



Rothschild & Co

2015/2016 Annual results

June 2016

Overview of 2015/2016

Business

- Strong revenue performance across the Group, up 13% overall compared to 2014/2015
 - **Global Advisory:** record result with revenue up 18% YoY
 - **Private Wealth and Asset Management:** continuing growth with revenue up 13% YoY
 - **Merchant Banking:** revenue down 26% YoY as anticipated but up 12% versus “last 3 year average”
- Significant improvement in operating income at €319m (+19%)

Results

- Group focus on its 3 core businesses following the UK asset finance business sale ¹ - exceptional profit of €99m
- Net income - Group share of €232m and, excl. exceptional items, of €135m (-16%), the decline being due to high investment gains in Merchant Banking in 2014/2015
- Earnings per share of €3.37 and excl. exceptional of €1.95
- Dividend of €0.63 (+5%)
- Significant FX translation effect on revenue (+€68m) but limited on Net income – Group share (-€4m)

Merger of private wealth activities

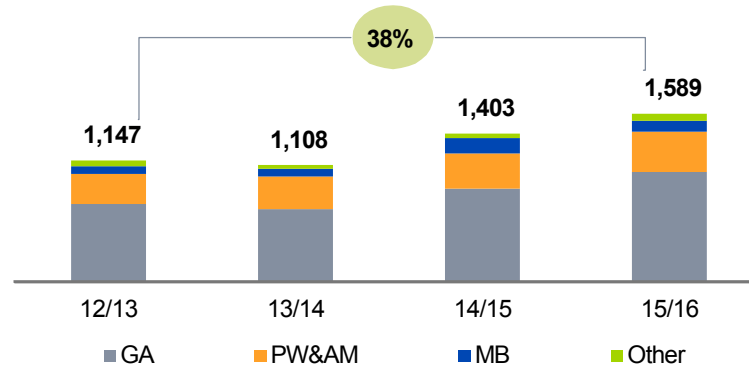
- Announced on 6 June, the contemplated merger of R&Co with Compagnie Financière Martin Maurel with a view to combine French private banking and asset management activities
- This would create a leading independent private banking group in France

Strong operating performance across all businesses

Financial highlights

From March 2013 to March 2016

Revenue

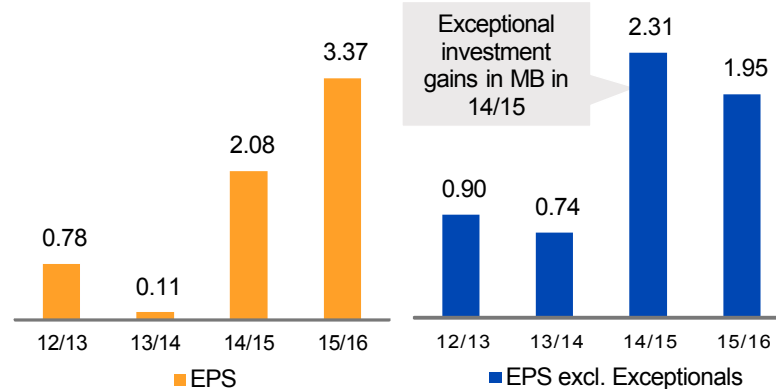


GA = **Global Advisory**, new name of Global Financial Advisory

PW&AM = **Private Wealth and Asset Management**, new name of Wealth and Asset Management

MB = **Merchant Banking**

EPS



Key achievements since the 2012 reorganisation

- Focus on 3 core businesses:
 - Sale of the UK asset finance business (FALG)
 - Run-off of the legacy banking book
 - Simplification of deposit taking activities
- Investments for growth
 - **Global advisory:** in geographies (senior US bankers hires, new team in Belgium) and in products (sovereign advisory, investor services)
 - **Private Wealth and Asset Management:** announced contemplated merger between Rothschild & Co and Compagnie Financière Martin Maurel for French private banking activities, launch of new asset management funds offerings
 - **Merchant Banking:** launch of new funds offerings (secondary, FoF, junior and debt funds, co-investment program) and successor funds, acquisition of a US CLO business
- Standardisation of infrastructure (IT outsourcing and SAP Finance deployment)

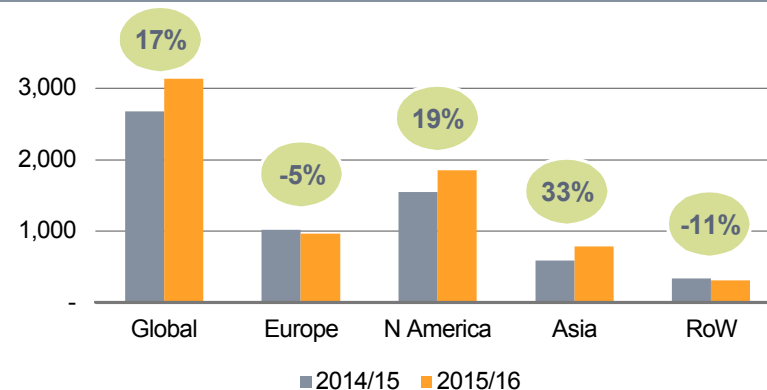
Robust growth in returns for shareholders

Rothschild Global Advisory

Profitability of the business

(in €m)	2014/15	2015/16	Var
Revenue	880	1,040	18%
M&A	588	763	30%
Financing Advisory	292	277	(5)%
Profit before tax	139	167	20%
<i>PBT margin</i>	15.8%	16.1%	0.3%
<i>Compensation ratio</i>	65.4%	66.0%	0.6%
<i>Bankers</i>	860	940	80
<i>of which MDs</i>	186	197	11

Completed M&A deal values by region¹



- Record GA revenue (+18%) and strong increase in Profit before tax (+20%)
- PBT margin slightly above last year, albeit compensation ratio increased by 0.6%:
 - 1% dilution of margin due to investment in senior US bankers
 - Further senior US hires expected in coming 2 years with up to 2% dilution of GA PBT margin in 2016/17
- Strong market growth in 2015; slower start to 2016
- Globally :
 - 6th by financial advisory revenue
 - 3rd by number of completed M&A deals¹
 - 10th by M&A deal value¹
- Europe: 1st by number of completed M&A deals¹
- Headcount changes due to investment in junior bankers and MDs promotion
- Recruitment of a new M&A team in Belgium and specialist equity marketing consultancy
- Continuing strong pipeline

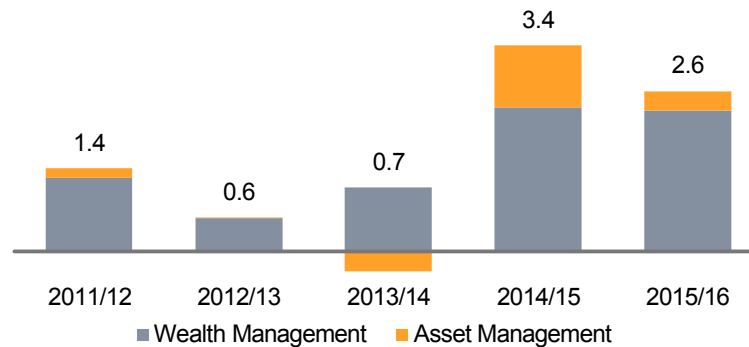
1. Source: Thomson Reuters

Rothschild Private Wealth & Asset Management

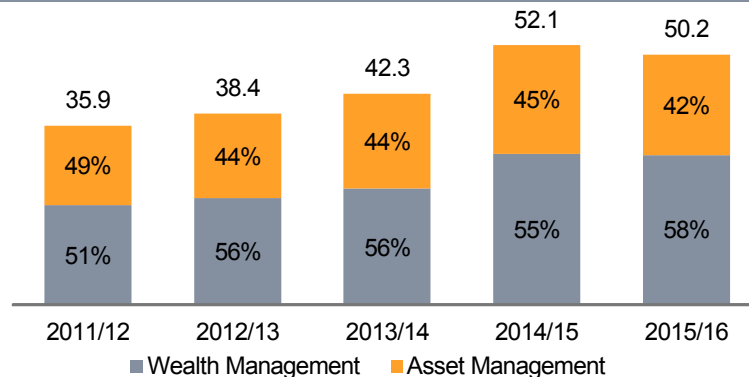
Key figures of the business

(in €m)	2014/15	2015/16	Var
Revenue	336	379	13%
Average Bps	71	74	4%
Front office for WM	111	113	2
Front office for AM	62	67	4

Net new assets (in €bn)



AuM (in €bn)



- AuM of €50.2bn as at 31 March 2016 (€52.1bn as at 31 March 2015) due to:
 - net inflows of €2.6bn
 - +€2.3bn in Private Wealth
 - +€0.3bn in Asset Management
 - market depreciation, negative exchange rate effects and reclassification of assets of €4.5 billion ¹
- Strong increase in revenue of 13%
- Restoration of profitability in Switzerland and improvement in other countries, thanks to focusing on enhancing client service and pricing discipline
- Development of the private client lending offering
 - Total book of €1.3bn as at 31 March 2016 (€0.9bn as at 31 March 2015)

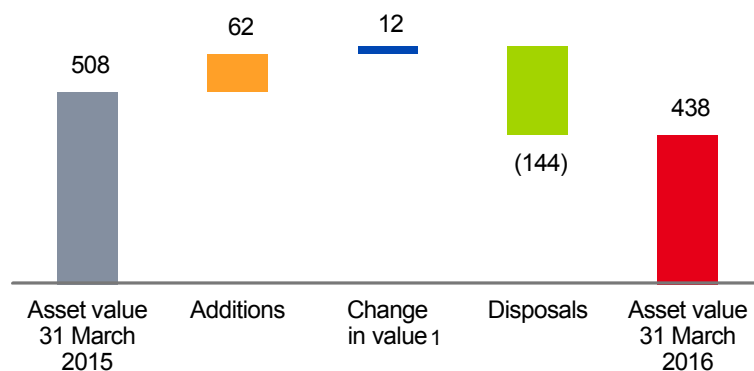
¹ Of this amount, €1.1 billion relates to a reclassification of assets from Assets under Management to Assets under Custody, and €0.2 million to the final transfer of accounts from Sélection R in France

Rothschild Merchant Banking

Key figures of the business

(in €m)	2014/15	2015/16	Var
Revenue	145	107	(26)%
o/w net investment gains	111	60	(46)%
o/w impairments	(10)	(12)	22%
<i>Net asset value of Group private equity assets</i>	<i>508</i>	<i>438</i>	<i>(70)</i>
<i>Investment professionals</i>	<i>52</i>	<i>64</i>	<i>12</i>

Change in the Net asset value (in €m)



¹ Combination of value creation (+€42m) offset by change in value, in particular, in listed legacy assets (-€30m)

- Active year with:
 - €144m of cash disposals (€197m in 2014/2015)
 - €60m of net investment gains (€111m in 2014/2015)
 - €62m deployed in new investments (€100m in 2014/2015)
- Revenue down on last year's exceptional, but up 12% on 3 previous years' average revenue
- €4.8bn AuM worldwide, of which 12% committed by the Group
- Continuing the roll out of Merchant Banking offering, with the:
 - expansion of the offering (acquisition of West Gate, a US based credit manager and launch of a FoF Arolla)
 - successful closings: second primary equity fund FAPI II (€775m), a senior credit fund, Oberon II (€306m), a CLO, Contego III (€308m)
 - launch of successor funds (FASO IV, Oberon III and RPO II)
- Headcount increase in relation to West Gate acquisition and new fund closings
- Good pipeline of investment opportunities and disposals

Banking

Key figures of the business

<i>(in €m)</i>	2014/15	2015/16	Var
Revenue	43	40	(6)%
of which FALG ¹	36	23	(36)%
Impairment on loans	(15)	(1)	(14)

¹ Sold on 03/11/2015

- Legacy drawings fell to €154m as at 31 March 2016 (€262m as at 31 March 2015)
- The Group sold FALG, on 3 November 2015 to Paragon Bank PLC
 - Sale price of £117m (€164m)
 - Exceptional accounting gain of €99m in 2015/2016
- Impairment in 2014/2015 was related to certain legacy commercial loans

Summary statutory consolidated P&L

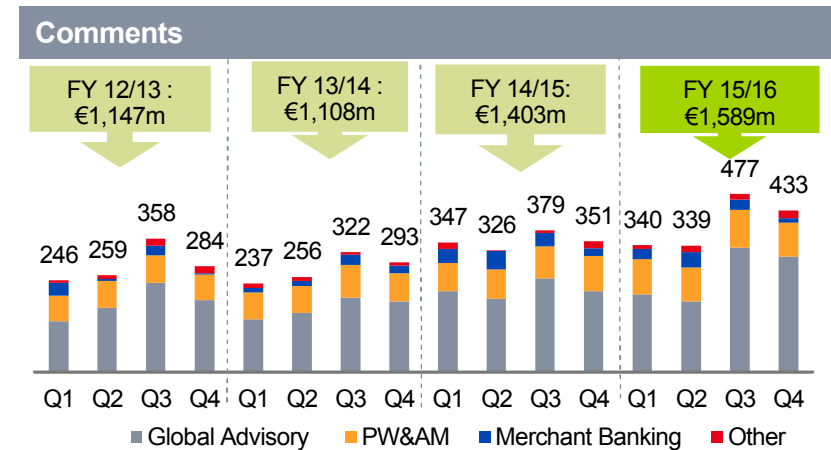
<i>(in €m)</i>	2014/15	2015/16	Var	Var %
Revenue	1,403	1,589	186	13%
Staff costs	(820)	(954)	134	16%
Administrative expenses	(257)	(267)	10	4%
Depreciation and amortisation	(36)	(37)	1	4%
Impairments	(22)	(12)	(10)	(46)%
Operating Income	268	319	51	19%
Other income / (expense) (net)	49	103	54	112%
Profit before tax	317	422	105	33%
Income tax	(63)	(65)	2	3%
Consolidated net income	254	357	103	41%
Non-controlling interests	(110)	(125)	15	13%
Net income - Group share	144	232	88	62%
Exceptionals	16	(97)	(113)	n/a
Net income - Group share excl. exceptionals	160	135	(25)	(16)%
<i>Earnings per share</i>	2.08 €	3.37 €	1.29 €	62%
<i>EPS excl. exceptionals</i>	2.31 €	1.95 €	- 0.36 €	(16)%

- Significant FX effects, resulting in :
 - Positive impact on revenue of €68m
 - Negative impact on staff costs of €54m and on administrative expenses of €13m
 - Negative impact on profit before tax of €2m
 - Negative impact on Net income – Group share of €4m
- Other income / (expense) (net) includes the exceptional profit on disposal of FALG for €99m
- Underlying net income decline reflects exceptionally high investment gains in Merchant Banking in 2014/15

Zoom on Q4 revenue (January to March 2016)

Key figures			
In €m	Q4 2014/2015	Q4 2015/2016	% Var
Global Advisory	216	309	43%
Asset Management	116	103	-11%
<i>o/w Private Wealth & Asset Management</i>	94	92	-3%
<i>o/w Merchant Banking</i>	22	12	-45%
Other ¹	19	8	-59%
IFRS Reconciliation	0	12	n/a
Total Group revenues	351	433	23%

¹ Other comprises Legacy businesses, including Banking & Asset Finance and other



- Strong level of Q4 revenue, up 23% overall compared to Q4 2014/2015, unlike many financial institutions. This reflects:
 - **Global Advisory:** record Q4 revenue, up 43% YoY, due to strong M&A advisory activity
 - **Private Wealth and Asset Management:** revenue down 3% due to market volatility in early part of 2016
 - **Merchant Banking:** revenue down 45% as anticipated

“Exceptionals” reconciliation

(in €m)	2014/2015			2015/2016		
	PBT	PATMI	EPS	PBT	PATMI	EPS
Including "Exceptionals"	317	144	2.08 €	422	232	3.37 €
- Legacy legal costs	(17)	(16)	(0.23) €	0	0	- €
- Pensions credit	3	1	0.02 €	10	6	0.09 €
- EDR (Suisse) impairment	(3)	(2)	(0.03) €	0	0	- €
- UK deferred tax asset write off	0	(9)	(0.13) €	0	0	- €
- Sale of Swiss property	16	10	0.14 €	0	0	- €
- Swap settlement cost	0	0	- €	(8)	(6)	(0.09) €
- FALG Sale	0	0	- €	99	97	1.42 €
Total Exceptional Costs (-) / Gains	(1)	(16)	(0.23) €	101	97	1.42 €
Excluding "Exceptionals"	318	160	2.31 €	321	135	1.95 €

Operating income by business

2015/2016

(in €m)	Global Advisory	Private Wealth & Asset Management and Merchant Banking	Other ¹	IFRS Reconciliation ²	2015/2016
Revenues	1,040	487	56	6	1,589
Operating expenses	(873)	(404)	(101)	121	(1,257)
Impairments	0	(1)	(2)	(10)	(13)
Operating income	167	82	(47)	117	319
Exceptional charges / (profits)	0	0	8	(10)	(2)
Operating income without exceptional items	167	82	(39)	107	317
<i>Operating margin %</i>	16%	17%			20%

2014/2015

(in €m)	Global Advisory	Private Wealth & Asset Management and Merchant Banking	Other ¹	IFRS Reconciliation ²	2014/2015
Revenues	880	482	63	(22)	1,403
Operating expenses	(741)	(348)	(99)	75	(1,113)
Impairments	0	0	(15)	(7)	(22)
Operating income	139	134	(51)	46	268
Exceptional charges / (profits)	0	0	0	14	14
Operating income without exceptional items	139	134	(51)	60	282
<i>Operating margin %</i>	16%	28%			19%

¹ Other comprises central costs, Legacy businesses, including Banking & Asset Finance and other

² This analysis is prepared from non IFRS data used internally for assessing business performance then adjusted to conform to the Group's statutory financial accounting policies. IFRS reconciliation mainly includes items that relate to 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 (R) for defined benefit pension schemes; and reallocation of impairments and certain operating expenses.

Zoom on FALG sale

Key figures

<i>(in €m)</i>	12m 2014/15	7m 2015/16	Var %
Revenue	36	23	(36)%
Operating profit	12	6	(47)%
PATMI	10	5	(50)%
<i>Employees</i>	<i>198</i>	<i>215</i>	<i>9%</i>

Comments

- The Group sold its UK asset finance business (Five Arrows Leasing Group - FALG), on 3 November 2015 to Paragon Bank PLC
 - Sale price of £117m (€164m)
 - Exceptional PBT accounting gain of €99m and €97m PATMI
 - The disposal benefited regulatory capital by €107m and reduced risk weighted assets by €328m

Group Compensation ratio

<i>(in €m)</i>	2014/2015	2015/2016	Var
Revenue	1,403	1,589	13%
Total staff costs	(887)	(1,031)	16%
Group Compensation ratio ¹	63.2%	64.9%	

	2014/15	2015/16
<ul style="list-style-type: none"> ■ Increase of compensation ratio linked to: <ul style="list-style-type: none"> – FX (60 bps) – joiner costs (50 bps) – decline of Merchant Banking revenue YoY (160 bps) 	Compensation ratio – FX – joiner costs – decline of MB revenue Adjusted comp ratio	63.2% -0.6% -1.0% 1.6% 64.3% 63.3%
<ul style="list-style-type: none"> ■ Adjusted compensation ratio declined by 1% YoY 		

¹ The compensation ratio includes profit share paid to French Partners. It excludes redundancy costs and revaluation of share-based employee liability but includes the effects of accounting for deferred bonuses over the period in which they are earned.

Income taxes

<i>(in €m)</i>	2014/2015	2015/2016
Statutory Profit before tax - as reported (A)	317	422
Impairment of long-standing shareholding	3	-
FALG profit	-	(99)
Profit before tax - as restated (B)	320	323
Income taxes - as reported (C)	63	65
Deferred tax credit on impairment of long-standing shareholding	-	-
Income taxes - as restated	63	65
<u>Adjustment</u>		
UK deferred tax asset write off due to change in corporation tax rates	(9)	-
Prior year effects	-	1
<i>Income taxes - as restated & after adjustments (D)</i>	54	66
<i>Effective tax rate (D)/(B)</i>	17.0%	20.1%
<i>Reported tax rate (C)/(A)</i>	19.8%	15.4%

Non-controlling interests

P&L		
<i>(in €m)</i>	2014/2015	2015/2016
Interest on perpetual subordinated debt	14	15
Preferred shares ¹	86	101
Impairment of long-standing shareholding	(1)	0
Other Non-controlling interests	11	9
TOTAL	110	125

¹ Mainly relates to the profit share distributed to French partners

Balance sheet		
<i>(in €m)</i>	31/03/2015	31/03/2016
Perpetual subordinated debt	346	320
Preferred shares	40	31
Other Non-controlling interests	170	165
TOTAL	556	516

- Reduction in balance sheet value mainly relates to FX effects (€34m)

Summary Balance sheet

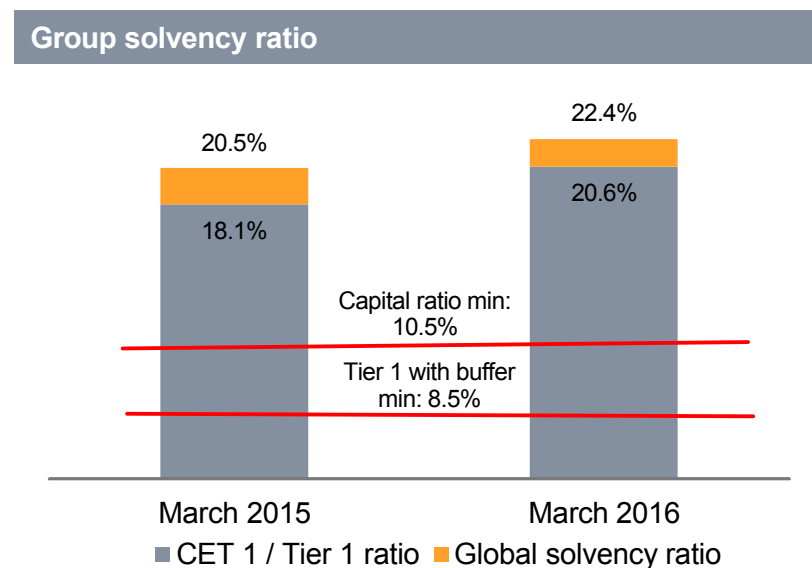
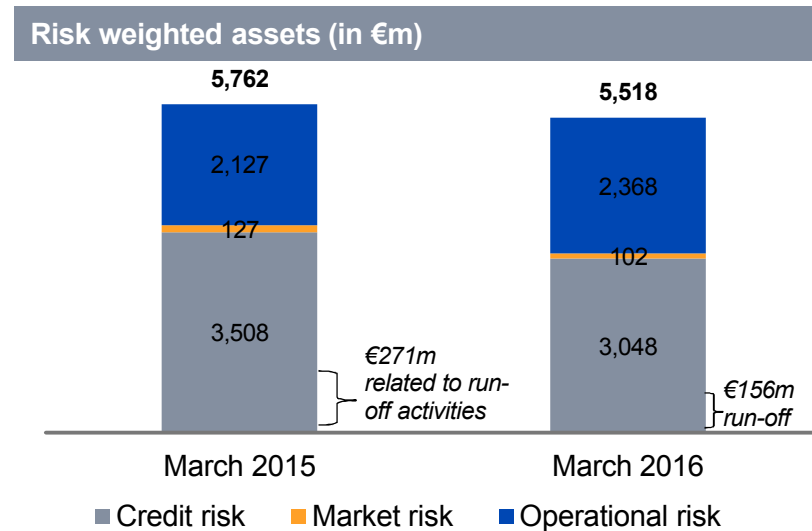
<i>(in €bn)</i>	31/03/2015	31/03/2016	Var
2 Cash and amounts due from central banks	3.6	3.5	(0.1)
Cash placed with banks	1.5	1.2	(0.3)
Loans and advances to customers	1.6	1.5	(0.1)
3 <i>of which Private client lending</i>	0.9	1.3	0.4
4 <i>of which Legacy lending book</i>	0.3	0.2	(0.1)
5 Debt and equity securities	1.0	1.5	0.5
Other assets	1.4	1.3	(0.1)
Total assets	9.1	9.0	(0.1)
1 Due to customers	5.7	5.5	(0.2)
Other liabilities	1.4	1.5	0.1
Shareholders' equity - Group share	1.4	1.5	0.1
Non-controlling interests	0.6	0.5	(0.1)
Total capital and liabilities	9.1	9.0	(0.1)

- 1** Customer deposits from clients, mainly in Switzerland and UK
- 2** Surplus cash is placed in central banks and banks
- 3** Private client lending (Lombard and mortgages) is developing in line with our Private Wealth strategy
- 4** Corporate legacy lending book continues its managed decline
- 5** Debt and equity securities increased due to treasury management

FX impact decreased the balance sheet size by approximately €0.4bn

Solvency ratios

Risk weighted assets and ratios under full application of Basel 3 rules



- Increase in Group solvency ratios largely due to the strong profits performance in the year as well as the benefits of the FALG sale
- UK banking licence to be relinquished in due course which will ultimately result in loss of T2 capital (€100m as at March 2016)
- Ratios are comfortably above minimum requirements imposed by Basel 3
- Management considers Merchant Banking requires additional capital beyond Basel 3
- On a pro forma basis, after the contemplated merger with Compagnie Financière Martin Maurel, the CET 1 ratio would be c.18%

Dividend

	2013/14	2014/15	2015/16
Earnings per share	€0.11	€2.08	€3.37
Dividend per share ¹	€0.50	€0.60 +20%	€0.63 +5%
Payout ratio	455%	29%	19%
Payout ratio excl. FALG sale	455%	29%	32%

¹ Dividend proposed at the General Meeting to be held on 29 September 2016

- 5% increase in dividend despite a decrease in the EPS excluding exceptional items
- This reflects our progressive dividend policy over time in order to avoid the negative effect of potential results volatility
- Average payout over the last 3 years of 31% and 42% excluding FALG disposal
- The FALG disposal provides a release of capital to invest in the development of our 3 core businesses, such as the contemplated merger with Compagnie Financière Martin Maurel – we do not consider this “distributable”

Financial targets

	2014/2015	Medium-term objectives	2015/2016
Compensation ratio	64.3% ¹	Low 60%'s through the cycle	63.3% ¹
Return on tangible equity	14.0% ²	Between 10% to 15% through the cycle	10.8% ²
GA : Profit before tax margin	15.8%	Low to mid-teens through the cycle	16.1%

¹ As adjusted – see slide 12

² ROTE based on Net income – Group share excl. exceptionals items. Would be 13% for 2014/15 and 19% for 2015/16 if exceptionals included

Outlook

Overall	Businesses are volatile and dependent on market conditions, which have become more challenging due to macro uncertainties
Global Advisory	Optimistic that the steady flow of completed and ongoing advisory assignments seen in recent periods will continue in the near future Continuing strong pipeline US banker investment : up to 2% annual dilution in 2016/2017, depending upon the right opportunities
Private Wealth & Asset Management	Continuing growth in revenue and asset inflows but any significant decline in financial markets will impact our Assets under Management and, therefore, revenue
Merchant Banking	Growing Assets under Management across our different product offerings Carried interest effect more significant in 2016/2017

Conclusion

1

Excellent results, with strong momentum in all 3 businesses which illustrates the benefits of our business model

2

Focused on our 3 core businesses

3

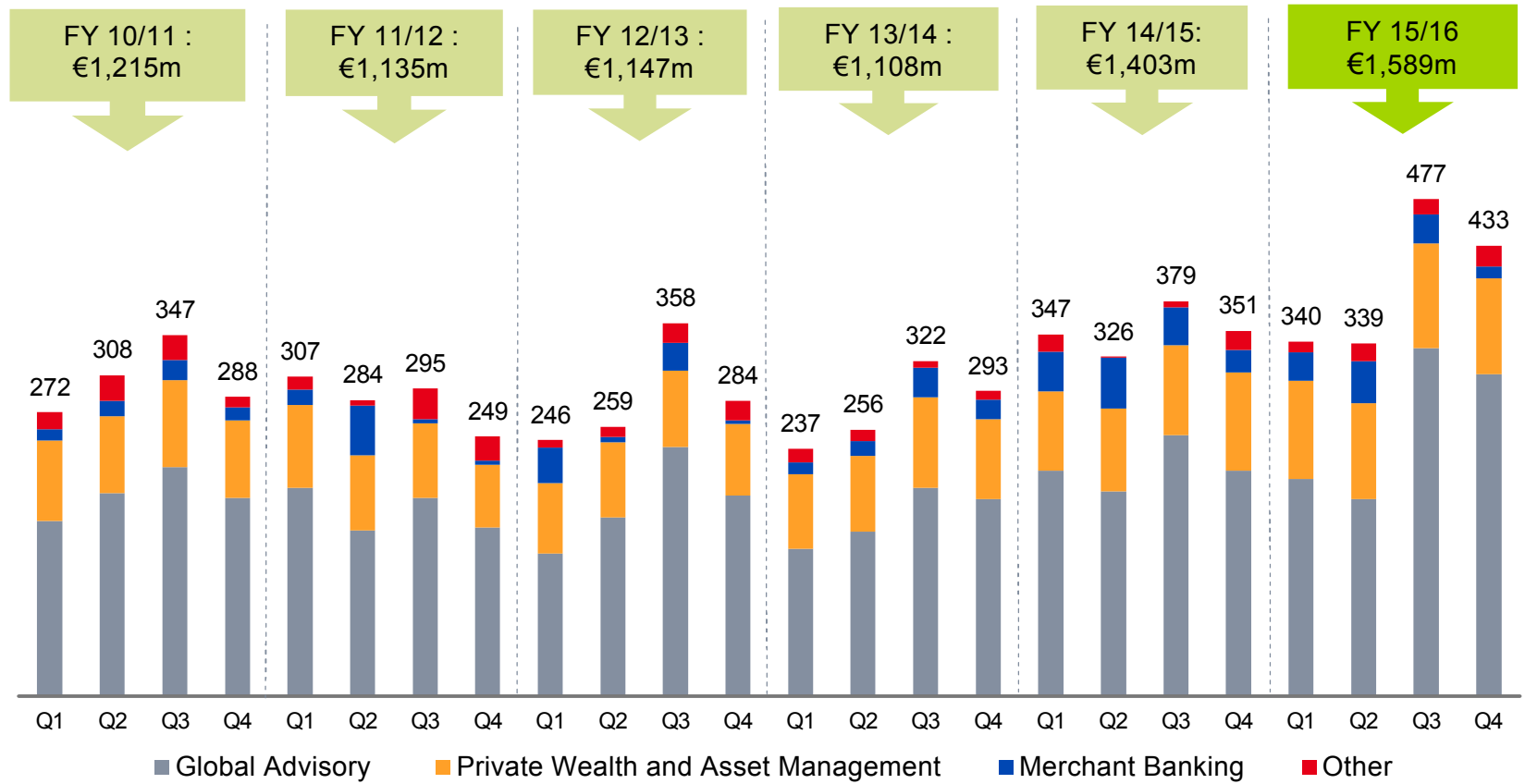
Positive outlook for the 3 businesses

4

Contemplated merger with Compagnie Financière Martin Maurel would bring further benefits including the diversification away from Global Advisory

Appendices

Quarterly revenues generation



Major FX rates

Balance sheet (spot)

Rates	At March 15	At March 16	Var
€ / GBP	0.7273	0.7916	9%
€ / CHF	1.0463	1.0931	4%
€ / USD	1.0759	1.1385	6%

P&L (average)

Rates	2014/2015	2015/2016	Var
€ / GBP	0.7740	0.7329	(5)%
€ / CHF	1.1515	1.0734	(7)%
€ / USD	1.2304	1.1042	(10)%

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