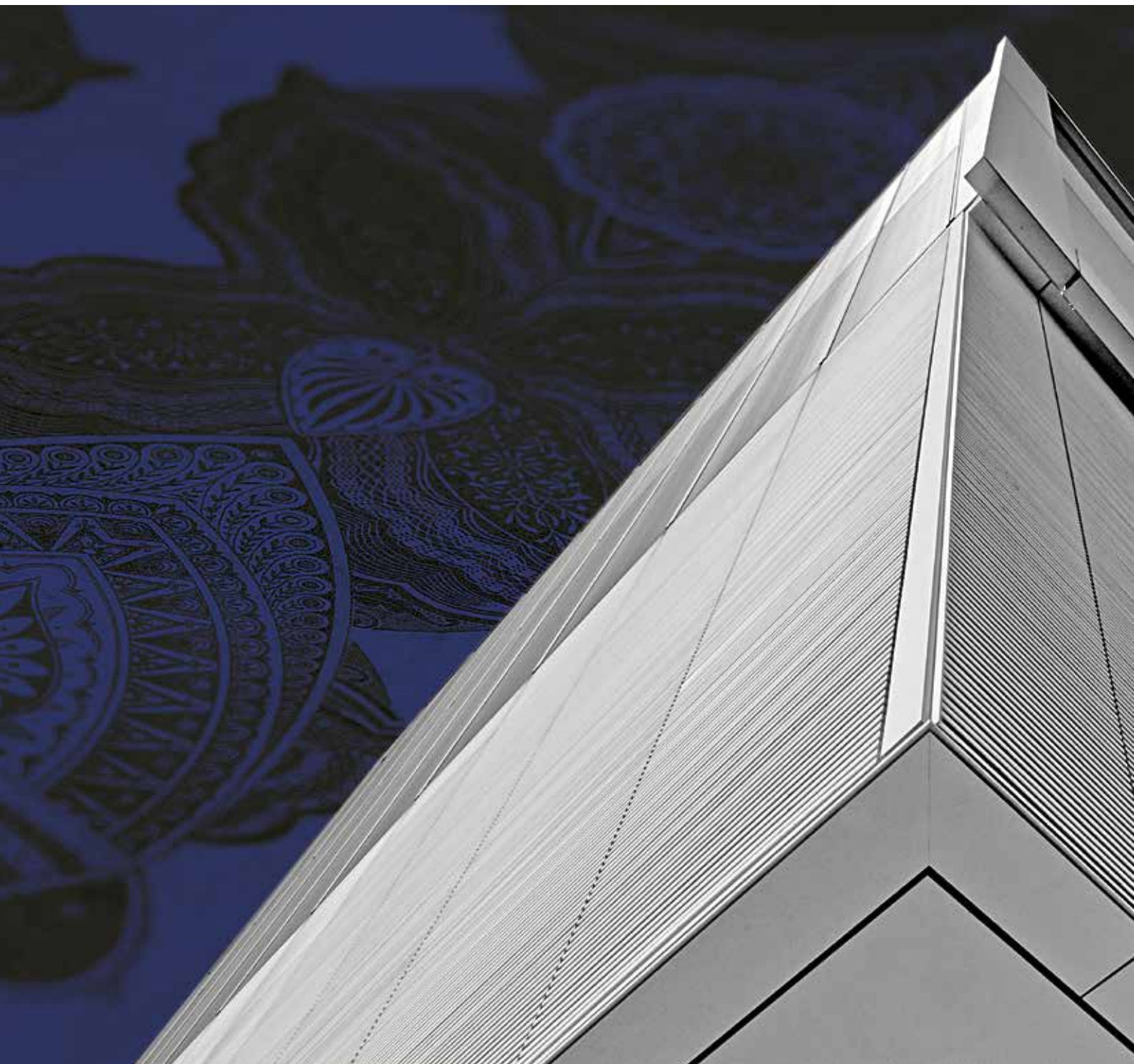


# Rothschild & Co

Half-year financial report  
Six months to 30 June 2019





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# Half-year activity report

## 1. Summary Consolidated Income Statement

The Supervisory Board of Rothschild & Co SCA met on 17 September 2019 to review the consolidated financial statements from 1 January 2019 to 30 June 2019; these accounts had been previously approved by Rothschild & Co Gestion SAS, Managing Partner of Rothschild & Co.

(in €m)	Page	H1 2019	H1 2018	Var	Var %
<b>Revenue</b>	<b>3 - 6</b>	<b>898</b>	<b>1,007</b>	<b>(109)</b>	<b>(11)%</b>
Staff costs	6	(520)	(583)	63	(11)%
Administrative expenses	6	(134)	(150)	16	(11)%
Depreciation and amortisation	7	(31)	(14)	(17)	121%
Impairments	7	2	1	1	100%
<b>Operating Income</b>		<b>215</b>	<b>261</b>	<b>(46)</b>	<b>(18)%</b>
Other income / (expense) (net)	7	18	1	17	N/A
<b>Profit before tax</b>		<b>233</b>	<b>262</b>	<b>(29)</b>	<b>(11)%</b>
Income tax	7	(36)	(36)	0	-
<b>Consolidated net income</b>		<b>197</b>	<b>226</b>	<b>(29)</b>	<b>(13)%</b>
Non-controlling interests	7	(63)	(65)	2	(3)%
<b>Net income - Group share</b>		<b>134</b>	<b>161</b>	<b>(27)</b>	<b>(17)%</b>
Adjustments for Exceptionals	10	(10)	3	(13)	(433)%
<b>Net income - Group share excl. exceptionals</b>		<b>124</b>	<b>164</b>	<b>(40)</b>	<b>(24)%</b>
Earnings per share <sup>1</sup>		1.88 €	2.14 €	(0.26) €	(12)%
<b>EPS excl. exceptionals</b>		<b>1.73 €</b>	<b>2.18 €</b>	<b>(0.45) €</b>	<b>(21)%</b>
Return On Tangible Equity (ROTE)		15.2%	19.0%		
<b>ROTE excl. exceptionals</b>		<b>14.0%</b>	<b>19.4%</b>		

<sup>1</sup> Diluted EPS is €1.85 (H1 2018: €2.10)

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

## 2. Business activities

### 2.1 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.

**Revenue for H1 2019 was €545 million**, down 14% compared to the same period in 2018 (€636 million) which was our record first half year for revenue. For the twelve months to June 2019, **we ranked 6<sup>th</sup> globally by financial advisory revenue<sup>1</sup>**, compared to 5<sup>th</sup> for the twelve months to March 2019.

Operating income for H1 2019, excluding ongoing investment in the development of our North American M&A franchise, was €93 million (H1 2018: €117 million), representing an **operating income margin of 17.0%** (H1 2018: 18.4%) and continues to be at the top end of our target range over the cycle. Including the effect of ongoing investment in senior hiring in North America, operating income was €83 million (H1 2018: €107 million) with an operating income margin of 15.2% (H1 2018: 16.8%).

<sup>1</sup> Company filings

Our M&A business remains well positioned, ranking **2<sup>nd</sup> globally by number of completed transactions** for the twelve months to June 2019<sup>2</sup>. In Europe, we continue to advise on more M&A transactions than any of our competitors, a position we have held for more than a decade<sup>3</sup>. M&A advisory revenue for H1 2019 was €437 million, down 11% compared to H1 2018 (€490 million), which is broadly consistent with the trend in global completed M&A transactions over the same period and follows a record H1 2018 for M&A revenue.

Financing Advisory revenue for H1 2019 was €108 million, down 26% compared to H1 2018 (€146 million). This reflected lower activity in equity capital markets and in restructuring situations. Despite this, we continued to be highly active, **ranking 2<sup>nd</sup> in Europe by numbers of completed restructuring transactions**<sup>3</sup> during the twelve months to June 2019 and maintaining our position as adviser on more European equity capital market assignments than any other independent financial adviser<sup>3</sup>.

The quality of our people is our principal competitive advantage and we continue to add to and strengthen our senior team. During H1 2019, we promoted 19 new MDs across the business, demonstrating our focus on growing talent from within. In addition, we recruited three new MDs into both our German and Asian businesses, as well as a new Co-Head of Shareholder Engagement to support our Investor Advisory practice. We also continued our ongoing strategic investment in North America during the period, with the recently announced recruitment of 2 new MDs focusing respectively on clients in the Financial Institutions sector and the Infrastructure, Power and Renewables space.

Global Advisory advised the following clients on significant assignments completed in the six months to June 2019:

- **RPC Group** on its sale to Berry Global Group (£4.7 billion, UK and United States)
- **Jardine Matheson** on the recommended cash offer for Jardine Lloyd Thompson by Marsh & McLennan (£4.3 billion, Hong Kong, UK and United States)
- **The Coca-Cola Company** on its acquisition of Costa Coffee (US\$5.1 billion, United States and UK)
- **BC Partners** on its sale of Antelliq to Merck (€3.25 billion, UK and United States)
- **Volkswagen** on its carve out IPO of TRATON on Frankfurt Stock Exchange and Nasdaq Stockholm (€1.6 billion, Germany)

In addition, we continue to work on some of the largest and most complex announced transactions globally, including acting as financial adviser to:

- **Mubadala** on its disposal of a 30% to 40% stake in CEPSA, to the Carlyle Group (US\$12 billion, Spain)
- **Asahi Group Holdings** on its acquisition of Carlton & United Breweries from Anheuser-Busch InBev (US\$11.3 billion, Japan, Australia and Belgium)
- **EQT, ADIA and PSP Investments** on its acquisition of Nestle Skin Health (CHF10.2 billion, Switzerland)
- **BTG** on the recommended cash offer by Boston Scientific (£3.3 billion, UK and United States)
- **Cobham** on its recommended cash offer from Advent International (£4.2 billion, UK)
- **Nyrstar** (advisor to shareholders) on its restructuring (US\$3.6 billion, Belgium)

For further examples of Global Advisory assignments completed during 2019, please refer to Appendix F.

## 2.2 **Wealth & Asset Management**

Wealth & Asset Management is made up of our Wealth Management businesses in France, Switzerland, UK, Belgium, Germany, Monaco and Italy and our Asset Management activity in Europe. In addition, we operate an Asset Management business in North America.

The sale of our worldwide wealth planning and trust services business was completed in February 2019. All financials for 2018 and 2019 for the Wealth & Asset Management business have therefore been restated to exclude this activity which has been reclassified in “Other businesses” at Group level.

<sup>2</sup> Refinitiv, completed transaction, Excludes accountancy firms

<sup>3</sup> Dealogic

The business model, based on organic growth thanks to synergies between our three businesses, continues to flourish. As a result, **Net New Assets (NNA) was strong at €2.0 billion**, providing 6% growth of AUM (on an annualised basis) from the opening asset position. All European countries in Wealth Management have seen positive net inflows, with a record half year level in France. Asset Management achieved net inflows of €0.1 billion.

**Assets under Management (AuM) increased by 10.4% (or €6.7 billion) to €71.5 billion** as at 30 June 2019 (31 December 2018: €64.8 billion). The growth was driven both by strong NNA as well as more favourable market conditions, which recovered during H1 2019 following the decline in the fourth quarter of 2018.

The table below presents the progress in Assets under Management.

<i>In € billion</i>	<b>H1 2019</b>	<b>H1 2018</b>	<b>12m to June 2019</b>
<b>AuM opening</b>	<b>64.8</b>	<b>67.3</b>	<b>68.9</b>
Net new assets	2.0	2.0	1.5
<i>of which Wealth Management</i>	<i>1.9</i>	<i>1.9</i>	<i>2.2</i>
<i>of which Asset Management</i>	<i>0.1</i>	<i>0.1</i>	<i>(0.7)</i>
Market and exchange rate	4.7	(0.4)	1.1
<b>AuM closing (30 June)</b>	<b>71.5</b>	<b>68.9</b>	<b>71.5</b>

**Revenue for H1 2019 was €239 million** (H1 2018: €241 million), down 1% over the period penalised by the low interest rate environment in our French and Swiss businesses. The flat revenue reflects two opposing factors: an increase in commissions supported by positive market performance during H1 2019 and excellent net asset inflows; offset by lower income on our treasury activity and the increasing impact of negative interest rates on higher European Central Bank deposits as a result of the strong asset inflows which increased clients' cash balances. This has impacted our net interest income by around 14% between H1 2019 and H1 2018.

**Operating income for H1 2019 was €38 million** (H1 2018: €48 million pre Martin Maurel integration costs, or €43 million including these costs), representing an **operating margin of 16.1%** (H1 2018: 19.7% pre Martin Maurel integration costs, or 17.7% including these costs). This mainly reflects higher costs in the period relating to additional personnel costs (recruitment of client advisers and opening of Dusseldorf office) as well as higher compliance and IT applications costs..



## 2.3 Merchant Banking

Merchant Banking is the investment arm of the Group deploying the firm's and third parties' capital in private equity and private debt opportunities. The division continued to perform well during H1 2019, generating **revenue of €110 million, up 5%** (H1 2018: €105 million). When compared to the average first half year revenue for the last three years, revenue is up 38%. Revenue comprises two main sources:

- Recurring revenue (management fees net of placement fees) of €41 million, up 16% (H1 2018: €36 million),
- Investment performance related revenue of €69 million, in line with last year (H1 2018: €69 million) comprising:
  - €33 million of carried interest (H1 2018: €24 million, up 38%), and
  - €36 million of realised and unrealised investment gains and dividends (H1 2018: €45 million, down 20%).

The carried interest in H1 2019 was significantly higher than last year as several funds, including the division's flagship private equity fund, Five Arrows Principal Investments II (FAPI II), achieved their respective carried interest accrual thresholds (or "hurdle rates") in the period. The combined contribution of carried interest and investment income demonstrates the continued strong performance of Merchant Banking's funds in H1 2019.

Merchant Banking's strategy is to steadily increase its recurring revenue stream through the expansion of its Assets under Management ("AuM") through the launch of new funds, whilst maintaining its absolute focus on delivering excellent investment performance within its existing funds. The execution of this strategy has been evidently successful to date: recurring revenue has increased almost threefold over the last five years and now represents 37% of total revenue. Through its Merchant Banking business, the Group deploys its capital into a diversified range of assets in terms of securities, geographic markets and currencies, offering strong downside protection and an attractive risk-reward profile.

**Operating income was €68 million in H1 2019**, slightly below H1 2018 (€71 million), representing a 62% operating margin (H1 2018: 68%). The decline in operating margin is mainly related to a more conservative approach to certain expense accruals in H1 2019.

A critical indicator to measure the performance of Merchant Banking is Return On Risk Adjusted Capital ("RORAC"), a ratio between adjusted profit before tax and an internal measure of risk capital invested in the business, on a rolling three year basis. As at 30 June 2019, **RORAC was 28%**, in line with last year and well above the division's stated target (above 15% through the cycle).

The alignment of interests between the Group and third-party investors remains a key differentiator for this business. During H1 2019 the Group's share of the investments made by the division amounted to €59 million, deployed across multiple corporate and secondary private equity funds and direct lending funds. Proceeds for the Group of €71 million were generated primarily by the disposals of Karnov (a leading provider of legal, tax and accounting information) by FAPI II, (generation a 3.1x MOIC<sup>4</sup>), and of Pirum (a specialised post-trade service provider to capital markets operators) by FAPI I (delivering a 2.7x MOIC).

**Merchant Banking's AuM were €11.8 billion as at 30 June 2019** (31 December 2018: €11.1 billion), up 7%, mainly due to the growth of the AuM base of the Credit Management business (new investment mandates in the Oberon strategy and new CLO vehicles). This growth trajectory should continue in H2 2019 with the anticipated closings of new secondary and multi-manager funds and CLO vehicles.

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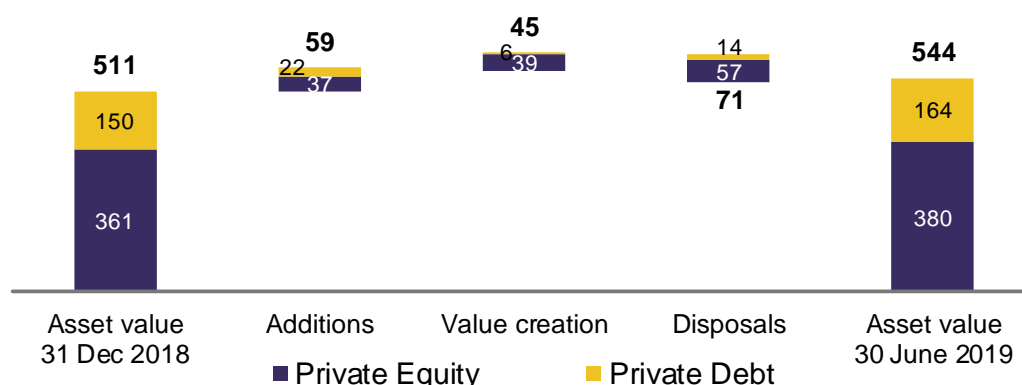
<sup>4</sup> MOIC stands for Multiple On Invested Capital

During H1 2019, the main events for the private equity strategies were:

- The final closing of FAPI III, the third-generation fund of Merchant Banking's flagship European mid-market private equity strategy, raising in excess of €1.25 billion. The fund has started to deploy its capital and has completed two investments in its target sectors of healthcare and tech-enabled business services,
- The end of FAPI II's investment period and the start of the monetisation phase of its portfolio with the Karnov IPO,
- The completion of the third investment by Five Arrows Capital Partners ("FACP", our private equity fund focused on the US market) with the acquisition of Zenith American Solutions, a leading administrator of benefit plans in the US, recently followed by a fourth transaction in the healthcare services industry,
- The end of Five Arrows Secondary Opportunities IV's (FASO IV, secondary private equity fund) investment period following the completion of its last two portfolio acquisitions in Germany and Italy. The team is now focusing on the fundraising of FASO V, the first closing of which was held at the end of July 2019.

The Direct Lending business also enjoyed a very active H1 2019: Five Arrows Credit Solutions ("FACS"), our junior debt-focused direct lending fund, completed its sixth and final transaction bringing its investment period to a close. The fund has now also secured seven full exits, generating attractive returns in line with or exceeding its targets. Meanwhile, Five Arrows Direct Lending ("FADL") completed four transactions new investments and is now more than 90% committed.

#### Evolution in Net asset value of the Group's investments in Merchant Banking products (in millions of euros)



### 3. Consolidated financial results

#### 3.1 Revenue

For H1 2019, revenue was €898 million (H1 2018: €1,007 million), representing a decrease of €109 million or 11%. This was largely due to Global Advisory where revenue decreased by €91 million. The translation effect of exchange rate fluctuations impacted revenue positively by €12 million.

#### 3.2 Operating expenses

##### 3.2.1 Staff costs

For H1 2019, staff costs were €520 million (H1 2018: €583 million), representing a decrease of €63 million, largely due to lower variable compensation accruals in connection with lower revenues in Global Advisory. The translation impact of exchange rate fluctuations resulted in an increase in staff costs of €10 million.



The year-on-year staff costs comparison has been negatively impacted by €21 million due to the deferred bonus accounting (bonus charges in respect of prior periods higher than those deferred into future periods in H1 2019 and vice versa in H1 2018); H1 2019 represented a net charge of €13 million, whereas H1 2018 was a net credit of €8 million.

The adjusted compensation ratio, as defined in the Appendix G on Alternative Performance Measures, was 62.8% as at 30 June 2019 (31 December 2018: 62.0% and 30 June 2018: 62.2%). When adjusting for the effects of senior hiring in the US for the advisory business, the UK guaranteed minimum pension provision and exchange rates; the ratio is 61.4% (31 December 2018: 60.8% and 30 June 2018: 61.1%), in line with our financial target ("Low to mid 60s through the cycle").

Overall Group headcount decreased to 3,491 as at 30 June 2019 (31 December 2018: 3,633), following the sale of the Trust business.

### **3.2.2 Administrative expenses**

For H1 2019, administrative expenses were €134 million (H1 2018: €150 million) representing a decrease of €16 million. The translation impact of exchange rate fluctuations resulted in an increase in administrative expenses of €2 million. Last year's number included €5 million of costs related to the Martin Maurel integration.

In accordance with IFRS 16 adopted in January 2019, leased assets relating to significant items are capitalised as Right Of Use assets (ROU assets) with the rental cost replaced by interest expense and depreciation. This resulted in the reclassification of €18 million of property leasing costs from Administrative expenses to Depreciation for €16 million and to Interest cost for €2 million. Therefore, the real variation of the administrative expenses is an increase of €2 million due to higher IT application costs, market data costs as well as compliance costs.

### **3.2.3 Depreciation and amortisation**

For H1 2019, depreciation and amortisation was €31 million (H1 2018: €14 million), representing an increase of €17 million, of which €16 million is explained by the first time application of IFRS 16 (leases) which resulted in a shift of property leasing costs from administrative expenses to depreciation as described above.

The translation impact of exchange rate fluctuations resulted in an increase in depreciation and amortisation of €1 million.

### **3.2.4 Impairment charges and loan provisions**

For H1 2019, impairment charges and loan provisions were a credit of €2 million (H1 2018: credit of €1 million) due to a reassessment of certain credit risks, which resulted in a reduction of certain loan provisions.

## **3.3 Other income / (expenses)**

For H1 2019, other income and expenses, which include results from equity accounted companies and gains / losses on disposal of subsidiaries and associates, resulted in a net income of €18 million (H1 2018: income of €1 million). In H1 2019, Other income comprises net capital gains on property transactions and on legacy assets including the sale of Trust.

## **3.4 Income tax**

For H1 2019, the income tax charge was €36 million (H1 2018: €36 million) comprising a current tax charge of €35 million and a deferred tax charge of €1 million, giving an effective tax rate of 15.6% (H1 2018: 13.8%).

### 3.5 Non-controlling interests

For H1 2019, the charge for Non-controlling interests was €63 million (H1 2018: €65 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.

## 4. Financial structure

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*). The Group continues to maintain a high level of liquidity. As at 30 June 2019, total liquid assets as a percentage of total assets was 60% (31/12/2018: 60%).

The CET 1 ratio was 20.1%<sup>5</sup> as at 30 June 2019 (31/12/2018: 20.4%). The common equity tier 1 capital is calculated in accordance with applicable CRR/CRD4 rules with no transitory provisions. The solvency ratios are presented with the inclusion of earnings<sup>6</sup> for the current financial year. The ratios set out below, under full application of the Basel 3 rules, are comfortably above the minimum requirement:

	30/06/2019	31/12/2018	Full Basel 3 minimum with the CCB (Capital Conservation Buffer)
Common Equity Tier 1 ratio	20.1%	20.4%	7.0%
Global solvency ratio	20.1%	20.4%	10.5%

## 5. Brexit

The United Kingdom's exit from Europe is scheduled for 31 October 2019. It is possible, given the complexity of the issues at stake and lack of progress to date, that there could be a period of extended uncertainty beyond this date.

Our multiple location model is resilient and very few changes to our legal and operating structure will be required as a consequence of Brexit. Changes that are being or have been implemented are minor and largely concentrated in our wealth and asset management activities. For example, the Milan branch of our UK Wealth Management business is now a wholly owned subsidiary of R&Co Wealth Management UK Ltd and is authorised and regulated in its own right by the Bank of Italy and Consob. Other changes, such as shifting investment management activities to existing EU entities will be undertaken depending upon the terms of the UK's departure from the EU. The situation is further eased as a consequence of the decision made jointly by the European Securities and Markets Authority (ESMA) and European securities regulators on 1 February 2019 to agree Memoranda of Understanding with the UK Financial Conduct Authority (FCA). These memoranda, which come into effect in the event of a no deal Brexit, concern the exchange of information in the supervision of credit rating agencies, as well as supervisory cooperation, enforcement and information exchange between EU regulators and the FCA. This allows activities like fund management outsourcing and delegation to continue to be carried out in the UK on behalf of EEA counterparties.

Of course, there is still much uncertainty surrounding the terms of the UK's departure from the EU, but our current assessment is that the biggest risk for our business is the impact of Brexit on the UK and European economic environment. We continue to monitor developments closely.

<sup>5</sup> The ratio submitted to ACPR as at 30 June 2019 was 18.9% which excluded the half-year profit

<sup>6</sup> Subject to the provisions of article 26.2 of Regulation (EU) No 575/2013

## 6. Outlook

In **Global Advisory**, following a robust first half revenue performance, our visible pipeline of business remains solid and well diversified due to our broad market reach. Accordingly, we anticipate that we will experience similar levels of activity during the second half of the financial year as compared to the first, albeit in the context of a record year in 2018, making comparatives challenging. It is notable, however, that publicly available data indicates that announced global M&A activity during the last twelve months has declined and, whilst we believe the general environment is still supportive for M&A and our market position, particularly in Europe, continues to be very strong, we remain alert to the signs of a more significant downturn in market activity which could adversely impact our business volumes.

**Wealth and Asset Management** has a solid base from which to grow and to continue to deliver strong net new assets in Wealth Management across all main geographies. The macro economic factors, however, are uncertain resulting in increased market volatility, and the low interest rate environment will continue to impact profitability.

**Merchant Banking** expects to continue growing its AuM and to maintain a significant contribution to the Group's results. However, its contribution to profitability in the second half-year will be lower due to the carry "catch up" earned in the first half not being repeated. The division will be focused on the deployment of the recently launched funds, will look for attractive exit opportunities for some of the more mature investment positions and will continue its fundraising efforts, mainly in secondary private equity, direct lending and credit management. Our portfolios' performance remains strong and we continue to apply our investment philosophy that is centred around cautious and disciplined capital deployment, focusing on attractive risk-reward opportunities with appropriate downside protection features.

Despite potential headwinds in financial markets, we are confident that the high quality of our people, the long-term relationships we enjoy with our clients and our deep local knowledge will allow us to continue to generate good returns for our shareholders over the long term.

## A. Summary Consolidated Balance sheet

(in €bn)	30/06/2019	31/12/2018	Var
Cash and amounts due from central banks	5.2	4.7	0.5
Loans and advances to banks	1.8	2.0	(0.2)
Loans and advances to customers	3.1	2.9	0.2
<i>of which Private client lending</i>	2.6	2.5	0.1
Debt and equity securities	2.4	2.1	0.3
Other assets	1.6	1.5	0.1
<b>Total assets</b>	<b>14.1</b>	<b>13.2</b>	<b>0.9</b>
Due to customers	9.9	8.7	1.2
Other liabilities	1.7	2.0	(0.3)
Shareholders' equity - Group share	2.1	2.0	0.1
Non-controlling interests	0.4	0.5	(0.1)
<b>Total capital and liabilities</b>	<b>14.1</b>	<b>13.2</b>	<b>0.9</b>

The foreign exchange translation effect between 31 December 2018 and 30 June 2019 has no material effect on the balance sheet.

## B. Exceptional items

(in €m)	HY 2019			HY 2018		
	PBT	PATMI	EPS	PBT	PATMI	EPS
<b>As reported</b>	<b>233</b>	<b>134</b>	<b>1.88 €</b>	<b>262</b>	<b>161</b>	<b>2.14 €</b>
- Martin Maurel integration costs	-	-	-	(5)	(3)	(0.04) €
- Net profit on legacy assets	18	10	0.15 €	-	-	-
<b>Total Exceptional (Costs) / Gains</b>	<b>18</b>	<b>10</b>	<b>0.15 €</b>	<b>(5)</b>	<b>(3)</b>	<b>(0.04) €</b>
<b>Excluding Exceptional</b>	<b>215</b>	<b>124</b>	<b>1.73 €</b>	<b>267</b>	<b>164</b>	<b>2.18 €</b>

### Net profit on legacy assets

This comprises net gains on property transactions and on legacy assets including the sale of the Trust business in February 2019. Exceptional items in H1 2019 are all included in "Other income / (expense)" in the P&L.

## C. Performance by business

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation <sup>1</sup>	H1 2019
<b>Revenue</b>	<b>545</b>	<b>239</b>	<b>110</b>	<b>14</b>	<b>(10)</b>	<b>898</b>
Operating expenses	(462)	(202)	(42)	(28)	49	(685)
Impairments	-	1	-	-	1	2
<b>Operating income</b>	<b>83</b>	<b>38</b>	<b>68</b>	<b>(14)</b>	<b>40</b>	<b>215</b>
Other income / (expense)	-	-	-	-	18	18
<b>Profit before tax</b>	<b>83</b>	<b>38</b>	<b>68</b>	<b>(14)</b>	<b>58</b>	<b>233</b>
Exceptional profits	-	-	-	-	(18)	(18)
<b>PBT excluding exceptional charges / profits</b>	<b>83</b>	<b>38</b>	<b>68</b>	<b>(14)</b>	<b>40</b>	<b>215</b>
Operating margin %	15%	16%	62%	-	-	24%

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation <sup>1</sup>	H1 2018
<b>Revenue</b>	<b>636</b>	<b>241</b>	<b>105</b>	<b>34</b>	<b>(9)</b>	<b>1,007</b>
Operating expenses	(529)	(200)	(34)	(47)	63	(747)
Impairments	-	2	-	-	(1)	1
<b>Operating income</b>	<b>107</b>	<b>43</b>	<b>71</b>	<b>(13)</b>	<b>53</b>	<b>261</b>
Other income / (expense)	-	-	-	-	1	1
<b>Profit before tax</b>	<b>107</b>	<b>43</b>	<b>71</b>	<b>(13)</b>	<b>54</b>	<b>262</b>
Exceptional charges	-	5	-	-	-	5
<b>PBT excluding exceptional charges / profits</b>	<b>107</b>	<b>48</b>	<b>71</b>	<b>(13)</b>	<b>54</b>	<b>267</b>
Operating margin %	17%	20%	68%	-	-	27%

The sale of our worldwide wealth planning and trust services business was completed in February 2019. All financials for the Wealth & Asset Management business have therefore been restated to exclude this activity which has been reclassified in "Other businesses" at Group level.

<sup>1</sup> 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; adding back non-operating gains and losses booked in "net income/(expense) from other assets"; removing realised gains on sales of investment securities where the unrealised gain was in the AFS reserve at 31 December 2017 before the introduction on IFRS 9; and reallocating impairments and certain operating income and expenses for presentational purposes.

## D. FX rates

P&L				Balance sheet			
Rates	HY 2019	HY 2018	Var	Rates	30/06/2019	31/12/2018	Var
€ / GBP	0.8715	0.8798	(1)%	€ / GBP	0.8955	0.8938	0%
€ / CHF	1.1274	1.1649	(3)%	€ / CHF	1.1107	1.1288	(2)%
€ / USD	1.1300	1.2062	(6)%	€ / USD	1.1382	1.1439	(0)%

## E. Quarterly progression of revenue

In €m		H1 2019	H1 2018	Var
Global Advisory	1 <sup>st</sup> quarter	292.5	261.7	12%
	2 <sup>nd</sup> quarter	252.3	374.4	-33%
	<b>Total</b>	<b>544.8</b>	<b>636.1</b>	<b>-14%</b>
Wealth & Asset Management	1 <sup>st</sup> quarter	118.5	119.7	-1%
	2 <sup>nd</sup> quarter	120.7	121.2	0%
	<b>Total</b>	<b>239.2</b>	<b>240.9</b>	<b>-1%</b>
Merchant Banking	1 <sup>st</sup> quarter	24.1	25.2	-4%
	2 <sup>nd</sup> quarter	86.3	79.8	8%
	<b>Total</b>	<b>110.4</b>	<b>105.0</b>	<b>5%</b>
Other business and corporate centre	1 <sup>st</sup> quarter	9.8	17.0	-42%
	2 <sup>nd</sup> quarter	3.5	16.5	-79%
	<b>Total</b>	<b>13.3</b>	<b>33.5</b>	<b>-60%</b>
IFRS reconciliation	1 <sup>st</sup> quarter	(1.0)	(3.6)	-72%
	2 <sup>nd</sup> quarter	(9.2)	(5.3)	74%
	<b>Total</b>	<b>(10.2)</b>	<b>(8.9)</b>	<b>15%</b>
<b>Total Group Revenue</b>	1 <sup>st</sup> quarter	443.9	420.0	6%
	2 <sup>nd</sup> quarter	453.6	586.6	-23%
	<b>Total</b>	<b>897.5</b>	<b>1,006.6</b>	<b>-11%</b>



## F. Global Advisory track record

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Global Advisory advised the following clients on notable transactions completed in H1 2019.

### ***M&A and strategic advisory***

- The Coca-Cola Company, a beverage company, on its acquisition of Costa Coffee (US\$5.1 billion, United States and UK)
- RPC Group, the designer and engineer of plastic products, on its sale to Berry Global Group (£4.7 billion, UK and United States)
- Jardine Matheson, the Asian-based diversified group, on the recommended cash offer for Jardine Lloyd Thompson by Marsh & McLennan (£4.3 billion, Hong Kong, UK and United States)
- A.P. Moller – Maersk, the transport and logistics company, on its demerger and listing of Maersk Drilling on the Nasdaq Copenhagen (US\$3.5 billion, Denmark)
- Enagas together with Blackstone and GIC on its acquisition of 100% of class B shares and voting rights in Tallgrass Energy, the oil and natural gas pipeline company (US\$3.3 billion, Spain and United States)
- BC Partners on its sale of Antelliq, a leader in animal identification and data solutions, to Merck (€3.25 billion, UK and United States)
- CVC Capital Partners on its acquisition of 51.8% of Recordati, a Pharmaceuticals company (€3 billion, Italy)
- BPCE and Natixis, the financial services groups, on the disposal of Natixis' specialised financing activities to BPCE (€2.7 billion, France)
- Brambles, the provider of materials and services for the logistics industry, on its sale of IFCO to Triton/ADIA (US\$2.51 billion, Australia and Germany)
- Sika, the specialty chemicals company, on its acquisition of the Parex Group from CVC Capital Partners (€2.2 billion, Switzerland and France)
- Caraustar Industries, the paperboard products manufacturer, on its cash sale to Greif (US\$1.8 billion, United States)
- Faurecia, the automotive supplier, on its acquisition of Clarion (€1.2 billion, France and Japan)

### ***Financing Advisory***

- Ministry of Finance of Greece and Public Debt Management Agency on its 10-year bond issuance with 3.875% coupon (€2.5 billion, Greece)
- Southern Water, the water and sewerage company, on its strategic refinancing (£2 billion, United Kingdom)
- Volkswagen, the automotive manufacturing company, on its carve out IPO of TRATON on Frankfurt Stock Exchange and Nasdaq Stockholm (€1.6 billion, Germany)
- EG Group, the forecourt and convenience-store retailer, on its equivalent cross-border debut high-yield bond refinancing. (€1.6 billion, UK)
- Ferguson plc, the specialist trade distributor of plumbing and heating products, on its series of amendments to its US Private Placement notes (\$1.5 billion, UK)
- Ministry of Finance of Ukraine on its EUR-denominated Eurobond issuance (€1 billion, Ukraine)
- Medacta Group, the orthopaedics company, on its IPO on SIX Swiss Exchange (€561 million, Switzerland)
- Watches of Switzerland, the multi-channel luxury watch retailer, on its IPO on the London Stock Exchange (£242 million, UK)

## 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	<p>Ratio between adjusted staff costs divided by consolidated Net Banking Income of Rothschild &amp; Co.</p> <p>Adjusted staff costs represent:</p> <ol style="list-style-type: none"> <li>staff costs accounted in the income statement (which include the effects of accounting for deferred bonuses over the period in which they are earned as opposed to the "awarded" basis),</li> <li>to which must be added the amount of profit share paid to the French partners,</li> <li>from which must be deducted redundancy costs, revaluation of share-based employee liabilities and business acquisition costs treated as employee compensation under IFRS,</li> </ol> <p>- <b>which gives Total staff costs in calculating the basic compensation ratio</b></p> <ol style="list-style-type: none"> <li>from which the investment costs related to the recruitment of senior bankers in the United States must be deducted,</li> <li>from which the exceptional provision related to UK Guaranteed Minimum Pension</li> <li>the amount of adjusted staff costs is restated by the exchange rate effect to offset the exchange rate fluctuations from one year to the next one,</li> </ol> <p>- <b>which gives the adjusted staff costs for compensation ratio.</b></p>	<p>To measure the proportion of Net Banking Income granted to all employees.</p> <p>Key indicator for competitor listed investment banks.</p> <p>Rothschild &amp; Co calculates this ratio with adjustments to give the fairest and closest calculation to the one used by other comparable listed companies.</p>	<p>Please refer:</p> <p>in the Press release to § 3.2 Operating expenses / Staff costs and in the Investor presentation to slide 24</p>
Return on Tangible Equity (ROTE) excluding exceptionals	<p>Ratio between Net income - Group share excluding exceptional items and average tangible equity group share over the period.</p> <p>Tangible equity corresponds to total equity group share less intangible assets and goodwill.</p> <p>Average tangible equity over the period equal to the average between tangible equity as at 31 December 2018 and 30 June 2019.</p>	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 34
Business Operating margin	<p>Each Business Operating margin is calculated by dividing Profit before tax relative to revenue, business by business.</p> <p>It excludes exceptional items.</p>	To measure business' profitability	Please refer to § 2
Return on Risk Adjusted Capital (RORAC)	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	To measure the performance of the Merchant Banking business	In the Investor presentation release, please refer to slide 34

# Condensed half-year consolidated financial statement

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# Abbreviations and glossary

Term	Definition
ACPR	<i>Autorité de Contrôle Prudentiel et de Résolution</i> (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 4.2.1
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	Rothschild & Co operates a scheme for certain senior staff where participants are required to invest in Rothschild & 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 hierarchy, explained in section 4.5.1
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 <i>gérant</i> )
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 (IFRS 9)
R&Co	Rothschild & Co SCA
R&Co Gestion	Rothschild & Co Gestion SAS (the <i>gérant</i> /Managing Partner)
R&CoBI	Rothschild & Co Bank International Limited

Term	Definition
R&CoBZ	Rothschild & Co Bank AG Zurich
R&CoBZP	Rothschild & Co Bank AG Zurich pension funds
R&CoCL	Rothschild & Co Continuation Limited
R&CoHAG	Rothschild & Co Holding AG
R&CoNAP	Defined benefit pensions maintained by Rothschild & Co North America Inc.
RMM	Rothschild Martin Maurel SCS
ROU asset	Right of use asset (IFRS 16)
SICR	Significant increase in credit risk (IFRS 9)
SPPI	Solely payments of principal and interest (IFRS 9)
Stage 1/2/3	IFRS 9 credit quality assessments
Supervisory Board	Rothschild & Co Supervisory Board
WAM	Wealth & Asset Management (business segment)

# Consolidated balance sheet

as at 30 June 2019

## Assets

<i>In thousands of euro</i>	Notes	30/06/2019	31/12/2018
Cash and amounts due from central banks		5,239,282	4,692,134
Financial assets at fair value through profit or loss	1	1,283,209	1,087,118
Hedging derivatives	2	201	-
Financial assets at fair value through other comprehensive income	3	108,250	1,737
Securities at amortised cost	4	1,001,981	1,037,144
Loans and advances to banks	5	1,830,369	2,043,069
Loans and advances to customers	6	3,090,474	2,929,302
Current tax assets		27,249	33,050
Deferred tax assets	14	49,590	50,587
Other assets	7	681,401	696,429
Investments accounted for by the equity method		7,886	7,753
Tangible fixed assets		303,565	336,230
Intangible fixed assets		171,007	172,061
Right of use assets	8	217,737	-
Goodwill		124,320	124,310
<b>TOTAL ASSETS</b>		<b>14,136,521</b>	<b>13,210,924</b>

## Liabilities and shareholders' equity

<i>In thousands of euro</i>	Notes	30/06/2019	31/12/2018
Financial liabilities at fair value through profit or loss	1	92,871	14,707
Hedging derivatives	2	8,634	7,091
Due to banks and other financial institutions	9	418,660	585,067
Customer deposits	10	9,898,762	8,725,691
Debt securities in issue		17,502	16,004
Current tax liabilities		54,530	44,658
Deferred tax liabilities	14	40,631	47,846
Lease liabilities	8	250,978	-
Other liabilities, accruals and deferred income	11	850,804	1,198,000
Provisions	12	68,352	76,876
<b>TOTAL LIABILITIES</b>		<b>11,701,724</b>	<b>10,715,940</b>
<b>Shareholders' equity</b>		<b>2,434,797</b>	<b>2,494,984</b>
<b>Shareholders' equity - Group share</b>		<b>2,083,736</b>	<b>2,038,748</b>
Share capital		155,135	155,026
Share premium		1,143,186	1,142,338
Consolidated reserves		725,365	516,465
Unrealised or deferred capital gains and losses		(74,263)	(61,406)
Net income - Group share		134,313	286,325
<b>Non-controlling interests</b>	16	<b>351,061</b>	<b>456,236</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>14,136,521</b>	<b>13,210,924</b>

The Group has applied IFRS 16 for the first time as at 1 January 2019. It applied IFRS 16 using the modified retrospective method, under which comparative information is not restated.



# Consolidated income statement

for the six months ended 30 June 2019

<i>In thousands of euro</i>	Notes	30/06/2019	30/06/2018
+ Interest income	19	72,472	68,371
- Interest expense	19	(38,464)	(29,312)
+ Fee income	20	823,760	927,583
- Fee expense	20	(43,194)	(47,517)
+/- Net gains/(losses) on financial instruments at fair value through profit or loss	21	81,163	87,599
+/- Net gains/(losses) on derecognition of assets held at amortised cost		426	(145)
+ Other operating income		2,045	257
- Other operating expenses		(686)	(320)
<b>Net banking income</b>		<b>897,522</b>	<b>1,006,516</b>
- Staff costs	22	(519,439)	(582,469)
- Administrative expenses	22	(133,999)	(150,440)
- Depreciation, amortisation and impairment of tangible and intangible fixed assets	22	(30,871)	(13,779)
<b>Gross operating income</b>		<b>213,213</b>	<b>259,828</b>
+/- Cost of risk	23	1,959	578
<b>Operating income</b>		<b>215,172</b>	<b>260,406</b>
+/- Net income from companies accounted for by the equity method		149	728
+/- Net income/(expense) from other assets	24	18,202	639
<b>Profit before tax</b>		<b>233,523</b>	<b>261,773</b>
- Income tax expense	25	(36,462)	(36,255)
<b>CONSOLIDATED NET INCOME</b>		<b>197,061</b>	<b>225,518</b>
<b>Non-controlling interests</b>	16	<b>62,748</b>	<b>64,457</b>
<b>NET INCOME - GROUP SHARE</b>		<b>134,313</b>	<b>161,061</b>
Earnings per share in euro - Group share (basic)	28	1.88	2.14
Earnings per share in euro - continuing operations (basic)	28	1.88	2.14
Earnings per share in euro - Group share (diluted)	28	1.85	2.10
Earnings per share in euro - continuing operations (diluted)	28	1.85	2.10

# Statement of comprehensive income

for the six months ended 30 June 2019

<i>In thousands of euro</i>	30/06/2019	30/06/2018
<b>Consolidated net income</b>	<b>197,061</b>	<b>225,518</b>
<b>Gains and losses recyclable in profit or loss</b>		
Translation differences	6,981	5,834
Translation gain transferred to income on sale of a subsidiary	(8,209)	-
Recyclable gains/(losses) relating to financial assets at fair value through comprehensive income	270	-
Gains and losses relating to net investment hedge	(7,655)	-
Net gains/(losses) from changes in fair value of cash flow hedges	(1,227)	-
Gains and losses relating to cash flow hedge transferred to P&L	217	-
Gains and losses recognised directly in equity for companies accounted for by the equity method	(16)	83
Other adjustments	272	-
Taxes	2,678	-
<b>Total gains and losses recyclable in profit or loss</b>	<b>(6,689)</b>	<b>5,917</b>
<b>Gains and losses not recyclable in profit or loss</b>		
Remeasurement gains/(losses) on defined benefit pension funds	(24,078)	43,522
Gains/(losses) relating to equity instruments at fair value through comprehensive income	-	(8,211)
Taxes	5,318	(6,256)
<b>Total gains and losses not recyclable in profit or loss</b>	<b>(18,760)</b>	<b>29,055</b>
<b>Gains and losses recognised directly in equity</b>	<b>(25,449)</b>	<b>34,972</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>171,612</b>	<b>260,490</b>
<i>attributable to equity shareholders</i>	<i>109,658</i>	<i>193,589</i>
<i>attributable to non-controlling interests</i>	<i>61,954</i>	<i>66,901</i>

# Consolidated statement of changes in equity

for the six months ended 30 June 2019

In thousands of euro

	Capital and associated reserves <sup>(1)</sup>	Consolidated reserves <sup>(3)</sup>	Unrealised or deferred capital gains and losses (net of tax)			Shareholders' equity, Group share	Shareholders' equity, NCI	Total shareholders' equity
			Related to translation differences	Cash flow hedge reserve	Fair value through OCI reserves			
<b>SHAREHOLDERS' EQUITY AT 1 JANUARY 2018</b>	<b>1,295,521</b>	<b>650,259</b>	<b>(59,337)</b>	<b>-</b>	<b>20,433</b>	<b>1,906,876</b>	<b>540,118</b>	<b>2,446,994</b>
Impact of elimination of treasury shares	-	(127,442)	-	-	-	(127,442)	-	(127,442)
Dividends	-	(52,257)	-	-	-	(52,257)	(157,403)	(209,660)
Issue of shares	1,843	-	-	-	-	1,843	406	2,249
Capital increase related to share-based payments	-	4,010	-	-	-	4,010	-	4,010
Interest on perpetual subordinated debt	-	-	-	-	-	-	(17,661)	(17,661)
Effect of a change in shareholding without a change of control	1	10,294	(2,180)	-	2,271	10,386	(79,827)	(69,441)
Recycling R&CoHAG realised gain on EdRS out of revaluation reserve and into retained earnings	-	25,492	-	-	(25,492)	-	-	-
Other movements	(1)	94	(71)	-	31	53	316	369
<b>Sub-total of changes linked to transactions with shareholders</b>	<b>1,843</b>	<b>(139,809)</b>	<b>(2,251)</b>	<b>-</b>	<b>(23,190)</b>	<b>(163,407)</b>	<b>(254,169)</b>	<b>(417,576)</b>
2018 net income for the year	-	286,325	-	-	-	286,325	167,480	453,805
Net gains/(losses) from changes in fair value	-	-	-	-	2,885	2,885	-	2,885
Remeasurement gains/(losses) on defined benefit funds	-	5,581	-	-	-	5,581	-	5,581
Net gains/(losses) on hedge of net investment in foreign operations	-	-	(346)	-	-	(346)	-	(346)
Translation differences and other movements	-	434	460	-	(60)	834	2,807	3,641
<b>SHAREHOLDERS' EQUITY AT 31 DECEMBER 2018</b>	<b>1,297,364</b>	<b>802,790</b>	<b>(61,474)</b>	<b>-</b>	<b>68</b>	<b>2,038,748</b>	<b>456,236</b>	<b>2,494,984</b>
Impact of elimination of treasury shares	-	4,759	-	-	-	4,759	-	4,759
Dividends <sup>(2)</sup>	-	(57,662)	-	-	-	(57,662)	(144,901)	(202,563)
Issue of shares	957	(7)	-	-	-	950	-	950
Capital increase related to share-based payments	-	46	-	-	-	46	-	46
Interest on perpetual subordinated debt	-	-	-	-	-	-	(8,875)	(8,875)
Effect of a change in shareholding without a change of control	-	6,506	(6,437)	-	(57)	12	10	22
Revaluation of R&CoCL preferred shares to the fair value before repayment (note 16)	-	(12,743)	-	-	-	(12,743)	12,743	-
Repayment of R&CoCL preferred shares (note 16)	-	-	-	-	-	-	(26,105)	(26,105)
<b>Sub-total of changes linked to transactions with shareholders</b>	<b>957</b>	<b>(59,101)</b>	<b>(6,437)</b>	<b>-</b>	<b>(57)</b>	<b>(64,638)</b>	<b>(167,128)</b>	<b>(231,766)</b>
2019 net income for the six months	-	134,313	-	-	-	134,313	62,748	197,061
Net gains/(losses) from changes in fair value	-	-	-	(984)	265	(719)	-	(719)
Net (gains)/ losses transferred to income	-	-	-	217	-	217	-	217
Remeasurement gains/(losses) on defined benefit funds	-	(18,760)	-	-	-	(18,760)	-	(18,760)
Translation gain transferred to income on sale of subsidiary	-	-	(8,209)	-	-	(8,209)	-	(8,209)
Net gains/(losses) on hedge of net investment in foreign operations	-	-	(5,220)	-	-	(5,220)	-	(5,220)
Translation differences and other movements	-	436	7,568	-	-	8,004	(795)	7,209
<b>SHAREHOLDERS' EQUITY AT 30 JUNE 2019</b>	<b>1,298,321</b>	<b>859,678</b>	<b>(73,772)</b>	<b>(767)</b>	<b>276</b>	<b>2,083,736</b>	<b>351,061</b>	<b>2,434,797</b>

(1) Capital and associated reserves at the period end consist of share capital of €155.1 million and share premium of €1,143.2 million. Share premium, under IFRS measurement, includes costs incurred in the issuance of share capital.

(2) Dividends include €56.3 million of dividends to R&Co shareholders and a total of €1.3 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 €863.9 million less treasury shares of €138.5 million plus the Group share of net income.

# Cash flow statement

for the six months ended 30 June 2019

<i>In thousands of euro</i>	30/06/2019	30/06/2018
<b>Consolidated profit before tax (I)</b>	<b>233,523</b>	<b>261,773</b>
Depreciation and amortisation expense on tangible fixed assets and intangible fixed assets	34,936	13,779
Impairments and net charge for provisions	(5,249)	1,744
Remove (income)/loss from associates and long-standing shareholding	(149)	(6,202)
Remove (profit)/loss from disposal of a subsidiary	(3,207)	-
Remove (profit)/loss from investing activities	(89,758)	(74,441)
<b>Non-cash items included in pre-tax profit and other adjustments (II)</b>	<b>(63,427)</b>	<b>(65,120)</b>
<b>Net (advance)/repayment of loans to customers</b>	<b>(146,968)</b>	<b>(35,075)</b>
Cash (placed)/received through interbank transactions	65,326	(192,437)
Increase/(decrease) in due to customers	1,125,921	1,464,986
Net inflow/(outflow) related to derivatives and trading items	64,793	(34,486)
Issuance/(redemption) of debt securities in issue	1,498	(75,556)
Net (purchases)/disposals of assets held for liquidity purposes	(141,270)	80,356
Other movements in assets and liabilities related to treasury activities	(175,087)	68,503
<b>Total treasury-related activities</b>	<b>941,181</b>	<b>1,311,366</b>
(Increase)/decrease in working capital	(184,478)	(125,541)
Tax paid	(19,552)	(28,904)
<b>Other operating activities</b>	<b>(204,030)</b>	<b>(154,445)</b>
<b>Net (decrease)/increase in cash related to operating assets and liabilities (III)</b>	<b>590,183</b>	<b>1,121,846</b>
<b>Net cash inflow/(outflow) related to operating and treasury activities (A) = (I) + (II) + (III)</b>	<b>760,279</b>	<b>1,318,499</b>
Purchase of investments	(91,981)	(89,235)
Purchase of property, plant and equipment and intangible fixed assets	(10,958)	(11,729)
<b>Total cash invested</b>	<b>(102,939)</b>	<b>(100,964)</b>
Cash received from investments (disposals and dividends)	65,176	120,693
Cash received from subsidiaries, associates and long-standing shareholding (disposals and dividends)	5,884	5,474
Cash from disposal of property, plant and equipment and intangible fixed assets	47,198	97
<b>Total cash received from investments</b>	<b>118,258</b>	<b>126,264</b>
<b>Net cash inflow/(outflow) related to investing activities (B)</b>	<b>15,319</b>	<b>25,300</b>
Dividends paid to shareholders of parent company	(57,662)	(52,255)
Dividends paid to non-controlling interests (note 16)	(143,876)	(156,753)
(Repayment) of preference shares	(27,129)	-
Interest paid on perpetual subordinated debt	(2,560)	(2,299)
(Acquisition)/disposal of own shares and additional interests in subsidiaries	4,132	(10,571)
<b>Net cash inflow/(outflow) related to financing activities (C)</b>	<b>(227,095)</b>	<b>(221,878)</b>
<b>Impact of exchange rate changes on cash and cash equivalents (D)</b>	<b>17,748</b>	<b>19,478</b>
<b>NET INFLOW/(OUTFLOW) OF CASH (A) + (B) + (C) + (D)</b>	<b>566,251</b>	<b>1,141,399</b>
Net opening cash and cash equivalents (note 17)	5,658,872	4,922,107
Net closing cash and cash equivalents (note 17)	6,225,123	6,063,506
<b>NET INFLOW/(OUTFLOW) OF CASH</b>	<b>566,251</b>	<b>1,141,399</b>

# Notes to the consolidated financial statements

## 1. Highlights

### 1.1 Adoption of new accounting policies

The Group has adopted the accounting standard IFRS 16 Leases. Details of the changes are provided in section 2.3.

### 1.2 Disposal of the Trust business

In October 2018, the Group signed an agreement for the sale of its worldwide wealth planning and trust services business. The completion of the transaction was announced in February 2019. The sale is in line with Rothschild & Co's strategic decision to focus on its core wealth management and private banking business. The net proceeds for this sale will be used for the further development of its core business. Annual revenue for this business in 2018 was €36 million (2017: €44 million).

## 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 2019 are presented in accordance with IFRS in force at the reporting date, as adopted in the European Union by way of 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 2019 to 30 June 2019.

The consolidated accounts were approved by Rothschild & Co Gestion SAS, the Managing Partner of Rothschild & Co, on 9 September 2019 and, for verification and control purposes, were considered by the Supervisory Board on 17 September 2019.

At 30 June 2019, the Group's holding company was Rothschild & 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.

## 2.3 Adoption of new accounting standards in the six months ended 30 June 2019

The Group adopted IFRS 16 Leases from 1 January 2019. This standard replaces IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right of use (ROU) asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Group elects to not recognise ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low value IT equipment. The payments for such leases are recognised in the income statement on a straight-line basis over the lease term.

Lessor accounting remains similar to the previous standard IAS 17 Leases in that lessors continue to classify leases as finance or operating leases.

### 2.3.1 Assets leased by the Group from others

On 1 January 2019, the Group has recognised new assets and liabilities for its operating leases of office space as well as non-property items. The disclosure of expenses related to those leases changed in 2019, because the Group now recognises both a depreciation charge for right of use assets and an interest expense arising from unwinding the discount on the lease liabilities.

Previously, the Group recognised an operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group used to recognise lease incentives such as rent-free periods within Other accrued expenses. These are now included as part of ROU assets. The value of lease incentives on 1 January 2019 was €27 million.

In addition, the Group no longer recognises provisions for the cost of restoring leased property to its original condition when it is returned to the lessor. Instead, the Group includes the provision in its lease liability.

### 2.3.2 Financial impact of IFRS 16

On transition to IFRS 16, the Group recognised €240 million of ROU assets and €266 million of leasing liabilities.

Set out below are disclosures relating to the impact of the adoption of IFRS 16 on the Group. Further details of the specific IFRS 16 accounting policies applied in the current period are described in section 3.2.

The minimum lease payments as at 31 December 2018 (note 8) were €295 million. The minimum lease payments exceed the IFRS 16 leasing liabilities, and the differences are mainly caused by:

- the effect of discounting on future lease payments; and
- the estimated length of the lease, due to the re-assessment of the exercise of optional periods compared to prior calculations.

The following table shows a reconciliation from gross lease commitments reported off-balance sheet at December 2018 and lease liabilities recognised in the balance sheet at 1 January 2019 on first adoption of IFRS 16.

#### Reconciliation of IAS 17 lease commitments to IFRS 16 lease liabilities

*In thousands of euro*

<b>Closing balance of lease commitments reported as at 31 December 2018</b>	<b>295,426</b>
Impact of discounting	(29,946)
Commitments for items which are not capitalised leases under IFRS 16	(4,542)
Reassessment of whether extension and break clauses are reasonably certain	4,024
Other effects	556
<b>OPENING BALANCE OF LEASE LIABILITIES AS AT 1 JANUARY 2019</b>	<b>265,518</b>



### **2.3.3 Assets which the Group has leased to others**

There is no significant impact for leases in which the Group is the lessor.

### **2.3.4 Transition approach**

The Group applied IFRS 16 on 1 January 2019 using the modified retrospective approach. Therefore, there is no restatement of comparative information. The comparative information will continue to be reported under IAS 17 rules.

For the purposes of applying the modified retrospective approach to its leases, the Group elects to:

- measure the ROU asset as if the ROU asset was new as at the date of transition (1 January 2019) using the incremental borrowing rate at the date of transition;
- apply the practical expedient to apply a single discount rate to a portfolio of leases with similar characteristics.

## **2.4 Other changes to accounting standards**

The IASB has issued a number of minor amendments to IFRS effective 1 January 2019 (including IFRIC 23 Uncertainty over Income Tax Treatments). These revised requirements do not have any significant impact on the Group.

## 3. Accounting principles and valuation methods

### 3.1 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 year ended 31 December 2018. 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 16 has 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 2019 is optional.

### 3.2 Changes in significant accounting policies: IFRS 16 Leases

#### Policy from 1 January 2019

##### Accounting for leases as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract contains a lease, the Group assesses whether:

- the contract involves the use of an identified asset without a substantive substitution right given to the lessor.
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019. The transition approach to IFRS 16 as at 1 January 2019 is set out in section 2.3.4.

The Group recognises a right of use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, and comprises the initial amount of the lease liability recognised, plus an estimate of costs to dismantle and restore the underlying asset, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method. The estimated useful lives of ROU assets usually match the expected term of the lease. The ROU asset may be adjusted if the lease liability is re-measured, and can be reduced by impairment losses, if applicable.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the incremental borrowing rate in the region where the lease is held. Extension and termination options exist for a number of leases, particularly for rentals of offices. In determining the length of the lease term, extension and termination options are included in the assessment only where the Group is reasonably certain that these options will be exercised. In practice, it is rare that the Group will consider an option to be reasonably certain to exercise if it is due to be exercised over ten years in the future.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- any costs that the Group is reasonably certain to exercise relating to renewal or termination options on the lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset.

## Short term leases and leases of low-value assets

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, or leases of low-value assets, including most IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## Accounting for leases as a lessor

Lessors continue to classify leases as finance or operating leases. A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

In some jurisdictions, the Group is a lessor of finance leases. When the Group holds assets subject to a finance lease, the present value of the lease payments is recognised as a receivable and the originally held asset is derecognised. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised in interest income over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

## Policy up to 31 December 2018

### Finance leases and operating leases

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

#### WHERE THE GROUP IS THE LESSOR

##### - Finance leases

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. the difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. lease income is recognised in interest income over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

##### - Operating leases

Assets acquired for use by customers under operating lease agreements, including initial direct costs incurred by the lessor in negotiating an operating lease, are capitalised in the relevant category of fixed assets. Depreciation is charged on a straight-line basis to write down the value of the asset to the expected residual value over a period consistent with other assets of a similar type.

Operating lease income and the initial direct costs are then recognised in other operating income on a straight-line basis over the period of the lease.

#### WHERE THE GROUP IS THE LESSEE

The Group has entered into operating leases. The total payments made under those operating leases are charged to the income statement as operating expenses. Commitments arising from operating leases are separately disclosed.

## 3.3 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, FVTPL financial assets, impairments of assets at amortised cost, and provisions.

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

## 4. Financial risk management

### 4.1 Governance

The Group's governance environment is described in the annual report for the year ended 31 December 2018, and is substantially unchanged at 30 June 2019.

### 4.2 Credit risk

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

#### 4.2.1 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
<b>Category 1</b>	Exposures which are considered to be fully performing.	Stage 1
<b>Category 2</b>	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
<b>Category 3</b>	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
<b>Category 4</b>	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
<b>Category 5</b>	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 2019 and at 31 December 2018 for financial assets with exposure to credit risk, without taking account of collateral held or other credit risk mitigation.

<i>In millions of euro</i>	Category 1	Category 2	Category 3	Category 4	Category 5	Impairment allowance	30/06/2019
Cash and amounts due from central banks	5,239.3	-	-	-	-	-	5,239.3
Financial assets at FVTPL <sup>(1)</sup>	133.7	5.3	-	-	-	-	139.0
Loans and advances to banks	1,830.4	-	-	-	-	-	1,830.4
Loans and advances to customers	2,988.6	37.5	43.1	70.2	14.0	(62.9)	3,090.5
Debt securities at FVOCI	108.2	-	-	-	-	-	108.2
Debt at amortised cost	1,002.5	-	-	-	-	(0.5)	1,002.0
Other financial assets	462.0	36.1	-	9.4	13.1	(20.9)	499.7
<b>Subtotal assets</b>	<b>11,764.7</b>	<b>78.9</b>	<b>43.1</b>	<b>79.6</b>	<b>27.1</b>	<b>(84.3)</b>	<b>11,909.1</b>
Commitments and guarantees	613.5	-	-	-	-	n/a	613.5
<b>TOTAL</b>	<b>12,378.2</b>	<b>78.9</b>	<b>43.1</b>	<b>79.6</b>	<b>27.1</b>	<b>(84.3)</b>	<b>12,522.6</b>

(1) Including hedging derivatives and excluding equities.

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).

<i>In millions of euro</i>	Category 1	Category 2	Category 3	Category 4	Category 5	Impairment allowance	31/12/2018
Cash and amounts due from central banks	4,692.1	-	-	-	-	-	4,692.1
Financial assets at FVTPL <sup>(1)</sup>	86.9	5.0	-	-	-	-	91.9
Loans and advances to banks	2,043.1	-	-	-	-	-	2,043.1
Loans and advances to customers	2,809.7	62.4	44.4	64.9	15.8	(67.9)	2,929.3
Debt securities at FVOCI	1.7	-	-	-	-	-	1.7
Debt at amortised cost	1,037.4	-	-	-	-	(0.3)	1,037.1
Other financial assets	420.5	10.2	-	6.6	17.3	(24.5)	430.1
<b>Subtotal assets</b>	<b>11,091.4</b>	<b>77.6</b>	<b>44.4</b>	<b>71.5</b>	<b>33.1</b>	<b>(92.7)</b>	<b>11,225.3</b>
Commitments and guarantees	524.2	-	-	-	-	n/a	524.2
<b>TOTAL</b>	<b>11,615.6</b>	<b>77.6</b>	<b>44.4</b>	<b>71.5</b>	<b>33.1</b>	<b>(92.7)</b>	<b>11,749.5</b>

(1) Including hedging derivatives and excluding equities.

## 4.2.2 Credit risk exposure

### 4.2.2.1 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, there is a French 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 approximately €20 million net of provisions.

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 mortgage 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.

#### 4.2.2.2 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 4.2.3.

<i>In millions of euro</i>	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	30/06/2019	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	31/12/2018
<b>Gross carrying amounts</b>								
Loans and advances to banks	1,830.4	-	-	1,830.4	2,043.1	-	-	2,043.1
PCL loans to customers	2,634.6	4.3	-	2,638.9	2,473.0	29.8	-	2,502.8
Other loans to customers	354.0	76.3	84.2	514.5	336.7	77.0	80.7	494.4
FVOCI debt securities	108.2	-	-	108.2	1.7	-	-	1.7
Securities at amortised cost	1,002.4	-	-	1,002.4	1,037.4	-	-	1,037.4
<b>TOTAL</b>	<b>5,929.6</b>	<b>80.6</b>	<b>84.2</b>	<b>6,094.4</b>	<b>5,891.9</b>	<b>106.8</b>	<b>80.7</b>	<b>6,079.4</b>
<b>Loss allowance</b>								
Loans and advances to banks	-	-	-	-	-	-	-	-
PCL loans to customers	(1.7)	(0.0)	-	(1.7)	(1.4)	(0.0)	-	(1.4)
Other loans to customers	(1.4)	(7.4)	(52.3)	(61.1)	(1.3)	(10.3)	(54.9)	(66.5)
FVOCI debt securities	-	-	-	-	-	-	-	-
Securities at amortised cost	(0.4)	-	-	(0.4)	(0.3)	-	-	(0.3)
<b>TOTAL</b>	<b>(3.5)</b>	<b>(7.4)</b>	<b>(52.3)</b>	<b>(63.2)</b>	<b>(3.0)</b>	<b>(10.3)</b>	<b>(54.9)</b>	<b>(68.2)</b>
<b>Net carrying amount</b>								
Loans and advances to banks	1,830.4	-	-	1,830.4	2,043.1	-	-	2,043.1
PCL loans to customers	2,632.9	4.3	-	2,637.2	2,471.6	29.8	-	2,501.4
Other loans to customers	352.6	68.9	31.9	453.4	335.4	66.7	25.8	427.9
FVOCI debt securities	108.2	-	-	108.2	1.7	-	-	1.7
Securities at amortised cost	1,002.0	-	-	1,002.0	1,037.1	-	-	1,037.1
<b>TOTAL</b>	<b>5,926.1</b>	<b>73.2</b>	<b>31.9</b>	<b>6,031.2</b>	<b>5,888.9</b>	<b>96.5</b>	<b>25.8</b>	<b>6,011.2</b>

Information on how the ECL is measured and how the three stages above are determined is provided in "Expected credit loss measurement", in the annual report as at December 2018.

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

## Loans to customers

<i>In millions of euro</i>	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
<b>Loss allowance at beginning of period</b>	<b>(2.7)</b>	<b>(10.3)</b>	<b>(54.9)</b>	<b>(67.9)</b>
<b>Movements with P&amp;L impact</b>				
Transfers				
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	2.6	(2.6)	-
(Charge)	(0.5)	(0.2)	(5.1)	(5.8)
Release	0.1	0.4	6.5	7.0
<b>Total net P&amp;L (charge)/release during the period</b>	<b>(0.4)</b>	<b>2.8</b>	<b>(1.2)</b>	<b>1.2</b>
<b>Movements with no P&amp;L impact</b>				
Written off	-	-	3.9	3.9
Exchange	-	-	(0.1)	(0.1)
<b>LOSS ALLOWANCE AT END OF PERIOD</b>	<b>(3.1)</b>	<b>(7.5)</b>	<b>(52.3)</b>	<b>(62.9)</b>

No loans have been classified as purchased or originated credit-impaired (POCI) assets. The changes in the gross amounts of loans to customers increased the Stage 1 allowance by €0.2 million and the Stage 2 allowance by €1.1 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

<i>In millions of euro</i>	30/06/2019	31/12/2018
Less than 30 days past due	116.4	102.8
Between 30 and 90 days past due	62.5	50.0
Over 90 days past due	13.8	26.8
<b>TOTAL</b>	<b>192.7</b>	<b>179.6</b>

### 4.2.2.3 COLLATERAL

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

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.

<i>In millions of euro</i>	30/06/2019 Stage 3 loans	31/12/2018 Stage 3 loans
Tangible assets collateral	26.6	17.8
Financial assets collateral	4.4	7.2
<b>TOTAL</b>	<b>31.0</b>	<b>25.0</b>
Gross value of credit-impaired loans	84.2	80.7
Impairment	(52.3)	(54.9)
<b>Net value of loans</b>	<b>31.9</b>	<b>25.8</b>
% of Stage 3 loans covered by collateral	97%	97%

#### 4.2.3 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, so 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, prima facie, 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's assessment of future potential losses.

The table below shows the ageing of other financial assets and the associated provisions as at 30 June 2019 and at 31 December 2018

<i>In millions of euro</i>	Credit risk category classification	30/06/2019			31/12/2018		
		% total gross exposure	Gross carrying amount	Lifetime ECL	% total gross exposure	Gross carrying amount	Lifetime ECL
<b>Not impaired</b>							
Current to 90 days past due	Category 1	89%	462.0	-	93%	420.5	-
90 - 180 days past due	Category 2	5%	27.2	(0.3)	1%	6.7	(0.1)
180 days - 1 year past due	Category 2	1%	7.1	(0.5)	0%	1.6	(0.2)
more than 1 year past due	Category 2	0%	1.8	(0.2)	0%	1.9	(0.4)
<b>Impaired</b>							
Partially impaired	Category 4	2%	9.4	(6.8)	1%	6.6	(6.5)
Fully impaired	Category 5	3%	13.1	(13.1)	4%	17.3	(17.3)
<b>TOTAL</b>		<b>100%</b>	<b>520.6</b>	<b>(20.9)</b>	<b>100%</b>	<b>454.6</b>	<b>(24.5)</b>

The movements in the loss allowance are disclosed in "Impairments" (note 13).

## 4.2.4 Further credit risk analysis

The tables below show an analysis of credit risk by location and by sector as at 30 June 2019 and 31 December 2018.

### 4.2.4.1 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.

<i>In millions of euro</i>	France	Switzer-land	UK and Channel Islands	Rest of Europe	Americas	Australia and Asia	Other	30/06/2019
Cash and amounts due from central banks	2,413.2	2,812.0	-	14.1	-	-	-	5,239.3
Financial assets at FVTPL <sup>(1)</sup>	52.3	2.3	45.1	35.2	4.1	-	-	139.0
Loans and advances to banks	922.5	75.7	496.7	209.9	81.1	29.5	15.0	1,830.4
Loans and advances to customers	1,533.3	134.9	839.4	354.8	99.0	79.9	49.2	3,090.5
Debt securities at FVOCI	-	-	108.0	-	-	0.2	-	108.2
Debt at amortised cost	348.2	3.5	148.9	296.9	186.4	18.1	-	1,002.0
Other financial assets	219.5	27.1	61.7	103.6	52.9	20.5	14.4	499.7
<b>Subtotal assets</b>	<b>5,489.0</b>	<b>3,055.5</b>	<b>1,699.8</b>	<b>1,014.5</b>	<b>423.5</b>	<b>148.2</b>	<b>78.6</b>	<b>11,909.1</b>
Commitments and guarantees	445.6	16.4	37.1	80.2	28.1	1.9	4.2	613.5
<b>TOTAL</b>	<b>5,934.6</b>	<b>3,071.9</b>	<b>1,736.9</b>	<b>1,094.7</b>	<b>451.6</b>	<b>150.1</b>	<b>82.8</b>	<b>12,522.6</b>

(1) Including hedging derivatives and excluding equities.

<i>In millions of euro</i>	France	Switzer-land	UK and Channel Islands	Rest of Europe	Americas	Australia and Asia	Other	31/12/2018
Cash and amounts due from central banks	1,738.0	2,949.2	-	4.9	-	-	-	4,692.1
Financial assets at FVTPL <sup>(1)</sup>	34.2	2.9	27.7	23.6	1.9	1.6	-	91.9
Loans and advances to banks	835.0	117.3	541.4	167.1	323.0	44.0	15.3	2,043.1
Loans and advances to customers	1,479.8	109.3	745.2	335.7	112.9	78.2	68.2	2,929.3
Debt securities at FVOCI	-	-	-	1.4	-	0.3	-	1.7
Debt at amortised cost	305.7	-	246.0	353.4	123.5	8.5	-	1,037.1
Other financial assets	197.5	12.7	59.9	82.7	44.5	19.6	13.2	430.1
<b>Subtotal assets</b>	<b>4,590.2</b>	<b>3,191.4</b>	<b>1,620.2</b>	<b>968.8</b>	<b>605.8</b>	<b>152.2</b>	<b>96.7</b>	<b>11,225.3</b>
Commitments and guarantees	372.7	4.8	66.7	66.1	7.5	1.9	4.5	524.2
<b>TOTAL</b>	<b>4,962.9</b>	<b>3,196.2</b>	<b>1,686.9</b>	<b>1,034.9</b>	<b>613.3</b>	<b>154.1</b>	<b>101.2</b>	<b>11,749.5</b>

(1) Including hedging derivatives and excluding equities.

#### 4.2.4.2 CREDIT RISK BY SECTOR

<i>In millions of euro</i>	30/06/2019	%	31/12/2018	%
Cash and amounts due from central banks	5,239.3	42%	4,692.1	40%
Households	2,556.9	20%	2,492.8	21%
Credit institutions	2,544.9	20%	2,676.9	23%
Real estate	564.8	5%	457.9	4%
Other financial corporations	502.3	4%	300.8	3%
Short-term fee income receivable (diversified customers)	322.2	3%	338.5	3%
Government <sup>(1)</sup>	252.9	2%	259.3	2%
Liquid debt securities (other sectors)	177.3	1%	156.1	1%
Other	362.0	3%	375.1	3%
<b>TOTAL</b>	<b>12,522.6</b>	<b>100%</b>	<b>11,749.5</b>	<b>100%</b>

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

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

Short-term accounts receivable and liquid debt securities, issued by non-financial corporations and 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.

### 4.3 Market risk

Market risk associated with treasury and equity positions is described below with a description of the levels of risk.

#### 4.3.1 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 2019, then there would be a post-tax charge to the income statement of €50.9 million (31 December 2018: €37.8 million).

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.

<i>In millions of euro</i>	30/06/2019	%	31/12/2018	%
France	412.5	36%	332.2	33%
Rest of Europe	276.9	24%	244.1	24%
United Kingdom and Channel Islands	207.2	18%	171.0	17%
Americas	169.7	15%	168.5	17%
Australia and Asia	48.8	4%	44.4	4%
Other	29.3	3%	35.0	4%
<b>TOTAL</b>	<b>1,144.4</b>	<b>100%</b>	<b>995.2</b>	<b>100%</b>

## 4.4 Liquidity risk

### 4.4.1 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 year ended 31 December 2018, and is substantially unchanged at 30 June 2019.

The Group's three main banking groups 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 & Co Bank AG Zurich*

R&CoBZ'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, R&CoBZ maintains a more conservative approach to liquidity.

Internal limits provide for R&CoBZ 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.

R&CoBZ's LCR at 30 June 2019 was 141%, as measured for regulatory purposes (31 December 2018: 129%). The regulatory limit is 100%.

#### *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 2019, RMM's LCR was 288% (31 December 2018: 298%). The regulatory limit is 100%.

#### *Rothschild & Co Bank International Limited*

In order to comply with the liquidity regime set by the Guernsey Financial Services Commission (GFSC), R&CoBI 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 2019, R&CoBI's LCR was 284% (31 December 2018: 300%). The regulatory limit is 100%.

#### 4.4.2 Contractual maturity

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

<i>In millions of euro</i>	<b>Demand - 1m</b>	<b>1m - 3m</b>	<b>3m - 1yr</b>	<b>1yr - 2yr</b>	<b>2yr - 5yr</b>	<b>&gt;5 yr</b>	<b>No contractual maturity</b>	<b>30/06/2019</b>
Cash and balances at central banks	5,239.3	-	-	-	-	-	-	<b>5,239.3</b>
Financial assets at FVTPL <sup>(1)</sup>	608.1	5.3	21.8	85.5	119.9	249.6	193.2	<b>1,283.4</b>
Financial assets at FVOCI	108.2	-	-	-	-	-	-	<b>108.2</b>
Securities at amortised cost	32.1	51.7	301.0	320.4	223.8	73.0	-	<b>1,002.0</b>
Loans and advances to banks	1,442.6	198.5	189.0	-	-	0.3	-	<b>1,830.4</b>
Loans and advances to customers	796.4	362.5	458.4	459.3	591.0	422.9	-	<b>3,090.5</b>
Other financial assets	421.6	56.9	14.4	-	-	6.8	-	<b>499.7</b>
<b>TOTAL</b>	<b>8,648.3</b>	<b>674.9</b>	<b>984.6</b>	<b>865.2</b>	<b>934.7</b>	<b>752.6</b>	<b>193.2</b>	<b>13,053.5</b>
Financial liabilities at FVTPL	35.1	15.7	40.6	1.0	0.5	-	-	<b>92.9</b>
Hedging derivatives	1.0	-	0.2	0.7	3.3	3.4	-	<b>8.6</b>
Due to banks and other financial institutions	151.4	4.9	9.1	66.5	39.1	147.7	-	<b>418.7</b>
Due to customers	9,485.6	262.6	76.9	44.5	28.9	0.3	-	<b>9,898.8</b>
Debt securities in issue	16.0	1.5	-	-	-	-	-	<b>17.5</b>
Lease liabilities	2.5	5.4	23.8	32.7	91.2	95.4	-	<b>251.0</b>
Other financial liabilities	197.3	11.2	7.0	3.0	6.4	-	-	<b>224.9</b>
<b>TOTAL</b>	<b>9,888.9</b>	<b>301.3</b>	<b>157.6</b>	<b>148.4</b>	<b>169.4</b>	<b>246.8</b>	<b>-</b>	<b>10,912.4</b>
Loan and guarantee commitments given	161.8	34.5	124.9	183.8	47.2	61.3	-	<b>613.5</b>

(1) Including hedging derivatives.

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.

#### 4.5 Fair value disclosures

##### 4.5.1 Fair value hierarchy

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.

## 4.5.2 Fair value of financial instruments

Carried at amortised cost

<i>In millions of euro</i>	30/06/2019				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Cash and amounts due from central banks	5,239.3	5,239.3	-	5,239.3	-
Securities at amortised cost	1,002.0	987.3	914.3	73.0	-
Loans and advances to banks	1,830.4	1,830.4	-	1,830.4	-
Loans and advances to customers	3,090.5	3,084.4	-	3,080.4	4.0
<b>TOTAL</b>	<b>11,162.2</b>	<b>11,141.4</b>	<b>914.3</b>	<b>10,223.1</b>	<b>4.0</b>
<b>Financial liabilities</b>					
Due to banks and other financial institutions	418.7	435.9	-	435.9	-
Due to customers	9,898.8	9,898.8	-	9,898.8	-
Debt securities in issue	17.5	17.5	-	17.5	-
<b>TOTAL</b>	<b>10,335.0</b>	<b>10,352.2</b>	<b>-</b>	<b>10,352.2</b>	<b>-</b>

<i>In millions of euro</i>	31/12/2018				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Cash and amounts due from central banks	4,692.1	4,692.1	-	4,692.1	-
Securities at amortised cost	1,037.1	1,030.5	974.4	56.1	-
Loans and advances to banks	2,043.1	2,043.1	-	2,043.1	-
Loans and advances to customers	2,929.3	2,926.1	-	2,919.6	6.5
<b>TOTAL</b>	<b>10,701.6</b>	<b>10,691.8</b>	<b>974.4</b>	<b>9,710.9</b>	<b>6.5</b>
<b>Financial liabilities</b>					
Due to banks and other financial institutions	585.1	595.9	-	595.9	-
Due to customers	8,725.7	8,725.7	-	8,725.7	-
Debt securities in issue	16.0	16.0	-	16.0	-
<b>TOTAL</b>	<b>9,326.8</b>	<b>9,337.6</b>	<b>-</b>	<b>9,337.6</b>	<b>-</b>

Carried at fair value

<i>In millions of euro</i>	30/06/2019			
	TOTAL	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Mutual funds	579.3	557.4	21.9	-
Other financial assets at FVTPL	652.2	91.3	533.8	27.1
Derivative financial instruments	51.9	-	51.9	-
FVOCI bonds, other fixed income securities and accrued interest	108.3	108.3	-	-
<b>TOTAL</b>	<b>1,391.7</b>	<b>757.0</b>	<b>607.6</b>	<b>27.1</b>
<b>Financial liabilities</b>				
Derivative financial instruments	101.5	-	101.5	-
<b>TOTAL</b>	<b>101.5</b>	<b>-</b>	<b>101.5</b>	<b>-</b>

<i>In millions of euro</i>	31/12/2018			
	TOTAL	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Mutual funds	501.5	479.9	21.6	-
Other financial assets at FVTPL	548.2	67.4	452.0	28.8
Derivative financial instruments	37.4	-	37.4	-
FVOCI bonds, other fixed income securities and accrued interest	1.7	1.7	-	-
<b>TOTAL</b>	<b>1,088.8</b>	<b>549.0</b>	<b>511.0</b>	<b>28.8</b>
<b>Financial liabilities</b>				
Derivative financial instruments	21.8	-	21.8	-
<b>TOTAL</b>	<b>21.8</b>	<b>-</b>	<b>21.8</b>	<b>-</b>

### 4.5.3 Fair value Level 3 disclosures

#### Movement in Level 3 assets

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

*In millions of euro*

	Bonds and other fixed income securities	Funds and other equities	TOTAL
<b>As at 1 January 2019</b>	<b>1.7</b>	<b>27.1</b>	<b>28.8</b>
Total gains or losses for the period included in income statement	-	(1.3)	(1.3)
Purchases, issues, sales	-	2.1	2.1
and settlements Disposals	-	(2.5)	(2.5)
<b>AS AT 30 JUNE 2019</b>	<b>1.7</b>	<b>25.4</b>	<b>27.1</b>

#### Valuation technique and sensitivity by class of Level 3 financial asset

Bonds and other fixed income securities valued using Level 3 techniques comprise portfolios of CLOs etc. They are valued using a discounted cash flow method, based on expected cash flows of securitised assets and expectation of how these will be distributed to different noteholders. The main unobservable input is the default and recovery data according to the various asset classes. Funds and other equities valued using Level 3 techniques are mainly based on valuations by third parties using various Level 3 techniques.

Out of €25.4 million of FVTPL equity securities classified in Level 3 as at 30 June 2019, €23.0 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 €1.1 million.



#### 4.5.4 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, at least 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 is updated.

Merchant Banking funds are valued by their management companies in accordance with the International Private Equity and Venture Capital Valuation (IPEV) guidelines or other commonly acknowledged industry standards. As such, where applicable, these valuation committees act as the valuator under the Alternative Investment Fund Managers Directive (AIFMD) requirements.

In addition, the valuations of assets held by MB funds are reviewed and supported by statutory audits of those funds.

##### 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.

## 5. Notes to the balance sheet

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

#### Financial assets

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>31/12/2018</b>
Loans to customers	54,006	33,090
<b>Financial assets designated at fair value through profit or loss</b>	<b>54,006</b>	<b>33,090</b>
Debt securities	33,076	21,417
Equity instruments issued by mutual funds	579,347	501,460
Other equity instruments	565,084	493,715
<b>Financial assets mandatorily at fair value through profit or loss</b>	<b>1,177,507</b>	<b>1,016,592</b>
Trading derivative assets (see note 2)	51,696	37,436
<b>TOTAL</b>	<b>1,283,209</b>	<b>1,087,118</b>

No loans to customers designated at FVTPL suffered a change in fair value that is attributable to changes in their credit risk, over the period and on a cumulative basis.

#### Financial liabilities

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>31/12/2018</b>
Trading derivative liabilities (see note 2)	92,871	14,707
<b>TOTAL</b>	<b>92,871</b>	<b>14,707</b>

## Note 2 - Derivatives

### Trading derivatives

<i>In thousands of euro</i>	30/06/2019			31/12/2018		
	<i>Notional principal</i>	<i>Of which: asset</i>	<i>Of which: liability</i>	<i>Notional principal</i>	<i>Of which: asset</i>	<i>Of which: liability</i>
Firm interest rate contracts	205,324	291	1,747	197,611	2,068	152
Conditional interest rate contracts	16,500	-	73	18,867	15	134
Firm foreign exchange contracts	8,777,038	50,868	90,195	8,469,395	34,051	13,867
Conditional foreign exchange contracts	346,985	537	516	259,334	1,302	237
Other swaps	7,100	-	340	7,100	-	290
Equity-related options	-	-	-	57,678	-	27
<b>TOTAL</b>	<b>9,352,947</b>	<b>51,696</b>	<b>92,871</b>	<b>9,009,985</b>	<b>37,436</b>	<b>14,707</b>

### Hedging derivatives

<i>In thousands of euro</i>	30/06/2019			31/12/2018		
	<i>Notional principal</i>	<i>Of which: asset</i>	<i>Of which: liability</i>	<i>Notional principal</i>	<i>Of which: asset</i>	<i>Of which: liability</i>
Firm interest rate contracts	109,000	-	7,598	124,000	-	5,804
Firm foreign exchange contracts	102,935	201	1,036	167,815	-	1,287
<b>TOTAL</b>	<b>211,935</b>	<b>201</b>	<b>8,634</b>	<b>291,815</b>	<b>-</b>	<b>7,091</b>

### Fair value hedges

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. The ineffectiveness of these hedges is considered immaterial and has therefore not been recognised in the income statement.

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 as at 30 June 2019.

	<b>Total</b>	<b>Demand - 1 month</b>	<b>1m - 3m</b>	<b>3m - 1yr</b>	<b>1yr - 5yr</b>	<b>&gt;5yr</b>
<b>Fair value hedges - interest rate swap</b>						
Notional (in thousands of euro)	109,000	3,000	-	15,000	49,000	42,000
Average fixed interest rate paid	1.69%	3.26%	-	2.40%	2.13%	0.80%

The following table contains details of the loans and advances to customers that are covered by the Group's hedging strategies.

<i>In thousands of euro</i>	30/06/2019	31/12/2018
Notional principle	109,000	124,000
Carrying amount of hedged fixed rate loans	448,752	458,425
Accumulated amount of fair value adjustments on the hedged loans	7,598	5,804
Change in fair value of hedged loans during the year for effectiveness assessment	1,794	(739)

### Net investment hedges

A foreign currency exposure arises from a net investment in subsidiaries that have a different functional currency from that of the Group. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Group's functional currency, which causes the amount of the net investment to vary. This risk may have a significant impact on the Group's financial statements. The Group's policy is to hedge these exposures only when not doing so would be expected to have a significant impact on the regulatory capital ratios of the Group and its banking subsidiaries.

The hedged risk in the Group's net investment hedges is the risk of weakening sterling exchange rates against the euro that would result in a reduction in the carrying amount of the Group's net investment in its sterling subsidiaries.

The Group uses forward foreign exchange contracts as hedging instruments. The Group assesses effectiveness by comparing past changes in the fair value of the derivative with changes in the fair value of a hypothetical derivative.

Because the Group expects to hold the net investment for a period longer than the maturity of the forward foreign exchange contract, and the Group policy is to hedge only a portion of the net investment, any ineffectiveness is expected to be immaterial.

The following table sets out the maturity profile and average exchange rate on the forward foreign exchange contracts that are used in the Group's net investment hedging strategies as at 30 June 2019.

	Total	Demand - 1 month	1m-3m	3m-1yr	1yr-5yr	>5yr
<b>Net investment hedges - currency forward</b>						
Notional (in thousands of euro)	55,834	55,834	-	-	-	-
Average EUR-GBP exchange rate	0.89	0.89	-	-	-	-

The following table contains details of the Group's net investment hedges:

<i>In thousands of euro</i>	30/06/2019	31/12/2018
Notional principle	55,834	167,815
Change in value of the hedged GBP net investment during the period for effectiveness assessment	(199)	(532)
Cumulative foreign currency translation reserve (continuing hedge)	(376)	(532)
Cumulative foreign currency translation reserve (discontinued hedge)	(7,836)	-

### Cash flow hedges

A foreign currency exposure arises in operating divisions which have a cost base in a currency that is different to its functional currency. The risk arises from the fluctuation in future spot rates, which would cause volatility in the Group's income statement. This risk may have a significant impact on the Group's financial statements.

The Group has introduced in certain divisions a hedging programme to reduce the volatility caused by exchange rate movements, by entering into forward foreign exchange contracts. The derivatives (a cash flow hedge) are designated as a hedge of a probable forecasted transaction, being the foreign currency sterling costs of the operating division.

The hedged risk in the Group's cash flow hedges is the risk of a strengthening of sterling exchange rates against the euro that would result in a reduction in profit. Because the Group policy is to hedge only a portion of the cost base, any ineffectiveness is expected to be immaterial.

The following table sets out the maturity profile and average exchange rate on the forward foreign exchange contracts that are used in the Group's cash flow hedging strategies as at 30 June 2019.

	<b>Total</b>	<b>Demand - 1 month</b>	<b>1m-3m</b>	<b>3m-1yr</b>	<b>1yr-5yr</b>	<b>&gt;5yr</b>
<b>Cash flow hedges - currency forward</b>						
Notional (in thousands of euro)	47,101	3,566	3,554	17,781	22,200	-
Average EUR-GBP exchange rate	0.91	0.90	0.90	0.91	0.92	-

The following table contains details of the Group's cash flow hedges:

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>31/12/2018</b>
Notional principal	47,101	-
Change in value of the hedged sterling cost base during the period for effectiveness assessment	(1,227)	-
Cash flow hedge reserve transferred to P&L	264	-

### Offsetting financial assets and financial liabilities

The following table shows the impact (1) on the consolidated balance sheet of offsetting assets and liabilities with the same counterparties. Amounts are offset when the Group has a legally enforceable right to set off the recognised amounts, and it intends either to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The table also indicates (2) amounts subject to a master netting agreement, which may be offset in the event of the default of one of the counterparties, but whose characteristics make them ineligible for offsetting under IFRS. Fair values of financial instruments and collateral here are capped at the net book value of the balance sheet exposure, so as to avoid any over-collateralisation effect. This part of the table ("net amount") is provided to indicate where master netting agreements mitigate the Group's exposure to financial instruments in the event of default by the counterparty. The Group also uses other risk mitigation strategies, such as holding collateral against its loans, but these are not disclosed in this table.

<i>In thousands of euro</i>	<b>(2) Impact of Master Netting Agreements</b>						
	<b>Gross amounts</b>	<b>(1) Amounts set off</b>	<b>Net amounts as per balance sheet</b>	<b>Financial instruments recognised in the balance sheet</b>	<b>Cash collateral received/pledged</b>	<b>Financial instrument received/pledged as collateral</b>	<b>Net amount</b>
Derivative assets - held for trading	66,237	(14,541)	51,696	(184)	(3,193)	-	48,319
Hedging derivative assets	201	-	201	-	-	-	201
Interbank demand deposits and overnight loans assets	748,079	-	748,079	-	(79,573)	-	668,506
Reverse repos and loans secured by bills	911,223	-	911,223	-	-	(911,223)	-
Guarantee deposits paid	46,184	-	46,184	-	(10,275)	-	35,909
Remaining assets not subject to netting	12,379,138	-	12,379,138	-	-	-	12,379,138
<b>Total assets</b>	<b>14,151,062</b>	<b>(14,541)</b>	<b>14,136,521</b>	<b>(184)</b>	<b>(93,041)</b>	<b>(911,223)</b>	<b>13,132,073</b>
Derivative liabilities - held for trading	107,412	(14,541)	92,871	(184)	(82,793)	-	9,894
Hedging derivative liabilities	8,634	-	8,634	-	(6,190)	-	2,444
Interbank demand deposits and overnight loans liabilities	134,857	-	134,857	-	(1,828)	-	133,029
Repurchase agreements	50,000	-	50,000	-	-	(50,000)	-
Guarantee deposits received	4,553	-	4,553	-	(2,230)	-	2,323
Other liabilities not subject to netting	11,410,809	-	11,410,809	-	-	-	11,410,809
<b>Total liabilities</b>	<b>11,716,265</b>	<b>(14,541)</b>	<b>11,701,724</b>	<b>(184)</b>	<b>(93,041)</b>	<b>(50,000)</b>	<b>11,558,499</b>

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

<i>In thousands of euro</i>	30/06/2019	31/12/2018
Fixed income debt securities	108,250	1,737
<b>TOTAL</b>	<b>108,250</b>	<b>1,737</b>

### Note 4 - Securities at amortised cost

<i>In thousands of euro</i>	30/06/2019	31/12/2018
<b>Debt securities at amortised cost - gross amount</b>	<b>1,002,438</b>	<b>1,037,469</b>
Stage 1 - 2 allowances	(457)	(325)
<b>TOTAL</b>	<b>1,001,981</b>	<b>1,037,144</b>

### Note 5 - Loans and advances to banks

<i>In thousands of euro</i>	30/06/2019	31/12/2018
Interbank demand deposits and overnight loans	748,079	828,417
Interbank term deposits and loans	169,277	201,710
Reverse repos and loans secured by bills	911,223	1,010,583
Accrued interest	1,790	2,359
<b>Loans and advances to banks - gross amount</b>	<b>1,830,369</b>	<b>2,043,069</b>
Allowance for credit losses	-	-
<b>TOTAL</b>	<b>1,830,369</b>	<b>2,043,069</b>

## Note 6 - Loans and advances to customers

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>31/12/2018</b>
Overdrafts	127,825	67,529
PCL loans to customers	2,638,896	2,502,766
Other loans to customers	366,046	408,543
Accrued interest	20,568	18,411
<b>Loans and advances to customers – gross amount</b>	<b>3,153,335</b>	<b>2,997,249</b>
Stage 1 - 2 allowances	(10,535)	(13,017)
Stage 3 allowances	(52,326)	(54,930)
<b>Allowance for credit losses</b>	<b>(62,861)</b>	<b>(67,947)</b>
<b>TOTAL</b>	<b>3,090,474</b>	<b>2,929,302</b>

## Note 7 - Other assets

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>31/12/2018</b>
Accounts receivable <sup>(1)</sup>	203,679	188,523
Guarantee deposits paid <sup>(1)</sup>	46,184	19,850
Settlement accounts for transactions of securities <sup>(1)</sup>	124,624	71,836
Defined benefit pension scheme assets (note 12)	12,478	27,173
Other sundry assets	138,552	214,145
<b>Other assets</b>	<b>525,517</b>	<b>521,527</b>
Prepaid expenses	30,649	24,968
Accrued income <sup>(1)</sup>	125,235	149,934
<b>Prepayments and accrued income</b>	<b>155,884</b>	<b>174,902</b>
<b>TOTAL</b>	<b>681,401</b>	<b>696,429</b>

(1) These balances represent other financial assets as reported in section 4.

## Note 8 - Leases

The Group rents several offices around the world from which it conducts its business. The terms of these leases typically span from 5-15 years.

Many of these leases contain clauses whereby the lessee has the opportunity to extend the lease beyond the non-cancellable term of the lease or has the option to terminate the lease early in advance of the contractual end date. Where the entity has judged that they are reasonably certain to utilise these options they have included these early termination / extension options in their assessment of the lease term.

A significant proportion of the Group's property leases are for French commercial leases. Typically, French commercial leases are signed for at least nine years, with unilateral termination possible by the tenant after three or six years. For this reason, this form of lease is commonly also known as 3/6/9 in France. As the tenants of these properties are reasonably certain that they do not expect to utilise these unilateral termination options they have estimated that the lease term will be for the contractual period i.e. 9 years.

The Group, where appropriate, subleases a proportion of these properties to entities both within the Group and external to the Group. The Group also leases a number of motor vehicles and certain other equipment, which are collectively not significant to the Group's accounts.

### Right of use assets

	01/01/2019	Change in accounting policies	Additions	Disposals / write-offs	Depreciation and impairment	Exchange rate and other movements	30/06/2019
<i>In thousands of euro</i>							
Right of use assets							
Leasehold property	-	236,694	59	(7,089)	-	449	230,113
Other assets	-	3,000	105	-	-	1	3,106
<b>Total right of use assets – gross amount</b>	<b>-</b>	<b>239,694</b>	<b>164</b>	<b>(7,089)</b>	<b>-</b>	<b>450</b>	<b>233,219</b>
Depreciation and allowances							
Leasehold property	-	-	-	12	(14,941)	86	(14,843)
Other assets	-	-	-	-	(639)	-	(639)
<b>Total depreciation and allowances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>(15,580)</b>	<b>86</b>	<b>(15,482)</b>
<b>TOTAL</b>	<b>-</b>	<b>239,694</b>	<b>164</b>	<b>(7,077)</b>	<b>(15,580)</b>	<b>536</b>	<b>217,737</b>

### Lease liabilities

	01/01/2019	Change in accounting policies	Additions	Disposals / write-offs	Amounts paid	Unwinding of discount	Exchange rate and other movements	30/06/2019
<i>In thousands of euro</i>								
Lease liabilities								
Lease liabilities - property assets	-	262,528	57	(136)	(17,211)	2,636	627	248,501
Lease liabilities - other assets	-	2,990	105	-	(629)	11	-	2,477
<b>TOTAL</b>	<b>-</b>	<b>265,518</b>	<b>162</b>	<b>(136)</b>	<b>(17,840)</b>	<b>2,647</b>	<b>627</b>	<b>250,978</b>



The Group chose to apply permitted exemptions from IFRS 16 application for certain leases that met the exemption threshold, these being low value leases and short term leases.

The amounts recorded in the P&L in respect of these leases were as follows:

<i>In thousands of euro</i>	30/06/2019
Low value leases	(6)
Short term leases	(2,601)
<b>TOTAL</b>	<b>(2,607)</b>

## Commitments payable

<i>In thousands of euro</i>	30/06/2019		31/12/2018	
	Land and buildings	Other	Land and buildings	Other
Up to one year	789	1,240	37,308	1,439
Between one and five years	-	731	132,283	2,798
Over five years	-	-	121,598	-
<b>TOTAL</b>	<b>789</b>	<b>1,971</b>	<b>291,189</b>	<b>4,237</b>

Amounts disclosed as commitments payable as at 30 June 2019 represent a commitment to pay for short term leases, and the provision of IT services which do not constitute a lease under IFRS 16. The commitments disclosed above as at 31 December 2018 mainly relate to operating leases of rented offices around the world as per IAS 17.

Following the adoption of IFRS 16, the amount of the lease commitments disclosed in the prior period were reassessed. For the purposes of comparison the prior year was restated.

## Note 9 - Due to banks and other financial institutions

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>31/12/2018</b>
Interbank demand and overnight deposits	134,857	261,466
Repurchase agreements	50,000	50,000
Interbank term deposits and borrowings	228,388	268,270
Accrued interest	5,415	5,331
<b>TOTAL</b>	<b>418,660</b>	<b>585,067</b>

## Note 10 - Customer deposits

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>31/12/2018</b>
Demand deposits	9,086,143	7,905,132
Term deposits	716,248	751,850
Borrowings secured by bills	94,070	65,834
Accrued interest	2,301	2,875
<b>TOTAL</b>	<b>9,898,762</b>	<b>8,725,691</b>

## Note 11 - Other liabilities, accruals and deferred income

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>31/12/2018</b>
Due to employees	403,802	607,114
Other accrued expenses and deferred income	115,759	161,634
<b>Accrued expenses</b>	<b>519,561</b>	<b>768,748</b>
Settlement accounts for transactions of securities <sup>(1)</sup>	192,552	301,984
Accounts payable <sup>(1)</sup>	32,346	27,639
Sundry creditors	106,345	99,629
<b>Other liabilities</b>	<b>331,243</b>	<b>429,252</b>
<b>TOTAL</b>	<b>850,804</b>	<b>1,198,000</b>

(1) These balances represent other financial liabilities as reported in section 4.

The presentation of accrued expenses was amended in the current period. For the purposes of comparison the prior year was restated.

## Note 12 - Provisions

<i>In thousands of euro</i>	01/01/2019	Charge/ (release)	Utilised	Exchange movement	Other movements	30/06/2019
Provisions for counterparty risk	1,056	33	-	-	-	1,089
Provisions for claims and litigation	28,728	781	(288)	72	5	29,298
Provisions for property	353	-	-	1	951	1,305
Provisions for staff costs	2,463	105	(298)	1	(410)	1,861
Other provisions	5,049	(5,021)	-	(28)	-	-
<b>Subtotal</b>	<b>37,649</b>	<b>(4,102)</b>	<b>(586)</b>	<b>46</b>	<b>546</b>	<b>33,553</b>
Retirement benefit liabilities	39,227	n/a	n/a	n/a	(4,428)	34,799
<b>TOTAL</b>	<b>76,876</b>	<b>(4,102)</b>	<b>(586)</b>	<b>46</b>	<b>(3,882)</b>	<b>68,352</b>

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

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

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

Retirement benefit liabilities (above) and assets (note 7) 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 2018.

## Note 13 - Impairments

<i>In thousands of euro</i>	01/01/2019	Income statement (charge)	Income statement reversal	Written off	Exchange rate and other movements	30/06/2019
Loans and advances to customers	(67,946)	(6,400)	7,678	3,896	(89)	(62,861)
Other financial assets	(24,530)	(718)	1,530	1,910	909	(20,899)
Securities at amortised cost	(326)	(131)	-	-	-	(457)
<b>TOTAL</b>	<b>(92,802)</b>	<b>(7,249)</b>	<b>9,208</b>	<b>5,806</b>	<b>820</b>	<b>(84,217)</b>

## Note 14 - Deferred tax

The movement in the deferred tax account is as follows.

<i>In thousands of euro</i>	30/06/2019	31/12/2018
<b>Net (liability)/asset as at beginning of period</b>	<b>2,741</b>	<b>(374)</b>
of which deferred tax assets	50,587	60,561
of which deferred tax liabilities	(47,846)	(60,935)
<b>Recognised in income statement</b>		
Income statement (expense)/income	(1,532)	(7,089)
<b>Recognised in equity</b>		
Defined benefit pension arrangements	5,318	(4,407)
Financial assets at fair value through other comprehensive income	895	9,207
Share options	(443)	2,064
Net investment hedge	2,435	186
Cash flow hedge	196	-
Reclassification to current tax	(17)	1,816
Exchange differences	(26)	(534)
Purchase/sale of a subsidiary	(1,078)	-
Change in accounting policies	-	2,006
Other	470	(134)
<b>NET (LIABILITY)/ASSET AS AT END OF PERIOD</b>	<b>8,959</b>	<b>2,741</b>
of which deferred tax assets	49,590	50,587
of which deferred tax liabilities	(40,631)	(47,846)

Deferred tax net assets are attributable to the following items.

<i>In thousands of euro</i>	30/06/2019	31/12/2018
Deferred profit share arrangements	22,023	26,822
Losses carried forward	5,560	5,025
Provisions	4,911	5,474
Defined benefit pension liabilities	3,985	2,932
Net investment and cash flow hedge	2,817	236
Accelerated depreciation	2,315	2,800
Share options	1,407	1,855
Financial assets at fair value	(349)	100
Other temporary differences	6,921	5,343
<b>TOTAL</b>	<b>49,590</b>	<b>50,587</b>

The majority of the Group's deferred tax assets are in NMR, a UK subsidiary. NMR considers that there will be sufficient profits within five 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 and Asia. Unrecognised deferred tax assets amounted to €53.1 million at 30 June 2019 (€57.4 million at 31 December 2018).

Deferred tax net liabilities are attributable to the following items.

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>31/12/2018</b>
Intangible assets recognised following acquisition of subsidiaries	13,459	13,459
Fair value adjustments to properties	10,575	16,624
Financial assets at fair value	9,867	9,727
Accelerated capital allowances	2,051	2,054
Defined benefit pension assets	908	979
Other temporary differences	3,771	5,003
<b>TOTAL</b>	<b>40,631</b>	<b>47,846</b>

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

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

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>31/12/2018</b>
Fair value adjustments to properties	6,121	-
Tax losses carried forward	1,072	(6,228)
Depreciation differences	(464)	(269)
Allowances for loan losses	(566)	(3,584)
Financial assets carried at fair value	(714)	(3,221)
Defined benefit pension liabilities	(3,588)	(2,068)
Deferred profit share arrangements	(4,834)	4,466
Other temporary differences	1,441	3,815
<b>TOTAL</b>	<b>(1,532)</b>	<b>(7,089)</b>

## 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, and in which it has made an equity investment.

<i>In thousands of euro</i>	30/06/2019		
	Equity funds	Debt funds	TOTAL
<b>Total assets within the underlying vehicles</b>	<b>2,570,021</b>	<b>2,945,729</b>	<b>5,515,750</b>
<b>Assets under management including third party commitments</b>	<b>4,907,203</b>	<b>3,384,434</b>	<b>8,291,637</b>
Interest held in the Group's balance sheet:			
Debt and equity securities at FVTPL	346,428	90,473	436,901
Debt securities at amortised cost	-	72,975	72,975
Loans and advances to customers	43,257	11,070	54,327
<b>Total assets in the Group's balance sheet</b>	<b>389,685</b>	<b>174,518</b>	<b>564,203</b>
Off-balance sheet commitments made by the Group	349,981	89,624	439,605
<b>Group's maximum exposure</b>	<b>739,666</b>	<b>264,142</b>	<b>1,003,808</b>

## 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:

	30/06/2019	30/06/2019	30/06/2019	30/06/2018	31/12/2018	30/06/2018
<i>In thousands of euro</i>	Income	Amounts in the balance sheet	Distributions	Income	Amounts in the balance sheet	Distributions
<b>Share of profit attributable to NCI</b>						
Preferred shares	54,716	55,742	170,979	54,420	159,748	155,763
R&CoHAG group	-	-	-	2,233	-	535
Other	(1,039)	4,759	27	411	5,848	546
<b>Expense, net of tax, charged to equity</b>						
Perpetual subordinated debt	9,071	290,560	8,875	7,393	290,640	7,407
<b>TOTAL</b>	<b>62,748</b>	<b>351,061</b>	<b>179,881</b>	<b>64,457</b>	<b>456,236</b>	<b>164,251</b>

### Preferred shares

Preferred shares within NCI mainly consist of amounts calculated in accordance with legal clauses applicable to French limited partnerships owned by Rothschild Martin Maurel SCS, the French holding company of our 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.

Preferred shares issued by R&CoCL a number of years ago were repaid in March 2019 at fair value. As a result, at 30 June 2019 there were no amounts of share capital or preferred dividends due in respect of these shares. As this is a transaction with shareholders, the uplift in fair value on repayment was charged directly to shareholders' funds in the consolidated statement of changes in equity.

### Perpetual subordinated debt

Subsidiaries inside the Group have issued to third parties 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.

<i>In thousands of euro</i>	30/06/2019	31/12/2018
Perpetual fixed rate subordinated notes 9 per cent (£125 million)	165,148	165,455
Perpetual floating rate subordinated notes (€150 million)	57,760	57,868
Perpetual floating rate subordinated notes (US\$200 million)	67,652	67,317
<b>TOTAL</b>	<b>290,560</b>	<b>290,640</b>

## Rothschild & Co Holding AG group

The following table shows a summarised income statement of the R&CoHAG group of companies, for the prior period, during which it was not wholly owned by the Group.

<i>In thousands of euro</i>	<b>R&amp;CoHAG Group</b>
	<b>30/06/2018</b>
<b>Income statement information</b>	
Net banking revenue	113,004
Net income	26,817
Total other comprehensive income for the period, after tax <sup>(1)</sup>	(3,903)
<b>Total comprehensive income for the period</b>	<b>22,914</b>

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

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 R&CoHAG has been wholly owned by the Group.

R&CoHAG was, until June 2019, the Swiss holding company of part of our Wealth Management business. In June 2019, R&CoHAG was merged with Rothschild & Co Continuation Holdings AG (R&CoCH). R&CoCH and R&CoHAG have been wholly owned by the Group since 6 August 2018 and, therefore, there are no longer any non-controlling interests relating to R&CoHAG.



## 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.

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>31/12/2018</b>
Cash and accounts with central banks	5,239,282	4,692,134
Interbank demand deposits and overnight loans (assets)	748,079	828,417
Other cash equivalents	372,619	399,787
Interbank demand deposits and overnight loans (liabilities) and due to central banks	(134,857)	(261,466)
<b>TOTAL</b>	<b>6,225,123</b>	<b>5,658,872</b>

Cash includes demand deposits placed with banks and cash on hand. 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

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>31/12/2018</b>
Given to banks	817	1,546
Given to customers	477,928	382,316
<b>Loan commitments</b>	<b>478,745</b>	<b>383,862</b>
Given to banks	42,685	44,762
Given to customers	92,114	95,551
<b>Guarantee commitments</b>	<b>134,799</b>	<b>140,313</b>
Investment commitments	542,216	343,488
Irrevocable nominee commitments	165,574	176,211
Pledged assets and other commitments given	54,244	62,684
<b>Other commitments given</b>	<b>762,034</b>	<b>582,383</b>

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 22.

### Commitments received

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>31/12/2018</b>
Received from banks	312,879	276,390
<b>Loan commitments</b>	<b>312,879</b>	<b>276,390</b>
Received from banks	50,581	90,835
Received from customers	3,085	3,004
<b>Guarantee commitments</b>	<b>53,666</b>	<b>93,839</b>

## 6. Notes to the income statement

### Note 19 - Net interest income

#### Interest income

<i>In thousands of euro</i>	30/06/2019	30/06/2018
Interest income - loans to banks	4,906	2,489
Interest income - loans to customers	31,974	35,093
Interest income - debt securities at FVTPL	371	410
Interest income - debt securities at FVOCI	528	105
Interest income - debt securities at amortised cost	3,000	2,653
Interest income - derivatives	31,706	27,326
Interest income - other financial assets	(13)	295
<b>TOTAL</b>	<b>72,472</b>	<b>68,371</b>

#### Interest expense

<i>In thousands of euro</i>	30/06/2019	30/06/2018
Interest expense - due to banks and other financial institutions	(4,649)	(8,072)
Negative interest income from loans to banks	(16,247)	(12,689)
Interest expense - due to customers	(13,772)	(5,975)
Interest expense - debt securities in issue	(2)	(36)
Interest expense - derivatives	(1,064)	(1,482)
Interest expense - lease liabilities	(2,646)	-
Interest expense - other financial liabilities	(84)	(1,058)
<b>TOTAL</b>	<b>(38,464)</b>	<b>(29,312)</b>

From 1 January 2019, rental expenses under IFRS 16 are split into a depreciation charge of ROU assets and an interest charge for discounting lease liabilities. Further information on the adoption of IFRS 16 is provided in section 2.3.

### Note 20 - Net fee and commission income

#### Fee and commission income

<i>In thousands of euro</i>	30/06/2019	30/06/2018
Fees for advisory work and other services	551,077	644,615
Portfolio and other management fees	264,782	272,911
Banking and credit-related fees and commissions	2,816	3,068
Other fees	5,085	6,989
<b>TOTAL</b>	<b>823,760</b>	<b>927,583</b>

#### Fee and commission expense

<i>In thousands of euro</i>	30/06/2019	30/06/2018
Fees for advisory work and other services	(10,018)	(6,223)
Portfolio and other management fees	(31,888)	(38,523)
Banking and credit-related fees and commissions	(87)	(312)
Other fees	(1,201)	(2,459)
<b>TOTAL</b>	<b>(43,194)</b>	<b>(47,517)</b>

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

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>30/06/2018</b>
Net income - financial instruments at fair value through profit or loss	40,163	47,549
Net income - carried interest	30,897	27,269
Net income - foreign exchange operations	11,059	12,784
Net income - other trading operations	(956)	(3)
<b>TOTAL</b>	<b>81,163</b>	<b>87,599</b>

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.

Of the €40.2 million income from financial instruments at FVTPL, €39.8 million was from investments mandatorily at FVTPL, with the rest from instruments designated at FVTPL.

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 - Operating expenses

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>30/06/2018</b>
Compensation and other staff costs	(507,932)	(567,810)
Defined benefit pension expenses	(4,751)	(8,381)
Defined contribution pension expenses	(6,756)	(6,278)
<b>Staff costs</b>	<b>(519,439)</b>	<b>(582,469)</b>
Administrative expenses	(133,999)	(150,440)
Depreciation, amortisation and impairment of tangible and intangible fixed assets	(30,871)	(13,779)
<b>TOTAL</b>	<b>(684,309)</b>	<b>(746,688)</b>

### 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 bonus will be settled in the form of a non-cash instrument. There are two forms of non-cash instruments in the R&Co Group, used in response to the Capital Requirements Directive 4 (CRD4). Firstly, an equity-settled deferred share award consisting of R&Co shares rather than cash: the R&Co shares are released to the employees six months after the vesting date of the award. Secondly, a cash-settled share-linked cash award (non-deferred): this vests immediately but the value of the amount paid moves in line with the R&Co share price over a six month holding period.

A commitment to employees exists in connection with 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 €97.0 million (€109.8 million as at 31 December 2018).

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.

### Administrative expenses and depreciation costs

As explained in section 2.3, the Group has adopted IFRS 16 from January 2019. The leasing expenses for capitalised leases for the six months ended 30 June 2019 are €18.2 million, comprising a €15.6 million charge for depreciation of right of use assets (included in depreciation costs) and €2.6 million of interest costs (note 8). For 2018, all charges for leased assets were included in administrative expenses.

## Note 23 - Cost of risk

<i>In thousands of euro</i>	Impairment	Impairment reversal	Recovered loans	30/06/2019	30/06/2018
Loans and advances to customers	(6,400)	7,678	-	1,278	2,055
Securities at amortised cost	(131)	-	-	(131)	88
Other assets	(718)	1,449	81	812	(1,565)
<b>TOTAL</b>	<b>(7,249)</b>	<b>9,127</b>	<b>81</b>	<b>1,959</b>	<b>578</b>

## Note 24 - Net income/(expense) from other assets

<i>In thousands of euro</i>	30/06/2019	30/06/2018
Gains/(losses) related to sales of tangible or intangible assets	18,598	(376)
Gains/(losses) on disposal and impairment of subsidiaries	3,207	(4,314)
Non-operating income/(expense)	(3,603)	(145)
Dividend from long-standing shareholding, designated at FVOCI	-	5,474
<b>TOTAL</b>	<b>18,202</b>	<b>639</b>

The note above includes the result on sale, and impairment prior to sale, of two office buildings.

Following the agreement to sell its Trust business (see Highlights section 1.2), the Group booked an impairment provision of €5 million in the six months ended in June 2018. The consolidated result on disposal, net of associated costs, has been booked in the current period following the completion of the sale earlier this year.

The loss in non-operating income includes the unrealised change in value and dividend income from certain legacy investments which are excluded from the management result.

Dividend income from the Group's interest in EdRS, sold in August 2018, was included as dividend income within "net income / (expense) from other assets" in June 2018.

## Note 25 - Income tax expense

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>30/06/2018</b>
Current tax	(34,930)	(26,492)
Deferred tax	(1,532)	(9,763)
<b>TOTAL</b>	<b>(36,462)</b>	<b>(36,255)</b>

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

### Current tax

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>30/06/2018</b>
Tax charge for the period	(29,690)	(28,905)
Adjustments related to prior periods	(552)	4,506
Irrecoverable dividend-related tax	(4,415)	(2,133)
Other	(273)	40
<b>TOTAL</b>	<b>(34,930)</b>	<b>(26,492)</b>

### Deferred tax

<i>In thousands of euro</i>	<b>30/06/2019</b>	<b>30/06/2018</b>
Temporary differences	(1,347)	(9,288)
Changes in tax rates	1,015	309
Adjustments related to prior periods	(1,200)	(784)
<b>TOTAL</b>	<b>(1,532)</b>	<b>(9,763)</b>

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

<i>In thousands of euro</i>	<b>30/06/2019</b>		<b>30/06/2018</b>	
<b>Profit before tax</b>		<b>233,523</b>		<b>261,773</b>
<b>Expected tax charge at standard French corporate income tax rate</b>	32.02%	74,774	34.43%	90,128
<b>Main reconciling items <sup>(1)</sup></b>				
Impact of foreign profits and losses taxed at different rates	(12.1%)	(28,322)	(15.0%)	(39,251)
Tax on partnership profits recognised outside the Group	(7.0%)	(16,265)	(6.3%)	(16,533)
Recognition of previously unrecognised deferred tax	(1.9%)	(4,412)	(0.7%)	(1,838)
Tax impact on deferred tax relating to change of the corporate income tax rate	(0.4%)	(1,016)	(0.1%)	(309)
Tax on income from associate recorded net of tax	(0.1%)	(138)	(0.2%)	(410)
Tax on dividends received through partnerships	+0.1%	334	+0.6%	1,457
(Gains)/losses where no deferred tax is recognised	+0.6%	1,318	+1.2%	3,220
Tax impacts relating to prior years	+0.8%	1,752	(1.4%)	(3,722)
Permanent differences	+1.5%	3,587	+0.3%	909
Irrecoverable and other dividend-related taxes	+1.9%	4,414	+0.8%	2,133
Other tax impacts	+0.2%	436	+0.2%	471
<b>Actual tax charge</b>	<b>15.6%</b>	<b>36,462</b>	<b>13.8%</b>	<b>36,255</b>
<b>EFFECTIVE TAX RATE</b>		<b>15.6%</b>		<b>13.8%</b>

<sup>(1)</sup> 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 26 - Related parties

<i>In thousands of euro</i>	30/06/2019			31/12/2018		
	Companies accounted for by the equity method	Executive Directors	Other related parties	Companies accounted for by the equity method	Executive Directors	Other related parties
<b>Assets</b>						
Loans and advances to customers	-	-	15,980	-	-	9,839
Right of use assets	4,877	-	-	-	-	-
Other assets	-	-	1	-	-	1
<b>TOTAL ASSETS</b>	<b>4,877</b>	<b>-</b>	<b>15,981</b>	<b>-</b>	<b>-</b>	<b>9,840</b>
<b>Liabilities</b>						
Due to customers	-	4,808	108,611	-	1,535	85,562
Lease liabilities	4,900	-	-	-	-	-
Other liabilities	7	-	-	61	-	-
<b>TOTAL LIABILITIES</b>	<b>4,907</b>	<b>4,808</b>	<b>108,611</b>	<b>61</b>	<b>1,535</b>	<b>85,562</b>
<b>Loan and guarantee commitments</b>						
Guarantees and commitments given	-	-	14	-	-	73
<b>TOTAL COMMITMENTS</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>73</b>

<i>In thousands of euro</i>	30/06/2019			30/06/2018		
	Companies accounted for by the equity method	Executive Directors	Other related parties	Companies accounted for by the equity method	Executive Directors	Other related parties
<b>Income and expenses from transactions with related parties</b>						
Net interest received	(52)	19	30	113	12	6
Net fee and commission income/(expense)	57	-	-	(410)	-	-
Other income	-	-	75	-	-	62
<b>TOTAL NET BANKING INCOME</b>	<b>5</b>	<b>19</b>	<b>105</b>	<b>(297)</b>	<b>12</b>	<b>68</b>
Other expenses	(263)	-	(773)	(285)	-	(1,188)
<b>TOTAL EXPENSES</b>	<b>(263)</b>	<b>-</b>	<b>(773)</b>	<b>(285)</b>	<b>-</b>	<b>(1,188)</b>



## Note 27 - 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; adding back non-operating gains and losses booked in "net income/(expense) from other assets"; removing realised gains on sales of investment securities where the unrealised gain was in the AFS reserve at 31 December 2017 before the introduction on IFRS 9; and reallocating impairments and certain operating income and expenses for presentational purposes.

### Segmental information split by business

<i>In thousands of euro</i>	Global Advisory	Wealth & Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	30/06/2019
<b>Net banking income</b>	<b>544,846</b>	<b>239,195</b>	<b>110,406</b>	<b>13,291</b>	<b>907,738</b>	<b>(10,216)</b>	<b>897,522</b>
Operating expenses	(462,064)	(201,886)	(42,496)	(27,215)	(733,661)	49,352	(684,309)
Cost of risk	-	1,126	-	-	1,126	833	1,959
<b>Operating income</b>	<b>82,782</b>	<b>38,435</b>	<b>67,910</b>	<b>(13,924)</b>	<b>175,203</b>	<b>39,969</b>	<b>215,172</b>
Share of profits of associated entities	-	-	-	-	-	149	149
Non-operating income	-	-	-	-	-	18,202	18,202
<b>Profit before tax</b>	<b>82,782</b>	<b>38,435</b>	<b>67,910</b>	<b>(13,924)</b>	<b>175,203</b>	<b>58,320</b>	<b>233,523</b>

<i>In thousands of euro</i>	Global Advisory	Wealth & Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	30/06/2018
<b>Net banking income</b>	<b>636,085</b>	<b>240,899</b>	<b>104,973</b>	<b>33,469</b>	<b>1,015,426</b>	<b>(8,910)</b>	<b>1,006,516</b>
Operating expenses	(529,515)	(200,404)	(33,532)	(46,708)	(810,159)	63,471	(746,688)
Cost of risk	-	2,229	-	-	2,229	(1,651)	578
<b>Operating income</b>	<b>106,570</b>	<b>42,724</b>	<b>71,441</b>	<b>(13,239)</b>	<b>207,496</b>	<b>52,910</b>	<b>260,406</b>
Share of profits of associated entities	-	-	-	-	-	728	728
Non-operating income	-	-	-	-	-	639	639
<b>Profit before tax</b>	<b>106,570</b>	<b>42,724</b>	<b>71,441</b>	<b>(13,239)</b>	<b>207,496</b>	<b>54,277</b>	<b>261,773</b>

The sale of our worldwide wealth planning and trust services business was completed in February 2019. Therefore all figures for 2018 for the Wealth & Asset Management business have been restated and the Trust business has been reclassified in "Other businesses".

Additionally, segmental figures previously disclosed for June 2018 showed the cost of risk for Wealth & Asset Management in net banking income. In 2019, impairments in the management accounts for this segment are reported as cost of risk, and the comparatives have therefore been restated accordingly.

### Net banking income split by geographical segment

<i>In thousands of euro</i>	30/06/2019	%	30/06/2018	%
United Kingdom and Channel Islands	279,097	31%	342,005	34%
France	235,056	26%	245,094	24%
Rest of Europe	165,515	18%	190,446	19%
Americas	123,529	14%	126,523	13%
Switzerland	51,218	6%	60,999	6%
Australia and Asia	32,587	3%	29,209	3%
Other	10,520	1%	12,240	1%
<b>TOTAL</b>	<b>897,522</b>	<b>100%</b>	<b>1,006,516</b>	<b>100%</b>

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

## Note 28 - Earnings per share

	30/06/2019	30/06/2018
Net income - Group share (millions of euro)	134.3	161.1
Preferred dividends adjustment (millions of euro)	(0.7)	(0.7)
<b>Net income - Group share after preferred dividends adjustment (millions of euro)</b>	<b>133.6</b>	<b>160.4</b>
Basic average number of shares in issue - 000s	71,198	75,108
<b>Earnings per share - basic (euro)</b>	<b>1.88</b>	<b>2.14</b>
Diluted average number of shares in issue - 000s	72,251	76,401
<b>Earnings per share - diluted (euro)</b>	<b>1.85</b>	<b>2.10</b>

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

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

As disclosed at 31 December 2018, in August 2018 R&Co and the Edmond de Rothschild group unwound all of their cross-shareholdings. As a result, the Group received 4.4 million R&Co shares, explaining the decrease in shares in issue during the current period.

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

## Note 29 - Consolidation scope

As at 30 June 2019, the main entities in the Group's consolidation scope can be summarised as follows.

Company name	Country of operation	30/06/2019		31/12/2018		Consolidation method <sup>(1)</sup>	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	30/06/2019	31/12/2018
Concordia Holding SARL	France	100.00	100.00	100.00	100.00	FC	FC
Rothschild Martin Maurel SCS <sup>(2)</sup>	France	99.99	99.99	99.99	99.99	FC	FC
Rothschild & Co Deutschland GmbH	Germany	100.00	99.98	100.00	99.98	FC	FC
Rothschild & Co Bank International Limited	Guernsey	100.00	100.00	100.00	100.00	FC	FC
Five Arrows Principal Investments International Feeder SCA SICAR	Luxembourg	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Europe BV	Netherlands	100.00	99.98	100.00	99.98	FC	FC
Rothschild & Co Bank AG	Switzerland	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Concordia AG <sup>(3)</sup>	Switzerland	-	-	100.00	100.00	-	FC
Rothschild & Co Holding AG <sup>(3)</sup>	Switzerland	-	-	100.00	100.00	-	FC
Rothschild & Co Continuation Holdings AG <sup>(3)</sup>	Switzerland	100.00	100.00	100.00	100.00	FC	FC
N M Rothschild & Sons Limited	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co North America Inc	United States of America	100.00	100.00	100.00	100.00	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) In June 2019, Rothschild & Co Concordia AG and Rothschild & Co Holding AG were merged into Rothschild & Co Continuation Holdings AG.

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

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*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, 2019 to June 30, 2019

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, 2019 to June 30, 2019,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly 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 condensed half-yearly 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 1st time application of IFRS 16 "Leases" explained in note 2.3 "Adoption of new accounting standards in the six months ended 30 June 2019", note 3.2 "Changes in significant accounting policies: IFRS 16 Leases" and note 8 "Changes in significant accounting policies" in the half-year summary consolidated financial statements.

## II. Specific verification

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

Paris La Défense, on September 17, 2019  
KPMG S.A.

Arnaud Bourdeille  
*Partner*

Paris, on September 17, 2019  
Cailliau Dedouit et Associés

Sandrine Le Mao  
*Partner*

# Persons responsible for the half-year financial report

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**Rothschild & Co Gestion SAS**  
Managing Partner

**Mark Crump**  
Group Chief Financial Officer and  
Group Chief Operating 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 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and all the other companies included in the scope of consolidation, and that the half-year activity report includes a fair review of the material events that occurred in the first six months of the financial year, their impact on the interim accounts and the main transactions between related parties, together with a description of the principal risks and uncertainties for the remaining six months of the year.

Paris, 17 September 2019

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

**Mark Crump**  
Group Chief Financial Officer and  
Group Chief Operating Officer

# About Rothschild & Co

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With a team of c.3,500 talented financial services specialists on the ground in over 40 countries across the world, our integrated global network of trusted professionals provide in-depth market intelligence and effective long-term solutions for our clients in Global Advisory, 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 €155,135,024. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

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**Financial calendar:**

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|--------------------|---|
| ■ 12 November 2019 | Publication of Third quarter information 2019 |
| ■ 10 March 2020    | Publication of Full year results 2019         |

