Rothschild & Co

Financial Year results to December 2017

13 March 2018

Introduction

Change of financial year end

- As a result of the change in our financial year end from 31 March to 31 December, our statutory reporting for 2017 presents results for the nine months to December 2017. These figures are presented at the end of the document.
- **To enable a better understanding of our results, this presentation focuses on the calendar year 2017 versus the calendar year 2016**
- In this document:
  - 2017 means 12 months to December 2017
  - 2016 means 12 months to December 2016

Contents

Sections

1

Highlights

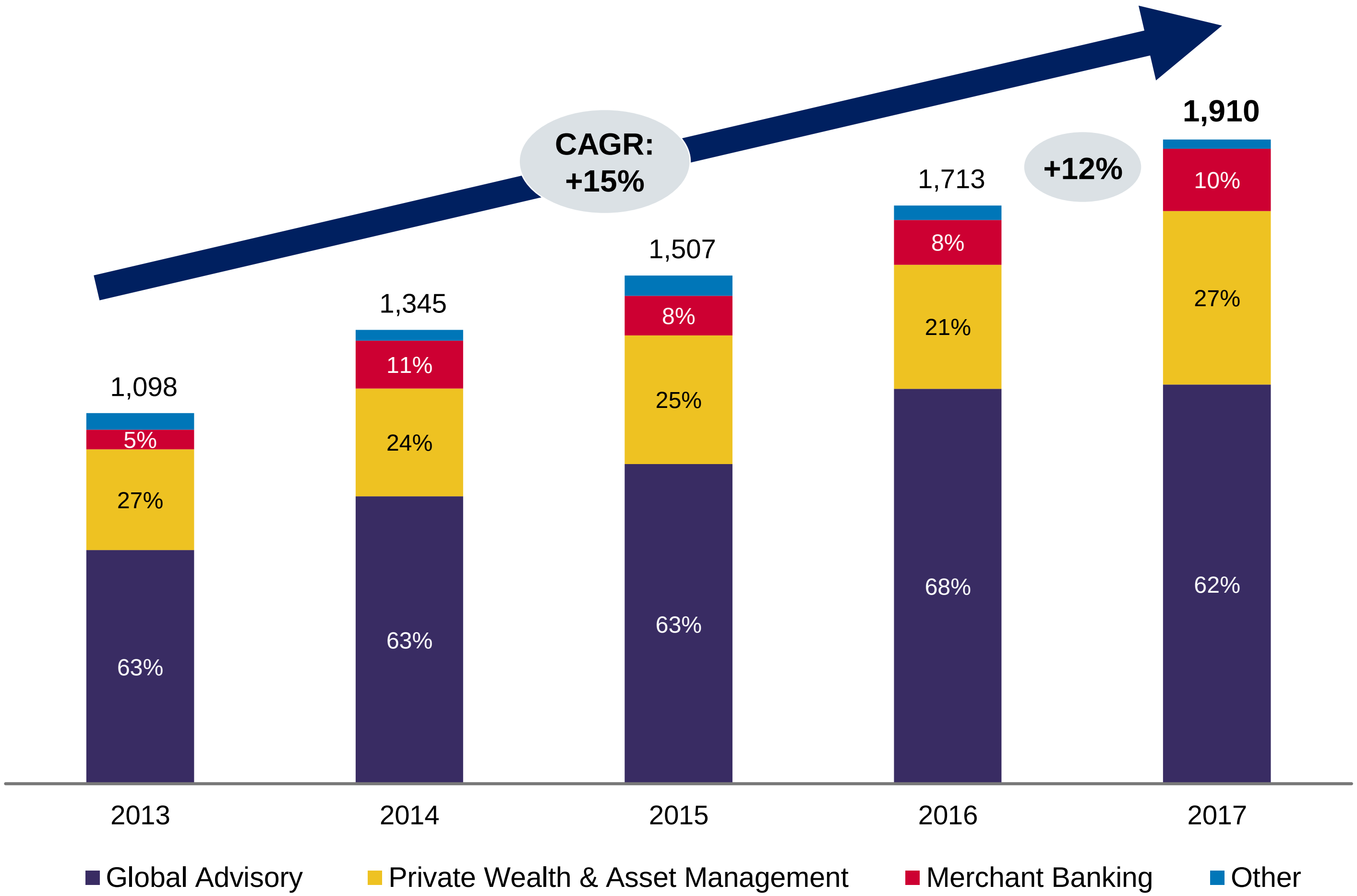
Highlights

A strong financial year

Strong growth in financial results	● Group revenue: **+12%** of €1,910m (2016: €1,713m) ● Net income - Group share excl. exceptionals: **+35%** of €247m (2016: €183m) ● Earnings per share excl. exceptionals : **+25%** of €3.33 (2016: €2.66) ● All five financial targets exceeded or on track
Key achievements	● RGA: maintained leading global position: 1st by # of deals; 6th by revenue ● RPWAM: tight cost control, elimination of loss making activities, and integration of Martin Maurel – strong results improvement ● RMB: significant profit contributor for Group
Strategy on track	● Continued investment in the US: a key growth market ● Diversification of earnings producing results ● Natural synergies between the three businesses

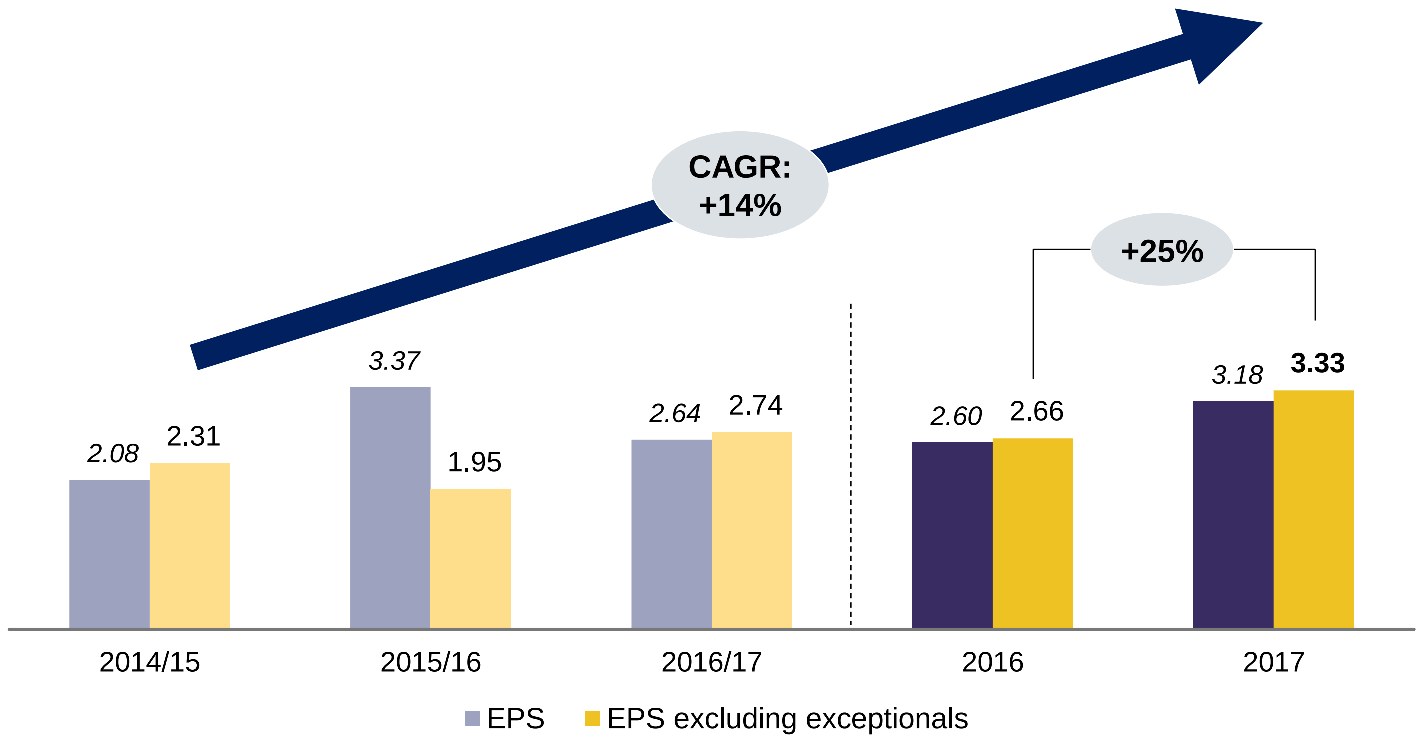
Strong revenue growth …

Group revenue – calendar basis (in €m)



… that translates into EPS progression ….

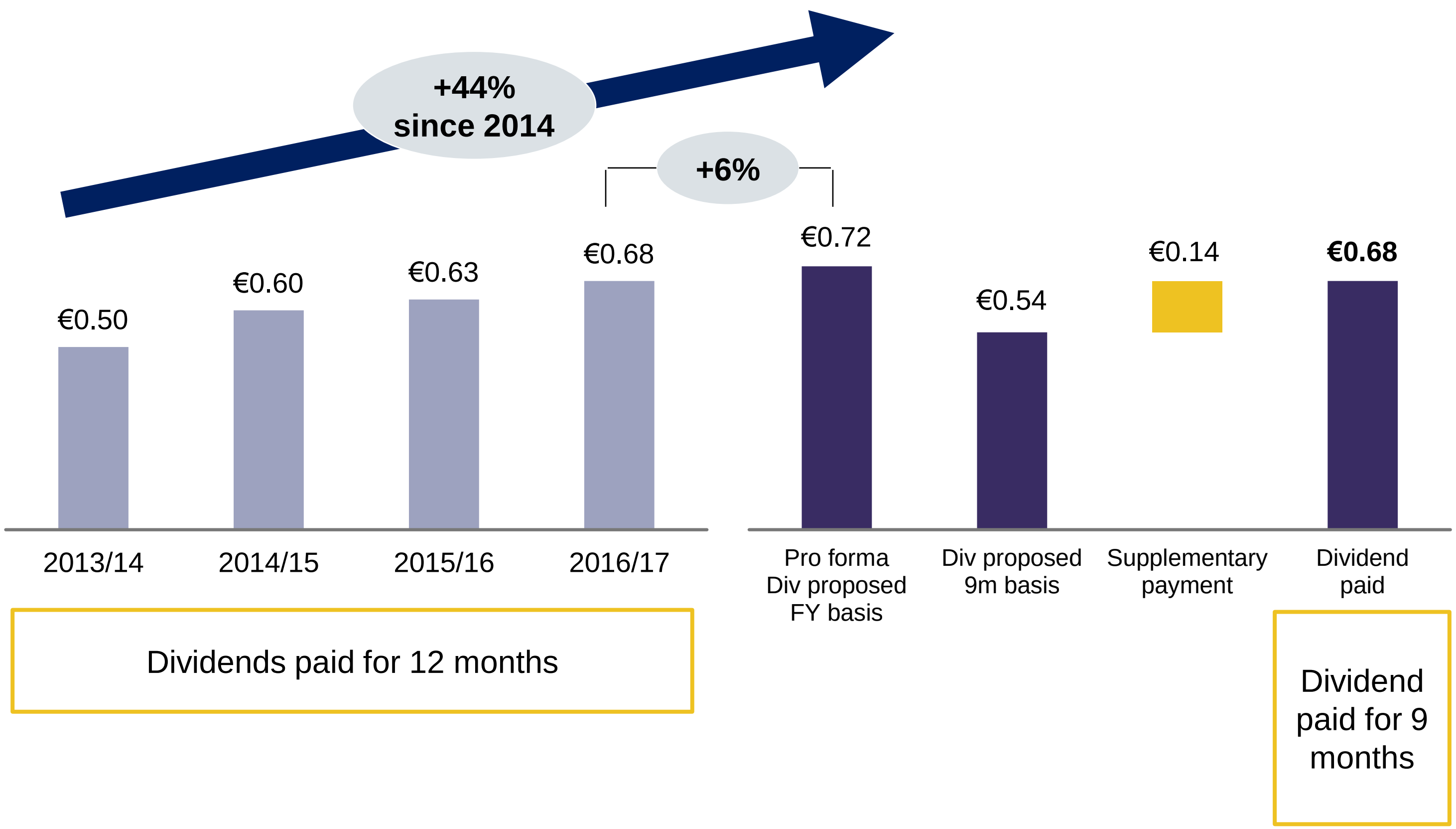
EPS (in €)



Number of shares – 000s	*68,545*	*68,586*	*70,181*	*69,839*	***75,442***

… and enhanced shareholders returns

Dividend progression



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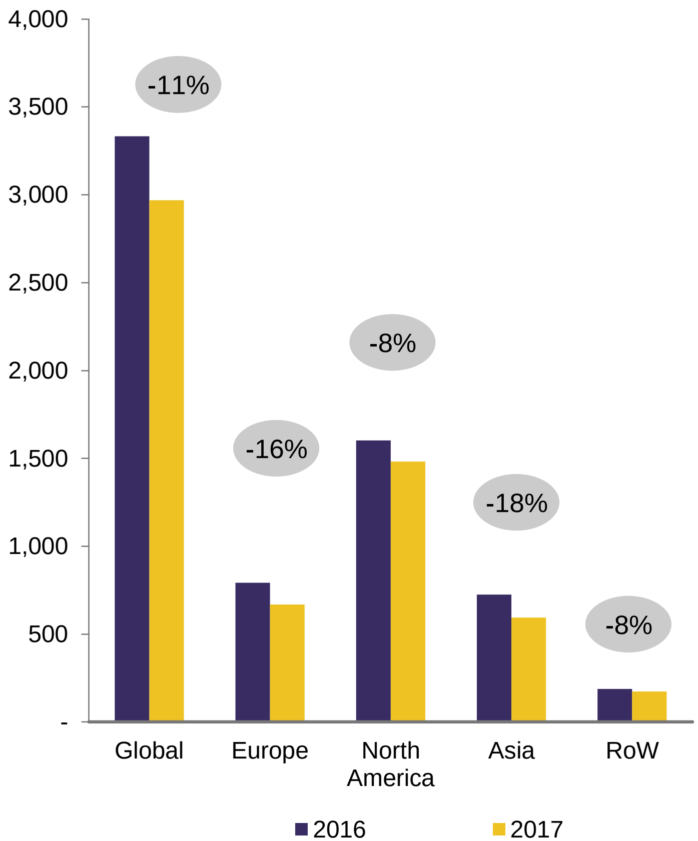
Business review: Rothschild Global Advisory

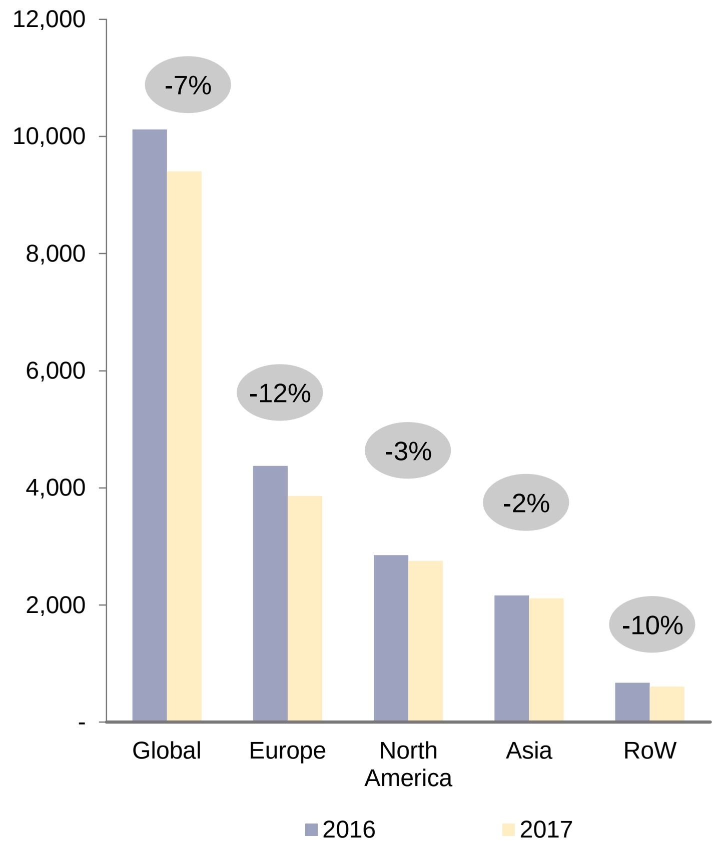
Rothschild Global Advisory

Lower global M&A market activity levels

Completed deal values (in $bn)



Completed deal number



Source: Thomson Reuters, any involvement

Rothschild Global Advisory

A world leading position by revenues and number of deals

Ranking by advisory revenue (in €m) in 2017

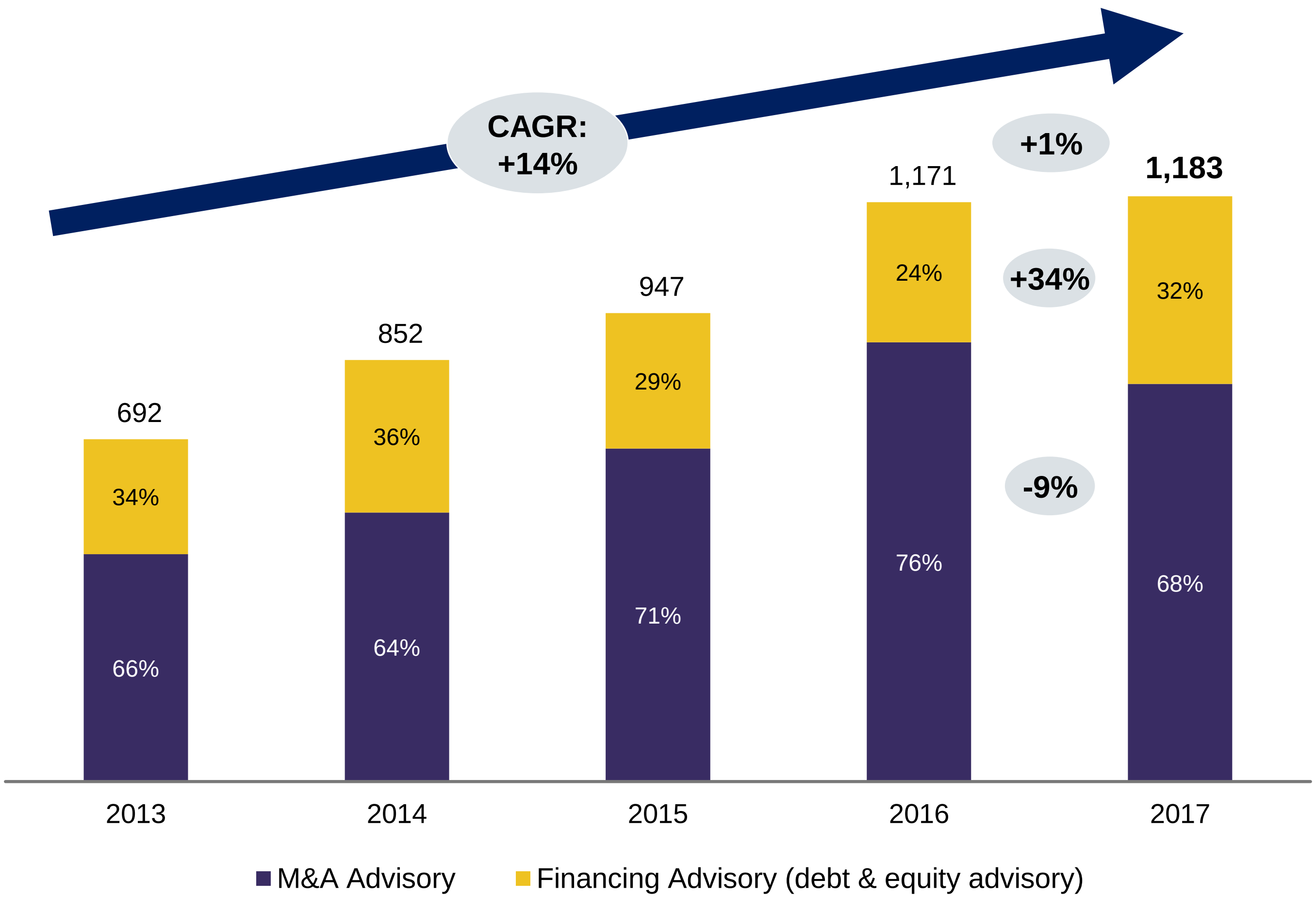
	Advisory revenue (€m)	Ranking by # deals	Advisory as % of Total revenue
Goldman Sachs	2,791	2	10%
JP Morgan	1,881	4	5%
Morgan Stanley	1,819	3	2%
BoA/ Merrill Lynch	1,370	5	2%
Lazard	1,220	9	52%
Rothschild & Co	**1,183**	**1**	**62%**
Evercore	1,135	18	76%
Citigroup	971	6	2%
Houlihan Lokey	856	7	100%
Barclays	800	10	4%

Source: Company's filings, Thomson Reuters, ranking by # of deals based on completed transactions

Rothschild Global Advisory

Continuing revenue improvement despite weaker M&A market

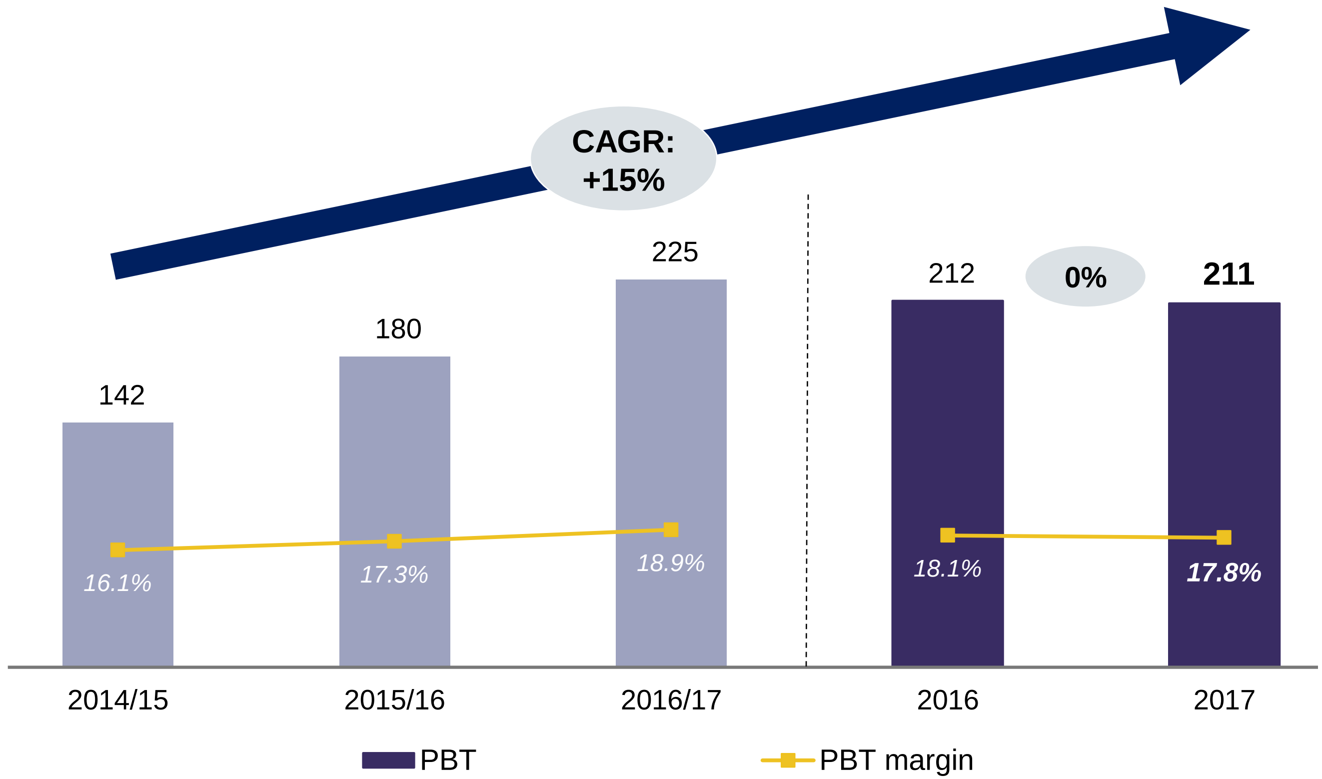
Revenue – calendar basis (in €m)



Rothschild Global Advisory

Margins stable and compensation slightly reduced

Profit Before Tax (in €m) and PBT margin - pre US investment costs [1]



Compensation ratio [2]	*65.0%*	*64.8%*	*64.6%*	*65.6%*	***65.0%***

1 US investment costs were €3m in 2014/2015, €13m in 2015/16, €22m in 2016/2017, €23m for 2016 and €25m for 2017. Our US investment costs are expected to be around 2% of revenue subject to the right opportunities

2 On an awarded basis and pre US investment costs

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
- US plan on track

3

- Pipeline remains very healthy
- Develop strategic ancillary business areas
- Fully leveraging other businesses within the group

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

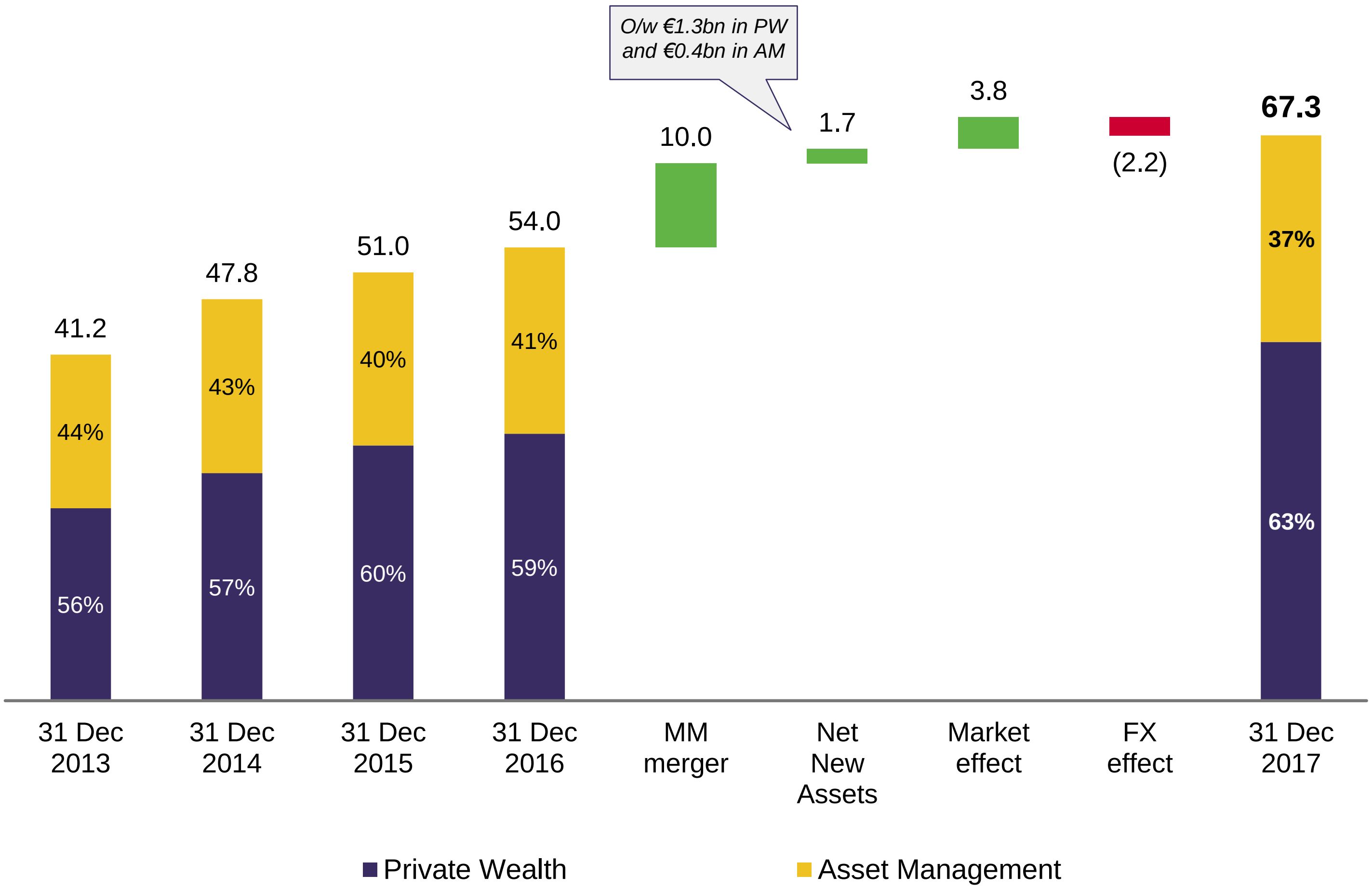
3

Business Review: Rothschild Private Wealth and Rothschild Asset Management

Rothschild Private Wealth & Asset Management

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

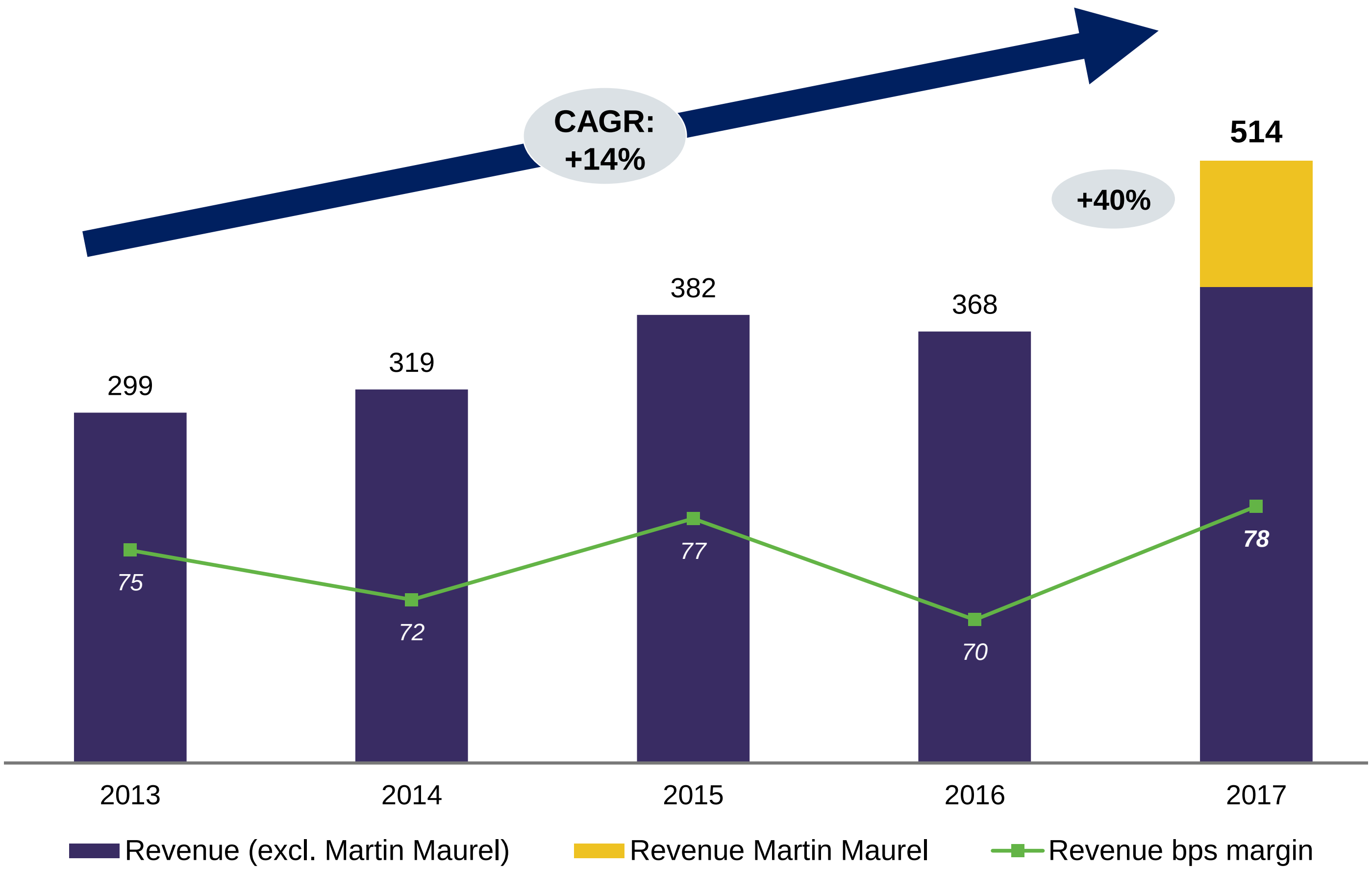
Assets under management – calendar basis (in €bn)



Rothschild Private Wealth & Asset Management

Record financial year for revenue

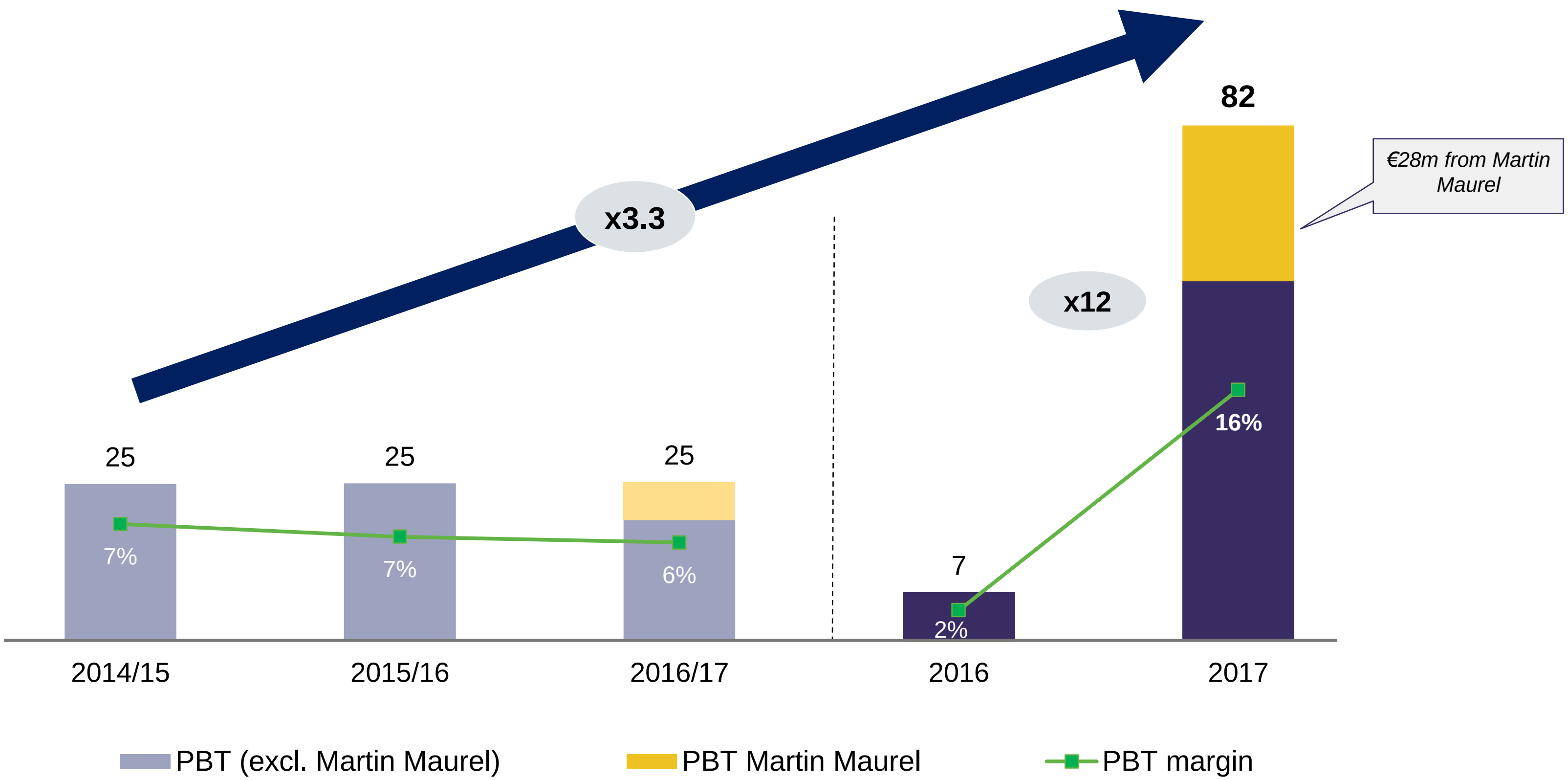
Revenue – calendar basis (in €m)



Rothschild Private Wealth & Asset Management

Significant improvement in PBT thanks to cost discipline as well as Martin Maurel consolidation

Profit before tax (in €m) and PBT margin – excluding Martin Maurel integration costs[1]



1 Martin Maurel integration costs were €22m in 2016/2017, €6m for 2016 and €27m for 2017

Rothschild Private Wealth & Asset Management

Perspectives

On-going initiatives

1 Rothschild Martin Maurel

- Build revenue through focus on entrepreneurial clients, broader client offering, upscale existing client base and leverage network
- Finalise the operational integration on track for end of 2018
- Refocus AM business on new innovative products in 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

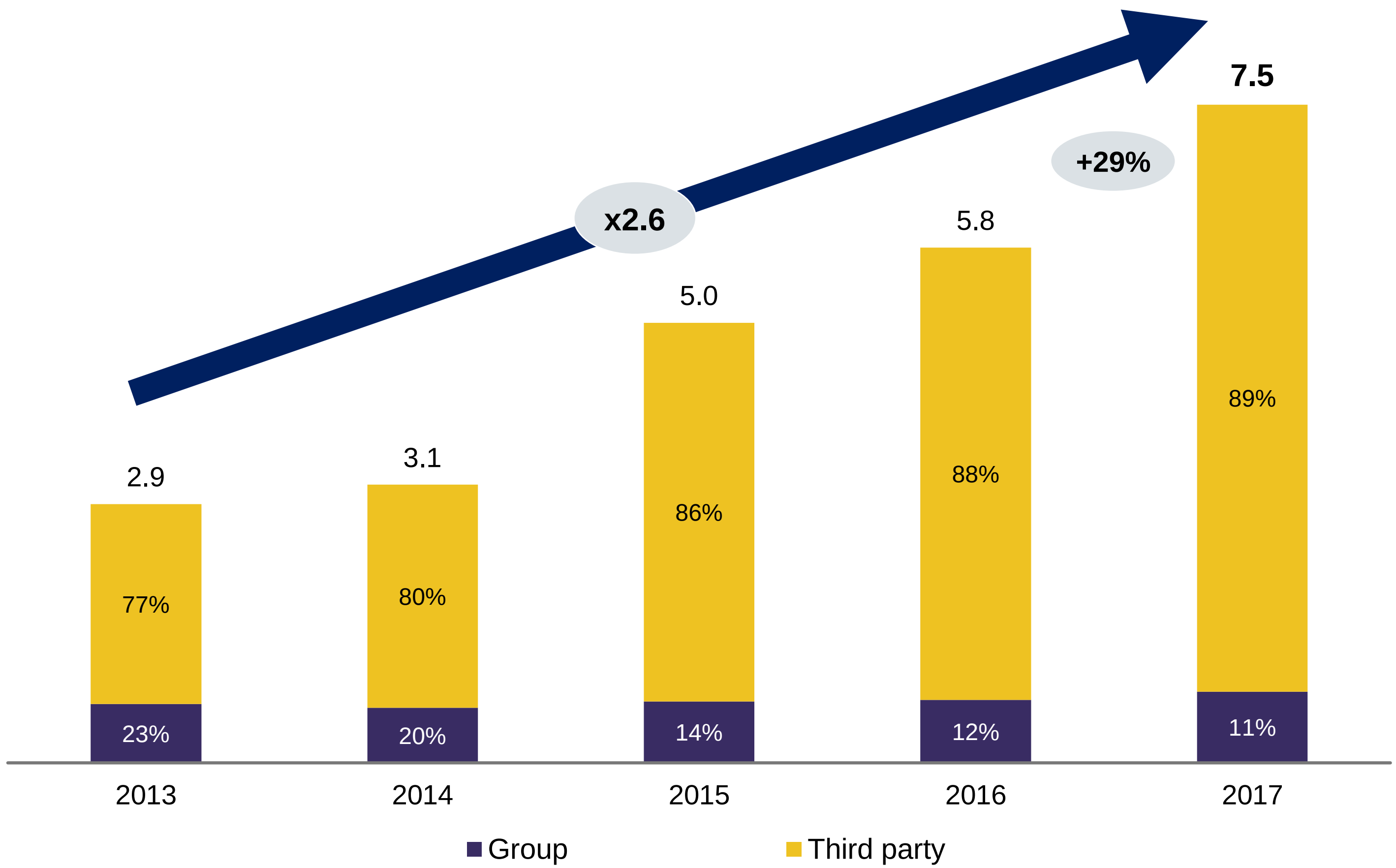
4

Business review: Rothschild Merchant Banking

Rothschild Merchant Banking

Continuing progression of AuM in line with new funds

Assets under Management (in €bn, as at 31 December)

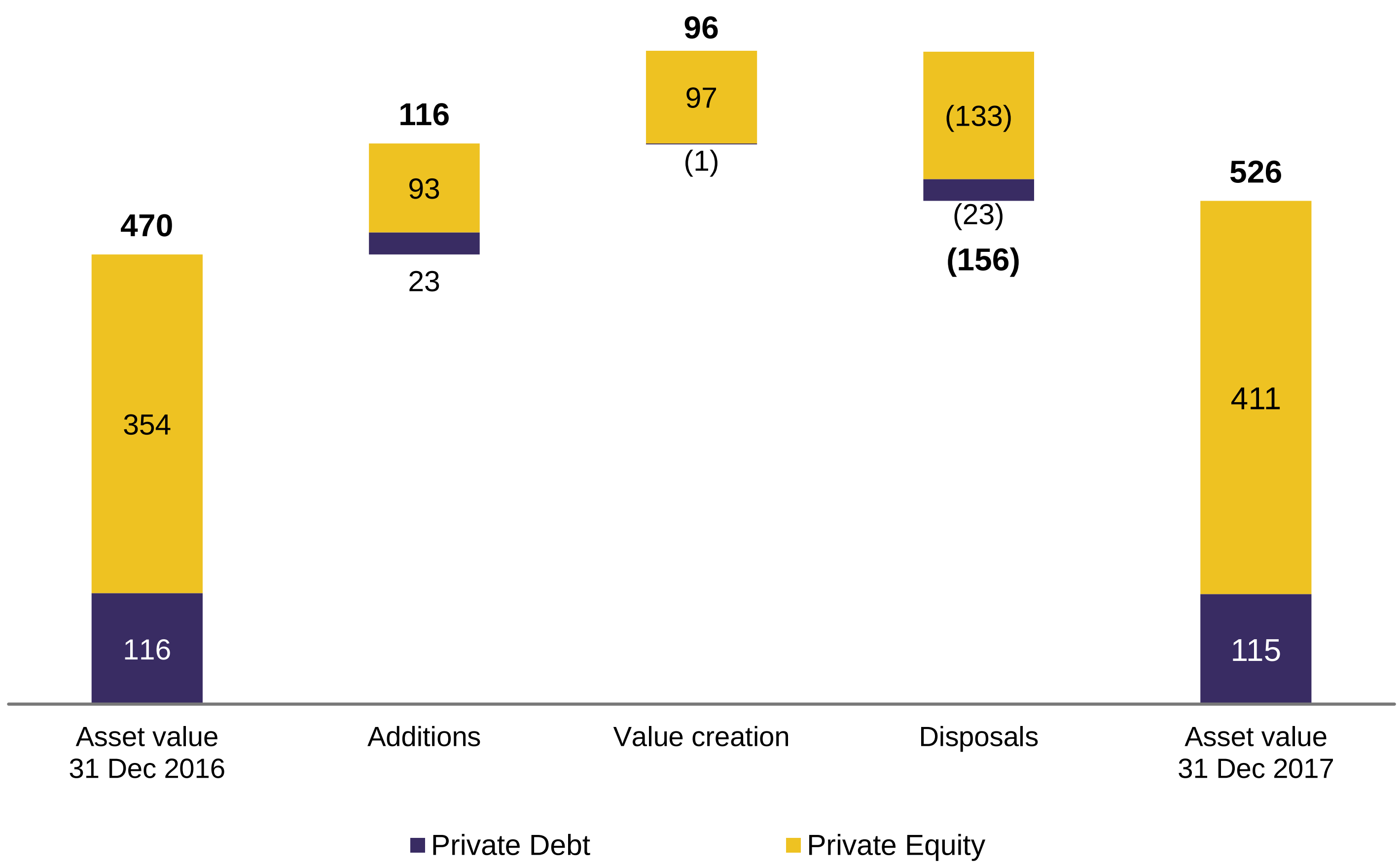


Note
Assets under management comprise committed capital where a managed fund is still in its investment period and net asset value after the investment period has expired.

Rothschild Merchant Banking

Strong value creation in portfolio for Rothschild & Co shareholders

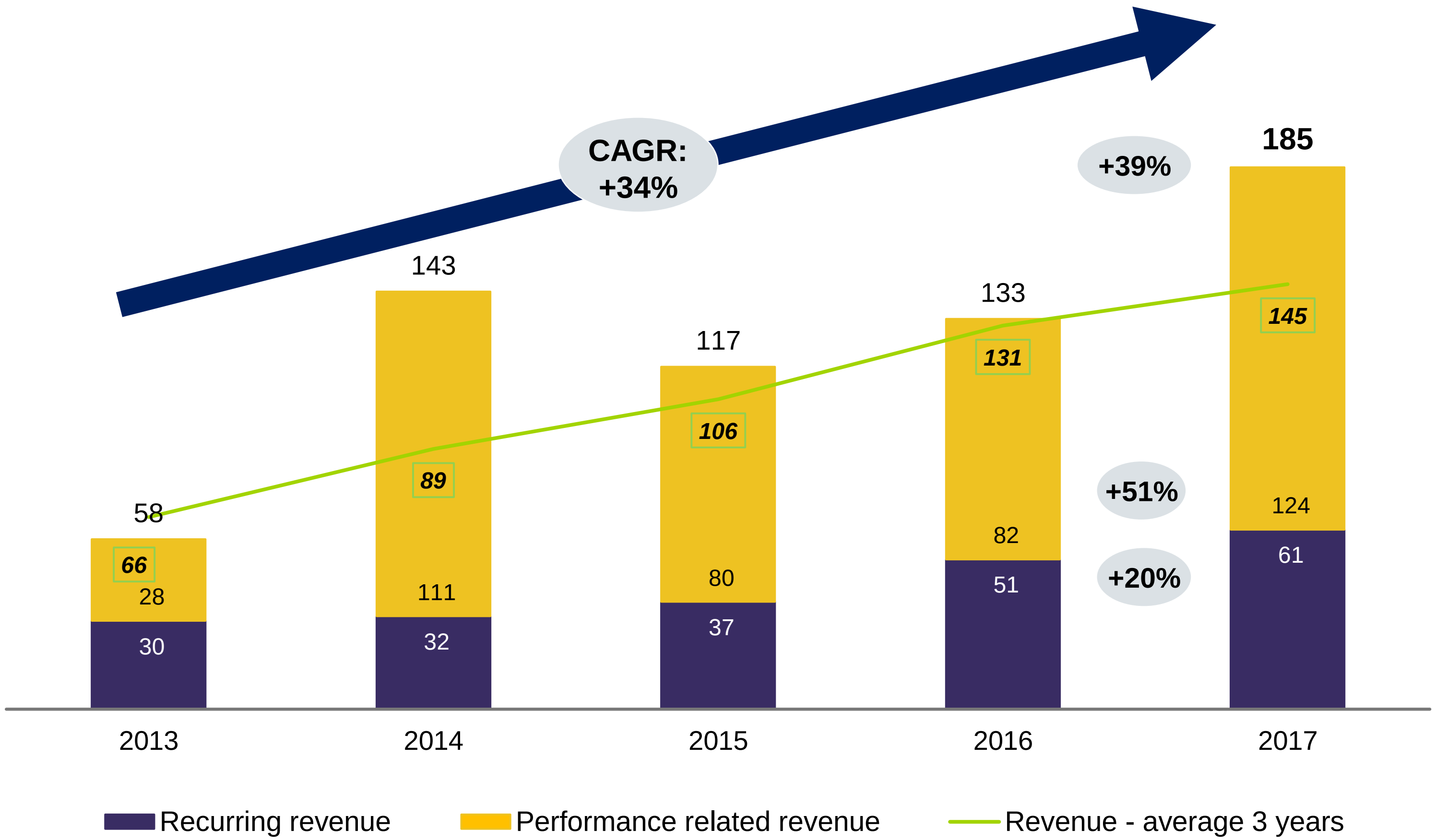
Change in the Group investment Net asset value (in €m)



Rothschild Merchant Banking

Robust revenue generation

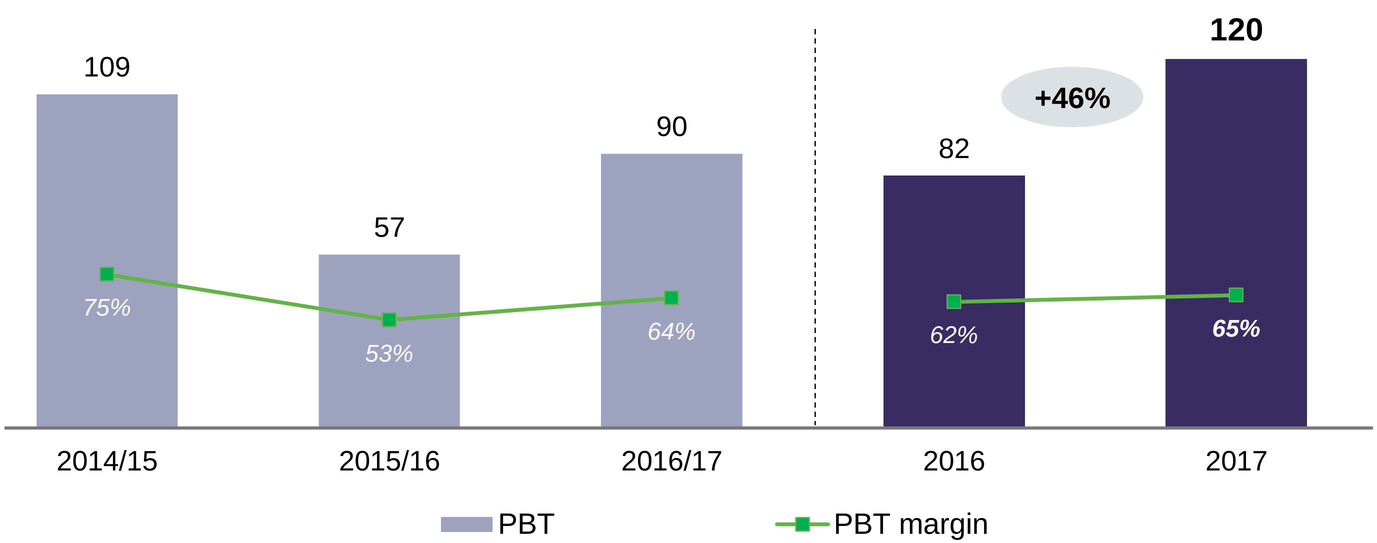
Revenue – calendar basis (in €m)



Rothschild Merchant Banking

Strong growth in profitability

Profit Before Tax (in €m) and RORAC [1]



3 year average RORAC [1]	*17%*	*19%*	*25%*	*25%*	***26%***

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
- 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%

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Financial review

Summary statutory consolidated P&L

(in €m)	2017 (12m to Dec)	2016 (12m to Dec)	Var	Var %	FX effects
Revenue	**1,910**	**1,713**	***197***	***12%***	***(46)***
Staff costs	(1,087)	(1,013)	*(74)*	*(7)%*	*35*
Administrative expenses	(320)	(268)	*(52)*	*(19)%*	*6*
Depreciation and amortisation	(34)	(32)	*(2)*	*(6)%*	*0*
Impairments	(13)	(14)	*1*	*7%*	*0*
Operating Income	**456**	**386**	***70***	***18%***	***(5)***
Other income / (expense) (net)	21	7	*14*	*200%*	*(1)*
Profit before tax	**477**	**393**	***84***	***21%***	***(6)***
Income tax	(65)	(62)	*(3)*	*(5)%*	*1*
Consolidated net income	**412**	**331**	***81***	***24%***	***(5)***
Non-controlling interests	(176)	(152)	*(24)*	*(16)%*	*1*
Net income - Group share	**236**	**179**	***57***	***32%***	***(4)***
Exceptionals	11	4	*7*	*185%*	*0*
Net income - Group share excl. exceptionals	**247**	**183**	***64***	***35%***	***(4)***
Earnings per share	*3.18 €*	*2.60 €*	*0.58 €*	*22%*	
EPS excl. exceptionals	***3.33 €***	***2.66 €***	***0.67 €***	***25%***	
Return On Tangible Equity (ROTE)	*16.4%*	*14.1%*			
ROTE excl. exceptionals	*17.2%*	*14.4%*			

1 Diluted EPS is €3.12 for 2017 (2016: €2.56)

"Exceptionals" reconciliation

(in €m)	2017 *(12 months to Dec)*			2016 *(12 months to Dec)*		
	PBT	PATMI	*EPS*	PBT	PATMI	*EPS*
As reported	**477**	**236**	***3.18 €***	**393**	**179**	***2.60 €***
- Martin Maurel integration costs	(27)	(18)	*(0.24) €*	(6)	(4)	*(0.06) €*
- One-off tax credit	-	7	*0.09 €*	-	-	
Total Exceptional (Costs) / Gains	**(27)**	**(11)**	***(0.15) €***	**(6)**	**(4)**	***(0.06) €***
Excluding Exceptional	**504**	**247**	***3.33 €***	**399**	**183**	***2.66 €***

Performance by business

(in €m)	Global Advisory	Private Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation	2017 (12m to Dec)
Revenue	**1,183**	**514**	**185**	**36**	**(8)**	**1,910**
Operating expenses	(998)	(459)	(65)	(67)	148	(1,441)
Impairments	-	-	-	-	(13)	(13)
Operating income	**185**	**55**	**120**	**(31)**	**127**	**456**
Exceptional charges / (profits)		27				27
Operating income excluding exceptional charges / profit	**185**	**82**	**120**	**(31)**	**127**	**483**
Operating margin %	16%	16%	65%			25%

O/w €28m from Martin Maurel

(in €m)	Global Advisory	Private Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation	2016 (12m to Dec)
Revenue	**1,171**	**368**	**133**	**34**	**7**	**1,713**
Operating expenses	(982)	(367)	(51)	(74)	161	(1,313)
Impairments	-	-	-	-	(14)	(14)
Operating income	**189**	**1**	**82**	**(40)**	**154**	**386**
Exceptional charges / (profits)		6				6
Operating income excluding exceptional charges / profit	**189**	**7**	**82**	**(40)**	**154**	**392**
Operating margin %	16%	2%	62%			23%

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

Compensation ratio

(in €m)	**2017** *(12 months to Dec)*	**2016** *(12 months to Dec)*	**2016/17**
Revenue	**1,910**	**1,713**	**1,767**
Total staff costs [1]	(1,211)	(1,119)	(1,142)
Compensation ratio	***63.4%***	***65.3%***	***64.6%***
variation due to FX	*0.3%*	-	-
variation due to RGA US investment costs [2]	*(1.3)%*	*(1.3)%*	*(1.3)%*
Adjusted Compensation ratio including deferred bonus accounting	***62.4%***	***64.0%***	***63.3%***
variation due to deferred bonus accounting	*(0.3)%*	*1.0%*	*0.6%*
Adjusted Compensation ratio excluding deferred bonus accounting	***62.1%***	***65.0%***	***63.9%***
Headcount	***3,502***	2,946	3,410

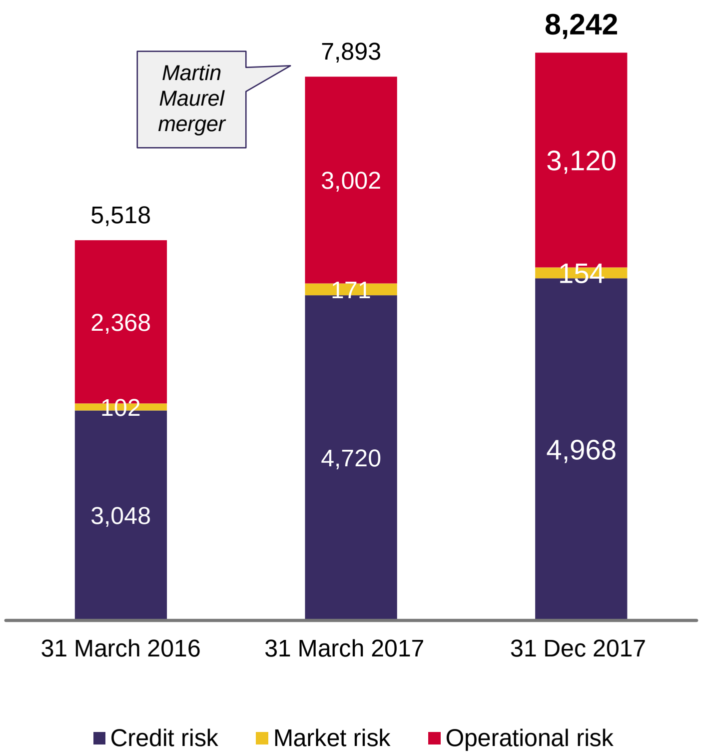
1 Total staff costs include profit share paid to French Partners and effects of accounting for deferred bonuses over the period in which they are earned, as opposed to "awarded" basis but exclude redundancy costs, revaluation of share-based employee liabilities and acquisition costs treated as employee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

2 RGA US investment costs are defined as compensation earned in respect of the first 12 month period of employment plus any make-wholes payable in the reporting period

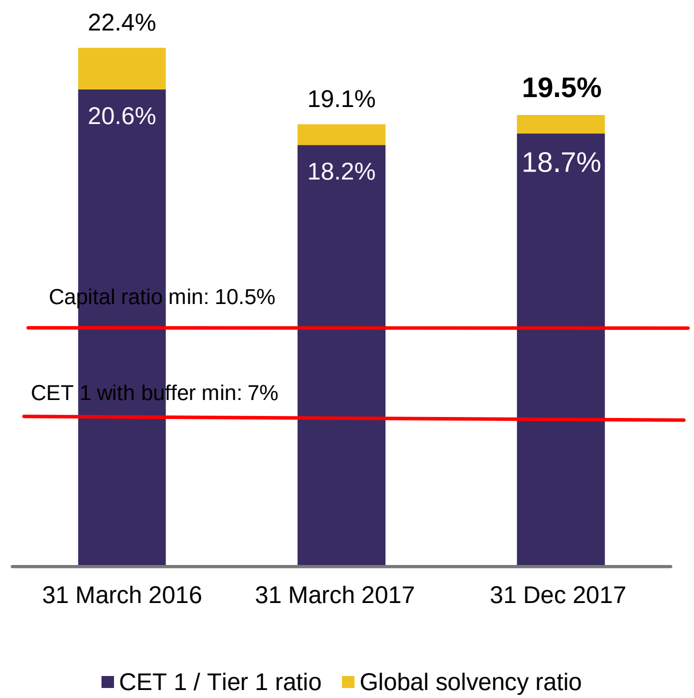
Solvency ratios comfortably above minimum requirements

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

Risk weighted assets *(in €m)*



Group solvency ratio



- From January 2018, Tier 2 capital is no longer recognised (€64m in December 2017 ratio)
- Basel IV impact will mainly be on Merchant Banking risk weighted assets increase, partly compensated by the new operational risk methodology
  - Net impact will be approximately a 1% decrease in capital ratios

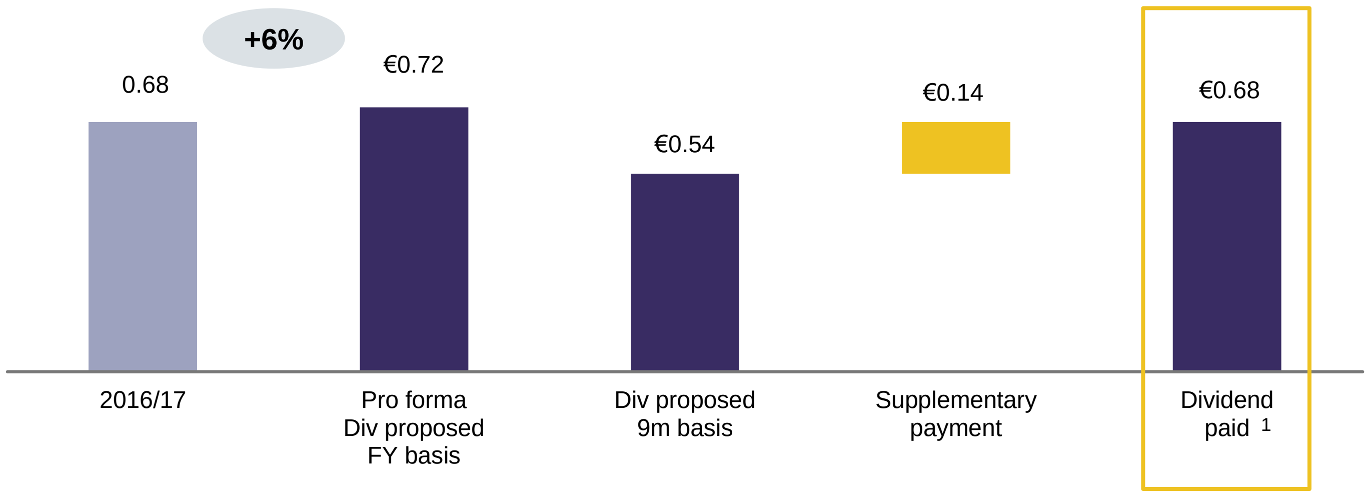
Financial targets

		Target	2017 (12m to Dec)	2016 (12m to Dec)	2016/2017 (12m to March)
Group targets	Compensation ratio [1]	Low to mid 60's through the cycle	**62.4%**	64.0%	63.3%
	Return on tangible equity [2]	10 to 15% through the cycle	**17.2%**	14.4%	14.6%
Businesses targets	Global Advisory: Profit before tax margin [3]	Mid to high-teens through the cycle	**17.8%**	18.1%	18.9%
	Private Wealth and Asset Management: Profit before tax margin	Around 20% by 2020	**16%**	2%	6%
	Merchant Banking: 3 years average RORAC [4]	Above 15% through the cycle	**26%**	25%	25%

Notes

1 As adjusted – see slide 28
2 ROTE based on Net income – Group share excl. exceptionals items. Would be 16.4% if exceptionals included (2016: 14.1%)
3 RGA PBT margin pre-US investments. Would be 15.7% if US investments included (2016: 16.2%)
4 See definition on slide 38 and calculation on slide 39

Dividend



- 6% increase in pro forma annualised dividend representing a 26% payout ratio

1 Dividend proposed at the General Meeting to be held on 15 May 2018

Outlook

Group	• Overall, financial markets have been much more volatile in recent weeks than seen for the whole of 2017 • However, if markets continue to be benign as in recent years we would expect our performance to be broadly in line with recent years
Global Advisory	• We expect current activity levels to persist into 2018, although the Group remains alert to the risk of volatility
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

A

P&L - 9 months to December

(in €m)	**2017** ***(9m to Dec)***	**2017** ***(12m to March)***
Revenue	**1,423**	**1,767**
Staff costs	(821)	(1,016)
Administrative expenses	(237)	(279)
Depreciation and amortisation	(25)	(32)
Impairments	(5)	(11)
Operating Income	**335**	**429**
Other income / (expense) (net)	19	7
Profit before tax	**354**	**436**
Income tax	(39)	(70)
Consolidated net income	**315**	**366**
Non-controlling interests	(124)	(180)
Net income - Group share	**191**	**186**
Exceptionals	8	7
Net income - Group share excl. exceptionals	**199**	**193**
Earnings per share	*2.55 €*	*2.64 €*
EPS excl. exceptionals	***2.66 €***	***2.74 €***
Return On Tangible Equity (ROTE)	*16.1%*	*14.0%*
ROTE excl. exceptionals	*16.8%*	*14.6%*

Major FX rates

Balance sheet (spot)

Balance sheet

Rates	31/12/2017	31/03/2017	31/12/2016
€ / GBP	0.8877	0.8553	0.8562
€ / CHF	1.1702	1.0706	1.0739
€ / USD	1.2008	1.0695	1.0541

P&L (average)

P&L

Rates	12m to Dec 2017	12m to Dec 2016	*Var*
€ / GBP	0.8762	0.8168	*7%*
€ / CHF	1.1115	1.0900	*2%*
€ / USD	1.1296	1.1052	*2%*

P&L

Rates	9m to Dec 2017	12m to March 2017	*Var*
€ / GBP	0.8815	0.8412	*5%*
€ / CHF	1.1256	1.0835	*4%*
€ / USD	1.1510	1.0975	*5%*

Summary Balance sheet

(in €bn)	31/12/2017	31/03/2017	31/12/2016
Cash and amounts due from central banks	3.9	3.9	3.3
Loans and advances to banks	1.7	1.9	1.3
Loans and advances to customers	3.0	2.9	1.6
of which Private client lending	*2.4*	*2.3*	*1.4*
Debt and equity securities	2.1	2.1	1.5
Other assets	1.4	1.4	1.2
Total assets	**12.1**	**12.2**	**8.9**
Due to customers	7.8	8.1	5.3
Other liabilities	1.9	1.8	1.5
Shareholders' equity - Group share	1.9	1.8	1.5
Non-controlling interests	0.5	0.5	0.6
Total capital and liabilities	**12.1**	**12.2**	**8.9**

Non-controlling interests

P&L

(in €m)	**2017** *(12 months to Dec)*	**2016** *(12 months to Dec)*
Interest on perpetual subordinated debt	14	14
Preferred shares [1]	156	130
Other Non-controlling interests	6	8
TOTAL	**176**	**152**

Balance sheet

(in €m)	**31/12/2017**	**31/03/2017**
Perpetual subordinated debt	289	305
Preferred shares [1]	170	60
Other Non-controlling interests	81	107
TOTAL	**540**	**472**

1 Mainly relates to the profit share distributed to French partners

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	Ratio between adjusted staff costs divided by consolidated Net Banking Income of Rothschild & Co (as presented on slide 28). Adjusted staff costs represent: 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 be deducted redundancy costs, revaluation of share-based employee liabilities and business acquisition costs treated as employee compensation under IFRS **which gives Total staff costs in calculating the basic compensation ratio** 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 **which gives the adjusted staff costs for compensation ratio**.	To measure the proportion of Net Banking Income granted to all employees. Key indicator for competitor listed investment banks. Rothschild & Co calculates this ratio with adjustments to give the fairest and closest calculation to that used by other comparable listed companies.
Return on Tangible Equity (ROTE) excluding exceptional items	Ratio between Net income - Group share excluding exceptional items and average tangible equity Group share over the period. Tangible equity corresponds to total equity Group share less intangible assets and goodwill. Average tangible equity over the period equal to the average between tangible equity as at 31 December 2017 and 31 December 2016	To measure the overall profitability of Rothschild & Co excluding exceptional items on the equity capital in the business
Business Operating margin	Each business Operating margin is calculated by dividing Profit before tax relative to revenue, business by business. It excludes exceptional items	To measure business’ profitability
Return on Risk Adjusted Capital (RORAC)	Ratio of an adjusted profit before tax divided by an internal measure of risk adjusted capital deployed in the business on a rolling 3-year basis. The estimated amount of capital and debt which management believes would be reasonable to fund the Group’s investments in Merchant Banking products is consistent with its cautious approach to risk management. Based on the mix of its investment portfolio as of the reporting dates, management believes that this “risk-adjusted capital” (RAC) amounts to c. 70% of the Group’s investments net asset value and that the remainder could be funded by debt. This percentage broadly represents the weighted average of 80% for equity exposures, 50% for junior credit exposures, 40% for CLO exposures in vertical strips and 33% for senior credit exposures. To calculate the RORAC, RMB profit before tax is adjusted by a notional 2.5% cost of debt, computed as per the above (i.e. 30% of the Group’s investments NAV), divided by the RAC. Disclosed RORAC is calculated on a 3-year rolling period average to account for the inevitable volatility in the financial results of the business, primarily relating to investment income and carried interest recognition.	To measure the performance of the Merchant Banking’s business

Alternative performance measures (APM)

Calculation

ROTE	2017 *(12 months to Dec)*	2016 *(12 months to Dec)*
Net income - Group share excluding exceptionnals	**248**	**183**
Shareholders' equity - Group share - opening	1,540	1,561
- Intangible fixed assets	(162)	(164)
- Goodwill	(117)	(114)
Tangible Shareholders' equity - Group share - opening	**1,261**	**1,283**
Shareholders' equity - Group share - closing	1,912	1,540
- Intangible fixed assets	(163)	(162)
- Goodwill	(123)	(117)
Tangible Shareholders' equity - Group share - closing	**1,626**	**1,261**
Average Tangible equity	**1,443**	**1,272**
ROTE	**17.2%**	**14.4%**

RORAC	2017 *(12 months to Dec)*	2016 *(12 months to Dec)*
PBT 2017	120	
PBT 2016	82	82
PBT 2015	70	70
PBT 2014		106
Average PBT rolling 3 years	**91**	**86**
NAV 31/12/2017	526	
NAV 31/12/2016	470	470
NAV 31/12/2015	466	466
NAV 31/12/2014		481
Average NAV rolling 3 years	**487**	**472**
Debt = 30% of Average NAV	146	142
Notional interest of 2.5% on debt	(4)	(4)
Average PBT rolling 3 years adjusted by the cost of debt interest	**87**	**82**
Risk adjusted capital = 70% of Average NAV	**341**	**331**
RORAC	**26%**	**25%**