

Chairman of the Supervisory Board's Report

on the conditions governing the preparation and organisation of the work of the Supervisory Board, and on internal control and risk management procedures implemented by the Company

To the Shareholders,

This report sets forth the principles of corporate governance and the internal control and risk management procedures implemented by Paris Orléans (or the "Company").

The other Group companies do not fall within the scope of this report. They are nonetheless under an obligation to apply the procedures defined by the Group, particularly with regard to the Group's internal control policies and procedures.

This report has been prepared by the Chairman of the Company's Supervisory Board based on interviews and meetings with members of the bodies responsible for the Company's general management, with assistance from the Audit Committee (for the section relating to internal control), the Secretary of the Supervisory Board, the executive body and the relevant functional departments within the Company and the Group. It was reviewed by the Audit Committee at its meeting on 21 June 2012, and approved by the Supervisory Board meeting on 26 June 2012.

CORPORATE GOVERNANCE

First of all, we remind you that your Company was converted into a French partnership limited by shares (*société en commandite par actions*) by decision of the Combined General Meeting of shareholders on 8 June 2012. From 2004 until 8 June 2012, your Company had a dual governance structure consisting of an Executive Board and a Supervisory Board with the aim of separating management powers from those of control.

A presentation of the Company's management and control bodies before and after its change of status to that of a French partnership limited by shares is provided in the section on corporate governance on pages 66 onwards of the Management's report.

Given the Company's change to a French partnership limited by shares (*société en commandite par actions*), this report describes the Supervisory Board's new powers and duties, the duties of its members, the status and the powers and duties of the Audit Committee. These arise from the Supervisory Board's internal regulations and the Audit Committee charter approved by the Supervisory Board meeting on 8 June 2012 and whose main provisions are set forth in this report.

The information relating to the activity of the Supervisory Board and Audit Committee under the Company's former form of incorporation of French limited company with an Executive Board and a Supervisory Board (*société anonyme à Directoire et Conseil de surveillance*) is also provided below.

Composition and powers of the Supervisory Board, status and duties of the Supervisory Board members

Composition of the Supervisory Board during the financial year under review and as from the date of the Company's conversion into a French partnership limited by shares on 8 June 2012

During the financial year ended 31 March 2012 and up to 8 June 2012, the Supervisory Board was composed of twelve members, including four independent members, and a *censeur* (non-voting member). Since 8 June 2012, the Supervisory Board has been composed of thirteen members, including five independent members.

More detailed information on each Supervisory Board member during the financial year ended and since the Company's conversion into a French partnership limited by shares (*société en commandite par actions*), in particular each member's nationality, age, positions held within Paris Orléans, date of first appointment, term of office and number of Paris Orléans shares held, is provided in the tables on pages 68 to 70 of the Management's report. This information is deemed to form an integral part of this report.

The Company's Head of Legal, under the Chairman of the Supervisory Board's supervision, acts as the Supervisory Board's Secretary.

The Supervisory Board members are appointed by the General Meeting, which in accordance with the Articles of Association, sets the duration of their term of office.

Powers of the Supervisory Board

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

The Board may call a General Meeting of shareholders.

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

- The Supervisory Board conducts the checks and controls it considers appropriate at any time of the year, and may ask to be provided with the documents it considers useful to perform its work;
- Every three months (or more frequently if requested by the Board), Management presents a report to the Board on the status and conduct of corporate affairs, such report to be drawn up as directed by the Board;
- Within three months of the end of each financial year, Management presents the parent company and consolidated financial statements to the Board for verification and control purposes;
- Management 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 their annual General Meeting 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 Supervisory Board approves the Chairman's report on the composition of the Board and the application of the principle of equal representation of men and women on the Board, the terms and conditions according to which the Board prepares and organises its work, and the internal control and risk management procedures put in place by the Company;

- It decides each year on the Company's policy in terms of professional equality and equal pay;

- The agreements referred to in Article L225-38 of the French Commercial Code (*Code de commerce*) are submitted to the Supervisory Board for prior authorisation;

- The Board ensures that the Company's Articles of Association are updated at regular intervals;

- It checks the quality of information issued by the Paris Orléans group to shareholders and the financial markets, through the Company and Group financial statements prepared by Management and the annual report drawn up by Management, or at the time of major transactions.

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 issues:

- an advisory opinion to Management in respect of:
 - the strategic policies, annual budget and three-year business plan of the Paris Orléans group;
 - any significant acquisition or disposal of a business or part of a business, or alliance, on the understanding that any such transaction relating to a business or part of a business representing 5% or more of the Company's consolidated revenue or consolidated net income will be deemed significant and that this does not apply to acquisitions and disposals carried out within the ordinary course of the proprietary investment activity; and
 - any strategic initiative or major refocusing of the business of the Paris Orléans group; and
- a recommendation to shareholders regarding the Company's dividend policy.

Moreover, the Supervisory Board presents a report to shareholders and a reasoned opinion on any resolution submitted to 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, Management at any time.

Duties of the Supervisory Board members

Before accepting a seat on the Supervisory Board, candidates 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, 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 they require.

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 Board meetings are confidential. In accordance with applicable regulations, Supervisory Board members and all other persons invited to attend Board meetings may not pass on such information to a third person other than within the ordinary scope of their work or occupation, or for any purpose or activity other than those for which the information was provided to them. They 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.

They must notify the Supervisory Board of any actual or potential conflict of interest with the Paris Orléans 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 Group has a direct interest, or of which he is aware as a result of his membership of the Board, must be disclosed to the 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 Paris Orléans group without notifying the Board in advance.

Supervisory Board members and all other persons who are invited to attend 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 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 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;
- board 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.);

■ transactions involving Paris Orléans shares, including hedge transactions effected during the 30 calendar days prior to 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 with regard to the publication of quarterly financial information) and on the publication date may not be effected by Board members or any other person who attended the Board meeting at which the results were reviewed. The same rule applies with respect to the announcement of projected annual and half-yearly results.

At the 8 June 2012 meeting, given the number of subjects that had to be reviewed by the Board following the Company's conversion into a French partnership limited by shares (*société en commandite par actions*), the Board took note that a charter setting forth all the Board members' duties would be drawn up for approval by the Board during the course of the year.

Organisation and operation of the Supervisory Board

Meetings

On a proposal by its Chairman, the Supervisory Board prepares a schedule of Board 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 Supervisory Board members, Management or a general partner; subject to reasonable notice unless circumstances require a meeting to be called within a very short timeframe.

The person(s) who call(s) a Supervisory Board meeting prepares the agenda of the meeting and provide same to Board members in a timely manner and by any appropriate means.

The Supervisory Board may appoint a Secretary, who may but need not be a Board member, but who may not however be a Manager of the Company. All Board members may consult the Secretary and benefit from the latter's services. The Secretary is responsible for all procedures relating to Board practices.

Documents provided to Board members to enable them to express an opinion in full knowledge of the facts on items included on the agenda are provided to Board members at least 48 hours prior to Board meetings, except in an emergency or if there is a requirement to keep such documents strictly confidential.

Management shall be informed of Supervisory Board meetings, and may attend such meetings in an advisory capacity. Any other person outside the Supervisory Board may be invited to attend the whole or part of a Board meeting by the Chairman of the Supervisory Board.

Organisation of meetings

In any case, 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 Board members of the main facts and significant events concerning the Group's operations that have occurred since the date of the previous 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.

Attendance and majority

Supervisory Board members are entitled to be represented at Board meetings by another member, pursuant to specific authorisation set out in a letter, a fax or any other method of telecommunication. A member of the Supervisory Board may only represent one other member at any meeting.

Board members who take part in a Board meeting *via* the methods referred to above are deemed present, except where the Supervisory Board is meeting to verify and check the annual report and the parent company 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.

Review of the Supervisory Board's activity

The Supervisory Board of the Company in its former form of incorporation of a French limited company with an Executive Board and a Supervisory Board (*société anonyme à Directoire et Conseil de Surveillance*) and since the Company's adoption of its new form of incorporation of a French partnership limited by shares (*société en commandite par actions*) met nine times between 1 April 2011 and the date of this report with an average attendance rate of 78.85% during the 2011/2012 financial year and of 80.18% since the beginning of the 2012/2013 financial year. Before each Board meeting, every member systematically receives a file containing all the documentation, notes and reports relating to each item on the agenda.

In addition to the meetings held to review the interim financial statements, the annual and consolidated financial statements, the forward-looking management accounts, the quarterly business reports, prior approval of regulated agreements and commitments and transactions requiring prior authorisation pursuant to the Articles of Association and the Board's internal rules of procedure, the agenda for Board meetings also included governance and internal control issues.

The main governance and internal control issues dealt with at these meetings are described below.

Activity of the Supervisory Board of Paris Orléans, a French limited company with an Executive Board and a Supervisory Board (*société anonyme*)

At the meeting on **28 June 2011**, the Supervisory Board in particular:

- read the Executive Board's quarterly report on internal control;
- read the letter received from the French Prudential Supervisory Authority (*Autorité de contrôle prudentiel* or ACP) authorising the Group's prudential supervision on a consolidated basis to be performed at the level of Paris Orléans instead of Rothschild Concordia SAS;
- read the follow-up letter (and its appendices) issued by the ACP following the inspection of the Group's private banking activities carried out in 2010;
- performed a self-assessment of the Board's operation and working methods;
- approved the Chairman of the Supervisory Board's report on internal control; and
- read the Group internal control reports submitted to the ACP in respect of 2010 pursuant to Articles 42 (internal control) and 43 (risk measurement and monitoring) of CRBF regulation 97-02 of 21 February 1997.

At the meeting on **27 September 2011**, the Supervisory Board in particular:

- read the Executive Board's quarterly report on internal control and in this context approved the Audit Committee's new charter and ratified the internal rules of the Group Risk Committee, the Group Compliance Committee and the Group Internal Audit Coordination Committee.

At the meeting on **29 November 2011**, the Supervisory Board in particular took cognisance of the Executive Board's quarterly report on internal control.

At the meeting on **29 March 2012**, the Supervisory Board in particular:

- took note of Sylvain Héfès' resignation from his functions as member and Chairman of the Executive Board;
- decided to appoint David de Rothschild as Chairman of the Executive Board;
- took note of Francois Henrot's resignation from his functions as member of the Supervisory Board and decided to co-opt Sylvain Héfès as a new member of the Supervisory Board;
- took note of the change of Rothschild & Cie Banque SCS's permanent representative to the Supervisory Board with the appointment of François Henrot in replacement of Marc-Olivier Laurent in this capacity.

At the meeting on **2 April 2012**, the Supervisory Board in particular:

- analysed and approved the plan to change the Company's form of incorporation to that of a French partnership limited by shares (*société en commandite par actions*) and the reorganisation for submission to the shareholders on 8 June 2012 and, in particular, approved the Company's new governance structure following its conversion into a French partnership limited by shares (*société en commandite par actions*).

At the meeting on **24 April 2012**, the Supervisory Board in particular:

- examined the planned minority buyout offer to be filed by Rothschild Concordia SAS, controlling shareholder of Paris Orléans, and by PO Gestion SAS, which latter was to be appointed Manager in the context of the conversion, and examined the evaluation report drawn up by Natixis;
- read the report drawn up by Didier Kling & Associés, appointed by the Supervisory Board in the capacity of independent expert, and agreed on the fairness of the price offered to the Company's minority shareholders;
- unanimously approved the terms and conditions of the minority buyout offer planned by Rothschild Concordia SAS and PO Gestion SAS, and deemed the terms and conditions to be fair;

- recommended that the Company's shareholders should not present their shares to this offer in order to benefit from the expected creation of value linked to the reorganisation.

At the meeting on **7 May 2012**, the Supervisory Board in particular:

- read the supplementary report drawn up by Didier Kling & Associés, appointed by the Supervisory Board in the capacity of independent expert;
- unanimously confirmed the opinion on the minority buyout offer that it had expressed at its meeting on 24 April 2012.

Activity of the Supervisory Board of Paris Orléans, a French partnership limited by shares

On **8 June 2012**, the Supervisory Board, meeting on the closure of the General Meeting of shareholders that had approved the Company's conversion into a French partnership limited by shares (*société en commandite par actions*), in particular:

- took note of the representatives appointed by Management, i.e. David de Rothschild, Chairman, and Nigel Higgins and Olivier Pécoux, Chief Executive Officers;
- appointed Éric de Rothschild as Chairman of the Supervisory Board, appointed André-Lévy-Lang and François Henrot as Vice-Chairmen of the Supervisory Board and appointed Stéphane Moal as Secretary of the Supervisory Board;
- approved the new terms of the Supervisory Board's internal rules of procedure;
- considered that André Lévy-Lang, Martin Bouygues, Jacques Richier, Lord Leach and Sipko Schat should be qualified as independent members of the Board;
- created an Audit Committee, approved its composition with the appointments of André Lévy-Lang (independent member) as Chairman, and Christian de Labriffe and Sylvain Héfès as members, and approved its new charter;
- created a Strategy Committee and approved its composition with the appointments of Lucie Maurel-Aubert, Alexandre de Rothschild, François Henrot, Martin Bouygues (independent member) and André Lévy-Lang (independent member);
- took note of the inclusion of Paris Orléans on the list of financial companies supervised by the ACP and of the legal and regulatory provisions applicable to financial companies.

At the meeting on **26 June 2012**, the Supervisory Board in particular:

- postponed to a subsequent meeting the review of the Board's methods of self-assessment of its organisation and working methods and requested the Board Secretary to draw up a new framework of self-assessment methods given the Company's new form of incorporation;
- approved the Chairman of the Supervisory Board's report; and
- read the Group internal control reports submitted to the ACP in respect of 2011 pursuant to Articles 42 (internal control) and 43 (risk measurement and monitoring) of CRBF regulation 97-02 of 21 February 1997.

The information provided to the Supervisory Board in the quarterly internal control reports is described in greater detail in the section on the Company's internal control procedures and risk management in the second part of this report.

Assessment of the Board's organisation and working methods

At its meeting on 28 June 2011, the Supervisory Board of the Company under its previous form of incorporation performed an assessment of its organisation and working methods; as in previous years, the method used was a self-assessment based on:

- reviewing the Board's operating methods;
- checking that important issues are properly prepared and discussed;
- measuring each member's contribution to the Board's work in the light of his competencies and involvement.

The Supervisory Board members did not identify any specific problems and considered that:

- the information provided to them before each meeting was complete and accurate;
- the frequency of meetings was appropriate to the level of activity;
- the high attendance rate at each meeting demonstrated the members' interest and involvement in the proper functioning of the Company.

Following Paris Orléans' conversion into a French partnership limited by shares (*société en commandite par actions*), at its meeting on 26 June 2012 the Supervisory Board postponed to a later meeting the review of the Board's methods of self-assessment of its organisation and working methods and requested the Board Secretary to draw up a new framework of self-assessment methods given the Company's new form of incorporation.

Specialised Committees

The Supervisory Board is free to set up specialist committees, including (but not limited to) an audit committee and a strategy committee, and to define 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.

Audit Committee

Composition

The composition of the Audit Committee, both before the Company's conversion into a French partnership limited by shares (*société en commandite par actions*) and since this conversion, is decided by the Supervisory Board. Only Board members with the necessary competencies and financial expertise may be appointed to these committees. During the 2011/2012 financial year and until 8 June 2012, the Audit Committee of the Company under its previous form of incorporation of a French limited company with an Executive Board and a Supervisory Board (*société anonyme à Directoire et Conseil de surveillance*) was composed of the following members:

- Christian de Labriffe (Chairman);
- André Lévy-Lang (independent member); and
- Philippe Sereys (independent member).

Following the Company's conversion into a French partnership limited by shares (*société en commandite par actions*), the Supervisory Board at its meeting on 8 June 2012, appointed the new members of the Audit Committee, i.e.

- André Lévy-Lang (Chairman, independent member);
- Christian de Labriffe; and
- Sylvain Héfès.

Responsibilities, resources and scope

The Audit Committee created with effect from 8 June 2012 assumed all the duties assigned to the Audit Committee up to this date. In particular, it is responsible for:

- monitoring the preparation of financial information;
- monitoring the statutory audit of the parent company and consolidated accounts by the Statutory Auditors;
- verifying the independence and objectiveness of the Statutory Auditors;
- checking the clarity of the information provided and assessing the appropriateness of the accounting methods used to prepare the company and consolidated financial statements;
- monitoring the effectiveness of the internal control and risk management systems;
- assessing the quality of Group internal control at the level of Paris Orléans, particularly with regard to the consistency and completeness of risk measurement, supervision and management and, when necessary, proposing additional measures to be taken in this respect.

In accordance with the Committee's operating charter, it can draw on the help of Company employees as necessary. It 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.

Activity

The Audit Committee met twice in 2011/2012: on 25 November 2011 and on 21 June 2012.

These meetings related to:

- the review of the financial statements (interim statements in November and annual statements in June);
- a review of the Corporate Banking activity, covering both the run-off portfolio of business loans and the specialised financing activity;
- a review of the Statutory Auditors' summary report.

Before each meeting, each committee member receives a file containing the documentation on the subjects that will be examined and discussed at the meeting and documents for information.

In this respect, the members received:

- the Group's quarterly risk and compliance report;
- a follow-up document concerning the ACP's inspection of the private banking activity;
- the annual Strategic risk assessment which describes all the risks by business line;
- an update on disputes in progress;
- a draft of the Chairman of the Supervisory Board's report;
- the report on the internal control system and the report on the measurement and supervision of risk exposure submitted to the ACP pursuant to Articles 42 and 43 of CRBF regulation 97-02.

In addition, in the framework of the system of internal control and risk monitoring on a consolidated basis put in place within the Group, all the Audit Committee members attended joint meetings with the Audit Committee of the Rothschilds Continuation Holdings AG sub-group.

Strategy Committee

Following the Company's conversion into a French partnership limited by shares (*société en commandite par actions*), the Supervisory Board at its meeting on 8 June 2012 created a Strategy Committee and appointed its members, as follows:

- Lucie Maurel-Aubert;
- Martin Bouygues (independent member);
- François Henrot;
- André Lévy-Lang (independent member); and
- Alexandre de Rothschild.

The main role of this specialised committee is to assist the Supervisory Board when it is called upon to give Management an advisory opinion on the Group's strategic direction, significant acquisitions or sales of business activities or business divisions.

Corporate governance

Companies can refer to the AFEP-MEDEF Corporate Governance Code for Listed Corporations published in December 2008, which comprises all the recommendations issued by AFEP and MEDEF and was updated in April 2010.

Paris Orléans adheres to this corporate governance code and most of the recommendations contained in the said code have been implemented. Following the Company's conversion into a French partnership limited by shares (*société en commandite par actions*), at its meeting on 8 June 2012, the Supervisory Board adopted the new draft of its internal rules of procedure, and analysed the individual situation of each Supervisory Board member who could be qualified as an independent member

With regard to the percentage of independent members on the Supervisory Board, the Board considered that at least one third of its members should be independent. A Board member is deemed to be independent when he has no relations of any kind whatsoever with the Company, the group or its management.

The independence criteria applied by the Board are those referred to in Article 8.4 of the AFEP-MEDEF Corporate Governance Code of December 2008, amended in April 2010. However, given the Company's ownership structure, which is controlled by a group of Rothschild family members acting in concert, by 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 (*société en commandite par actions*), the Supervisory Board has decided to expressly waive the criterion relating to the duration of Board members' terms of office. The Board considers that the length of service is a key element for assessing and understanding the Paris Orléans group's activities and that it should not therefore disqualify them as independent members.

Generally speaking, the Supervisory Board may decide that, although fulfilling all the criteria referred to above, a member should not be qualified as independent in view of his specific situation or for any other reason. Conversely, the Board may decide that a member, although not complying strictly with all the above criteria, can nonetheless be qualified as independent.

Each year, the Board reviews each member's situation based on the independence criteria and reports its conclusions to the shareholders in its annual report.

MANAGEMENT'S REPORT

Chairman of the Supervisory Board's Report

With regard to the proportion of independent members within the Audit Committee, the Supervisory Board decided at its meeting on 8 June 2012 that the current proportion of less than two thirds had no impact on the proper operation of the committee.

Apart from the Audit Committee and the Strategy Committee, the Supervisory Board has no other specialised committees.

The information relating to the appointment and remuneration of corporate and executive officers is provided in the Management's report in the section relating to this subject on pages 66 onwards. Please note in this respect that with regard to members of the Supervisory Board since the Company's conversion into a French partnership limited by shares (*société en commandite par actions*), all remuneration allocated to the Supervisory Board by the Ordinary General Meeting of shareholders is freely distributed, wholly or in part, by the Supervisory Board among its members.

At its meeting on 28 June 2011, the Board took note of the provisions set forth in the law of 27 January 2011 relating to gender balance within Boards of Directors and Supervisory Boards and to equality in the workplace.

Terms and conditions of shareholders' attendance of General Meetings

General Meetings are convened by Management or by the Supervisory Board and decide, in the conditions provided for by law, by 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 one of the statutory Managers or, with the agreement of Management, by the Chairman of the Supervisory Board; failing this, the General Meeting elects its chairman.

In application of Article 11 of the Company's Articles of Association in force since 8 June 2012, any shareholder or holder of voting rights certificates is entitled to attend General Meetings in 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 in the conditions provided for by law. Management has the power to accept any proxy form, voting form or shareholding certificate received or presented up to the date of the General Meeting. By decision of the Management to use such telecommunication methods, indicated as such in the notice of meeting or invitation to attend, shareholders and holders of voting rights certificates who attend and vote at General Meetings of shareholders by videoconference or any other telecommunication means that enables their identity to be verified are deemed to be present at the meeting for the purposes of quorum and majority.

The voting rights are exercised by the usufructuary at all General Meetings unless the usufructuary and the bare owner agree otherwise and jointly notify the Company at least five days before the General Meeting by recorded delivery letter with advice of receipt.

Information provided for in Article L. 225-100-3 of the French Commercial Code (*Code de commerce*)

The information relating to elements that could have an impact in the case of a takeover bid required pursuant to Article L. 225-103-3 of the French Commercial Code (*Code de commerce*) is provided on pages 61 to 65 of the Management's report and forms an integral part of this report.

INTERNAL CONTROL AND RISK MANAGEMENT

Definition, objectives and scope of internal control

The internal control framework refers to Paris Orléans' own internal control framework and the Group's internal control framework on a consolidated basis.

The internal control framework follows the French Financial Markets Authority (*Autorité des marchés financiers* or *AMF*) internal control guidelines and is designed to ensure:

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

It also fulfils the internal control objectives specific to financial companies. In this respect, following the ACP's decision in March 2011 authorising the Group's prudential supervision on a consolidated basis to be performed at the level of Paris Orléans instead of at the level of Rothschild Concordia SAS with effect from 30 March 2011, Paris Orléans' internal control framework was significantly reorganised. The main elements of this reorganisation were approved by the Supervisory Board at its meeting on 28 June 2011 and definitively approved at its meeting of 27 September 2011. Following the Company's conversion on 8 June 2012 into a French partnership limited by shares (*société en commandite par actions*), the framework implemented by the Executive Board and the Supervisory Board under the Company's previous form of incorporation was continued but adapted to the Company's new form of incorporation.

It is specified that at its meeting on 3 May 2012, the College of the ACP decided to include the Company in the list of financial companies. Financial companies are in particular subject to the provisions of Article L. 517-5 of the French Monetary and Financial Code (*Code monétaire et financier*) in the conditions set forth in CRBF regulation 2000-03 of 6 September 2000 relating to prudential supervision on a consolidated basis and to additional supervision. It is nonetheless specified that internal control cannot provide an absolute guarantee that the objectives sought will be achieved and the risks totally avoided.

The internal control framework described in this report covers all the operations carried out by Paris Orléans and the operations of the Group it supervises on a consolidated basis and covers the activity of the Group committees put in place by Paris Orléans.

However, given the specific characteristics and organisation of the Group, internal control at local level continues to be the responsibility of each entity's management under the supervision of their respective regulatory authorities (mainly the Financial Services Authority, Swiss Financial Market Supervisory Authority, *Autorité de Contrôle Prudentiel* and the *AMF*).

Work providing the basis for this report on internal control

For the part relating to internal control and risk management procedures, the Supervisory Board based its report on work carried out and documentation produced throughout the 2011/2012 financial year by the Executive Board of the Company under its previous form of incorporation, the Group Committees (see hereafter), the Company's Investment Committee, the Audit Committee, and on the reports issued in respect of 2011 financial year pursuant to Articles 42 and 43 of CRBF regulation 97-02.

The preparation of this report required regular contact with all the various parties involved in risk management, compliance and internal audit so as to obtain a comprehensive view of the framework. The report was submitted to the Audit Committee on 21 June 2012 for the matters falling within its scope, and approved by the Supervisory Board at its meeting on 26 June 2012.

Principles for monitoring the effectiveness of the internal control and risk management framework

The principles governing the internal control and risk management framework at the level of Paris Orléans have been defined by the Supervisory Board and set forth in its internal rules of procedure and in the Audit Committee Charter.

At the Paris Orléans level

To monitor the efficiency of the internal control and risk management frameworks, the Audit Committee:

- examines their effectiveness, based on the information it requests or which is periodically provided to it, in particular by Management and by Paris Orléans' risk and compliance officers and its internal audit department. The Audit Committee is not involved in the implementation of the said frameworks;
- checks that any weaknesses and deficiencies identified in the internal and external audit reports have given rise to appropriate corrective action by Management;
- ensures that frameworks are put in place within Paris Orléans to detect and remedy possible deficiencies in internal control and risk management frameworks;
- assesses the material nature of the deficiencies reported to it, discusses these with Management and, if necessary, reports them to the Supervisory Board;
- examines the overall risk exposure of Paris Orléans' businesses, based on reports and related documents;
- examines the follow-up letters received from the ACP and advises on the draft replies to these letters; and
- ensures that the ACP's inspection findings are followed up.

At consolidated level

To monitor the efficiency of the internal control and risk management frameworks, the Audit Committee:

- examines their effectiveness, based on the information it requests or which is periodically provided to it, in particular by Management and by the Group Risk Committee, the Group Compliance Committee, the Group Internal Audit Coordination Committee and by the Audit Committees (or their equivalent) of Group companies. The Audit Committee is not involved in the implementation of the said frameworks;
- ensures that procedures are put in place for reporting the data and information required for supervision on a consolidated basis;
- ensures that frameworks for monitoring and managing credit risk, market risk, overall interest rate risk and settlement and liquidity risks on a consolidated basis are put in place;
- reviews and consolidates the findings of all work (including annual and special reports) on internal control and risk management procedures performed by the Audit Committees of Group companies, and any findings relating to weaknesses and deficiencies of the existing frameworks;
- assesses the material nature of the weaknesses and deficiencies reported to it, discusses these with Management and, if necessary, reports them to the Supervisory Board;
- checks with the Audit Committees (or equivalent) of Group companies that any weaknesses and deficiencies reported to it have given rise to appropriate corrective action by the executive bodies of the Group companies concerned;
- examines the main findings of internal and independent surveys and ensures that internal control has adequate resources and an appropriate positioning;
- examines the draft annual report on the conditions in which internal control is ensured at Group level (Article 42 of CRBF regulation 97-02) and the draft annual report on risk measurement and supervision (Article 43 of CRBF regulation 97-02);

- gives its views on the general framework of Group policy in the areas of risk and compliance, in particular with regard to the risk limits reflecting the risk tolerance presented to the Supervisory Board;
- makes proposals to the Supervisory Board with regard to the criteria and materiality thresholds referred to in Article 17 ter of CRBF regulation 97-02 for incidents that should be reported to the Audit Committee and to the Supervisory Board;
- ensures that the remuneration policies of Group companies are consistent with the risk management objectives, based on the information provided to it;
- ensures that Group companies comply with the regulations that apply to them and with the directives of their different regulators.

Brief description of internal control frameworks

Specific Group Committees are responsible for permanent and periodic controls within the meaning of banking regulations. These Committees are involved in and oversee the implementation of and compliance with the rules for which the Group is responsible on a consolidated basis.

Periodic control

Given the Group's specific characteristics, periodic control is overseen by the Audit Committees of RCH and RCB and by their respective internal audit departments. At the consolidated level, since 2009 the Paris Orléans, RCH and RCB Audit Committees have held joint meetings to review internal and external auditors' reports, the information provided by their respective managements relating to the financial statements, and the quarterly reports prepared by the Group Risk Committee and the Group Compliance Committee. Attendance of these meetings by the Company's Audit Committee members gives them the opportunity to assess, when appropriate, the potential impact on consolidated accounting or financial information of a risk identified beforehand or which comes to their attention in connection with the banking activities.

With regard to periodic control of the Group's activities, the internal audit function was strengthened during the new fiscal year with the appointment of a Group Chief Internal Auditor.

Permanent control

Permanent control is organised around two committees:

- the Group Risk Committee (the Group risk function); and
- the Group Compliance Committee (Group compliance function).

Each committee is composed of the senior internal control and compliance officers at the Group's operating entities and constitutes the executive body of the Group's risk and compliance functions. These committees meet on a quarterly basis, or more frequently when necessary.

The Group Compliance Committee's duties with regard to controlling the risk of non-compliance are described below.

Organisation of the Group risk function

The Group Risk Committee is the collegiate body that supervises all the risks at Group level. Its main objective is to draw up and implement policies and procedures to identify, measure, monitor and manage risk in keeping with the Group's desired risk profile.

The policy implemented by the Group Risk Committee is based on the Group Risk Framework, which sets forth the general risk management guidelines and policies applicable within the Group. These guidelines, approved by the Group Risk Committee and updated when necessary, are available on the Group intranet.

The Group policies and procedures implemented and approved by the Group Risk Committee meet the overall objectives established in the Group Risk Framework.

The Group Risk Committee's main duties are as follows:

- assessing the suitability and effectiveness of risk identification, control and measurement procedures, with particular reference to risks relating to:
 - the Group's reputation,
 - capital adequacy,
 - liquidity management,
 - regulatory compliance,
 - risk profile;

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- reviewing the findings of periodic reports issued by the various committees and sub-committees;
- seeking periodic assurance that risks are being managed in accordance with Group policies and procedures;
- recommending for approval Group risk policies, including the Group Risk Framework; and;
- preparing the half-yearly and annual reports presented to the Executive Board under the Company's previous form of incorporation and to Management since it was converted into a French partnership limited by shares (*société en commandite par actions*).

The Group has adopted a group-wide risk governance model which requires all the Group's businesses and functions to establish processes for identifying, evaluating and managing the key risks faced by the Group.

The Group risk management framework is based on a decentralised organisation of risk management functions at each entity according to their business scope. It thus supplements the risk measurement, management and monitoring frameworks that are adapted to each entity's business and are organised around the Group's principal business lines:

- Independent financial advisory;
- Private banking and asset management;
- Corporate banking and specialist finance;
- Private equity for the Group's own account;
- Private equity on behalf of third parties (Merchant banking).

In accordance with the organisation principles described above, managing risks is based on risk limitation frameworks at local level, which at most of the Group entities comprise:

- global limits, mainly in the form of risk policies, risk spreading rules and commitment limits per risk factor;
- operational limits, established as part of strict procedures, in particular decision procedures based on documented analysis and delegation levels, including the conditions governing the role of specialised committees.

Risk measurement and monitoring

The Group's activities expose it to several types of risk:

- reputation risk above all in the financial advisory business and wealth management activities and, to a lesser extent, in the banking activities;

- human resources risk and risk linked to the Group's ability to attract and retain qualified staff;
- the risk of litigation inherent in the Group's business;
- pension funding risk in that the Group could be obliged to increase its pension contributions and contribute capital to cover its pension risk;
- the risk linked to trends in international economic conditions and in the financial markets, which affect all the Group's businesses;
- credit risk, which arises on the Group's exposure to possible counterparty default through its customer lending activities, trading portfolio management and securities portfolio transactions;
- financial risk, which includes market risk and liquidity risk;
- risk linked to stricter prudential regulations for the financial sector which would apply to the Group.

In keeping with Basel 2 regulations, the Group's banking subsidiaries have implemented operational risk management frameworks. Operational risk is measured and supervised based on a series of guidelines and methodologies for calculating capital requirements in respect of these risks. All the employees were involved in implementing local risk policies.

Preparation of Paris Orléans' accounting and financial information

In January 2012, the Group strengthened its Finance Department by creating the position of Group Finance Director who oversees the finance departments of the Group's three main entities: Paris Orléans, RCH and RCB.

Paris Orléans' Finance Department has the necessary human resources to produce the Group's financial, accounting and regulatory information. Under the authority of the Group Finance Director, the Finance Department consists of three divisions: Company accounting, consolidated accounting and regulatory reporting.

Preparation of the consolidated financial statements

Paris Orléans' consolidation unit manages the schedule of accounts and the associated databases, centralises Group consolidation tasks, controls the consistency and completeness of data and draws up the consolidated accounts and related notes. In this framework, the consolidation unit closes the accounts on a quarterly basis.

Thanks to the consolidation software rolled out throughout the Group, all subsidiaries report their individual accounting information using an identical schedule and format of accounts.

Once the consolidation data has been input, "blocking" controls defined by the Group are applied in order to check the consistency of the accounting data, the correctness of the flows and the completeness of analyses. As a complement to these controls, the procedure for drawing up the consolidated accounts includes an initial examination of the consolidated accounting data at each sub-level, covering six main areas:

- correct conversion to IFRS of each entity's accounts;
- checks on the reconciliation of inter-company transactions and the breakdown of shareholdings in the Group's companies;
- checks on the application of consolidation restatements and justification of deferred taxation;
- review at consolidated level of risk assessment and provisioning policy;
- analysis and justification of the contribution to shareholders' equity by entity and the transition from company to consolidated level;
- consistency checks by analysing changes in consolidated balances between two financial years.

Accounting control

The accounting control process is based on the juxtaposition of the control frameworks implemented at each level of the Group's organisation.

Accounting control framework for the Paris Orléans private equity business line

To the extent that these activities are carried out directly by Paris Orléans, the Finance Department is responsible for validating the accounts and performing the following controls:

- a first level auto-control carried out as part of the accounting process;
- a second level control performed by the accounting department;
- a final level of control involving the Statutory Auditors and the Audit Committee performed on a half-yearly and annual basis as part of their review and audit of the company and consolidated financial statements.

Accounting control framework for the banking business line

Consolidation of Paris Orléans banking activities is carried out at two levels:

- RCH which groups all the banking subsidiaries outside France;
- RCB, which groups the French subsidiaries.

The consolidation department is organised based on a decentralised framework under which control functions are assigned to the people responsible for preparing the financial statements at local level.

For the consolidation requirements at the Paris Orléans level, each year the main banking subsidiaries produce a standardised end-of-year representation letter. This document, which sets out the qualitative conditions for producing the accounts, enables Paris Orléans' executive body and Chief Financial Officer to sign the representation letter to the Company's Statutory Auditors.

Accounting control framework at consolidated level

As well as the control procedures described above, the consolidation process includes further checks on the integrity of consolidated accounting data. These checks are carried out by:

- the consolidation unit, under the supervision of the Finance Department, this unit checks the consistency of asset valuations and prepares documentation supporting the related balances for the Statutory Auditors and the Audit Committee;
- Paris Orléans' Audit Committee which since 2009 attends joint meetings with RCH's Audit Committee for the banking activities;
- the Statutory Auditors, as part of their audit of the accounts. Their work is performed in accordance with professional standards.

Control framework for regulatory reports

The Group Regulatory Reporting department 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, regulatory reporting relates to:

- the solvency ratio (COREP);
- regulatory reporting under IFRS (FINREP);
- standardised financial reporting (SURFI).

Financial disclosure

The general management is responsible for preparing financial communications. It applies the general principles and good financial communications practices set out in the "Financial Communication: Framework and Practices" guide published by the *Observatoire de la Communication Financière*, and updated in June 2009, under the guidance of the French Financial Markets Authority (*AMF*), and the *AMF's* annual recommendations relating to financial disclosure.

The general management defines the financial communication strategy. All press releases are approved by the general management prior to release. In addition, releases relating to the interim and annual results are submitted to the Supervisory Board. The Supervisory Board may also be consulted on specific subjects before information is published.

Other internal control mechanisms implemented by the Group

Information systems security and business continuity plans ("BCP")

Information systems security rules are applied locally by each Group entity, including Paris Orléans, in areas such as data management (backup and archiving) and employee access authorisations, the physical security of hardware and software, IT operating systems and the development and management of applications.

At the same time, business continuity procedures – including definition of the BCP – have been implemented by each subsidiary to deal with the crisis scenarios applicable at local level.

The Group Head of IT is responsible in particular for standardising information security principles and practices within the Group.

These procedures are reinforced by the IT audit work performed by a team of IT experts from Rothschilds Continuation Holdings AG's Internal Audit Department. The audit scope covers all the subsidiaries' information systems.

Prevention and control of non-compliance risks

The framework for the prevention and control of non-compliance risks is supervised by the Group Compliance Committee. Its main purpose is to review the efficiency of the Group's compliance policies and monitoring procedures and issue recommendations for approval by the Group Risk Committee. It has specific responsibility for:

- reviewing Group compliance policies on new client relations and conflicts of interest;
- reviewing the implementation of other Group compliance policies, as appropriate;
- providing the Group Risk Committee with input and comments on reports prepared pursuant to Articles 42 and 43 of CRBF regulation 97-02;
- monitoring legal and regulatory developments that could affect the Group's policies and procedures;
- producing the written interim and annual reports.

At the local level, each entity is responsible for controlling and preventing non-compliance risk with the support of:

- the Group Head of Legal and Compliance who is responsible for overseeing, supervising and coordinating Group compliance controls in collaboration with local compliance officers, who constitute the first level of control at each operational entity; and;
- local compliance officers, who monitor and regularly review – with complete independence – the security and compliance of operations by business line, within their scope of action and responsibility.

The Chairman of the Supervisory Board,

Éric de Rothschild

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

STATUTORY AUDITORS' REPORT, prepared in accordance with Article L. 226-10-1 of the French Commercial Code (*Code de commerce*), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF PARIS ORLÉANS S.C.A. Year ended 31 March 2012

To the Shareholders,

In our capacity as Statutory Auditors of Paris Orléans S.C.A. (ex Paris Orléans S.A.) and in accordance with Article L.226-10-1 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of the Supervisory Board of your company in accordance with Article L.226-10-1 of the French Commercial Code (*Code de commerce*) for the year ended 31 March 2012.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L.226-10-1 particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.226-10-1 of the French Commercial Code (*Code de commerce*), it being specified that we are not responsible for verifying the fairness of these disclosures.

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

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with Article L.226-10-1 of the French Commercial Code (*Code de commerce*).

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L.226-10-1 of the French Commercial Code (*Code de commerce*).

The Statutory Auditors

Paris-La Défense, 31 July 2012

KPMG Audit FS II

Pascal Brouard
Partner

Paris, 31 July 2012

Cailliau Dedouit et Associés

Stéphane Lipski
Partner