the Company's share capital	19	Limited to 10% of the share capital per year <sup>(1)(3)</sup> (capital share securities) or €200 million (debt instrument) <sup>(2)</sup>	26 months	None
To increase the number of securities to be issued when increasing the share capital with waiver or not of preferential subscription rights	20	To be deducted from the individual limit as stipulated in the resolution in respect of the initial issuance <sup>(1)(2)</sup>	26 months	None
To grant options to subscribe for or purchase the Company's shares to employees and corporate officers of the Company and/or associated companies	21	Limited to 10% of the share capital as of the date of the General Meeting of shareholders of 29 September 2016 <sup>(1)</sup> (with a specific limit of 0.72% for the Company's executive officers)	38 months	Share capital increases representing 117,500 shares decided on 21 July 2017, 30 Nov. 2017 and 29 Dec. 2017 following the exercise of options <sup>(4)</sup>
To issue of ordinary shares in order to remunerate contributions in kind granted to the Company consisting of equities or securities giving access to the share capital	25	Limited to 10% of the share capital <sup>(3)</sup>	26 months	None
<b>Combined General Meeting of 24 September 2015</b>				
To grant bonus shares to employees and corporate officers of the Company and/or associated companies	14	5% of the share capital as of the date of the decision to grant bonus shares	38 months	None

(1) To be deducted from the aggregate limit fixed by resolution No. 19 adopted by the General Meeting of shareholders of 28 September 2017 to €70 million for the share capital securities.

(2) To be deducted from the aggregate limit fixed by resolution No. 23 adopted by the General Meeting of shareholders of 29 September 2016 to €300 million for the debt instruments.

(3) It is specified that the increases of share capital with waiver of preferential subscription rights resulting from the implementation of the 18<sup>th</sup>, 19<sup>th</sup> and 25<sup>th</sup> authorisations to the Managing Partner are capped at a common ceiling of €15 million.

(4) See details on page 55.

The Company's Managing Partner decided to submit for approval to the General Meeting of shareholders on 17 May 2018, in particular the following new delegations to be granted to the Company's Managing Partner:

- Delegation of authority to the Managing Partner to reduce the share capital by cancelling treasury shares;
- Delegation of authority to the Managing Partner to increase the share capital by incorporation of reserves, income or issue, merger or contribution premiums;
- Delegation of authority to the Managing Partner to issue transferable securities with preferential subscription rights maintained, giving immediate or deferred access to the Company's share capital;
- Delegation of authority to the Managing Partner to issue transferable securities with waiver of preferential subscription rights, giving immediate or deferred access to the Company's share capital through a public offer;
- Delegation of authority to the Managing Partner to issue transferable securities with waiver of preferential subscription rights and free fixing of issue price, giving immediate or deferred access to the Company's share capital;
- Delegation of authority to the Managing Partner to increase the number of securities to be issued when increasing the share capital with waiver or not of preferential subscription rights;
- Authorisation granted to the Managing Partner to grant options to subscribe for or purchase Company's shares to employees and executive officers of the Company and companies related to it;
- Delegation of authority to the Managing Partner to issue securities granting immediate or deferred access to the share capital reserved for members of a corporate saving plan;
- Delegation of powers to the Managing Partner for the purpose of issuing ordinary shares in order to remunerate contributions in kind granted to the Company consisting of equities or securities giving access to the share capital;
- Authorisation granted to the Managing Partner to grant bonus shares to employees and corporate officers of the Company and/or associated companies;
- Delegation of authority granted to the Managing Partner to issue shares, without preferential subscription rights, reserved for (i) the Group's employees and corporate officers and (ii) foreign subsidiaries in the context of the implementation of stock option plans.

More detailed information will be presented on these proposed delegations of authority 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](http://www.rothschildandco.com).

## 3 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.

### 3.1 Share ownership structure

The share ownership structure is described on page 59 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. Also, 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.

### 3.2 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 on page 61 of this report.

### 3.3 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 on page 54 of this report.

### 3.4 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 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.

### 3.5 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.

### 3.6 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 on page 59 of the Management Report.
- 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 on page 63 of the Management Report.
- Management's powers, particularly with regard to the issue or purchase of shares: see Section 2.4 on page 57 of the Management Report and Section 2 on page 95 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 on page 63 of the Management Report.

## 1 Group Corporate Social Responsibility policy

In this report, Rothschild & Co or the Group refers equally to Rothschild & Co and the Rothschild & Co group.

Over the years, Rothschild & Co has been gradually developing and implementing policies designed to take environmental and social issues into greater account in its businesses, and circulating these among its employees and stakeholders. Given the Group's structure, the initiatives are usually locally taken. However, they are guided by a common set of values on which Rothschild & Co's internal operations, relations with stakeholders and investment decisions are based.

Social and environmental information has become an integral part of the Group's reporting practice.

These matters are governed by a number of committees including a Group Environment, Health & Safety Committee, which was established during the 2016/2017 financial year, a Global Community Investment Committee established during the 2017 financial year, a Community Investment Committee (in the United Kingdom) and a Diversity Committee (in the United Kingdom).

Rothschild & Co monitors the policies and activities of these committees, on a consolidated basis.

Rothschild & Co is strongly committed to taking into account and managing the impact of its activities on society and the environment. However, as Rothschild & Co is the parent company of a group carrying out banking and financial activities, the disclosure of some of the information listed in article R. 225-105-1 of the French Commercial Code is not relevant. Explanations are provided where information has been excluded.

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 SA as independent third party. The report from KPMG SA on this report is presented on pages 114 and onwards.

## 2 Methodology

### 2.1 Reporting procedure

Coordination of the CSR reporting procedure is conducted at Rothschild & Co level by members of the Group's functions in charge of Human Resources, Environment and Community Investment, External Reporting, Property and Corporate Services, Legal and Company Secretariat (the "CSR Working Group").

The CSR Working Group has met on a periodic basis to set the scope of the reporting, to organise the collection of the relevant information for the 2017 financial year and consolidate the indicators included in the reporting campaign.

In the absence of recognised reporting standards on corporate social responsibility that are relevant to its activities, Rothschild & Co has defined for the Group its own reporting procedures based on best practice and on information required by the legal provisions, which have been consolidated in the Rothschild & Co CSR Reporting Guidelines.

These guidelines are updated on an annual basis taking into consideration the CSR objectives fixed for the financial year and are set out in a formal framework incorporating the human resources, environmental and community components, and provide a methodology for all those involved in preparing the CSR information to be included in this report. These guidelines have been updated by the CSR Working Group for the 2017 financial year, then reviewed and validated by Rothschild & Co to incorporate changes affecting the Group or the performance indicators from last year.

### 2.2 Reporting scope

Given the Group's organisation, for the 2017 financial year, the scope of the reporting does not include all of its entities for some of the required information.

In addition, the Martin Maurel group entities acquired as a result of the merger between Rothschild & Co and Compagnie Financière Martin Maurel effective as from 2 January 2017 are not taken into account in the CSR Report for the financial year 2017<sup>(1)</sup>.

For the financial year 2017, 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; and
- **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;
  - regarding training information, only the four major office locations (London, New York, Paris and Zurich) are included in the report boundary, representing approximately 70% of the Group headcount, with quantitative information provided for London (which includes training organised in London for individuals from the office locations across the United Kingdom and the world) and Paris only. As far as the training hours are concerned, the reporting scope is limited to France.
  - regarding Health & Safety information, 15 office locations are included in the reporting boundary: Brussels, Frankfurt, Geneva, Guernsey, Hong Kong, Johannesburg, London, Madrid, Milan, Mumbai, New York, Paris, Singapore, Sydney and Zurich, representing approximately 97% of the Group's headcount.
- Environmental information: 15 office locations are included in the reporting boundary: Brussels, Frankfurt, Geneva, Guernsey, Hong Kong, Johannesburg, London, Madrid, Milan, Mumbai, New York, Paris, Singapore, Sydney and Zurich, representing approximately 97% of the Group's headcount.
- Corporate social 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.

(1) The Martin Maurel headcount represents 13.6% of the total Group headcount as at 31 December 2017.

From an HR perspective, Rothschild & Co will integrate the former Martin Maurel group entities in the CSR Report for the next financial year.

From an environmental perspective, Rothschild & Co will introduce in the CSR Report for the next financial year, five new office locations, which are the next largest offices (based on full-time equivalent (FTE) headcount) and are likely to include Marseille, Lyon, Grenoble, which were the main offices of the former Martin Maurel group.

The information collected covers the period from 1 January 2017 to 31 December 2017, except for data relating to Section 5.2.2 which covers the period from 1 April 2017 to 31 December 2017. Data is also provided for the 2016/2017 financial year in order to allow a comparison between those periods of 12 months, given the change of fiscal year from 31 March to 31 December.

## 3 Human Resources information

### 3.1 Our people

By geography <sup>(1)</sup>	31/12/2017	31/03/2017
United Kingdom and Channel Islands	964	946
France <sup>(2)</sup>	1,180	1,202
Switzerland	365	363
Other Continental Europe	387	332
North America	320	282
Rest of the world	286	285
<b>Total Group</b>	<b>3,502</b>	<b>3,410</b>

By business	31/12/2017	31/03/2017
Global Advisory	1,324	1,271
Private Wealth & Asset Management	1,245	1,332
Merchant Banking	125	106
Specialist Finance	24	40
Central & Support	784	661
<b>Total Group</b>	<b>3,502</b>	<b>3,410</b>

Employee age profile <sup>(3)</sup>	31/12/2017	31/03/2017
< 30 years	22.2%	22.8%
30 to 39 years	32.2%	32.9%
40 to 49 years	26.7%	25.6%
> 50 years	18.9%	18.8%
<b>Total Group</b>	<b>100.0%</b>	<b>100.0%</b>

Employee gender profile	31/12/2017	31/03/2017
Male	61.0%	60.7%
Female	39.0%	39.3%
<b>Total Group</b>	<b>100.0%</b>	<b>100.0%</b>

### 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. The Group strives to create an inclusive culture that encourages the highest standards of quality, professionalism and ethics.

Rothschild & Co has over 3,500 employees across the world, of whom 39% are female. The team 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, Private Wealth, 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, 111 students were hired and placed onto the Global Graduate Training Programme. 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 have a keen focus on diversity for all our Internship and Graduate programmes.

Rothschild & Co also recruits experienced professionals to help grow its business and in order 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 do 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, again considering the broader diversity of the candidates selected.

During the 2017 financial year, the number of redundancies represented 0.6% of the total headcount, and the aggregate number of new joiners was 518 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 this deferral is awarded in non-cash instruments.

Detailed information is presented in the consolidated financial statements, on page 161, under Note 27 "Operating expenses".

(1) A presentation of all the Group's office locations is set out on pages 12-13.

(2) Except as indicated in Section 2.2 above, the data set out in this table and in the second paragraph below this table includes Martin Maurel employees following the merger between Rothschild & Co and Compagnie Financière Martin Maurel. For the avoidance of doubt, the other HR data in Section 3 does not include the employees from the Martin Maurel group.

(3) Age distribution based on 91% of data.

## 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 Human Resources 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. This system will cover lateral recruitment and employee lifecycle management for all the Group employees.

Absence management functionality is being addressed on a location by location basis. In 2018, this will be rolled out across offices in Guernsey, the United Kingdom and the United States of 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 leaves, additional leaves, breastfeeding leave, absences for working accident, sick leave and therapeutic part-time. During the 2017 financial year, in France, which represents 34% of the total headcount, the absenteeism rate amounted to 1.6%<sup>(1)</sup>.

## 3.4 Labour relations

Communication with and feedback from employees form a key aspect of Rothschild & Co's working practices. 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 email 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 (*délégués du personnel*) at the level of Rothschild & Co, and for other companies the social dialogue is organised through the work council (*comité d'entreprise*), the staff delegates (*délégués du personnel*) and the health and safety committee (*comité d'hygiène, de sécurité et des conditions de travail*). 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 2017 financial year, nine collective agreements were executed. Some of these agreements are action 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 and participation.

Moreover, in France, a Health & 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 & Safety

In 2015 and 2016, Rothschild & Co undertook a global legal compliance and conformance assessment to understand the legal Health & Safety responsibilities in each jurisdiction where Rothschild & Co has an office. This assessment led to the approval and internal publication of the Group Health & Safety Policy which defines the Group Health & Safety conformance standard for offices worldwide, in order to further strengthen and improve Health & Safety conformance requirements across all of the Group's offices.

### 3.5.1 Group Health & Safety Policy

The Group Health & Safety Policy, which is published on Rothschild & Co's Intranet, guides the Group's direction and approach to responsible health & safety management.

To ensure a consistent approach to maintaining the health, safety and well-being of all persons who might be affected by the activities within an office, all locations commit to implementing the conformance standard by setting procedures listed within the Group Health & Safety Requirements (HSRs) prescribed in the Policy.

### 3.5.2 Health & Safety Requirements

Operational guidance is provided to individual locations prepared by the Group Health & Safety Manager, to ensure that procedures created are suitable for the needs of the location's size and activity.

Health & Safety management includes, but is not limited to:

- 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 & well-being services; and
- inspection and audit of the Health & Safety procedures at work.

Each location has one or more Health & Safety Advocates to ensure day-to-day management of the HSRs in line with the Policy.

All supporting documentation is drafted by the Group Health & Safety Manager and further approved by the Group Environment, Health & Safety Committee before it is introduced to offices.

(1) Based on a number of business days of 251. This rate takes into account the absences for working and commuting accident, the therapeutic part-time, the sick leave, the pathological pregnancies and the absences relating to births.

### 3.5.3 Fire strategy review

In 2017, Rothschild & Co carried out a due diligence exercise with all offices within the Group to confirm the suitability of their fire protection procedures.

### 3.5.4 Collective agreements

In France, collective agreements put in place also cover Health & Safety. There are no other collective agreements in place with regard to Health & Safety matters.

### 3.5.5 Reportable workplace accidents

For the 2017 financial year, reportable workplace accidents including in lost working days are listed below. The figures provided are total accidents reported internally. Where local legislation requires it, a report may also have been provided to the necessary authority.

Country	Office location	Workplace accidents	Days lost	Workplace accidents	Days lost
		01/01/17 31/12/17 (12 months)	01/01/17 31/12/17 (12 months)	01/04/16 31/03/17 (12 months)	01/04/16 31/03/17 (12 months)
Australia	Sydney	2	-	-	-
Belgium	Brussels	1	16	1	1
France	Paris	4	13	5	5
Germany	Frankfurt	2	1.5	1	1
Greater China	Hong Kong	-	-	-	-
Guernsey	Guernsey	-	-	-	-
India	Mumbai	-	-	-	-
Italy	Milan	-	-	-	-
Singapore	Singapore	-	-	-	-
South Africa	Johannesburg	-	-	-	-
Spain	Madrid	-	-	-	-
Switzerland	Geneva	-	-	-	-
Switzerland	Zurich	-	-	-	-
United Kingdom	London	10	31	-	-
United States of America	New York	-	-	-	-

## 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, run 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, WebEx training is also offered for global offices.

In Global Advisory, an Offsite was held for all Associates and Vice-Presidents across the Group. The programme was developed in conjunction with the business and included sessions on the business, particularly North America, Merchant Banking, Debt Advisory, Restructuring and Equity Advisory. The Offsite also included a teambuilding event for bankers to continue to build their internal network.

In addition to the Offsite, 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 Associates and Assistant Directors/Vice-Presidents and bi-annual for Directors.

Within Global Advisory, a number of bespoke training programmes have been organised. The Negotiation Skills offering was reviewed and revamped with a new provider and this ran successfully in the United Kingdom and South Africa. The Financial Institutions team attended Banking and Insurance Valuation training. Managing Directors within Global Advisory Division in the United Kingdom continue to attend communication skills and media training. The Management Development Programme, "Driving Performance – Getting the Best out of Yourself and Others" was rolled out to all Global Advisory team leaders and staffers globally in November.

**Private Wealth Development Programmes:** each area of Private Wealth 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, Rothschild & Co have continued to offer the course "Driving Performance – Getting the Best out of Yourself and Others". 63 delegates have now attended from Frankfurt, Geneva, Guernsey, Hong Kong, London, Zurich, and Paris for the first time. The plan is to continue to roll out to all staff with personnel responsibilities. There have also been other programmes to help embed the learning and complement this programme set up focusing on UK employment law and the role of the

manager, and there will be sessions on managing mental health in the workplace later this quarter. In addition, the structured development programme for Analysts and Associates reached the end of its first 18-month rollout, and it has now been evaluated and amended to create a broader and more in-depth two-year programme which continues to provide technical, personal and client skills training alongside on the job training. A similar programme has also been developed and rolled out in Switzerland, called the Career Development Programme.

**Global Graduate Training Programme:** this programme is run on an annual basis for Global Advisory, Asset Management, Merchant Banking and Private Wealth graduates. The programme commences with a week-long corporate 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 United Kingdom 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.

**Performance Review:** line managers are offered training prior to the Performance Review Process each year to enhance their skills in managing performance and giving feedback, with a focus on objective setting. In Private Wealth, several workshops have been held in London and Zurich and a number of individual coaching sessions for line managers were organised. With the change of the financial year, the Performance Review Process has had a light touch approach and we have organised coaching for managers on a needs basis.

This year has seen an introduction of self-management programmes supported by our Balance@Rothschild initiative (please refer to Section 3.7 below for more details). Further courses: "Optimise your Mindset", "Meet your Mind", "Influence and Impact" and "Mindfulness" have been offered to **Support, Global Advisory and Private Wealth and Trust** staff.

Moreover, in France, management training was organised for employees whose position has evolved following the merger between Rothschild & Co and Compagnie Financière Martin Maurel and the legal and economic reorganisation of the Rothschild & Co and Martin Maurel groups following the merger (as described in Section 1.4.1 of the Results for 2017 Financial Year Section – see details on page 51) in order to assist them in 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 other than Paris; however, in the UK 261 training events took place with 2,368 employees from the UK office locations and with staff from other office locations also attending. In France, a large budget is allocated to the individual training of employees, in excess of the legal obligations. In this context, 217 training events were provided, representing 7,530 of training hours.

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 behaviour.

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 central to the Group's success. As such, Rothschild & Co supports various personal development initiatives including mentoring and membership of networking organisations and forums to connect its professionals and promote inclusivity across the firm.

Rothschild & Co has been participating in the "*Charte de la Diversité*" since 2005. In this regard, the Group aims at having objective criteria in its recruitment, appraisal and compensation processes and it informs and trains its managers on this important subject.

The Network for Knowledge (NFK) Committee is a City-wide, cross-firm organisation in London for women founded by Goldman Sachs International in 2007. This committee comprises senior women from law firms and banks including representation from Rothschild & Co. It aims to connect female professionals from across these fields and to address the issues that affect their career development. The NFK organises regular networking events, training sessions and seminars including an annual flagship event. There is a cross-firm mentoring programme in which a number of professionals from Rothschild & Co participate.

Mr. David de Rothschild, the Chairman of Rothschild & Co's Managing Partner, is one of the 259 members of the 30% Club which aims to increase female representation on FTSE-350 boards by 2020 from the current industry average of 24.8% 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.

This year saw the launch of the Women's Leadership Forum, where all female Managing Directors across the firm came to London for a day and a half's conference. Senior male Managing Directors were invited for the first day to discuss challenges and solutions, hearing from other companies and Managing Directors across the firm. The second day was a female Managing Directors only day looking at building their skill set. The conference concluded with female Directors from London invited to a panel discussion on concerns and hearing how others have overcome challenges of being a successful woman at Rothschild & Co.

Resulting from the Women's Leadership Forum a committee has been established to look at three different workstreams; promotion and transparency; balance for all and confidence and belief; and sponsorship and mentoring. These workstreams will commence work in 2018.

In the United Kingdom, the Diversity Committee continues with a number of senior representatives from each major business of the Group. The UK Diversity Committee supports the Women's Network and the Lesbian, Gay, Bisexual and Transgender (LGBT) Network. Both Networks have organised a number of speaker series and social events to encourage the Network's 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 good practice forum on sexual orientation in the workplace.

The focus on staff to help them 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. We also have a plan in favour of more seasoned employees which aims to measure and enhance their professional development and transmit knowledge within the Group.

### 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, Rothschild & Co works closely with them and its Occupational Health advisers to provide the appropriate adjustments and support to ensure they can be successful and fulfilled in the workplace. In its United Kingdom environment, the Group also collaborates with specific organisations and charities, for example Blind in Business, to ensure that the Group is providing the best possible care and support to its employees.

In France, the Group's contribution to the employment of disabled persons is conducted by financing specialised companies 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 to 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.

## 4 Environmental information

Rothschild & Co recognises its environmental responsibilities and the importance of being actively engaged with environmental issues. Rothschild & Co also recognises 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 business.

Accepting the importance of the decisions made at the 21<sup>st</sup> session of the Conference of the Parties in Paris in December 2015, Rothschild & Co has adopted a Group Environmental Policy and guiding vision:

*"Through our operations, products and services we will aim to add value to our and our clients' businesses in a sustainable, environmentally-responsible way, to conserve and protect the world's natural resources."*

The Group Environment Policy and vision are underpinned and aligned with the six most relevant United Nations Sustainable Development Goals ("SDGs") for the Group, from the 17 SDGs defined by the United Nations.

In line with the Group's strategy, the six goals help focus the effort of reducing the Group's negative environmental impact from its operations.

Whilst the Group recognises the importance of all the SDGs, it has specifically aligned itself with those it feels most relevant to the environmental management of the business, these are:



To maintain a consistent, focused approach on the most material environmental impact areas of the Group's locations, Rothschild & Co has implemented a continuous improvement programme called the Environmental Management Action Plan (EMAP). The EMAP is aimed at reducing the negative environmental impact of the Group's operations. This plan further supports local environmental initiatives run by building landlords where Rothschild & Co and its affiliates are tenants.

Rothschild & Co continues to strengthen and improve environmental compliance and conformance requirements by following the continuous improvement programme that it implemented during the financial year ended on 31 March 2017. This includes the minimum conformance standards to be maintained across all of the Group's offices.

In 2017, as for the previous year, Rothschild & Co reported environmental data from 15 office locations: Brussels, Frankfurt, Geneva, Guernsey, Hong Kong, Johannesburg, London, Madrid, Milan, Mumbai, New York, Paris, Singapore, Sydney and Zurich. This represents a coverage of approximately 97% of the total coverage by FTE headcount in 2017<sup>(1)</sup>.

Rothschild & Co has again normalised its total environmental impact against full-time equivalents ("FTE"), enabling a better understanding of its impact at a staff level.

The specific metrics measured by the Group, for the year ended on 31 December 2017 (compared with the year ended on 31 March 2017) are waste production, water use, materials use, energy use and greenhouse gas ("GHG") emission.

For the financial year ended on 31 December 2017, total waste has decreased by over 3%. This decrease has been driven by waste reduction programmes, more efficient waste separation, staff training and more accurate data collection for some of the offices reporting for the second time. In addition, the Group is rolling out more widely and over time a successfully piloted office food waste separation programme.

Total water use has remained fairly consistent this year. Total materials use has decreased by about 5%, mainly due to the implementation of programmes to reduce consumption.

Overall energy consumption saw a slight increase of 3%. This is due to a rise in gas consumption for one office, where staff comfort demands have caused the building to run less efficiently.

In line with best practice, the Group has elected to produce a "dual report" for Scope 2 (predominately electricity consumption) GHG emission. This "dual reporting" uses both location and market-based reporting methods.

The locations-based methodology is the historical way Rothschild & Co has reported GHG emissions. This method 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.

The market-based reporting methodology enables the recognition of conscious choices made in electricity purchases from 100% renewable energy.

Total GHG emissions have increased by approximately 5%. Whilst this was in part due to improvements in data collection for some offices reporting for the second time, it was also a result of increased Scope 3 emissions, particularly those related to indirect emissions from business travel.

## 4.1 General Environment Policy

### 4.1.1 Company policy addressing environmental issues and steps taken to evaluate performance or obtain environmental certification

During the financial year ending on 31 March 2017, Rothschild & Co implemented its Group Environment Policy, defining the Group's direction and approach to responsible environmental management. This Policy is applicable and adopted by all Group entities, branches and divisions.

The Policy emphasises the desire to make a meaningful and positive environmental difference as a sustainable business that the Group's clients can depend upon.

As mentioned in the introduction of Section 4, the Group's vision is underpinned by the six most relevant United Nations Sustainable Development Goals ("SDGs") for the Group to address operational environmental management. These are<sup>(2)</sup>:



To ensure access to safe water sources and sanitation for all.



To ensure access to affordable, reliable, sustainable and modern energy for all.



To promote inclusive and sustainable economic growth, employment and decent work for all.



To ensure sustainable consumption and production patterns.



Taking urgent action to tackle climate change and its impacts.



To sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss.

Drawing from these SDGs, Rothschild & Co adapts its operational activities to continuously improve its approach to environmental management and address relevant environmental concerns.

(1) For the avoidance of doubt, this does not include the FTE headcount of the Martin Maurel group entities. The economic and legal reorganisation of the two groups following the merger between the two holdings Rothschild & Co and Compagnie Financière is described in the Management Report on page 51. In the annual report relating to the 2018 financial year, Rothschild & Co will aim to report on 100% of the Rothschild Martin Maurel sub-group office locations.

(2) Please refer to the following website for more information: <http://www.un.org/sustainabledevelopment/>

The overall governance of environmental matters comes from the Group Environment, Health & Safety Committee. This Committee is formed of senior representatives championing Environment, Health & 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 environment strategy;
- promote alignment of Rothschild & Co's Environment Policy across all Group legal entities;
- review and provide direction on Rothschild & Co's environmental goals and targets; and
- review and endorse environmental content for the Rothschild & Co Annual Report, including the Corporate Social Responsibility Report, and environmental content of all other Rothschild & Co reports, and the Rothschild & Co website.

The Group Environment Manager is responsible for coordinating all environmental activities, with senior individuals at each of our offices who, in turn, are accountable for their location's environmental management.

Implementation of environmental management activities at each location is the responsibility of the location's Environment Advocates, with environmental stewardship being the responsibility of every Rothschild & Co employee.

#### 4.1.2 Employee training and awareness on environmental protection

Rothschild & Co raises employee awareness of environmental challenges affecting the Group primarily through its Intranet R-connect, email communications, notice boards and face-to-face meetings.

In 2017, the Group participated in many global initiatives to increase employee awareness on various environmental challenges. One of the initiatives, Zero Waste Week, was aimed at increasing awareness of the waste generated from our daily activities. Focusing on eliminating disposable packaging, employees were encouraged to have a zero waste lunch by, for example, bringing in leftovers from home or asking their local café to fill reusable containers. Employees were asked to take a photo and explain what they had done to reduce lunchtime waste before entering a competition judged by the EH&S Committee. The winners were invited to select a charity to receive a donation from the Group on their behalf.

The Group also shared environmental impact information of the office operations internally with infographics. Using these infographics, staff were able to compare the relative impact at an absolute and per person level for waste, material use, water use, energy use and CO<sub>2</sub> emissions. The results were broken down into tangible comparisons, like the number of showers the Group water use amounts to per person. Communicating the impact in this way enabled employees to compare offices against each other more easily.

Environmental Advocates have been identified for each office location. This has helped ensure clear understanding, consistent messaging and sharing of best practice to address environmental challenges that are commonly found across the Group.

In due course, Rothschild & Co will develop and deliver training that addresses environmental challenges that are common across the Group. This training will be made available for all Rothschild & Co employees and where appropriate, third-party contractors.

#### 4.1.3 Amount of provisions and guarantees for environmental risk

In 2015 and 2016, Rothschild & Co undertook a global 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, which the Group regularly monitors and uses to continuously improve.

To date, no particular provisions or guarantees have been identified or are required for operational environmental risk.

### 4.2 Pollution

#### 4.2.1 Measures for preventing, reducing or offsetting discharges into the air, water and soil, with a severe impact on the environment

As an office-based business, Rothschild & Co does not consider its discharges into air, water and soil to be material environmental risks.

#### 4.2.2 Sound pollution and any other form of business-specific pollution

As an office-based business, Rothschild & Co does not consider sound pollution to be a material environmental risk, nor does the Group contribute to any other business-specific forms of pollution.

### 4.3 Circular economy

Rothschild & Co understands that applying a traditional approach to resource use places undue pressure on global resources, is wasteful and is uneconomically viable in an increasingly challenging business environment. The Group believes that promoting circular economy activities is in line with being a responsible, sustainable business that helps uphold its commitment to responsible consumption and production, as defined under the 12<sup>th</sup> Sustainable Development Goal of the United Nations (responsible production and consumption).

## 4.3.1 Waste prevention and management

### 4.3.1.1 WASTE PREVENTION, RECYCLING, REUSE, OTHER FORMS OF RECOVERY, AND DISPOSAL OF WASTE

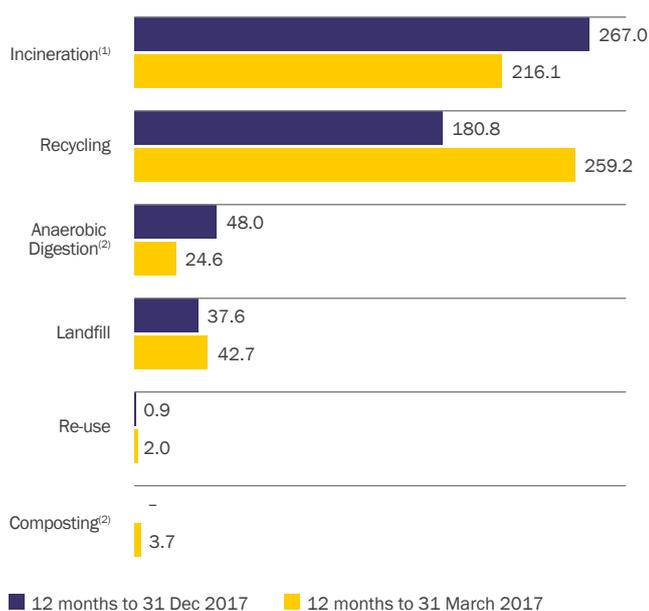
In 2017 and as part of environmental improvement actions from the EMAP, the Group broadened its circular economy activities by implementing several initiatives, including rolling out more centralised recycling stations, switching more offices to 100% recycled paper, eliminating single-use cups and adopting electronic payslips in more office locations.

In line with the EMAP, Rothschild & Co will continue to implement actions to further improve Group waste management. This includes the separation of biodegradable waste, predominately food, and ongoing training for employees to help ensure separation is effectively and efficiently managed.

Overall a decrease in total waste of 3% has been recorded. This decrease is mainly due to waste reduction programmes, more effective waste separation, staff training and business activity resulting in reduced materials use. Moreover, the reporting of waste disposal data has been improved during the financial year ended on 31 March 2017 and is now more accurate.

#### Waste disposal data<sup>(1)</sup>

##### Group breakdown by disposal methods (in tonnes)



(1) 95% of incineration is with energy recovery.

(2) Anaerobic digestion and composting are the two food waste disposal methods used by the Group.

Waste disposal in tonnes	01/01/17 31/12/17 (12 months)	01/04/16 31/03/17 (12 months)
<b>Total Waste Disposal</b>	<b>534.3</b>	<b>548.2</b>
Tonnes/FTE	0.19	0.19

### 4.3.1.2 ACTIONS AGAINST FOOD WASTE

Food waste in tonnes	01/01/17 31/12/17 (12 months)	01/04/16 31/03/17 (12 months)
<b>Food Waste</b>	<b>40.8</b>	<b>29.1</b>
Tonnes/FTE	0.01	0.01

The Group has continued to expand its programme for separating biodegradable (predominately food) waste, to more offices globally. In offices where biodegradable waste is collected separately, there has been a noticeable reduction in general waste. The collection of biodegradable waste includes, amongst other things, coffee and tea waste, unwanted or uneaten food and compostable packaging.

Rothschild & Co recognises the challenges for managing waste, particularly where a lack of local infrastructure limits effective waste management. However, Rothschild & Co will continue to work towards finding solutions to overcome these challenges by working with local Environmental Advocates and third-party contractors.

## 4.3.2 Sustainable use of resources

### 4.3.2.1 WATER CONSUMPTION AND WATER SUPPLY BASED ON LOCAL CONSTRAINTS

Water is the source of life and many communities are affected by water stresses and scarcity. Accessibility to clean fresh water is not available in many parts of the world, although this need not be the case and with increased awareness and appropriate water management and infrastructure, some water stresses could be alleviated.

Rothschild & Co operates in many countries, some of which experience water stress. Whilst the Group is not a major consumer of water, it does recognise its responsibility to the countries it operates in and the people who live there.

As Rothschild & Co increases its geographical reporting scope, it will have a better understanding of these water stresses and in due course, and in line with its commitment to the Sustainable Development Goal 6 defined by the United Nations (clean water and sanitation), the Group will work towards addressing water stress and its impact.

Improved and more accurate data collection for the financial year ended on 31 December 2017 from many offices has reduced the reliance on estimated data which routinely underrated water use. Where available, more accurate data has been used to re state the figure for the financial year ended on 31 March 2017.

(1) For more information on waste disposal data, please refer below to the additional data notes.

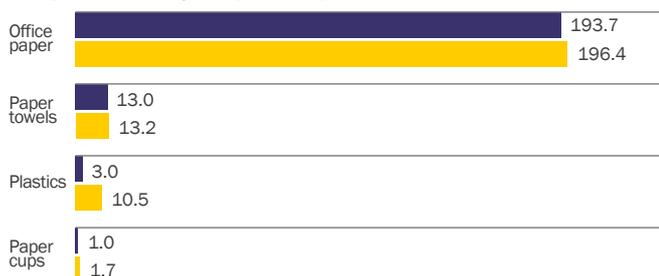
**Water use data<sup>(1)</sup>**

Water consumption in m <sup>3</sup>	01/01/17 31/12/17 (12 months)	01/04/16 31/03/17 (12 months)
<b>Water Consumption</b>	<b>43,657.4</b>	<b>42,253.7</b>
m <sup>3</sup> /FTE	15.17	14.93

**4.3.2.2 CONSUMPTION OF RAW MATERIALS AND MEASURES TO IMPROVE EFFICIENCY IN THEIR USE**

Raw materials are interpreted predominately to mean paper, although an increase in reporting scope over the years has resulted in more material types being added. With that said, 2017 saw an expansion in the amount of 100% recycled paper being used for everyday printing. The use of 100% recycled paper promotes circular economy practices and helps reinforce our commitment to the Sustainable Development Goal 12 defined by the United Nations (responsible consumption and production). In the coming years, the Group will further expand the use of sustainably sourced material.

In 2017, materials use has seen a decrease of about 5%. This was due mainly to more accurate data collection for some offices reporting for the second time as well as initiatives in offices to reduce consumption and, where available, favour recycled alternatives.

**Materials use data<sup>(2)</sup>****Group breakdown by use (in tonnes)**

■ 12 months to 31 Dec 2017    ■ 12 months to 31 March 2017

**Responsibly sourced materials**

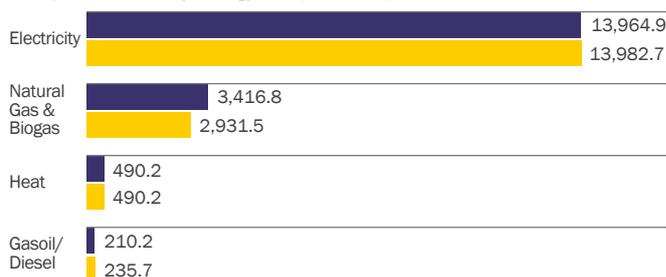
Materials use in tonnes	01/01/17 31/12/17 (12 months)	01/04/16 31/03/17 (12 months)
Recycled content	41.19	38.06
Non-recycled content	169.52	183.7
<b>Total materials consumption</b>	<b>210.7</b>	<b>221.8</b>
Tonnes/FTE	0.07	0.08

**4.3.2.3 ENERGY CONSUMPTION AND MEASURES TO IMPROVE ENERGY EFFICIENCY**

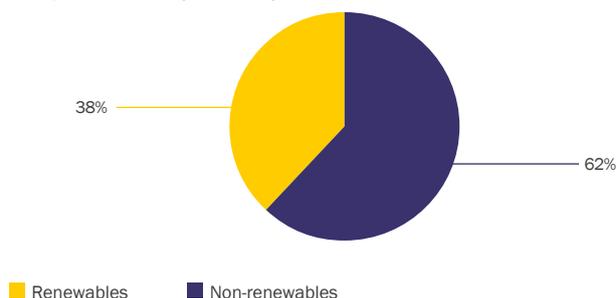
Fossil fuels are a major contributor to electricity production and, as a consequence, contribute to greenhouse gas emissions. Electricity plays a major role in business communications and connectivity, yet about 1 in 5 people in the world do not have access to electricity. Global growth of renewable, sustainable energy continues and governments and businesses are in a strong position to drive that growth.

Over the past few years the Group has identified energy efficiency opportunities and energy-saving actions for office operations. In addition, the Group procures about 38% of its electricity from certified renewable sources and it intends to further expand the purchasing of renewable energy in due course. Further purchases will help stimulate economic growth and reduce greenhouse gas emissions, which is in line with the Group's commitments to Sustainable Development Goals 7 (affordable and clean energy), 8 (decent work and economic growth) and 13 (climate action) defined by the United Nations.

Energy consumption has increased marginally. This has been driven by an increase of gas consumed in one office. The building management team have identified that both the competing comfort demands of staff members and some faulty machinery are causing the building to work less efficiently.

**Energy use data<sup>(3)</sup>****Group breakdown by energy use (in tonnes)**

■ 12 months to 31 Dec 2017    ■ 12 months to 31 March 2017

**Group breakdown by electricity sources in 2017**

(1) For more information on water use data, please refer below to the additional data notes.

(2) For more information on materials use data, please refer below to the additional data notes.

(3) For more information on energy use data, please refer below to the additional data notes.

# Corporate Social Responsibility

## Total energy use

Total energy use in MWh	01/01/17 31/12/17 (12 months)	01/04/16 31/03/17 (12 months)
<b>Total Energy Consumed</b>	<b>18,082.1</b>	<b>17,640.0</b>
MWh/FTE	6.28	6.23

### 4.3.2.4 LAND USE

No sites are located in or adjacent to areas of high biodiversity value and the Group does not consider its land use to be of material environmental risk. However, it remains mindful of the impacts of land use and will protect, as far as practicable, biodiversity affected by the Group's operations.

## 4.4 Climate Change

### 4.4.1 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 103). In the same financial year Rothschild & Co established its Group Environment Policy. This policy will help it adapt to climate change challenges.

### 4.4.2 Significant greenhouse gas emissions items generated as a result of the Group's activity, particularly by the use of goods and services provided

Rothschild & Co's greenhouse gas ("GHG") emissions are calculated as tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e), a universal unit of measurement expressing the impact of each of the Kyoto GHGs in terms of the amount of CO<sub>2</sub> that would create the same amount of warming.

Rothschild & Co calculates tCO<sub>2</sub>e by multiplying its activity data, for example waste incineration, landfill and miles travelled by air, by the UK DEFRA-approved conversion factors.

The Group's emissions reporting is in respect of its operational activities and includes Scope 1 and 2 emissions, and Scope 3 emissions in respect of business travel, water supply and wastewater treatment, materials, waste disposal, and electricity transmission and distribution losses.

The GHG emissions data table below does not include emissions associated with investments from Asset Management and Merchant Banking divisions. Rothschild & Co recognises that, although not quantified, Scope 3 emissions from Asset Management and Merchant Banking divisions are a significant source of impact<sup>(1)</sup>.

In line with reporting from last financial year and best practice, Rothschild & Co has again produced a "dual report" for Scope 2 GHG emission. This "dual reporting" uses both location and market-based reporting methods.

The location-based method is the historical way in which Rothschild & Co reports GHG emissions. This method uses energy grid average emission factors in location specific geographies and over specific timeframes.

Using guidance from the GHG Protocol, Rothschild & Co now also reports GHG emissions using market-based methodology.

The Scope 2 market-based figure reflects emissions from electricity purchasing decisions that Rothschild & Co makes. When quantifying emissions using the market-based approach, and where possible, a tariff specific emissions factor is used (for example, some office locations choose to purchase electricity generated from 100% renewable sources, and can therefore account emissions associated with electricity consumption at these sites as zero). Where tariff specific emission factors are unavailable, a supplier specific emissions factor is used, and where there is a lack of availability of tariff specific emissions factors, a residual mix emissions factor is used. As a final option, whereby the three previous emissions factors are not available, the location-based grid emissions factor is used. This approach is in line with the GHG Protocol Scope 2 Data Hierarchy.

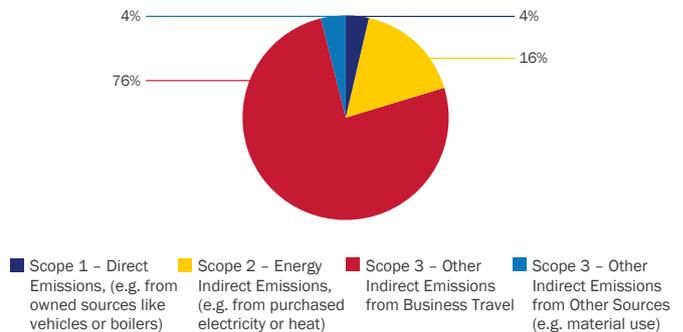
Scope 2 location-based GHG emissions from electricity use have fallen. This is due to in part to some office reconfigurations which reduced occupied floor space, and the drop in some location based emissions factors. This is the second year the Group has reported on Scope 2 market-based GHG emissions; this figure continues to be influenced by offices moving to purchase 100% renewable electricity.

The reduction in Scope 2 emissions has been negated by an increase in Scope 1 and 3 emissions, namely from business travel, hence total Group GHG emissions have increased by 5% overall.

## Greenhouse Gas emissions data

### Group Scope 1, 2 & 3 emissions

(Scope 3 emissions being split between business travel and other Scope 3 emissions)



(1) Over the next 12 months, Rothschild & Co will look in more detail at quantifying this impact, as a first step to taking more appropriate measures.

Greenhouse gas emissions in tCO <sub>2</sub> e (except electricity for non-UK offices which is tCO <sub>2</sub> )		01/01/17 31/12/17 (12 months)	01/04/16 31/03/17 (12 months)
Direct Emissions (Scope 1)	Natural Gas + Biogas	569.4	481.1
	Gasoil	58.0	65.1
	Owned Vehicles	196.3	255.9
<b>TOTAL SCOPE 1</b>		<b>823.7</b>	<b>802.1</b>
Indirect Emissions (Scope 2)	Electricity Consumption (Location-based)	3,433.8	3,624.6
	Electricity Consumption (Market-based)	1,901.6	1,736.4
	Heat Consumption	96.8	100.1
<b>TOTAL SCOPE 2 (Location-based)</b>		<b>3,530.6</b>	<b>3,724.8</b>
<b>TOTAL SCOPE 2 (Market-based)</b>		<b>1,998.3</b>	<b>1,836.5</b>
Indirect Emissions from Travel (Scope 3)	Business Travel – Flights	15,865.0	14,664.8
	Business Travel – Rail	108.9	97.2
	Business Travel – Taxis	174.4	190.8
<b>Total Emissions – Travel</b>		<b>16,148.3</b>	<b>14,952.8</b>
Other Emissions (Scope 3)	Water	45.9	44.5
	Materials	197.5	223.7
	Waste	14.4	19.1
	Company Leased Vehicles	164.2	176.8
	Electricity Transmission and Distribution Losses	352.0	360.7
<b>Total Emissions – Other</b>		<b>774.0</b>	<b>824.7</b>
<b>TOTAL SCOPE 3</b>		<b>16,922.3</b>	<b>15,775.5</b>
<b>TOTAL SCOPE 1, 2 AND 3 (Location-based)</b>		<b>21,276.6</b>	<b>20,304.4</b>
<b>TOTAL SCOPE 1, 2 AND 3 (Market-based)</b>		<b>19,744.4</b>	<b>18,416.2</b>

#### Greenhouse gas emissions data per FTE

Emissions tCO <sub>2</sub> e/FTE	Location-based approach		Market-based approach	
	01/01/17 31/12/17 (12 months)	01/04/16 31/03/17 (12 months)	01/01/17 31/12/17 (12 months)	01/04/16 31/03/17 (12 months)
FTE Headcount	2,878.2	2,831.0	2,878.2	2,831.0
Scope 1 and 2	1.5	1.6	0.98	0.9
Scope 3 (All)	5.9	5.6	5.9	5.6
<b>Scope 1, 2 and 3 (All)</b>	<b>7.4</b>	<b>7.2</b>	<b>6.9</b>	<b>6.5</b>

#### 4.4.3 Consequences of the use of the services provided by the Group on climate change

As mentioned in the introduction of this Section, Rothschild & Co will continuously improve its environmental management practices, limiting and reducing its negative environmental impact as far as practicable.

Over the next 12 months, Rothschild & Co will look in more detail at the consequences of the impact that its goods and services have on climate change, above and beyond those related to its operations, in order to put in place the appropriate measures.

#### 4.4.4 Procedures implemented by Rothschild & Co in order to prevent and manage the financial risks resulting from its activity 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 has already put in place some measures to limit its own impact on climate change. For example, rolling out office energy assessments to identify energy optimisation and efficiency improvements and purchasing materials that are responsibly sourced, such as 100% recycled office paper. In addition, the Group is investigating how best to broaden its responsible travel initiative to all offices, thus directly addressing GHG emissions from business travel.

## 4.4.5 Information on how the investment decision-making process takes environmental, social and governance (ESG) criteria into consideration

Rothschild & Co provides a comprehensive range of private wealth services to some of the world's wealthiest and most successful families, entrepreneurs, foundations and charities.

As a global specialist asset manager delivering bespoke investment management and advisory services to institutional clients, financial intermediaries, and third-party distributors, the Group understands that consistent performance must be delivered in the long-term.

ESG approaches to investment decision-making are the responsibility of the individual business entities. By taking this approach, Group entities recognise risks and opportunities relevant to their own investment strategies and can address ESG criteria appropriately.

In 2017, the Group conducted an analysis of its ESG and Responsible Investment (RI) landscape. All major Group entities have or are in the process of developing an ESG policy and all are investigating becoming UN PRI signatories. Two entities, Rothschild Martin Maurel and Five Arrows Managers, two of Rothschild & Co's asset management and/or private banking entities, are already UN PRI signatories.

Over the next 12 months, Rothschild & Co will evaluate the requirements and define the means needed to contribute towards financing the energy and ecological transition.

## 4.5 Measures taken to preserve or develop biodiversity

No specific measures have been taken thus far to preserve or further develop biodiversity at Group level. With that said, Rothschild & Co is committed to protecting, as far as practicable, biodiversity affected by the Group's operations. This commitment stems from the Rothschild family's long standing historical links to species discovery and protection. It is for this reason that the Group supports the Sustainable Development Goal 15 defined by the United Nations (Life on Land). In due course, the Group will investigate how it can best contribute to this goal and further preserve or develop biodiversity.

Additional notes for Section 4 Environment Information

### General data notes

The reporting period is from 1 January 2017 to 31 December 2017.

The total Group FTE headcount used to calculate the environmental impact per FTE uses HR finance headcount data provided by the Global HR team. This figure is added to the headcount manually reported by the site Environmental Advocates, of third-party, service provider or contractor headcount. The result of adding the two headcount numbers is used to calculate the impact per FTE (Impact/FTE).

Impact per FTE is used to normalise the total impact against headcount.

The full time equivalent headcount (FTE) is taken from the human resources (HR) system as a "snapshot in time" on 31 December 2017. Third party service provider or contractor employee headcount is not captured by the HR system; instead, this headcount is manually captured and added to the HR FTE figure provided by HR.

In order of largest headcount, the scope of offices measured for environmental impact in 2017 was the same as in 2016/2017. Specifically, the offices providing environmental data were Brussels, Frankfurt, Geneva, Guernsey, Hong Kong, Johannesburg, London, Madrid, Milan, Mumbai, New York, Paris, Singapore, Sydney and Zurich.

Where assumptions, estimates or changes have been made, this is explained in the following notes for each section.

### Waste disposal data notes

Total waste data from the Frankfurt office is now provided by the building management. In previous years the office estimated their waste based on information provided by the city authorities. The building management have confirmed that they do not compost any waste, hence no figure is recorded in 2017.

Improvements to data collection caused four sites to re-state the figures they provided for the financial year ended 31 March 2017 which has affected the Reuse, Recycling, Anaerobic Digestion and Incineration values previously reported. The change to the Anaerobic Digestion figure has also caused a revision to the Food Waste total for the financial year ended 31 March 2017.

### Materials use data notes

Improvements to data collection have caused three sites to revise the calculations provided for office paper, paper towels and plastics for the financial year ended on 31 March 2017.

### Energy consumption data notes

Greenhouse Gas Emissions have been calculated using 2017 DEFRA emissions factors.

The total electricity figure is reported as CO<sub>2</sub>e, however non-United Kingdom electricity emissions are in tCO<sub>2</sub>. DEFRA national electricity factors for non-United Kingdom offices are no longer available. Only for CO<sub>2</sub> is accessible from the International Energy Agency.

One office reported a correction to the electricity consumption figure reported for the financial year ended 31 March 2017.

### Water use data notes

Additional information supplied by one landlord enabled one site to revise their water consumption data for the financial year ended on 31 March 2017, and provide an accurate measurement for the period.

### GHG emissions data notes

#### Energy (Scope 2)

An updated Energy Factor for one office/country has resulted in a decrease of 55.58 tCO<sub>2</sub>e, while one office revised the electricity consumption reported for financial year ended on 31 March 2017.

Both actions have resulted in an increase in market based Scope 2 emissions of 100.7 tCO<sub>2</sub> for the financial year ended on 31 March 2017.

**Waste (Scope 3)**

Emissions from Waste – Reuse category in 2016/2017 were 0.0 tCO<sub>2</sub>e to 1 decimal place, the chosen rounding method for Group reporting. However, the figure is actually 0.027 to 3 decimal places, which rounds to 0.0 (1 d.p.).

Due to revisions by three offices, in 2016/2017 there are changes to the emissions for Recycling and Anaerobic Digestion up and down one decimal point, respectively.

**Water (Scope 3)**

For the financial year ending on 31 March 2017, the reported water figure was updated by one office following the supply of additional detailed information from the landlord. This resulted in an increase from 1.61 to 4.16 tCO<sub>2</sub>e.

**Electricity Transmission and Distribution Losses (Scope 3)**

Where electricity consumption figures were updated in 2017 for the financial year ending on 31 March 2017, this has also affected emissions from electricity T&D losses, please see above points for an explanation of these updates.

**Travel**

Five offices have chosen to restate or reallocate flight travel data previously reported for the financial year ended 31 March 2017. This has resulted in an overall increase of 702.5 tCO<sub>2</sub>e.

The “Other travel” emissions for the financial year ended on 31 March 2017 have been restated on the basis of updated rail travel information from two sites. This is an increase of 11 tCO<sub>2</sub>e.

For the London office, journeys made by taxi are only reported by the official supplier.

In 2017 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); and
3. International flights (between and within non-United Kingdom countries) (by class)

## 5 Corporate social information

### 5.1 Territorial, economic and social impact of the Group’s activities

As a leading financial services business, Rothschild & Co carries out financial advisory, specialist finance and investment activities. As a consequence, it participates actively in the financing of the economy of the countries where it operates, through its 62 offices in 43 countries.

### 5.2 Relations with individuals and organisations interested by the Group’s activities

#### 5.2.1 Conditions of the dialogue with stakeholders

In accordance with the definition provided by the GRI Guidelines, 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 the Investor Relations Department.

During the 2017 financial year, several meetings have been organised between Rothschild & Co’s Head of Investor Relations and those stakeholders. Members of Rothschild & Co’s Senior Management have also attended these meetings. In addition, Rothschild & Co’s Head of Investor Relations participated in broker conferences dedicated to facilitate relations between listed companies and investors.

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 internet website ([www.rothschildandco.com](http://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.

#### 5.2.2 Actions of partnership and sponsorship/ Community Investment

At Rothschild & Co, the Community Investment ambition is to help young people from disadvantaged backgrounds to raise and realise their aspirations. Rothschild & Co believes that how much you are able to achieve in life should not depend on your individual family circumstances or background.

Combining skills-based employee volunteering with targeted grant funding, the Group pursues long-term partnerships with charities, educational establishments and social enterprises working to improve outcomes for young people who have had a difficult start in life. Rothschild & Co places an increasing emphasis on identifying the impact its contribution is making. In 2017, through its Community Investment programme, the Group was able to help more than 1,300 young people to make progress in their journeys towards successful futures.

This programme places a particular emphasis on helping young people to develop the skills and attributes that will enable them to succeed at school, university and beyond. The Group also aims to inspire them with the confidence to make ambitious choices reflecting their abilities and potential and feels that the most effective way to do this is by engaging its people in the programme. Rothschild & Co employees are encouraged to participate during work time in a wide range of mentoring, tutoring and work insight initiatives. In 2017, 43% of employees in the UK contributed in this way, as well as 30% of employees in North America and 10% of employees in Germany.

The Global Community Investment Committee is chaired by Nigel Higgins, a Managing Partner of Rothschild & Co Gestion and co-chairman of the Group Executive Committee. Partnerships are developed and implemented by country-level committees according to the local need.

# Corporate Social Responsibility

The following are just a few examples of the ways in which we made a contribution in 2017:

## Tutoring with The Access Project in the UK

The Access Project matches motivated students from economically disadvantaged backgrounds with high-flying graduates for weekly one-to-one tutorials with the aim of raising the students' grades to enable them to apply to top-tier universities. This year at Rothschild & Co's London office more than 40 volunteers tutored students for an hour each week, primarily in Science, Technology, Engineering and Maths subjects. Students participating in Access Project tutoring are 13 percentage points more likely to be placed at a top third university than those from a matched control group.

## Careers inspiration in Germany

Colleagues in Germany worked this year on a career pathways project with Salzmannschule, a Frankfurt school with a higher than normal percentage of disadvantaged students. Volunteers led visits to raise awareness of local employment opportunities, including a trip for 20 students to see behind the scenes at the local Opel plant where they learned about a range of careers in automotive mechanics and mechatronics as well as finding out about the history of Opel, the founder and his family and its market position today.

The students were shown the whole car manufacturing process, from concept origination to the realisation of the final product, and were enthusiastic and keen to find out more about the available jobs and pathways to achieving them. One student described the event as "a great excursion – an informative and exciting morning which has given me some new perspectives".

## Sharing professional skills in France

Employees in France continued to develop their partnership with The Epic Foundation, a global not-for-profit start-up which aims to make it easier for companies and individuals to give with confidence. Epic selects highly effective charities supporting children and young people globally and carries out rigorous due diligence on them. This year, in addition to donating money to four Epic charities – Simplon.co (France); The Brilliant Club (UK); Gastromotiva (Brazil) and Prerana (India) – Rothschild & Co employees spent time working with the Epic team to challenge and improve their due diligence processes. The partnership has also led to opportunities for the young people supported by Epic charities to attend interview skills workshops at Rothschild & Co offices.

## Promoting STEM in North America

Employees in New York this year engaged with more than 100 children aged 6 to 12 in a STEM (Science, Technology, Engineering, Maths) project run by the Madison Square Boys and Girls club. The club's mission is to enhance the lives of underprivileged children by providing them with a safe and positive place where they feel physically and emotionally safe.

The STEM project involved 30 Rothschild employees in an afternoon of teaching and learning at the Columbus Clubhouse in the Bronx. The volunteers joined forces with the clubhouse staff to guide the children through the project using tablets donated by the firm. They also helped with homework, leading a Group reading and vocabulary exercise and assisting with arts and crafts projects.

Rothschild & Co's Community Partners in 2017 included:

- The Access Project
- Ashoka
- Beyond Me
- Bow School
- The Brokerage Citylink
- Caritas
- Children's Village
- City Year
- Epic Foundation
- Hatch Enterprise
- IntoUniversity
- Madison Square Boys and Girls Club
- Niddaschule
- Pencil
- Pro Juventute
- Right to Succeed
- Salzmannschule
- Speakers Trust
- STEM Skills Fund
- Teach First
- Team Up
- Teens and Toddlers
- Tower Hamlets EBP
- Villiers Park Educational Trust

## 5.3 Subcontractors and suppliers

### 5.3.1 Integration of social and environmental issues into the company procurement policy

Rothschild & Co aims to develop a Group responsible purchasing policy.

The Group is currently in the process of finalising a United Kingdom Purchasing Policy that will address a range of matters from procurement process to aspects such as environment, diversity, health and safety and the modern slave trade. The next stage would then be to approach other offices with the intent of developing a global purchasing policy.

In the United Kingdom, N M Rothschild & Sons Limited and Rothschild Wealth Management (UK) Limited are obliged pursuant to the Modern Slavery Act (the "MSA") to report on the steps each has taken to ensure that slavery and human trafficking are not taking place in their business or in their supply chains. Annually, each 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 Rothschild & Co's internet website ([www.rothschild.com](http://www.rothschild.com)).

### 5.3.2 Importance of subcontracting and consideration, in the relationship with subcontractors and suppliers of their social and environmental responsibility

Given the Group's activities, subcontracting is not significant.

The Group does not yet undertake formal supply chain risk assessments. However, in some circumstances and where larger suppliers are involved, more detailed assessment of environmental credentials has been carried out.

In due course and where appropriate, the Group EH&S Committee will investigate options for providing Rothschild & Co and 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.

## 5.4 Fair business and practices

The Group conducts its activities with a high level of professional ethics with the clients' interests as its priority. This is done by implementing a rigorous internal control system and risk control adapted to the Group's size and covered activities.

More details on the Group's internal control and risk control structure are presented in the section related to internal control, risk management and accounting procedures on pages 66 onwards of the management report.

As the Group's parent company and financial holding company, Rothschild & Co is in charge of the consolidated prudential supervision of its consolidated entities and of the implementation and the monitoring of the efficacy of the internal control system at the Group level. This involves the elaboration of procedures and policies implemented homogeneously.

Policies were implemented through different sharing initiatives and harmonisation of best practices. Almost 40 different policies are currently implemented in the Group throughout all five main regions of the world with almost 50% of them reviewed in the course of the 2017 financial year. Employees' awareness regarding those matters is ensured by dedicated training sessions and the disclosures of guides on the Group's intranet.

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. A Group Policy on Anti-Corruption has been established, in order to comply with the applicable regulations such as the UK Bribery Act which aims at preventing such crimes.

It deals, for instance, with the acceptance or the offering of gifts and entertainment by employees within the framework of their jobs since this might lead to a suspicious or reprehensible situations. In order to avoid such situations, each entity must determine proportionate limits for the acceptance or the offering of gifts that do not require approval. Any gift or entertainment that exceeds these limits must be approved by the relevant head and the local Compliance function. In addition to this, persons to whom this policy applies must not accept gifts such as cash or any other gift convertible into cash such as shares, share options or bonds.

Recent developments in France with the so-called "Loi Sapin 2" will complete and reinforce the Group's anti-corruption framework.

Regulators continue to emphasise the need for financial institutions to link risk, behaviour and variable remuneration by ensuring that incentives for employees (especially financial), foster a culture of appropriate risk-taking, compliance and good governance.

Accordingly, during 2017 and consistent with the Group's high standards and the expectations of its regulators, Rothschild & Co has decided to introduce in 2018 a new 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) will be 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 will be 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.

## 5.5 Measures implemented to promote consumers Health & Safety

Given the Group's activities, there is no specific need to implement measures to promote clients' Health & Safety.

Paris Office has to report directly to the CNIL all new private data treatments (of clients' and staff's private data) in concordance with its procedures.

The safety of servers and records systems (and therefore sensitive and confidential data) is ensured by groups of security driven by the Active Directory (AD). Depending on the rights attributed to AD groups, the user may or may not have access to files in read-only or in read/write. All new joiners are made aware of the best practices regarding the security of information by the head of the security information system.

The firm has implemented a programme of work to address the General Data Protection Regulation that comes into force on 25 May 2018. The firm has obtained legal advice on the approach to this legislation and a wide-ranging, risk-based project is well underway. The focus of remediation activity has been on areas of the firm that manage large amounts of personal data. A data protection framework has been put in place, including governance through appropriate Rothschild & Co committees, an updated data protection policy and an awareness and education exercise across the firm.

The Audit Committee and the Risk Committee, both specialised committees of the Supervisory Board of Rothschild & Co, are kept informed on the implementation of the technical and organisational controls designed to demonstrate a proportionate level of compliance with the General Data Protection Regulation.

## 5.6 Other actions implemented to promote human rights

Rothschild & Co does not carry out activities to promote human rights, other than those mentioned in the previous sections of this report.

# Report of the independent third-party auditor on the consolidated labour, environmental and social information

This is a free English translation of the Independent Third Party's 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 2017

To the Shareholders,

In our capacity as independent third party of Rothschild & Co S.C.A., (hereinafter named the "Company"), certified by COFRAC under number 3-1049<sup>(1)</sup>, we hereby report to you on the human resources, environmental and social information for the year ended 31 December 2017, included in the management report (hereinafter named "CSR Information"), pursuant to article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

## Company's responsibility

The Managing Partner is responsible for preparing a company's management report including the CSR Information required by article R. 225-105-1 of the French Commercial Code in accordance with the guideline used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the Company's head office.

## Independence and quality control

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

## Responsibility of the independent third-party

On the basis of our work, our responsibility is to:

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

However, it is not our responsibility to pronounce on the compliance with the relevant legal provisions applicable if necessary, in particular those envisaged by the law number 2016-1691 of December 9, 2016 known as Sapin 2 (fight against corruption).

Our work involved five persons and was conducted between January and March 2018 during a four-week period.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with ISAE 3000<sup>(2)</sup> concerning our conclusion on the fairness of CSR Information.

## 1 Attestation regarding the completeness of CSR Information

### NATURE AND SCOPE OF OUR WORK

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R. 225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L. 233-1 and the controlled entities as defined by article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in "Methodology" Section of the management report.

## Conclusion

Based on the work performed and given the limitations mentioned above – data on the number of training hours and absenteeism cover 34% of the Group headcount – we attest that the required CSR Information has been disclosed in the management report.

## 2 Conclusion on the fairness of CSR Information

### NATURE AND SCOPE OF OUR WORK

We conducted six interviews with the persons responsible for preparing the CSR Information and, where appropriate, responsible for internal control and risk management procedures, in order to:

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

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

(1) Whose scope is available at [www.cofrac.fr](http://www.cofrac.fr).

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

# Report of the independent third-party auditor on the consolidated labour, environmental and social information

Regarding the CSR Information that we considered to be the most important<sup>(1)</sup>

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us<sup>(2)</sup> on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 34% of headcount considered as material data of social issues and between 33% and 58% of environmental data considered as material data<sup>(3)</sup> of environmental issues.

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

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

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

## Conclusion

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

Paris La Défense, 13 March 2018  
KPMG S.A.

Anne Garans  
Partner  
Sustainability Services

Arnaud Bourdeille  
Partner

(1) **Human resources indicators:** Total headcount (breakdown of employees by gender, age and geographical area), Number of hires, Numbers of redundancies, Number of training hours.  
**Environmental indicators:** Water consumption, Energy consumption (electricity, gas, heat and fuel), Paper consumption, Waste produced, CO<sub>2</sub> emissions related to business travels.  
**Qualitative information:** Organization of social dialogue including information procedures, consultation and negotiation with the employees, Occupational health and safety conditions, Measures implemented to promote gender equality, Action implemented against corruption, Actions of partnership and sponsorship.

(2) Milan office (Italy), Zurich office (Switzerland), London office (United Kingdom).

(3) See the list of environmental indicators disclosed in footnote (1) of this page.





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# Consolidated balance sheet as at 31 December 2017

## Assets

In thousands of euro	Notes	31/12/2017	31/03/2017
Cash and amounts due from central banks		3,868,907	3,907,432
Financial assets at fair value through profit or loss	1	548,014	432,441
Available-for-sale financial assets	3	1,596,343	1,616,427
Loans and advances to banks	4	1,730,153	1,918,060
Loans and advances to customers	5	2,989,919	2,867,275
Current tax assets		25,786	12,643
Deferred tax assets	16	60,561	67,966
Other assets	6	651,863	667,335
Investments accounted for by the equity method	7	11,817	33,783
Tangible fixed assets	8	346,640	359,982
Intangible fixed assets	9	162,574	170,084
Goodwill	10	123,162	123,843
<b>TOTAL ASSETS</b>		<b>12,115,739</b>	<b>12,177,271</b>

## Liabilities and shareholders' equity

In thousands of euro	Notes	31/12/2017	31/03/2017
Financial liabilities at fair value through profit or loss	1	24,823	33,329
Hedging derivatives	2	6,543	8,626
Due to banks and other financial institutions	11	636,377	460,958
Customer deposits	12	7,770,954	8,063,283
Debt securities in issue		95,561	139,634
Current tax liabilities		30,970	34,588
Deferred tax liabilities	16	60,935	66,329
Other liabilities, accruals and deferred income	13	949,377	956,450
Provisions	14	88,270	113,544
<b>TOTAL LIABILITIES</b>		<b>9,663,810</b>	<b>9,876,741</b>
<b>Shareholders' equity</b>		<b>2,451,929</b>	<b>2,300,530</b>
<b>Shareholders' equity – Group share</b>		<b>1,911,720</b>	<b>1,828,955</b>
Share capital		154,815	154,581
Share premium		1,140,706	1,138,886
Gains and losses recognised directly in equity		(26,344)	40,299
Consolidated reserves		451,934	309,231
Net income – Group share		190,609	185,958
<b>Non-controlling interests</b>	18	<b>540,209</b>	<b>471,575</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>12,115,739</b>	<b>12,177,271</b>

# Consolidated income statement for the nine months ended 31 December 2017<sup>(1)</sup>

In thousands of euro	Notes	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
+ Interest income	22	100,422	94,275
- Interest expense	22	(40,736)	(45,176)
+ Fee income	23	1,299,492	1,633,632
- Fee expense	23	(74,338)	(58,361)
+/- Net gains/(losses) on financial instruments at fair value through profit or loss	24	98,940	98,337
+/- Net gains/(losses) on available-for-sale financial assets	25	38,295	38,339
+ Other operating income	26	1,404	6,720
- Other operating expenses	26	(536)	(635)
<b>Net banking income</b>		<b>1,422,943</b>	<b>1,767,131</b>
- Staff costs	27	(820,656)	(1,016,576)
- Administrative expenses	27	(236,929)	(278,512)
- Amortisation, depreciation and impairment of tangible and intangible fixed assets	28	(25,496)	(32,116)
<b>Gross operating income</b>		<b>339,862</b>	<b>439,927</b>
+/- Cost of risk	29	(4,532)	(11,265)
<b>Operating income</b>		<b>335,330</b>	<b>428,662</b>
+/- Net income from companies accounted for by the equity method	7	12,036	424
+ Income from negative goodwill	10	-	1,381
+/- Net income/(expense) from other assets	30	6,472	6,273
<b>Profit before tax</b>		<b>353,838</b>	<b>436,740</b>
- Income tax expense	31	(38,919)	(70,391)
<b>CONSOLIDATED NET INCOME</b>		<b>314,919</b>	<b>366,349</b>
<b>Non-controlling interests</b>	18	<b>124,310</b>	<b>180,391</b>
<b>NET INCOME – GROUP SHARE</b>		<b>190,609</b>	<b>185,958</b>
Earnings per share in euro – Group share (basic)	35	2.55	2.64
Earnings per share in euro – continuing operations (basic)	35	2.55	2.64
Earnings per share in euro – Group share (diluted)	35	2.50	2.60
Earnings per share in euro – continuing operations (diluted)	35	2.50	2.60

(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, in summarised form, to aid comparison between reporting periods and is set out in the notes to the consolidated financial statements, section I.

# Statement of comprehensive income for the nine months ended 31 December 2017

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
<b>Consolidated net income</b>	<b>314,919</b>	<b>366,349</b>
<b>Gains and losses recyclable in profit or loss</b>		
Translation differences	(71,335)	(35,372)
Revaluation of available-for-sale financial assets	15,977	23,760
Gains and losses transferred to income on available-for-sale financial assets	(36,631)	(31,682)
Gains and losses recognised directly in equity for companies accounted for by the equity method	5,379	(523)
Gains and losses transferred to income on companies accounted for by the equity method	(11,123)	-
Taxes	649	250
<b>Total gains and losses recyclable in profit or loss</b>	<b>(97,084)</b>	<b>(43,567)</b>
<b>Gains and losses not recyclable in profit or loss</b>		
Remeasurement gains/(losses) on defined benefit pension funds	11,359	4,918
Taxes	(2,853)	(3,321)
Other	-	(543)
<b>Total gains and losses not recyclable in profit or loss</b>	<b>8,506</b>	<b>1,054</b>
<b>Gains and losses recognised directly in equity</b>	<b>(88,578)</b>	<b>(42,513)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>226,341</b>	<b>323,836</b>
<i>attributable to equity shareholders</i>	<i>121,841</i>	<i>153,015</i>
<i>attributable to non-controlling interests</i>	<i>104,500</i>	<i>170,821</i>

# Consolidated statement of changes in equity for the nine months ended 31 December 2017

In thousands of euro

	Capital and associated reserves <sup>(1)</sup>	Consolidated reserves <sup>(3)</sup>	Gains and losses recognised directly in equity		Shareholders' equity, Group share	Shareholders' equity, NCI	Total shareholders' equity
			Related to translation differences	Available-for-sale reserves			
<b>SHAREHOLDERS' EQUITY AT 31 MARCH 2016</b>	<b>1,123,966</b>	<b>343,670</b>	<b>184</b>	<b>61,349</b>	<b>1,529,169</b>	<b>515,850</b>	<b>2,045,019</b>
Impact of elimination of treasury shares	-	(5,598)	-	-	(5,598)	-	(5,598)
Dividends	-	(44,184)	-	-	(44,184)	(131,984)	(176,168)
Issue of shares	154,490	-	-	-	154,490	-	154,490
Capital increase related to share-based payments	-	909	-	-	909	13	922
Interest on perpetual subordinated debt	-	-	-	-	-	(13,748)	(13,748)
Effect of a change in shareholding without a change of control	-	15,506	7,902	2,618	26,026	(69,005)	(42,979)
Other movements <sup>(4)</sup>	15,011	-	-	-	15,011	-	15,011
<b>Sub-total of changes linked to transactions with shareholders</b>	<b>169,501</b>	<b>(33,367)</b>	<b>7,902</b>	<b>2,618</b>	<b>146,654</b>	<b>(214,724)</b>	<b>(68,070)</b>
2016/2017 net income for the year	-	185,958	-	-	185,958	180,391	366,349
Net gains/(losses) from changes in fair value	-	-	-	20,537	20,537	581	21,118
Net (gains)/losses transferred to income on disposal and impairment	-	-	-	(28,797)	(28,797)	(56)	(28,853)
Remeasurement gains/(losses) on defined benefit funds	-	(427)	-	-	(427)	2,024	1,597
Translation differences and other movements	-	(645)	(26,254)	2,760	(24,139)	(12,491)	(36,630)
<b>SHAREHOLDERS' EQUITY AT 31 MARCH 2017</b>	<b>1,293,467</b>	<b>495,189</b>	<b>(18,168)</b>	<b>58,467</b>	<b>1,828,955</b>	<b>471,575</b>	<b>2,300,530</b>
Impact of elimination of treasury shares	-	3,331	-	-	3,331	57	3,388
Dividends <sup>(2)</sup>	-	(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)
<b>Sub-total of changes linked to transactions with shareholders</b>	<b>2,054</b>	<b>(51,147)</b>	<b>9,470</b>	<b>539</b>	<b>(39,084)</b>	<b>(35,891)</b>	<b>(74,975)</b>
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)
<b>SHAREHOLDERS' EQUITY AT 31 DECEMBER 2017</b>	<b>1,295,521</b>	<b>642,543</b>	<b>(59,337)</b>	<b>32,993</b>	<b>1,911,720</b>	<b>540,209</b>	<b>2,451,929</b>

(1) Capital and associated reserves at the period end consists of share capital of €154.8 million and share premium of €1,140.7 million. Share premium, under IFRS measurement, includes costs incurred in the issuance of share capital.

(2) Dividends include €50.7 million of dividends to R&Co shareholders and a total of €0.8 million of dividends to R&Co Gestion and Rothschild & Co Commandité SAS. Distributions to non-controlling interests are analysed in note 18.

(3) Consolidated reserves consist of retained earnings of €467.5 million less treasury shares of €15.6 million plus the Group share of net income.

(4) Other movements are described in note 32.

# Cash flow statement

## for the nine months ended 31 December 2017

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
<b>Consolidated profit before tax (I)</b>	<b>353,838</b>	<b>436,740</b>
Depreciation and amortisation expense on tangible fixed assets and intangible fixed assets	25,496	32,116
Impairments and net charge for provisions	12,881	13,422
Remove (income)/loss from associates and long-standing shareholding	(17,278)	(4,197)
Remove (profit)/loss from disposal of a subsidiary	(646)	(3,904)
Remove (profit)/loss from investing activities	(122,738)	(111,374)
<b>Non-cash items included in pre-tax profit and other adjustments (II)</b>	<b>(102,285)</b>	<b>(73,937)</b>
<b>Net (advance)/repayment of loans to customers</b>	<b>(215,283)</b>	<b>(140,068)</b>
Cash (placed)/received through interbank transactions	461,834	(354,925)
Increase/(decrease) in due to customers	27,890	425,503
Net inflow/(outflow) related to derivatives and trading items	(19,185)	(5,481)
Issuance/(redemption) of debt securities in issue	(44,096)	4,067
Net (purchases)/disposals of AFS assets held for liquidity purposes	(59,486)	153,533
Other movements in assets and liabilities related to treasury activities	28,531	(41,311)
<b>Total treasury-related activities</b>	<b>395,488</b>	<b>181,386</b>
(Increase)/decrease in working capital	(45,303)	(15,753)
Tax paid	(55,285)	(71,371)
<b>Other operating activities</b>	<b>(100,588)</b>	<b>(87,124)</b>
<b>Net (decrease)/increase in cash related to operating assets and liabilities (III)</b>	<b>79,617</b>	<b>(45,806)</b>
<b>Net cash inflow/(outflow) related to operating and treasury activities (A) = (I) + (II) + (III)</b>	<b>331,170</b>	<b>316,997</b>
Purchase of investments	(132,630)	(154,437)
Purchase of subsidiaries and associates	-	(99,255)
Cash and cash equivalents acquired in new subsidiaries	-	442,753
Purchase of property, plant and equipment and intangible fixed assets	(20,921)	(13,149)
<b>Total cash invested</b>	<b>(153,551)</b>	<b>175,912</b>
Cash received from investments (disposals and dividends)	222,500	248,269
Cash received from subsidiaries, associates and long-standing shareholding (disposals and dividends)	5,242	15,940
Cash from disposal of property, plant and equipment and intangible fixed assets	1,849	546
<b>Total cash received from investments</b>	<b>229,591</b>	<b>264,755</b>
<b>Net cash inflow/(outflow) related to investing activities (B)</b>	<b>76,040</b>	<b>440,667</b>
Dividends paid to shareholders of parent company	(51,511)	(44,184)
Dividends paid to non-controlling interests (note 18)	(2,644)	(131,984)
Interest paid on perpetual subordinated debt	(2,281)	(13,748)
(Acquisition)/disposal of own shares and additional interests in subsidiaries	(22,075)	(58,864)
<b>Net cash inflow/(outflow) related to financing activities (C)</b>	<b>(78,511)</b>	<b>(248,780)</b>
<b>Impact of exchange rate changes on cash and cash equivalents (D)</b>	<b>(268,913)</b>	<b>31,457</b>
<b>NET INFLOW/(OUTFLOW) OF CASH (A) + (B) + (C) + (D)</b>	<b>59,786</b>	<b>540,341</b>
Net opening cash and cash equivalents (note 20)	4,862,321	4,321,980
Net closing cash and cash equivalents (note 20)	4,922,107	4,862,321
<b>NET INFLOW/(OUTFLOW) OF CASH</b>	<b>59,786</b>	<b>540,341</b>

## I Highlights

### Merger with Compagnie Financière Martin Maurel

On 6 June 2016, Rothschild & Co and Compagnie Financière Martin Maurel (CFMM) announced a plan to merge, with a view to combining their French activities in private banking and asset management to create one of France's leading independent private banks.

Following consultation processes with work councils from both groups, the merger proposals were approved by general meetings of CFMM and R&Co in September 2016. Once it had received the approval of the French anti-trust authority, the ACPR and the European Central Bank, as well as meeting other conditions precedent, the transaction was completed on 2 January 2017.

On 1 July 2017, and following the grant of necessary regulatory approvals, Rothschild & Cie Banque (RCB) and Banque Martin Maurel (BMM) were operationally integrated. This integration was implemented through the contribution by BMM of its banking activities to RCB and the merger of Martin Maurel Gestion (MMG) into RCB, after Rothschild & Cie Gestion contributed its private banking business operations to MMG. These transactions created a combined group operating under the new corporate name "Rothschild Martin Maurel".

### Change of financial year end

On 21 March 2017, the Company announced that it would change its financial year end from 31 March to 31 December. This change was approved at the general meeting of shareholders on 28 September 2017, and will allow the Company's subsidiaries to be aligned with the financial year end required for its banking regulated entities in France. The period being reported on for these financial statements is the nine months to 31 December 2017. The next financial statements to be published will be the half-year results for the six months to 30 June 2018.

To aid comparison between reporting periods, further consolidated income statement data has been prepared in summarised form comparing the 12 months to December 2017 to the 12 months to December 2016. This is set out below.

In thousands of euro	01/01/17 31/12/17 (12 months)	01/01/16 31/12/16 (12 months)
<b>Net banking income</b>	<b>1,910,156</b>	<b>1,712,570</b>
- Staff costs	(1,087,064)	(1,013,386)
- Administrative expenses	(319,758)	(268,214)
- Amortisation, depreciation and impairment of tangible and intangible fixed assets	(33,938)	(31,757)
<b>Gross operating income</b>	<b>469,396</b>	<b>399,213</b>
+/- Cost of risk	(13,448)	(12,822)
<b>Operating income</b>	<b>455,948</b>	<b>386,391</b>
+/- Net income from companies accounted for by the equity method	12,268	355
+/- Income from negative goodwill	-	1,381
+/- Net income/(expense) from other assets	9,101	5,143
<b>Profit before tax</b>	<b>477,317</b>	<b>393,270</b>
- Income tax expense	(65,308)	(62,108)
<b>CONSOLIDATED NET INCOME</b>	<b>412,009</b>	<b>331,162</b>
<b>Non-controlling interests<sup>(1)</sup></b>	<b>175,643</b>	<b>151,886</b>
<b>NET INCOME – GROUP SHARE</b>	<b>236,366</b>	<b>179,276</b>
Earnings per share in euro – Group share (basic)	3.18	2.60
Earnings per share in euro – Group share (diluted)	3.12	2.56

(1) Non-controlling interests include amounts charged of €155.8 million (2016: €130.3 million) in respect of preferred shares and €14.3 million (2016: €13.7 million) in respect of perpetual subordinated debt. Note 18 to the consolidated financial statements provides further information concerning non-controlling interests.

# Notes to the consolidated financial statements

The table below presents a segmental analysis by business line, which has been prepared on the same basis as described in note 34 to the consolidated financial statements.

In thousands of euro	Rothschild Global Advisory	Rothschild Private Wealth & Asset Management	Rothschild Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	01/01/17 31/12/17 (12 months)
<b>Net banking income</b>	<b>1,183,420</b>	<b>514,176</b>	<b>185,039</b>	<b>36,116</b>	<b>1,918,751</b>	<b>(8,595)</b>	<b>1,910,156</b>
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)
<b>Operating income</b>	<b>185,300</b>	<b>54,617</b>	<b>120,000</b>	<b>(31,317)</b>	<b>328,600</b>	<b>127,348</b>	<b>455,948</b>
Share of profits of associated entities	-	-	-	-	-	12,268	12,268
Non-operating income	-	-	-	-	-	9,101	9,101
<b>Profit before tax</b>	<b>185,300</b>	<b>54,617</b>	<b>120,000</b>	<b>(31,317)</b>	<b>328,600</b>	<b>148,717</b>	<b>477,317</b>

In thousands of euro	Rothschild Global Advisory	Rothschild Private Wealth & Asset Management	Rothschild Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	01/01/16 31/12/16 (12 months)
<b>Net banking income</b>	<b>1,170,551</b>	<b>368,017</b>	<b>133,300</b>	<b>33,992</b>	<b>1,705,860</b>	<b>6,710</b>	<b>1,712,570</b>
Operating expenses	(981,351)	(366,874)	(50,900)	(73,935)	(1,473,060)	159,703	(1,313,357)
Cost of risk	-	-	-	-	-	(12,822)	(12,822)
<b>Operating income</b>	<b>189,200</b>	<b>1,143</b>	<b>82,400</b>	<b>(39,943)</b>	<b>232,800</b>	<b>153,591</b>	<b>386,391</b>
Share of profits of associated entities	-	-	-	-	-	355	355
Non-operating income	-	-	-	-	-	6,524	6,524
<b>Profit before tax</b>	<b>189,200</b>	<b>1,143</b>	<b>82,400</b>	<b>(39,943)</b>	<b>232,800</b>	<b>160,470</b>	<b>393,270</b>

## II Preparation of the financial statements

### A. Information regarding the Company

The consolidated financial statements of Rothschild & Co SCA Group (the Group) for the nine months ended 31 December 2017 are presented in accordance with IFRS applicable at the reporting date, as adopted in the European Union by EC Regulation No. 1606/2002. The format used for the financial statements is a banking format. It is consistent with Recommendation No. 2013-04 of 7 November 2013 of the French Accounting Standards Authority (*Autorité des normes comptables*). The statements cover the period from 1 April 2017 to 31 December 2017.

The consolidated accounts were approved by R&Co Gestion SAS, the Managing Partner of R&Co, on 6 March 2018 and considered for verification and control purposes by the Supervisory Board on 13 March 2018.

At 31 December 2017, the Group's holding company was R&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).

### B. 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.

### C. Subsequent events

On 3 January 2018, the Group acquired an additional 4,049 shares in Martin Maurel Sella Banque Privée SAM, a Monaco subsidiary. The shares were bought for cash of €13.95 million. The Group now controls 100% of this subsidiary.

## D. Developments in reporting standards and interpretations

The standards and interpretations used in preparation of the financial statements to 31 March 2017 were supplemented by the IFRS as adopted by the European Union at 31 December 2017 whose first-time application is mandatory in the nine months to 31 December 2017 financial period.

### 1 New accounting standards affecting the consolidated financial statements in the nine months ended 31 December 2017

New amendments and interpretations of accounting standards, which are mandatory for the Group's financial statements for the nine months ended 31 December 2017, 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 nine months ended December 2017 was optional.

### 2 Future standards and interpretations

A number of significant changes to the Group's financial reporting for future accounting periods are expected as a result of amended or new accounting standards and interpretations from the IASB. The most significant of these are as follows:

#### 2.1 IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. It sets new principles governing the classification and measurement of financial instruments, impairment of credit risk and hedge accounting. IFRS 9 is effective for periods beginning on or after 1 January 2018.

In preparation for applying this standard, the Group's finance function has worked with the business lines and support functions which will be most affected by the changes, and reported its progress to the R&Co Audit Committee and to the GEC. For R&Co, the main challenges set by IFRS 9 are expected to relate to two main changes:

##### 2.1.1 IFRS 9: CLASSIFICATION AND MEASUREMENT

Financial assets must be classified in one of three categories according to the measurement methods applied: amortised cost; fair value through profit or loss (FVTPL); and fair value through other comprehensive income (FVOCI). Classification will depend on the contractual cash flow characteristics of the instruments and the entity's business model for managing its financial instruments.

By default, financial assets will be classified as measured at fair value through profit or loss.

Debt instruments (loans, receivables and bonds) will be measured at amortised cost only if the contractual cash flows consist solely of payments of principal and interest ("the SPPI test"), and the business model is predominantly to collect the contractual cash flows.

Debt instruments which meet the SPPI test, but for which the business model is not predominantly to collect the contractual cash flows, will be measured at fair value through other comprehensive income (with cumulative gains or losses reclassified in profit or loss when the instruments are derecognised).

Non-trading equity instruments will be measured at fair value through profit or loss, except where an irrevocable election is made at initial recognition to measure them at fair value through other comprehensive income without subsequent reclassification to income.

Accounting for financial liabilities is largely unchanged and is not expected to have an impact on R&Co.

#### Implementation of classification and measurement changes

Where it has a choice, the Group has decided, based on existing business models, to classify its assets under IFRS 9 based on the following principles:

##### 1 Investment assets

Assets which are held primarily to make valuation gains will be classified as fair value through profit or loss. This will include Merchant Banking investments.

##### 2 Loans and other receivables

Loans and other receivables will continue to be classified as amortised cost where allowed under IFRS 9.

##### 3 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 will be classified as measured at amortised cost under IFRS 9.

##### 4 Securitised vehicles

Under IAS 39, the Group's investments in securitised vehicles are classified as AFS debt investments. When applying IFRS 9, the Group must make an assessment of whether the tranches held meet the SPPI criteria. A critical point to consider is whether the 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.

# Notes to the consolidated financial statements

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## 5 Equity instruments issued by mutual funds

Units of mutual funds which qualify as AFS equity under IAS 39 must be measured as FVTPL under IFRS 9, where their value can be redeemed from the issuer of the instrument.

## 6 Designation of equity instruments at FVOCI

Long-term shareholdings held by the Group for strategic purposes, such as its investment in EdRS, will be 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. Currently, this type of shareholding is classified as AFS.

## 7 Debt securities where the business model includes the possibility of selling the asset

Debt securities previously held as AFS will be classified at FVOCI if they are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling the assets.

### 2.1.2 IFRS 9: IMPAIRMENT

IFRS 9 changes the credit risk impairment model, moving from one in which provisions are made for incurred credit losses to one in which provisions can be made for expected credit losses. The aim of the new approach is to allow credit losses to be recognised at the earliest possible time, removing the need to wait for an objective incurred loss event. A wide range of information can be used to estimate expected credit losses, including historical data on observed losses, cyclical and structural adjustments, and loss projections based on reasonable scenarios.

#### Implementation of impairment models

The highly secured nature of our lending means that credit losses on our loans made by the Private Wealth & Asset Management business have historically been very limited, and are not expected to be significant under reasonable forward-looking scenarios. Therefore, based on models prepared by each business during the implementation phase, the new impairment rules will result in only a small additional provision for loans made by the Private Wealth business. A small additional provision is also expected to be booked against client receivables for the RGA business.

The focus of the IFRS 9 implementation project in 2017 was on preparation for initial application in 2018. Although we will apply IFRS 9 retrospectively, comparatives will not be restated; instead, adjustments which arise from classification and measurement changes will be recognised in the opening equity of 2018.

### 2.2 IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 Revenue from Contracts with Customers will replace the current standards and interpretations on revenue recognition. It will be applicable retrospectively as of 1 January 2018.

R&Co has performed an assessment of the impact of IFRS 15. In this assessment R&Co has considered Global Advisory to be the line of business most affected by IFRS 15. 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 IAS 18 and IFRS 15 were immaterial.

In the event of any accounting difference on adopting IFRS 15, R&Co plans to apply 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.

### 2.3 IFRS 16 LEASES

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. Under the new requirements, lessees must recognise a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. In its income statement, the lessee shall separately recognise the depreciation of the right-of-use assets and the interest expense on lease liabilities.

The Group has identified its property leases as the main contracts affected by new standard. These leases are disclosed in note 21.

The effective date is 1 January 2019 and the Group continues to consider the financial impacts of this new standard.

## III Accounting policies

### A. Consolidation method

#### 1 Financial year end of the consolidated companies

As explained in Section I. Highlights, the Company's accounting period being reported on is for the nine months to 31 December 2017, following the change announced on 21 March 2017. The next full accounting period will be for the year to 31 December 2018, with interim financial statements being prepared as at 30 June 2018 for the six-month period.

For this reporting period, the financial statements of the Group are drawn up to 31 December 2017 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.

R&Co and the majority of its subsidiaries are now consolidated on the basis of a financial reporting date as of 31 December 2017. 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 2017, this event is accounted for in the consolidated financial statements of the Group as at 31 December 2017.

#### 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 the entity and has the ability to affect those returns through its power over the 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 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).

#### 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 IAS 39. 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 12 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.

As explained in note 10 on goodwill, the goodwill allocated to cash-generating units has been reallocated to units that correspond to the revised segmental analysis (see note 34), presented for the first time during the nine-month period ended 31 December 2017.

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.

# Notes to the consolidated financial statements

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## 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.

## 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 unowned interests. 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.

## B. Accounting principles and valuation methods

### 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 IV.E of the financial statements.

#### IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

Financial assets are assessed at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events occurring after initial recognition of the asset (a "loss event"). If there is such objective evidence, and this has a negative effect on the estimated future cash flows from the asset, then an impairment loss is incurred. 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.

Portfolios of financial assets with similar economic characteristics where there is objective evidence to suggest that they contain impaired assets, but the individually impaired items cannot yet be identified, are collectively assessed for impairment. The collectively assessed impairment allowance is calculated on the basis of future cash flows that are estimated based on historical loss experience.

The accuracy of the allowances made depends on how accurately the Group estimates future cash flows for specific counterparties, in particular the fair value of any collateral, and the model assumptions and parameters used in determining collective allowances. While this necessarily involves judgement, the Group believes that its allowances are reasonable and supportable.

#### 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 19. 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 19.

## 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 16.

## 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 9 and 10.

## 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 17.

## 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 average 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 available for sale are included in the available-for-sale 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.

	01/04/17 31/12/17 (9 months)			01/04/16 31/03/17 (12 months)		
	GBP	CHF	USD	GBP	CHF	USD
<b>Opening rate – 1 April</b>	<b>0.8553</b>	<b>1.0706</b>	<b>1.0695</b>	<b>0.7916</b>	<b>1.0931</b>	<b>1.1385</b>
Average rate – June	0.8769	1.0873	1.1236	0.7900	1.0895	1.1231
Average rate – September	0.8938	1.1461	1.1909	0.8522	1.0919	1.1212
Average rate – December	0.8833	1.1688	1.1839	0.8442	1.0749	1.0547
<b>Closing rate – 31 December</b>	<b>0.8877</b>	<b>1.1702</b>	<b>1.2008</b>			
Average rate – March				0.8659	1.0708	1.0693
<b>Closing rate – 31 March</b>				<b>0.8553</b>	<b>1.0706</b>	<b>1.0695</b>

# Notes to the consolidated financial statements

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## 3 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.

## 4 Net gains or losses on financial instruments at fair value through profit or loss

The net gains or losses on financial instruments at fair value through profit or loss result from changes in the fair value of the financial assets held for trading and financial assets designated as being at fair value through profit or loss.

## 5 Income from fees and commissions

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.

## 6 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.

## 7 Financial assets and liabilities

The Group initially recognises loans and advances and deposits on the date on which they have been originated. All other financial assets and liabilities are recognised on trade date.

On initial recognition, IAS 39 requires that financial assets be classified into the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments or available for sale. The Group does not hold any assets that are classified as held-to-maturity investments.

### 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.

### 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).

## 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.

## 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. Such interests are primarily recorded as available-for-sale assets.

# Notes to the consolidated financial statements

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## 10 Impairment of financial assets

Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events:

- 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.

### 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.

## 11 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.

## 12 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.

## 13 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 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".

## 14 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.

## 15 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.

# Notes to the consolidated financial statements

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## – 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.

## 16 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.

## 17 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.

## 18 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.

## 19 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.

## 20 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, R&Co Gestion.

## 21 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.

## 22 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.

# IV Financial risk management

## A. 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 73).

## B. Credit risk

### 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 1	Exposures which are considered to be fully performing.
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 RGA receivables which are past due over 90 days are included in this category.
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.
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.
Category 5	Exposures that are considered to be impaired and which carry a full provision. No significant recovery of value is expected.

All Group companies map their own credit monitoring to these categories for the purposes of Group reporting.

Credit risk management is explained in the Report of the Chairman on internal control and risk management procedures implemented within the Group for the nine months ended 31 December 2017 (page 66).

# Notes to the consolidated financial statements

The tables below disclose the maximum exposure to credit risk at 31 December 2017 and at 31 March 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	31/12/2017
Cash and amounts due from central banks	3,868.9	-	-	-	-	-	3,868.9
Financial assets at fair value through profit or loss <sup>(1)</sup>	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	7.7	(8.2)	986.7
Other financial assets	387.1	34.3	-	10.6	10.1	(15.7)	426.4
<b>Subtotal assets</b>	<b>9,876.8</b>	<b>67.4</b>	<b>34.2</b>	<b>140.9</b>	<b>33.8</b>	<b>(100.8)</b>	<b>10,052.3</b>
Commitments and guarantees	563.6	-	0.3	-	-	-	563.9
<b>TOTAL</b>	<b>10,440.4</b>	<b>67.4</b>	<b>34.5</b>	<b>140.9</b>	<b>33.8</b>	<b>(100.8)</b>	<b>10,616.2</b>

(1) Excluding equity.

In millions of euro	Category 1	Category 2	Category 3	Category 4	Category 5	Impairment allowance	31/03/2017
Cash and amounts due from central banks	3,907.4	-	-	-	-	-	3,907.4
Financial assets at fair value through profit or loss <sup>(1)</sup>	33.0	-	-	-	-	-	33.0
Loans and advances to banks	1,918.1	-	-	-	-	-	1,918.1
Loans and advances to customers	2,679.9	37.0	75.2	137.4	16.8	(79.0)	2,867.3
Available-for-sale debt securities	1,061.2	-	0.4	5.1	9.3	(11.0)	1,065.0
Other financial assets	420.1	38.1	-	14.1	14.5	(20.6)	466.2
<b>Subtotal assets</b>	<b>10,019.7</b>	<b>75.1</b>	<b>75.6</b>	<b>156.6</b>	<b>40.6</b>	<b>(110.6)</b>	<b>10,257.0</b>
Commitments and guarantees	494.5	-	-	-	-	-	494.5
<b>TOTAL</b>	<b>10,514.2</b>	<b>75.1</b>	<b>75.6</b>	<b>156.6</b>	<b>40.6</b>	<b>(110.6)</b>	<b>10,751.5</b>

(1) Excluding equity.

The Group no longer uses “past due but not impaired” as a category for its risk assessment. Amounts previously disclosed as past due but not impaired are now shown in the categories 2 or 3 as appropriate. The comparatives for credit risk have been restated accordingly.

## 2 Past due but not impaired assets

A financial asset is considered to be past due when the counterparty has failed to make a payment when contractually due (unless this is caused by short-term administrative delays). Financial assets that are past due but not impaired are exposures for which a provision is not considered necessary despite non-payment of the contractual obligations.

The table below analyses amounts considered by the business as past due but not impaired by how far they are past their due date:

In millions of euro	31/12/2017			31/03/2017		
	Loans and advances to customers	Other financial assets	TOTAL	Loans and advances to customers	Other financial assets	TOTAL
Less than 90 days	-	-	-	1.2	-	1.2
Between 90 and 180 days	-	6.6	6.6	1.5	13.6	15.1
Between 180 days and one year	-	14.2	14.2	15.0	13.8	28.8
More than one year	12.9	13.5	26.4	0.6	10.7	11.3
<b>TOTAL</b>	<b>12.9</b>	<b>34.3</b>	<b>47.2</b>	<b>18.3</b>	<b>38.1</b>	<b>56.4</b>

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 2017 the cumulative value of all loans within this category was €3.1 million (31 March 2017: €20.1 million). All of these loans were property loans. There are also some loans which are overdue, but not impaired, pending an extension of maturity. As at 31 December 2017, these amounted to €12.9 million (31 March 2017: €18.3 million).

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 2017, the carrying value of all loans renegotiated was €0.6 million (31 March 2017: €2.1 million).

### 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.

Unimpaired 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 individually impaired and past due but not impaired.

In millions of euro	31/12/2017		31/03/2017	
	Past due but not impaired	Individually impaired	Past due but not impaired	Individually impaired
Tangible assets collateral	12.9	81.0	18.5	89.6
Financial assets collateral	-	31.0	2.1	26.4
<b>TOTAL</b>	<b>12.9</b>	<b>112.0</b>	<b>20.6</b>	<b>116.0</b>
Gross value of loans	12.9	144.3	18.3	154.2
Impairment	n/a	(57.1)	n/a	(55.3)
<b>Net value of loans</b>	<b>12.9</b>	<b>87.2</b>	<b>18.3</b>	<b>98.9</b>

### 4 Further credit risk analysis

The tables below show an analysis of credit risk by location and by sector as at 31 December 2017 and 31 March 2017.

#### A) 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	31/12/2017
Cash and amounts due from central banks	1,206.9	2,658.6	-	3.4	-	-	-	3,868.9
Financial assets at fair value through profit or loss <sup>(1)</sup>	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
<b>Subtotal assets</b>	<b>3,843.3</b>	<b>2,860.2</b>	<b>1,353.5</b>	<b>1,137.0</b>	<b>635.6</b>	<b>135.7</b>	<b>87.0</b>	<b>10,052.3</b>
Commitments and guarantees	321.3	48.5	82.5	98.1	0.1	11.4	2.0	563.9
<b>TOTAL</b>	<b>4,164.6</b>	<b>2,908.7</b>	<b>1,436.0</b>	<b>1,235.1</b>	<b>635.7</b>	<b>147.1</b>	<b>89.0</b>	<b>10,616.2</b>

(1) Excluding equity.

# Notes to the consolidated financial statements

In millions of euro	France	Switzerland	UK and Channel Islands	Rest of Europe	Americas	Australia and Asia	Other	31/03/2017
Cash and amounts due from central banks	580.2	3,324.7	-	2.5	-	-	-	3,907.4
Financial assets at fair value through profit or loss <sup>(1)</sup>	9.8	7.5	8.2	5.3	0.9	1.2	0.1	33.0
Loans and advances to banks	1,088.7	74.6	297.5	233.1	177.7	29.7	16.8	1,918.1
Loans and advances to customers	1,500.9	99.1	697.7	310.3	127.9	68.9	62.5	2,867.3
Available-for-sale debt securities	658.6	2.8	93.0	203.8	93.0	4.5	9.3	1,065.0
Other financial assets	156.7	39.4	68.2	78.9	50.6	38.0	34.4	466.2
<b>Subtotal assets</b>	<b>3,994.9</b>	<b>3,548.1</b>	<b>1,164.6</b>	<b>833.9</b>	<b>450.1</b>	<b>142.3</b>	<b>123.1</b>	<b>10,257.0</b>
Commitments and guarantees	275.6	95.2	25.1	55.4	0.9	11.1	31.2	494.5
<b>TOTAL</b>	<b>4,270.5</b>	<b>3,643.3</b>	<b>1,189.7</b>	<b>889.3</b>	<b>451.0</b>	<b>153.4</b>	<b>154.3</b>	<b>10,751.5</b>

(1) Excluding equity.

## B) CREDIT RISK BY SECTOR

In millions of euro	31/12/2017	%	31/03/2017	%
Cash and amounts due from central banks	3,868.9	36%	3,907.4	36%
Households	2,434.8	23%	2,270.0	21%
Credit institutions	1,800.6	17%	1,915.3	18%
Liquid debt securities from other sectors (diversified)	825.1	8%	817.2	8%
Real estate	374.6	4%	325.7	3%
Short-term fee income receivable from other sectors (diversified customers)	331.9	3%	361.0	3%
Other financial corporations	283.1	3%	285.2	3%
Government <sup>(1)</sup>	112.3	1%	196.3	2%
Other	584.9	6%	673.4	6%
<b>TOTAL</b>	<b>10,616.2</b>	<b>100%</b>	<b>10,751.5</b>	<b>100%</b>

(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.

Previous reporting on sectoral risk has been prepared by mapping local data to GICS (Global Industry Classification Standards) codes. The Group now records all sectoral exposure using NACE codes, and, therefore, the sector risk disclosure has been amended to reflect this. Comparative information has also been restated to be consistent with this presentation.

Short-term accounts receivable and highly liquid debt securities 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 note.

## C. 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 and risk management procedures (page 66).

### 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 2017, then there would be a post-tax charge to the income statement of €24.2 million (31 March 2017: €17.9 million) and a charge to equity of €21.3 million (31 March 2017: €22.4 million). Under IFRS 9, from January 2018, the charge through P&L would be higher because more of the equities will be 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.

In millions of euro	31/12/2017	%	31/03/2017	%
France	400.4	36%	227.7	24%
United Kingdom and Channel Islands	317.6	29%	315.3	33%
Rest of Europe	122.2	11%	134.7	14%
Switzerland	120.2	11%	114.5	12%
Americas	92.6	8%	92.6	10%
Australia and Asia	12.5	1%	35.9	4%
Other	41.4	4%	30.1	3%
<b>TOTAL</b>	<b>1,106.9</b>	<b>100%</b>	<b>950.8</b>	<b>100%</b>

## 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	31/12/2017 Long/(short)	31/03/2017 Long/(short)
USD	34.3	40.9
EUR	21.8	12.4
GBP	2.3	3.9
CHF	(0.1)	3.8
Other	0.6	1.9

Excluded from the prior year data is a long euro exposure of €97 million, which is not representative of the currency risk during the year. This arose from a large intercompany exposure on 31 March 2017, which was hedged shortly after the year end.

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.

## 3 Interest rate risk

Because of the nature of its business, only the banking entities in the Group are exposed to significant interest rate risk. These entities take a conservative approach to the management of this risk on their assets, using derivatives to manage their exposure. Each December, 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 over one year. The impact of such a shock at 31 December 2017 would have been an increase of €15.3 million.

## D. Liquidity risk

### 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 and risk management procedures (page 66).

The Group's three main banking groups each 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 Bank AG Zurich

RBZ'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, RBZ maintains a more conservative approach to liquidity.

Internal limits provide for RBZ 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.

RBZ's LCR at 31 December 2017 was 153%, as measured for regulatory purposes (31 March 2017: 169%). The regulatory limit is 80%.

#### 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 2017, RMM's LCR was 205% (31 March 2017: 202% for RCB and 333% for BMM). The regulatory limit is 80%.

# Notes to the consolidated financial statements

Rothschild Bank International Limited

RBI complies with the liquidity regime of the GFSC. Historically, the GFSC prescribed cumulative cash flow deficit limits for periods up to the one-month time horizon using standard behavioural adjustments (i.e. not institution specific).

At 31 March 2017, the RBI regulatory liquidity ratio for the eight-day to one-month period as a percentage of total deposits was 18.1%, well in excess of the limit set by the GFSC of -5%.

The GFSC amended the minimum regulatory liquidity requirements that apply to licensed deposit takers incorporated in Guernsey with effect from 31 July 2017. RBI's LCR under the new requirements at 31 December 2017 was 186%. The regulatory limit is 100%.

## 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	>5 yr	No contractual maturity	31/12/2017
Cash and balances at central banks	3,868.9	-	-	-	-	-	-	3,868.9
Financial assets at FVTPL	15.0	1.2	3.6	0.8	215.0	164.3	148.1	548.0
AFS financial assets	552.3	113.1	321.9	234.9	134.6	50.9	188.6	1,596.3
Loans and advances to banks	1,542.6	167.6	20.0	-	-	-	-	1,730.2
Loans and advances to customers	718.5	485.0	713.5	418.2	398.1	256.6	-	2,989.9
Other financial assets	395.0	29.4	1.8	0.1	0.1	-	-	426.4
<b>TOTAL</b>	<b>7,092.3</b>	<b>796.3</b>	<b>1,060.8</b>	<b>654.0</b>	<b>747.8</b>	<b>471.8</b>	<b>336.7</b>	<b>11,159.7</b>
Financial liabilities at FVTPL	20.5	3.2	1.1	-	-	-	-	24.8
Hedging derivatives	-	-	-	-	6.5	-	-	6.5
Due to banks and other financial institutions	284.5	50.2	5.9	16.5	115.9	163.4	-	636.4
Due to customers	7,571.5	70.8	86.5	25.0	16.7	0.5	-	7,771.0
Debt securities in issue	0.1	50.6	43.4	1.5	-	-	-	95.6
Other financial liabilities	146.6	2.7	0.8	-	-	-	-	150.1
<b>TOTAL</b>	<b>8,023.2</b>	<b>177.5</b>	<b>137.7</b>	<b>43.0</b>	<b>139.1</b>	<b>163.9</b>	<b>-</b>	<b>8,684.4</b>
Loan and guarantee commitments given	358.0	15.5	65.8	11.3	105.5	7.7	-	563.8

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.

## E. Fair value disclosures

### 1 Fair value classification

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

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 exercise of the warrants is determined by comparing the cost of exercise with the expected benefit derived from exercise.

- Historical cost

When the Group has recently made an investment in an unquoted instrument, 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.

# Notes to the consolidated financial statements

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, a discount rate which incorporates a risk premium, or an illiquidity discount; for all of these, the parameters may not be directly observable in the market.

## 2 Fair value of financial instruments

Carried at amortised cost

In millions of euro	31/12/2017				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
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
<b>TOTAL</b>	<b>8,589.0</b>	<b>8,586.2</b>	<b>-</b>	<b>8,546.8</b>	<b>39.4</b>
<b>Financial liabilities</b>					
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	-
<b>TOTAL</b>	<b>8,503.0</b>	<b>8,514.2</b>	<b>-</b>	<b>8,514.2</b>	<b>-</b>

In millions of euro	31/03/2017				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Cash and amounts due from central banks	3,907.4	3,907.4	-	3,907.4	-
Loans and advances to banks	1,918.1	1,918.1	-	1,918.1	-
Loans and advances to customers	2,867.3	2,858.5	-	2,801.3	57.2
<b>TOTAL</b>	<b>8,692.8</b>	<b>8,684.0</b>	<b>-</b>	<b>8,626.8</b>	<b>57.2</b>
<b>Financial liabilities</b>					
Due to banks and other financial institutions	461.0	463.0	-	463.0	-
Due to customers	8,063.3	8,063.3	-	8,063.3	-
Debt securities in issue	139.6	139.6	-	139.6	-
<b>TOTAL</b>	<b>8,663.9</b>	<b>8,665.9</b>	<b>-</b>	<b>8,665.9</b>	<b>-</b>

The fair value of financial instruments at amortised cost is determined at the reporting date as follows:

- 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 the 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. An impaired loan where the carrying value of the loan is decided by a DCF, using best estimates of recoverable cash flows, is classified in Level 3.
- 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.
- Debt securities in issue: the fair value of these instruments is determined using external prices which can be regularly observed from a reasonable number of market makers. However, these prices do not represent a directly tradable price.

Carried at fair value

In millions of euro	31/12/2017			
	TOTAL	Measured using		
		Level 1	Level 2	Level 3
<b>Financial assets</b>				
Trading securities – short term	30.6	30.6	-	-
Financial assets designated at FVTPL – long term	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
<b>TOTAL FINANCIAL ASSETS</b>	<b>2,144.4</b>	<b>1,578.1</b>	<b>529.5</b>	<b>36.8</b>
<b>Financial liabilities</b>				
Derivative financial instruments	31.4	-	31.4	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>31.4</b>	<b>-</b>	<b>31.4</b>	<b>-</b>

In millions of euro	31/03/2017			
	TOTAL	Measured using		
		Level 1	Level 2	Level 3
<b>Financial assets</b>				
Trading securities – short term	17.1	17.1	-	-
Financial assets designated at FVTPL – long term	393.8	40.2	353.6	-
Derivative financial instruments	21.5	-	21.5	-
AFS public bills and similar securities	173.1	173.1	-	-
AFS bonds, other fixed income securities and accrued interest	891.9	822.9	65.5	3.5
AFS equity securities	551.4	472.6	11.7	67.1
<b>TOTAL FINANCIAL ASSETS</b>	<b>2,048.8</b>	<b>1,525.9</b>	<b>452.3</b>	<b>70.6</b>
<b>Financial liabilities</b>				
Derivative financial instruments	42.0	-	42.0	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>42.0</b>	<b>-</b>	<b>42.0</b>	<b>-</b>

# Notes to the consolidated financial statements

## 3 Fair value Level 3 disclosures

Valuation technique by class of Level 3 financial assets

Description	Fair value at 31/12/2017 (in millions of euro)	Valuation technique	Unobservable input	Range (weighted average)
Securities portfolios (CDOs, CLOs, etc.)	1.9	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
Mezzanine debt securities	1.5	Carrying value based on original investment plus accrued interest less any impairment provisions	Expected repayment cash flow, taking into account shareholders' equity of the borrower	n/a
<b>AFS debt</b>	<b>3.4</b>			
Funds and other equity	32.4	External valuation	n/a	n/a
	1.0	Valued at cost	n/a	n/a
<b>AFS equity</b>	<b>33.4</b>			

Sensitivity of fair value for Level 3 instruments

Out of €33.4 million of AFS equity securities classified in Level 3 as of 31 December 2017, €32.4 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 on net income and on equity in the event of a fall of 5% in the carrying value. In such an event, there would be a post-tax charge to the income statement of €0.1 million and a charge to equity of €1.5 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
<b>As at 1 April 2017</b>		<b>3.5</b>	<b>67.1</b>	<b>70.6</b>
Total gains or losses for the period	Included in income statement	-	(0.4)	(0.4)
	Gains/(losses) through equity	-	5.8	5.8
Purchases, issues, sales and settlements	Additions	-	1.5	1.5
	Disposals	(0.5)	(40.4)	(40.9)
Exchange		0.4	(0.2)	0.2
<b>AS AT THE END OF THE PERIOD</b>		<b>3.4</b>	<b>33.4</b>	<b>36.8</b>

## 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 are 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.

### 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.

## V Notes to the balance sheet

### Note 1 – Financial instruments at fair value through profit or loss

#### Financial assets

In thousands of euro	31/12/2017	31/03/2017
Equities	467,178	382,327
Loans to customers	32,859	11,513
<b>Financial assets designated at fair value through profit or loss</b>	<b>500,037</b>	<b>393,840</b>
Equities	30,598	17,077
<b>Trading instruments</b>	<b>30,598</b>	<b>17,077</b>
<b>Trading derivative assets (see note 2)</b>	<b>17,379</b>	<b>21,524</b>
<b>TOTAL</b>	<b>548,014</b>	<b>432,441</b>

#### Financial liabilities

In thousands of euro	31/12/2017	31/03/2017
Trading derivative liabilities (see note 2)	24,823	33,329
<b>TOTAL</b>	<b>24,823</b>	<b>33,329</b>

# Notes to the consolidated financial statements

## 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 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	31/12/2017			31/03/2017		
	<i>Notional principal</i>	Of which: asset	Of which: liability	<i>Notional principal</i>	Of which: asset	Of which: liability
Firm interest rate contracts	141,972	958	308	143,424	2,998	169
Conditional interest rate contracts	19,150	178	175	15,090	305	34
Firm foreign exchange contracts	5,293,305	15,435	23,725	6,517,560	17,253	32,690
Conditional foreign exchange contracts	240,971	501	482	193,494	485	234
Commodity options	-	-	-	54,039	135	65
Equity-related options	69,893	307	133	103,518	348	137
<b>TOTAL</b>	<b>5,765,291</b>	<b>17,379</b>	<b>24,823</b>	<b>7,027,125</b>	<b>21,524</b>	<b>33,329</b>

### Hedging derivatives

In thousands of euro	31/12/2017			31/03/2017		
	<i>Notional principal</i>	Of which: asset	Of which: liability	<i>Notional principal</i>	Of which: asset	Of which: liability
Firm interest rate contracts	137,000	-	6,543	136,000	-	8,626
<b>TOTAL</b>	<b>137,000</b>	<b>-</b>	<b>6,543</b>	<b>136,000</b>	<b>-</b>	<b>8,626</b>

The Group’s hedging derivatives consist of fair value hedges only. These are interest rate swaps that are used to protect against changes in the fair value of fixed rate lending. There is no charge or credit in the income statement due to ineffectiveness of these hedges.

### 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	31/12/2017		
	Gross assets	Amounts set off	Net amounts as per balance sheet
Trading derivative assets	24,389	(7,010)	17,379
Loans and receivables with banks	1,735,630	(5,477)	1,730,153
Other assets not subject to netting	10,368,207	-	10,368,207
<b>Total assets</b>	<b>12,128,226</b>	<b>(12,487)</b>	<b>12,115,739</b>
Due to banks	637,003	(626)	636,377
Trading derivative liabilities	36,684	(11,861)	24,823
Other liabilities not subject to netting	9,002,610	-	9,002,610
<b>Total liabilities</b>	<b>9,676,297</b>	<b>(12,487)</b>	<b>9,663,810</b>

## Note 3 – Available-for-sale financial assets

In thousands of euro	31/12/2017	31/03/2017
Public bills and similar securities	112,267	173,092
Other fixed income securities	874,085	885,997
Accrued interest	337	5,908
<b>Total AFS debt securities</b>	<b>986,689</b>	<b>1,064,997</b>
<i>of which impairment losses</i>	<i>(9,837)</i>	<i>(10,996)</i>
<b>Total AFS equity securities</b>	<b>609,654</b>	<b>551,430</b>
<i>of which impairment losses</i>	<i>(124,325)</i>	<i>(132,082)</i>
<b>TOTAL</b>	<b>1,596,343</b>	<b>1,616,427</b>

## Changes in available-for-sale financial assets

In thousands of euro	31/12/2017	31/03/2017
<b>As at 1 April</b>	<b>1,616,427</b>	<b>1,096,009</b>
Additions	733,931	1,274,272
Acquisition of a subsidiary	-	737,970
Disposals	(741,421)	(1,470,454)
Gains/(losses) from changes in fair value, recognised directly in equity	15,977	23,760
Impairment losses recognised in income statement	(993)	(1,177)
Exchange differences	(27,118)	(23,927)
Changes in scope and other movements	(460)	(20,026)
<b>AS AT THE END OF THE PERIOD</b>	<b>1,596,343</b>	<b>1,616,427</b>

## Note 4 – Loans and advances to banks

In thousands of euro	31/12/2017	31/03/2017
Interbank demand deposits and overnight loans	1,032,840	987,911
Interbank term deposits and loans	159,610	119,069
Reverse repos and loans secured by bills	536,456	810,445
Accrued interest	1,247	635
<b>Loans and advances to banks – gross amount</b>	<b>1,730,153</b>	<b>1,918,060</b>
Allowance for credit losses	-	-
<b>TOTAL</b>	<b>1,730,153</b>	<b>1,918,060</b>

## Note 5 – Loans and advances to customers

In thousands of euro	31/12/2017	31/03/2017
Debit balances on current accounts	186,765	287,974
PCL loans to customers	2,446,474	2,256,349
Other loans to customers	415,189	382,531
Accrued interest	18,414	19,442
<b>Loans and advances to customers – gross amount</b>	<b>3,066,842</b>	<b>2,946,296</b>
Specific provisions	(57,066)	(55,346)
Collective provisions	(19,857)	(23,675)
<b>Allowance for credit losses</b>	<b>(76,923)</b>	<b>(79,021)</b>
<b>TOTAL</b>	<b>2,989,919</b>	<b>2,867,275</b>

# Notes to the consolidated financial statements

At 31 December 2017, loans and advances to customers include finance lease receivables, as shown below:

In thousands of euro	Total future receipts	Less unrecognised interest income	Present value of net finance lease assets
Up to one year	7,652	(318)	7,334
Between one and five years	10,868	(319)	10,549
Over five years	364	(6)	358
<b>TOTAL</b>	<b>18,884</b>	<b>(643)</b>	<b>18,241</b>

## Note 6 – Other assets

In thousands of euro	31/12/2017	31/03/2017
Accounts receivable <sup>(1)</sup>	220,968	229,473
Guarantee deposits paid <sup>(1)</sup>	19,288	18,039
Settlement accounts for transactions of securities <sup>(1)</sup>	75,094	83,196
Defined benefit pension scheme assets	19,523	17,823
Other sundry assets	180,920	166,703
<b>Other assets</b>	<b>515,793</b>	<b>515,234</b>
Prepaid expenses	25,069	20,349
Accrued income <sup>(1)</sup>	111,001	131,752
<b>Prepayments and accruals</b>	<b>136,070</b>	<b>152,101</b>
<b>TOTAL</b>	<b>651,863</b>	<b>667,335</b>

(1) These balances represent other financial assets as reported in section IV.

## Note 7 – 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	31/12/2017	01/04/17 31/12/17 (9 months)	31/03/2017	01/04/16 31/03/17 (12 months)
	Equity accounted value	Share of profit after tax	Equity accounted value	Share of profit after tax
Jardine Rothschild Asia Capital (Luxembourg) Sàrl	395	11,637	20,267	22
Réponse Invest	982	-	982	-
<b>Merchant Banking Investments</b>	<b>1,377</b>	<b>11,637</b>	<b>21,249</b>	<b>22</b>
St Julian's Properties Limited	7,641	167	7,757	296
Others	2,799	232	4,777	106
<b>Other investments</b>	<b>10,440</b>	<b>399</b>	<b>12,534</b>	<b>402</b>
<b>TOTAL</b>	<b>11,817</b>	<b>12,036</b>	<b>33,783</b>	<b>424</b>

Information about the underlying accounts of the associates is as follows:

In thousands of euro	31/12/2017			
	Réponse Invest	Jardine Rothschild Asia Capital (Luxembourg) Sàrl	St Julian's Properties Limited	Others
Loans and receivables with bank, net	3,726	1,116	977	4,775
Available-for-sale financial assets	-	-	-	3,549
Other assets	48,455	83	14,772	1,737
<b>Total assets</b>	<b>52,181</b>	<b>1,199</b>	<b>15,749</b>	<b>10,061</b>
<b>Total creditors</b>	<b>55,900</b>	<b>409</b>	<b>468</b>	<b>1,236</b>
Net banking revenue	20,134	23,566	(16)	5,498
Profit before tax	-	23,361	443	1,511
<b>Net income</b>	<b>-</b>	<b>23,273</b>	<b>334</b>	<b>875</b>
Other comprehensive income	-	(9,392)	(568)	(488)
<b>Total comprehensive income</b>	<b>-</b>	<b>13,881</b>	<b>(234)</b>	<b>387</b>
<b>Dividends received</b>	<b>-</b>	<b>2,199</b>	<b>-</b>	<b>-</b>

All associates are accounted for using the equity method. Information about business activities, Group voting rights and ownership interest is disclosed in note 36.

## Note 8 – Tangible fixed assets

In thousands of euro	01/04/2017	Additions	Disposals/ write-offs	Depreciation charge (note 28)	Exchange rate movement	Other movements	31/12/2017
<b>Gross tangible fixed assets</b>							
Operating land and buildings	417,342	5,957	(11,785)		(14,415)	880	397,979
Other tangible fixed assets	128,011	14,017	(5,701)		(8,033)	(770)	127,524
<b>Total tangible fixed assets – gross amount</b>	<b>545,353</b>	<b>19,974</b>	<b>(17,486)</b>		<b>(22,448)</b>	<b>110</b>	<b>525,503</b>
<b>Depreciation and allowances</b>							
Operating land and buildings	(110,610)		11,095	(8,813)	3,784	(985)	(105,529)
Other tangible fixed assets	(74,761)		4,264	(8,484)	4,786	861	(73,334)
<b>Total depreciation and allowances</b>	<b>(185,371)</b>		<b>15,359</b>	<b>(17,297)</b>	<b>8,570</b>	<b>(124)</b>	<b>(178,863)</b>
<b>TOTAL</b>	<b>359,982</b>	<b>19,974</b>	<b>(2,127)</b>	<b>(17,297)</b>	<b>(13,878)</b>	<b>(14)</b>	<b>346,640</b>

# Notes to the consolidated financial statements

## Note 9 – Intangible fixed assets

In thousands of euro	01/04/2017	Additions	Disposals/ write-offs	Amortisation/ impairment (note 28)	Exchange rate movement	Other movements	31/12/2017
<b>Gross intangible fixed assets</b>							
Brand names	157,485	-	-	-	-	-	157,485
Other tangible assets	48,406	947	(5,216)		(466)	(98)	43,573
<b>Total intangible assets – gross amount</b>	<b>205,891</b>	<b>947</b>	<b>(5,216)</b>		<b>(466)</b>	<b>(98)</b>	<b>201,058</b>
<b>Amortisation and allowances</b>							
Brand names	-		-	-	-	-	-
Other intangible assets	(35,807)		5,216	(8,199)	182	124	(38,484)
<b>Total amortisation and allowances</b>	<b>(35,807)</b>		<b>5,216</b>	<b>(8,199)</b>	<b>182</b>	<b>124</b>	<b>(38,484)</b>
<b>TOTAL</b>	<b>170,084</b>	<b>947</b>	<b>-</b>	<b>(8,199)</b>	<b>(284)</b>	<b>26</b>	<b>162,574</b>

The brand names contain mainly the use of the “Rothschild” name, which was recognised following the acquisition of a subsidiary in 2007. The asset was considered as having an indefinite useful life and is, therefore, not amortised, but is instead subject to an annual impairment test.

As at 31 December 2017, the Group performed its annual impairment test for the Rothschild 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 group, 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 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 €39 million;
- a 25 bp decrease in the royalty rate would reduce the value by €43 million; and
- a 10% decrease in the income in the future business plan cash flows would reduce the value by €33 million.

Such decreases would not result in an impairment.

## Note 10 – Goodwill

Over the last ten years, the Group has completed a number of strategic capital transactions that have resulted in the recognition of various amounts of goodwill. During that period, the management of the Group’s businesses has evolved and is now at a point where the original cash-generating units, RCB (now called RMM) and Concordia Holding SARL (previously called Concordia BV) are no longer appropriate. In their place are the businesses of Rothschild Global Advisory, Rothschild Private Wealth & Asset Management, and Rothschild Merchant Banking – these match the revised segmental information presented for the first time in this nine-month financial period to 31 December 2017.

In thousands of euro	Rothschild Global Advisory	Rothschild Private Wealth & Asset Management	Rothschild Merchant Banking	TOTAL
<b>As at 1 April 2017</b>	108,003	11,417	4,423	123,843
Currency translation	(87)	(111)	(483)	(681)
<b>AS AT THE END OF THE PERIOD</b>	<b>107,916</b>	<b>11,306</b>	<b>3,940</b>	<b>123,162</b>

## Testing for impairment

As at 31 December 2017, the Group performed an annual impairment test for each of the CGUs to which goodwill has been allocated. The recoverable amount of the CGU was calculated using the most appropriate method.

For our RGA 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 RGA business show that a 10% decrease in either the PE multiples or in the normalised profit after tax would reduce the value of the CGU by €200 million and would not result in an impairment.

## Note 11 – Due to banks and other financial institutions

In thousands of euro	31/12/2017	31/03/2017
Interbank demand deposits and overnight	261,312	108,022
Interbank term deposits and borrowings	370,145	347,567
Accrued interest	4,920	5,369
<b>TOTAL</b>	<b>636,377</b>	<b>460,958</b>

## Note 12 – Customer deposits

In thousands of euro	31/12/2017	31/03/2017
Demand deposits	7,085,767	7,416,913
Term deposits	604,680	576,180
Borrowings secured by bills	79,143	68,403
Accrued interest	1,364	1,787
<b>TOTAL</b>	<b>7,770,954</b>	<b>8,063,283</b>

## Note 13 – Other liabilities, accruals and deferred income

In thousands of euro	31/12/2017	31/03/2017
Due to employees	485,443	528,232
Other accrued expenses and deferred income	195,532	158,410
<b>Accrued expenses</b>	<b>680,975</b>	<b>686,642</b>
Settlement accounts for transactions of securities <sup>(1)</sup>	128,893	99,983
Accounts payable <sup>(1)</sup>	21,207	30,628
Sundry creditors	118,302	139,197
<b>Other liabilities</b>	<b>268,402</b>	<b>269,808</b>
<b>TOTAL</b>	<b>949,377</b>	<b>956,450</b>

(1) These balances represent other financial liabilities as reported in section IV.

# Notes to the consolidated financial statements

## Note 14 – Provisions

In thousands of euro	01/04/2017	Charge/ (release)	Utilised	Exchange movement	Other movements	31/12/2017
Provisions for counterparty risk	1,071	-	(61)	(1)	(14)	995
Provisions for claims and litigation	27,230	6,152	(2,070)	(442)	26	30,896
Provisions for property	366	16	-	(33)	(25)	324
Provisions for staff costs	929	736	-	(22)	1,140	2,783
<b>Subtotal</b>	<b>29,596</b>	<b>6,904</b>	<b>(2,131)</b>	<b>(498)</b>	<b>1,127</b>	<b>34,998</b>
Retirement benefit liabilities (note 19)	83,948	n/a	n/a	n/a	(30,676)	53,272
<b>TOTAL</b>	<b>113,544</b>	<b>6,904</b>	<b>(2,131)</b>	<b>(498)</b>	<b>(29,549)</b>	<b>88,270</b>

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 15 – Impairments

In thousands of euro	01/04/2017	Income statement charge	Income statement reversal	Written off	Exchange rate and other movements	31/12/2017
Loans and advances to customers	(79,021)	(12,644)	9,847	3,718	1,177	(76,923)
Available-for-sale financial assets	(143,078)	(2,113)	1,120	9,570	339	(134,162)
Other assets	(20,773)	(3,897)	1,042	4,664	692	(18,272)
<b>TOTAL</b>	<b>(242,872)</b>	<b>(18,654)</b>	<b>12,009</b>	<b>17,952</b>	<b>2,208</b>	<b>(229,357)</b>

## Note 16 – Deferred tax

The movement on the deferred tax account is as follows:

In thousands of euro	31/12/2017	31/03/2017
<b>Net asset as at beginning of period</b>	<b>1,637</b>	<b>28,909</b>
<i>of which deferred tax assets</i>	67,966	72,278
<i>of which deferred tax liabilities</i>	(66,329)	(43,369)
<b>Recognised in income statement</b>		
Income statement credit/(charge)	1,513	(6,548)
<b>Recognised in equity</b>		
Defined benefit pension arrangements	(2,853)	(3,321)
Available-for-sale financial assets	830	(186)
Tax losses carried forward	-	23
Reclassification to current tax	246	4,164
Exchange differences	(2,032)	(3,486)
Purchase/sale of a subsidiary	413	(19,913)
Other	(128)	1,995
<b>NET ASSET AS AT END OF PERIOD</b>	<b>(374)</b>	<b>1,637</b>
<i>of which deferred tax assets</i>	60,561	67,966
<i>of which deferred tax liabilities</i>	(60,935)	(66,329)

Deferred tax net assets are attributable to the following items:

In thousands of euro	31/12/2017	31/03/2017
Deferred profit share arrangements	22,599	26,213
Losses carried forward	12,171	13,954
Defined benefit pension liabilities	10,300	18,074
Provisions	6,803	2,968
Accelerated depreciation	2,973	3,971
Available-for-sale financial assets	116	(311)
Other temporary differences	5,599	3,097
<b>TOTAL</b>	<b>60,561</b>	<b>67,966</b>

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.

NMR derecognised €8.7 million of deferred tax assets during the year ended March 2015, after the UK government announced restrictions on the ability of banks to utilise historic tax losses. Elsewhere in the Group, 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 €56.7 million at 31 December 2017 (€72.9 million at 31 March 2017).

Deferred tax net liabilities are attributable to the following items:

In thousands of euro	31/12/2017	31/03/2017
Fair value adjustments to properties	17,340	17,772
Available-for-sale financial assets	18,445	19,277
Intangible assets recognised following acquisition of subsidiaries	13,674	14,520
Defined benefit pension assets	1,911	3,946
Accelerated capital allowances	1,956	2,224
Other temporary differences	7,609	8,590
<b>TOTAL</b>	<b>60,935</b>	<b>66,329</b>

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	31/12/2017	31/03/2017
Defined benefit pension liabilities	(2,041)	(5,540)
Deferred profit share arrangements	(3,182)	1,118
Depreciation differences	(631)	(2,520)
Available-for-sale financial assets	467	(743)
Allowances for loan losses	4,120	(344)
Tax losses carried forward	(405)	(1,004)
Other temporary differences	3,185	2,485
<b>TOTAL</b>	<b>1,513</b>	<b>(6,548)</b>

# Notes to the consolidated financial statements

## Note 17 – 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	31/12/2017		
	Equity funds	Debt funds	TOTAL
<b>Total assets within the underlying vehicles</b>	<b>1,761,700</b>	<b>4,114,640</b>	<b>5,876,340</b>
<b>Assets under management including third party commitments</b>	<b>3,106,626</b>	<b>4,829,769</b>	<b>7,936,395</b>
Interest held in the Group's balance sheet:			
Financial assets designated at FVTPL	340,305	58,248	398,553
Financial assets available for sale	-	45,113	45,113
Loans and receivables	28,472	4,421	32,893
<b>Total assets in the Group's balance sheet</b>	<b>368,777</b>	<b>107,782</b>	<b>476,559</b>
Off-balance sheet commitments made by the Group	249,558	61,629	311,187
<b>Group's maximum exposure</b>	<b>618,335</b>	<b>169,411</b>	<b>787,746</b>

## Note 18 – 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	01/04/17 31/12/17 (9 months)	31/12/2017	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)	31/03/2017	01/04/16 31/03/17 (12 months)
	Net income	Amounts in the balance sheet	Distributions	Net income	Amounts in the balance sheet	Distributions
Preferred shares	110,348	170,036	1,051	160,013	60,103	128,520
Perpetual subordinated debt	10,646	288,999	10,636	13,748	305,372	13,748
Rothschild Holding AG group	1,606	58,271	744	2,502	79,563	2,351
Other	1,710	22,903	849	4,128	26,537	1,113
<b>TOTAL</b>	<b>124,310</b>	<b>540,209</b>	<b>13,280</b>	<b>180,391</b>	<b>471,575</b>	<b>145,732</b>

## 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 Private Wealth and Global Advisory 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	31/12/2017	31/03/2017
Perpetual fixed rate subordinated notes 9 per cent (£125 million)	166,605	172,905
Perpetual floating rate subordinated notes (€150 million)	58,270	60,474
Perpetual floating rate subordinated notes (US\$200 million)	64,124	71,993
<b>TOTAL</b>	<b>288,999</b>	<b>305,372</b>

## Rothschild Holding AG group

The Group holds a 90.09% (31 March 2017: 86.80%) economic interest in the equity of Rothschild Holding AG (RHAG), the Swiss holding company of part of our Private Wealth 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 RHAG group of companies.

In thousands of euro	RHAG Group	
	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
<b>Income statement information</b>		
Net banking revenue	158,839	214,432
Net income	19,109	16,784
Total other comprehensive income for the period, after tax <sup>(1)</sup>	(38,728)	16,591
<b>Total comprehensive income for the period</b>	<b>(19,619)</b>	<b>33,375</b>
<b>Balance sheet information</b>	<b>31/12/2017</b>	<b>31/03/2017</b>
Cash and amounts due from central banks	2,658,600	3,324,725
Loans and advances to banks	255,165	170,521
Loans and advances to customers	1,120,016	1,125,283
Other assets	412,845	460,739
<b>Total assets</b>	<b>4,446,626</b>	<b>5,081,268</b>
Due to customers	2,743,959	3,341,049
Other liabilities	1,086,180	1,093,806
<b>Total liabilities</b>	<b>3,830,139</b>	<b>4,434,855</b>
Shareholders' equity	616,487	646,413

(1) Other comprehensive income in RHAG comprises gains and losses from translation, actuarial movements and revaluation of long-standing shareholdings.

# Notes to the consolidated financial statements

## Note 19 – 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. The 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 6 months' service. The cost of this additional service is recognised as a past service cost.

Rothschild North America Inc maintains an unfunded qualified non-contributory defined benefit pension plan and other pension agreements for certain employees (RNAP). 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.

RBZ also operates funded pension schemes (RBZP). 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 2017 by qualified independent actuaries. Valuations of RBZP 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, that 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	RBZP	RNAP	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)
<b>Subtotal</b>	<b>6,924</b>	<b>284</b>	<b>-</b>	<b>-</b>	<b>7,208</b>
Present value of unfunded obligations	-	-	16,043	10,498	26,541
<b>TOTAL</b>	<b>6,924</b>	<b>284</b>	<b>16,043</b>	<b>10,498</b>	<b>33,749</b>
<i>of which schemes with net liabilities</i>	19,490	7,241	16,043	10,498	53,272
<i>of which schemes with net (assets)</i>	(12,566)	(6,957)	-	-	(19,523)
In thousands of euro	NMRP and NMROP	RBZP	RNAP	Other	31/03/2017
Present value of funded obligations	1,095,734	248,079	-	-	1,343,813
Fair value of plan assets	(1,073,137)	(236,745)	-	-	(1,309,882)
<b>Subtotal</b>	<b>22,597</b>	<b>11,334</b>	<b>-</b>	<b>-</b>	<b>33,931</b>
Present value of unfunded obligations	-	-	21,109	11,085	32,194
<b>TOTAL</b>	<b>22,597</b>	<b>11,334</b>	<b>21,109</b>	<b>11,085</b>	<b>66,125</b>
<i>of which schemes with net liabilities</i>	33,676	18,078	21,109	11,085	83,948
<i>of which schemes with net (assets)</i>	(11,079)	(6,744)	-	-	(17,823)

## Movement in net defined benefit obligation

In thousands of euro	Plan (assets)	Defined benefit obligations	Net defined benefit liability
<b>As at 1 April 2017</b>	<b>(1,309,882)</b>	<b>1,376,007</b>	<b>66,125</b>
Current service cost (net of contributions paid by other plan participants)	-	11,009	11,009
Contributions by the employees	(2,470)	2,470	-
Past service costs	-	286	286
Curtailments	-	263	263
Interest (income)/cost	(20,764)	22,650	1,886
Remeasurements due to:			
- actual return less interest on plan assets	(32,165)	-	(32,165)
- changes in financial assumptions	-	27,122	27,122
- changes in demographic assumptions	-	(11,199)	(11,199)
- experience (gains)/losses	-	4,883	4,883
Benefits paid	38,951	(38,951)	-
(Contributions) by the Group	(29,918)	-	(29,918)
Administration expenses	314	-	314
Exchange and other differences	60,526	(65,383)	(4,857)
<b>AS AT 31 DECEMBER 2017</b>	<b>(1,295,408)</b>	<b>1,329,157</b>	<b>33,749</b>

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 €48 million will be paid to the defined benefit pension schemes in the 12 months ending 31 December 2018.

The Group has assessed that no further liability arises for the NMRP, the NMROP or the RBZP 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 RBZP 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 RBZP 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 20 years for the NMRP and 17 years for the main RBZP.

## Amounts recognised in the income statement relating to defined benefit post-employment plans

In thousands of euro	31/12/2017	31/03/2017
Current service cost (net of contributions paid by other plan participants)	11,009	15,824
Net interest cost	1,886	2,789
Negative past service cost	286	(213)
Administration costs	314	2,031
Curtailments	263	-
Other pension income	-	(34)
<b>TOTAL (included in staff costs)</b>	<b>13,758</b>	<b>20,397</b>

# Notes to the consolidated financial statements

## Amounts recognised in statement of comprehensive income

In thousands of euro	31/12/2017	31/03/2017
Remeasurement gains recognised in the period	11,359	4,918
Cumulative remeasurement losses recognised in the statement of comprehensive income	(200,531)	(211,890)

## Actuarial assumptions and sensitivities

The principal actuarial assumptions used as at the balance sheet date were as follows:

	31/12/2017			31/03/2017		
	NMRP and NMROP	RBZP	RNAP	NMRP and NMROP	RBZP	RNAP
Discount rate	2.6%	0.7%	2.9%	2.8%	0.6%	3.0%
Retail price inflation	3.2%	n/a	n/a	3.2%	n/a	n/a
Consumer price inflation	2.1%	0.3%	n/a	2.1%	0.3%	n/a
Expected rate of salary increases	2.0%	0.5%	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	28.8	27.2	25.6	29.2	27.2	26.0
Female pensioner aged 60	29.9	29.5	29.1	30.4	29.5	29.0
Male pensioner aged 60 in 20 years' time	30.3	29.1	n/a	31.1	29.1	n/a
Female pensioner aged 60 in 20 years' time	31.4	31.3	n/a	32.3	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:

## Approximate increase/(decrease) in balance sheet liability

In thousands of euro	31/12/2017	
	NMRP and NMROP	RBZP
0.5% increase in discount rate	(98,000)	(19,000)
0.5% increase in inflation	77,000	1,000
One year increase in life expectancy	38,000	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

	31/12/2017			31/03/2017		
	NMRP	NMROP	RBZP	NMRP	NMROP	RBZP
Equities – quoted	35%	36%	31%	33%	44%	30%
Bonds – quoted	16%	26%	45%	18%	19%	44%
Liability hedges	22%	25%	2%	22%	20%	2%
Hedge funds and private equity	12%	4%	11%	17%	10%	11%
Cash and gilts	12%	7%	5%	8%	4%	6%
Property and others	3%	2%	6%	2%	3%	7%
	100%	100%	100%	100%	100%	100%

Equities includes €0.8 million (31 March 2017: €0.8 million) of shares in companies that are related parties of the Company.

## Note 20 – 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	31/12/2017	31/03/2017
Cash and accounts with central banks	3,868,907	3,907,432
Interbank demand deposits and overnight loans (assets)	1,032,840	987,911
Other cash equivalents	281,672	75,000
Interbank demand deposits and overnight loans (liabilities) and due to central banks	(261,312)	(108,022)
<b>TOTAL</b>	<b>4,922,107</b>	<b>4,862,321</b>

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 21 – Commitments given and received

### Commitments given

In thousands of euro	31/12/2017	31/03/2017
Given to banks	1,500	1,500
Given to customers	418,186	394,058
<b>Loan commitments</b>	<b>419,686</b>	<b>395,558</b>
Given to banks	45,208	18,922
Given to customers	98,956	80,020
<b>Guarantee commitments</b>	<b>144,164</b>	<b>98,942</b>
Investment commitments	264,057	261,400
Irrevocable nominee commitments	130,601	187,975
Pledged assets and other commitments given	57,229	28,268
<b>Other commitments given</b>	<b>451,887</b>	<b>477,643</b>

Commitments given to PCL clients amounted to €164.8 million at 31 December 2017.

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 27.

Commitments given and received that were reported at 31 March 2017 have been changed following the receipt of updated information.

### Commitments received

In thousands of euro	31/12/2017	31/03/2017
Received from banks	313,727	343,042
<b>Loan commitments</b>	<b>313,727</b>	<b>343,042</b>
Received from banks	97,184	123,239
Received from customers	3,232	12,609
<b>Guarantee commitments</b>	<b>100,416</b>	<b>135,848</b>

### Operating lease commitments payable

In thousands of euro	31/12/2017		31/03/2017	
	Land and buildings	Other	Land and buildings	Other
Up to one year	34,295	1,698	33,877	2,032
Between one and five years	118,230	983	117,186	2,264
Over five years	124,846	-	136,261	3
<b>TOTAL</b>	<b>277,371</b>	<b>2,681</b>	<b>287,324</b>	<b>4,299</b>

The operating lease commitments above mainly relate to leases of rented offices around the world.

# Notes to the consolidated financial statements

## VI Notes to the income statement

### Note 22 – Net interest income

#### Interest income

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Interest income – loans to banks	4,673	6,191
Interest income – loans to customers	50,140	36,868
Interest income – available-for-sale instruments	7,259	5,945
Interest income – derivatives	37,227	42,949
Interest income – other financial assets	1,123	2,322
<b>TOTAL</b>	<b>100,422</b>	<b>94,275</b>

#### Interest expense

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Interest expense – due to banks and other financial institutions	(9,825)	(8,613)
Negative interest income from loans to banks	(18,097)	(24,172)
Interest expense – due to customers	(8,719)	(7,095)
Interest expense – debt securities in issue	(112)	(350)
Interest expense – derivatives	(2,695)	(1,745)
Interest expense – other financial liabilities	(1,288)	(3,201)
<b>TOTAL</b>	<b>(40,736)</b>	<b>(45,176)</b>

### Note 23 – Net fee and commission income

#### Fee and commission income

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Fees for advisory work and other services	874,793	1,205,587
Portfolio and other management fees	408,703	409,580
Banking and credit-related fees and commissions	5,713	3,973
Other fees	10,283	14,492
<b>TOTAL</b>	<b>1,299,492</b>	<b>1,633,632</b>

#### Fee and commission expense

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Fees for advisory work and other services	(14,631)	(11,270)
Portfolio and other management fees	(55,608)	(38,548)
Banking and credit-related fees and commissions	(48)	(353)
Other fees	(4,051)	(8,190)
<b>TOTAL</b>	<b>(74,338)</b>	<b>(58,361)</b>

## Note 24 – Net gains/(losses) on financial instruments at fair value through profit or loss

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Net income – financial instruments designated at fair value through profit or loss	53,572	36,954
Net income – carried interest	28,872	32,912
Net income – foreign exchange operations	15,612	28,266
Net income – equity securities and related derivatives held for trading	36	(73)
Net income – other trading operations	848	278
<b>TOTAL</b>	<b>98,940</b>	<b>98,337</b>

Net gains and losses on financial instruments at fair value through profit or loss include the changes in fair value of financial instruments designated at fair value through profit or loss by option, and financial instruments held in the trading portfolio, including derivatives.

Financial instruments designated at fair value through profit or loss by option include both ordinary equity and carried interest shares held by the Group in its Merchant Banking funds. It also includes certain loans made to its Merchant Banking funds.

## Note 25 – Net gains/(losses) on available-for-sale financial assets

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Gains or losses on disposal	37,707	35,702
Impairment losses on AFS equities	(2,113)	(634)
Dividend income	2,701	3,271
<b>TOTAL</b>	<b>38,295</b>	<b>38,339</b>

Dividend income from the Group's interest in EdRS is included as dividend income within "net income/(expense) from other assets" (note 30).

## Note 26 – Other operating income and expenses

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Other income	1,404	6,720
<b>TOTAL OTHER OPERATING INCOME</b>	<b>1,404</b>	<b>6,720</b>
Other expenses	(536)	(635)
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>(536)</b>	<b>(635)</b>

During the prior year, "Other income" benefited from a reduction of €3.6 million in a performance-based liability, which is explained further in note 28.

## Note 27 – Operating expenses

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Compensation and other staff costs	(797,243)	(984,318)
Defined benefit pension expenses	(13,758)	(20,397)
Defined contribution pension expenses	(9,655)	(11,861)
<b>Staff costs</b>	<b>(820,656)</b>	<b>(1,016,576)</b>
Administrative expenses	(236,929)	(278,512)
<b>TOTAL</b>	<b>(1,057,585)</b>	<b>(1,295,088)</b>

# Notes to the consolidated financial statements

## 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 deferred bonus will be settled in the form of R&Co shares rather than cash, in response to the Capital Requirements Directive 4 (CRD4). The R&Co shares are released to the employees six months after the vesting date of the award.

A commitment to employees exists in connection with this 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 €79.2 million (€95.5 million as at 31 March 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:

	31/12/2017		31/03/2017	
	Number, 000s	Weighted average exercise price, €	Number, 000s	Weighted average exercise price, €
<b>As at 1 April</b>	3,525	19.4	3,580	19.4
Issued	1,110	32.7	-	-
Forfeited	(80)	-	-	-
Exercised	(220)	17.8	(55)	17.5
<b>AS AT THE END OF THE PERIOD</b>	<b>4,335</b>	<b>22.9</b>	<b>3,525</b>	<b>19.4</b>
Exercisable at the end of the period	1,245	17.8	725	17.5

Share options outstanding at the end of the period were as follows:

Exercise price In euro	31/12/2017		31/03/2017	
	Number of outstanding options, 000s	Weighted average contractual life (years)	Number of outstanding options, 000s	Weighted average contractual life (years)
€16.01 – €18.00	1,245	5.8	1,505	6.5
€18.01 – €20.00	1,520	5.8	1,560	6.5
€20.01 – €22.00	-	-	-	-
€22.01 – €24.00	115	7.8	115	8.5
€24.01 – €26.00	230	7.8	230	8.5
€26.01 – €28.00	115	7.8	115	8.5
€28.01 – €30.00	-	-	-	-
€30.01 – €32.00	278	9.8	-	-
€32.01 – €35.00	832	9.8	-	-
<b>TOTAL</b>	<b>4,335</b>	<b>7.0</b>	<b>3,525</b>	<b>6.8</b>

The fair value of the share-based payment made in the nine months was €2.8 million (31 March 2017: nil). 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 €0.5 million (31 March 2017: €0.9 million).

## Note 28 – Amortisation, depreciation and impairment of tangible and intangible fixed assets

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Depreciation of tangible assets	(17,297)	(22,992)
Amortisation of intangible assets	(4,757)	(5,573)
Impairment of intangible assets	(3,442)	(3,551)
<b>TOTAL</b>	<b>(25,496)</b>	<b>(32,116)</b>

During the prior year, the value of certain software used in one of our businesses was reassessed and its value was written down by €3.6 million. The deferred terms of payment for this software were performance-based, and the amount accrued as payable was also reduced by €3.6 million. The benefit of the reduced payment was booked in "Other operating income" (note 26).

## Note 29 – Cost of risk

In thousands of euro	Impairment	Impairment reversal	Recovered loans	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Loans and receivables	(12,644)	9,783	64	(2,797)	(2,489)
Debt securities	-	1,120	-	1,120	(543)
Guarantee commitments given to customers	-	-	-	-	(325)
Other assets	(3,897)	1,042	-	(2,855)	(7,908)
<b>TOTAL</b>	<b>(16,541)</b>	<b>11,945</b>	<b>64</b>	<b>(4,532)</b>	<b>(11,265)</b>

## Note 30 – Net income/(expense) from other assets

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Dividend from long-standing shareholding	5,242	3,778
Gains/(losses) on sales of tangible or intangible assets	583	(183)
Gains/(losses) on acquisition, disposal and impairment of subsidiaries and associates	647	2,678
<b>TOTAL</b>	<b>6,472</b>	<b>6,273</b>

## Note 31 – Income tax expense

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Current tax	(40,432)	(63,843)
Deferred tax	1,513	(6,548)
<b>TOTAL</b>	<b>(38,919)</b>	<b>(70,391)</b>

The net tax charge can be analysed between a current tax charge and a deferred tax charge as follows:

# Notes to the consolidated financial statements

## Current tax

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Tax charge for the period	(42,584)	(59,157)
Adjustments related to prior periods	7,261	2,698
Irrecoverable dividend-related tax	(4,698)	(6,457)
Other	(411)	(927)
<b>TOTAL</b>	<b>(40,432)</b>	<b>(63,843)</b>

On 6 October 2017, the supreme court in France judged the 3% tax paid by French companies on dividend distributions to be contrary to the French constitution. The decision of the supreme court gave rise to a return of the tax paid, together with the payment of interest. The Group has claimed a repayment of dividend tax it has paid, together with interest, of c. €8 million and this is disclosed as an adjustment related to prior periods. The timing of the reimbursement is expected to be in 2018.

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 out of the scope of this new tax.

## Deferred tax

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Temporary differences	313	(8,457)
Changes in tax rates	994	1,435
Adjustments related to prior years	206	474
<b>TOTAL</b>	<b>1,513</b>	<b>(6,548)</b>

## RECONCILIATION OF THE TAX CHARGE BETWEEN THE FRENCH STANDARD TAX RATE AND THE EFFECTIVE RATE

In thousands of euro		01/04/17 31/12/17 (9 months)
<b>Profit before tax</b>		<b>353,838</b>
<b>Expected tax charge at standard French corporate income tax rate</b>	<b>34.4%</b>	<b>121,827</b>
<b>Main reconciling items</b>		
Impact of foreign profits and losses taxed at different rates	(13.7%)	(48,451)
Tax on partnership profits recognised outside the Group	(10.4%)	(36,775)
Tax impacts relating to prior years	(2.1%)	(7,467)
Tax on income from associate recorded net of tax	(1.2%)	(4,413)
Tax impact on deferred tax relating to change of the corporate income tax rate	(0.3%)	(996)
(Gains)/losses where no deferred tax is recognised	+0.1%	373
Permanent differences	+0.9%	3,147
Irrecoverable and other dividend-related taxes	+1.3%	4,699
Tax on dividends received through partnerships	+1.6%	5,834
Other tax impacts	+0.3%	1,141
<b>Actual tax charge</b>	<b>10.9%</b>	<b>38,919</b>
<b>EFFECTIVE TAX RATE</b>		<b>10.9%</b>

## Note 32 – Related parties

The term “Executive Directors”, in the context of this note and the Group governance arrangements surrounding the decision-making process at 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. The following remuneration was received by the executive corporate officer in the nine-month financial period to 31 December 2017, 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	01/04/17 31/12/17 (9 months)
Fixed remuneration	375
<b>TOTAL</b>	<b>375</b>

The chairman of R&Co Gestion did not benefit from payments in shares in respect of 2017 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. Transactions and balances with companies accounted for by the equity method are shown separately in the table below.

Other related parties are: 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 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.

In thousands of euro	31/12/2017			31/03/2017		
	Companies accounted for by the equity method	Executive Directors	Other related parties	Companies accounted for by the equity method	Executive Directors	Other related parties
<b>Assets</b>						
Loans and advances to customers	4,925	-	10,111	4,700	1,293	9,225
Other assets	25	-	39	93	-	-
<b>TOTAL ASSETS</b>	<b>4,950</b>	<b>-</b>	<b>10,150</b>	<b>4,793</b>	<b>1,293</b>	<b>9,225</b>
<b>Liabilities</b>						
Due to customers	-	2,814	56,133	62	8,240	162,555
Other liabilities	-	-	-	-	305	1,634
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>2,814</b>	<b>56,133</b>	<b>62</b>	<b>8,545</b>	<b>164,189</b>
<b>Loan and guarantee commitments</b>						
Guarantees and commitments given	-	-	125	-	1,114	59
<b>TOTAL COMMITMENTS</b>	<b>-</b>	<b>-</b>	<b>125</b>	<b>-</b>	<b>1,114</b>	<b>59</b>

# Notes to the consolidated financial statements

In thousands of euro	01/04/17 31/12/17 (9 months)			01/04/16 31/03/17 (12 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
<b>Income and expenses from transactions with related parties</b>						
Interest received	-	-	21	-	7	503
Other income	560	-	474	1,277	-	-
<b>TOTAL INCOME</b>	<b>560</b>	<b>-</b>	<b>495</b>	<b>1,277</b>	<b>7</b>	<b>503</b>
Other expenses	(247)	-	(2,346)	(744)	-	(3,105)
<b>TOTAL EXPENSES</b>	<b>(247)</b>	<b>-</b>	<b>(2,346)</b>	<b>(744)</b>	<b>-</b>	<b>(3,105)</b>

During the prior year the Group purchased, from a related party being a member of the concert party, a 13.07% interest in Rothschild Holding AG. The purchase price of CHF64 million (€60 million), which was settled in cash, was determined using an independent third party valuation. This purchase continued the Group's policy of reducing non-controlling interests in subsidiaries. At the same time, the same related party received a cash settlement of an amount due in respect of a similar share purchase transaction undertaken in a prior year. As the amount settled was CHF16 million (€15 million) lower than the carrying value of the liability, the resulting gain for the Group was treated as a capital contribution from a shareholder and taken directly to equity. This accounting treatment was shown in the consolidated statement of changes in equity as "Other movements".

## Note 33 – Fees to statutory auditors

In thousands of euro	KPMG				Cailliau Dedouit et Associés			
	01/04/17 31/12/17 (9 months)	%	01/04/16 31/03/17 (12 months)	%	01/04/17 31/12/17 (9 months)	%	01/04/16 31/03/17 (12 months)	%
<b>AUDIT</b>								
<b>Statutory audit of consolidated and solo accounts, and related services:</b>								
R&Co (parent company)	156	5%	186	6%	156	36%	186	51%
Subsidiaries	2,334	75%	2,346	71%	238	56%	157	43%
<b>Services other than the statutory audit of accounts, required for legal or regulatory reasons:</b>								
R&Co (parent company)	40	1%	119	4%	15	4%	-	-
Subsidiaries	298	10%	309	9%	19	4%	23	6%
<b>Subtotal</b>	<b>2,828</b>	<b>91%</b>	<b>2,960</b>	<b>89%</b>	<b>428</b>	<b>100%</b>	<b>366</b>	<b>100%</b>
<b>Services other than the statutory audit of accounts, provided at the request of entities:</b>								
Law, tax and social	225	7%	293	9%	-	-	-	-
Other	50	2%	74	2%	-	-	-	-
<b>Subtotal</b>	<b>275</b>	<b>9%</b>	<b>367</b>	<b>11%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>3,103</b>	<b>100%</b>	<b>3,327</b>	<b>100%</b>	<b>428</b>	<b>100%</b>	<b>366</b>	<b>100%</b>

## Note 34 – 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; 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 in summarised form to aid comparison between reporting periods. This summarised information includes additional segmental information and is set out in Section I. Highlights.

### Segmental information split by business

In thousands of euro	Rothschild Global Advisory	Rothschild Private Wealth & Asset Management	Rothschild Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	01/04/17 31/12/17 (9 months)
<b>Net banking income</b>	<b>855,200</b>	<b>385,900</b>	<b>165,500</b>	<b>32,603</b>	<b>1,439,203</b>	<b>(16,260)</b>	<b>1,422,943</b>
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)
<b>Operating income</b>	<b>118,500</b>	<b>38,900</b>	<b>115,300</b>	<b>(17,100)</b>	<b>255,600</b>	<b>79,730</b>	<b>335,330</b>
Share of profits of associated entities	-	-	-	-	-	12,036	12,036
Non-operating income	-	-	-	-	-	6,472	6,472
<b>Profit before tax</b>	<b>118,500</b>	<b>38,900</b>	<b>115,300</b>	<b>(17,100)</b>	<b>255,600</b>	<b>98,238</b>	<b>353,838</b>

In thousands of euro	Rothschild Global Advisory	Rothschild Private Wealth & Asset Management	Rothschild Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	01/04/16 31/03/17 (12 months)
<b>Net banking income</b>	<b>1,189,503</b>	<b>404,692</b>	<b>141,037</b>	<b>28,936</b>	<b>1,764,168</b>	<b>2,963</b>	<b>1,767,131</b>
Operating expenses	(986,615)	(390,777)	(51,540)	(64,420)	(1,493,352)	166,148	(1,327,204)
Cost of risk	-	-	-	-	-	(11,265)	(11,265)
<b>Operating income</b>	<b>202,888</b>	<b>13,915</b>	<b>89,497</b>	<b>(35,484)</b>	<b>270,816</b>	<b>157,846</b>	<b>428,662</b>
Share of profits of associated entities	-	-	-	-	-	424	424
Non-operating income	-	-	-	-	-	7,654	7,654
<b>Profit before tax</b>	<b>202,888</b>	<b>13,915</b>	<b>89,497</b>	<b>(35,484)</b>	<b>270,816</b>	<b>165,924</b>	<b>436,740</b>

### Net banking income split by geographical segments

In thousands of euro	01/04/17 31/12/17 (9 months)	%	01/04/16 31/03/17 (12 months)	%
France	433,603	31%	507,632	29%
United Kingdom and Channel Islands	348,369	25%	516,530	29%
Rest of Europe	256,835	18%	250,009	14%
Americas	229,640	16%	280,013	16%
Switzerland	90,507	6%	121,440	7%
Australia and Asia	46,394	3%	65,215	4%
Other	17,595	1%	26,292	1%
<b>TOTAL</b>	<b>1,422,943</b>	<b>100%</b>	<b>1,767,131</b>	<b>100%</b>

The breakdown by geographic segment is based on the geographic location of the entity that records the income.

# Notes to the consolidated financial statements

## Note 35 – Earnings per share

	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Net income – Group share (millions of euro)	190.6	186.0
<i>preferred dividends adjustment (millions of euro)</i>	(0.6)	(0.7)
<b>Net income – Group share after preferred dividends adjustment (millions of euro)</b>	<b>190.0</b>	<b>185.3</b>
Basic average number of shares in issue – 000s	74,642	70,181
<b>Earnings per share – basic (euro)</b>	<b>2.55</b>	<b>2.64</b>
Diluted average number of shares in issue – 000s	75,915	71,145
<b>Earnings per share – diluted (euro)</b>	<b>2.50</b>	<b>2.60</b>

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 R&Co Equity Scheme, which is described in note 27.

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 I. Highlights.

## Note 36 – Consolidation scope

Article 7 of Law No. 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 shown below are those used in note 34, and the abbreviations used are defined in the glossary of this report.

Company name	Activity	31/12/2017		31/03/2017		Consolidation method <sup>(1)</sup>	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2017	31/03/2017
<b>Australia</b>							
Rothschild Australia Limited	RGA	100.00	99.52	100.00	99.22	FC	FC
<b>Belgium</b>							
Rothschild Belgique – Rothschild & Compagnie Banque SCS branch	RPW&AM	100.00	99.82	100.00	99.63	FC	FC
Rothschild Belgium SA	RGA	100.00	99.98	100.00	99.98	FC	FC
Transaction R Belgique – Transaction R SCS branch	RGA	100.00	99.55	100.00	99.34	FC	FC
<b>Bermuda</b>							
Rothschild Trust (Bermuda) Limited	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
<b>Brazil</b>							
N M Rothschild & Sons (Brasil) Limitada	RGA	100.00	99.52	100.00	99.22	FC	FC
<b>British Virgin Islands</b>							
Master Nominees Inc	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschild BVI Ltd	RPW&AM	100.00	90.09	100.00	86.80	FC	FC

(1) FC: full consolidation.  
EM: equity method.

Company name	Activity	31/12/2017		31/03/2017		Consolidation method <sup>(1)</sup>	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2017	31/03/2017
<b>Canada</b>							
Rothschild (Canada) Holdings Inc	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschild (Canada) Inc	RGA	100.00	99.52	100.00	99.22	FC	FC
Rothschild (Canada) Securities Inc	RGA	100.00	99.52	100.00	99.22	FC	FC
Rothschild Trust Canada Inc	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschild Trust Protectors Limited	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
<b>Cayman Islands</b>							
JRE Asia Capital Management Ltd	Merchant Banking	50.00	49.87	50.00	49.80	EM	EM
Rothschild Trust Cayman Limited	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
VC Acquisition Limited Partnership	Other	99.00	98.52	99.00	98.23	FC	FC
<b>China</b>							
Rothschild Asset Management Inc – Beijing representative office	RPW&AM	100.00	99.52	100.00	99.22	FC	FC
Rothschild China Holding AG – Beijing representative office	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschild Financial Advisory Services (Beijing) Co Ltd	RGA	100.00	99.52	100.00	99.22	FC	FC
Rothschild Financial Advisory Services (Beijing) Co Ltd – Shanghai Branch	RGA	100.00	99.52	100.00	99.22	FC	FC
Rothschild Financial Advisory Services (Tianjin) Co Ltd	RGA	100.00	99.52	100.00	99.22	FC	FC
<b>Curaçao</b>							
N M Rothschild & Sons (Asia) NV	Other	100.00	99.52	100.00	99.22	FC	FC
NMR International NV	Other	-	-	100.00	99.22	-	FC
Rothschild Latin America NV	Other	100.00	99.52	100.00	99.22	FC	FC
<b>Denmark</b>							
N M Rothschild & Sons Denmark – branch of N M Rothschild & Sons Limited UK	RGA	100.00	99.52	100.00	99.22	FC	FC
<b>France</b>							
Aida SAS	Other	100.00	99.98	100.00	99.98	FC	FC
Aix-Rabelais	Other	100.00	99.82	100.00	99.63	FC	FC
Albinoni SAS	Other	100.00	99.82	100.00	99.63	FC	FC
Banque Martin Maurel SA	RPW&AM	97.43	99.97	97.43	99.96	FC	FC
Bastia Rabelais	RPW&AM	100.00	99.82	99.99	99.63	FC	FC
BBR Rogier SA	RPW&AM	99.99	99.81	99.99	99.96	FC	FC
Cavour SAS	Other	100.00	99.98	100.00	99.98	FC	FC
Compagnie Meridionale Financière Immobilière SA	RPW&AM	-	-	99.76	99.72	-	FC
Concordia Holding SARL	Other	100.00	99.98	100.00	99.98	FC	FC
Courtage Etoile SNC	RPW&AM	100.00	99.81	100.00	99.96	FC	FC
Financière Rabelais SAS	Other	100.00	99.98	100.00	99.98	FC	FC
Five Arrows Managers SAS	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
Funds Selection SA	RPW&AM	20.00	20.00	20.00	20.00	EM	EM
GIE Rothschild & Cie	RPW&AM	100.00	99.82	100.00	99.63	FC	FC
Grignan Participations SAS	RPW&AM	-	-	100.00	99.98	-	FC
HOGEP – Hoche Gestion Privée SA	RPW&AM	34.69	34.63	34.69	34.67	EM	EM

(1) FC: full consolidation.  
EM: equity method.

# Notes to the consolidated financial statements

Company name	Activity	31/12/2017		31/03/2017		Consolidation method <sup>(1)</sup>	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2017	31/03/2017
Hoche Paris SAS	RPW&AM	99.70	99.52	99.70	99.66	FC	FC
Immobilière Saint Albin SASU	RPW&AM	100.00	99.82	100.00	99.96	FC	FC
International Capital Gestion SA	RPW&AM	-	-	100.00	99.96	-	FC
K Développement SAS	Merchant Banking	100.00	99.98	100.00	99.98	FC	FC
Martin Maurel Gestion SA	RPW&AM	-	-	100.00	99.96	-	FC
Messine Participations SAS	RPW&AM	100.00	99.74	100.00	99.54	FC	FC
Monceau Rabelais SAS	Other	-	-	100.00	99.62	-	FC
Montaigne Rabelais SAS	Other	100.00	99.82	100.00	99.63	FC	FC
Optigestion Courtage SARL	Other	-	-	32.17	32.16	-	EM
Optigestion SA	RPW&AM	-	-	33.86	33.85	-	EM
Paris Orléans Holding Bancaire SAS	Other	100.00	99.98	100.00	99.98	FC	FC
PO Capinvest 1 SAS	Merchant Banking	100.00	99.98	100.00	99.98	FC	FC
PO Fonds SAS	Merchant Banking	100.00	99.98	100.00	99.98	FC	FC
PO Mezzanine SAS	Merchant Banking	100.00	99.98	100.00	99.98	FC	FC
Puccini SAS	Other	100.00	99.82	100.00	99.63	FC	FC
Réponse Invest	Merchant Banking	39.00	38.99	39.00	38.99	EM	EM
Rothschild Asset Management SCS <sup>(2)</sup>	RPW&AM	100.00	99.82	100.00	99.63	FC	FC
Rothschild & Cie SCS <sup>(2)</sup>	RGA	99.98	99.80	99.98	99.61	FC	FC
Rothschild & Co SCA	Merchant Banking and Other	100.00	99.98	100.00	99.98	Parent company	Parent company
Rothschild Martin Maurel SCS <sup>(2)(3)</sup>	RPW&AM	99.99	99.82	99.99	99.63	FC	FC
Rothschild & Compagnie Gestion SCS <sup>(2)</sup>	RPW&AM	-	-	99.99	99.62	-	FC
Rothschild Assurance & Courtage SCS <sup>(2)</sup>	RPW&AM	99.83	99.65	99.83	99.45	FC	FC
Rothschild Europe SNC	RGA	100.00	99.66	100.00	99.41	FC	FC
Rothschild HDF Investment Solutions SAS	RPW&AM	-	-	95.96	95.59	-	FC
R Investments France	RPW&AM	100.00	99.82	-	-	FC	-
RTI Partenaires SCS <sup>(2)</sup>	RGA	98.80	98.61	100.00	98.41	FC	FC
SCI Du 20 Rue Grignan	RPW&AM	99.99	99.81	99.99	99.95	FC	FC
SCI Du 6 Rue De La Bourse	RPW&AM	99.99	99.82	99.99	99.96	FC	FC
SCI Prado Marveyre	RPW&AM	99.99	99.82	99.99	99.96	FC	FC
SCS Holding SAS	Other	100.00	99.52	100.00	99.22	FC	FC
TrésorPlus	RPW&AM	100.00	99.82	-	-	FC	-
Transaction R SCS <sup>(2)</sup>	RGA	99.76	99.55	99.79	99.34	FC	FC
TRR Partenaires	RGA	50.00	49.77	50.00	49.71	FC	FC
Verdi SAS	Other	100.00	99.98	100.00	99.98	FC	FC
Verseau SAS	Merchant Banking	95.00	94.98	95.00	94.98	FC	FC
Vivaldi SAS	Other	100.00	99.82	100.00	99.63	FC	FC
<b>Germany</b>							
Rothschild GmbH	RGA	100.00	99.66	100.00	99.41	FC	FC
Rothschild Vermögensverwaltungs-GmbH	RPW&AM	100.00	90.09	100.00	86.80	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.

(3) Company resulting from the operational integration of Banque Martin Maurel SA and Rothschild & Compagnie Banque SCS.

Company name	Activity	31/12/2017		31/03/2017		Consolidation method <sup>(1)</sup>	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2017	31/03/2017
<b>Guernsey</b>							
Blackpoint Management Limited	RPW&AM	100.00	99.82	100.00	95.59	FC	FC
Guernsey Global Trust Limited	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Jofran Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Maison (CI) Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschild Asset Management Holdings (CI) Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschild Bank International Limited	RPW&AM	100.00	99.52	100.00	99.22	FC	FC
Rothschild Corporate Fiduciary Services Limited	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschild Mexico (Guernsey) Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschild Switzerland (CI) Trustees Limited	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschild Trust Canada Inc – Guernsey branch	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschild Trust Financial Services Limited	Other	100.00	90.09	100.00	86.80	FC	FC
Rothschild Trust Guernsey Limited	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschilds Continuation Finance (CI) Limited	Other	100.00	99.52	100.00	99.22	FC	FC
S y C (International) Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Shield Holdings (Guernsey) Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Shield Securities Limited	Other	100.00	99.52	100.00	99.22	FC	FC
St. Julian's Properties Limited	Other	50.00	49.76	50.00	49.61	EM	EM
TM New Court Plan Trust	Other	100.00	99.52	100.00	99.22	FC	FC
<b>Hong Kong</b>							
HongKong Win Go Fund Management Limited	Merchant Banking	33.33	33.32	33.33	33.32	EM	EM
JRE Asia Capital (Hong Kong) Ltd	Merchant Banking	50.00	49.87	50.00	49.80	EM	EM
RAIL Limited	Other	-	-	100.00	99.22	-	FC
Rothschild (Hong Kong) Limited	RGA	100.00	99.52	100.00	99.22	FC	FC
Rothschild Bank AG – Hong Kong representative office	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschild Wealth Management (Hong Kong) Limited	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
<b>India</b>							
JRE Asia Capital Advisory Services (India) Private Limited	Merchant Banking	50.00	49.87	50.00	49.80	EM	EM
Rothschild (India) Private Limited	RGA	100.00	99.52	100.00	99.22	FC	FC
<b>Indonesia</b>							
PT Rothschild Indonesia	RGA	100.00	99.52	100.00	99.22	FC	FC
<b>Israel</b>							
RCF (Israel) BV – Israel branch	RGA	100.00	99.66	100.00	99.41	FC	FC
<b>Italy</b>							

(1) FC: full consolidation.  
EM: equity method.

# Notes to the consolidated financial statements

Company name	Activity	31/12/2017		31/03/2017		Consolidation method <sup>(1)</sup>	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2017	31/03/2017
Rothschild & Cie Gestion – Milan branch	RPW&AM	–	–	100.00	99.41	–	FC
Rothschild Asset Management Paris – Milan branch	RPW&AM	100.00	99.82	–	–	FC	–
Rothschild SPA	RGA	100.00	99.66	100.00	99.42	FC	FC
Rothschild & Co SRL	Other	100.00	99.66	100.00	99.42	FC	FC
Rothschild Trust Italy SRL	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschild Wealth Management (UK) Limited – Milan branch	RPW&AM	100.00	92.92	100.00	90.53	FC	FC
<b>Japan</b>							
Rothschild Japan Co Ltd	RGA	100.00	99.98	100.00	99.63	FC	FC
<b>Jersey</b>							
FAC Carry LP	Merchant Banking	100.00	99.52	100.00	99.22	FC	FC
Five Arrows Capital GP Limited	Merchant Banking	100.00	99.52	100.00	99.22	FC	FC
Five Arrows Mezzanine Holder LP	Merchant Banking	88.00	87.57	88.00	87.32	FC	FC
Five Arrows Partners LP	Merchant Banking	100.00	99.52	100.00	99.22	FC	FC
Five Arrows Proprietary Feeder LP	Merchant Banking	100.00	99.52	100.00	99.22	FC	FC
Five Arrows Staff Co-investment LP	Merchant Banking	100.00	99.52	100.00	99.22	FC	FC
Lanebridge (Arena Plaza) Jersey GP Limited	Merchant Banking	100.00	99.52	100.00	99.22	FC	FC
<b>Luxembourg</b>							
Centrum Jonquille Sàrl	Merchant Banking	100.00	99.98	100.00	99.98	FC	FC
Centrum Narcisse Sàrl	Merchant Banking	100.00	99.98	100.00	99.98	FC	FC
Elsinore I GP Sàrl	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
Fin PO SICAR	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
Five Arrows Co-Investments Feeder V SCA SICAR	Merchant Banking	100.00	99.97	100.00	99.22	FC	FC
Five Arrows Credit Solutions C General Partner	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
Five Arrows Credit Solutions General Partner	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
Five Arrows Managers SA	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
Five Arrows Mezzanine Investments Sàrl	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
Five Arrows Principal Investments II B SCSp	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
Five Arrows Principal Investments International Feeder SCA SICAR	Merchant Banking	100.00	99.97	100.00	99.59	FC	FC
HRA Investment SCSp	Merchant Banking	90.89	90.87	90.87	90.84	FC	FC
Jardine Rothschild Asia Capital (Luxembourg) Sàrl	Merchant Banking	50.00	49.87	50.00	49.80	EM	EM
Messine Investissement SA	RPW&AM	100.00	99.96	100.00	99.96	FC	FC
Mobilim International (Luxembourg)	RPW&AM	100.00	99.97	100.00	99.96	FC	FC
Oberon GP Sàrl	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
Oberon II GP Sàrl	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
Oberon III GP Sàrl	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
Oberon USA General Partner Sàrl	Merchant Banking	100.00	99.97	–	–	FC	–
Parallel GP Sàrl	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
PO Co Invest GP Sàrl	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
PO Invest 2 SA	Merchant Banking	93.85	93.83	93.85	93.83	FC	FC

(1) FC: full consolidation.  
EM: equity method.

Company name	Activity	31/12/2017		31/03/2017		Consolidation method <sup>(1)</sup>	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2017	31/03/2017
PO Participations SA	Merchant Banking and RPW&AM	100.00	99.97	100.00	99.96	FC	FC
R Commodity Finance Fund General Partner	RPW&AM	100.00	99.82	100.00	95.59	FC	FC
RPI Invest 2 SCSp	Merchant Banking	100.00	99.47	99.48	99.44	FC	FC
RPO GP Sàrl	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
RPO Invest 1 SCSp	Merchant Banking	99.50	99.47	99.48	99.44	FC	FC
<b>Malaysia</b>							
Rothschild Malaysia Sendirian Berhad	RGA	70.00	99.52	70.00	99.22	FC	FC
<b>Mexico</b>							
Rothschild (Mexico) SA de CV	RGA	100.00	99.52	100.00	99.22	FC	FC
<b>Monaco</b>							
Banque Martin Maurel SA – Monaco branch	RPW&AM	97.43	99.97	97.43	99.96	FC	FC
Martin Maurel Sella – Banque Privee – SAM	RPW&AM	54.98	54.88	54.98	54.96	FC	FC
Martin Maurel Sella Gestion – Monaco SAM	RPW&AM	99.30	54.54	99.30	54.62	FC	FC
SCI VDP 2	RPW&AM	100.00	55.14	100.00	55.22	FC	FC
SCPM VDP 1	RPW&AM	71.00	55.14	71.00	55.22	FC	FC
<b>Netherlands</b>							
Continuation Investments NV	Merchant Banking	39.33	38.59	39.33	38.35	EM	EM
RCF (Israel) BV	RGA	100.00	99.66	100.00	99.41	FC	FC
Rothschild CIS BV	RGA	100.00	99.66	100.00	99.41	FC	FC
Rothschild Europe BV	RGA	100.00	99.66	100.00	99.41	FC	FC
Rothschilds Continuation Finance BV	Other	69.00	68.74	69.00	68.59	FC	FC
<b>New Zealand</b>							
Rothschild Trust New Zealand Limited	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
<b>Poland</b>							
Rothschild Polska Sp ZOO	RGA	100.00	99.66	100.00	99.41	FC	FC
<b>Portugal</b>							
Rothschild Portugal Limitada	RGA	100.00	99.65	100.00	99.41	FC	FC
<b>Qatar</b>							
Rothschild (Qatar) LLC	RGA	100.00	99.66	100.00	99.41	FC	FC
<b>Russia</b>							
Rothschild CIS BV – Russian branch	RGA	100.00	99.66	100.00	99.41	FC	FC
<b>Singapore</b>							
Rothschild (Singapore) Limited	RGA	100.00	99.52	100.00	99.22	FC	FC
Rothschild Trust (Singapore) Limited	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschild Wealth Management (Singapore) Limited	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
<b>South Africa</b>							
Rothschild (South Africa) Foundation	RGA	100.00	99.52	100.00	99.22	FC	FC
Rothschild (South Africa) Proprietary Limited	RGA	100.00	99.52	100.00	99.22	FC	FC
Southern Arrows Proprietary Limited	Other	100.00	99.52	100.00	99.22	FC	FC
<b>Spain</b>							
Rothschild SA	RGA	100.00	99.66	100.00	99.41	FC	FC

(1) FC: full consolidation.  
EM: equity method.

# Notes to the consolidated financial statements

Company name	Activity	31/12/2017		31/03/2017		Consolidation method <sup>(1)</sup>	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2017	31/03/2017
<b>Sweden</b>							
Rothschild Nordic AB	RGA	100.00	99.66	100.00	99.41	FC	FC
<b>Switzerland</b>							
Creafin AG	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Equitas SA	RPW&AM	90.00	81.08	90.00	78.12	FC	FC
RBZ Fiduciary Ltd	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschild Bank AG	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschild & Co AG	Other	100.00	99.52	-	-	FC	-
Rothschild China Holding AG	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschild Concordia AG	Other	100.00	99.10	100.00	98.80	FC	FC
Rothschild & Cie Gestion Paris, Zurich Branch	RPW&AM	-	-	100.00	99.62	-	FC
Rothschild Global Advisory Switzerland AG	RGA	100.00	99.98	-	-	FC	-
Rothschild Holding AG	Other	90.52	90.09	87.48	86.80	FC	FC
Rothschild Private Trust Holdings AG	Other	100.00	90.09	100.00	86.80	FC	FC
Rothschild Trust (Schweiz) AG	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschild Trust Canada Inc – Swiss branch	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschilds Continuation Holdings AG	Other	99.99	99.52	99.87	99.22	FC	FC
RTB Administrators AG	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
RTB Trustees AG	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
RTS Geneva SA	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
<b>Turkey</b>							
Rothschild – Kurumsal Finansman Hizmetleri Limited Sirketi	RGA	100.00	99.66	100.00	99.41	FC	FC
<b>United Arab Emirates</b>							
Rothschild (Middle East) Limited	RGA	100.00	99.66	100.00	99.41	FC	FC
Rothschild Europe BV – Abu Dhabi representative office	RGA	100.00	99.66	100.00	99.41	FC	FC
<b>United Kingdom</b>							
Continuation Computers Limited	Other	100.00	99.52	100.00	99.22	FC	FC
FA International Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Five Arrows (Scotland) General Partner Limited	Merchant Banking	99.99	99.52	99.87	99.22	FC	FC
Five Arrows Credit Solutions Co-Investments, LP	Merchant Banking	50.00	49.99	50.00	49.98	EM	EM
Five Arrows Finance Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Five Arrows Leasing Holdings Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Five Arrows Managers LLP	Merchant Banking	100.00	99.52	100.00	99.22	FC	FC
International Property Finance (Spain) Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Investor Perceptions Limited	RGA	100.00	99.52	100.00	99.22	FC	FC
Lanebridge Holdings Limited	Merchant Banking	100.00	99.52	100.00	99.22	FC	FC
Lanebridge Investment Management Limited	Merchant Banking	100.00	99.52	100.00	99.22	FC	FC
Marplace (No 480) Limited	Other	100.00	99.52	100.00	99.22	FC	FC
N M Rothschild & Sons Limited	RGA, RPW&AM and Other	100.00	99.52	100.00	99.22	FC	FC
N M Rothschild Holdings Limited	Other	100.00	99.52	100.00	99.22	FC	FC
New Court Securities Limited	Other	100.00	99.52	100.00	99.22	FC	FC

(1) FC: full consolidation.  
EM: equity method.

Company name	Activity	31/12/2017		31/03/2017		Consolidation method <sup>(1)</sup>	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2017	31/03/2017
NMR Europe (partnership)	RGA	100.00	99.66	100.00	99.41	FC	FC
O C Investments Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Risk Based Investment Solutions Ltd	RPW&AM	100.00	99.52	100.00	99.22	FC	FC
Rothschild Australia Holdings Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschild Credit Management Limited	Merchant Banking	100.00	99.52	100.00	99.22	FC	FC
Rothschild Gold Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschild HDF Investment Adviser Limited	RPW&AM	100.00	99.82	100.00	95.59	FC	FC
Rothschild Holdings Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschild Trust Corporation Limited	RPW&AM	100.00	90.09	100.00	86.80	FC	FC
Rothschild Wealth Management (UK) Limited	RPW&AM	100.00	92.92	100.00	90.53	FC	FC
Rothschilds Continuation Finance Holdings Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschilds Continuation Finance PLC	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschilds Continuation Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Scott Harris UK Limited	RGA	100.00	99.52	100.00	99.22	FC	FC
Second Continuation Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Shield MBCA Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Shield Trust Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Third New Court Limited	Other	100.00	99.52	100.00	99.22	FC	FC
Walbrook Assets Limited	Other	100.00	99.52	100.00	99.22	FC	FC
<b>United States of America</b>							
FACP General Partner LP	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
FACP GP-GP	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
Five Arrows Friends & Family Feeder LP	Merchant Banking	100.00	99.52	100.00	99.22	FC	FC
Five Arrows Managers LLC	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
Five Arrows Managers North America LLC	Merchant Banking	100.00	99.52	100.00	99.22	FC	FC
Francarep Inc	Merchant Banking	100.00	99.98	100.00	99.98	FC	FC
PO Elevation Rock, Inc	Merchant Banking	100.00	99.97	100.00	99.96	FC	FC
PO Black LLC	Merchant Banking	100.00	82.92	100.00	82.91	FC	FC
Rothschild Asset Management (Canada) LLC	RPW&AM	100.00	99.52	100.00	99.22	FC	FC
Rothschild Asset Management Inc	RPW&AM	100.00	99.52	100.00	99.22	FC	FC
Rothschild Inc	RGA	100.00	99.52	100.00	99.22	FC	FC
Rothschild North America Holdings Inc	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschild North America Inc	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschild Realty Group Inc	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschild Realty Inc	Other	100.00	99.52	100.00	99.22	FC	FC
Rothschild Risk Based Investments LLC	RPW&AM	100.00	99.52	100.00	99.22	FC	FC
Rothschild Trust North America LLC	RPW&AM	100.00	90.09	100.00	86.80	FC	FC

(1) FC: full consolidation.  
EM: equity method.

# Notes to the consolidated financial statements

## Note 37 – 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 36, the table below specifically provides information linked to net banking income, pre-tax profit, income tax and headcount for the nine months to 31 December 2017.

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)
France	437.2	152.5	(17.6)	6.8	1,180
United Kingdom	331.0	44.6	(5.2)	(7.8)	898
North America	204.4	(5.2)	3.2	0.4	320
Other Europe	158.2	41.6	(11.7)	(0.7)	372
Luxembourg	98.2	104.8	(0.3)	(0.2)	15
Switzerland	90.5	5.5	(1.7)	2.2	365
Asia-Pacific and Latin America	71.6	(1.0)	(5.2)	1.0	236
Channel Islands	20.8	8.1	(1.2)	-	66
British Virgin Islands	0.0	0.0	-	-	-
Cayman Islands	(0.0)	(0.0)	-	-	-
Curaçao	-	(0.0)	(0.1)	-	-
Bermuda	-	(0.0)	-	-	-
Other	17.9	2.9	(0.6)	(0.2)	50
<b>Total before intercompany elimination</b>	<b>1,429.8</b>	<b>353.8</b>	<b>(40.4)</b>	<b>1.5</b>	<b>3,502</b>
Intercompany elimination	(6.9)	-	-	-	-
<b>TOTAL</b>	<b>1,422.9</b>	<b>353.8</b>	<b>(40.4)</b>	<b>1.5</b>	<b>3,502</b>

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 31).

# Statutory auditors' report on the consolidated financial statements for the nine-month period ended 31 December 2017

*This is a translation into English of the statutory auditors' report on the consolidated 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 nine-month period ended 31 December 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2017 and of the results of its operations for the nine-month period 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 April 2017 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 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 Valuation of financial instruments carried at fair values

### Key audit matter

As at 31 December 2017, the Group holds for trading purposes financial instruments categorised as Level 2 and Level 3 according to the IFRS fair value hierarchy. These financial instruments are presented at fair value on the asset side of the balance sheet for €566 million, representing 5% 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 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 IV.E, note V.1 and note V.3 of the consolidated financial statements on pages 140 to 145 and page 147.

### 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.

# Statutory auditors' report on the consolidated financial statements for the nine-month period ended 31 December 2017

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## 2 Impairment of loans and advances to customers on an individual and collective basis

### Key audit matter

As at 31 December 2017, the Group reports loans and advances to customers amounting to a net of €2 990 million, representing 24% of total assets, and recognised individual and collective impairment losses of €77 million.

Loans and advances to customers are recorded at amortised cost, taking into account objective evidence of impairment and their impact on expected future cash flows through the recording of an impairment.

When such an individual loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the value of the expected future cash flows, discounted at the initial effective interest rate of the financial asset.

Management determines expected future cash flows using a variety of factors such as the realisable value of the collateral, the likelihood of recovery in a bankruptcy or liquidation, the viability of the clients' business model and their ability to recover financing during their financial difficulties, and the capacity to generate sufficient cash flows to reimburse their debts.

Collective impairments are valued for portfolios of receivables whose economic characteristics are similar and for which objective indications suggest that they contain individually indebted impairments. Collective impairments are calculated using future cash flows valued on the basis of historical losses incurred.

The methodology and assumptions used to measure both the amount and the occurrence of the expected future cash flows require the exercise of the judgement of the Group's management. For this reason, and considering the relative importance of these financings in the Group's balance sheet, we considered that the assessment of individual and collective impairments of loans and receivables to customers is a key audit matter for consolidated financial statements.

Information on impairment of loans and advances to customers is presented in note III.B.1, note III.B.10, and note V.5 of the notes to the consolidated financial statements on pages 128-129, 132 and 147.

### Our response

We considered the internal control system put in place by Management to identify loans and advances that present objective evidence of impairment and to measure the amount of write-downs to be recorded. We have :

- tested the operational effectiveness of key controls on the approval, registration and tracking of loans and advances to customers;
- examined the methodologies and assessed the relevance of the data and assumptions used by the Group to determine impairment losses on loans and advances to customers assessed individually and on a collective basis;

We have also implemented the following substantive procedures:

- assess, for a sample of loans and advances, the level of impairment used with regard to the analysis of the risk of loss realised, the assumptions used, the value of collateral and estimated future cash flows;
- check the quality of the outstanding amounts used and the arithmetic accuracy of the impairment calculations.

We have ensured that the information presented in the notes is appropriate.

## 3 Provision for claims and litigation

### Key audit matter

As at 31 December 2017, the Group recognises provisions for claims and litigation of €31 million arising from litigation proceedings and claims.

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 and claims provisions as a key audit matter because of the significant judgement required to evaluate these estimates.

Information on provisions for claims and litigation is presented in note V.14 of the notes to the consolidated financial statements on page 152.

### 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;
- appreciated the impact of possible alternative results.

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 2017, the Group records net fees for Advisory and other services over the nine-month period of €860 million, representing 60% of net banking income.

Revenues are recognized 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 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 and other services is presented in note III.B.5 and note VI.23 of the consolidated financial statements on pages 130 and 160.

### Our response

Our procedures consisted of:

- understanding the internal control system put in place within the Group;
- testing the design and effectiveness of the key controls enabling management to assess the generating event that triggers the invoicing and to determine the amount to be billed;
- testing, on a sample basis, the occurrence of the events generating contractual exigibility 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 law 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.

## 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 2017, KPMG S.A. and Cailliau Dedouit et Associés were in the 13<sup>th</sup> year and 15<sup>th</sup> year of total uninterrupted engagement, of which respectively 13 and 15 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' report on the consolidated financial statements for the nine-month period ended 31 December 2017

## 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 13 March 2018  
**KPMG S.A.**

Arnaud Bourdeille  
*Partner*

Paris, on the 13 March 2018  
**Cailliau Dedouit et Associés**

Jean-Jacques Dedouit  
*Partner*

# Parent Company balance sheet as at 31 December 2017

## Assets

In thousands of euro	Notes	31/12/2017		31/03/2017	
		Gross value	Depreciation, amortisation and provisions	Net carrying amount	Net carrying amount
<b>Non-current assets</b>					
<b>Intangible assets</b>					
Concessions, patents, brand and software		226	224	2	5
<b>Total intangible assets</b>		<b>226</b>	<b>224</b>	<b>2</b>	<b>5</b>
<b>Property, plant and equipment</b>	1				
Land		3,170	-	3,170	3,327
Buildings		4,410	229	4,181	4,699
Other property, plant and equipment		401	331	70	93
<b>Total property, plant and equipment</b>		<b>7,981</b>	<b>560</b>	<b>7,421</b>	<b>8,119</b>
<b>Non-current financial assets</b>					
Investments in Group and other companies	2	1,672,340	443	1,671,897	1,670,715
Portfolio holdings	3	37,245	7,984	29,261	29,750
Receivables related to portfolio holdings		-	-	-	-
Loans		1	-	1	1
Other non-current financial assets		6	-	6	6
<b>Total non-current financial assets</b>		<b>1,709,591</b>	<b>8,427</b>	<b>1,701,164</b>	<b>1,700,472</b>
<b>Total non-current assets</b>		<b>1,717,798</b>	<b>9,211</b>	<b>1,708,587</b>	<b>1,708,596</b>
<b>Current assets</b>					
<b>Accounts receivable</b>	4	<b>90,003</b>	-	<b>90,003</b>	26,952
<b>Marketable securities</b>	5				
Treasury stock		695	-	695	587
Other securities		25,000	-	25,000	3,860
<b>Cash</b>		<b>97,233</b>	-	<b>97,233</b>	104,828
<b>Prepaid expenses</b>		<b>75</b>	-	<b>75</b>	-
<b>Total current assets</b>		<b>213,006</b>	-	<b>213,006</b>	<b>136,227</b>
Loan issue costs		360	95	265	310
Unrealised translation losses	6	918	-	918	20
<b>TOTAL ASSETS</b>		<b>1,932,082</b>	<b>9,306</b>	<b>1,922,776</b>	<b>1,845,153</b>

# Parent Company balance sheet as at 31 December 2017

## Liabilities and shareholders' equity

In thousands of euro	Notes	31/12/2017	31/03/2017
<b>Shareholders' equity</b>			
Share capital		154,815	154,580
Share premium		1,111,089	1,109,268
<b>Reserves</b>			
Legal reserves		15,449	14,227
Regulated reserves		-	-
Other reserves		153,044	153,044
<b>Retained earnings</b>		<b>109,992</b>	<b>103,241</b>
<b>Net income for the period</b>		<b>121,764</b>	<b>60,713</b>
Regulated provisions		303	303
<b>Total shareholders' equity</b>	<b>7</b>	<b>1,666,456</b>	<b>1,595,376</b>
<b>Provisions for contingencies and charges</b>			
Provisions for contingencies		1	396
Provisions for charges		2,726	5,396
<b>Total provisions for contingencies and charges</b>	<b>8</b>	<b>2,727</b>	<b>5,792</b>
<b>Liabilities</b>			
<b>Financial liabilities</b>			
Borrowings and other financial liabilities – banks	9	131,910	95,209
Borrowings and other financial liabilities – others		29	29
<b>Operating liabilities</b>	<b>10</b>	<b>11,589</b>	<b>5,856</b>
<b>Other liabilities</b>	<b>11</b>	<b>110,063</b>	<b>142,887</b>
<b>Total liabilities</b>		<b>253,594</b>	<b>243,981</b>
Unrealised translation gains		-	4
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,922,776</b>	<b>1,845,153</b>

# Company income statement for the nine-month period ended 31 December 2017

In thousands of euro	Notes	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
<b>Income transactions</b>			
<b>Operating income transactions</b>			
Operating income	12	2,608	3,899
Operating expenses	13	(16,425)	(24,909)
<b>Net operating income</b>		<b>(13,816)</b>	<b>(21,010)</b>
<b>Other income transactions</b>			
Income from investments in Group and other companies and portfolio holdings	14	123,712	80,032
Other interest income	15	1,114	934
Capital gains/(losses) on disposals of marketable securities	16	83	60
(Charge)/recovery of provisions on transactions affecting the income	17	16	3,448
Interest expense	18	(704)	(4,597)
<b>Income from other income transactions</b>		<b>124,221</b>	<b>79,877</b>
<b>Income from joint ventures</b>			
Share of profit/(loss)		-	-
<b>Current income before tax</b>		<b>110,404</b>	<b>58,867</b>
<b>Income from capital transactions</b>	19	<b>2,378</b>	<b>(2,039)</b>
Income tax (charge)/credit	20	8,981	3,885
<b>NET INCOME</b>		<b>121,764</b>	<b>60,713</b>

# Notes to the Company financial statements

## I Highlights of the financial period

### Net income for the nine-month period

It was decided by decision of the Shareholders of the Company on 28 September 2017 to change the opening and closing dates of the financial year, so that the closing date is 31 December.

For this financial period, the term is nine months from 01/04/2017 to 31/12/2017 compared to the previous financial year of 12 months from 01/04/2016 to 31/03/2017.

Given that the company operates as a holding company and its revenue are seasonal, it has been considered that it is not relevant to present the main income statement aggregates of its statutory financial statements restated over a 12-month period. Figures restated over a 12-month period are shown in the consolidated financial statements of the Rothschild & Co group for the nine-month period ended 31 December 2017.

Rothschild & Co (R&Co) ended the 2017 nine-month period with net income of €121.8 million, compared with €60.7 million for the prior year. R&Co's earnings therefore have doubled between the two periods.

For the nine-month period ended 31 December 2017, the Company received dividends of €122.3 million from its French subsidiaries (Paris Orléans Holding Bancaire SAS (POHB) €78.2 million; K Développement €44.0 million), versus €78.2 million for the previous 12-month period.

## II Subsequent events

No significant adjusting events have occurred after the 31 December 2017 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 in two: 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 period.

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, 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 period;
- listed securities: last quoted price of the financial period; 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 2017 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 period.

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 period.

Transactions denominated in foreign currencies are recognised at the rate on the transaction date. At the end of the financial period, 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	01/04/2017	Acquisitions	(Disposals)	31/12/2017
Gross value	8,524	-	(543)	7,981
		(Increases)	Decreases	
Impairment/amortisation	(405)	(189)	34	(560)
<b>TOTAL</b>	<b>8,119</b>	<b>(189)</b>	<b>(509)</b>	<b>7,421</b>

No acquisition/increase of property, plant and equipment has been done during the period concerned. Conversely, disposals have been done primarily with the sales of a built-up land for a value of €157 thousand and a building for €363 thousand.

### Note 2 – Investments in Group and other companies

In thousands of euro	01/04/2017	Acquisitions	(Disposals)	31/12/2017
Gross value	1,671,157	2,118	(936)	1,672,340
		(Increases)	Decreases	
Impairment	(443)	-	-	(443)
<b>TOTAL</b>	<b>1,670,715</b>	<b>2,118</b>	<b>(936)</b>	<b>1,671,897</b>

Acquisitions/increases in equity securities for the period concerned the French subsidiary Banque Martin Maurel SA, as detailed in F. 3 Off-balance sheet commitments in connection with the acquisition of BMM shares from certain managers.

The reduction in gross values concerned firstly the disposal of 99.99% stake in Funds Selection for a value of €546 thousand, and secondly the total transmission (*TUP*) of the assets of Grignan Participation in which R&Co had a 100% stake, for €390 thousand.

# Notes to the Company financial statements

## Note 3 – Portfolio holdings

This heading includes all non-current strategic portfolio investments that cannot be classified as “Investment in Group and other companies”. Movements during the 2017 financial period can be summarised as follows:

In thousands of euro	01/04/2017	Acquisitions/ increases	(Disposals)/ (exits)	31/12/2017
Gross value	37,063	10,386	(10,204)	37,245
		(Increases)	Decreases	
Impairment	(7,313)	(672)	-	(7,984)
<b>TOTAL</b>	<b>29,750</b>	<b>9,714</b>	<b>(10,204)</b>	<b>29,261</b>

Acquisitions/increases as well as disposals/exits for the period mostly concerned R&Co treasury shares.

As at 31 December 2017, the estimated value of the portfolio of participating interests and investments amounted to €39,628 thousand, of which €22,957 thousand were in treasury shares and €7,642 thousand were in investment certificates of R&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)	46,212	46,212	-	-
Current accounts related to the tax consolidation group	36,282	36,282	-	-
Tax assets <sup>(1)</sup>	6,226	6,226	-	-
Other accounts receivable <sup>(2)</sup>	1,283	1,283	-	-
<b>TOTAL</b>	<b>90,003</b>	<b>90,003</b>	<b>-</b>	<b>-</b>

(1) Of which accrued income: €6,119 thousand.

(2) Of which accrued income: €520 thousand.

## Note 5 – Marketable securities

Marketable securities consist of:

- 24,000 treasury shares held in accordance with a liquidity contract of €695 thousand. As at 31 December 2017, the estimated value of the marketable securities was €763 thousand, with an unrealised gain of €68 thousand.

The other securities (€25 million) consist mainly of mutual funds and short-term liquid investments. As at 31 December 2017, the fair value of these securities also amounted to €25 million.

## Note 6 – Unrealised translation losses

Unrealised translation losses of €918 thousand corresponds to the value of losses at 31/12/2017 in euro on current account advances made in foreign currencies to POHB (€3 million) and KDEV (€42 million).

## Note 7 – Shareholders' equity

In thousands of euro	Share capital	Share premium	Legal reserves	Other reserves	Retained earnings	Regulated provisions	Net income for the period	Total shareholders' equity
Shareholders' equity as at 1 April 2017	154,580	1,109,268	14,227	153,044	103,241	303	60,713	1,595,376
Capital increase	235	1,821	-	-	-	-	-	2,056
Appropriation of net income for year ended, 31/03/2017	-	-	1,222	-	59,491	-	(60,713)	-
Dividend payment <sup>(1)</sup>	-	-	-	-	(52,740)	-	-	(52,740)
Net income for period to 31/12/2017	-	-	-	-	-	-	121,764	121,764
<b>SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2017</b>	<b>154,815</b>	<b>1,111,089</b>	<b>15,449</b>	<b>153,044</b>	<b>109,992</b>	<b>303</b>	<b>121,764</b>	<b>1,666,456</b>

(1) The total dividend paid out during the 2017 financial period in respect of the previous year came to €632 thousand less than the amount approved in the second resolution proposed at the Combined General Meeting of 28 September 2017, since no dividends were paid on treasury shares or investment certificates.

As at 31 December 2017, the Company's capital comprised 77,262,472 shares and 145,040 of its investment certificates, both with a nominal value of €2 each.

### Treasury shares:

As at 31 December 2017, R&Co holds 145,040 of its own investment certificates (i.e. all the securities issued in this category) and 764,730 of its own shares, including 24,000 shares held as part of the liquidity contract. As at 31 March 2017, R&Co held 909,534 own shares including 24,237 shares held as part of the liquidity contract.

## Note 8 – Provisions for contingencies and charges

In thousands of euro	01/04/2017	Charge for the period	Recovery for the period (provision used)	Recovery for the period (provision unused)	31/12/2017
<b>Provisions for contingencies</b>	<b>396</b>	-	<b>(381)</b>	<b>(14)</b>	<b>1</b>
- Insufficient hedging of foreign currency risk	15	-	-	(14)	1
- Legal dispute	381	-	(381)	-	-
<b>Provisions for charges</b>	<b>5,396</b>	-	<b>(2,670)</b>	-	<b>2,726<sup>(1)</sup></b>
<b>TOTAL</b>	<b>5,792</b>	-	<b>(3,051)</b>	<b>(14)</b>	<b>2,727</b>

(1) The provision for charges of €2,726 thousand corresponds to a deferred tax liability that has been recognised following the merger with Martin Maurel.

The accounting method for retirement commitments recommended by the 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	130,725	130,725	-	-
US\$ denominated loans	877	877	-	-
Accrued interest	309	309	-	-
<b>TOTAL</b>	<b>131,910</b>	<b>131,910</b>	-	-

These loans and credits were contracted at a variable rate. In principal, borrowings were amortised or repaid during the period for an amount of €28,050 thousand (excluding interest), while the new loans contracted during the period amounted to €66,723 thousand, respectively.

## Note 10 – Operating liabilities

In thousands of euro	Total	< 1 year	Between 1 and 5 years	> 5 years
Accounts payable <sup>(1)</sup>	2,188	2,188	-	-
Tax and social liabilities <sup>(2)</sup>	9,401	9,401	-	-
<b>TOTAL</b>	<b>11,589</b>	<b>11,589</b>	-	-

(1) Of which accrued expenses: €1,948 thousand.

(2) Of which accrued expenses: €1,159 thousand.

## Note 11 – Other liabilities

In thousands of euro	Total	< 1 year	Between 1 and 5 years	> 5 years
Group advances and current accounts	110,063	110,063	-	-
<b>TOTAL</b>	<b>110,063</b>	<b>110,063</b>	-	-

# Notes to the Company financial statements

## V Notes to the Company income statement

R&Co ended the December 2017 financial period with net income of €121.8 million compared with €60.7 million the prior year. The December 2017 financial period had dividend income of €123.7 million and a realised-gain from the €3.0 million disposal of equity securities. The company made a profit on ordinary activities before tax of €110.4 million in 2017, compared with €58.9 million in 2016/2017.

### Note 12 – Operating income

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Expenses re-billed to related companies	2,306	3,457
Other operating income	303	442
<b>TOTAL</b>	<b>2,608</b>	<b>3,899</b>

### Note 13 – Operating expenses

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
General and administrative costs	11,250	16,826
Taxes other than on income	1,805	2,797
Salaries and payroll taxes	2,852	4,801
Depreciation and amortisation	238	151
Other expenses	281	334
<b>TOTAL</b>	<b>16,425</b>	<b>24,909</b>

### Note 14 – Income from investments in Group and other companies and portfolio holdings

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Dividends from investments in Group and other companies	122,326	78,173
Dividends from portfolio holdings	1,386	1,859
<b>TOTAL</b>	<b>123,712</b>	<b>80,032</b>

### Note 15 – Other interest income

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Interest income on forward contracts and certificates of deposit	57	93
Interest income from advances granted to Group companies	901	202
Other	156	639
<b>TOTAL</b>	<b>1,114</b>	<b>934</b>

### Note 16 – Capital gains/(losses) on disposals of marketable securities

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Capital gains on sales of marketable securities	100	106
Capital losses on sales of marketable securities	(16)	(46)
<b>TOTAL</b>	<b>83</b>	<b>60</b>

## Note 17 – Charge/recovery of provisions on other income transactions

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Provisions on exchange rate risk	1	(18)
Recoveries of provisions on other income transactions	15	3,466
<b>TOTAL</b>	<b>16</b>	<b>3,448</b>

## Note 18 – Interest expense

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Interest on medium-term borrowings	566	502
Other interest expense	16	102
Exchange losses	122	3,993
<b>TOTAL</b>	<b>704</b>	<b>4,597</b>

## Note 19 – Income from capital transactions

In thousands of euro	01/04/17 31/12/17 (9 months)	01/04/16 31/03/17 (12 months)
Capital gains on disposals of investments in Group and other companies and portfolio holdings	3,024	6,644
Recoveries of impairment of investments in Group and other companies and portfolio holdings	-	678
Capital losses on disposals of investments in Group and other companies and portfolio holdings	-	(9,346)
Charges for impairment of investments in Group and other companies and portfolio holdings	(646)	(15)
<b>TOTAL</b>	<b>2,378</b>	<b>(2,039)</b>

## Note 20 – Income tax

On 6 October 2017, the Supreme Court in France judged the 3% tax paid by French companies on dividend distributions to be contrary to the French Constitution. The decision of the Supreme Court gave rise to a return of the tax paid, together with the payment of interest. The Group has claimed a repayment of dividend tax it has paid, of €5.4 million. The timing of the reimbursement is expected to be in 2018.

For the nine-month period ended 31 December 2017, net tax income amounted to €9.0 million. This amount can be broken down into a tax income of €3.7 million primarily received from subsidiaries which are consolidated for tax purposes (including a €17.4 million net tax income reduced by €13.7 million of charges), as well as the claim described above.

## VI Other information

### A. Employees

For the nine-month period ended 31 December 2017, the average headcount of 18 people included 15 executives and 3 other employees compared to 19 people during the previous period.

### B. Compensation of management bodies

In respect of their functions as corporate officers of R&Co for 2017, members of the Supervisory Board entitled to compensation under the terms fixed by the Supervisory Board received compensation of €278 thousand.

# Notes to the Company financial statements

## 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.

This tax grouping lasts for five years and expires on 31 March 2019.

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 2017, the tax consolidation group headed by R&Co had no tax loss carried forward.

## D. Consolidation

R&Co, the parent company of the Rothschild & Co Group, prepares consolidated financial statements as at 31 December 2017, which are in turn consolidated into the Rothschild Concordia SAS group, registered at 23 bis, avenue de Messine, 75008 Paris, France.

## E. Forward financial instruments

As at 31 December 2017, R&Co has no forward financial instruments.

## F. Off-balance sheet commitments

In thousands of euro	31/12/2017	31/03/2017
<b>Commitments given</b>		
Guarantees given and other commitments	289	289
Investment commitments in various funds	1	26
Earnout amounts to be paid for shares purchased	12,827	14,210
<b>TOTAL</b>	<b>13,117</b>	<b>14,525</b>
<b>Commitments received</b>		
Undrawn lines of credit	62,795	85,000
<b>TOTAL</b>	<b>62,795</b>	<b>85,000</b>

Financial commitments given are described below:

### 1 Off-balance sheet commitments relating to the purchase of preferred shares in Messine Managers Investissements SAS

In July 2015 and March 2016, R&Co acquired from minority shareholders all b1, b2, b3 and b4 preference shares not yet held by Messine Managers Investissements SAS ("MMI"). MMI intended to involve the Company's managers in potential capital gains that may be realised by the Company as it exits its private equity investments. Within the framework of agreements with these minority shareholders, the Company agreed to pay them earnouts on shares transferred, estimated at €5,227 thousand as at 31 December 2017.

### 2 Off-balance sheet commitments relating to the Equity Schemes

#### A. LEGAL AUTHORISATION ALLOWING FOR THE IMPLEMENTATION OF EQUITY SCHEMES

The combined general shareholders' meetings of 26 September 2013 delegated to the Managing Partner the authority to award stock options to certain senior managers or corporate officers of the Rothschild & Co Group.

By invoking the authority to award stock options to beneficiaries, the Company also wanted to promote the convergence of interests of beneficiaries of these options with the controlling family shareholder as well as shareholders.

The schemes implemented also include a characteristic specific to the Company, insofar as the intended beneficiaries of options are required to buy R&Co shares beforehand in order to be granted options. According to the regulations for each Equity Scheme:

- shares are invested beforehand in the form of the direct purchase of R&Co shares, or in the form of the award of restricted share units, giving holders the right to receive R&Co shares after a set vesting date, subject to certain conditions<sup>(1)</sup>, or a combination of the two;
- for each share invested, beneficiaries are awarded a number of stock options;
- 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.

It was also agreed that 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 regulations.

Within the framework of this delegation of authority and characteristics specific to the Company, three Equity Schemes have been implemented and were still in force as at 31 December 2017.

## B. EQUITY SCHEME OF 11 OCTOBER 2013

The Equity Scheme of 11 October 2013 ("2013 Equity Scheme") was intended for certain senior employees of the financial advisory business with partner status, as well as members of the Group's Executive Committee (previously referred to as the Group Management Committee), representing a total of 57 people from ten different countries.

In accordance with the aforementioned regulations for the 2013 Equity Scheme, participants invested a total of 780,000 R&Co shares, representing 1.10% of the Company's share capital on the award date.

For each R&Co share invested, four stock options could be awarded.

In accordance with the authorisations granted by the general shareholders' meeting of 26 September 2013, the Managing Partner decided on 11 October 2013 to grant a total of 3,120,000 stock options.

The options awarded within the framework of the 2013 Equity Scheme are classified into four separate categories, the 2013-1 Options, the 2013-2 Options, the 2013-3 Options and the 2013-4 Options, acquired respectively 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, either by subscription or purchase of shares (the exercise option being decided by the Managing Partner before the start of the exercise period).

Pursuant to a decision dated 23 September 2016, the Company's Managing Partner decided that all beneficiaries of the 2013-1 Options wishing to exercise them must do so by subscribing for new shares.

Pursuant to a decision dated 28 September 2017, the Company's Managing Partner decided that all beneficiaries of the 2013-2 Options wishing to exercise them must do so by purchasing existing shares.

During the 2017 nine-month financial period, 107,500 2013-1 Options and 112,500 2013-2 Options were exercised and the Company cancelled 20,000 2013-1 Options, 20,000 2013-2 Options, 20,000 2013-3 Options and 20,000 Options 2013-4 owing to the departure of two beneficiaries.

## C. EQUITY SCHEME OF 10 DECEMBER 2015

Following on from the 2013 Equity Scheme, on 9 December 2015, R&Co launched a second incentive scheme (the "2015 Equity Scheme"), for which participation was extended to certain employees of the private banking, trust services, private equity and private debt businesses with partner status, representing a total of ten participants.

In accordance with the aforementioned terms and conditions, 115,000 R&Co shares, representing 0.16% of share capital on the date of the 2015 Equity Scheme, were invested in this way.

As with the 2013 Equity Scheme, for each R&Co share invested, four stock options could be awarded.

As a result, the Managing Partner granted a total of 460,000 stock options.

The options awarded within the framework of the 2015 Equity Scheme are classified into four separate categories, the 2015-1 Options, the 2015-2 Options, the 2015-3 Options and the 2015-4 Options, 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, either by subscription or purchase of shares (the exercise option being decided by the Managing Partner before the start of the exercise period).

(1) In connection with the restricted share units under the Equity Scheme, a number of R&Co shares were acquired by Group entities in which Equity Scheme participants hold executive or management roles. These shares, which are to be awarded to the holders of the restricted share units after the vesting date of the rights subject to certain conditions, are currently treasury shares that will not carry any voting rights until the vesting date.

# Notes to the Company financial statements

## D. EQUITY SCHEME OF 13 DECEMBER 2017

Following on from the 2013 Equity Scheme and 2015 Equity Scheme, on 13 December 2017, R&Co launched a third incentive scheme (the "2017 Equity Scheme"), for which participation was extended to certain employees of the private banking, trust services, private equity and private debt businesses with partner status, representing a total of twenty participants.

In accordance with the aforementioned terms and conditions, 277,500 R&Co shares, representing 0.36% of share capital on the date of the 2017 Equity Scheme, were invested in this way.

As with the 2013 Equity Scheme and 2015 Equity Scheme, for each R&Co share invested, four stock options could be awarded.

As a result, the Managing Partner granted a total of 1,110,000 stock options.

The options awarded within the framework of the 2017 Equity Scheme are classified into four separate categories, the 2017-1 Options, the 2017-2 Options, the 2017-3 Options and the 2017-4 Options, 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, either by subscription or purchase of shares (the exercise option being decided by the Managing Partner before the start of the exercise period).

For any beneficiary holding a corporate office in a Group entity at the date of the award, a performance condition must be satisfied before the options can be exercised. This performance condition is determined based on the entity in which the beneficiary is a partner. For beneficiaries who are partners in any entity other than Rothschild Martin Maurel at the date of the award, the exercise of the options is contingent upon the award of variable remuneration in each of the financial years that elapsed between the exercise date (or the date of death where the beneficiary has died) and the financial year end 31 December 2016 or 31 March 2017 (depending on the year end of the R&Co entities).

## E. SITUATION AS AT 31 DECEMBER 2017

The table below summarises the information relating to Equity Schemes in force as at 31 December 2017.

		Date of authorisation by the General Meeting	Date of award by the Managing Partner	Total number of subscription or purchase options awarded	Number of beneficiaries	% of the share capital at the date of award	Performance conditions	Starting point for the exercise of options	Expiry date	Subscription or purchase price (in euros)	Total number of options exercised at 31 December 2017	Total number of options cancelled at 31 December 2017	Total number of options outstanding at 31 December 2017
<b>2013 Options</b>	<b>2013-1 Options</b>	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	None	30 Nov. 2016	11 Oct. 2023	17.50	162,500	20,000	597,500
	<b>2013-2 Options</b>	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	None	11 Oct. 2017	11 Oct. 2023	18.00	112,500	20,000	647,500
	<b>2013-3 Options</b>	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	None	11 Oct. 2018	11 Oct. 2023	19.00	-	20,000	760,000
	<b>2013-4 Options</b>	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	None	11 Oct. 2019	11 Oct. 2023	20.00	-	20,000	760,000
<b>2015 Options</b>	<b>2015-1 Options</b>	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	None	11 Oct. 2018	9 Dec. 2025	23.62	-	-	115,000
	<b>2015-2 Options</b>	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	None	11 Oct. 2019	9 Dec. 2025	24.12	-	-	115,000
	<b>2015-3 Options</b>	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	None	11 Oct. 2020	9 Dec. 2025	25.12	-	-	115,000
	<b>2015-4 Options</b>	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	None	11 Oct. 2021	9 Dec. 2025	26.12	-	-	115,000
<b>2017 Options</b>	<b>2017-1 Options</b>	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes	11 Oct. 2020	13 Dec. 2027	31.56	-	-	277,500
	<b>2017-2 Options</b>	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes	11 Oct. 2021	13 Dec. 2027	32.06	-	-	277,500
	<b>2017-3 Options</b>	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes	11 Oct. 2022	13 Dec. 2027	33.06	-	-	277,500
	<b>2017-4 Options</b>	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes	11 Oct. 2023	13 Dec. 2027	34.06	-	-	277,500
<b>TOTAL</b>	-	-	<b>4,690,000</b>	-	<b>6.5%</b>	-	-	-	-	-	<b>275,000</b>	<b>80,000</b>	<b>4,335,000</b>

As at 31 December 2017, 4,335,000 options were still outstanding and exercisable in accordance with the terms and conditions of the 2013, 2015 and 2017 schemes. The average value of the option used as a basis for the social security contribution of 30% paid by companies under French law concerned by the 2013 scheme is €1.33. R&Co confirms that it has not omitted any material off-balance sheet commitments in accordance with applicable accounting standards.

### 3 Off-balance-sheet commitments within the framework of the acquisition of Banque Martin Maurel shares from certain managers

Between 1 June 2016 and 10 June 2016, R&Co signed memoranda of understanding with a number of managers at BMM, including put and call options on BMM shares that are held by these managers, but which are currently unavailable to buy as a result of the managers' 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 memorandums of understanding, R&Co is entitled to buy unavailable BMM shares in the month following the date the restrictions are lifted.

As the unavailable shares were 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 2017 financial year, R&Co acquired 10,184 BMM shares on 13 April 2017, representing 0.81% of BMM's share capital, held by 21 BMM managers, for €2,087,720 in total consideration. In addition, R&Co notified a BMM executive on 22 December 2017, for whom the lifting of the period of unavailability was contingent upon the cessation of his office at the BMM group; his promise to sell was exercised, and so the Company acquired 150 additional shares for €30,750.

These promises initially covered a total number of 39,417 BMM shares, which represented a commitment estimated at €9.7 million. Following the exercise of these options, there remain 29,083 BMM 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 €7.6 million for R&Co.

## G. Analysis of subsidiaries and participating interests

Companies or groups of companies	Share capital	APIC, reserves and retained earnings excluding net income for the period	Share of capital held	Carrying value of shares held		Outstanding loans and advances from the company	Gross revenues (excluding VAT) for the last financial period	Net income for the last financial period	Dividends received by the Company during the financial period
				Gross	Net				
In millions of euro									
<b>A. Subsidiaries</b>									
(Company holds at least 50% of capital)									
Paris Orléans Holding Bancaire SAS (Paris) <sup>(4)</sup>	729.6	487.1	100%	1,335.5	1,335.5	27.6	-	91.8	78.2
K Développement SAS (Paris) <sup>(4)</sup>	99	173.2	100%	104.2	104.2	22.4	-	(0.7)	44.0
Francarep Inc. (USA) <sup>(2)(4)</sup>	0.0	2.4	100%	2.6	2.3	-	-	0.4	-
Cavour SASU (Paris) <sup>(2)(4)</sup>	0.1	-	100%	0.1	0.1	-	-	-	-
Verdi SASU (Paris) <sup>(2)(4)</sup>	0.1	-	100%	0.1	0.1	-	-	-	-
Aida SASU (Paris) <sup>(2)(4)</sup>	0.3	-	100%	0.3	0.2	-	-	-	-
Banque Martin Maurel SA (Marseille) <sup>(2)(4)</sup>	51.1	134.4	97.44%	217.1	217.1	-	18.3	10.0	-
<b>B. Participating interests</b>									
(Company holds 5 to 50% of capital)									
Finatis SA (Paris) <sup>(1)(2)(3)(4)</sup>	85	(2.0)	5%	12.3	12.3	-	36,788	622	0.6

(1) Consolidated figures.

(2) Financial period ended 31 December 2017 (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.

# Statutory auditors' report on the financial statements for the nine-month period ended 31 December 2017

*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.*

## 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 nine-month period ended 31 December 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2017 and of the results of its operations for the nine-month period 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 1 April 2017 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 judgement, 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 31 2017, the company holds 1,701 million euros through investments in Group, other companies and portfolio holdings, which represent 88% 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 of:

- 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; and
- 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 is appropriate.

## Verification of the Management report and of the other documents provided to Shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French Law.

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 Managing partner and in the other documents provided to Shareholders with respect to the financial position and the financial statements.

We certify that the report of the Supervisory Board on corporate governance contains the information required by Articles L.225-37-3 and L.225-37-4 of the French *Code de commerce*.

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 remuneration 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 this work, we attest the accuracy and fair presentation of this information.

Regarding the information relating to items that your Company has considered likely to have an impact in the event of a takeover or exchange offer, provided pursuant to the provisions of Article L.225-37-5 of the French code de commerce, we verified their compliance with the documents from which they came and which were communicated to us. On the basis of this work, we have no comments to make on this 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 and on 24 June 2003 for Cailliau Dedouit et Associés.

As at 31 December 2017, KPMG S.A. and Cailliau Dedouit et Associés were in the 13<sup>th</sup> year and 15<sup>th</sup> year of total uninterrupted engagement, of which 13 and 15 years respectively 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 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.

# Statutory auditors' report on the financial statements for the nine month-period ended 31 December 2017

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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 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 judgement, 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 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 13 March 2018  
**KPMG S.A**

Arnaud Bourdeille  
*Partner*

Paris, on the 13 March 2018  
**Cailliau Dedouit et Associés**

Jean-Jacques Dedouit  
*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	<i>Autorité de Contrôle Prudentiel et de Résolution (French Prudential and Resolution Authority)</i>
AFS	Available for sale
AMF	<i>Autorité des Marchés Financiers</i>
AML	Anti-money laundering
Asset Management	For segmental information only, the Asset Management business segment comprises Rothschild Private Wealth & Asset Management and Rothschild Merchant Banking
AuM	Assets under Management
BMM	Banque Martin Maurel
bp	Basis points
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
EdRS	Edmond de Rothschild (Suisse) SA
EMAP	Environmental Improvement Action Plan
EPS	Earnings per Share
ESG	Environmental, Social and Governance
FACS	Five Arrows Credit Solutions
FADL	Five Arrows Direct Lending
FAPI	Five Arrows Principal Investments
FASO	Five Arrows Secondary Opportunities
FCPR	<i>Fonds commun de placement à risque</i>
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/Rothschild 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
Global Advisory	Rothschild Global Advisory (business segment)
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 classifications explained in note IV.E.1
LGBT	Lesbian Gay Bisexual and Transgender

# Abbreviations and glossary

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Term	Definition
M&A	Mergers and Acquisitions
Merchant Banking	Rothschild Merchant Banking business line
MMI	Messine Managers Investissements SAS
MOIC	Multiple of Invested Capital
MSA	Modern Slavery Act
NCI	Non-controlling interest
Managing Partner	Rothschild & Co Gestion SAS (the <i>Gérant</i> )
NMR	N M Rothschild & Sons Limited
NMROP	N M Rothschild & Sons Limited Overseas pension fund
NMRP	N M Rothschild & Sons Limited pension fund
PCCC	Private Client Credit Committee
PCL	Private Client Lending business line
POHB	Paris Orléans Holding Bancaire SAS
R&Co	Rothschild & Co SCA
R&Co Gestion	Rothschild & Co Gestion SAS (the <i>Gérant</i> /Managing Partner)
RBI	Rothschild Bank International Limited
RBZ	Rothschild Bank AG Zurich
RBZP	Rothschild Bank AG Zurich pension funds
RCB	Rothschild & Compagnie Banque SCS
RCM	Rothschild Credit Management
RGA	Rothschild Global Advisory (business segment)
RHAG	Rothschild Holding AG
RMB/Merchant Banking	Rothschild Merchant Banking (business segment)
RMM	Rothschild Martin Maurel SCS
ROTE	Return on Tangible Equity
RPI	Rothschild Proprietary Investments
RPO	Rothschild Private Opportunities
RPW&AM	Rothschild Private Wealth & Asset Management (business segment)
SA	<i>Société anonyme</i>
SARL	<i>Société à responsabilité limitée</i>
SAS	<i>Société par actions simplifiée</i>
SASU	<i>Société par actions simplifiée unipersonnelle</i>
SC	<i>Société civile</i>
SCA	<i>Société en commandite par actions</i>
SCS	<i>Société en commandite simple</i>
SDGs	Sustainable Development Goals
SNC	<i>Société en nom collectif</i>
Supervisory Board	Rothschild & Co Supervisory Board
TIAP	<i>Titres immobilisés de l'activité de placement</i>
UCITS	Undertakings for Collective Investment in Transferable Securities
UN PRI	United Nations Principles for Responsible Investment

# General information

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## Persons responsible for the annual financial report

**Rothschild & Co Gestion SAS**  
Managing Partner

**Mark Crump**  
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, 13 March 2018

**Rothschild & Co Gestion SAS**  
Managing Partner

**Mark Crump**  
Group Chief Financial Officer

Represented by David de Rothschild, Chairman

## Persons responsible for the audit of the financial statements

### Statutory Auditors

**Cailliau Dedouit et Associés SA**  
Represented by Mr Jean-Jacques Dedouit  
19 rue Clément-Marot  
75008 Paris, France

**KPMG Audit FS II SAS**  
Represented by Mr Pascal Brouard  
Tour Eqho 2 avenue Gambetta  
92066 Paris la Défense Cedex

Start date of first term: 24 June 2003

Start date of first term: 27 September 2011

Date of last renewal: 28 September 2017

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

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 166 of this report.

# About Rothschild & Co

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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 €154,815,024. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

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[www.rothschildandco.com](http://www.rothschildandco.com), [www.rothschild.com](http://www.rothschild.com)



