

Rothschild & Co



Half-year results (April – September 2017) of the 9 months financial period to December 2017

28 November 2017



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1

Highlights

Highlights



A solid half year

Strong growth in financial results

- Group revenue: **+6%** of €852m (6m to Sept 16: €802m)
- Net income - Group share excl. exceptional: **+36%** of €95m (6m to Sept 16: €70m)
- Earnings per share excl. exceptional : **+27%** of €1.28 (6m to Sept 16: €1.01)

Investment in our businesses

- Continued investment in US market for Global Advisory
- Completion in July 2017 of the legal merger of the French private banks of Rothschild & Co and Martin Maurel group
- Roll out of Merchant Banking in new products

Strategy on track

- Diversification of earnings starting to produce results
- Natural synergies between the three businesses

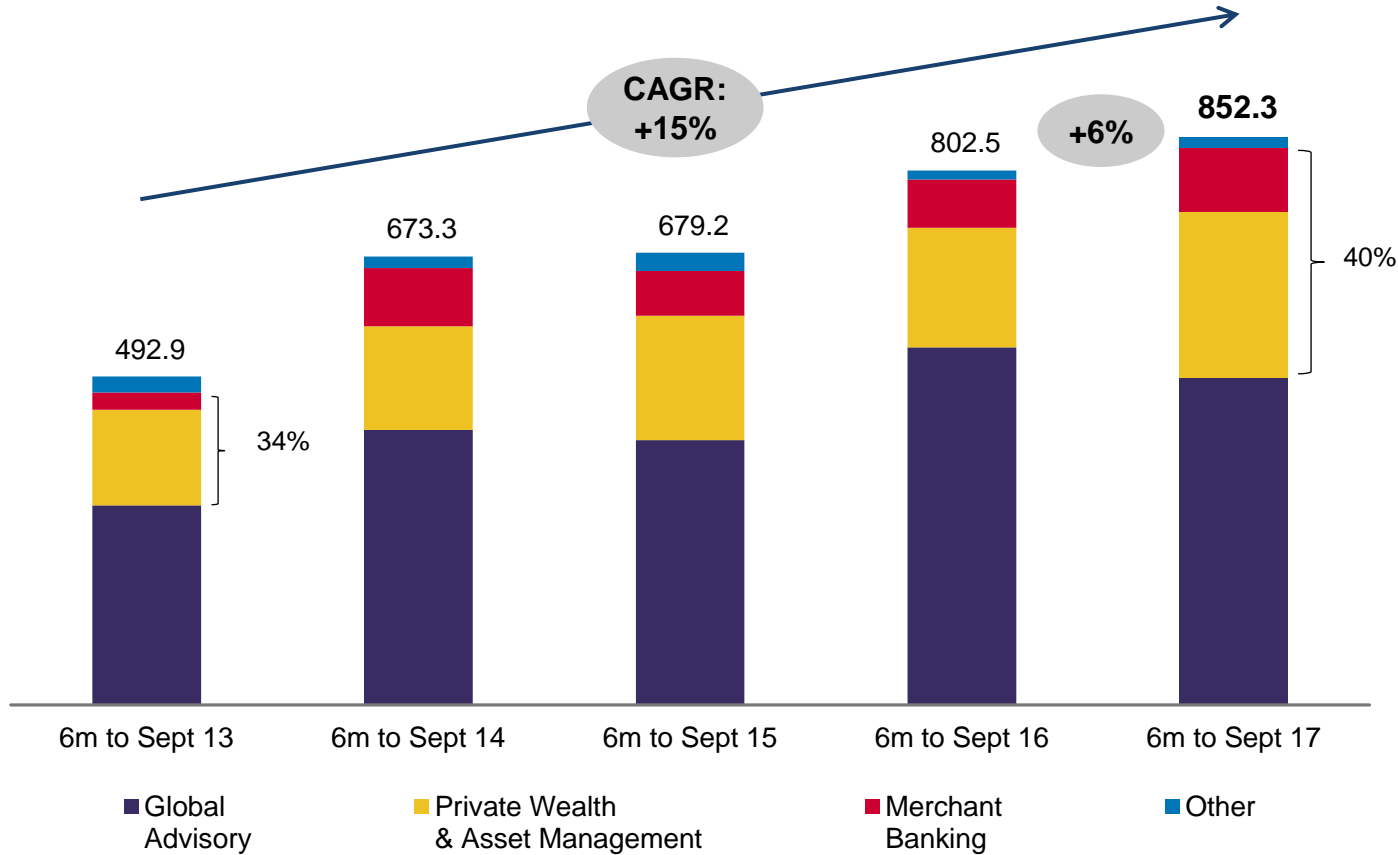
Other

- Change in financial year to December 2017
- Disclosure of profitability for all three businesses

Satisfactory revenue performance



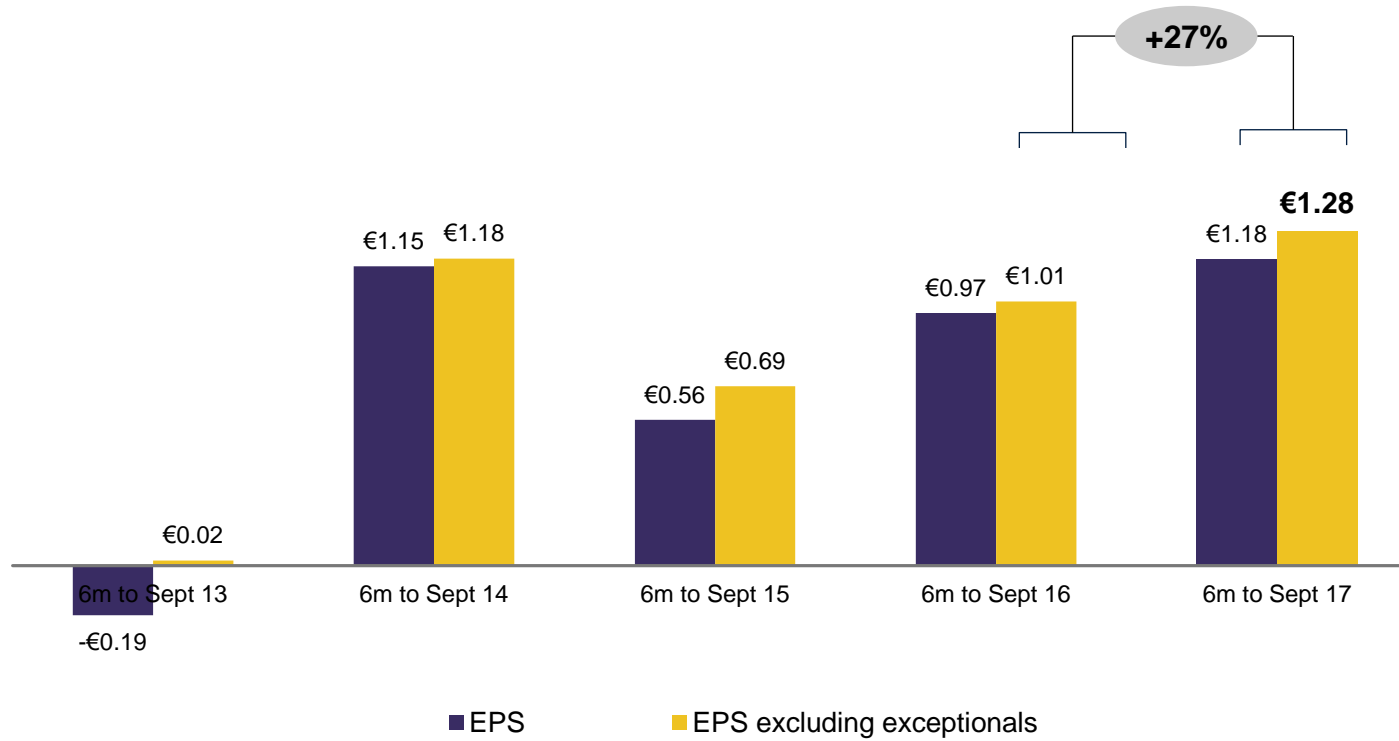
Half yearly Revenue progression (in €m)



Robust EPS growth



EPS progression



Note

1 Average number of shares as at 30 September 2017 : 74,531k (30 September 2016: 68,624k)

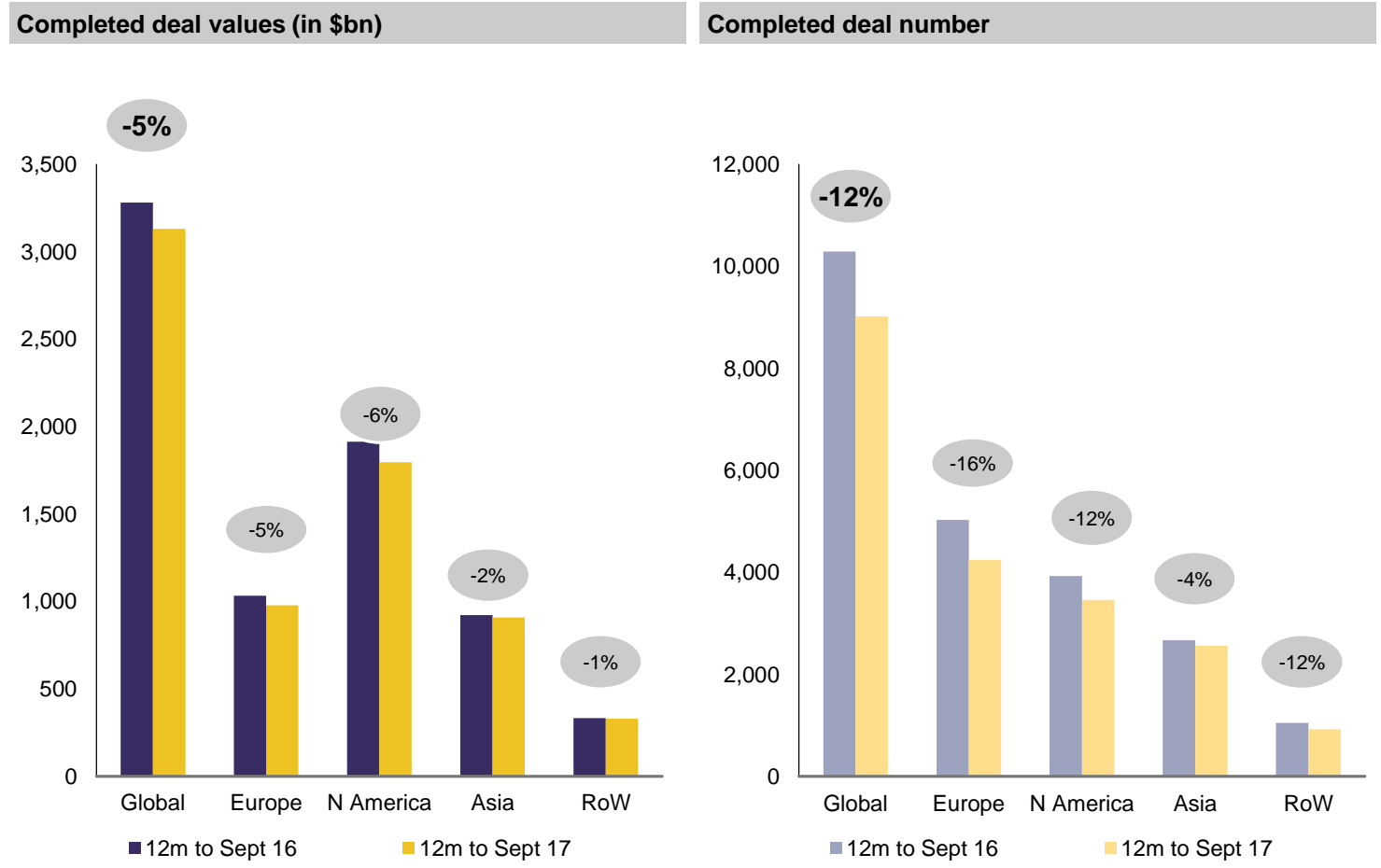
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Business review: Rothschild Global Advisory



Rothschild Global Advisory

Lower levels of completed activity in M&A market



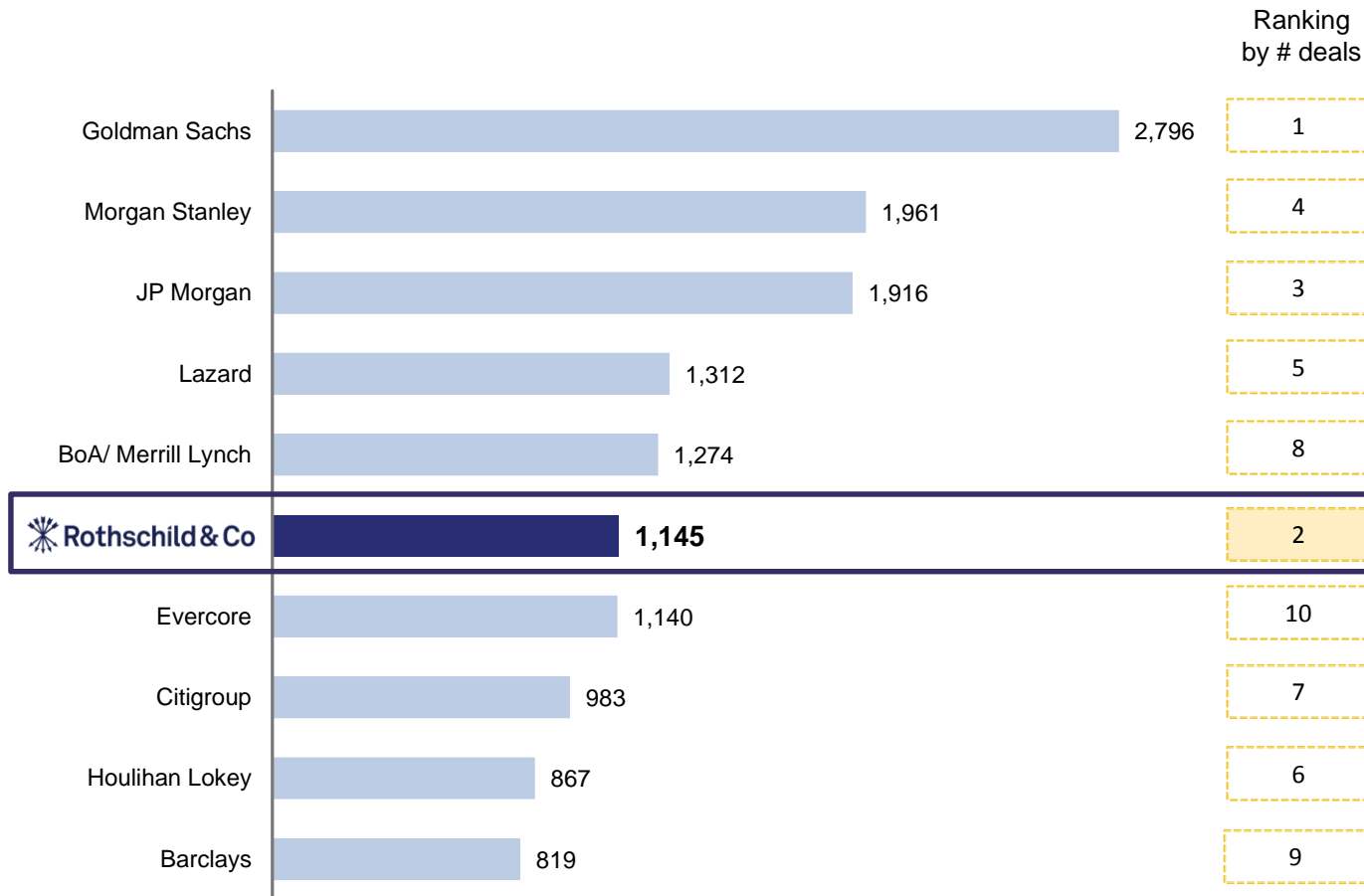
Source: Thomson Reuters



Rothschild Global Advisory

Global ranking by revenue

Ranking by advisory revenue (in €m) and by number of deals – 12m to September 2017

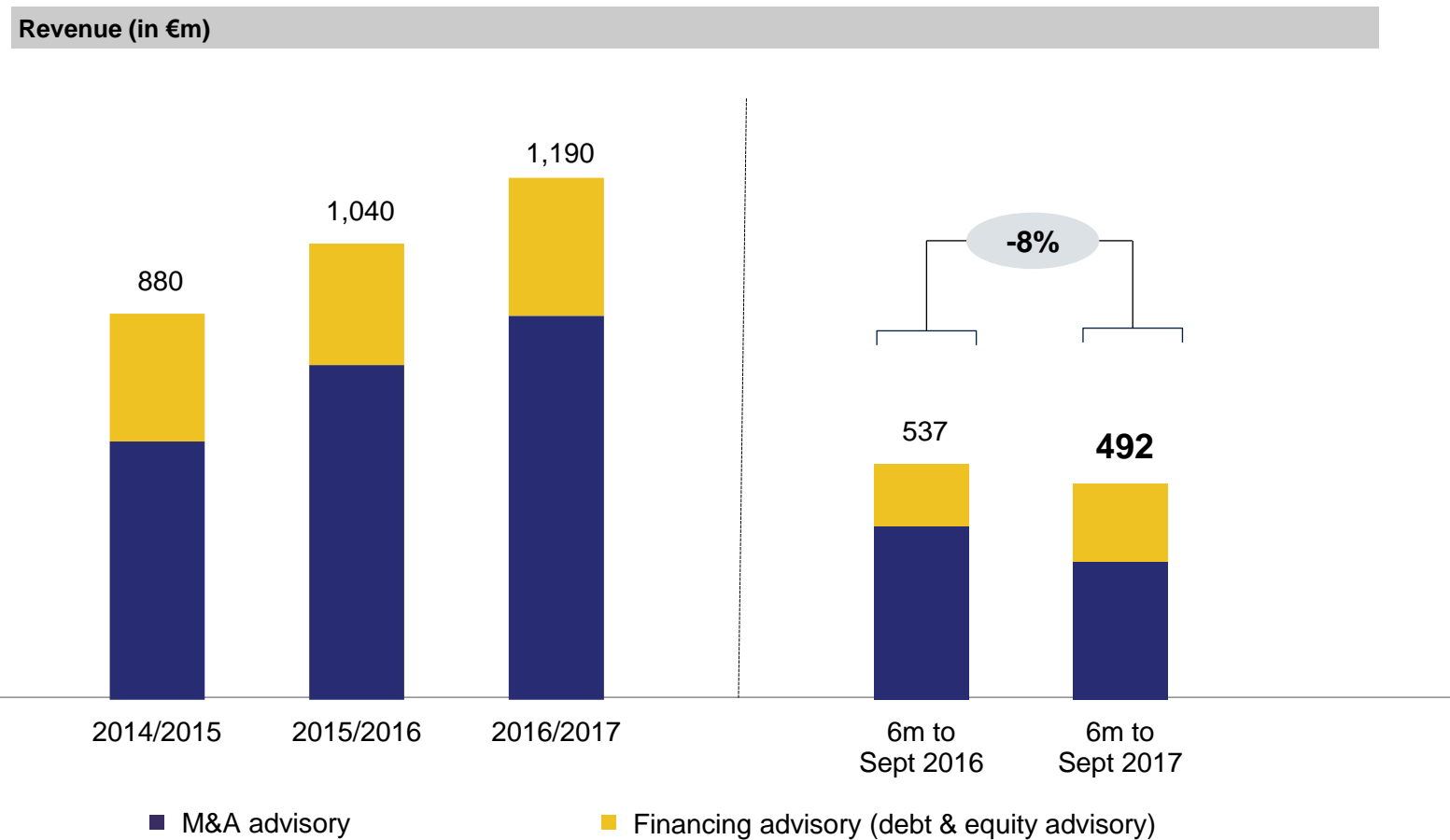


Source: Company's filings and Thomson Reuters (number of completed M&A deals)



Rothschild Global Advisory

Decline in revenue reflecting reduction in number of deals

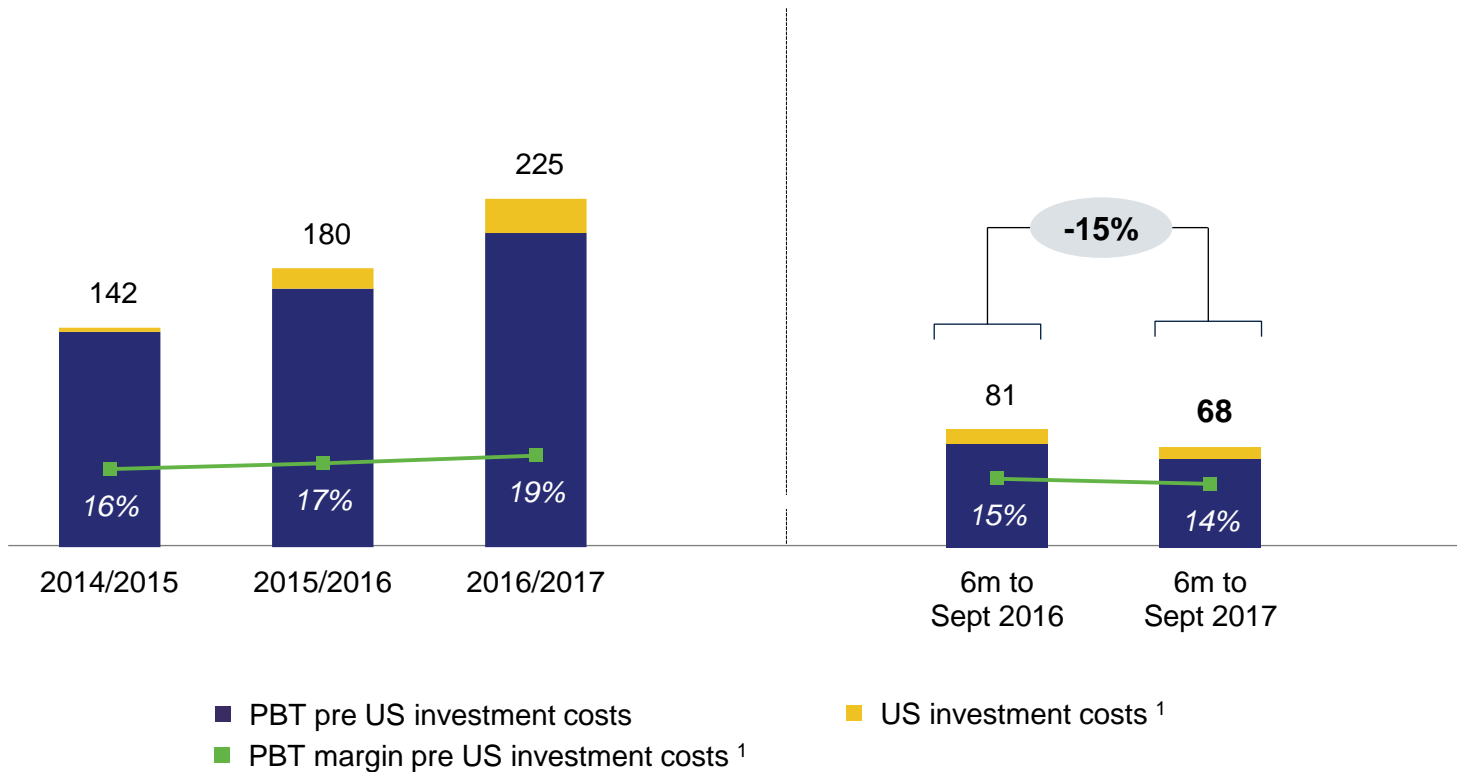




Rothschild Global Advisory

Margins stable despite revenue decline

Profit before tax (in €m) – pre US investment costs



¹ US investment costs were €3m in 2014/2015, €13m in 2015/16, €22m in 2016/2017, €10m for 6m to Sept 2016 and €7m for 6m to Sept 2017. Our US investment costs are expected to be around 2% of revenue for the 9 months to 31 December 2017, subject to the right opportunities



Rothschild Global Advisory

Perspectives

1


- Leading global player in financial advisory market
- Consistent gains in market share over the past 10 years
- Strong network around the world in key financial centres
- Deep, long-term relationships with our clients

2

- Good momentum in continental Europe
- Uncertainties in M&A in the UK post Brexit vote
- Sector expertise helps us to identify attractive opportunities in emerging markets
- US plan on track to grow market share

3

- Pipeline remains healthy



**Target:
PBT margin: mid to
high-teens
through the cycle**

3

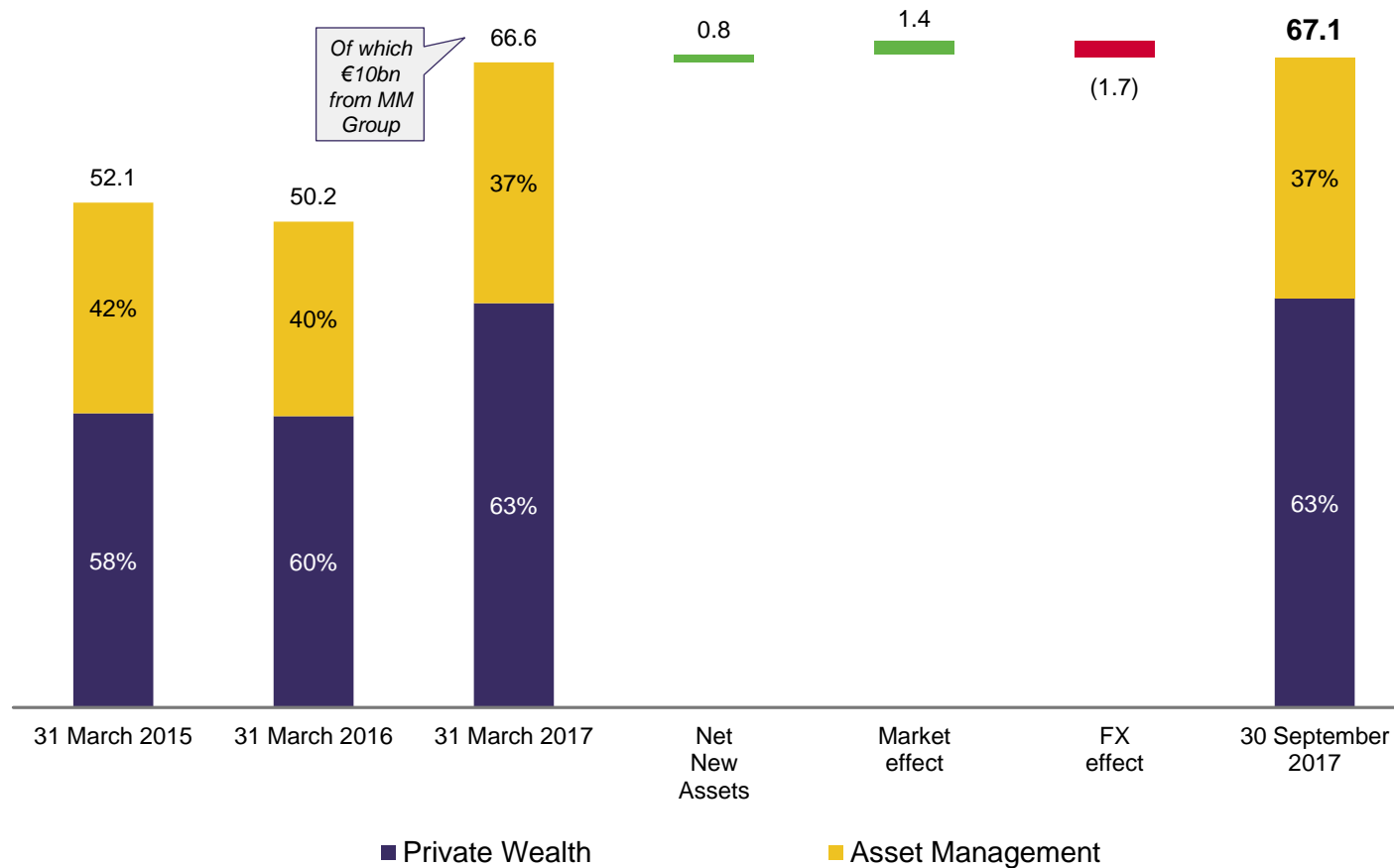
Business Review: Rothschild Private Wealth & Asset Management



Rothschild Private Wealth & Asset Management

Stable AuM reflecting positive NNA and market appreciation offset by negative FX rate effects

Assets under management (in €bn)

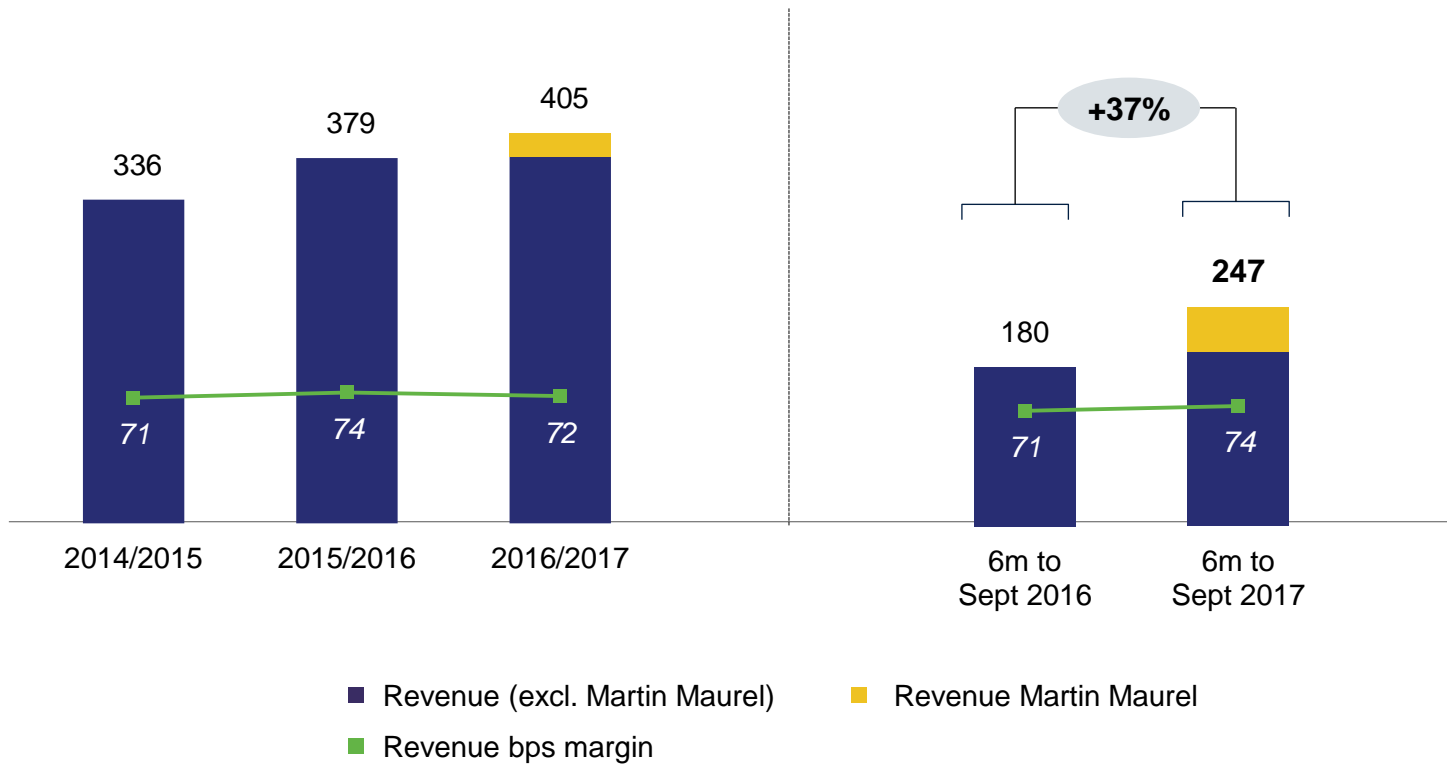




Rothschild Private Wealth & Asset Management

Revenue and bps margin improvement driven by strong organic growth and Martin Maurel consolidation

Revenue (in €m) and annualised average bps progression

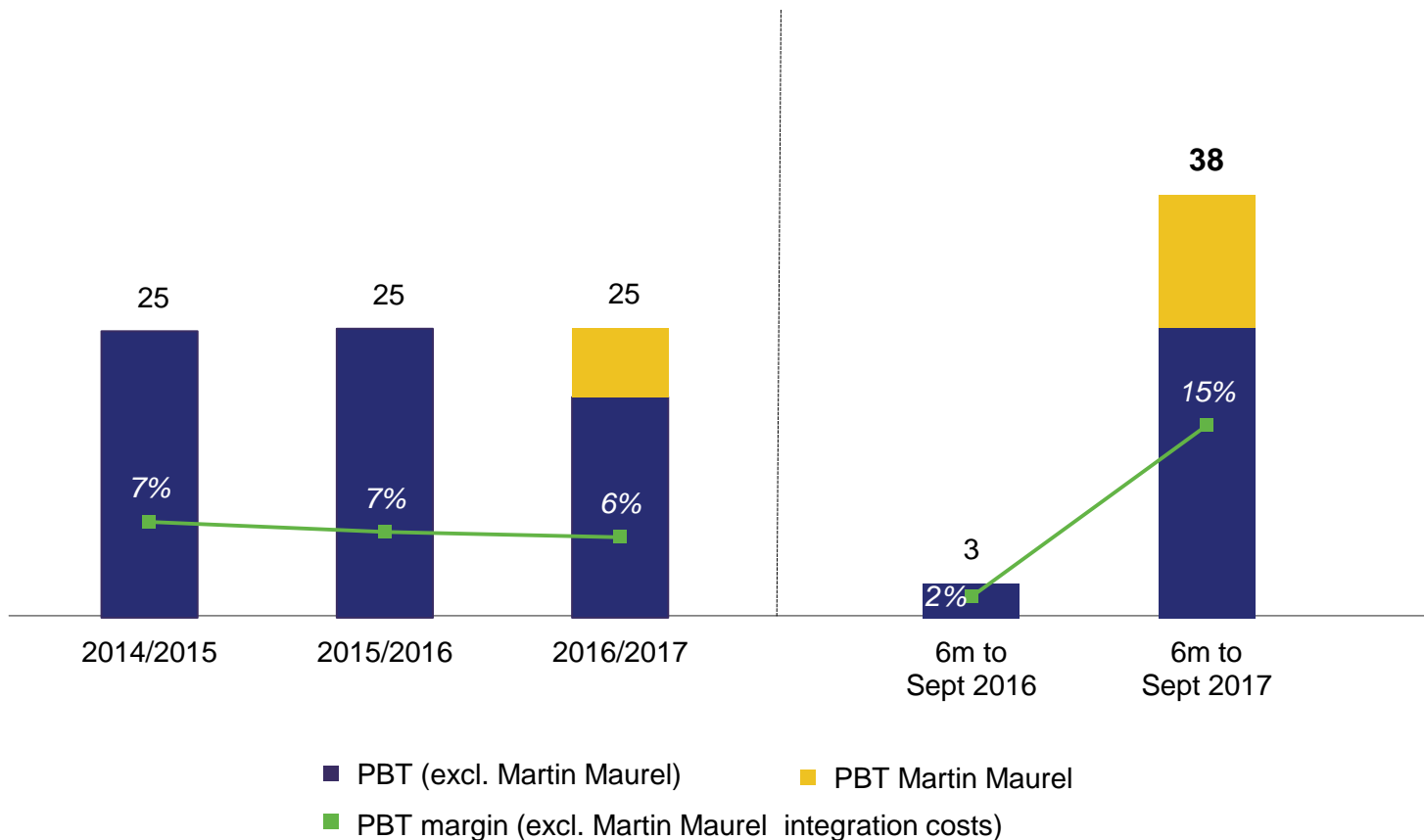




Rothschild Private Wealth & Asset Management

Significant improvement in profit before tax thanks to cost control and revenue growth as well as Martin Maurel consolidation

Profit before tax (in €m) and PBT margin





Rothschild Private Wealth & Asset Management

Perspectives

On-going initiatives

1 Rothschild Martin Maurel

- Build revenue through broader product offering, revised fee structure and leveraging network
- Finalise the operational integration
- Refocus AM business on France and neighbouring countries

2 Rothschild Wealth Management & Trust

- Focus on fewer target markets and increase emphasis on onshore
- Improve advisory offering
- Tighter cost control

3 Rothschild Asset Management

- Elimination of loss making activities
- Develop new distribution channels
- Diversify product set



**Target :
PBT margin
around 20%
by 2020**

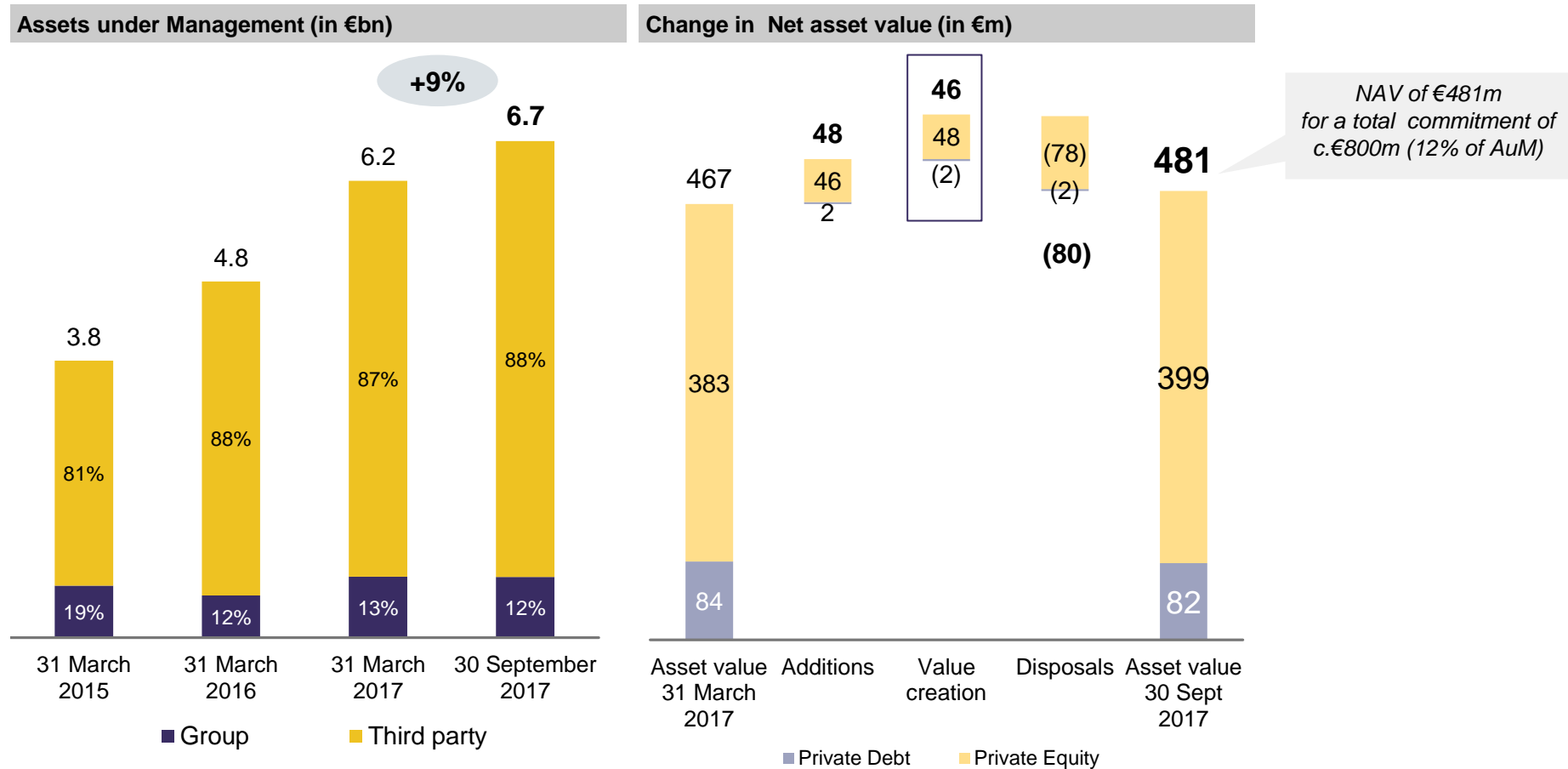
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Business review: Rothschild Merchant Banking



Rothschild Merchant Banking

Continuing progression of AuM and value creation for shareholders

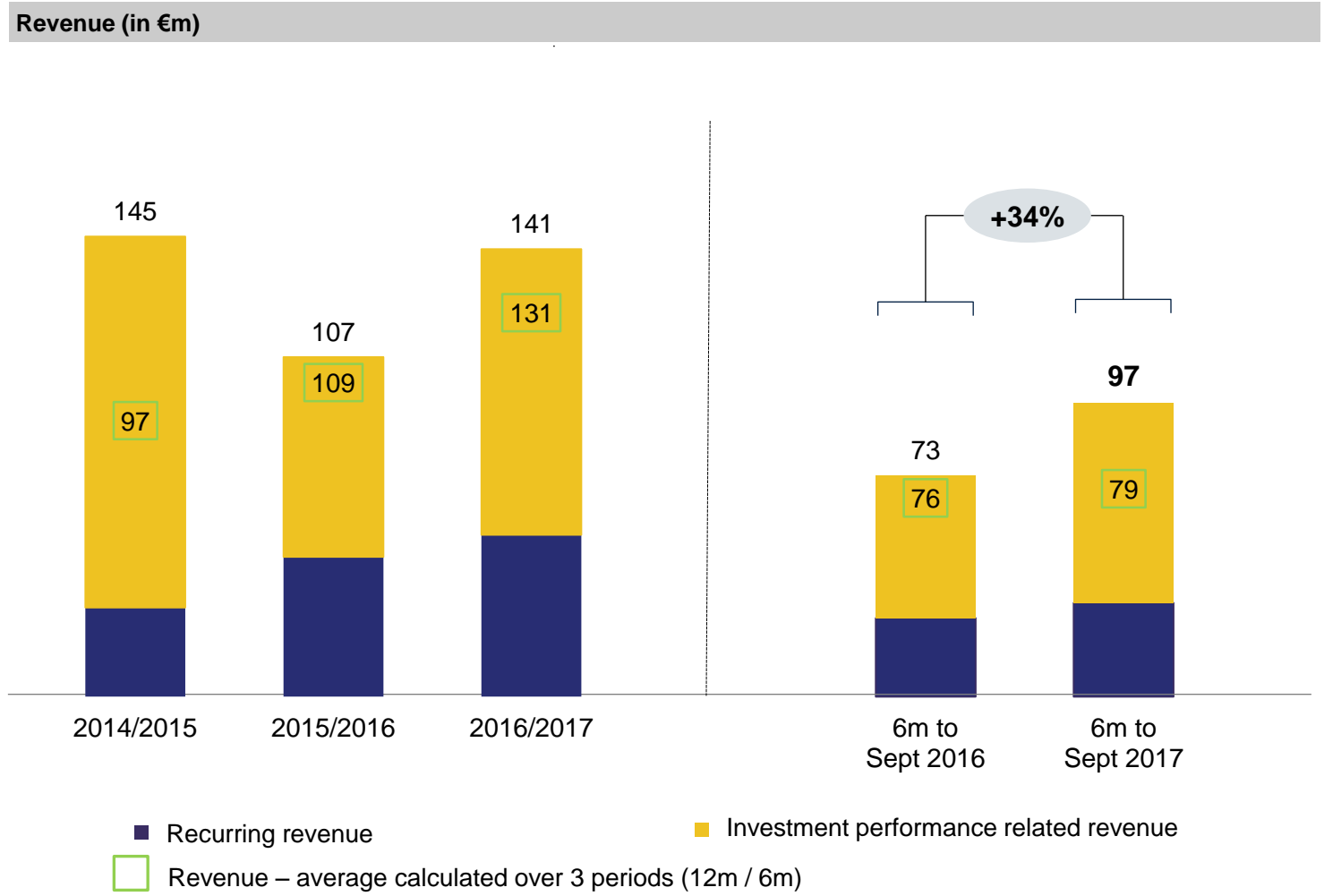


Note
 Assets under management comprise committed capital where a managed fund is still in its investment period and net asset value after the investment period has expired.



Rothschild Merchant Banking

Strong revenue growth thanks to continuing value accretion combined with higher management fees

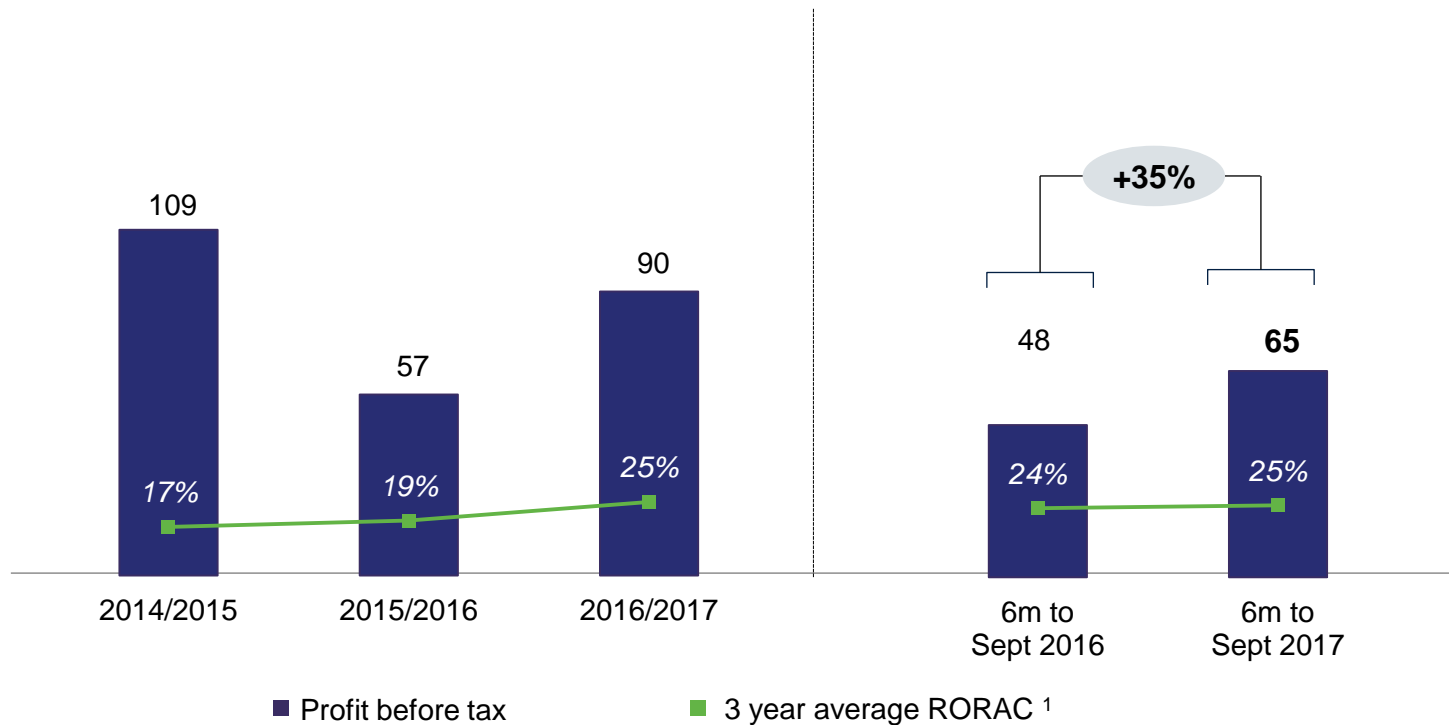




Rothschild Merchant Banking

Good returns on capital tied to successful business growth and investment performance

Profit before tax (in €m) and RORAC ¹



¹ RORAC stands for Return On Risk Adjusted Capital – an internal measure of risk capital invested in the business, being adjusted profit before tax divided by risk weighted capital



Rothschild Merchant Banking

Perspectives

1

- Successful development of niche position in European mid cap private equity market in less than 10 years
- Four diversified strategies across private equity and private debt

2

- Significant investment of R&Co and employees alongside third party investors ensuring alignment of interests
- Solid track record of long term value creation for third party investors and shareholders of Rothschild &Co
- Balanced business model including a mix of investment returns, management fees and carried interest

3

- Leverage the Group's unique knowledge of midcap market (geographical footprint, sector expertise, network)
- Roll out business model in new products / geographies
- Continue to develop synergies within group businesses

Target :
Average rolling
3 years RORAC
> 15%

5

Financial review



Summary statutory consolidated P&L

| <i>(in €m)</i> | 6m to Sept 2017 | 6m to Sept 2016 | Var | Var % | FX effects |
|--|--------------------|--------------------|---------------|------------|---------------|
| Revenue | 852 | 802 | 50 | 6% | (16) |
| Staff costs | (488) | (473) | 15 | 3% | 13 |
| Administrative expenses | (146) | (129) | 17 | 13% | 3 |
| Depreciation and amortisation | (14) | (17) | (3) | (18)% | 0 |
| Impairments | (4) | (1) | 3 | 300% | 0 |
| Operating Income | 200 | 182 | 18 | 10% | 0 |
| Profit before tax | 206 | 187 | 19 | 10% | 0 |
| Consolidated net income | 176 | 160 | 16 | 10% | 0 |
| Net income - Group share | 88 | 67 | 21 | 31% | 1 |
| Net income - Group share excl. exceptionals | 95 | 70 | 25 | 36% | 1 |
| <i>Earnings per share ¹</i> | 1.18 € | 0.97 € | 0.21 € | 21% | |
| EPS excl. exceptionals | 1.28 € | 1.01 € | 0.27 € | 27% | |
| ROTE | 11.5% | 11.1% | | | |
| ROTE excl. exceptionals | 12.4% | 11.6% | | | |

¹ Diluted EPS is €1.15 (6m to September 2016: €0.96)



“Exceptionals” reconciliation

| (in €m) | 6m to Sept 2017 | | | 6m to Sept 2016 | | |
|---|-----------------|-----------|---------------|-----------------|-----------|---------------|
| | PBT | PATMI | EPS | PBT | PATMI | EPS |
| As reported | 206 | 88 | 1.18 € | 187 | 67 | 0.97 € |
| Exceptional item: Martin Maurel integration costs | (11) | (7) | (0.10) € | (4) | (3) | (0.04) € |
| Excluding "Exceptionals" | 217 | 95 | 1.28 € | 191 | 70 | 1.01 € |



Performance by business

| (in €m) | Global Advisory | Private Wealth & Asset Management | Merchant Banking | Other business and corporate centre | IFRS reconciliation | 6m to Sept 2017 |
|--|-----------------|-----------------------------------|------------------|-------------------------------------|---------------------|-----------------|
| Revenues | 492 | 247 | 97 | 20 | (4) | 852 |
| Operating expenses | (431) | (220) | (32) | (28) | 63 | (648) |
| Impairments | - | - | - | - | (4) | (4) |
| Operating income | 61 | 27 | 65 | (8) | 55 | 200 |
| Exceptional charges / (profits) | - | 11 | - | - | - | 11 |
| Operating income without exceptional charges / profit | 61 | 38 | 65 | (8) | 55 | 211 |
| <i>Operating margin (excl. exceptional charges)</i> | <i>12%</i> | <i>15%</i> | <i>67%</i> | | | <i>25%</i> |

| (in €m) | Global Advisory | Private Wealth & Asset Management | Merchant Banking | Other business and corporate centre | IFRS reconciliation | 6m to Sept 2016 |
|--|-----------------|-----------------------------------|------------------|-------------------------------------|---------------------|-----------------|
| Revenues | 537 | 180 | 73 | 16 | (4) | 802 |
| Operating expenses | (466) | (181) | (24) | (30) | 82 | (619) |
| Impairments | - | - | - | - | (1) | (1) |
| Operating income | 71 | (1) | 49 | (14) | 77 | 182 |
| Exceptional charges / (profits) | - | 4 | - | - | - | 4 |
| Operating income without exceptional charges / profit | 71 | 3 | 49 | (14) | 77 | 186 |
| <i>Operating margin (excl. exceptional charges)</i> | <i>13%</i> | <i>2%</i> | <i>67%</i> | | | <i>23%</i> |

1 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 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 (R) for defined benefit pension schemes; and reallocation of impairments and certain operating expenses

2 Martin Maurel contributed €50m of revenue and €12m of PBT to the 30 September 2017 results

Compensation ratio



| <i>(in €m)</i> | 6m to Sept 2017 | 6m to Sept 2016 | 2016/2017 |
|--|-----------------|-----------------|--------------|
| Revenue | 852 | 802 | 1,767 |
| Total staff costs ¹ | (555) | (545) | (1,142) |
| Compensation ratio | 65.1% | 68.0% | 64.6% |
| <i>variation due to FX</i> | 0.3% | - | - |
| <i>variation due to RGA US investment costs</i> ² | (0.9)% | (1.3)% | (1.3)% |
| Adjusted Compensation ratio | 64.5% | 66.7% | 63.4% |
| Headcount | 3,503 | 2,945 | 3,410 |

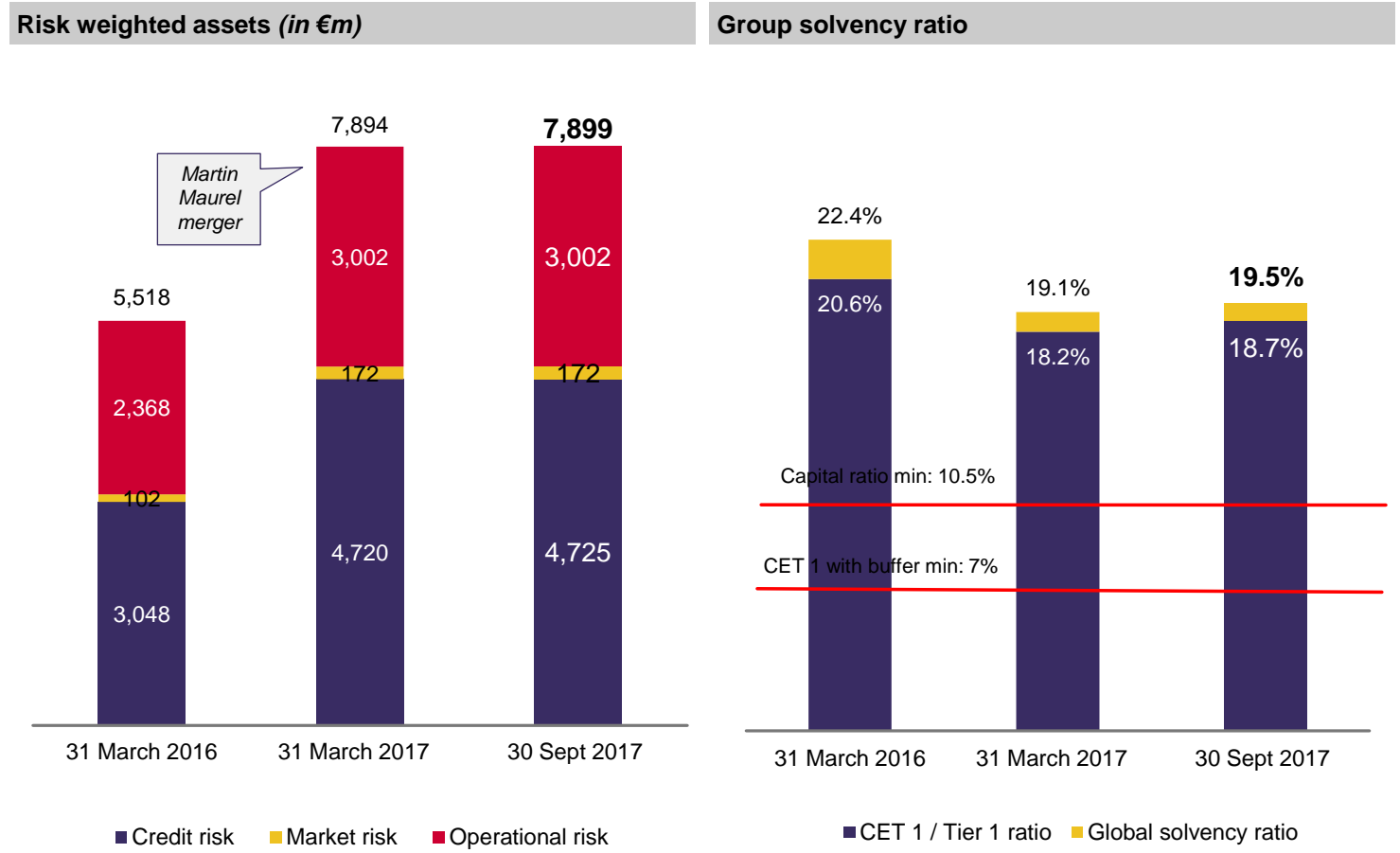
1 Total staff costs include profit share paid to French Partners and effects of accounting for deferred bonuses over the period in which they are earned, as opposed to "awarded" basis but exclude redundancy costs, revaluation of share-based employee liabilities and acquisition costs treated as employee compensation under IFRS

2 RGA US investment costs are defined as compensation earned in respect of the first financial reporting period of employment plus any make-wholes payable in the reporting period



Solvency ratios comfortably above minimum requirements

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





Financial targets

| | | Target | | 6m to Sept 2017 | 6m to Sept 2016 | 12m to March 2017 | Average 3 years |
|--------------------|---|-------------------------------------|---------|-----------------|-----------------|-------------------|-----------------|
| Group targets | Compensation ratio ¹ | Low to mid 60's through the cycle | Revised | 64.5% | 66.7% | 63.4% | 63.5% |
| | Return on tangible equity ² | 10 to 15% through the cycle | | 12.4% | 11.6% | 14.6% | 13.3% |
| Businesses targets | Global Advisory: Profit before tax margin ³ | Mid to high-teens through the cycle | Revised | 13.9% | 15.0% | 18.9% | 17.3% |
| | Private Wealth and Asset Management: Profit before tax margin | Around 20% by 2020 | New | 15.2% | 1.7% | 6.2% | 6.7% |
| | Merchant Banking: 3 years average RORAC ⁴ | Above 15% through the cycle | New | 25% | 24% | 25% | 20% |

Notes

¹ As adjusted – see slide 25

² ROTE based on Net income – Group share excl. exceptionals items. Would be 11.5% if exceptionals included (6m to Sept 2016: 11.1%)

³ RGA PBT margin pre-US investments. Would be 12.3% if US investments included (6m to Sept 2016: 13.2%)

⁴ See definition on slide 36 and calculation on slide 37

Outlook



Group

- Overall, we expect in the last quarter (October – December) that business performance will be slightly better than the run rate achieved in the first six months

Global Advisory

- Although market conditions for M&A remain positive, global completed M&A activity has been lower in 2017 compared to last year, and this is not expected to change in the short term. Therefore we expect our revenue for the nine months to December 2017 to follow a similar year on year trend to that seen in the first half year

Private Wealth & Asset Management

- Assets under Management should continue to improve subject to financial market conditions

Merchant Banking

- Assets under Management will continue to grow and we are confident that we will deliver continuing strong results for the nine months to December 2017

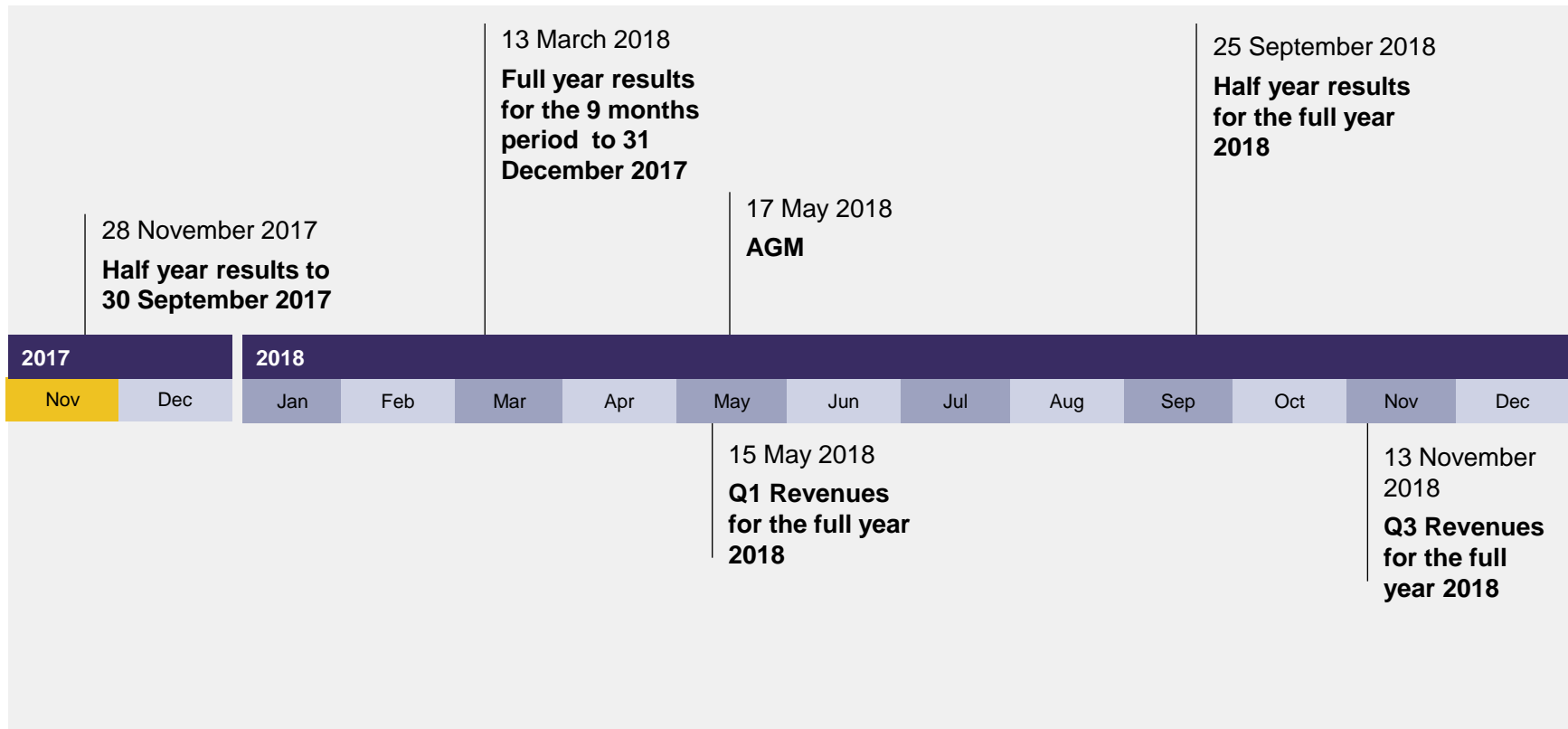
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Appendices

Change of year-end



Timetable



Major FX rates



Balance sheet (spot)

| Rates | 30/09/2017 | 31/03/2017 | Var |
|---------|------------|------------|-----|
| € / GBP | 0.8812 | 0.8553 | 3% |
| € / CHF | 1.1439 | 1.0706 | 7% |
| € / USD | 1.1822 | 1.0695 | 11% |

P&L (average)

| Rates | 6m to Sept 2017 | 6m to Sept 2016 | Var |
|---------|-----------------|-----------------|-----|
| € / GBP | 0.8786 | 0.8180 | 7% |
| € / CHF | 1.1072 | 1.0925 | 1% |
| € / USD | 1.1376 | 1.1230 | 1% |



Summary Balance sheet

| <i>(in €bn)</i> | 30/09/2017 | 31/03/2017 | Var |
|---|-------------|-------------|--------------|
| Cash and amounts due from central banks | 3.9 | 3.9 | - |
| Cash placed with banks | 1.6 | 1.9 | (0.3) |
| Loans and advances to customers | 3.0 | 2.9 | 0.1 |
| <i>of which Private client lending</i> | 2.4 | 2.3 | 0.1 |
| Debt and equity securities | 1.9 | 2.1 | (0.2) |
| Other assets | 1.4 | 1.4 | - |
| Total assets | 11.8 | 12.2 | (0.4) |
| Due to customers | 7.8 | 8.1 | (0.3) |
| Other liabilities | 1.7 | 1.8 | (0.1) |
| Shareholders' equity - Group share | 1.8 | 1.8 | - |
| Non-controlling interests | 0.5 | 0.5 | - |
| Total capital and liabilities | 11.8 | 12.2 | (0.4) |

- €0.4m reduction in balance sheet size due to FX
- Private client lending (Lombard and mortgages) is developing in line with our Private Wealth strategy



Non-controlling interests

| P&L | | | Balance sheet | | |
|---|-----------------|-----------------|---------------------------------|------------|------------|
| (in €m) | 6m to Sept 2017 | 6m to Sept 2016 | (in €m) | 30/09/2017 | 31/03/2017 |
| Interest on perpetual subordinated debt | 7 | 7 | Perpetual subordinated debt | 292 | 305 |
| Preferred shares ¹ | 79 | 82 | Preferred shares ¹ | 138 | 60 |
| Other Non-controlling interests | 2 | 4 | Other Non-controlling interests | 80 | 107 |
| TOTAL | 88 | 93 | TOTAL | 510 | 472 |

1 Mainly relates to the profit share distributed to French partners



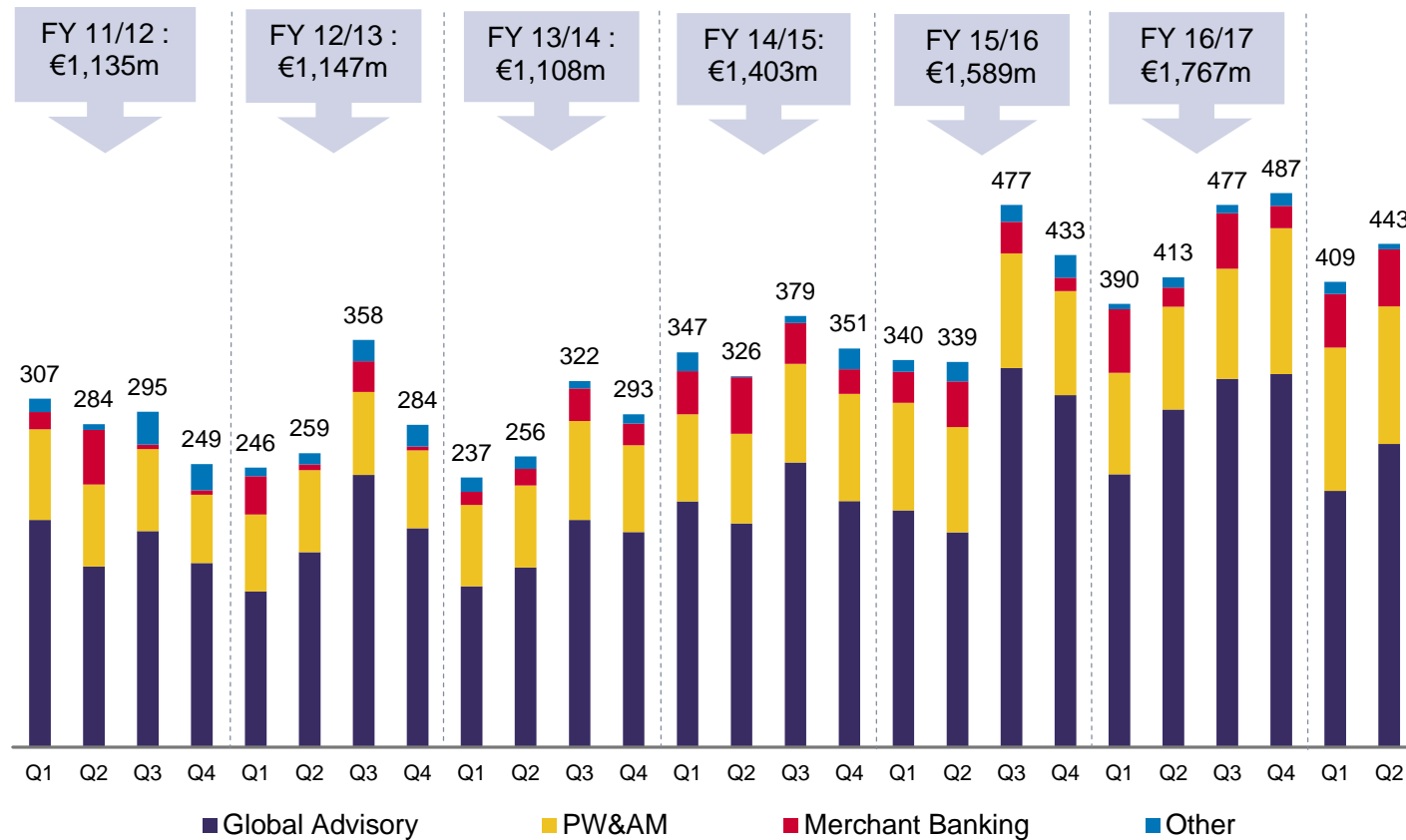
Zoom on Q2 revenue (July – September 2017)

| <i>In €m</i> | 3 months - July to September | | | 6 months - April to September | | |
|--|------------------------------|------------|------------|-------------------------------|------------|------------|
| | 2017 | 2016/2017 | % Var | 2017 | 2016/2017 | % Var |
| Global Advisory | 267 | 296 | -10% | 492 | 537 | -8% |
| Private Wealth & Asset Management | 121 | 90 | 34% | 247 | 180 | 37% |
| Merchant Banking | 50 | 17 | 198% | 98 | 73 | 34% |
| Other ¹ | 5 | 8 | -39% | 20 | 16 | 22% |
| IFRS Reconciliation | -1 | 1 | <i>n/a</i> | -4 | -4 | <i>n/a</i> |
| Total Group revenues | 442 | 412 | 7% | 852 | 802 | 6% |

¹ Other comprises legacy businesses and other



Quarterly revenue generation



Alternative performance measures (APM)



Definition

| APM | Definition | Reason for use |
|--|---|--|
| 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 |
| EPS excluding exceptionals | EPS excluding exceptional items | To measure EPS excluding exceptional items |
| Adjusted compensation ratio | <p>Ratio between adjusted staff costs divided by consolidated Net Banking Income of Rothschild & Co (as presented on slide 25). Adjusted staff costs represent:</p> <ul style="list-style-type: none"> . 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) . to which must be added the amount of profit share paid to the French partners . from which must deducted redundancy costs, revaluation of share-based employee liabilities and business acquisition costs treated as employee compensation under IFRS <p>which gives Total staff costs in calculating the basic compensation ratio</p> <ul style="list-style-type: none"> . from which the investment costs related to the recruitment of senior bankers in the United States must be deducted, . 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 <p>which gives the adjusted staff costs for compensation ratio.</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 & Co calculates this ratio with adjustments to give the fairest and closest calculation to that used by other comparable listed companies.</p> |
| Return on Tangible Equity (ROTE) excluding exceptional items | <p>Ratio between Net income - Group share excluding exceptional items (as presented on slide 23) 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 March 2017 and tangible equity as at 30 September 2016</p> | To measure the overall profitability of Rothschild & Co excluding exceptional items on the equity capital in the business |
| 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 |
| 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 years basis.</p> <p>The estimated amount of capital and debt which management believes would be reasonable to fund the Merchant Banking business 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 its net asset value and that the remainder could be funded by debt. This is based on 80% of equity exposures, 50% of junior credit exposures, 40% of CLO exposures in vertical strips and 33% of senior credit exposures being funded with capital.</p> <p>To calculate the RORAC, RMB profit before tax is adjusted by the cost of interest for the amount of notional debt (computed as per the above) and applying a margin (2.5% as at 30 September 2017) to give an adjusted profit before tax which when divided by the RAC gives the RORAC %.</p> <p>RORAC is based on a 3 year rolling period to account for the inevitable volatility in the financial results of RMB due to the timing of realisations and recognition of performance-based incentives such as carried interest.</p> | To measure the performance of the Merchant Banking's business |



Alternative performance measures (APM)

Calculation

| ROTE | | | RORAC | | |
|--|--------------------|--------------------|--|--------------------|--------------------|
| | 6m to Sept 2017 | 6m to Sept 2016 | | 6m to Sept 2017 | 6m to Sept 2016 |
| Shareholders' equity - Group share - opening | 1,829 | 1,529 | PBT 12m to Sept 2017 | 108 | |
| - Intangible fixed assets | (170) | (168) | PBT 12m to Sept 2016 | 62 | 62 |
| - Goodwill | (124) | (112) | PBT 12m to Sept 2015 | 81 | 81 |
| Tangible Shareholders' equity - Group share - opening | 1,535 | 1,249 | PBT 12m to Sept 2014 | | 99 |
| | | | Average PBT rolling 3 years | 84 | 81 |
| Shareholders' equity - Group share - closing | 1,831 | 1,457 | NAV 30/9/2017 | 481 | |
| - Intangible fixed assets | (167) | (163) | NAV 30/9/2016 | 457 | 457 |
| - Goodwill | (123) | (117) | NAV 30/9/2015 | 462 | 462 |
| Tangible Shareholders' equity - Group share - closing | 1,541 | 1,178 | NAV 30/9/2014 | | 486 |
| | | | Average NAV rolling 3 years | 467 | 468 |
| Average Tangible equity | 1,538 | 1,213 | Debt = 30% of Average NAV | 140 | 141 |
| | | | Notional interest of 2.5% on debt | (4) | (4) |
| Net income - Group share excluding exceptionnals | 95 | 70 | Average PBT rolling 3 years adjusted by the cost of debt interest | 80 | 77 |
| ROTE | 12.4% | 11.6% | Risk adjusted capital = 70% of Average NAV | 327 | 328 |
| | | | RORAC | 25% | 24% |