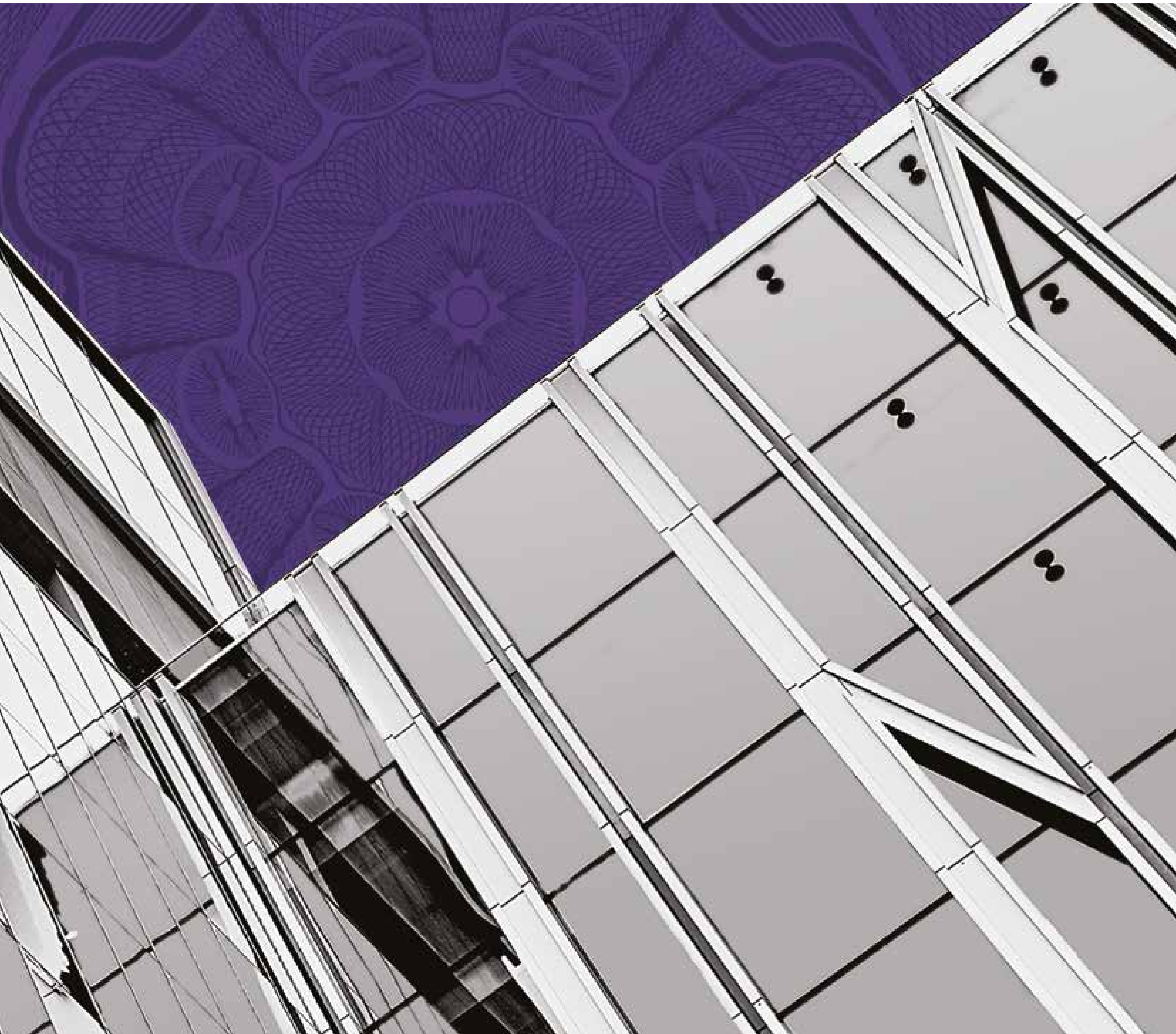
Rothschild & Co

Half-year financial report
Six months to 30 June 2018



Rothschild & Co

Contents

1. Corporate governance

In April 2018, the Group announced the appointment of Alexandre de Rothschild as Executive Chairman of Rothschild & Co Gestion, Rothschild & Co's Managing Partner. This followed the nomination of David de Rothschild as Chairman of Rothschild & Co's Supervisory Board. These changes took place on 17 May 2018.

The Group subsequently appointed François Pérol as a Managing Partner of Rothschild & Co Gestion. As of 1 September 2018, he and Robert Leitão, Managing Partner, became Co-Chairmen of the Group Executive Committee (GEC). The composition of the GEC has been reorganised and is now supported by a Group Operating Committee, led by Mark Crump, Group Chief Financial Officer, who will also take on the role of Group Chief Operating Officer.

2. Summary Consolidated Income Statement

The Supervisory Board of Rothschild & Co SCA met on 25 September 2018 to review the consolidated financial statements from 1 January 2018 to 30 June 2018; these accounts had been previously approved by Rothschild & Co Gestion SAS, Managing Partner of Rothschild & Co.

As a result of the change in the financial year end in 2017, the statutory reporting for half-year results covers the six months to June 2018 with comparatives for the six months to September 2017. To enable a better understanding of the results, the press release presents the results for the six months to June 2018 with comparatives for the six months to June 2017. The detailed statutory accounts are available in a separate document, named "Half-year Financial report", that contains the results with both sets of comparatives.

(in €m)	Page	6m to June 2018	6m to June 2017	*Var*	*Var %*
Revenue	**3 - 5**	**1,007**	**896**	***111***	***12%***
Staff costs	6	(583)	(497)	*(86)*	*(17)%*
Administrative expenses	6	(150)	(156)	*6*	*4%*
Depreciation and amortisation		(14)	(16)	*2*	*13%*
Impairments	6	1	(10)	*11*	*110%*
Operating Income		**261**	**217**	***44***	***20%***
Other income / (expense) (net)	6	1	9	*(8)*	*(89)%*
Profit before tax		**262**	**226**	***36***	***16%***
Income tax	7	(36)	(41)	*5*	*12%*
Consolidated net income		**226**	**185**	***41***	***22%***
Non-controlling interests	7	(65)	(88)	*23*	*26%*
Net income - Group share		**161**	**97**	***64***	***66%***
Exceptionals	9	3	8	*(5)*	*(63)%*
Net income - Group share excl. exceptionals		**164**	**105**	***59***	***56%***
Earnings per share		*2.14 €*	*1.31 €*	*0.83 €*	*63%*
EPS excl. exceptionals		***2.18 €***	***1.41 €***	***0.77 €***	***55%***
Return On Tangible Equity (ROTE)		*19.0%*	*13.6%*		
ROTE excl. exceptionals		*19.4%*	*14.8%*		

[1] *Diluted EPS is €2.10 (H1 2017: €1.28)*

An analysis of Exceptional items and a presentation of Alternative Performance Measures are shown respectively in Appendix B and Appendix G.

3. Business activities

3.1 Global Advisory

Our Global Advisory business focuses on providing advice in the areas of M&A and strategic advisory, and Financing Advisory encompassing Debt Advisory, Restructuring and Equity Advisory.

For the first half of 2018, Global Advisory delivered **excellent first six months revenue of €636 million, up 15%** compared to the same period last year (H1 2017: €554 million). For the last twelve months to June 2018, the business ranked **4th by global financial advisory revenue**, up from 6th position based on the same measure as at December 2017.

Excluding ongoing investment in the development of our North American M&A franchise, operating income for the first half of 2018 was €117 million, representing an **operating income margin of 18.4%** (H1 2017: 20.0%). The operating income margin for the period continues to be towards the top end of our target range over the cycle, albeit down from the same period last year. The twelve months to December 2017 operating income margin provides a more representative comparative at 17.8%.

Including investment in North America M&A, the operating income for H1 2018 was €107 million, representing an operating income margin of 16.8% (H1 2017: 17.5% - 2017: 15.7%).

In **M&A advisory**, we are outperforming compared to the overall M&A market, ranking **1st globally and in Europe by number of completed transactions**[1] in first half of 2018. M&A advisory delivered excellent six months revenue **of €490 million, up 33%** compared to H1 2017. This was driven by some large advisory fees and strong revenue performance in our UK business and our continental European businesses, where we have advised clients on some of the largest and most complex M&A transactions completed during the period.

Financing Advisory revenue was down by 21% to €146 million in the first half of 2018 compared to the same stage in 2017, which was a record for Financing Advisory revenue. Despite this, we continued to be highly active, ranking **1st in Europe and 3rd globally by numbers of completed Restructuring transactions**[2] during the first half of 2018 and maintaining our position as adviser on more European equity capital market assignments than any other independent financial adviser[3].

The quality of our people is our principal competitive advantage and we continue to add to and strengthen our senior team. During the first six months of 2018, we reinforced our US Industrials sector coverage with the recruitment of two new Managing Directors and hired a new head of our global advisory business in Greater China.

Global Advisory advised the following clients on significant advisory assignments that completed in the six months to June 2018:

- Westfield on its combination with Unibail-Rodamco (€61 billion, Australia and France)
- Bayer on its all-cash offer to acquire Monsanto (US$66 billion, Germany and United States)
- Zodiac Aerospace on its combination with Safran (€35 billion, France)
- Melrose Industries on its hostile cash and share offer for GKN (£8.1 billion, UK)
- A.P. Moller-Maersk on its sale of Maersk Oil to Total (US$7.45 billion, Denmark and France)
- Energy Future (adviser to second lien creditors) on its restructuring (US$41.8 billion, United States)

In addition, we are working on some of the largest and most complex announced transactions globally, including acting as financial advisor to:

- The Coca-Cola Company on its acquisition of Costa Coffee (US$5.1 billion, United States and UK)
- Prudential on its demerger into Prudential and M&G Prudential (£47 billion, UK)
- Essilor on its combination with Luxottica (€47 billion, France and Italy)[4]

[1] Source : Thomson Reuters. Excludes accountancy firms

[2] Source : Thomson Reuters

[3] Source: Dealogic

[4] Completed in Q3 2018

- Alstom on its combination with Siemens Mobility to create Siemens Alstom (€13 billion, France and Germany)
- Pinnacle Foods on its sale to Conagra Brands (US$10.9 billion, United States)
- Government of Puerto Rico on its restructuring of financial claims and pension obligations (US$100 billion, United States)

For further examples of Global Advisory assignments completed during 2018, please refer to Appendix F.

3.2 Wealth & Asset Management

Wealth & Asset Management is made up of Rothschild Martin Maurel in France and Monaco, our Wealth Management businesses in Switzerland, the UK, Belgium, Germany, Italy and Asia, and our Asset Management business in North America.

For the first half of 2018, revenue was **€261 million, up 3%** (H1 2017: €254 million) mainly due to organic growth in all the geographies.

Following a number of initiatives undertaken over the last two years to build revenue, cut costs and refocus the business on its core activities, we have seen growth in profitability of 21% with operating income, excluding Martin Maurel integration costs of €5 million, rising to €49 million for the first half of 2018 (H1 2017: €40 million excluding Martin Maurel integration costs of €12 million). This represents **a 19% operating margin** (H1 2017: 16%), close to our 2020 target of 20%.

The operational integration, following the merger of the two private banks in France of Rothschild & Co and Martin Maurel Group in 2017, is progressing as anticipated and will be finalised by the end of 2018. In addition, we bought out the 45% minority position of Banca Sella in the Monaco subsidiary of Martin Maurel in January 2018 for €14 million.

Assets under Management amounted to €68.9 billion as at 30 June 2018 (31 December 2017: €67.3 billion) thanks to strong net inflows of €2.0 billion slightly offset by a market depreciation and exchange rate effects of €0.4 billion. Net new assets were driven by inflows in Wealth Management across all major geographies of €1.9 billion and of €0.1 billion in Asset Management.

The table below presents the progress in Assets under Management (AuM).

In € billion	6m to June 2018	6m to June 2017	12m to June 2018
AuM opening	**67.3**	**54.0**	**66.8**
Martin Maurel merger		10.0	
Net new assets	2.0	1.3	2.4
Market and exchange rate	(0.4)	1.5	(0.3)
AuM closing	**68.9**	**66.8**	**68.9**

3.3 Merchant Banking

Merchant Banking is the investment arm of the Rothschild & Co Group which deploys the firm's and third parties' capital in private equity and debt opportunities.

Merchant Banking continued to perform strongly during the first half of 2018 generating **revenue of €105 million up 57%** (H1 2017: €67 million). When compared to the average first half year revenue for the last three years, revenue is up 72%.

Revenue comprises two main sources:

- Recurring revenue of €36 million includes management fees net of placement fees (H1 2017: €28 million),
- Investment performance related revenue of €69 million (H1 2017: €39 million) comprised:
  - €24 million of carried interest (H1 2017: €13 million),
  - and €45 million of realised and unrealised investment gains and dividends (H1 2017: €26 million).

Operating income rose to €71 million for the first half of 2018 (H1 2017: €36 million), representing a 68% operating margin (H1 2017: 54%).

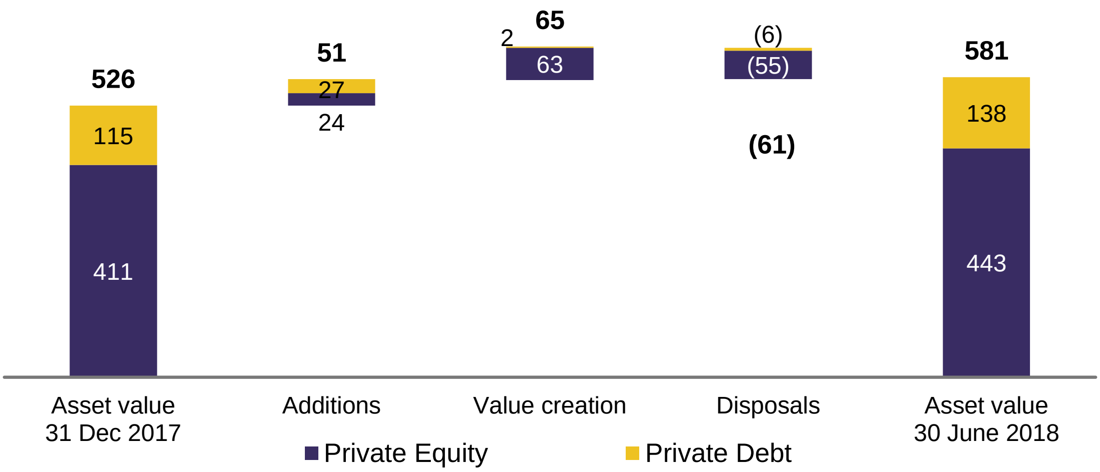
To measure the performance of this investing business, we look at the RORAC (Return On Risk Adjusted Capital - being adjusted profit before tax divided by an internal measure of risk capital invested in the business on a rolling three years basis). As at 30 June 2018, RORAC was 28% (30 June 2017: 24%).

The increase of revenue and operating income reflects both the continuing strong performance of funds in terms of value creation, as well as the growth in management fees driven by the rising level of Assets under Management (AuM). Investment performance was particularly strong in the Five Arrows Principal Investments (FAPI) business line (European primary corporate private equity) which continued to generate significant returns both in terms of investment income and carried interest. Management fees have grown 34% following the growth in number of funds and AuM. As the Merchant Banking business continues to mature, we expect this revenue category to increase its share of our revenue mix, providing a stronger flow of recurring income.

The alignment of interests between the Group and third party investors remains a key differentiator of our Merchant Banking business. During the first half of 2018 the Group's share of the investment made by the division amounted to €51 million, of which €46 million was the Group's own investments in funds managed by Merchant Banking and €5 million were invested in proprietary investments (including those made as part of the Rothschild Private Opportunities co-investment programme).

Disposals generated proceeds of €61 million for the Group mainly driven by the FAPI I disposal of Datix, a global leader in patient safety and risk management solutions (4.5x MOIC[1]) and the dividend recapitalisation of The Binding Site, a specialist provider of tests for the detection of cancers. In the final part of the second quarter 2018 other significant disposals of the FAPI I investment portfolio have been agreed albeit with closing dates set in the third quarter (Prospitalia, a leading German provider of purchasing and software solutions for the healthcare industry - 8.0x MOIC, Forno d'Asolo, an Italian frozen bakery manufacturer - 3.9x MOIC and Etanco, a French supplier of mechanical fasteners - 1.4x MOIC). Portfolio valuations as at 30 June 2018 reflect the agreed exit values, whereas proceeds (including carried interest payments) will occur in the second half of 2018.

Evolution in asset value of the Group's Merchant Banking assets



in € million	30 June 2018	31 December 2017
Managed private funds	441	386
Rothschild proprietary investments & other	140	140
Total gross assets	**581**	**526**

[1] MOIC stands for Multiple On Invested Capital

Thanks to the team's strong track record in private equity and private debt, the division continues to expand.

Starting from 2017 and through the first half of 2018, Merchant Banking has been actively expanding its geographical footprint launching Five Arrows Capital Partners (FACP), the first generation primary private equity fund focused on the North American market. FACP's investment strategy is focused on high-quality, lower middle-market companies across the United States and Canada valued between $75 million to $500 million. Investments are primarily focused in three industry segments: Healthcare & Education, Business Services and Data, Software & Technology-enabled Services which have the potential to provide significant room for value creation with a balanced risk exposure. The fund has recently completed its fundraising phase reaching $655 million, in excess of its original target, from a globally diversified group of both new and existing investors including financial institutions, family offices, corporates and private clients. The Group invested alongside third-party investors in line with Merchant Banking strategy.

In the first half of 2018, in addition to FACP, Merchant Banking expanded its private debt and credit management franchises, with:

- the final closing of Five Arrows Direct Lending (FADL) at €655 million, European unitranche debt facilities;
- the first closing of Elsinore (€63 million), a multi-strategy credit fund,
- and the launch of Oberon USA (AuM of €75 million as at 30 June 2018), an open-ended fund investing in US senior secured loans.

The division also continued to expand its CLO base, finalising the Contego V vehicle at €400 million and launching two new CLO vehicles in the European and US market (Contego VI and Ocean Trails VII).

Merchant Banking's assets under management were €9.3 billion as at 30 June 2018 compared to €8.3 billion as at 31 December 2017.

4. Consolidated financial results

4.1 Revenue

For H1 2018, revenue was €1,007 million (H1 2017: €896 million), representing an increase of €111 million or +12%.

The uplift was largely due to Global Advisory and Merchant Banking where revenue increased respectively by €82 million and €38 million. The translation impact of exchange rate fluctuations impacted revenue negatively by €29 million.

4.2 Operating expenses

4.2.1 Staff costs

For H1 2018, staff costs were €583 million (H1 2017: €497 million), representing an increase of €86 million, largely due to higher variable compensation in connection with excellent revenues in Global Advisory. The translation impact of exchange rate fluctuations resulted in a decrease in staff costs of €21 million.

The adjusted Group's compensation ratio, as defined in the Appendix G on Alternative Performance Measures, was 62.2% as at 30 June 2018 (H1 2017: 62.0%). When adjusting for the effects of senior hiring in the US for the advisory business, and exchange rates, the ratio is 61.1% (H1 2017: 60.8%).

Overall Group headcount increased from 3,502 as at 31 December 2017 to 3,570 as at 30 June 2018, largely due to new junior staff recruitment and hires in the US.

4.2.2 Administrative expenses

For H1 2018, administrative expenses were €150 million (H1 2017: €156 million), a net decrease of €6 million mainly due to the reduction of Martin Maurel integration costs (€5 million for H1 2018 versus €12 million for H1 2017). The translation impact of exchange rate fluctuations resulted in a decrease in administrative expenses of €4 million.

4.2.3 Depreciation and amortisation

For H1 2018, depreciation and amortisation was €14 million (H1 2017: €16 million), representing a decrease of €2 million. The translation impact of exchange rate fluctuations resulted in a decrease in depreciation and amortisation of €1 million.

4.2.4 Impairment charges and loan provisions

For H1 2018, impairment charges and loan provisions were a credit of €1 million (H1 2017: charge of €10 million) due to a reassessment of certain credit risks.

4.3 Other income / (expenses)

For H1 2018, other income and expenses, which include results from equity accounted companies and gains / losses on disposal of subsidiaries and associates, was a net income of €1 million (H1 2017: income of €9 million). The decrease mainly results from a one-off gain of €3 million in H1 2017 relating to the Martin Maurel merger and a central impairment charge of €4 million in H1 2018.

4.4 Income tax

For H1 2018, the income tax charge was €36 million (H1 2017: €41 million) comprising a current tax charge of €26 million and a deferred tax charge of €10 million, giving an effective tax rate of 13.8% (H1 2017: 18.2%).

4.5 Non-controlling interests

For H1 2018, the charge for Non-controlling interests was €65 million (H1 2017: €88 million). This mainly comprises interest on perpetual subordinated debt and preferred dividends payable to French partners that decreased over the period in line with the performance of the French Global Advisory business.

5. Financial structure

The Group continues to maintain a high level of liquidity. As at 30 June 2018, total liquid assets as a percentage of total assets was 61% (59% at 31 December 2017).

The Group is regulated by the French Prudential and Resolution Authority (ACPR: Autorité de Contrôle Prudentiel et de Résolution) as a financial company (Compagnie Financière).

From January 2018, Tier 2 capital is no longer recognised (€64 million in December 2017 ratio). The capital ratios include the benefit of the group profits for the 6 months to June 2018 less foreseeable dividend for that period as approved by the ACPR.

The ratios set out below, under full application of the Basel 3 rules, are comfortably above the minimum requirement:

	30/06/2018	31/12/2017	Full Basel 3 minimum with the CCB (Capital Conservation Buffer)
Common Equity Tier 1 ratio	20.9%	18.7%	7.0%
Global solvency ratio	20.9%	19.5%	10.5%

6. Edmond de Rothschild

In June 2018, Rothschild & Co reached an agreement with Edmond de Rothschild on the use of their respective brands. On 6 August 2018, the two groups also unwound all of their cross shareholdings. These mainly included:

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

To implement these transactions, Edmond de Rothschild delivered 1.9 million Rothschild & Co shares to Rothschild Holding AG as settlement for the difference in value in respect of the investments in Edmond de

Rothschild and in Rothschild Holding AG. Rothschild & Co purchased the remaining 2.5 million Rothschild & Co shares held by Edmond de Rothschild for €75 million in cash. The Edmond de Rothschild and Rothschild & Co shares were valued on the basis of their market values (respectively CHF17,000 and €30).

The impact of these transactions on a pro forma basis would be to reduce the CET1 ratio as at 30 June 2018 from 20.9% to 19.5%. Further, they will have a mildly accretive effect on earnings per share in the short term.

7. Outlook

In Global Advisory, although the value of announced deals increased in the first half of 2018, completions for both number and value of deals continued to decline. Despite this trend, we have succeeded in gaining market share during the first half of the year as evidenced by the improvement in our revenue ranking. We expect healthy activity levels during the rest of 2018, similar to 2017, although the Group remains alert to the risk of volatility. Our focus remains on growing the business, particularly our North American M&A franchise whose revenue has been increasing as a result of ongoing investment and where we foresee strong potential for growth.

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

Merchant Banking is committed to continuing its assets under management growth trajectory and its contribution to the Group's results. Within private equity funds, the division will be focused on the deployment of the recently closed North American primary private equity fund while starting the fundraising activities for our third generation primary equity fund in Europe. Within private debt, the focus will be on deploying capital, whereas in credit management we plan to expand our portfolio of institutional clients, with dedicated investment mandates focused on senior secured loans and credit strategies. Our portfolios' performance remains strong but, consistent with our investment philosophy, we remain cautious in our capital deployment decisions, focusing on attractive risk-reward opportunities with appropriate downside protection features.

The first half results were very strong and included some large advisory fees and value accretions in Merchant Banking which are unlikely to be repeated in the second half. Further, if financial markets remain uncertain due to macro events through the second half of 2018 that could impact market sentiment with a negative effect on our businesses. However, provided markets continue to be benign, we would expect our annual results to improve reasonably compared to 2017.

A. Performance by business

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation [1]	6m to June 2018
Revenue	**636**	**261**	**105**	**15**	**(10)**	**1,007**
Operating expenses	(529)	(217)	(34)	(30)	63	(747)
Impairments	-	-	-	-	1	1
Operating income	**107**	**44**	**71**	**(15)**	**54**	**261**
Other income / (expense)	-	-	-	-	1	1
Profit before tax	**107**	**44**	**71**	**(15)**	**55**	**262**
Exceptional charges / (profits)	-	5	-	-	-	5
PBT excluding exceptional charges / profits	**107**	**49**	**71**	**(15)**	**55**	**267**
Operating margin %	*17%*	*19%*	*68%*	-	-	*27%*

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation [1]	6m to June 2017
Revenue	**554**	**254**	**67**	**17**	**4**	**896**
Operating expenses	(457)	(226)	(31)	(32)	77	(669)
Impairments	-	-	-	-	(10)	(10)
Operating income	**97**	**28**	**36**	**(15)**	**71**	**217**
Other income / (expense)	-	-	-	-	9	9
Profit before tax	**97**	**28**	**36**	**(15)**	**80**	**226**
Exceptional charges / (profits)	-	12	-	-	-	12
PBT excluding exceptional charges / profits	**97**	**40**	**36**	**(15)**	**80**	**238**
Operating margin %	*18%*	*16%*	*54%*	-	-	*27%*

[1] *IFRS reconciliation mainly reflects: the treatment of profit share paid to French partners as non-controlling interests; accounting for deferred bonuses over the period that they are earned; the application of IAS 19 for defined benefit pension schemes; a central impairment provision in Other income / (expenses) from other assets and reallocation of impairments and certain operating income and expenses.*

B. Exceptional items

(in €m)	6m to June 2018			6m to June 2017		
	PBT	PATMI	*EPS*	PBT	PATMI	*EPS*
Results as reported	**262**	**161**	***2.14 €***	**226**	**97**	***1.31 €***
Exceptional items						
- Martin Maurel integration costs	(5)	(3)	*(0.04) €*	(12)	(8)	*(0.10) €*
Total exceptional (Costs) / Gains	**(5)**	**(3)**	***(0.04) €***	**(12)**	**(8)**	***(0.10) €***
Results excluding Exceptionals	**267**	**164**	***2.18 €***	**238**	**105**	***1.41 €***

C. Summary Consolidated Balance sheet

(in €bn)	30/06/2018	31/12/2017
Cash and amounts due from central banks	4.9	3.9
Loans and advances to banks	1.9	1.7
Loans and advances to customers	3.0	3.0
of which Private client lending	*2.5*	*2.4*
Debt and equity securities	2.1	2.1
Other assets	1.4	1.4
Total assets	**13.3**	**12.1**
Due to customers	9.3	7.8
Other liabilities	1.6	1.9
Shareholders' equity - Group share	2.0	1.9
Non-controlling interests	0.4	0.5
Total capital and liabilities	**13.3**	**12.1**

The foreign exchange translation effect between 30 June 2018 and 31 December 2017 has no material effect on the balance sheet.

D. FX rates

P&L

Rates	6m to June 2018	6m to June 2017	*Var*
€ / GBP	0.8798	0.8602	*2%*
€ / CHF	1.1649	1.0776	*8%*
€ / USD	1.2062	1.0936	*10%*

Balance sheet

Rates	30/06/2018	31/12/2017	*Var*
€ / GBP	0.8843	0.8877	*(0)%*
€ / CHF	1.1593	1.1702	*(1)%*
€ / USD	1.1670	1.2008	*(3)%*

E. Quarterly progression of revenue

In €m		2018	2017	Var
Global Advisory	1st quarter	261.7	328.2	*(20%)*
	2nd quarter	374.4	225.4	*+66%*
	Total	**636.1**	**553.6**	***+15%***
Wealth & Asset Management	1st quarter	131.0	128.3	*+2%*
	2nd quarter	130.4	125.6	*+4%*
	Total	**261.4**	**253.9**	***+3%***
Merchant Banking	1st quarter	25.2	19.5	*+29%*
	2nd quarter	79.8	47.5	*+68%*
	Total	**105.0**	**67.0**	***+57%***
Other businesses and corporate centre	1st quarter	6.9	3.5	*+97%*
	2nd quarter	8.3	13.5	*(39%)*
	Total	**15.2**	**17.0**	***(11%)***
IFRS reconciliation	1st quarter	(4.7)	7.7	*(161%)*
	2nd quarter	(6.5)	(3.5)	*+86%*
	Total	**(11.2)**	**4.2**	***N/A***
Total Group Revenue	**1st quarter**	**420.1**	**487.2**	***(14%)***
	2nd quarter	**586.4**	**408.5**	***+44%***
	Total	**1,006.5**	**895.7**	***+12%***

F. Global Advisory track record

Global Advisory advised the following clients on notable transactions completed in the six months to 30 June 2018.

M&A and strategic advisory

- Accor Hotels, the leading travel group, on its disposal of a majority stake in AccorInvest (€6.25 billion, France)
- Kering, the luxury fashion brand group, on its distribution of a 70% stake in PUMA (€5.1 billion, France and Germany)
- Informa, the events and publishing company, on its combination with UBM (£4.3 billion, UK)
- PAI Partners and British Columbia Investment Management Corporation on its public-to-private acquisition of Refresco, the independent bottler of soft drinks for retailers (€3.3 billion, Netherlands)
- 3i Group on its disposal of a 65% stake in Scandlines, the ferry operator servicing routes between Germany and Denmark (€2.5 billion, Germany)
- ITALO, the largest private European high-speed railway operator, on its dual track IPO and sale process leading to its sale to Global Infrastructure Partners (€2.4 billion, Italy)

- Baupost, a hedge fund, on its acquisition of assets relating to Westinghouse Electric Company from Toshiba Corporation (US$2.26 billion, United States and Japan)
- Allianz, the leading insurer and asset manager, on its minority shareholders buy-out of Euler Hermes (€1.85 billion, Germany and France)
- Ferguson, the world's largest trade distributor of plumbing and heating products, on its sale of STARK to Lone Star (€1.03 billion, UK and Denmark)
- SK Capital on its acquisition of Israel Chemical’s fire safety and oil additives business units (US$1 billion, Israel)

Financing Advisory

- EG Group, the largest independent forecourt and convenience store retailer in Europe, on its cross-border refinancing (€3.5 billion, UK)
- Empresas ICA, Mexico's largest infrastructure company, on its in-court restructuring and capital raise
  (US$3.4 billion, US$215 million, respectively, Mexico)
- Greece’s Public Debt Management Agency on its seven year bond issuance with a 3.375% coupon (€3 billion, Greece)
- OCI, the fertilizer and industrial chemicals company, on its recapitalisation, including High Yield Bond and credit facility (US$2.2 billion, Netherlands)
- Republic of Cote d'Ivoire on its dual-tranche 12 & 30 year EUR denominated Eurobond (€1.7 billion, Ivory Coast)
- Société des hydrocarbures du Tchad, the state-owned oil company of the Republic of Chad, on its oil-backed loan restructuring (US$1.3 billion, Chad)
- CEVA, the supply chain management company, on its IPO on the SIX Swiss Exchange (US$890 million, Switzerland)
- Avast, the antivirus security software company, on its IPO on the London Stock Exchange (£692 million, Czech Republic)
- Corporacion America Airports, the largest private sector airport concession operator in the world, on its IPO on the New York Stock Exchange (US$486 million, Argentina)

G. Alternative performance measures (APM) - Article 223-1 of the AMF's General Regulation

Alternative Performance Measures	Definition	Reason for use	Reference to the data in the Press release / Investor presentation
Net income – Group share excluding exceptionals	Net income attributable to equity holders excluding exceptional items	To measure Net result Group share of Rothschild & Co excluding exceptional items of a significant amount	In the Press release, please refer to Appendix B.
EPS excluding exceptionals	EPS excluding exceptional items	To measure Earnings per share excluding exceptional items of a significant amount	In the Press release, please refer to Appendix B.
Adjusted compensation ratio	Ratio between adjusted staff costs divided by consolidated Net Banking Income of Rothschild & Co. Adjusted staff costs represent: 1. staff costs accounted in the income statement (which include the effects of accounting for deferred bonuses over the period in which they are earned as opposed to the "awarded" basis), 2. to which must be added the amount of profit share paid to the French partners, 3. from which must be deducted redundancy costs, revaluation of share-based employee liabilities and business acquisition costs treated as employee compensation under IFRS, - **which gives Total staff costs in calculating the basic compensation ratio** 4. from which the investment costs related to the recruitment of senior bankers in the United States must be deducted, 5. the amount of adjusted staff costs is restated by the exchange rate effect to offset the exchange rate fluctuations from one year to the next one, - **which gives the adjusted staff costs for compensation ratio**.	To measure the proportion of Net Banking Income granted to all employees. Key indicator for competitor listed investment banks. Rothschild & Co calculates this ratio with adjustments to give the fairest and closest calculation to the one used by other comparable listed companies.	Please refer: in the Press release to § 4.2 Operating expenses / Staff costs and in the Investor presentation to slide 27
Return on Tangible Equity (ROTE) excluding exceptional items	Ratio between Net income - Group share excluding exceptional items and average tangible equity Group share over the period. Tangible equity corresponds to total equity Group share less intangible assets and goodwill. Average tangible equity over the period equal to the average between tangible equity as at 31 December 2017 and 30 June 2018.	To measure the overall profitability of Rothschild & Co excluding exceptional items on the equity capital in the business	In the Investor presentation release, please refer to slide 37
Business Operating margin	Each Business Operating margin is calculated by dividing Profit before tax relative to revenue, business by business. It excludes exceptional items.	To measure business' profitability	Please refer to § 3
Return on Risk Adjusted Capital (RORAC)	Ratio of an adjusted profit before tax divided by an internal measure of risk adjusted capital deployed in the business on a rolling 3-year basis. The estimated amount of capital and debt which management believes would be reasonable to fund the Group's investments in Merchant Banking products is consistent with its cautious approach to risk management. Based on the mix of its investment portfolio as of the reporting dates, management believes that this "risk-adjusted capital" (RAC) amounts to c. 70% of the Group's investments net asset value and that the remainder could be funded by debt. This percentage broadly represents the weighted average of 80% for equity exposures, 50% for junior credit exposures, 40% for CLO exposures in vertical strips and 33% for senior credit exposures. To calculate the RORAC, Merchant Banking profit before tax is adjusted by a notional 2.5% cost of debt, computed as per the above (i.e. 30% of the Group's investments NAV), divided by the RAC. Disclosed RORAC is calculated on a 3-year rolling period average to account for the inevitable volatility in the financial results of the business, primarily relating to investment income and carried interest recognition.	To measure the performance of the Merchant Banking business	In the Investor presentation release, please refer to slide 37

Condensed half-year consolidated financial statement

Abbreviations and glossary

Term	Definition
ACPR	*Autorité de Contrôle Prudentiel et de Résolution* (French Prudential and Resolution Authority)
AFS	Available for sale
bp	Basis point
Category 1/2/3/4/5	Classification of credit risk rating by the Group, explained in section 5.2.1
CFMM	Compagnie Financière Martin Maurel
CGU	Cash-generating Unit
Company	Rothschild & Co SCA
CRD4	Capital Requirements Directive 4
DCF	Discounted cash flow
EAD	Exposure at default (IFRS 9)
ECL	Expected credit loss (IFRS 9), which can be measured on either a 12-month basis (12m ECL) or a lifetime basis (lifetime ECL)
EdRS	Edmond de Rothschild (Suisse) SA
Equity Scheme	R&Co operates a scheme for certain senior staff where participants are required to invest in R&Co shares and for each share owned they are granted four share options.
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GA	Global Advisory (business segment)
GEC	Group Executive Committee
GFSC	Guernsey Financial Services Commission
Group	Rothschild & Co SCA consolidated group
IFRS	International Financial Reporting Standards
LCR	Liquidity Coverage Ratio
Level 1/2/3	IFRS 13 fair value classifications, explained in section 5.5.1
LGD	Loss given default (IFRS 9)
Lombard lending	Lending secured against portfolios of securities
LTV	Loan to value
Managing Partner	Rothschild & Co Gestion SAS (the *gérant*)
MB / Merchant Banking	Merchant Banking (business segment)
NCI	Non-controlling interest
NMR	N M Rothschild & Sons Limited
NMROP	N M Rothschild & Sons Limited overseas pension fund
NMRP	N M Rothschild & Sons Limited pension fund
OCI	Other comprehensive income
PCL	Private Client Lending (business line)
PD	Probability of default (IFRS 9)
POCI	Purchased or originated credit-impaired financial asset
R&Co	Rothschild & Co SCA
R&Co Gestion	Rothschild & Co Gestion SAS (the *gérant* /Managing Partner)
RBI	Rothschild Bank International Limited

Term	Definition
RBZ	Rothschild Bank AG Zurich
RBZP	Rothschild Bank AG Zurich pension funds
RCB	Rothschild & Compagnie Banque SCS
RHAG	Rothschild Holding AG
RMM	Rothschild Martin Maurel SCS
SICR	Significant increase in credit risk
SPPI	Solely payments of principal and interest (IFRS 9)
Stage 1/2/3	IFRS 9 credit quality assessments, explained in section 5.2.2
Supervisory Board	Rothschild & Co Supervisory Board
WAM	Wealth & Asset Management (business segment)

Consolidated balance sheet

as at 30 June 2018

Assets

In thousands of euro	Notes	30/06/2018	31/12/2017
Cash and amounts due from central banks		4,859,507	3,868,907
Financial assets at fair value through profit or loss	1	1,128,249	548,014
Financial assets at fair value through other comprehensive income	3	249,518	-
Available-for-sale financial assets	4	-	1,596,343
Securities at amortised cost	5	761,491	-
Loans and advances to banks	6	1,939,045	1,730,153
Loans and advances to customers	7	3,032,272	2,989,919
Current tax assets		22,332	25,786
Deferred tax assets	14	45,738	60,561
Other assets	8	640,252	651,863
Investments accounted for by the equity method		12,460	11,817
Tangible fixed assets		343,087	346,640
Intangible fixed assets		165,062	162,574
Goodwill		123,296	123,162
TOTAL ASSETS		**13,322,309**	**12,115,739**

Liabilities and shareholders' equity

In thousands of euro	Notes	30/06/2018	31/12/2017
Financial liabilities at fair value through profit or loss	1	20,036	24,823
Hedging derivatives	2	6,015	6,543
Due to banks and other financial institutions	9	502,091	636,377
Customer deposits	10	9,263,028	7,770,954
Debt securities in issue		20,006	95,561
Current tax liabilities		25,952	30,970
Deferred tax liabilities	14	58,806	60,935
Other liabilities, accruals and deferred income	11	881,123	949,377
Provisions	12	65,923	88,270
TOTAL LIABILITIES		**10,842,980**	**9,663,810**
Shareholders' equity		**2,479,329**	**2,451,929**
Shareholders' equity - Group share		**2,047,885**	**1,911,720**
Share capital		154,925	154,815
Share premium		1,141,559	1,140,706
Consolidated reserves		633,613	451,934
Unrealised or deferred capital gains and losses		(43,273)	(26,344)
Net income - Group share		161,061	190,609
Non-controlling interests	16	**431,444**	**540,209**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**13,322,309**	**12,115,739**

The Group has applied IFRS 9 and IFRS 15 for the first time as at 1 January 2018. The Group has used the exemption in IFRS 9 to not restate its prior periods. It also applied IFRS 15 using the cumulative effect method, under which comparative information is not restated.

Consolidated income statement

for the six months ended 30 June 2018

In thousands of euro		Notes	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
+	Interest income	19	68,371	67,937
-	Interest expense	19	(29,312)	(29,081)
+	Fee income	20	927,583	779,235
-	Fee expense	20	(47,517)	(47,518)
+/-	Net gains/(losses) on financial instruments at fair value through profit or loss	21	87,599	54,199
+/-	Net gains/(losses) on financial assets at fair value through other comprehensive income	22	-	-
+/-	Net gains/(losses) on derecognition of assets held at amortised cost		(145)	-
+/-	Net gains/(losses) on available-for-sale financial assets	23	-	28,752
+	Other operating income		257	282
-	Other operating expenses		(320)	(1,460)
Net banking income			**1,006,516**	**852,346**
-	Staff costs	24	(582,469)	(488,247)
-	Administrative expenses	24	(150,440)	(146,426)
-	Amortisation, depreciation and impairment of tangible and intangible fixed assets		(13,779)	(14,319)
Gross operating income			**259,828**	**203,354**
+/-	Cost of risk	25	578	(4,356)
Operating income			**260,406**	**198,998**
+/-	Net income from companies accounted for by the equity method		728	875
+/-	Net income/(expense) from other assets	26	639	5,759
Profit before tax			**261,773**	**205,632**
-	Income tax expense	27	(36,255)	(29,672)
CONSOLIDATED NET INCOME			**225,518**	**175,960**
Non-controlling interests		16	**64,457**	**87,759**
NET INCOME - GROUP SHARE			**161,061**	**88,201**
Earnings per share in euro - Group share (basic)		30	2.14	1.18
Earnings per share in euro - Group share (diluted)		30	2.10	1.15

Statement of comprehensive income

for the six months ended 30 June 2018

In thousands of euro	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Consolidated net income	**225,518**	**175,960**
Gains and losses recyclable in profit or loss		
Translation differences	5,834	(59,582)
Revaluation of available-for-sale financial assets	-	5,047
Gains and losses transferred to income on available-for-sale financial assets	-	(22,427)
Gains and losses recognised directly in equity for companies accounted for by the equity method	83	(396)
Taxes	-	(101)
Total gains and losses recyclable in profit or loss	**5,917**	**(77,459)**
Gains and losses not recyclable in profit or loss		
Remeasurement gains/(losses) on defined benefit pension funds	43,522	23,122
Gains/(losses) relating to equity instruments at fair value through comprehensive income	(8,211)	-
Taxes	(6,256)	(4,402)
Total gains and losses not recyclable in profit or loss	**29,055**	**18,720**
Gains and losses recognised directly in equity	**34,972**	**(58,739)**
TOTAL COMPREHENSIVE INCOME	**260,490**	**117,221**
attributable to equity shareholders	*193,589*	*46,120*
attributable to non-controlling interests	*66,901*	*71,101*

Consolidated statement of changes in equity

for the six months ended 30 June 2018

In thousands of euro

	Capital and associated reserves (1)	Consolidated reserves (3)	Unrealised or deferred capital gains and losses (net of tax): Related to translation differences	AFS reserves	Fair value through OCI	Shareholders' equity, Group share	Shareholders' equity, NCI	Total shareholders' equity
SHAREHOLDERS' EQUITY AT 31 MARCH 2017	**1,293,467**	**495,189**	**(18,168)**	**58,467**	**-**	**1,828,955**	**471,575**	**2,300,530**
Impact of elimination of treasury shares	-	3,331	-	-	-	3,331	57	3,388
Dividends (2)	-	(51,511)	-	-	-	(51,511)	(2,644)	(54,155)
Issue of shares	2,055	-	-	-	-	2,055	18	2,073
Capital increase related to share-based payments	-	539	-	-	-	539	-	539
Interest on perpetual subordinated debt	-	-	-	-	-	-	(10,636)	(10,636)
Effect of a change in shareholding without a change of control	(1)	(3,482)	9,318	637	-	6,472	(22,619)	(16,147)
Other movements	-	(24)	152	(98)	-	30	(67)	(37)
Sub-total of changes linked to transactions with shareholders	**2,054**	**(51,147)**	**9,470**	**539**	**-**	**(39,084)**	**(35,891)**	**(74,975)**
2017 net income for the nine months	-	190,609	-	-	-	190,609	124,310	314,919
Net gains/(losses) from changes in fair value	-	-	-	21,934	-	21,934	439	22,373
Net (gains)/losses transferred to income on disposal and impairment	-	-	-	(47,023)	-	(47,023)	(51)	(47,074)
Remeasurement gains/(losses) on defined benefit funds	-	7,689	-	-	-	7,689	817	8,506
Translation differences and other movements	-	203	(50,639)	(924)	-	(51,360)	(20,990)	(72,350)
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2017	**1,295,521**	**642,543**	**(59,337)**	**32,993**	**-**	**1,911,720**	**540,209**	**2,451,929**
Impact of introduction of IFRS 9 (net of tax) - section 3.1.3	-	7,716	-	(32,993)	20,433	**(4,844)**	**(91)**	**(4,935)**
SHAREHOLDERS' EQUITY AT 1 JANUARY 2018	**1,295,521**	**650,259**	**(59,337)**	**-**	**20,433**	**1,906,876**	**540,118**	**2,446,994**
Impact of elimination of treasury shares	-	(409)	-	-	-	(409)	1	(408)
Dividends (2)	-	(52,255)	-	-	-	(52,255)	(156,844)	(209,099)
Issue of shares	963	-	-	-	-	963	408	1,371
Capital increase related to share-based payments	-	655	-	-	-	655	-	655
Interest on perpetual subordinated debt	-	-	-	-	-	-	(7,407)	(7,407)
Effect of a change in shareholding without a change of control	-	(1,734)	173	-	3	(1,558)	(12,096)	(13,654)
Other movements	-	478	(241)	-	(211)	26	358	384
Sub-total of changes linked to transactions with shareholders	**963**	**(53,265)**	**(68)**	**-**	**(208)**	**(52,578)**	**(175,580)**	**(228,158)**
2018 net income for the six months	-	161,061	-	-	-	161,061	64,457	225,518
Net gains/(losses) from changes in fair value	-	-	-	-	(6,824)	(6,824)	(755)	(7,579)
Net (gains)/losses transferred to income on disposal and impairment	-	-	-	-	-	-	-	-
Remeasurement gains/(losses) on defined benefit funds	-	36,622	-	-	-	36,622	8	36,630
Translation differences and other movements	-	(3)	2,698	-	33	2,728	3,196	5,924
SHAREHOLDERS' EQUITY AT 30 JUNE 2018	**1,296,484**	**794,674**	**(56,707)**	**-**	**13,434**	**2,047,885**	**431,444**	**2,479,329**

(1) Capital and associated reserves at the period end consist of share capital of €154.9 million and share premium of €1,141.6 million. Share premium, under IFRS measurement, includes costs incurred in the issuance of share capital.

(2) Dividends include €51.1 million of dividends to R&Co shareholders and a total of €1.2 million of dividends to R&Co Gestion and Rothschild & Co Commandité SAS. Distributions to non-controlling interests are analysed in note 16.

(3) Consolidated reserves consist of retained earnings of €649.6 million less treasury shares of €16.0 million plus the Group share of net income.

Cash flow statement

for the six months ended 30 June 2018

In thousands of euro	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Consolidated profit before tax (I)	**261,773**	**205,632**
Depreciation and amortisation expense on tangible fixed assets and intangible fixed assets	13,779	14,319
Impairments and net charge for provisions	1,744	7,739
Remove (income)/loss from associates and long-standing shareholding	(6,202)	(6,117)
Remove (profit)/loss from disposal of a subsidiary	-	358
Remove (profit)/loss from investing activities	(74,441)	(71,490)
Non-cash items included in pre-tax profit and other adjustments (II)	**(65,120)**	**(55,191)**
Net (advance)/repayment of loans to customers	**(35,075)**	**(200,422)**
Cash (placed)/received through interbank transactions	(192,437)	388,814
Increase/(decrease) in due to customers	1,464,986	(71,706)
Net inflow/(outflow) related to derivatives and trading items	(34,486)	(24,817)
Issuance/(redemption) of debt securities in issue	(75,556)	(24,469)
Net (purchases)/disposals of assets held for liquidity purposes	80,356	115,737
Other movements in assets and liabilities related to treasury activities	68,503	82,760
Total treasury-related activities	**1,311,366**	**466,319**
(Increase)/decrease in working capital	(125,541)	(202,241)
Tax paid	(28,904)	(37,530)
Other operating activities	**(154,445)**	**(239,771)**
Net (decrease)/increase in cash related to operating assets and liabilities (III)	**1,121,846**	**26,126**
Net cash inflow/(outflow) related to operating and treasury activities (A) = (I) + (II) + (III)	**1,318,499**	**176,567**
Purchase of investments	(89,235)	(76,584)
Purchase of property, plant and equipment and intangible fixed assets	(11,729)	(12,821)
Total cash invested	**(100,964)**	**(89,405)**
Cash received from investments (disposals and dividends)	120,693	147,804
Cash received from subsidiaries, associates and long-standing shareholding (disposals and dividends)	5,474	5,242
Cash from disposal of property, plant and equipment and intangible fixed assets	97	2,197
Total cash received from investments	**126,264**	**155,243**
Net cash inflow/(outflow) related to investing activities (B)	**25,300**	**65,838**
Dividends paid to shareholders of parent company	(52,255)	-
Dividends paid to non-controlling interests (note 16)	(156,753)	-
Interest paid on perpetual subordinated debt	(2,299)	(1,839)
(Acquisition)/disposal of own shares and additional interests in subsidiaries	(10,571)	(14,933)
Net cash inflow/(outflow) related to financing activities (C)	**(221,878)**	**(16,772)**
Impact of exchange rate changes on cash and cash equivalents (D)	**19,478**	**(216,989)**
NET INFLOW/(OUTFLOW) OF CASH (A) + (B) + (C) + (D)	**1,141,399**	**8,644**
Net opening cash and cash equivalents (note 17)	4,922,107	4,862,319
Net closing cash and cash equivalents (note 17)	6,063,506	4,870,963
NET INFLOW/(OUTFLOW) OF CASH	**1,141,399**	**8,644**

Notes to the consolidated financial statements

1. Highlights

1.1 Change of financial year end

As reported last year, the Company changed its financial year end from 31 March to 31 December. The period being reported on for these summary consolidated financial statements is the six months to 30 June 2018.

To aid comparison between reporting periods, further consolidated income statement data is presented below comparing the six months to 30 June 2018 to the six months to 30 June 2017. The data for the six months to 30 June 2017 has been prepared by adding the quarterly income statement for three months ended 31 March 2017 to the quarterly income statement for three months ended 30 June 2017.

	In thousands of euro	**01/01/18 30/06/18 (6 months)**	**01/01/17 30/06/17 (6 months)**
+	Net interest income	39,059	37,605
+	Net fee income	880,066	792,553
+/-	Net gains/(losses) on financial instruments at fair value through profit or loss	87,599	44,077
+/-	Net gains/(losses) on financial assets at fair value through other comprehensive income	-	-
+/-	Net gains/(losses) on derecognition of assets held at amortised cost	(145)	-
+/-	Net gains/(losses) on available-for-sale financial assets	-	16,630
+	Other operating income	257	5,494
-	Other operating expenses	(320)	(653)
Net banking income		**1,006,516**	**895,706**
-	Staff costs	(582,469)	(496,831)
-	Administrative expenses	(150,440)	(156,365)
-	Amortisation, depreciation and impairment of tangible and intangible fixed assets	(13,779)	(15,558)
Gross operating income		**259,828**	**226,952**
+/-	Cost of risk	578	(9,551)
Operating income		**260,406**	**217,401**
+/-	Net income from companies accounted for by the equity method	728	717
+/-	Net income/(expense) from other assets	639	7,548
Profit before tax		**261,773**	**225,666**
-	Income tax expense	(36,255)	(41,143)
CONSOLIDATED NET INCOME		**225,518**	**184,523**
Non-controlling interests (1)		**64,457**	**87,973**
NET INCOME - GROUP SHARE		**161,061**	**96,550**
Earnings per share in euro - Group share (basic)		2.14	1.31
Earnings per share in euro - Group share (diluted)		2.10	1.28

(1) Non-controlling interests include amounts charged of €54.4 million (June 2017: €76.6 million) in respect of preferred shares and €7.4 million (June 2017: €7.2 million) in respect of perpetual subordinated debt. Note 16 to the consolidated financial statements provides further information concerning non-controlling interests.

The table below presents a segmental analysis by business line, which has been prepared on the same basis as described in note 29 to the consolidated financial statements. The data for six months ended 30 June 2017 has been derived by adding the quarterly reporting for the three months to 30 June 2017 and the three months to 31 March 2017.

In thousands of euro	Global Advisory	Wealth & Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconcil-iation	IFRS reconcil-iation	01/01/18 30/06/18 (6 months)
Net banking income	**636,085**	**261,439**	**104,973**	**15,159**	**1,017,656**	**(11,140)**	**1,006,516**
Operating expenses	(529,515)	(217,475)	(33,532)	(29,638)	(810,160)	63,472	**(746,688)**
Cost of risk	-	-	-	-	-	578	**578**
Operating income	**106,570**	**43,964**	**71,441**	**(14,479)**	**207,496**	**52,910**	**260,406**
Share of profits of associated entities	-	-	-	-	-	728	**728**
Non-operating income	-	-	-	-	-	639	**639**
Profit before tax	**106,570**	**43,964**	**71,441**	**(14,479)**	**207,496**	**54,277**	**261,773**

In thousands of euro	Global Advisory	Wealth & Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconcil-iation	IFRS reconcil-iation	01/01/17 30/06/17 (6 months)
Net banking income	**553,602**	**253,939**	**66,905**	**17,025**	**891,471**	**4,235**	**895,706**
Operating expenses	(456,869)	(225,645)	(31,013)	(32,343)	(745,870)	77,116	**(668,754)**
Cost of risk	-	-	-	-	-	(9,551)	**(9,551)**
Operating income	**96,733**	**28,294**	**35,892**	**(15,318)**	**145,601**	**71,800**	**217,401**
Share of profits of associated entities	-	-	-	-	-	717	**717**
Non-operating income	-	-	-	-	-	7,548	**7,548**
Profit before tax	**96,733**	**28,294**	**35,892**	**(15,318)**	**145,601**	**80,065**	**225,666**

1.2 Adoption of new accounting policies

The Group has adopted the accounting standard IFRS 9 Financial Instruments, which has changed the classification and measurement of the Group's financial assets. Details of the changes are provided below.

The Group has also adopted the accounting standard IFRS 15 Revenue from Contracts with Customers. IFRS 15 has not had a significant impact on the Group's accounts. Details of the new accounting policy are provided below.

1.3 Agreement between Rothschild & Co and Edmond de Rothschild

On 29 June 2018 it was announced that R&Co and Edmond de Rothschild had reached an agreement on the use of their respective brands.

As part of this agreement, the Edmond de Rothschild Group will continue to develop its business under the Edmond de Rothschild brand. The R&Co Group will use the name Rothschild & Co, adopted as a company name since 2015. Rothschild Martin Maurel will be used to identify the private banking and asset management activities of R&Co from France, Belgium and Monaco. Neither group may use the name Rothschild on its own in any form whatsoever in the future.

In addition, the two groups will unwind all of their cross-shareholdings. These mainly include: 8.4% of the capital of Edmond de Rothschild held by RHAG (R&Co's holding company in Switzerland), 9.5% of the capital of RHAG held by Edmond de Rothschild and 5.7% of the capital of R&Co held by Edmond de Rothschild.

As a result of this unwinding, Edmond de Rothschild will deliver 1.9 million R&Co shares to RHAG as settlement for the difference in value in respect of the investments in Edmond de Rothschild and in RHAG. R&Co, for its part, will purchase from Edmond de Rothschild all of the remaining 2.5 million R&Co shares in its possession for €75 million in cash. The Edmond de Rothschild and R&Co shares were valued on the basis of their market values (respectively CHF 17,000 and €30) in June 2018. Transactions (of immaterial amounts) relating to other minority interests will be settled in cash. The cash required for R&Co Group to finance all of their transactions comes from existing resources.

As the transactions were not complete at 30 June 2018, the transactions have not been accounted for in these financial statements. The transactions were completed on 6 August 2018 after all regulatory consents were obtained and other conditions precedent fulfilled.

1.4 Acquisition of minority stake in Martin Maurel Sella

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

2. Preparation of the financial statements

2.1 Information regarding the Company

The summary consolidated financial statements of Rothschild & Co SCA Group (the Group) for the six months ended 30 June 2018 are presented in accordance with IFRS in force at the reporting date, as adopted in the European Union by EC Regulation No. 1606/2002. The format used for the summary financial statements is a banking format. It is consistent with Recommendation No. 2017-02 of 2 June 2017 of the French Accounting Standards Authority (*Autorité des normes comptables*). The statements cover the period from 1 January 2018 to 30 June 2018. The presentation of the comparative data relative to financial year 2017 has not been modified and complies with the provisions of ANC Recommendation No. 2013-04 of 7 November 2013.

The summary consolidated accounts were approved by R&Co Gestion SAS, the Managing Partner of R&Co, on 17 September 2018 and considered for verification and control purposes by the Supervisory Board on 25 September 2018.

At 30 June 2018, the Group's holding company was R&Co, a French partnership limited by shares (*société en commandite par actions*), headquartered at 23 bis, avenue de Messine, 75008 Paris (Paris Trade and Companies Registry Number 302 519 228). The Company is listed on the Eurolist market of Euronext Paris (Compartment A).

2.2 General principles

The notes to the accounts have been prepared having taken into account the understanding, relevance, reliability, comparability and materiality of the information provided.

3. Adoption of new accounting standards

3.1 Adoption of IFRS 9 Financial Instruments

The Group has adopted IFRS 9 with a date of transition of 1 January 2018, which has resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

The adoption of IFRS 9 has resulted in changes in our accounting policy for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

As permitted by the transitional provisions of IFRS 9, the Group has elected not to restate comparative figures. Adjustments to the carrying amounts of financial assets at the date of transition have been recognised in the opening retained earnings and other reserves of the current period. The carrying amount of liabilities has not changed. The Group has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Consequently, for notes disclosures, the amendments to IFRS 7 have only been applied to disclosures in the current period. Therefore, disclosures of notes for the comparative period repeat those disclosures made in the prior reporting period.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period are described in section 4.4.

3.1.1 Implementation of changes to classification and measurements

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories in accordance with IFRS 9 for the Group's financial assets and liabilities as at 1 January 2018.

In thousands of euro	Original classification under IAS 39	Original carrying value under IAS 39	New classification under IFRS 9	New carrying value under IFRS 9
Financial assets				
Cash and amounts due from central banks	Loans and receivables	3,868,907	Amortised cost	3,868,907
Trading assets	FVTPL (held for trading)	47,977	FVTPL (mandatory)	47,977
Debt and equity securities	FVTPL designated	467,178	FVOCI	219,512
	Available for sale	1,596,343	Amortised cost	853,218
			FVTPL (mandatory)	989,987
Loans and advances to banks	Loans and receivables	1,730,153	Amortised cost	1,730,153
Loans and advances to customers	Loans and receivables	2,989,919	Amortised cost	2,985,179
	FVTPL designated	32,859	FVTPL (designated)	32,859
Other financial assets	Amortised cost	426,351	Amortised cost	425,144
Total financial assets		**11,159,687**		**11,152,936**
Financial liabilities				
Financial liabilities at fair value through profit or loss	FVTPL	24,823	FVTPL (mandatory)	24,823
Hedging derivatives	FVTPL	6,543	FVTPL (mandatory)	6,543
Debt securities in issue	Amortised cost	95,561	Amortised cost	95,561
Due to banks and other financial institutions	Amortised cost	636,377	Amortised cost	636,377
Customer deposits	Amortised cost	7,770,954	Amortised cost	7,770,954
Other financial liabilities	Amortised cost	150,100	Amortised cost	150,100
Total financial liabilities		**8,684,358**		**8,684,358**
NET FINANCIAL ASSETS		**2,475,329**		**2,468,578**

3.1.2 Reconciliation of balance sheet categories from IAS 39 to IFRS 9

The Group has performed a detailed analysis of its business models for managing financial assets and analysed the characteristics of their cash flows. The following table reconciles the carrying amounts of financial assets from the measurement categories of IAS 39 to the measurement categories of IFRS 9, upon transition to IFRS 9 on 1 January 2018:

In thousands of euro		Carrying amount 31 December 2017/ 1 January 2018	*Of which: reclassifications*	*Of which: remeasurements*
Cash and balances with central banks		**3,868,907**	-	-
Loans and advances to banks		**1,730,153**	-	-
Loans and advances to customers				
Opening balance under IAS 39	(A)	2,989,919	-	-
Remeasurement: ECL allowance		(4,740)	-	*(4,740)*
Closing balance under IFRS 9		**2,985,179**	-	-
Investment securities - amortised cost				
Opening balance under IAS 39		-	-	-
Add: from AFS debt - within liquidity portfolio	(B)	815,991	*815,991*	-
Remeasurement: ECL allowance		(359)	-	*(359)*
Add: from AFS debt - securitised vehicle, senior tranches	(C)	38,031	*38,031*	-
Remeasurement: from FV to amortised cost		(445)	-	*(445)*
Closing balance under IFRS 9		**853,218**	-	-
Other financial assets				
Opening balance under IAS 39		426,351	-	-
Remeasurement: ECL allowance		(1,207)	-	*(1,207)*
Closing balance under IFRS 9		**425,144**	-	-
Total financial assets measured at amortised cost 1 January 2018		**9,862,601**	***854,022***	***(6,751)***
Trading assets		**47,977**	-	-
Loans and advance to customers		**32,859**	-	-
Investment securities - FVTPL (mandatory)				
Opening balance under IAS 39		-	-	-
Add: from AFS equity - issued by mutual funds	(D)	422,599	*422,599*	-
Add: from AFS debt investment - securitised vehicle, junior tranches	(C)	10,754	*10,754*	-
Add: from AFS equity - investments	(E)	66,897	*66,897*	-
Add: from AFS debt - not meeting SPPI test	(F)	22,559	*22,559*	-
Add: from designated at FVTPL (IAS 39) - investments	(E)	467,178	*467,178*	-
Closing balance under IFRS 9		**989,987**	-	-
Investment securities - FVTPL (designated)				
Opening balance under IAS 39		467,178	-	-
Less: to mandatory FVTPL (IFRS 9)	(E)	(467,178)	*(467,178)*	-
Closing balance under IFRS 9		**-**	-	-
Total financial assets measured at FVTPL 1 January 2018		**1,070,823**	***522,809***	**-**
Investment securities - FVOCI (debt instruments)				
Opening balance under IAS 39		-	-	-
Add: from AFS - debt where sales are envisaged	(H)	99,354	*99,354*	-
Closing balance under IFRS 9		**99,354**	-	-
Investment securities - FVOCI (equity instruments)				
Opening balance under IAS 39		-	-	-
Add: from AFS strategic equity instrument	(G)	120,158	*120,158*	-
Closing balance under IFRS 9		**120,158**	-	-
Investment securities - AFS				
Opening balance under IAS 39	Note 4	1,596,343	-	-
Less: to amortised cost - debt within liquidity profile	(B)	(815,991)	*(815,991)*	-
Less: to amortised cost - securitised vehicle, senior tranches	(C)	(38,031)	*(38,031)*	-
Less: to mandatory FVTPL (IFRS 9) - issued by mutual funds	(D)	(422,599)	*(422,599)*	-
Less: to mandatory FVTPL (IFRS 9) - securitised vehicle, junior tranches	(C)	(10,754)	*(10,754)*	-
Less: to mandatory FVTPL (IFRS 9) - investments	(E)	(66,897)	*(66,897)*	-
Less: to mandatory FVTPL (IFRS 9) - debt not meeting SPPI test	(F)	(22,559)	*(22,559)*	-
Less: to FVOCI - strategic equity instrument	(G)	(120,158)	*(120,158)*	-
Less: to FVOCI - debt where sales are envisaged	(H)	(99,354)	*(99,354)*	-
Closing balance under IFRS 9		**-**	-	-
Total financial assets measured at FVOCI 1 January 2018		**219,512**	***(1,376,831)***	**-**
TOTAL FINANCIAL ASSETS 1 JANUARY 2018		**11,152,936**	**-**	***(6,751)***

3.1.2 Reconciliation of balance sheet categories from IAS 39 to IFRS 9 (continued)

(A) Loans and other receivables
Loans and other receivables continue to be classified as amortised cost where allowed under IFRS 9. (see 4.4.1.1 below)

(B) Debt securities within the liquidity portfolio
Certain highly liquid debt securities are held by the treasury function for a long period of time. These securities may be sold before maturity, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets, which were previously classified as AFS, were classified as amortised cost from the date of initial application.

(C) Securitised vehicles
Under IAS 39, the Group's investments in securitised vehicles were classified as AFS debt investments. When applying IFRS 9, the Group made an assessment of whether the tranches held met the SPPI criteria. A critical point to consider is whether the tranche has a credit rating that is higher than the underlying portfolio of assets. Those which do (generally the senior tranches) can be classified as amortised cost. Those which do not (generally the junior tranches) must be classified as FVTPL.

(D) Equity instruments issued by mutual funds
Units of mutual funds which qualify as AFS equity under IAS 39 must be measured at FVTPL under IFRS 9, where their value can be redeemed from the issuer of the instrument.

(E) Investment assets
Assets which are held primarily to make valuation gains are classified as fair value through profit or loss. This includes Merchant Banking investments.

(F) Debt securities which fail the SPPI test
Debt securities previously held as AFS are classified as FVTPL if they failed to meet the SPPI test.

(G) Designation of equity instruments as FVOCI
Long-term shareholdings held by the Group for strategic purposes, such as its investment in EdRS, are designated under IFRS 9 as FVOCI, because gains and losses made on these are not considered by management as part of the Group's performance. Under IAS 39, this type of shareholding was classified as AFS.

(H) Debt securities where the business model includes the possibility of selling the asset
Debt securities previously held as AFS are classified as FVOCI if they are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling the assets.

3.1.3 Reconciliation of categories of shareholders' equity from IAS 39 to IFRS 9

The following table analyses the impact on reserves and retained earnings, net of tax, of the transition to IFRS 9. The impact affects the fair value reserve and retained earnings. There is no impact on other components of equity.

In thousands of euro	Impact of adopting IFRS 9 at 1 January 2018
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	32,993
Reneasurement of investment securities (debt) when reclassified from AFS to amortised cost	(445)
Reclassification of investment securities (equity and debt) from AFS to FVTPL	(12,115)
OPENING BALANCE UNDER IFRS 9 (1 JANUARY 2018)	**20,433**
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	642,543
Reclassification of investment securities (equity and debt) from AFS to FVTPL	12,115
Recognition of expected credit losses under IFRS 9	(6,405)
Tax on the expected credit losses under IFRS 9	2,006
OPENING BALANCE UNDER IFRS 9 (1 JANUARY 2018)	**650,259**

3.1.4 Reconciliation of impairment allowances from IAS 39 to IFRS 9

The following table reconciles the impairment allowances at 31 December 2017, measured in accordance with the incurred loss model of IAS 39, to the impairment allowance at 1 January 2018, measured in accordance with the expected loss model of IFRS 9:

In thousands of euro	Loan loss allowance under IAS 39/ Provision under IAS 37	Reclassifications	Remeasurements	Loan loss allowance under IFRS 9
Loans and receivables (IAS 39) / financial assets at amortised cost (IFRS 9)				
Loans and advances to customers	76,923	-	4,740	81,663
Debt securities	-	-	359	359
TOTAL	**76,923**	**-**	**5,099**	**82,022**
AFS financial instruments (IAS 39) / financial assets at FVOCI (IFRS 9)				
Debt securities	9,837	(9,837)	-	-
Equity securities	124,325	(124,325)	-	-
TOTAL	**134,162**	**(134,162)**	**-**	**-**
Other financial assets				
Other financial assets	18,272	-	1,207	19,479
TOTAL	**18,272**	**-**	**1,207**	**19,479**
Loan commitments and financial guarantee contracts				
Loan commitments	995	-	99	1,094
TOTAL	**995**	**-**	**99**	**1,094**

Loss allowances for AFS assets are no longer recorded once the asset is reclassified as FVTPL or as equity at FVOCI.

Further information on the measurement of impairment allowance under IFRS 9 can be found in “Expected Credit Loss Measurement” (section 5.2.2.3).

3.2 Adoption of IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaced the current standards and interpretations on revenue recognition. The Group has adopted IFRS 15 using the cumulative effect method, which means that any changes prior to adoption on 1 January 2018 are made in opening equity, and comparatives are not restated.

In assessing the impact of adopting IFRS 15, the Group has considered Global Advisory to be the line of business most likely to be affected by the new standard. Our assessment reviewed all material GA fees to see whether any would have been recognised differently under IFRS 15. The differences identified last year between revenue recognition under IFRS 15 and IAS 18, the previous standard, were immaterial.

The new IFRS 15 accounting policies applied in the current period are described in section 4.4.2.

4. Accounting principles and valuation methods

4.1 Basics of accounting

Except for the "Changes in significant accounting policies", described below, the accounting principles and valuation methods applied by the Group for the half-year summary consolidated financial statements are the same as those applied and described in the financial statements for the period ended 31 December 2017. It should be noted that the Group's interim financial reporting is in compliance with IAS 34.

This is the first set of the Group’s financial statements where IFRS 9 and IFRS 15 have been applied.

The Group has not opted for early application of new standards, amendments and interpretations adopted by the European Union or the IASB where the application in 2018 is optional.

4.2 Accounting judgements and estimates

To prepare the financial statements in accordance with the Group’s accounting methods, management has made assumptions and estimates that could have an impact on the book value of certain assets and liabilities and items of income and expense. By their nature, such valuations carry risks and uncertainties as to their realisation in the future. Management has taken care to consider a counterparty’s financial situation and outlook as well as multiple-criteria valuations that take observable parameters into account to determine whether there are objective signs of impairment.

Estimates and assumptions are used mainly with regard to bonus accruals, goodwill, securities at FVOCI, FVTPL financial assets, impairments of assets at amortised cost, and provisions.

Following the adoption of IFRS 9, the Group has assessed the business model within which the assets are held and has assessed whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

At each closing date, the Group draws conclusions from past experience and all relevant factors relating to its business.

4.3 Future standards and interpretations

Changes to the Group's financial reporting for future accounting periods are expected as a result of amended or new accounting standards and interpretations from the IASB.

The main standard expected to affect the Group is IFRS 16 Leases. A description of the likely effect was provided in the financial statements for the period ended 31 December 2017, and the assessment is not significantly different now.

4.4 Changes in significant accounting policies

The changes described below in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has adopted IFRS 9 Financial Instruments (see 4.4.1) and IFRS 15 Revenue from Contracts with Customers (see 4.4.2) for the first time from 1 January 2018.

The effect of initially applying these standards is mainly attributed to the following:
- a change of the asset classification (see 4.4.1.1)
- an increase in impairment losses recognised on financial assets (see 4.4.1.2)

4.4.1 IFRS 9 Financial Instruments

4.4.1.1 IFRS 9: Classification and measurement

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

FINANCIAL ASSETS AT AMORTISED COST

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in section 4.4.1.2 IFRS 9: Impairment. Interest income from these financial assets is included in "Interest and similar income" using the effective interest method.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net banking income. Interest income from these financial assets is included in "interest income" using the effective interest method.

On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in OCI. This election is made on an investment-by-investment basis. From 1 January 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial assets that meet the criteria for the classification of amortised cost or FVOCI, but which are managed, and whose performance is evaluated, on a fair value basis, are measured at FVTPL on a designated basis.

Financial assets that do not meet the criteria for the classification of amortised cost or FVOCI are measured at FVTPL on a mandatory basis.

These financial assets are recognised at fair value, with transaction costs recorded immediately in the income statement, and they are subsequently measured at fair value. Gains and losses arising from changes in fair value, or on derecognition, are recognised in the income statement as net gains or losses on financial assets at fair value through profit or loss. Interest and dividend income from financial assets at fair value through profit or loss is recognised in net gains or losses on financial assets at fair value through profit or loss.

BUSINESS MODEL ASSESSMENT

The Group makes an assessment of the business model in which an asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, the Group considers whether management's strategy focuses on earning interest revenue, maintaining a particular interest profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets; or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated, e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reason for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed on a fair value basis are measured at FVTPL.

ASSESSMENT WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST (SPPI)

For the purposes of this assessment "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amounts and timing of cash flows;
- prepayment and extensions terms;
- leverage features;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

RECLASSIFICATIONS

Financial assets are not reclassified subsequent to their initial recognition, except when the Group changes its business model for managing financial assets.

4.4.1.2 IFRS 9: Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- loans, advances and debt securities;
- accounts receivable;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments as required by IFRS 9.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than accounts receivable) on which credit risk has not increased significantly since their initial recognition.

For the accounts receivable, the Group uses the “simplified” approach, under which impairments are calculated as lifetime expected credit losses at initial recognition, regardless of any changes in the counterparty’s credit risk.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

EXPECTED CREDIT LOSS MEASUREMENT

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

More detail on the methodology used to determine the ECL is given in section 5.2.2.

CREDIT-IMPAIRED ASSETS

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt instruments at FVOCI are credit impaired. When an asset is considered as credit impaired, it is also considered to be in default. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated cash flows of the financial assets have occurred.

Objective evidence that a financial asset or group of assets is credit impaired includes the following observable data:

- significant financial difficulty of the issuer;
- a breach of contract, such as a default or delinquency in repayment of interest or principal;
- granting to the borrower, for economic or legal reasons relating to its financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

PRESENTATION OF ALLOWANCE FOR ECL IN THE BALANCE SHEET

Loss allowances for ECL are presented in the balance sheet as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

- loan commitments and financial guarantee contracts: as a provision; and

- debt instruments measured at FVOCI: no loss allowance is recognised in the balance sheet because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

WRITE-OFF

The Group writes off financial assets (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

4.4.2 IFRS 15 Revenue from Contracts with Customers

With effect from 1 January 2018, the Group adopted IFRS 15 Revenue from Contracts with Customers, replacing IAS 18 Revenue.

The Group earns fee and commission income from a range of services it provides to clients. Under IFRS 15, revenue is recognised when a customer obtains control of the service. Fee income generated by the Group can be categorised into the two broad categories below, depending upon the timing of the relevant service.

POINT IN TIME SERVICES

These fees are earned from providing services for which revenue is earned only when the service has been completed i.e. once a performance obligation has been satisfied. Examples include a payment for advisory services that will only be made after the successful completion of a mandate. Revenue is recognised when it is highly probable that there will not be a significant reversal of the revenue in future.

SERVICES PROVIDED OVER TIME

These are fees earned from services that are provided over a period of time. Examples in the WAM business include asset management fees related to investment funds as well as income from wealth management, financial planning and custody services that are continuously provided over an extended period of time. For GA, these services include advisory services paid upfront or on a retainer basis. Revenue is recognised over the period in which the services are provided, once one of the following occurs:

i) The customer consumes the benefits provided by the Group and another entity would not need to substantially re-perform the work that the Group has completed to date; or

ii) The Group has an enforceable right to payment for performance completed to date.

The amount of fee and commission income is based on consideration specified in a legally enforceable contract. The revenue recognised for each mandated service represents a market price, and consideration received is allocated to the separately identifiable performance obligations in a contract.

Fees and commissions that are an integral part of a loan, and loan commitment fees for loans that are likely to be drawn down, are deferred (together with related direct costs) and recognised over the life of the loan as an adjustment to the effective interest rate.

Costs can sometimes be charged to the client in the course of a mandate. Where recoverable, these are recognised as a receivable rather than revenue.

5. Financial risk management

5.1 Governance

The Group's governance environment is described in the annual report for the period ended 31 December 2017, and is substantially unchanged at 30 June 2018.

5.2 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfill their contractual obligations to the Group.

5.2.1 Credit rating

The Group reviews credit exposures on financial assets on a quarterly basis and for this purpose they are classified as follows:

Category	**Definition**	**Mapping to IFRS 9 three-stage model for impairment (see 5.2.2)**
Category 1	Exposures which are considered to be fully performing.	Stage 1
Category 2	Exposures where the payment of interest or principal is not currently in doubt, but which require closer observation than usual, due perhaps to some deterioration in the position of the client. Examples include: poor trading results; difficult conditions in the client's market sector; competitive or regulatory threats; or the potential impact from currency or other factors. Unimpaired GA receivables which are past due over 90 days are included in this category.	Stage 2
Category 3	Exposures where there has been further deterioration in the position of the client compared to Category 2. Although the exposure is not considered to be impaired, the relationship requires close monitoring by the front office team.	Stage 2
Category 4	Exposures that are considered to be impaired and which carry a provision against part of the loan (unless collateral exists which exceeds the exposure's carrying value). At least some recovery is expected to be made.	Stage 3
Category 5	Exposures that are considered to be impaired and which carry a full provision. No significant recovery of value is expected.	Stage 3

All Group companies map their own credit monitoring to these categories for the purposes of Group reporting.

The tables below disclose the maximum exposure to credit risk at 30 June 2018 and at 31 December 2017 for financial assets with exposure to credit risk, without taking account of collateral held or other credit risk mitigation.

In millions of euro	Category 1	Category 2	Category 3	Category 4	Category 5	Impairment allowance	30/06/2018
Cash and amounts due from central banks	4,859.5	-	-	-	-	-	4,859.5
Financial assets at fair value through profit or loss	106.5	-	-	-	-	-	106.5
Loans and advances to banks	1,939.0	-	-	-	-	-	1,939.0
Loans and advances to customers	2,914.3	51.2	44.1	86.6	15.4	(79.3)	3,032.3
Debt securities at FVOCI	137.5	-	-	-	-	-	137.5
Debt at amortised cost	761.8	-	-	-	-	(0.3)	761.5
Other financial assets	328.4	52.5	-	10.3	11.6	(18.4)	384.4
Subtotal assets	**11,047.0**	**103.7**	**44.1**	**96.9**	**27.0**	**(98.0)**	**11,220.7**
Commitments and guarantees	495.1	-	0.3	0.8	-	n/a	**496.2**
TOTAL	**11,542.1**	**103.7**	**44.4**	**97.7**	**27.0**	**(98.0)**	**11,716.9**

Credit risk on financial assets at fair value through profit or loss is not measured on equity instruments. Allowances against commitments and guarantees are booked in "Provisions" (note 12).

In millions of euro	Category 1	Category 2	Category 3	Category 4	Category 5	Impairment allowance	31/12/2017
Cash and amounts due from central banks	3,868.9	-	-	-	-	-	3,868.9
Financial assets at fair value through profit or loss	50.2	-	-	-	-	-	50.2
Loans and advances to banks	1,730.2	-	-	-	-	-	1,730.2
Loans and advances to customers	2,855.2	33.1	34.2	128.3	16.0	(76.9)	2,989.9
Available-for-sale debt securities	985.2	-	-	2.0	9.3	(9.8)	986.7
Other financial assets	387.1	34.3	-	10.6	10.1	(15.7)	426.4
Subtotal assets	**9,876.8**	**67.4**	**34.2**	**140.9**	**35.4**	**(102.4)**	**10,052.3**
Commitments and guarantees	563.6	-	0.3	-	-	n/a	563.9
TOTAL	**10,440.4**	**67.4**	**34.5**	**140.9**	**35.4**	**(102.4)**	**10,616.2**

5.2.2 Expected credit loss

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit impaired. See section 5.2.2.1 for a description of how the Group determines when a SICR has occurred.

- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. See section 5.2.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are disclosed below.

5.2.2.1 Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, which are based on the Group's credit risk management process. The Group has decided that SICR is indicated if the relevant credit committee decides that the credit rating of a financial asset is Category 2 or 3.

Financial instruments are often considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. For fee income receivable by the GA business, the Group has rebutted this presumption and it considers that a significant increase is experienced only after 90 days past due. This rebuttal is based on historical experience of payments and is in line with the internal provisioning process (more detail is in section 5.2.2.4).

The Group has not used the low credit risk exemption for any financial instruments in the period.

5.2.2.2 Definition of default and credit impaired assets

Credit-impaired assets and assets that have defaulted are described in “Changes in significant accounting policies”, section 4.4.1. A financial asset that is classified as impaired has a credit rating of Category 4 or 5.

5.2.2.3 Measuring ECL – explanations of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12m) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the following factors:

Expected credit losses = Probability of Default (PD) x Exposure at Default (EAD) x Loss Given Default (LGD)

The PD represents the likelihood of a borrower defaulting on its financial obligation (based on the definition of default in our accounting principles), either over the next 12 months (12m PD), or over the remaining lifetime (lifetime PD) of the obligation.

The EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12m EAD) or over the remaining lifetime (lifetime EAD). The Group derives the EAD from the current exposure to the counterparty.

LGD is the percentage of the likely loss if there is a default. The Group estimates LGD parameters informed by historical recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral and recovery cost of any collateral that is provided to secure the financial asset. For loans secured by property, LTV ratios are a key parameter in determining LGD.

These parameters are generally derived from internally developed models and other historical data.

5.2.2.4 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions calculated on a collective basis, a grouping of exposures is performed on the basis of risk characteristics that are shared by exposures.

Lending by the R&Co Group is primarily focused on supporting the WAM business by way of lending to private clients, either by way of mortgages against residential properties or against portfolios of securities (Lombard lending). In addition, following the recent merger with Banque Martin Maurel, there is a portfolio of corporate loans which includes some sector specialisations (this equates to approximately €0.3 billion of the total). The UK commercial legacy book continues to run off and is now down to less than €100 million.

The majority of the private client loan books are secured and there is no historical loss data for these. Nevertheless, we have adopted a conservative approach to measuring losses on a collective basis for these loans, based on assumptions of PD and LGD for different loan types. The approach for the remaining book, which generally comprises a larger number of smaller loans, does have some loss data, and this has been factored into the IFRS 9 calculations.

PCL LOMBARD AND MORTGAGE LOANS

The Group has a history of very low defaults on its Lombard and mortgage loans made by PCL and the PD and the LGD have been determined by the history of observed defaults alongside realistic downside scenarios based on management assessment.

For the Lombard loans, the LGD is estimated based on the amount of collateral held, and whether it is diversified or not, as well as nature of the client and the potential difficulties of recovering the value of the collateral.

For the mortgages loans, the LGD is estimated considering the value of the properties which are mortgaged, and varies based on the LTV; the amount of costs likely to be incurred in recovering and realising any collateral; the nature of the client; and the potential difficulties of recovering the value of the collateral.

DEBT AT AMORTISED COST

For debt securities in the Treasury portfolio, S&P credit ratings are used to determine the ECL. These published ratings are continuously monitored and updated. The 12m and lifetime PDs associated with each rating are determined based on realised default rates published by S&P. To estimate the LGD, the Group has used the Basel III LGD, which is 45% for senior debt.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

5.2.3 Credit risk exposure

5.2.3.1 Maximum exposure to credit risk – financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets. The credit risk exposure of other financial assets is shown in section 5.2.4.

In millions of euro	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**TOTAL**
Gross carrying amounts				
Loans and advances to banks	1,939.0	-	-	1,939.0
PCL loans to customers	2,471.1	15.5	-	2,486.6
Other loans to customers	443.2	79.8	102.0	625.0
FVOCI debt securities	137.5	-	-	137.5
Securities at amortised cost	761.8	-	-	761.8
TOTAL	**5,752.6**	**95.3**	**102.0**	**5,949.9**
Loss allowance				
Loans and advances to banks	-	-	-	-
PCL loans to customers	(1.3)	(0.0)	-	(1.3)
Other loans to customers	(2.4)	(12.5)	(63.1)	(78.0)
FVOCI debt securities	-	-	-	-
Securities at amortised cost	(0.3)	-	-	(0.3)
TOTAL	**(4.0)**	**(12.5)**	**(63.1)**	**(79.6)**
Net carrying amount				
Loans and advances to banks	1,939.0	-	-	1,939.0
PCL loans to customers	2,469.8	15.5	-	2,485.3
Other loans to customers	440.8	67.3	38.9	547.0
FVOCI debt securities	137.5	-	-	137.5
Securities at amortised cost	761.5	-	-	761.5
TOTAL	**5,748.6**	**82.8**	**38.9**	**5,870.3**

Information on how the ECL is measured and how the three stages above are determined is provided in "Expected credit loss measurement", in section 4.4.1.2.

For loans to customers, the movement in the loss allowance is provided in the table below. Additionally, the movement in other loss allowances is shown in "Impairments" (note 13).

Loans to customers

In millions of euro	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**TOTAL**
Loss allowance at beginning of period (31 December 2017)	**-**	**(13.9)**	**(63.1)**	**(77.0)**
Movements with P&L impact				
Transfers				
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	1.0	(1.0)	-
(Charge)	-	-	(7.3)	(7.3)
Release	1.0	0.4	7.9	9.3
Total net P&L (charge)/release during the period	**1.0**	**1.4**	**(0.4)**	**2.0**
Movements with no P&L impact				
IFRS 9 first time application	(4.7)	-	-	(4.7)
Written off	-	-	0.5	0.5
Exchange	-	-	(0.1)	(0.1)
LOSS ALLOWANCE AT END OF PERIOD (30 JUNE 2018)	**(3.7)**	**(12.5)**	**(63.1)**	**(79.3)**

No loans have been classified as purchased or originated credit-impaired (POCI) assets.
The changes in the gross amounts of loans to customers decreased the Stage 1 allowance by €0.8 million and the Stage 2 allowance by €0.4 million in the period. These are mostly due to movements in the past due loans, as shown below:

Loans to customers which are past due

In millions of euro	**30/06/2018**	**31/12/2017**
Less than 30 days past due	112.9	160.5
Between 30 and 90 days past due	49.9	55.4
Over 90 days past due	26.1	31.0
TOTAL	**188.9**	**246.9**

5.2.3.2 Collateral

The Group holds collateral against loans to customers, as substantially all third party commercial lending is secured. The majority of collateral is in the form of charges over property assets, or over marketable securities (Lombard lending). There is a realistic possibility, if necessary, of both taking possession of, and realising, the collateral.

Stage 1 and 2 loans (Categories 1 to 3) are usually covered by collateral. For Category 1, 2 and 3 loans the level of collateral at exit is expected to be sufficient to cover the balance sheet exposure. Where a loan is deemed to be impaired (Categories 4 and 5), the level of the impairment charge is primarily driven by any expected shortfall in the collateral value, though it is also influenced by the ability of the borrower to service the debt.

Collateral is valued independently at the time the loan is made and periodically thereafter on a rolling basis. Management is able to roll forward a valuation for reporting purposes via a combination of specific knowledge of the collateral and the application of general indices.

The table below gives an estimate of the fair value of collateral held by the Group as security against its loans to customers that are credit impaired. For each loan, the value of disclosed collateral is capped to the nominal amount less provision of the loan that it is held against, and the comparatives have been restated to be in line with this revised disclosure.

In millions of euro	**30/06/2018** **Stage 3 loans**	**31/12/2017** **Individually impaired**
Tangible assets collateral	26.0	77.7
Financial assets collateral	10.3	5.3
TOTAL	**36.3**	**83.0**
Gross value of loans	102.0	144.3
Impairment	(63.1)	(57.1)
Net value of loans	**38.9**	**87.2**
% of Stage 3 / individually impaired loans covered by collateral	93%	95%

5.2.3.3 Modification of financial assets

Where refinancing and sale options are difficult, it is generally in the lender’s and borrower’s interest to extend certain facilities at maturity and not to foreclose on the security. This assumes there are no underlying issues regarding the borrower’s ability to continue to service the loan and the level of collateral is expected to be of sufficient quality to secure the principal.

Unimpaired loans extended in this manner are not categorised as either past due or as renegotiated. As at 30 June 2018 the cumulative value of all loans within this category was €2.8 million (31 December 2017: €3.1 million). All of these loans were property loans.

Some loans were renegotiated on substantially different terms than before. Typically these loans will include revised covenants and higher margins to reflect higher credit risk as well as having extended maturities. If these loans had not been renegotiated, they would have been deemed to have been impaired. As at 30 June 2018, the carrying value of all loans renegotiated was €0.3 million (31 December 2017: €0.6 million).

5.2.4 Credit risk management of other financial assets

Other financial assets mainly contain trade receivables from the GA and WAM businesses. For these assets, the Group applies a simplified approach to the calculation of impairments. This means that the loss allowance is always measured at an amount equal to the asset's lifetime ECL. Therefore, the concept of significant increase in credit risk is not applicable to these assets. Fee income is widespread in terms of location and of sector and concentration risk is not significant.

The Group considers a receivable to be in default when the borrower is unlikely to pay the Group in full. For each GA office, a quarterly review of the outstanding receivables over 90 days is conducted by local management and the GA Global Finance Director. This review determines if the receivable should be impaired and ensures that impairments are made, or not made, consistently around the Group.

Management has reviewed historical payment behaviour and believes on this basis that receivables less than 90 days overdue have an immaterial risk of not being recoverable in full. These receivables are therefore classified as Category 1 in our internal credit risk table. Management considers that all individual unimpaired receivables over 90 days past due merit assessment for potential credit losses, in addition to more recent debts which are known to have credit issues. These receivables are considered to be on a watchlist. Where these are not impaired, management provides a percentage of all these assets to reflect losses that might be expected to eventually arise. The provision percentage takes account of both historical experience and management assessment of future potential losses.

The table below shows the ageing of other financial assets and the associated provisions as at 30 June 2018:

In millions of euro	**Credit risk category classification**	**% total gross exposure**	**Gross carrying amount**	**Lifetime ECL**
Not impaired				
Current to 90 days past due	Category 1	82%	328.4	-
90-180 days past due	Category 2	10%	38.7	(0.4)
180 days - 1 year past due	Category 2	1%	5.2	(0.2)
more than one year past due	Category 2	2%	8.6	(0.8)
Impaired				
Partially impaired	Category 4	3%	10.3	(5.4)
Fully impaired	Category 5	3%	11.6	(11.6)
TOTAL		**100%**	**402.8**	**(18.4)**

The loss allowance movement is described in "Impairments" (note 13).

5.2.5 Further credit risk analysis

The tables below show an analysis of credit risk by location and by sector as at 30 June 2018 and 31 December 2017.

5.2.5.1 Credit risk by location

Location for loans and advances is measured by reference to the location of the borrower. Debt securities are recorded based on the location of the issuer of the security.

In millions of euro	France	Switzer-land	UK and Channel Islands	Rest of Europe	Americas	Australia and Asia	Other	30/06/2018
Cash and amounts due from central banks	1,809.2	3,046.3	-	4.0	-	-	-	4,859.5
Financial assets at fair value through profit or loss (1)	43.2	6.1	12.5	34.1	1.9	4.8	3.9	106.5
Loans and advances to banks	974.7	58.0	418.3	222.8	219.0	33.3	12.9	1,939.0
Loans and advances to customers	1,559.5	116.5	612.5	450.8	144.0	86.9	62.1	3,032.3
Debt securities at FVOCI	-	-	135.5	1.9	-	0.1	-	137.5
Debt at amortised cost	279.7	-	18.4	376.5	85.9	1.0	-	761.5
Other financial assets	115.0	8.6	95.0	78.2	48.4	12.3	26.9	384.4
Subtotal assets	**4,781.3**	**3,235.5**	**1,292.2**	**1,168.3**	**499.2**	**138.4**	**105.8**	**11,220.7**
Commitments and guarantees	350.5	-	65.8	67.6	5.8	-	6.5	496.2
TOTAL	**5,131.8**	**3,235.5**	**1,358.0**	**1,235.9**	**505.0**	**138.4**	**112.3**	**11,716.9**

(1) Excluding equity.

In millions of euro	France	Switzer-land	UK and Channel Islands	Rest of Europe	Americas	Australia and Asia	Other	31/12/2017
Cash and amounts due from central banks	1,206.9	2,658.6	-	3.4	-	-	-	3,868.9
Financial assets at fair value through profit or loss (1)	18.9	9.3	5.2	15.5	0.5	0.7	0.1	50.2
Loans and advances to banks	657.5	50.9	342.8	328.6	313.0	22.8	14.6	1,730.2
Loans and advances to customers	1,514.9	115.9	795.2	264.9	158.8	78.6	61.6	2,989.9
Available-for-sale debt securities	306.3	-	147.8	422.2	100.0	9.4	1.0	986.7
Other financial assets	138.8	25.5	62.5	102.4	63.3	24.2	9.7	426.4
Subtotal assets	**3,843.3**	**2,860.2**	**1,353.5**	**1,137.0**	**635.6**	**135.7**	**87.0**	**10,052.3**
Commitments and guarantees	321.3	48.5	82.5	98.1	0.1	11.4	2.0	563.9
TOTAL	**4,164.6**	**2,908.7**	**1,436.0**	**1,235.1**	**635.7**	**147.1**	**89.0**	**10,616.2**

(1) Excluding equity.

5.2.5.2 Credit risk by sector

In millions of euro	30/06/2018	%	31/12/2017	%
Cash and amounts due from central banks	4,859.5	42%	3,868.9	36%
Households	2,633.5	23%	2,434.8	23%
Credit institutions	2,050.3	17%	1,800.6	17%
Liquid debt securities (diversified sectors)	761.5	6%	825.1	8%
Real estate	412.5	4%	374.6	4%
Short-term fee income receivable (diversified customers)	324.2	3%	331.9	3%
Other financial corporations	258.3	2%	283.1	3%
Government(1)	135.6	1%	112.3	1%
Other	281.5	2%	584.9	6%
TOTAL	**11,716.9**	**100%**	**10,616.2**	**100%**

(1)The "Government" exposure predominantly consists of high-quality government securities.

The sectors above are based on NACE classification codes ("Nomenclature of Economic Activities"), and other categories used for FINREP regulatory reporting.

Short-term accounts receivable and highly liquid debt securities held for treasury management are exposed to various diversified sectors. Any temporary exposure to these sectors is not thought by management to pose a significant sectoral risk, and is not expected to be indicative of sectoral concentration for these assets in future. Therefore, these exposures are not analysed further in this section.

5.3 Market risk

Market risks associated with treasury and equity positions are described below with a description of the levels of risk. Management of market risk is described in the annual report for the period ended 31 December 2017, and is substantially unchanged at 30 June 2018.

5.3.1 Equity investments

The Group has exposure to equity price risk through holdings of equity investments. Each of these positions is individually approved by management and is monitored on an individual basis.

If the price of these equities were to fall by 5% at 30 June 2018, then there would be a post-tax charge to the income statement of €41.6 million (31 December 2017: €24.2 million) and a reduction in equity of €5.5 million (31 December 2017: €21.3 million). Under IFRS 9, the charge through P&L is higher because more of the equities are measured at FVTPL.

Moreover, the Group is exposed through its investments to the risks affecting the companies in which it invests.

The table below shows the Group's equity price risk in relation to these instruments, by location. The comparative figures for December 2017 have been reassigned, following a change in the current period in the way that equity price risk is allocated to different locations.

In millions of euro	30/06/2018	%	31/12/2017	%
France	339.3	30%	359.6	32%
Rest of Europe	271.6	24%	222.4	20%
United Kingdom and Channel Islands	202.3	18%	197.1	18%
Americas	124.9	11%	115.3	10%
Switzerland	113.3	10%	122.9	11%
Australia and Asia	48.6	4%	55.3	5%
Other	33.7	3%	34.3	4%
TOTAL	**1,133.7**	**100%**	**1,106.9**	**100%**

5.4 Liquidity risk

5.4.1 Liquidity

Liquidity risk arises from the mismatch between the legal maturity of assets and liabilities. Management of liquidity risk is described in the annual report for the period ended 31 December 2017, and is substantially unchanged at 30 June 2018.

The Group's three main banking groups each manage their own liquidity independently of each other. An illustration of how they manage their short-term liquidity is summarised below, together with a measure of their liquidity coverage ratio (LCR). The LCR is a ratio of highly liquid assets to short-term obligations.The figures below are taken from our regulatory returns but are not audited.

Rothschild Bank AG Zurich

RBZ's liquidity policy includes a behavioural adjustment applied across different client types, which allows for approximately one third of client deposits to be withdrawn over 30 days. Although the regulatory framework would permit significant mismatches within the 30-day time bucket, RBZ maintains a more conservative approach to liquidity.

Internal limits provide for RBZ to be cumulatively cash positive in all periods (after behavioural adjustments). The behavioural adjustments are complemented by an additional requirement that 20% of all client call deposits are held in cash and assets realisable within 48 hours.

RBZ’s LCR at 30 June 2018 was 146%, as measured for regulatory purposes (31 December 2017: 153%). The regulatory limit is 90%.

Rothschild Martin Maurel

RMM maintains a stable and diverse pool of customer deposits with a low customer loan-to-deposit ratio. Treasury manages liquidity to ensure that a conservative position is maintained at all times by holding a significant amount of short-term liquidity with the Central Bank and other banks alongside a portfolio of highly rated securities. Exposure to liquidity risk is considered to be very low and is monitored on a daily basis independently of the front office.

At 30 June 2018, RMM’s LCR was 229% (31 December 2017: 205%). The regulatory limit is 90%.

Rothschild Bank International Limited

In order to comply with the liquidity regime set by the Guernsey Financial Services Commission (the GFSC), RBI manages liquidity to ensure that a conservative position is maintained at all times by holding significant stock of High Quality Liquid Assets (HQLA), the criteria of such assets being set by the GFSC. Exposure to liquidity risk is considered to be low and is monitored on a daily basis independently of the front office with a mandatory submission made to the regulator on a monthly basis.

At 30 June 2018 RBI's LCR was 210% (31 December 2017: 186%). The regulatory limit is 100%.

5.4.2 Contractual maturity

The following table shows the Group's financial assets and liabilities, analysed by remaining contractual maturity at the balance sheet date.

In millions of euro	Demand-1m	1m-3m	3m-1yr	1yr-2yr	2yr-5yr	>5 yr	No contractual maturity	30/06/2018
Cash and balances at central banks	4,859.5	-	-	-	-	-	-	**4,859.5**
Financial assets at FVTPL	453.4	7.6	44.2	0.7	227.8	204.5	190.0	**1,128.2**
Financial assets at FVOCI	-	71.8	64.0	-	-	1.7	112.0	**249.5**
Securities at amortised cost	20.6	62.6	366.4	168.3	105.0	38.6	-	**761.5**
Loans and advances to banks	1,312.5	369.4	256.4	-	0.7	-	-	**1,939.0**
Loans and advances to customers	1,037.2	268.1	501.1	259.6	490.1	476.2	-	**3,032.3**
Other financial assets	319.0	53.8	11.3	0.3	-	-	-	**384.4**
TOTAL	**8,002.2**	**833.3**	**1,243.4**	**428.9**	**823.6**	**721.0**	**302.0**	**12,354.4**
Financial liabilities at FVTPL	13.2	3.1	3.7	-	-	-	-	**20.0**
Hedging derivatives	-	-	-	-	6.0	-	-	**6.0**
Due to banks and other financial institutions	192.8	0.3	6.7	66.6	73.6	162.1	-	**502.1**
Due to customers	8,973.1	165.5	75.7	38.0	10.2	0.5	-	**9,263.0**
Debt securities in issue	-	18.4	0.1	1.5	-	-	-	**20.0**
Other financial liabilities	171.3	6.7	0.6	-	-	-	-	**178.6**
TOTAL	**9,350.4**	**194.0**	**86.8**	**106.1**	**89.8**	**162.6**	**-**	**9,989.7**
Loan and guarantee commitments given	67.3	43.1	235.9	82.5	39.2	28.2	-	**496.2**

Loan and guarantee commitments given are disclosed in the period in which they could first be drawn down.

The undiscounted cash flows of liabilities and commitments are not materially different from the amounts disclosed in the contractual maturity table above.

5.5 Fair value disclosures

5.5.1 Fair value classification

For financial reporting purposes, IFRS 13 requires fair value measurements applied to financial instruments to be allocated to one of three Levels, reflecting the extent to which the valuation is based on observable data.

Level 1: instruments quoted on an active market

Level 1 comprises instruments whose fair value is determined based on directly usable prices quoted on active markets. This mainly includes listed securities and derivatives traded on organised markets (futures, options, etc.) whose liquidity can be demonstrated, and shares of funds where the value is determined and reported on a daily basis.

Level 2: instruments measured based on recognised valuation models using observable inputs other than quoted prices

Level 2 comprises instruments not directly quoted on an active market, measured using a valuation technique incorporating parameters that are either directly observable (prices) or indirectly observable (price derivatives) through to maturity.

Level 3: instruments measured using models that are not commonly used and/or that draw on non-observable inputs

Level 3 comprises instruments which are measured, at least in part, on the basis of non-observable market data which is liable to materially impact the valuation.

5.5.2 Fair value of financial instruments

Carried at amortised cost

In millions of euro	30/06/2018				
	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and amounts due from central banks	4,859.5	4,859.5	-	4,859.5	-
Securities at amortised cost	761.5	763.4	724.6	38.8	-
Loans and advances to banks	1,939.0	1,939.0	-	1,939.0	-
Loans and advances to customers	3,032.3	3,030.6	-	3,010.0	20.6
TOTAL	**10,592.3**	**10,592.5**	**724.6**	**9,847.3**	**20.6**
Financial liabilities					
Due to banks and other financial institutions	502.1	511.1	-	511.1	-
Due to customers	9,263.0	9,263.0	-	9,263.0	-
Debt securities in issue	20.0	20.0	-	20.0	-
TOTAL	**9,785.1**	**9,794.1**	**-**	**9,794.1**	**-**

In millions of euro	31/12/2017				
	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and amounts due from central banks	3,868.9	3,868.9	-	3,868.9	-
Loans and advances to banks	1,730.2	1,730.2	-	1,730.2	-
Loans and advances to customers	2,989.9	2,987.1	-	2,947.7	39.4
TOTAL	**8,589.0**	**8,586.2**	**-**	**8,546.8**	**39.4**
Financial liabilities					
Due to banks and other financial institutions	636.4	647.6	-	647.6	-
Due to customers	7,771.0	7,771.0	-	7,771.0	-
Debt securities in issue	95.6	95.6	-	95.6	-
TOTAL	**8,503.0**	**8,514.2**	**-**	**8,514.2**	**-**

The fair value of financial instruments at amortised cost is determined at the reporting date as follows:

- Loans to customers and their associated interest rates: these are compared, by maturity, with similar recent transactions. In the event of a material difference in interest rates or any other factor indicating that an asset's fair value is materially different from the net carrying amount, the fair value is adjusted accordingly. To determine the asset's fair value, the Group estimates the counterparty's default risk and calculates the sum of future cash flows, taking into account the debtor's financial standing. An impaired loan where the carrying value of the loan is decided by a DCF, using best estimates of recoverable cash flows, is classified in Level 3.

- Repurchase agreements and amounts due to banks and customers: the fair value of these instruments is determined using a DCF technique, the discount rate of which is adjusted for the appropriate credit margin.

- Debt securities in issue: the fair value of these instruments is determined using external prices which can be regularly observed from a reasonable number of market makers. However, these prices do not represent a directly tradable price.

Carried at fair value

In millions of euro	30/06/2018			
	TOTAL	Measured using		
		Level 1	Level 2	Level 3
Financial assets				
Trading securities	-	-	-	-
Financial assets at FVTPL	1,081.9	502.2	544.6	35.1
Derivative financial instruments	46.3	-	46.3	-
FVOCI public bills and similar securities	135.5	135.5	-	-
FVOCI bonds, other fixed income securities and accrued interest	2.0	2.0	-	-
FVOCI equity securities	112.0	112.0	-	-
TOTAL FINANCIAL ASSETS	**1,377.7**	**751.7**	**590.9**	**35.1**
Financial liabilities				
Derivative financial instruments	26.1	-	26.1	-
TOTAL FINANCIAL LIABILITIES	**26.1**	**-**	**26.1**	**-**

In millions of euro	31/12/2017			
	TOTAL	Measured using		
		Level 1	Level 2	Level 3
Financial assets				
Trading securities	30.6	30.6	-	-
Financial assets at FVTPL	500.0	42.0	458.0	-
Derivative financial instruments	17.4	-	17.4	-
AFS public bills and similar securities	112.3	112.3	-	-
AFS bonds, other fixed income securities and accrued interest	874.4	825.2	45.8	3.4
AFS equity securities	609.7	568.0	8.3	33.4
TOTAL FINANCIAL ASSETS	**2,144.4**	**1,578.1**	**529.5**	**36.8**
Financial liabilities				
Derivative financial instruments	31.4	-	31.4	-
TOTAL FINANCIAL LIABILITIES	**31.4**	**-**	**31.4**	**-**

5.5.3 Fair value Level 3 disclosures

Following the adoption of IFRS 9 Financial Instruments, assets which were previously categorised as available for sale are now classified as FVTPL.

Valuation technique by class of Level 3 financial assets

Description	**Fair value at 30 June 2018** *(in millions of euro)*	**Valuation technique**	**Unobservable input**	**Range (weighted average)**
Securities portfolios (CDOs, CLOs, etc.)	1.7	Discounted cash flow, based on expected cash flows of securitised assets and expectation of how these will be distributed to different noteholders	Default and recovery data according to the various asset classes	n/a
Mezzanine debt securities	4.1	Carrying value based on original investment plus accrued interest less any impairment provisions	Expected repayment cash flow taking into account shareholders' equity of the borrower	n/a
FVTPL debt	**5.8**			
Funds and other equity	28.3	External valuation	n/a	n/a
	1.0	Valued at cost	n/a	n/a
FVTPL equity	**29.3**			

Sensitivity of fair value for Level 3 instruments

Out of €29.3 million of FVTPL equity securities classified in Level 3 as at 30 June 2018, €28.3 million were subject to a third-party valuation. To quantify the fair value sensitivity of these instruments, measured using unobservable inputs, the Group has determined the impact in the event of a fall of 5% in the carrying value. In such an event, there would be a pre-tax charge to the income statement of €1.4 million.

Movement in Level 3 assets

The following table presents the movement in assets valued using Level 3 valuation methods in the period:

In millions of euro		**Bonds and other fixed income securities**	**Funds and other equities**	**TOTAL**
As at 1 January 2018		**3.4**	**33.4**	**36.8**
Total gains or losses for the period included in income statement		2.6	(1.3)	1.3
Purchases, issues, sales and settlements	Additions	-	1.2	1.2
	Disposals	-	(4.1)	(4.1)
Exchange		(0.2)	0.1	(0.1)
AS AT 30 JUNE 2018		**5.8**	**29.3**	**35.1**

5.5.4 Selected controls in the valuation process

Merchant Banking

The calculation of fair value is subject to control procedures aimed at verifying that fair values are determined or validated by an independent function. Fair values determined by reference to external quoted prices or market parameters are validated by the relevant fund's valuation committee.

These committees review, twice a year, the valuation of the investments made by Merchant Banking.

The parameters of valuation that are reviewed in committee include the following:
- the origin of the external source;
- the consistency of the various sources;
- the events that took place during the period which could affect the value; and
- the frequency with which the data are updated.

Merchant banking funds are valued by their management companies in accordance with the international private equity and venture capital valuation (IPEV) guidelines developed by the *Association Française des Investisseurs en Capital* (AFIC), the British Venture Capital Association (BVCA) and the European Private Equity and Venture Capital Association (EVCA). Dedicated advisory committees exist to approve half-yearly investment valuations, which are sent to investors in the Group's merchant banking funds. As such, these committees act as the valuation committees under the Alternative Investment Fund Managers Directive (AIFMD) requirements.

Valuation of derivatives

The Group's OTC (i.e. non-exchange traded) derivatives are valued using external valuation models. These models calculate the present value of expected future cash flows. The Group's derivative products are of a "vanilla" nature, such as interest rate swaps and cross-currency swaps; for these, the modelling techniques used are standard across the industry. Inputs to the valuation models are determined from observable market data, including prices available from exchanges, dealers, brokers or providers of consensus pricing.

Exchange traded derivatives are valued by the exchange on which they are traded, which asks for margin calls depending on the value.

6. Notes to the balance sheet

Note 1 - Financial instruments at fair value through profit or loss

1. Financial assets

In thousands of euro	30/06/2018	31/12/2017
Equity securities	-	467,178
Debt securities	-	-
Loans to customers	23,810	32,859
Financial assets designated at fair value through profit or loss	**23,810**	**500,037**
Debt securities	36,375	-
Equity instruments issued by mutual funds	426,724	-
Other equity instruments	594,993	-
Trading equities	-	30,598
Financial assets mandatorily at fair value through profit or loss	**1,058,092**	**30,598**
Trading derivative assets (see note 2)	**46,347**	**17,379**
TOTAL	**1,128,249**	**548,014**

2. Financial liabilities

In thousands of euro	30/06/2018	31/12/2017
Trading derivative liabilities (see note 2)	**20,036**	**24,823**
TOTAL	**20,036**	**24,823**

Note 2 - Derivatives

Trading derivatives

	30/06/2018			31/12/2017		
In thousands of euro	*Notional principal*	Of which: asset	Of which: liability	*Notional principal*	Of which: asset	Of which: liability
Firm interest rate contracts	*169,527*	2,778	126	*141,972*	958	308
Conditional interest rate contracts	*10,543*	-	136	*19,150*	178	175
Firm foreign exchange contracts	*5,626,110*	42,929	19,406	*5,293,305*	15,435	23,725
Conditional foreign exchange contracts	*223,852*	561	171	*240,971*	501	482
Other swaps	*7,100*	-	170	-	-	-
Equity-related options	*18,929*	79	27	*69,893*	307	133
TOTAL	***6,056,061***	**46,347**	**20,036**	***5,765,291***	**17,379**	**24,823**

Hedging derivatives

	30/06/2018			31/12/2017		
In thousands of euro	*Notional principal*	Of which: asset	Of which: liability	*Notional principal*	Of which: asset	Of which: liability
Firm interest rate contracts	*126,000*	-	6,015	*137,000*	-	6,543
TOTAL	***126,000***	**-**	**6,015**	***137,000***	**-**	**6,543**

The Group holds a portfolio of medium and long-term fixed rate customer loans and is, therefore, exposed to changes in fair value due to movements in market interest rates. The Group manages this risk exposure by entering into interest rate swaps whereby it pays fixed rates and receives floating rates. The Group applies hedge accounting to these derivatives, which it treats as fair value hedges.

Only the interest risk element is hedged; other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component which is hedged is the change in fair value of the medium/long-term fixed rate customer loans arising solely from changes in EONIA (the benchmark rate of interest). Such changes are usually the largest component of the overall change in fair value.

For the purposes of hedge accounting, efficiency tests are performed, prospectively at the date of designation and retrospectively at each balance sheet date, to ensure that there is no risk of over-coverage. There is no charge or credit in the income statement due to ineffectiveness of these hedges.

Most of these macro hedging swaps are carried out against EONIA and are intended to be held until maturity without periodic revision (i.e. they are non-dynamic).

The following table sets out the maturity profile and average fixed rate payable on the hedging instruments that are used in the Group's non-dynamic hedging strategies:

	Total	Demand - 1 month	1m-3m	3m-1yr	1yr-5yr	>5yr
Fair value hedges - interest rate swap						
Notional (in millions of euro)	126,000	-	-	17,000	54,000	55,000
Average fixed interest rate paid		-	-	1.87%	2.07%	1.13%

The following table contains details of the exposure in loans and advances to customers at the period end that are covered by the Group's hedging strategies:

In thousands of euro	30/06/2018
Carrying amount of hedged fixed rate loans	438,572
Accumulated amount of fair value adjustments on the hedged loans	6,015
Change in fair value of hedged loans for ineffectiveness assessment	(528)

Offsetting financial assets and financial liabilities

The following table shows the impact on the consolidated balance sheet of offsetting assets and liabilities with the same counterparties. The hypothetical financial impact of netting instruments subject to an enforceable master netting arrangement, or similar agreements, with available cash and financial instrument collateral would not be material.

	30/06/2018		
In thousands of euro	Gross assets	Amounts set off	Net amounts as per balance sheet
Trading derivative assets	73,633	(27,286)	46,347
Loans and advances to banks	1,952,460	(13,415)	1,939,045
Other assets not subject to netting	11,336,917	-	11,336,917
Total assets	**13,363,010**	**(40,701)**	**13,322,309**
Due to banks	507,504	(5,413)	502,091
Trading derivative liabilities	55,324	(35,288)	20,036
Other liabilities not subject to netting	10,320,853	-	10,320,853
Total liabilities	**10,883,681**	**(40,701)**	**10,842,980**

Note 3 - Financial assets at fair value through other comprehensive income

In thousands of euro	30/06/2018
Public bills and similar securities	135,515
Other fixed income securities	1,940
Accrued interest	36
Total FVOCI debt securities	**137,491**
Strategic equity securities	112,027
Total FVOCI equity securities	**112,027**
TOTAL	**249,518**

Strategic equity securities designated as FVOCI consist of an 8.4% equity investment in EdRS Group. The security has been held for many years and fluctuations in its short term share price have not been considered relevant to the Group's performance measures.

As explained in section 1.3, on 6 August 2018 the Group and Edmond de Rothschild completed their agreement to unwind all of their cross-shareholdings. As a result, the holding in EdRS was sold by the Group on that date.

Note 4 - Available-for-sale financial assets

In thousands of euro	31/12/2017
Public bills and similar securities	112,267
Other fixed income securities	874,085
Accrued interest	337
Total AFS debt securities	**986,689**
of which impairment losses	*(9,837)*
Total AFS equity securities	**609,654**
of which impairment losses	*(124,325)*
TOTAL	**1,596,343**

From 1 January 2018, AFS assets do not exist and have been reclassified to other balance sheet categories (section 3.1.2).

Note 5 - Securities at amortised cost

In thousands of euro	30/06/2018
Debt securities at amortised cost - gross amount	**761,762**
Stage 1-2 allowances	(271)
TOTAL	**761,491**

Before 1 January 2018, securities at amortised cost did not exist as a balance sheet category.

Note 6 - Loans and advances to banks

In thousands of euro	30/06/2018	31/12/2017
Interbank demand deposits and overnight loans	875,752	1,032,840
Interbank term deposits and loans	181,467	159,610
Reverse repos and loans secured by bills	880,398	536,456
Accrued interest	1,428	1,247
Loans and advances to banks - gross amount	**1,939,045**	**1,730,153**
Allowance for credit losses	-	-
TOTAL	**1,939,045**	**1,730,153**

Note 7 - Loans and advances to customers

In thousands of euro	30/06/2018	31/12/2017
Overdrafts	282,509	186,765
PCL loans to customers	2,486,642	2,446,474
Other loans to customers	323,394	415,189
Accrued interest	18,994	18,414
Loans and advances to customers – gross amount	**3,111,539**	**3,066,842**
Specific provisions (IAS 39)	-	(57,066)
Collective provisions (IAS 39)	-	(19,857)
Stage 1-2 allowances (IFRS 9)	(16,167)	-
Stage 3 allowances (IFRS 9)	(63,100)	-
Allowance for credit losses	**(79,267)**	**(76,923)**
TOTAL	**3,032,272**	**2,989,919**

Note 8 - Other assets

In thousands of euro	30/06/2018	31/12/2017
Accounts receivable(1)	217,384	220,968
Guarantee deposits paid(1)	16,263	19,288
Settlement accounts for transactions of securities(1)	43,916	75,094
Defined benefit pension scheme assets (note 12)	51,598	19,523
Other sundry assets	172,882	180,920
Other assets	**502,043**	**515,793**
Prepaid expenses	31,360	25,069
Accrued income(1)	106,849	111,001
Prepayments and accruals	**138,209**	**136,070**
TOTAL	**640,252**	**651,863**

(1) These balances represent other financial assets as reported in section 5.

Note 9 - Due to banks and other financial institutions

In thousands of euro	30/06/2018	31/12/2017
Interbank demand and overnight deposits	178,492	261,312
Repurchase agreements	50,000	-
Interbank term deposits and borrowings	268,389	370,145
Accrued interest	5,210	4,920
TOTAL	**502,091**	**636,377**

Note 10 - Customer deposits

In thousands of euro	30/06/2018	31/12/2017
Demand deposits	8,570,235	7,085,767
Term deposits	618,455	604,680
Borrowings secured by bills	72,357	79,143
Accrued interest	1,981	1,364
TOTAL	**9,263,028**	**7,770,954**

Note 11 - Other liabilities, accruals and deferred income

In thousands of euro	30/06/2018	31/12/2017
Due to employees	398,742	485,443
Other accrued expenses and deferred income	187,898	195,532
Accrued expenses	**586,640**	**680,975**
Settlement accounts for transactions of securities(1)	157,024	128,893
Accounts payable (1)	21,575	21,207
Sundry creditors	115,884	118,302
Other liabilities	**294,483**	**268,402**
TOTAL	**881,123**	**949,377**

(1) These balances represent other financial liabilities as reported in section 5.

Note 12 - Provisions

In thousands of euro	01/01/2018	Impact of introduction of IFRS 9	Charge/ (release)	Utilised	Exchange movement	Other movements	30/06/2018
Provisions for counterparty risk	995	99	-	-	-	-	1,094
Provisions for claims and litigation	30,896	-	(2,190)	(3,839)	54	10	24,931
Provisions for property	324	-	12	-	3	-	339
Provisions for staff costs	2,783	-	117	-	(9)	(711)	2,180
Other provisions	-	-	4,313	-	-	-	4,313
Subtotal	**34,998**	**99**	**2,252**	**(3,839)**	**48**	**(701)**	**32,857**
Retirement benefit liabilities	53,272	*n/a*	*n/a*	*n/a*	*n/a*	(20,206)	33,066
TOTAL	**88,270**	**99**	**2,252**	**(3,839)**	**48**	**(20,907)**	**65,923**

From time to time the Group is involved in legal proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, provisions are made where it is probable that an outflow of resources will be required and the amount can be reliably estimated.

Also within provisions for claims and litigation are amounts set aside to cover estimated costs of other legal proceedings and claims arising from the conduct of business.

Management believes that the level of provisions made in these financial statements continues to be sufficient for any potential or actual proceedings or claims which are likely to have an impact on the Group's financial statements, based on information available at the reporting date.

Retirement benefit liabilities (above) and assets (note 8) arise mainly from defined benefit pension schemes in the United Kingdom, the US and Switzerland, and represent the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of any plan assets. The values of assets and obligations in the principal schemes are prepared by qualified independent actuaries for the half year and year-end accounts and the net movement in the liability is shown in the table above. Further information on retirement benefit obligations is provided in the financial statements for the period ended 31 December 2017.

Other provisions represent a central impairment charge.

Note 13 - Impairments

In thousands of euro	01/01/2018	Impact of adopting IFRS 9	Income statement charge	Income statement reversal	Written off	Exchange rate and other movements	30/06/2018
Loans and advances to customers	(76,923)	(4,740)	(7,268)	9,323	472	(131)	(79,267)
Available-for-sale financial assets	(134,162)	134,162	-	-	-	-	-
Other financial assets	(18,272)	(1,207)	(1,828)	263	3,118	(479)	(18,405)
Securities at amortised cost	-	(359)	-	88	-	-	(271)
TOTAL	**(229,357)**	**127,856**	**(9,096)**	**9,674**	**3,590**	**(610)**	**(97,943)**

The impact of adopting IFRS 9 is explained in section 3.1, in particular in the table disclosed in 3.1.4.

Note 14 - Deferred tax

The movement on the deferred tax account is as follows:

In thousands of euro	30/06/2018	31/12/2017
Net (liability) / asset as at beginning of period	**(374)**	**1,637**
of which deferred tax assets	*60,561*	*67,966*
of which deferred tax liabilities	*(60,935)*	*(66,329)*
Recognised in income statement		
Income statement (expense) / income	(9,763)	1,513
Recognised in equity		
Defined benefit pension arrangements	(6,891)	(2,853)
Financial assets at fair value through other comprehensive income	662	830
Reclassification to current tax	(427)	246
Exchange differences	(219)	(2,032)
Purchase/sale of a subsidiary	6	413
Change in accounting policies	2,006	-
Other	1,932	(128)
NET (LIABILITY)/ASSET AS AT END OF PERIOD	**(13,068)**	**(374)**
of which deferred tax assets	*45,738*	*60,561*
of which deferred tax liabilities	*(58,806)*	*(60,935)*

Deferred tax net assets are attributable to the following items:

In thousands of euro	30/06/2018	31/12/2017
Deferred profit share arrangements	18,176	22,599
Losses carried forward	10,959	12,171
Defined benefit pension liabilities	1,305	10,300
Provisions	7,481	6,803
Accelerated depreciation	2,640	2,973
Financial assets at fair value	630	116
Other temporary differences	4,547	5,599
TOTAL	**45,738**	**60,561**

The majority of the Group's deferred tax assets are in NMR, a UK subsidiary. For these financial statements, NMR considers that there will be sufficient profits within eight years to utilise deferred tax assets that remain recognised on its balance sheet.

In accordance with the Group's accounting policy, some deductible temporary differences have not given rise to the recognition of deferred tax assets, mainly in the United States, Canada, the UK and Asia. Unrecognised deferred tax assets amounted to €60.8 million at 30 June 2018 (€56.7 million at 31 December 2017).

Deferred tax net liabilities are attributable to the following items:

In thousands of euro	30/06/2018	31/12/2017
Fair value adjustments to properties	17,361	17,340
Financial assets at fair value	17,254	18,445
Intangible assets recognised following acquisition of subsidiaries	13,459	13,674
Defined benefit pension assets	1,622	1,911
Accelerated capital allowances	2,078	1,956
Other temporary differences	7,032	7,609
TOTAL	**58,806**	**60,935**

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to set-off and the balance relates to income tax levied by the same tax authority on the same taxable entity or tax group. There must also be the intention and the will to settle on a net basis or to realise the assets and liabilities simultaneously.

The deferred tax (expense) / income in the income statement comprises the following temporary differences:

In thousands of euro	30/06/2018	31/12/2017
Defined benefit pension liabilities	(1,814)	(2,041)
Deferred profit share arrangements	(4,416)	(3,182)
Depreciation differences	(459)	(631)
Financial assets carried at fair value	(608)	467
Allowances for loan losses	(1,695)	4,120
Tax losses carried forward	(981)	(405)
Other temporary differences	210	3,185
TOTAL	**(9,763)**	**1,513**

Note 15 - Structured entities

A structured entity is one which has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It will often have restricted activities and a narrow or well-defined objective and can include some investment funds.

In most cases it is clear under IFRS 10 that the Group need not consolidate its investments in structured entities. However, some structured entities are managed by the Group in the form of funds in which the Group's own money is also invested. In these situations, a judgement must be made as to whether there is a need to consolidate these funds or not. To do this, a combined assessment of two key indicators is made:

- remuneration and other economic interests in aggregate; and

- kick-out rights.

To assess economic interests it is considered, at a particular level of returns, how much of any further increase in the performance of a fund accrues to the manager ("the variability of the economic interest"). The level of returns at which this is measured is the level at which performance fees begin to accrue.

A high level of variability would support the conclusion that a manager might be a principal (and would probably consolidate the managed fund). Meanwhile, a low level of variability would indicate that a manager might be an agent for the other investors (and would probably not consolidate).

Additionally, negligible rights for the investors to remove the manager or transfer their funds might indicate that a manager is a principal (and would probably consolidate) while strong rights might suggest that a manager is an agent (and would probably not consolidate).

The Group's judgement is guided by both IFRS 10 and its understanding of market practice.

Interest in unconsolidated structured entities

The following table shows the Group's interest in unconsolidated structured entities which it manages.

	30/06/2018		
In thousands of euro	Equity funds	Debt funds	TOTAL
Total assets within the underlying vehicles	**1,990,554**	**4,300,805**	**6,291,359**
Assets under management including third party commitments	**3,312,036**	**5,244,310**	**8,556,346**
Interest held in the Group's balance sheet:			
Financial assets at FVTPL	383,340	85,071	468,411
Financial investments at amortised cost	-	38,431	38,431
Loans and advances to customers	19,313	4,496	23,809
Total assets in the Group's balance sheet	**402,653**	**127,998**	**530,651**
Off-balance sheet commitments made by the Group	241,144	51,959	293,103
Group's maximum exposure	**643,797**	**179,957**	**823,754**

Note 16 - Non-controlling interests

Non-controlling interests (NCI) represent the share of fully consolidated subsidiaries that is not directly or indirectly attributable to the Group. These interests comprise the equity instruments which have been issued by these subsidiaries and which are not held by the Group. The Group's income, net assets and distributions which are attributable to NCI arise from the following sources:

	01/01/18 30/06/18 (6 months)	30/06/2018	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)	31/12/2017	01/04/17 30/09/17 (6 months)
In thousands of euro	**Net income**	**Amounts in the balance sheet**	**Distributions**	**Net income**	**Amounts in the balance sheet**	**Distributions**
Preferred shares	54,420	68,723	155,763	78,533	170,036	1,038
Perpetual subordinated debt	7,393	291,715	7,407	7,021	288,999	6,926
Rothschild Holding AG group	2,233	59,544	535	1,269	58,271	744
Other	411	11,462	546	936	22,903	918
TOTAL	**64,457**	**431,444**	**164,251**	**87,759**	**540,209**	**9,626**

Preferred shares

Preferred shares within NCI mainly consist of amounts calculated in accordance with legal clauses applicable to French limited partnerships owned by Rothschild Martin Maurel SCS, the French holding company of our WAM and GA businesses located in France. The preferred amounts are based on the partnerships' individual local earnings, and take into account the share that relates to workers' remuneration.

Perpetual subordinated debt

Subsidiaries inside the Group have issued perpetual subordinated debt instruments which have discretionary clauses relating to the payment of the interest. Under IFRS, these instruments are considered to be equity instruments and are shown as part of NCI because they were issued by subsidiaries and not held by the Group. The interest payable on these instruments is shown as a charge to NCI. The instruments are shown below.

In thousands of euro	**30/06/2018**	**31/12/2017**
Perpetual fixed rate subordinated notes 9 per cent (£125 million)	167,239	166,605
Perpetual floating rate subordinated notes (€150 million)	58,492	58,270
Perpetual floating rate subordinated notes (US$200 million)	65,984	64,124
TOTAL	**291,715**	**288,999**

Rothschild Holding AG group

At 30 June 2018 the Group held a 90.09% (31 December 2017: 90.09%) economic interest in the equity of Rothschild Holding AG (RHAG), the Swiss holding company of part of our Wealth Management business. The non-controlling interest in the Group's income statement and balance sheet is calculated based on this economic interest.

The following table shows a summarised income statement and balance sheet of the RHAG group of companies.

In thousands of euro	RHAG Group	
Income statement information	**01/01/18 30/06/18 (6 months)**	**01/04/17 31/12/17 (9 months)**
Net banking revenue	113,004	158,839
Net income	26,817	19,109
Total other comprehensive income for the period, after tax (1)	(3,903)	(38,728)
Total comprehensive income for the period	**22,914**	**(19,619)**

Balance sheet information	**30/06/2018**	**31/12/2017**
Cash and amounts due from central banks	3,046,265	2,658,600
Loans and advances to banks	175,602	255,165
Loans and advances to customers	1,215,299	1,120,016
Other assets	418,389	412,845
Total assets	**4,855,555**	**4,446,626**
Due to customers	3,075,407	2,743,959
Other liabilities	1,146,962	1,086,180
Total liabilities	**4,222,369**	**3,830,139**
Shareholders' equity	633,186	616,487

(1) Other comprehensive income in RHAG comprises gains and losses from translation, actuarial movements and revaluation of long-standing shareholdings.

As explained in section 1.3 above, on 6 August 2018 the Group and Edmond de Rothschild completed their agreement to unwind all of their cross-shareholdings. As a result, from that date RHAG will be wholly owned by the Group. The transactions to unwind the cross-shareholdings will be accounted for in the second half of 2018.

Note 17 - Net cash and cash equivalents

For the purposes of drawing up the cash flow statement, the "cash and cash equivalents" items are analysed as follows:

In thousands of euro	**30/06/2018**	**31/12/2017**
Cash and accounts with central banks	4,859,507	3,868,907
Interbank demand deposits and overnight loans (assets)	875,752	1,032,840
Other cash equivalents	506,739	281,672
Interbank demand deposits and overnight loans (liabilities) and due to central banks	(178,492)	(261,312)
TOTAL	**6,063,506**	**4,922,107**

Cash includes cash on hand and demand deposits placed with banks. Other cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of value change. These comprise overnight interbank reverse repos and public bills which are held for trading.

Note 18 - Commitments given and received

Commitments given

In thousands of euro	30/06/2018	31/12/2017
Given to banks	259	1,500
Given to customers	343,375	418,186
Loan commitments	**343,634**	**419,686**
Given to banks	50,124	45,208
Given to customers	102,345	98,956
Guarantee commitments	**152,469**	**144,164**
Investment commitments	241,749	264,057
Irrevocable nominee commitments	156,927	130,601
Pledged assets and other commitments given	40,803	57,229
Other commitments given	**439,479**	**451,887**

Investment commitments relate to Merchant Banking funds and investments. Irrevocable nominee commitments represent commitments to funds where the Group acts as a nominee on behalf of its clients. The commitment to employees in respect of deferred remuneration is set out in note 24.

Commitments received

In thousands of euro	30/06/2018	31/12/2017
Received from banks	263,763	313,727
Loan commitments	**263,763**	**313,727**
Received from banks	87,547	97,184
Received from customers	-	3,232
Guarantee commitments	**87,547**	**100,416**

Operating lease commitments payable

In thousands of euro	30/06/2018		31/12/2017	
	Land and buildings	Other	Land and buildings	Other
Up to one year	35,418	1,726	34,295	1,698
Between one and five years	126,934	1,993	118,230	983
Over five years	109,210	-	124,846	-
TOTAL	**271,562**	**3,719**	**277,371**	**2,681**

The operating lease commitments above mainly relate to leases of rented offices around the world.

7. Notes to the income statement

Note 19 - Net interest income

Interest income

In thousands of euro	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Interest income - loans to banks	2,489	2,993
Interest income - loans to customers	35,093	33,660
Interest income - available-for-sale instruments	-	4,770
Interest income - debt securities at FVTPL	410	-
Interest income - debt securities at FVOCI	105	-
Interest income - debt securities at amortised cost	2,653	-
Interest income - derivatives	27,326	25,393
Interest income - other financial assets	295	1,121
TOTAL	**68,371**	**67,937**

Interest expense

In thousands of euro	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Interest expense - due to banks and other financial institutions	(8,072)	(5,610)
Negative interest income from loans to banks	(12,689)	(13,636)
Interest expense - due to customers	(5,975)	(6,460)
Interest expense - debt securities in issue	(36)	(85)
Interest expense - derivatives	(1,482)	(1,918)
Interest expense - other financial liabilities	(1,058)	(1,372)
TOTAL	**(29,312)**	**(29,081)**

Note 20 - Net fee and commission income

Fee and commission income

In thousands of euro	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Fees for advisory work and other services	644,615	502,112
Portfolio and other management fees	272,911	265,207
Banking and credit-related fees and commissions	3,068	4,030
Other fees	6,989	7,886
TOTAL	**927,583**	**779,235**

Fee and commission expense

In thousands of euro	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Fees for advisory work and other services	(6,223)	(6,929)
Portfolio and other management fees	(38,523)	(37,453)
Banking and credit-related fees and commissions	(312)	(301)
Other fees	(2,459)	(2,835)
TOTAL	**(47,517)**	**(47,518)**

The first-time application of IFRS 15 has no impact on the accounting principles applicable to fee and commission income.

Note 21 - Net gains / (losses) on financial instruments at fair value through profit or loss

In thousands of euro	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Net income - financial instruments at fair value through profit or loss	47,549	24,637
Net income - carried interest	27,269	15,893
Net income - foreign exchange operations	12,784	11,406
Net income - equity securities and related derivatives held for trading	-	639
Net income - other trading operations	(3)	1,624
TOTAL	**87,599**	**54,199**

Net gains and losses on financial instruments at fair value through profit or loss include the changes in fair value of financial instruments at fair value through profit or loss, and financial instruments held in the trading portfolio, including derivatives.

Financial instruments at fair value through profit or loss include both ordinary equity and carried interest shares held by the Group in its Merchant Banking funds. They also include certain loans made to its Merchant Banking funds.

Note 22 - Net gains / (losses) on financial assets at fair value through other comprehensive income

In thousands of euro	01/01/18 30/06/18 (6 months)
Dividend income from strategic equity securities designated at FVOCI	-
TOTAL	**-**

Dividend income from the Group's interest in EdRS is included as dividend income within "net income / (expense) from other assets" (note 26).

Note 23 - Net gains / (losses) on available-for-sale financial assets

In thousands of euro	01/04/17 30/09/17 (6 months)
Gains or losses on disposal	27,347
Impairment losses on AFS equities	(1,345)
Dividend income	2,750
TOTAL	**28,752**

Note 24 - Operating expenses

In thousands of euro	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Compensation and other staff costs	(567,810)	(472,146)
Defined benefit pension expenses	(8,381)	(9,821)
Defined contribution pension expenses	(6,278)	(6,280)
Staff costs	**(582,469)**	**(488,247)**
Administrative expenses	(150,440)	(146,426)
TOTAL	**(732,909)**	**(634,673)**

Staff costs

As part of its variable pay strategy, the Group pays bonuses to employees. In some cases, the cash payment is deferred to future years.

Deferred cash awards are paid one, two and three years after the year of the award, and the expense is recognised over the two, three and four-year periods from the start of the year of the award to the date of payment. These awards are paid on the condition that the recipient is still an employee of the Group. For certain employees, a portion of the deferred bonus will be settled in the form of R&Co shares rather than cash, in response to the Capital Requirements Directive 4 (CRD4). The R&Co shares are released to the employees six months after the vesting date of the award.

A commitment to employees exists in connection with this deferred remuneration. Some of this has not yet accrued because it relates to a future service period. The amount of potential future payments that have not yet accrued is €88.1 million (€79.2 million as at 31 December 2017).

The objective of the deferred share-based payment awards is to link the reward of certain key staff with the performance of the Group. In addition to the requirement to remain employed by the Group, these awards may also be cancelled under specific circumstances.

Note 25 - Cost of risk

In thousands of euro	Impairment	Impairment reversal	Recovered loans	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Loans and advances to customers	(7,268)	9,246	77	2,055	(3,801)
Available for sale financial assets	-	-	-	-	1,120
Securities at amortised cost	-	88	-	88	-
Other assets	(1,828)	263	-	(1,565)	(1,675)
TOTAL	**(9,096)**	**9,597**	**77**	**578**	**(4,356)**

Note 26 - Net income / (expense) from other assets

In thousands of euro	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Dividend from long-standing shareholding, designated at FVOCI	5,474	5,242
Non-operating income / (expense)	(145)	-
Gains / (losses) on sales of tangible or intangible assets	(376)	875
Gains / (losses) on acquisition, disposal and impairment of subsidiaries and associates	(4,314)	(358)
TOTAL	**639**	**5,759**

Note 27 - Income tax expense

In thousands of euro	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Current tax	(26,492)	(33,824)
Deferred tax	(9,763)	4,152
TOTAL	**(36,255)**	**(29,672)**

The net tax charge can be analysed between a current tax charge and a deferred tax charge as follows:

Current tax

In thousands of euro	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Tax charge for the period	(28,905)	(25,120)
Adjustments related to prior periods	4,506	(3,154)
Irrecoverable dividend-related tax	(2,133)	(3,729)
Other	40	(1,821)
TOTAL	**(26,492)**	**(33,824)**

Deferred tax

In thousands of euro	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Temporary differences	(9,288)	4,138
Changes in tax rates	309	248
Adjustments related to prior years	(784)	(234)
TOTAL	**(9,763)**	**4,152**

Reconciliation of the tax charge between the French standard tax rate and the effective rate

In thousands of euro		01/01/18 30/06/18 (6 months)		01/04/17 30/09/17 (6 months)
Profit before tax		**261,773**		**205,632**
Expected tax charge at standard French corporate income tax rate	34.4%	90,128	34.4%	70,799
Main reconciling items (1)				
Impact of foreign profits and losses taxed at different rates	(15.0%)	(39,251)	(13.1%)	(27,035)
Tax on partnership profits recognised outside the Group	(6.3%)	(16,533)	(11.9%)	(24,443)
Tax impacts relating to prior years	(1.4%)	(3,722)	+1.6%	3,332
Tax on income from associate recorded net of tax	(0.2%)	(410)	(0.1%)	(295)
Tax impact on deferred tax relating to change of the corporate income tax rate	(0.1%)	(309)	(0.1%)	(160)
Permanent differences	+0.3%	909	+0.4%	843
(Gains) / losses where no deferred tax is recognised	+0.5%	1,382	(0.5%)	(1,113)
Tax on dividends received through partnerships	+0.6%	1,457	+1.8%	3,602
Irrecoverable and other dividend-related taxes	+0.8%	2,133	+1.8%	3,729
Other tax impacts	+0.2%	471	+0.2%	413
Actual tax charge	**13.8%**	**36,255**	**14.4%**	**29,672**
EFFECTIVE TAX RATE		**13.8%**		**14.4%**

(1) *The categories used in the comparative disclosure are presented in a way that is consistent with the categories used to explain the tax in the current period.*

Note 28 - Related parties

In thousands of euro	30/06/2018			31/12/2017		
	Companies accounted for by the equity method	Executive Directors	Other related parties	Companies accounted for by the equity method	Executive Directors	Other related parties
Assets						
Loans and advances to customers	5,037	-	9,706	4,925	-	10,111
Other assets	2	-	6	25	-	39
TOTAL ASSETS	**5,039**	**-**	**9,712**	**4,950**	**-**	**10,150**
Liabilities						
Due to customers	-	2,622	66,478	-	2,814	56,133
Other liabilities	145	-	-	-	-	-
TOTAL LIABILITIES	**145**	**2,622**	**66,478**	**-**	**2,814**	**56,133**
Loan and guarantee commitments						
Guarantees and commitments given	-	-	1,559	-	-	125
TOTAL COMMITMENTS	**-**	**-**	**1,559**	**-**	**-**	**125**

In thousands of euro	01/01/18 30/06/18 (6 months)			01/04/17 30/09/17 (6 months)		
	Companies accounted for by the equity method	Executive Directors	Other related parties	Companies accounted for by the equity method	Executive Directors	Other related parties
Income and expenses from transactions with related parties						
Net interest received	113	12	6	-	-	17
Net fee and commission income / (expense)	(410)	-	-	-	-	-
Other income	-	-	62	1,120	-	237
TOTAL NET BANKING INCOME	**(297)**	**12**	**68**	**1,120**	**-**	**254**
Other expenses	(285)	-	(1,188)	(348)	-	(732)
TOTAL EXPENSES	**(285)**	**-**	**(1,188)**	**(348)**	**-**	**(732)**

Note 29 - Segmental information

The table below presents a segmental analysis by business line, used internally for assessing business performance, which is then adjusted to conform to the Group's statutory accounting policies. The reconciliation to IFRS mainly reflects: the treatment of profit share paid to French partners as non-controlling interests; accounting for deferred bonuses over the period that they are earned; the application of IAS 19 for defined benefit pension schemes; a central impairment provision in "net income / (expense) from other assets"; and reallocation of impairments and certain operating income and expenses for presentational purposes.

Following the change of financial year end, further consolidated income statement data has been prepared to aid comparison between reporting periods. This information includes additional segmental information and is set out in section 1. Highlights.

Segmental information split by business

In thousands of euro	Global Advisory	Wealth & Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	01/01/18 30/06/18 (6 months)
Net banking income	**636,085**	**261,439**	**104,973**	**15,159**	**1,017,656**	**(11,140)**	**1,006,516**
Operating expenses	(529,515)	(217,475)	(33,532)	(29,638)	(810,160)	63,472	(746,688)
Cost of risk	-	-	-	-	-	578	578
Operating income	**106,570**	**43,964**	**71,441**	**(14,479)**	**207,496**	**52,910**	**260,406**
Share of profits of associated entities	-	-	-	-	-	728	728
Non-operating income	-	-	-	-	-	639	639
Profit before tax	**106,570**	**43,964**	**71,441**	**(14,479)**	**207,496**	**54,277**	**261,773**

In thousands of euro	Global Advisory	Wealth & Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	01/04/17 30/09/17 (6 months)
Net banking income	**492,072**	**246,906**	**97,484**	**19,523**	**855,985**	**(3,639)**	**852,346**
Operating expenses	(431,572)	(220,433)	(31,900)	(28,092)	(711,997)	63,005	(648,992)
Cost of risk	-	-	-	-	-	(4,356)	(4,356)
Operating income	**60,500**	**26,473**	**65,584**	**(8,569)**	**143,988**	**55,010**	**198,998**
Share of profits of associated entities	-	-	-	-	-	875	875
Non-operating income	-	-	-	-	-	5,759	5,759
Profit before tax	**60,500**	**26,473**	**65,584**	**(8,569)**	**143,988**	**61,644**	**205,632**

Net banking income split by geographical segments

In thousands of euro	01/01/18 30/06/18 (6 months)	%	01/04/17 30/09/17 (6 months)	%
United Kingdom and Channel Islands	342,005	34%	181,585	21%
France	245,094	24%	292,724	34%
Rest of Europe	190,446	19%	151,433	18%
Americas	126,523	13%	133,064	16%
Switzerland	60,999	6%	60,020	7%
Australia and Asia	29,209	3%	26,146	3%
Other	12,240	1%	7,374	1%
TOTAL	**1,006,516**	**100%**	**852,346**	**100%**

The breakdown by geographic segment is based on the geographic location of the entity that records the income.

Note 30 - Earnings per share

	01/01/18 30/06/18 (6 months)	01/04/17 30/09/17 (6 months)
Net income - Group share (millions of euro)	161.1	88.2
preferred dividends adjustment (millions of euro)	*(0.7)*	*(0.4)*
Net income - Group share after preferred dividends adjustment (millions of euro)	**160.4**	**87.8**
Basic average number of shares in issue - 000s	75,108	74,531
Earnings per share - basic (euro)	**2.14**	**1.18**
Diluted average number of shares in issue - 000s	76,401	76,113
Earnings per share - diluted (euro)	**2.10**	**1.15**

Basic earnings per share are calculated by dividing Net income - Group share (after removing accrued preferred dividends, which are not part of the profit earned by ordinary shareholders) by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share are calculated using the treasury share method, whereby net income is divided by the weighted average number of ordinary shares outstanding plus the bonus number of ordinary shares that would be issued through dilutive option or share awards. Share options and awards which are dilutive are those which are in the money, based on the average share price during the period. The majority of potential ordinary shares which are not dilutive are connected to the R&Co Equity Scheme.

As there were no gains or losses on discontinued activities, the earnings per share on continuing activities are the same as earnings per share.

Following the change of financial year end, further earnings per share data has been prepared to aid comparison between reporting periods. This further data is set out in section 1. Highlights.

Note 31 - Consolidation scope

As at 30 June 2018, the main entities in the Group's consolidation scope can be summarised as follows.

		30/06/2018		31/12/2017		Consolidation method [1]	
Company name	**Country of operation**	**% Group voting interest**	**% Group ownership interest**	**% Group voting interest**	**% Group ownership interest**	**30/06/2018**	**31/12/2017**
Concordia Holding SARL	France	100.00	99.98	100.00	99.98	FC	FC
K Développement SAS	France	100.00	99.98	100.00	99.98	FC	FC
Rothschild Martin Maurel SCS [2]	France	99.99	99.82	99.99	99.82	FC	FC
Rothschild GmbH	Germany	100.00	99.66	100.00	99.66	FC	FC
Rothshild Bank International Limited	Guernsey	100.00	99.52	100.00	99.52	FC	FC
Rothschild Europe BV	Netherlands	100.00	99.66	100.00	99.66	FC	FC
Rothschild Bank AG	Switzerland	100.00	90.09	100.00	90.09	FC	FC
Rothschild Concordia AG	Switzerland	100.00	99.10	100.00	99.10	FC	FC
Rothschild Holding AG [3]	Switzerland	90.52	90.09	90.52	90.09	FC	FC
Rothschilds Continuation Holdings AG [3]	Switzerland	99.99	99.52	99.99	99.52	FC	FC
N M Rothschild & Sons Limited	United Kingdom	100.00	99.52	100.00	99.52	FC	FC
Rothschild North America Inc.	United States of America	100.00	99.52	100.00	99.52	FC	FC

(1) FC: full consolidation.

(2) Some subsidiaries are limited partnerships (sociétés en commandite simple). *The percentage interest recorded in the consolidated accounts is calculated in accordance with the statutory regulations applicable to limited partnerships based on the individual results of each partnership, after taking into consideration the share attributable to workers' remuneration.*

(3) Following completion on 6 August 2018 of the agreement to unwind cross-shareholdings with Edmond de Rothschild, the Group has a voting interest of 100% from this date.

Statutory Auditors' review on the half-year consolidated financial information

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the period from January 1, 2018 to June 30, 2018

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying half-year summary consolidated financial statements of Rothschild & CO S.C.A., for the period from January 1, 2018 to June 30, 2018,
- the verification of the information presented in the half-yearly management report.

These half-year summary consolidated financial statements are the responsibility of the Management. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-year summary consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without prejudice to the conclusion expressed above, we draw your attention to the first time application of IFRS 9 "Financial Instruments" explained in Note 3 "adoption of new accounting standards" and Note 4.4 "changes in significant accounting policies" in the summary consolidated financial statements.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the half-year summary consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the half-year summary consolidated financial statements.

Paris La Défense, on September 25, 2018
KPMG S.A.

Arnaud Bourdeille
Partner

Paris, on September 25, 2018
Cailliau Dedouit et Associés

Sandrine Le Mao
Partner

Persons responsible for the half-year financial report

Rothschild & Co Gestion SAS
Managing Partner

Mark Crump
Group Chief Financial Officer

Statement by the persons responsible for the half-year financial report

We hereby declare that, to the best of our knowledge, the the summary interim consolidated financial statements for the past six-month period havebeen prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profitor loss of the Company and all the other companies included in the scope of consolidation, and that the half-year activity report includes a fair reviewof the material events that occurred in the first six months of the financial year, their impact on the interim accounts and the main transactionsbetween related parties, together with a description of the principal risks and uncertainties for the remaining six months of the year.

Paris, 25 September 2018

Rothschild & Co Gestion SAS
Managing Partner
Represented by Alexandre de Rothschild, Chairman

Mark Crump
Group Chief Financial Officer

About Rothschild & Co

With a team of c.3,500 talented financial services specialists on the ground in over 40 countries across the world, our integrated global network of trusted professionals provide in-depth market intelligence and effective long-term solutions for our clients in Global Advisory, Private Wealth & Asset Management, and Merchant Banking. Rothschild & Co is family-controlled and independent and has been at the centre of the world's financial markets for over 200 years.

Rothschild & Co is a French partnership limited by shares (société en commandite par actions) listed on Euronext in Paris, Compartment A with a share capital of €154,925,024. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

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Financial calendar:

- 13 November 2018 Third quarter information 2018 (July - September)
- 12 March 2019 Full year results 2018 (January - December)
- 14 May 2019 First quarter information 2019 (January - March)
- 16 May 2019 Annual General Meeting

Rothschild & Co