

Report of the Chairman of the Supervisory Board

To the Shareholders,

Pursuant to paragraphs 7 to 9 of Article L. 225-68 of the French Commercial Code (*Code de commerce*) with reference to Article L. 226-10-1 of that code, this report sets forth the principles of corporate governance and the internal control and risk management procedures implemented by Paris Orléans (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, drawn up under the responsibility of the Chairman of the Company's Supervisory Board, has been prepared with the assistance of the Secretary of the Supervisory Board. The second part of the report relating to internal control and risk management was reviewed by the Audit Committee at its meeting on 20 June 2013.

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 26 June 2013.

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 is provided in the section on corporate governance on pages 68 onwards of the Management Report in the Company's Annual Report, attached to this General Meeting Document.

This report 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 Articles of Association and the Supervisory Board's internal regulation and the internal regulation of the specialised committees.

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

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; they are appointed and dismissed by the Ordinary General Meeting of Shareholders. Shareholders who are also general partners are not authorised to vote. 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.

The term of office of each member of the Supervisory Board is determined by the Ordinary General Meeting.

As of 31 March 2013, the Supervisory Board was composed of fourteen members: Éric de Rothschild (Chairman), François Henrot (Vice-Chairman), André Lévy-Lang (Vice-Chairman), Martin Bouygues, Sylvain Héfès, Christian de Labriffe, Lord Leach, Lucie Maurel-Aubert, Philippe de Nicolay, Jacques Richier, Alexandre de Rothschild, Anthony de Rothschild, Sipko Schat and Peter Smith.

Report of the Chairman of the Supervisory Board

More detailed information on each Supervisory Board member during the financial year ended, in particular each member's nationality, age, positions and functions held within and outside of the Paris Orléans Group, date of first appointment, term of office and the number of Paris Orléans shares held, is provided in the tables on pages 70 onwards of the Annual 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 annual 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 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 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 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 (*Code de commerce*) are submitted to the Supervisory Board for prior authorisation;

- 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, 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 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, 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 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, 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.

Board members 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 provides same to Board members in a timely manner and by any appropriate means.

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 and for organising meetings.

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

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 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, an email or any other method of communication deemed reasonable and acceptable by both parties. 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 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.

Review of the Supervisory Board's activity

The Supervisory Board of the Company, under its new form of incorporation as a French partnership limited by shares (*société en commandite par actions*), met five times during the 2012/2013 financial year, with an average attendance rate of 72.63% for all meetings. Before each Board meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda.

At its meeting on 8 June 2012, the Supervisory Board in particular:

- approved the new terms of its internal rules of procedure following the Company's conversion into a French partnership limited by shares (*société en commandite par actions*) on that same day;
- examined the situation of André Lévy-Lang, Martin Bouygues, Jacques Richier, Lord Leach and Sipko Schat and considered that they were "independent" members under the various criteria set by the AFEP-MEDEF Corporate Governance Code, which were considered by the Supervisory Board in its analysis;
- created an Audit Committee, approved its composition and its new charter;

- created a Strategy Committee and approved its composition;
- 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 its meeting on 26 June 2012, the Supervisory Board in particular:

- reviewed the annual and consolidated financial statements for the 2011/2012 financial year; the overall situation of the Group's activities and prospects, prepared the Ordinary General Meeting of shareholders, approved the report of the Chairman of the Board and approved the terms of its report to shareholders;
- read the Group internal control reports submitted to the French Prudential Supervisory Authority (*Autorité de contrôle prudentiel* or 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.

At its meeting on 27 September 2012, the Supervisory Board in particular:

- appointed Peter Smith as a member of the Audit Committee and considered that he was an "independent" member under the various criteria set by the AFEP-MEDEF Corporate Governance Code, which were considered by the Supervisory Board in its analysis;
- read the report of the Audit Committee that followed up on the meeting of the Audit Committee on 25 September 2012.

At its meeting on 29 November 2012, the Board in particular:

- reviewed the half-yearly financial statements for the 2012/2013 financial year; the overall situation of the Group's activities for the first half of the year; the press release announcing the half-yearly results;
- read the half-yearly report of the Group's risk and compliance functions and the report of the Group Chief Internal Auditor;
- read the Pillar 3 report.

At its meeting on 28 March 2013, the Supervisory Board in particular:

- read the results of the Group over 11 months and reviewed the budget to the end of March 2014 of the Company, the Group and each of the main operational activities;
- appointed Peter Smith as Chairman of the Audit Committee;

- examined issues relating to the regulation of the compensation of persons identified in the Group as being subject to this regulation within the Group, approved the establishment of a Compensation Committee, read a draft policy on compensation within the Group;

- examined the Group internal control reports to be submitted to the ACP in respect of 2012 pursuant to Articles 42 (internal control), 43-1 (compensation) and 43 (risk measurement and monitoring) of CRBF regulation 97-02 of 21 February 1997 applicable to financial companies;

- deliberated on the compensation that can be allocated to the executives of PO Gestion SAS, in consultation with its Appointments Committee in accordance with these Articles of Association;

- decided on the methods, amount and allocation of attendance fees to its members in financial year 2012/2013.

Assessment of the Board's organisation and working methods

The Supervisory Board of the Company decided during its meeting on 26 June 2013 to evaluate the composition, organisation and functioning of the Board and its Committees, in order to assess the preparation and quality of their work. The method used was a self-assessment based on the following objectives:

- reviewing the operating methods of the Board and of its Committees;
- checking that important issues are properly prepared and discussed;
- measuring the effective contribution of each Board member and of its Committees to their work.

The findings of this self-assessment will be presented by the Secretary of the Board at the next Board meeting in September 2013.

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.

Report of the Chairman of the Supervisory Board

Audit Committee

Composition

The composition of the Audit Committee is determined by the Supervisory Board. Only Board members with the necessary competencies and financial expertise may be appointed to that Committee.

As of 31 March 2013, the Audit Committee was composed of four members: Peter Smith (Chairman), Sylvain Héfès, Christian de Labriffe and André Lévy-Lang (Chairman of the Audit Committee until 28 March 2013).

Responsibilities, resources and scope

In accordance with its internal rules of procedure, the tasks of the Audit Committee include:

- monitoring the preparation of financial information;
- monitoring the statutory audit of the annual and consolidated accounts by the Statutory Auditors;
- verifying the independence and objectiveness of the Statutory Auditors of Paris Orléans;
- 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.

The Committee 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. 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.

At the closure of each meeting of the Audit Committee, the Committee members hold discussions with the Group Chief Internal Auditor and Statutory Auditors outside the presence of Group management.

The Chairman of the Committee submits a report on the work of the Committee to the Board members.

Activity

The Audit Committee met four times during the 2012/2013 financial year; with an average attendance rate of 93.75% for all meetings. Before each Committee meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda.

At its meeting on 21 June 2012, the Audit Committee in particular examined:

- the annual and consolidated financial statements for the 2011/2012 financial year;
- the Group's quarterly Risk and Compliance report;
- the activities and results of the internal control system for 2011 through the reports drawn up under articles 42 and 43 of Regulation 97-02, and submitted to the ACP in April 2012;
- the Chairman of the Supervisory Board's draft report.

At its meeting on 25 September 2012, the Audit Committee in particular examined:

- the Group's quarterly Risk and Compliance report;
- the Internal Audit report on the compliance of the overall organisation of the Group's internal audit system compared to the document published by the Basel Committee, which sets the guidelines for banking supervisors for evaluating the internal audit system of banks, the new organisation of the Group's internal audit system, the status of the audit plan at mid-year status, and the results of the internal audit since March 2012.

During this meeting, the Audit Committee also took note of the status of the recommendations by the Statutory Auditors and examined the activity of the audit committees of the Group entities.

At its meeting on 23 November 2012, the Audit Committee in particular examined:

- the half-yearly financial statements;
- the Group's half-yearly Risk and Compliance report;
- the report of the Group Chief Internal Auditor on internal audit activities since the previous meeting of the Audit Committee.

At its meeting on 21 March 2013, the Audit Committee in particular examined:

- the Group's quarterly Risk and Compliance report;
- the Group internal control reports to be submitted to the ACP in respect of 2012 pursuant to Articles 42 (internal

control), 43-1 (compensation) and 43 (risk measurement and monitoring) of CRBF regulation 97-02 of 21 February 1997 applicable to financial companies;

- the report of the Group Chief Internal Auditor on internal audit activities since the previous meeting of the Audit Committee and the Group Internal Audit Charter, which it approved.

In addition to these meetings of the Audit Committee, and at the request of the Chairman of the Committee, the Committee met twice in 2012, in June and November, in order to discuss the portfolio of bank credits and the NM Rothschild & Sons Ltd (NMR) subsidiary, with the heads of the specialised Financing division of NMR, the Group Chief Financial Officer and the internal control managers of the Group participating in this meeting. The primary objective of these meetings was to have the managers of this division provide information on the latest developments on the methodology and the adequacy of the level of provisions for the credit portfolio.

Compensation Committee

On 28 March 2013, the Supervisory Board created a Compensation Committee. The role of the Compensation Committee is to assist the Supervisory Board, in particular regarding the principles governing the compensation policy of the Paris Orléans Group.

Composition

The composition of the Compensation Committee is determined by the Supervisory Board. As of 31 March 2013, the Committee was composed of three members: Sylvain Héfès (Chairman), André Lévy-Lang and Peter Smith. The Chairman of the Supervisory Board has a standing invitation to all meetings of the Committee.

Responsibilities, resources and scope

The primary tasks of the Committee are to:

- define the principles and parameters of the compensation policy of the Group as a whole and periodically review the appropriateness and effectiveness of this policy, taking into account all factors deemed necessary from time to time, including the Group strategy;
- monitor and review the overall strategic framework, the compensation of members of the Group Management Committee and compensation policy applicable to regulated persons within the Group;

- oversee the compensation paid/granted to employees of the Compliance and Risk departments;

- participate in the selection and appointment of Board members in accordance with the recommendations provided for in the AFEP-MEDEF code;

- examine the nature and extent of the Group's performance incentive programs in both the short and long term in order to ensure that they encourage better performance and reward individuals fairly and responsibly for their contribution to the success of the Group, taking into account the financial situation and prospects for the future.

Strategy Committee

As of 31 March 2013, the Strategic Committee was composed of five members: Martin Bouygues, François Henrot, André Lévy-Lang, Lucie Maurel-Aubert and Alexandre de Rothschild.

The main role of this 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 code

The Company has decided to refer to the AFEP-MEDEF Corporate Governance Code for Listed Corporations.

Please note that the very principle of partnership provides a clear separation of powers between the Management, PO Gestion SAS and the Supervisory Board, which only proceeds after a review of the management of the Company, without participating.

In this framework, the Board takes into account the specific characteristics of the partnership, and the Board is organised in a way that is adapted to the nature of its functions conferred upon it by law and the Articles of Association as well as by the recommendations of the Code.

With regards to the independence criteria applied by the Board, 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.

The Supervisory Board, at its meeting of 26 June 2013, was informed of the publication on 16 June 2013 of a revised version of the AFEP-MEDEF Code, which, among other things, introduces a procedure for the consultation of shareholders on compensation of corporate officers ("Say on Pay"), strengthens compensation supervision and limits the number of directorships held by directors in listed non-Group companies. The Supervisory Board noted this and decided to deliberate the points raised at the next meeting to be held in September 2013.

Equal representation of men and woman on the Supervisory Board

The appointment of Ms Lucie Maurel-Aubert on 8 June 2012 introduced the presence of a woman on the Supervisory Board, per a total of fourteen members (7.14%). This rate of representation complies with law No. 2011-103 of 27 January 2011, which requires the representation of both sexes on the Supervisory Board.

The Supervisory Board has set objectives for changing its composition to meet the deadlines set by the aforementioned law, i.e. representation of at least 20% of each sex following the first General Meeting to be held as from 1 January 2014 and 40% following the first General Meeting to be held as from 1 January 2017.

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.

In case of separation of ownership of shares or voting rights certificates, the voting rights attached to the shares or the voting rights certificates belong to the bare owner, except for decisions on the allocation of income, for which it belongs to the usufructuary.

Internal control and risk management procedures

Group Management has a clear commitment to maintain and strengthen a system of internal control and effective risk management based on appropriate organisational structures and well-defined responsibilities and competencies.

The internal control system of the Group and its subsidiaries is based on the following basic principles:

- the responsibility of all employees of the Group for the implementation and maintenance of effective internal control;
- information on the risk and control framework and compliance with policies and procedures of the Group as a whole; and
- separation of duties in order to ensure that those who perform tasks are not responsible for the approval or supervision of the performance of it.

Definition, objectives and scope of internal control

The internal control system refers to Paris Orléans' 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 fulfills the internal control objectives specific to financial companies supervised by the ACP on a consolidated basis.

Following the Company's conversion on 8 June 2012 into a French partnership limited by shares (*société en commandite par actions*), the system implemented by the Company under its previous form of incorporation was continued but adapted to the Company's new form of incorporation.

It was specified at its meeting on 3 May 2012, that 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 likelihood of achieving these objectives is subject to the limitations inherent in any system of internal control.

The internal control system 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: the Financial Services Authority (separated since that time into two regulatory authorities: the Financial Conduct Authority and the Prudential Regulation Authority), the Swiss Financial Market Supervisory Authority, the ACP and the French Financial Markets Authority (AMF).

Work providing the basis for this report on internal control

With regard to internal control and risk management procedures, this report is based on work carried out and documentation produced throughout the 2012/2013 financial year by the Executive Board of the Company under its previous form of incorporation, PO Gestion SAS after the entry into force of the reorganisation, the Committees and the internal control functions of the Group (see below), the Audit Committee, and on the reports issued in respect of 2012 financial year pursuant to Articles 42, 43 and 43-1 of CRBF regulation 97-02 applicable to financial companies.

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 system. The report was submitted to the Audit Committee on 20/06/2013 for the matters falling within its scope, and approved by the Supervisory Board at its meeting on 26/06/2013.

Monitoring the internal control and risk management systems

The Supervisory Board, in particular through the Audit Committee, ensures the implementation by Management of reliable procedures and processes for monitoring the internal control systems of the Group in order to identify, assess and manage risk.

The composition of the Supervisory Board and its specialised committees, the way their work is organised and their contribution to the efficient and transparent conduct of the business of the Group are described above in this report in the section dedicated to corporate governance.

The Audit Committee charter, as approved by the Supervisory Board on 8 June 2012, specifies that the Audit Committee is responsible for monitoring:

- the preparation of financial information;
- the effectiveness of the internal control and risk management system;
- the audit of the company and consolidated financial statements by the Statutory Auditors;
- and the independence of the Statutory Auditors.

PO Gestion SAS, assisted by the Group Management Committee, defines the general guidelines of the internal control and risk management systems and monitors the actions implemented within the Group that are supervised by the internal audit functions of the Group and the local management committees of each business unit.

Brief description of internal control systems

The internal control structure is based on Group support functions that are responsible for continuous (legal and compliance risk departments) and periodic (internal audit department) control functions. The Group Risk Committee oversees the Group risk function. The Group Legal and Compliance Officer, the Group Head of Risk and the Group Chief Internal Auditor are involved with and oversee the implementation of and compliance with the rules for which the Group is responsible on a consolidated basis.

Continuous control

This system is based on the risk, legal and compliance functions of the Group.

The Group Risk Committee consists of senior managers of the Group's business units and business lines and is attended by the senior managers of the Group internal control. This committee meets on a quarterly basis, or more frequently if necessary.

The Group Legal and Compliance Officer is assisted in his duties by the Group Compliance Committee, which is composed of the Group Legal and Compliance Officers.

Organisation of the Group risk management function

The Group Risk Committee 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.
 - reviewing the findings of the periodic reports issued by the Group Risk Officer and the Group Compliance Officer;
 - 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 its conversion 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.
- Depending on the field of application, the Group Risk Framework is supplemented by the risk measurement, management and monitoring systems that are adapted to each entity's business and is organised around the Group's principal business activities:
- Independent financial advisory;
 - Private banking and asset management;
 - Private equity on behalf of third parties; and
 - Corporate banking and specialist finance.

In accordance with the organisation principles described above, managing risks is based on risk limitation systems 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 predominately 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 systems. Operational risk is measured and supervised based on a series of guidelines and methodologies for calculating capital requirements in respect of these risks.

Preparation of Paris Orléans' accounting, financial and regulatory 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 main entities: Paris Orléans, Rothschilds Continuation Holdings AG, Rothschild & Cie Banque and Rothschild Bank AG.

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 Chief Financial Officer, 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.

Thanks to the consolidation software rolled out throughout the Group, the majority of the subsidiaries report their individual accounting information using an identical schedule and format of accounts. The remaining subsidiaries report using a sub-Group template. In this framework, the consolidation unit closes the accounts on a quarterly basis. To do so, a mixed information reporting system has been put in place:

- for the sub-consolidated banking subsidiaries at the company Concordia Holding SARL, the parent company of Rothschilds Continuation Holdings AG, the accounting data are reported directly under IFRS; and
- for Paris Orléans, the consolidation department converts the data to IFRS standards using the consolidation method.

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 the annual and consolidated financial statements;
- 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; and
- 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 systems implemented at each level of the Group's organisation.

Report of the Chairman of the Supervisory Board

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 through four levels of control:

- a first level auto-control carried out as part of the accounting process. These controls are carried out daily by the PO accounting service for all subsidiaries based in France and external accounting firms for foreign subsidiaries based in Luxembourg and the United States;
- a second level control performed by the accounting department involving controls on positions in securities and consistency checks to ensure the reliability and comprehensiveness of the accounting and financial information;
- a third level of control involving the Statutory Auditors performed on a half-yearly and annual basis as part of the certification of the company and consolidated financial statements; and
- a final level of control as part of the work of the Audit Committee, which has the task of reviewing the sub-consolidated and consolidated financial statements of Paris Orléans.

Accounting control framework for the banking business line

For the sub-consolidated banking subsidiaries at the level of Concordia Holding SARL, the Finance Department is organised on a decentralised system under which control functions are assigned to the people responsible for preparing the financial statements at local level.

The accounts are sub-consolidated at Concordia Holding SARL using consolidation software. The accounting information of local entities is reported automatically. Once the consolidation data has been input, system "blocking" controls are applied.

For the consolidation requirements at the Paris Orléans level, each year the main banking subsidiaries of the sub-Group Rothschilds Continuation Holdings AG produce a standardised end-of-year representation letter. This document, which sets out the qualitative conditions for producing the accounts, enables PO Gestion SAS and the Group Chief Financial Officer to sign the representation letter to Paris Orléans' 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 Finance Department, specifically the accounting and consolidation department. In addition to the procedures for monitoring the integrity of accounting information, the

department checks the consistency of asset valuations and prepares documentation supporting the related balances for the Statutory Auditors carrying out the third-level controls;

- the Statutory Auditors, as part of their audit of the accounts. Their work is performed in accordance with professional standards; and
- a final level of control takes place through the work of the Audit Committee, which is responsible for reviewing the financial statements.

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.

Regulatory reporting relates to:

- the solvency ratio (COREP);
- regulatory reporting under IFRS (FINREP);
- standardised financial reporting (SURFI);
- unrealised gains and losses (SURFI);
- the list of subsidiaries (SURFI);
- foreign commitments (SURFI); and
- the bank deposit guarantee system (SURFI).

Periodic control

Different types of audits are performed, covering all entities and business lines of the Group. The roles and responsibilities of the Internal Audit department of Paris Orléans are described in a charter available on the Group's intranet.

The Group periodic control structure has been unified since the reorganisation carried out in June 2012. It relies on the Group support function of the objective, independent Internal Audit Department, which is led by the Group Head of Internal Audit, who reports to PO Gestion SAS and the Group Audit Committee. The Group Internal Audit function is responsible for providing Management and the Supervisory Board, through the Audit Committee, reasonable assurance as to the degree of control of the risks associated with operations within the Group and the effectiveness of internal control. The Audit Committee is regularly informed of the results of internal audits, the status of implementation of internal audit recommendations, the annual audit plan and related resource requirements.

The effectiveness of periodic inspections is based on annual centralised and standardised internal audit plans and the audit work of the Group's internal audit teams based in Paris, London and Zurich.

With regard to the Group's business activities, periodic audits by the Group's internal audit function are organised into four types of teams to cover: independent financial advisory, private

banking, asset management, private equity on behalf of third parties, corporate banking and specialist finance, and the support functions. Each internal audit manager of the Group entities is responsible for the audit of certain business activities in parallel with the geographic audit.

The Group Chief Internal Auditor is responsible for reporting on the results of activities of internal audit to the Group Management Committee, at the request of the latter.

The actions resulting from internal audit reports are controlled and monitored on a regular basis and the results are sent to management and presented to the Audit Committee. At the end of each quarter, Group internal audit follows up with each division on the resolution of the items audited. When management takes specific measures to reduce the number of outstanding audit items, the results of these measures from Management are reported by internal audit to the Audit Committee.

Other internal control mechanisms implemented by the Group

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

Security rules related to information systems are managed and implemented by Global IT. Internal controls are applied locally by each Group entity, including Paris Orléans, such as data management (backup and archiving) and staff authentication and access control, data centres, data networks, IT management (configuration, maintenance, control, versioning and patches), disaster recovery plans and the development and management of business applications.

The Head of Global IT is in charge of globalisation and the standardisation and security of the information systems.

These systems, the configuration and the support processes are examined *via* an IT audit performed by a team of IT experts within the internal audit department of the Group.

Business continuity plans have been prepared by each major subsidiary to deal with crisis and disruption scenarios at local level.

Prevention and control of non-compliance risks

The system for the prevention and control of non-compliance risks is supervised by the Group Compliance function. 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.

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.

All deficiencies identified in the internal compliance procedures are reported to Management and the proposed corrective measures are discussed and agreed with management (if applicable). The corrective actions are monitored and controlled to ensure that they have been carried out.

**The Chairman of the Supervisory Board,
Éric de Rothschild**