Report of the Chairman of the Supervisory Board

On corporate governance and on the internal control procedures implemented by the Company

This report, established pursuant to paragraphs 7 to 9 of Article L. 225-68 of the French Commercial Code with reference to Article L. 226-10-1 of that code, sets forth the principles of corporate governance and the internal control and risk management procedures implemented by Paris Orléans.

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 19 June 2014.

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 25 June 2014.

A - Corporate governance

A presentation of the Company's management and control bodies is provided in the section on corporate governance on pages 58 onwards of the Management Report.

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 Company's Articles of Association, the Supervisory Board's Internal rules of Procedure and the specialised committees' terms of reference.

1. Composition and powers of the Supervisory Board 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 2014, the Supervisory Board was composed of twelve members: Eric de Rothschild (Chairman), François Henrot (Vice-Chairman), André Lévy-Lang (Vice-Chairman), Martin Bouygues, Sylvain Héfès, Lord Leach, Lucie Maurel-Aubert, Jacques Richier, Alexandre de Rothschild, Anthony de Rothschild, Sipko Schat and Peter Smith.

Among the twelve members of the Supervisory Board, six members are independent members: Martin Bouygues, André Lévy-Lang (also member of the Audit Committee and Remuneration and Nomination Committee), Lord Leach, Jacques Richier, Sipko Schat and Peter Smith (also Chairman and member of the Audit Committee and member of the Remuneration and Nomination Committee).

More detailed information on each Supervisory Board member during the financial year ended 31 March 2014, 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 on pages 62 onwards of the Management Report. This information is deemed to form an integral part of this report.

The Group Company Secretary (and *Directeur Juridique* of the Company) also acts as Secretary to the Supervisory Board under the supervision of the Chairman of the Supervisory Board.

The Supervisory Board members are appointed by the General Meeting of shareholders, 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 the Manager, 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), the Manager 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, the Manager presents the annual and consolidated financial statements to the Board for verification and control purposes;
- The Manager 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 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 the Manager, or at the time of major transactions.

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

- An advisory opinion to the Manager 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 the Shareholders and a reasoned opinion on any resolution submitted to the Shareholders at their General Meeting and on any matter that is the subject of a report by the Company's Statutory Auditors.

The Supervisory Board may be assisted by experts of its choosing, whose expenses shall be paid by the Company. It has the broadest powers of investigation and may submit written questions to, or seek the opinion of the Manager 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, Supervisory Board members are representing all of the Company's shareholders and acting in the interests of the Company.

Supervisory Board members must allocate the required time to preparing for Board meetings and meetings of any Committees on which they sit (as the case may be) by carefully reading the documentation provided to them. They may ask the Chairman for any further information 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 Supervisory Board meetings are confidential. In accordance with applicable regulations, Supervisory Board members and all other persons invited to attend the meetings may not pass on such information to a third person other than within the ordinary scope of their work or occupation, 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.

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;
- 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 Supervisory 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.

2. Organisation and operation of the Supervisory Board

Meetings

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

The Supervisory Board meets as often as required in the interests of the Company and at least four times a year, further to a notice of meeting issued by any means by the Chairman, at least one half of Supervisory Board members, the Manager 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 the Supervisory Board practices and for the organisation of the 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.

The Manager and Senior Management are 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 meets at least four times a year in March, June, September and November. The Supervisory Board met five times during the 2013/2014 financial year, with an average attendance rate of 81.43% for all meetings. Before each meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda.

Each meeting of the Supervisory Board is preceded by a meeting of the Audit Committee.

At its meeting on 26 June 2013, the Supervisory Board in particular:

- Reviewed the annual and consolidated financial statements for the 2012/2013 financial year and the draft results announcement, the overall situation of the Group's activities and prospects;
- Considered the reports from the Audit Committee and the Remuneration and Nomination Committee;
- Considered the draft resolutions submitted by the Manager to the Combined General Meeting of shareholders;
- Approved the report of the Chairman of the Board, approved the terms of its report to shareholders, as well as a related party agreement; and
- Considered the implementation of the 2013 Paris Orléans Equity Scheme.

On 26 June 2013, in light of (a) French Act No. 2013/672 of 26 July 2013 (the "26 July 2013 Act") on separation and regulation of banking activities, which sets additional rules controlling remuneration in the banking sector and transposes into French law some (but not all) of the provisions of the Capital Requirements Directive 2013/36/EU of 26 June 2013 (CRD IV) and (b) the significant uncertainties that remained at that time with regards to the detailed rules in respect of the control of remuneration in the banking sector in France and in other E.U. member states under

CRD IV, including in respect of (i) the timing of the entry into force of the rules and (ii) the rules' application perimeter within the Paris Orléans Group in terms of entities, businesses and personnel, the Supervisory Board in particular deliberated on the resolution to be submitted by the Manager to the vote of the Paris Orléans Shareholders at the Annual General Meeting of shareholders convened in September 2013, to approve, as a matter of principle, the fact that PO will ensure that variable compensation within the applicable perimeter of the PO Group in respect of entities, businesses and/or personnel will comply with CRD IV and Article L.511-41-1 C of the French Monetary and Financial Code, as adopted by the 26 July 2013 Act, as soon as the same will become applicable, provided that the ratio of variable to fixed compensation provided for under Article 94 1 g) of CRD IV and to be determined in France by an executive order *(arrêté)* of the French Ministry of Economy (published after PO's annual General Meeting of shareholders convened in September 2013), will be the highest ratio permissible under applicable rules, i.e., up to 200% according to Article 94 1 g) (ii) of CRD IV.

The Supervisory Board approved this resolution on the basis of known provisions and ongoing discussions on the overall amount of compensation to be paid for the fiscal year beginning on 1 April 2013, to all types of responsible officers, as defined in Articles L. 511-13 and L. 532-2 of the French Monetary and Financial Code, and categories of staff, including the risk-takers, people exerting control functions and any employee who, in view of his/her overall compensation is in the same range of compensation, whose professional activities is determined to have a material impact on the risk profile of the company or group. However, the Supervisory Board noted for the reasons above described that these matters will need to be reconsidered when the detailed rules that will become applicable in respect of the control of remuneration in the banking sector in France and in other E.U. member states under CRD IV, including the application perimeter of such rules within the Group, will be known.

At its meeting on 26 September 2013, the Supervisory Board in particular:

- Considered the Paris Orléans Group Performance Review (results for 4 months ended 31 July 2013), a report from the Audit Committee, a report from the Remuneration and Nomination Committee on the implementation of the 2013 Paris Orléans Equity Scheme; and
- Considered the results of the Supervisory Board self-assessment;

At its meeting on 26 November 2013, the Board in particular:

- Considered the Paris Orléans Group Performance review (results to 30 September 2013 and forecast for the year to 31 March 2014);
- Reviewed the half-yearly financial statements for the 2013/2014 financial year and the draft results announcement and
- Considered a report from the Remuneration and Nomination Committee on the implementation of the 2013 Paris Orléans Equity Scheme and the Group Risk & Compliance report as at 30 September 2013.

At its meeting on 27 March 2014 the Supervisory Board in particular:

- Considered the results of the Group over 10 months and reviewed the budget to the end of March 2015 of the Company, the Group and each of the main operational activities;
- Examined the Group internal control reports to be submitted to the ACPR in respect of 2013 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.

3. 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.

During its meeting in September 2013, the Supervisory Board considered and discussed the overall results of this self-assessment, matching the individual comments of Board members with the overall results analysis.

4. Specialised Committees of the Supervisory Board

In accordance with legal and regulatory provisions, the Supervisory Board has established an Audit Committee and a Remuneration and Nomination Committee, and defined the composition of those committees as well as their tasks and practices.

In addition, the Supervisory Board decided to establish a Strategy Committee.

Only members of the Supervisory Board may sit on these committees and only for their term of office on the Supervisory Board.

The 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 this Committee.

As of 31 March 2014, the Audit Committee was composed of three members: Peter Smith (Chairman), Sylvain Héfès and André Lévy-Lang.

Responsibilities

In accordance with its Terms of reference, 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 Audit 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 end of each meeting, the Audit Committee usually meets with the Group Head of Internal Audit and the Statutory Auditors without the presence of any representative of Senior Management.

After each meeting of the Audit Committee, the Chairman of the Audit Committee submits a report on the work of the Audit Committee to the Supervisory Board members.

Activity

The Audit Committee meets at least four times a year in March, June, September and November. Before each Committee meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda. The Audit Committee met six times during the 2013/2014 financial year, with an average attendance rate of 87.50% for all meetings

The June and November meetings are mainly focused respectively on the review of annual and half-year accounts and the presentation by the Statutory Auditors of their report after review of these accounts. In addition, at the June meeting, the Audit Committee reviews the section of the chairman's report issued in accordance with the provisions of Article L. 225-37 of the French Commercial Code, on risk management procedures implemented by the Company on pages 81 onwards of this report.

The March and September meetings are mainly focused on internal control matters. In March, the Audit Committee receives for consideration, the Group internal control report to be submitted to the Autorité de Contrôle Prudentiel et de Resolution (the "ACPR") in accordance with the Sections 42 (internal control), 43-1 (compensation) and 43 (risk measurement and monitoring) of CRBF Regulation No. 97-02. In advance of each meeting, the committee members receive the Internal Audit status report and the status of Statutory Auditors recommendations. The activities of the Paris Orléans Group subsidiary audit committees are also presented to the Audit Committee during those two meetings.

In addition, the Audit Committee receives, in advance of each meeting, the Group Risk and Compliance quarterly report presented to the Group Risk Committee and executive Senior Management.

The Group Heads of Risk, Legal and Compliance and Internal Audit attend the meetings of the Audit Committee to present their respective reports. The Group Finance Director, the Group External Reporting Director and the Group Company Secretary also attend the meetings. The Co-Chief Executive Officers of the Manager are invited to participate for part of the meeting, if so required by the Audit Committee.

At the end of each meeting of the Audit Committee, the Committee meets with the Group Head of Internal Audit and external auditors without the presence of Executive Senior management.

In addition to the above meetings of the Audit Committee, at the request of the Chairman of the Committee, the Audit Committee met two times in 2013 specifically:

- In June 2013, to review the banking book of NM Rothschild & Sons Limited, with the participation of the Head of the Banking and Asset Finance Division. The main purpose of this meeting was to receive an update on the methodology and the appropriateness of the provisioning level of the property book;
- In November 2013, to review the Merchant Banking book, to look more specifically at the risks of the business for Paris Orléans and the provisioning process and also to receive information with regards to the implications for the Merchant Banking business of the implementation of the AIFM Directive (AIFMD).

Following each meeting, a report from the Audit Committee is presented to the Supervisory Board.

The Remuneration and Nomination Committee

Composition

The composition of the Remuneration and Nomination Committee is determined by the Supervisory Board.

As of 31 March 2014, the Remuneration and Nomination 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

The role of the Remuneration and Nomination Committee is to assist the Supervisory Board with its remuneration related duties and in particular with the preparation of its decisions aimed at deciding the Group's remuneration policy principles.

Specifically the Remuneration and Nomination Committee is responsible for:

- Setting the principles and parameters of remuneration policy for the Group as a whole and periodically review the policy's adequacy and effectiveness taking into account all factors which it deems necessary including the Group's strategy from time to time;
- Supervising and reviewing the broad policy framework for the remuneration of the Group Management Committee and the principles of the remuneration policy applicable to Regulated Persons;
- Supervising the remuneration paid/awarded to members of the Compliance and Risk divisions and, where appropriate, the employment and remuneration arrangements of the Group Management Committee;
- Identifying Regulated Persons as we define them in each of Paris Orléans, Rothschild & Cie Banque SCS and its subsidiaries, NM Rothschild & Sons Limited and its subsidiaries, Rothschild Wealth Management for the purposes of the ACPR, FCA and PRA as appropriate;
- Participating in the selection and nomination process of members of the Supervisory Board, as provided by the AFEP-MEDEF Corporate Code of Governance;
- Reviewing the nature and scale of the Group's short and long term incentive performance arrangements to ensure that they encourage enhanced performance and reward individuals in a fair and responsible manner for their contribution to the success of the Group in light of an assessment of the Group's financial situation and future prospects;

- Discussing and reviewing with the PO Gestion officers the determination and quantum of the total bonus pool; and
- Undertaking any other remuneration related obligation placed upon the Remuneration and Nomination Committee by either the head regulator or a local regulator.

Activity

The Remuneration and Nomination Committee met five times during the 2013/2014 financial year, with an average attendance rate of 73.33% 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.

The meetings of the Remuneration and Nomination Committee were mainly convened to set the principles and parameters of its remuneration policies and to periodically review their adequacy and effectiveness, review developments in remuneration regulation and ensure that management was in compliance and review the 2013 Paris Orléans Equity Scheme. Information on the Equity Scheme is detailed on page 98.

The Remuneration and Nomination Committee also met to review the proposals submitted by business divisions regarding fixed and variable compensation with absolute discretion to adjust fixed compensation proposals, bonus pools and individual payments and supervise and review the broad policy framework for the remuneration of senior employees, including the Regulated Population across the Paris Orléans Group.

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

Strategy Committee

As of 31 March 2014, the Strategy 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 strategy, significant acquisitions or sales of business activities or business divisions.

Meetings of the Strategy Committee are attended by the Chairman of the Supervisory Board, the Chairman of the Manager and the Group Co-Chief Executive Officers, the Group Heads by business division who are all members of the Group Management Committee, the Group Strategy Officer, senior Group advisors, and the Group Company Secretary, secretary to the meetings.

The Strategy Committee met once during the 2013/2014 financial year, with an attendance rate of 80%. Before each Committee meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda.

5. Corporate governance code

Since 2010, the Company has decided voluntarily to adhere to the Corporate Governance Code for listed corporations published by the AFEP and the MEDEF, last amended on 16 June 2013 and available at http://www.medef.com/ (the "AFEP-MEDEF Code"). The Supervisory Board, during its meeting of 26 June 2013, took note of this amended version.

The Company is very committed to the principles of good governance and to the respect of the recommendations of the AFEP-MEDEF Code.

Please note, however, that the very principle of partnerships limited by shares, the Company's form of incorporation, 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 this form of incorporation, 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.

Pursuant to the applicable legal provisions, the recommendations of the AFEP-MEDEF Code not applied by the Company are described in the table below, with an explanation for each of them:

AFEP-MEDEF recommendations	Explanations by the Company
Description of Supervisory Board's internal rules (§1.3 of the Code): *"Its organisation and operation are described in the internal rules that it has drawn up, which are published in part or in full on the company's website or in the reference document."*	The Company has drawn up internal rules for the Supervisory Board. They are not published in part or in full on the Company's website or in the Annual Report, but the report of the Chairman of the Supervisory Board on corporate governance and on the internal control procedures presents the organisation and the functioning of the Board. This presentation is made in the light of the rules described in the Supervisory Board's Internal Rules of Procedure.
Review of independence situation of members of the Supervisory Board (§9.3 of the Code): *"Qualification as an independent director should be discussed by the appointments committee and reviewed every year by the Board of Directors prior to publication of the annual report."*	The Supervisory Board is particularly committed to the independence of its members. An examination of the independence of a member is performed for each appointment and renewal. The Remuneration and Nomination Committee advises the Supervisory Board on this matter and the latter eventually decides on the qualification of this member. Furthermore, the Supervisory Board reviews the situation of a member of the Supervisory Board when it deems necessary.
Independence criterion for members of the Supervisory Board related to the length of office (§9.4 of the Code): Criterion providing that in order to be considered as independent a Director must not *"have been a Director for more than twelve years."*	Given the Company's ownership structure, which is controlled by an enlarged Rothschild family concert acting in concert, 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, the Supervisory Board has expressly decided to 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. This particular criterion was therefore expressly waived in the Supervisory Board's Internal Rules of Procedure as follow: *"The independence criteria that apply are those referred to in Article 9.4 of the AFEP/MEDEF Corporate Governance Code of December 2008, amended in June 2013, excluding the criteria relating to terms of office, which is expressly set aside."*
Status of the Chairman of the Remuneration and Nomination Committee (§18.1 of the Code): *"The committee (in charge of compensation) should not include any executive directors, and should have a majority of independent directors. It should be chaired by an independent director. It is advised that an employee director be a member of this committee."*	Mr Sylvain Héfès, non-independent member of the Supervisory Board, is the Chairman of the Remuneration and Nomination Committee, despite his status of non-independent member of the Supervisory Board. Mr Héfès' experience and expertise in the banking area make him fully aware of the governance practices to be followed in a group such as Paris Orléans, in particular concerning remuneration and nomination matters. Therefore, the Supervisory Board considers his situation as not jeopardising his ability to be the Chairman of the Remuneration and Nomination Committee, in the best interest of the Paris Orléans Group.
"Say on pay" advisory vote (§24.3 of the Code): Listed companies are recommended to consult their shareholders during their Annual General meeting on each individual executive director's compensation due or awarded at the end of the closed financial year.	The Company chose not to apply this recommendation considering the specificities of its situation. The Company's only executive corporate officer is PO Gestion SAS, the Manager. No compensation is paid to PO Gestion SAS except the reimbursement of its operating expenses as presented in the "Compensation of corporate officers" section on page 68 onwards of this report. Therefore, the Company considered that, being not applicable, such an advisory vote was not to be implemented.

6. Equal representation of men and woman on the Supervisory Board

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

- At least one woman as from the publication of the aforementioned law;
- At least 20% of women representation as from the Annual General Meeting to be held in 2014;
- At least 40% of women representation as from the Annual General Meeting to be held in 2017.

The Supervisory Board has set objectives for changing its composition to meet the deadlines set by the aforementioned law.

In its meeting of 27 March 2014, the Supervisory Board was informed of five potential candidates to be appointed as Board members at the General Meeting of shareholders to be held on 25 September 2014, including four women. The Remuneration and Nomination Committee reviewed their situation and, during its meeting of 19 May 2014, and made recommendations to the Board on each of the selected candidates, including in consideration of the quota gender.

Bearing in mind that the objective is that each board shall reach and maintain a percentage of at least 20% of women as from the first Annual General Meeting in 2014, the Supervisory Board, in its meeting of 25 June 2014, took note and was satisfied that the appointment of four new members who are women would exceed the objectives required by the legislation and the AFEP-MEDEF recommendations.

As required by legal and regulatory provisions, detailed information on the selected candidates will be presented in the General Meeting Document, grouping all information to be presented to the shareholders, which will be released on the Company's website and will be made available to the shareholders in accordance with the legal provisions.

7. Terms and conditions of shareholders' attendance of General Meetings

General Meetings are convened by the Manager 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 the Manager, 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, 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. The Manager 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 Manager 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 *(nus-propriétaires)*, except for decisions on the allocation of income, for which it belongs to the beneficial owners *(usufruitiers)*.

B - Internal control and risk management procedures

The information below concerning the Group's internal control system was provided by Executive Management. This section of the report was prepared using information provided by the following Group functions: Legal, Compliance and Risk, Finance, and Internal Audit and based on the Paris Orléans Sections 42 and 43 reports of CRBF Regulation No. 97-02 applicable to financial holding companies supervised on a consolidated basis by the Autorité de Contrôle Prudentiel et de Résolution and addressed for the attention of the Supervisory Board.

It was submitted to the Audit Committee on 19 June 2014 for the matters falling within its scope, and approved by the Supervisory Board at its meeting on 25 June 2014.

1. Internal control references

Given the fact that Paris Orléans has been designated by the Autorité de Contrôle Prudentiel et de Résolution as the Group consolidating entity for the purposes of prudential oversight, the rules applicable to financial holding companies apply to Paris Orléans. The rules which impact upon the Group arrangements for group risk management systems and controls are set out in the French Monetary and Financial Code ("*Code monétaire et financier*" or "*COMOFI*") and CRBF Regulation No. 97-02, which defines the conditions for implementing and monitoring internal control systems in banks and investment firms. The CRBF Regulation No. 97-02 rules lay down the principles relating to control systems for transactions and internal procedures, accounting systems and information processing, risk and performance measurement systems, risk supervision and control systems, and internal control documentation and reporting systems.

As required by Regulation No. 97-02, Paris Orléans has set up a Group internal control system in which distinct organisations and managers are in charge of permanent controls (including Compliance and Risk Management) and periodic controls.

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

2. Definition, objectives and scope of internal control

The internal control system refers to 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 Autorité de Contrôle Prudentiel et de Résolution on a consolidated basis.

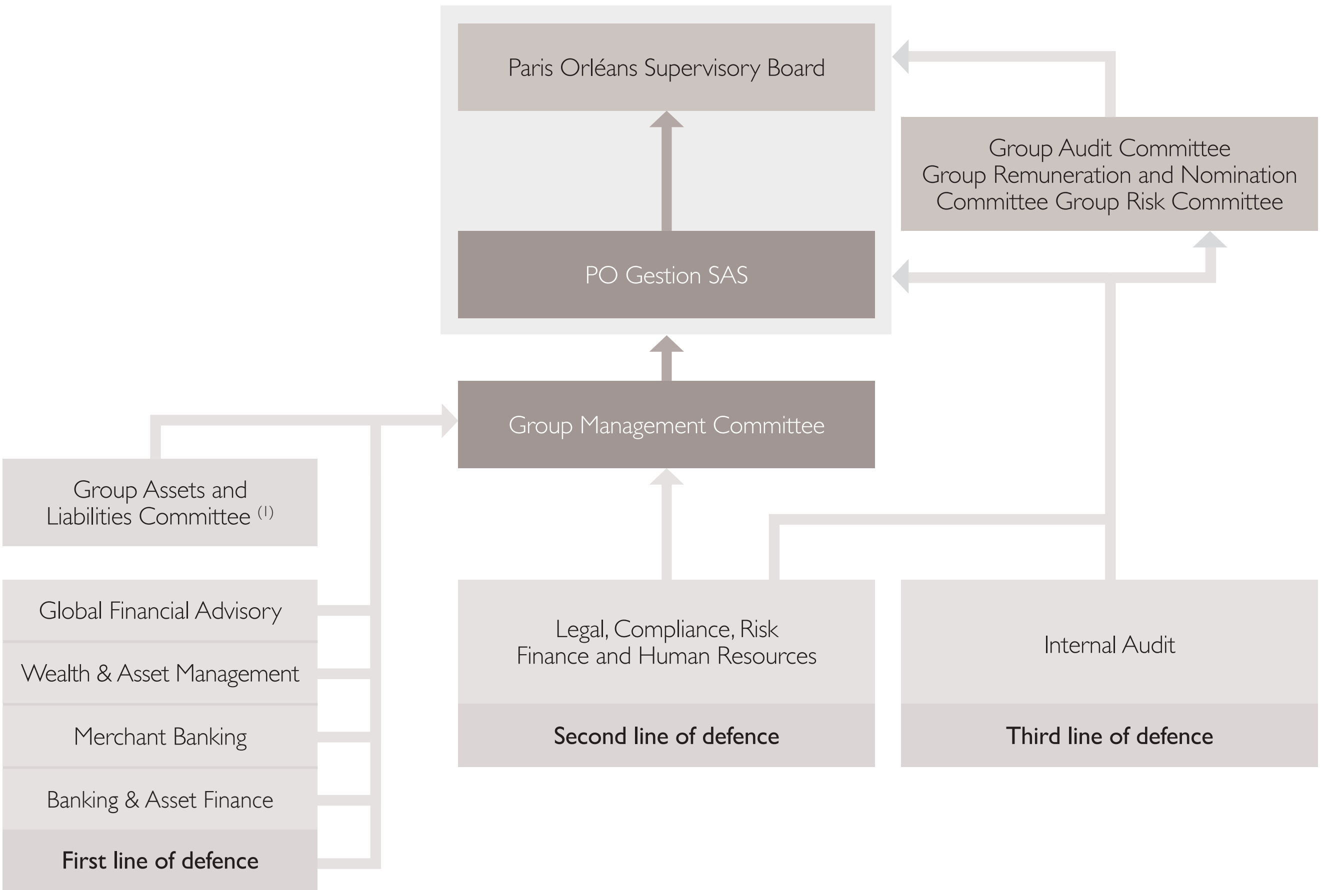
3. Organisation of internal control

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

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

Paris Orléans' internal control framework is based on the "three lines of defence" model. The first line comprises front-line management of the business itself. The second line includes independent Risk, Compliance and Legal functions and to a lesser extent Finance and Human Resources to monitor on a continuous basis the activity of the front-line management and the third line comprises Internal Audit as well as the Group's external auditors who both exercise periodic surveillance of the Group's activities.

The chart below shows as at 31 March 2014 the internal control governance structure through which Paris Orléans seeks to comply with these obligations.



(1) The Group Assets and Liabilities Committee is responsible for medium-term capital planning, having regard for the Group's business plans and regulatory constraints.

4. The principal parties involved in internal control and their main duties

Executive Management

PO Gestion SAS exercises management through its Management Board (*Conseil de gérance*) and is assisted by the Group Management Committee in performing its duties (PO Gestion SAS and the Group Management Committee are referred to as "Executive Management"). Executive Management, reporting to the Supervisory Board, is responsible for the Group's overall internal control system.

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.

Independent permanent control functions ("second–level" controls)

- **Group Legal and Compliance** contributes to permanent control of the risk of non-compliance, so as to ensure that the Group conforms to legal and regulatory provisions, professional standards and codes of conduct, as well as the overall strategy of the Supervisory Board and Executive Management directives. The responsibilities of Group Legal & Compliance mainly include: development and maintenance of Compliance policies and procedures (together with legal policies and procedures), operation of monitoring programmes, or the supervision of monitoring programmes, identification of any failure to follow compliance policies and procedures, monitoring and review of legislation and regulatory developments which might affect the Group's business and reporting results of monitoring programmes to Senior Management and agreeing any remedial action or changes to relevant procedures with Senior Management. This independent internal control function reports to the Group Head of Legal, Compliance and Risk, who is a member of the Group Management Committee. The Group Head of Legal, Compliance and Risk reports to Executive Management and boards around the Group.
- **Group Risk** is responsible for ensuring that suitable risk management processes are in place across the Group and for reporting a consolidated view of risk exposures across the Group. As part of its role, Group Risk assesses the risks run in each business and how they are managed, aims to establish a forward-looking view over emerging risks within the businesses or the external environment and delivers an independent and objective perspective on the risks in the business and whether they are consistent with approved strategy and risk appetite. The Group Chief Risk Officer reports to the Group Risk Committee. Group Risk reports to Executive Management on significant incidents in accordance with the provisions of the Group Operational Risk Policy. This policy sets out the criteria and thresholds for identifying significant operational risk incidents and the process for escalating them and ensuring that any remedial actions are appropriately monitored.
- **Group Finance** is responsible for the preparation of statutory financial reports, in accordance with legal requirements and accounting standards, preparation of Group management accounts reports, maintenance and development of Group reporting system, preparation and submission of regulatory reports, and monitoring of compliance with regulatory capital requirements, co-ordination of business planning and budget process; and planning and implementation of tax planning and Group structuring arrangements. Through the Regulatory Capital Monitoring Division, Group Finance is also responsible for the Group's capital monitoring and the follow-up of large exposures monitoring. Its head, the Group Finance Director, who is a member of the Group Management Committee, reports directly to Executive Management.
- **Other functions** are important and participate in the internal control system in their specific areas of responsibilities such as **Group Human Resources**.

Periodic controls (“third-level” control)

Periodic control is independently exercised by **Group Internal Audit**. The Group Head of Internal Audit meets formally every six months with the Group’s two Co-Chief Executive Officers, and whenever necessary, to present the activity of the Internal Audit function and discuss any material findings raised during the period. The Group Head of Internal Audit presents the activity of Internal Audit to the Audit Committee which meets four times a year. In March, the Audit Committee approves the audit plan for the coming year and during its meetings of March and September it reviews in detail the activity of the internal audit function as described below. The Group Head of Internal Audit meets regularly, usually every quarter, with the heads of the main lines of business to discuss the evolution of the activity and the evolution of risks for their respective area of responsibility. This forms part of the regular information of the internal audit function on the evolution of the Group’s risk profile.

Each of the Internal Audit Officers is responsible for the audit coverage of some specific lines of business/support function: Global Financial Advisory, Wealth and Asset Management, Merchant Banking, Banking and Asset Finance and Information Technology, in parallel to their local geographical coverage. The other members of the Audit function are not specialised by business and are assigned to the different audits according to the scheduling of the annual audit plan.

The Supervisory Board

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

Every quarter, a Group Risk and Compliance report is presented to the Audit Committee and the Audit Committee reports to the Supervisory Board on any key issues for the Group covered in the Group Risk and Compliance report and highlight any material risks.

The Heads of the Compliance, Risk and Internal Audit functions report on the performance of their duties to Executive Management, and whenever Executive Management or the Supervisory Board considers it necessary, to the Supervisory Board. They also report to the competent Supervisory Board’s committee and may be interviewed by the Supervisory Board or the competent Supervisory Board’s committee.

Risk management

The Group Risk Committee supervises all the risks at Group level. The Group Risk Committee’s main tasks are to:

- Draw up the Group Risk Framework for approval by Executive Management;
- Draw up, for approval by Executive Management, all Group risk identification, measurement, monitoring and control policies and procedures in keeping with the Group’s risk profile, particularly with regard to credit risk, market risk, liquidity risk, and operational risk on a consolidated basis;
- Ensure that the Group’s risk policies and procedures are updated when circumstances so require or if there are changes to regulations or laws;
- Evaluate the appropriateness and efficiency of procedures for identifying, controlling and measuring risk;
- Ensure that the risk officers’ reporting lines do not interfere with their independence;
- Ensure that the Risk Department has the necessary resources to fulfil its role.

The Group Risk Committee advises the Supervisory Board on the Group’s overall current and future risk appetite and strategy and assists the Supervisory Board in overseeing the implementation of that strategy by Executive Management.

Risk appetite

The close involvement of the major shareholder in the active oversight of the Group's businesses is a defining characteristic of the culture and environment within which the Group manages its risks. The guiding philosophy is for management to adopt a prudent and conservative approach to the taking and management of risk.

The principal elements which underpin this approach are:

Primacy of reputation

The Rothschild Group is a unique institution with a prestigious reputation which extends beyond normal banking circles and which belies the actual scale of business undertaken. The maintenance of reputation is a fundamental driver of risk management. Business is to be conducted according to the highest ethical standards. The protection of reputation guides the type of clients and businesses the Group will involve itself with.

Family ownership and control

The continuation of family ownership and control shapes the Group's long-term strategy, time horizon for planning, and allocation of capital. Capital allocation is managed within the constraints of raising capital as a family-controlled company.

Management of capital

Business strategy and risk appetite are predicated on the limited access to capital. Capital available to the Group is allocated by the Group Management Committee across the key business lines. Business activities are diversified in terms of the markets within which they operate and the geographical distribution of their activities to reduce the probability of risk concentrations. Responsibility and accountability for the day-to-day management of significant pools of capital is devolved to Group committees and local boards.

Advice and intellect

Advice and intellect are the heart of the Group's business philosophy. The emphasis of the business is towards products which have a high value added intellectual and structured content.

The Group articulates risk appetite through:

- A system of limits (including limits on capital utilisation, credit risk and market risk) and stress tests; and
- A qualitative assessment of the Group's tolerance level for operational risk, including reputational and regulatory compliance risk.

Risk identification

The Group's activities expose it to several types of risk. Risk arises in Group entities in relation to the specific business activities conducted by them. Responsibility for identifying, communicating and managing risk lies with each business and its management.

The principal Group business activities are:

- Global Financial Advisory – independent financial advice.
- Wealth Management and Trust – private banking and wealth management, trust and fiduciary services.
- Asset Management – French and US institutional and corporate client asset and fund management services.
- Merchant Banking – private equity investment and private equity fund management.

In addition, the Banking and Asset Finance business offers services in private client banking, commercial lending and asset finance.

The following table summarises the material risk categories and the significant exposure to each category by group business activity.

	Risk by Business Activity			
Risk Category	Global Financial advisory	Wealth & Asset Management	Merchant Banking	Banking & Asset Finance
Group	✓	✓	✓	✓
Business	✓	✓	✓	✓
Credit planning		✓	✓	✓
Credit		✓	✓	✓
Operational (incl. reputational)	✓	✓	✓	✓
Market		✓	✓	✓
Liquidity		✓	✓	✓

The material risk categories are defined as follows:

Group risk

Group risk is the risk of an occurrence in one part of the Group, such as a failure or a significant reputational event in a line of business, causing damage to another business line in the Group or to the Group as a whole.

Business risk

The Group and each of its business lines are exposed to Business risk. Business risk covers the risk of loss (or opportunity cost) relating to each of the business strategy, economic cycle, competitive business environment, political landscape and strategy execution.

Capital planning risk

This is the risk that the Group and/or entities in Banking & Treasury do not hold sufficient capital to protect against expected and unexpected losses arising from the risks described above. Banking & Treasury activities consider credit risk capital requirements from both a regulatory and economic capital perspective.

This includes identification, management and monitoring of the risks of excessive leverage.

Credit and counterparty risk

Credit risk is the risk of loss that may occur through (primarily) an exposure to customer default or counterparty default. This risk is particularly prevalent in individual, corporate and structured lending, corporate hedging, inter-bank lending and traded credit positions with which Banking & Treasury are involved (although other Group businesses also have limited exposure to credit risk).

Concentration risk is the risk arising from exposures to each counterparty, including central counterparties, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity or commodity, and is treated as a subset of credit risk.

Settlement risk is the risk incurred during the period between the time when the payment or delivery order for a financial instrument that has been sold can no longer be unilaterally cancelled and the final receipt of the purchased instrument or corresponding cash, ad is considered as part of credit risk.

The Group considers securitisation risk, that is the risks arising from securitisation transactions in relation to which the credit institutions are investor, originator or sponsor, as part of credit risk.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems as well as external events.

Operational risk arises in all of the Group's business activities. The Basel Committee on Banking Supervision has identified the following broad areas of operational risk:

- Business Disruption and Systems Failures;
- Clients Products and Business Practices;
- Damage to Physical Assets;
- Employment Practices and Workplace Safety;
- Execution, Delivery and Process Management;
- External Fraud;
- Internal Fraud.

The Group takes the view that the failure to control operational risk can in varying degrees give rise to reputational risk (i.e. the potential that negative publicity regarding the business practices of a member of the Group, whether true or not, will cause a decline in the customer base of that entity, costly litigation or revenue reductions) as reputational risk is inherent in most aspects of the business and features as a consideration in all decision-making.

Operational risk also includes regulatory compliance risk, that is the risk that a line of business and/or its employees breach any of the numerous laws, regulations and internal policies and procedures, which apply to the line of business and its employees. It is also the risk that any such breaches are not promptly identified and reported to the relevant Senior Management and regulator(s).

Operational risk includes residual risks which arise due to lack of clarity of the documentation of the product, the actions of the counterparty or changes in legal environment due to legislative changes and court interpretations/proceedings. Legal risk includes risk of non-enforceability of contract or incorrect documentation. Broadly, legal risks may result in (i) claims against institution, (ii) fines, penalties, punitive damages, (iii) unenforceable contracts resulting from defective documentation, and (iv) loss of institutional reputation.

Market risk

Traded market risk is the risk of loss that may occur through a trading exposure to market factors such as interest rates, exchange rates, implied volatilities, spreads and equities. This risk is particularly prevalent in Banking & Treasury through the trading book activities.

Non-traded market risk is the risk of loss due to market factors that may occur through non-trading activities. This risk arises primarily in relation to:

- A liquidity portfolio (traded debt securities);
- Balance sheet re-pricing mismatch (asset and liability position);
- Equity underwritings; and
- Equity investments.

Market risk includes interest rate risk in the banking book, that is risk arising from potential changes in interest rates that affect an institution's non-trading activities

Liquidity risk

Liquidity Risk is the risk that a subsidiary cannot meet its payment obligations as and when they fall due. This risk arises mainly through a mismatch in maturity of balance sheet assets and liabilities relating to a subsidiary's lending activities and treasury funding activities.

5. Preparation of Paris Orléans' accounting, financial and regulatory information

The Group Finance Director oversees the finance departments of the Group's main entities. All the various levels of sub-consolidation (Paris Orléans, Rothschild & Cie Banque and Rothschild Europe BV) are performed by the Group Finance Department for more effective validation of consolidation.

Under the authority of the Group Finance Director, the Group Finance Department consists of three divisions: Company Accounting, Consolidated Accounting and Regulatory Reporting.

The responsibilities of the Group Finance Department include:

- Preparation of statutory financial reports, in accordance with legal requirements and accounting standards;
- Preparation of Group management accounts reports;
- Maintenance and development of Group reporting system;
- Preparation and submission of regulatory reports, and monitoring of compliance with regulatory capital requirements;
- Co-ordination of business planning and budget process; and
- Planning and implementation of tax planning and Group structuring arrangements.

Through the Regulatory Capital Monitoring division, the Group Finance Department is responsible for the Group's capital monitoring and the follow up of large exposures monitoring.

Process for establishing consolidated accounts

The consolidated accounting division manages the chart 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 the worldwide consolidation tool, most subsidiaries currently report their individual accounting information using a chart of accounts and a format that are common to the whole Group. Some other subsidiaries report using a sub-group template.

The consolidation division carries out a procedure for closing the accounts on a quarterly basis.

A mixed reporting system has been put in place:

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

Once data has been input, "blocking" controls defined by the Group are applied in order to validate the consistency of the accounting data, the correctness of the flows and the completeness of the analyses.

In addition to these controls, the procedure for preparing the consolidated accounts includes an initial examination of the validity of the consolidated accounting data:

- The correct conversion of the company accounts and consolidated accounts to IFRS;
- Checks on reconciliation of inter-company transactions and the distribution of shareholdings in the Group's companies;
- Checks on the application of consolidation adjustments and justification of deferred taxation;
- Review at consolidated level of risk assessment and provisioning policy;
- Analysis and justification of shareholders' equity by entity and transition from company to consolidated level; and
- Checks on consistency by analysing changes in consolidated balances between two financial years.

These controls are subsequently repeated at the global Paris Orléans consolidation level.

Accounting control

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

Accounting control mechanisms for the private equity activities business line of Paris Orléans

To the extent that these activities are carried out directly by Paris Orléans, the Group Finance Department is responsible for validating the accounts through three levels of control:

- A first level, of the self-control type, which is carried out in the framework of the accounting process. These controls are operated daily by the accounting department of Paris Orléans for all subsidiaries based in France and by external accounting firms for the foreign subsidiaries based in Luxembourg and in the United States;
- A second level, which is operated by the accounting department, involving controls on securities positions and consistency controls designed to ensure the reliability and completeness of the accounting and financial information; and
- A third level, which involves the statutory auditors in the framework of the certification of the accounts, carried out on an annual and half-yearly basis.

Accounting control mechanisms in the Group

For the banking activities, the Group Finance Department relies on a decentralised system where the control functions are assigned to the persons responsible locally for producing the financial statements.

Accounting data is collected using the consolidation software application. Reporting of local entities' accounting information is automatic. Once data has been input, "blocking" system controls are applied.

Accounting control mechanisms at consolidation level

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

- The Group Finance Department, specifically the accounting and consolidation unit. In addition to the controls on the integrity of the accounting information, this unit checks the consistency of valuations used for assets and prepares documentation supporting the related balances for the statutory auditors performing third level controls;
- The statutory auditors, in the context of the certification of the accounts. Their work is carried out in accordance with professional standards; and
- A final level of control takes place through the work of the Audit Committee, which is responsible for examining the Paris Orléans consolidated accounts.

Control framework for regulatory reports

The Group Regulatory Reporting Division draws up the relevant Group procedures and ensures the quality and reliability of calculations of the solvency ratio, credit risk, market risk, operational risk and regulatory capital. At Group level, the regulatory reports prepared for the Autorité de Contrôle Prudentiel et de Resolution are those related to:

- The solvency ratio (COREP);
- IFRS reports on a regulatory scope (FINREP);
- Large exposures (SURFI);
- Unrealised gains and losses (SURFI);
- List of subsidiaries (SURFI);
- Commitments abroad (SURFI); and
- Banking deposit guarantee system (SURFI).

Group provisioning policy

The Group Risk Committee regularly reviews the Group Provisioning policy which formalises and sets out the provisioning policy and framework for all entities in the Group.

In some circumstances, there may be a conflict between Group and company level provisioning policies. Where there is divergence between local and Group policy, it should be reported to the Group Finance team who will then determine whether any adjustments are required in the context of group regulatory and financial reporting.

Relating to monitoring and compliance framework, it is a requirement of this policy that the level of all provisions and related provisioning bases are subject to periodic review.

The frequency of review is determined by the materiality of the provision in the context of the financial accounts of the company concerned and is a reflection of prudent financial management. At a minimum, it requires that all provisions have to be reviewed at least quarterly in the preparation of the Group financial and regulatory financial statements. Where changes are known to be significant, provisions are revised monthly. Implementation of this policy is subject to audit annually by the Group's External Auditors.

The Group requires that appropriate provision is made for all known liabilities and impairments.