Rothschild & Co

2016/2017 Annual results

June 2017

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Highlights

Highlights of financial year 2016/2017

Results

- Group revenue: +11% - at €1,767m
  - **Global Advisory**: +14% revenue and +22% profit before tax - strong result driven by both M&A and Financing advisory
  - **Private Wealth and Asset Management**: +7% revenue (including Martin Maurel Group (€24m)
  - **Merchant Banking:** +32% revenue and +30% versus average last three years revenue
- Operating income: +34% at €429m
- Net income - Group share excl. exceptional +43% and -20% incl. exceptional
- Earnings per share excl. exceptional of €2.74 and of €2.64 incl. exceptional
- Significant FX translation effect on revenue (-€77m) but limited on Net income – Group share (-€9m)

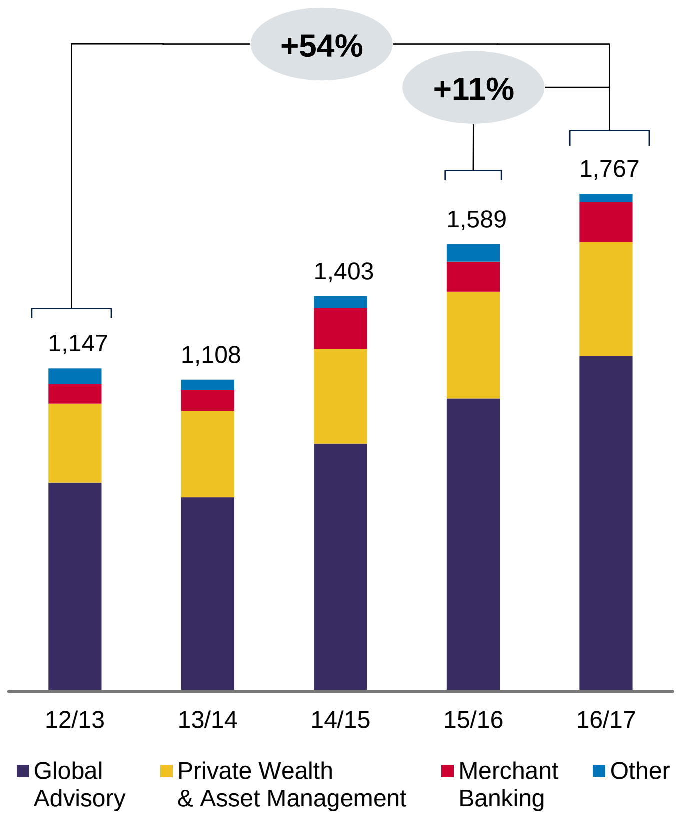
Other matters

- Completion of the merger with Compagnie Financière Martin Maurel
- Retirement of 2 banking licences (1 in UK and 1 in Guernsey)
- Further reduction of minority shareholders in Switzerland
- In the US: opening of 2 new offices and recruitment of 6 new MDs for Global Advisory
- Change of financial year-end to December

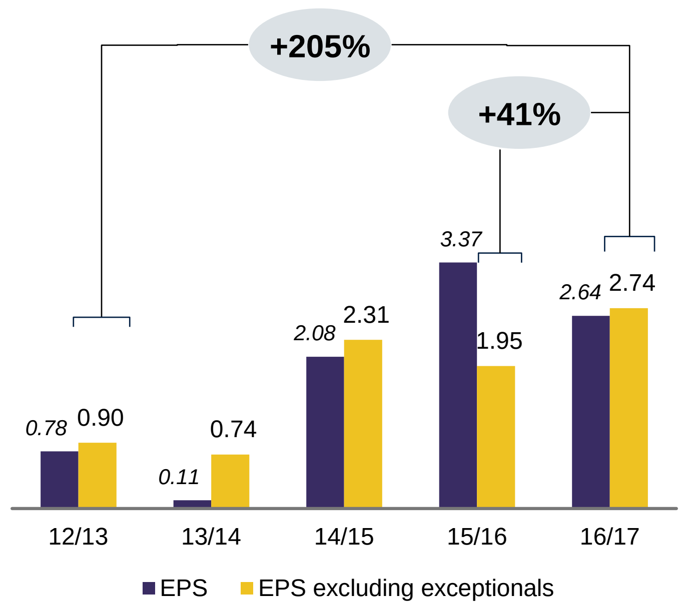
Financial highlights

Strong growth of revenue that translates into EPS progression

Group revenue (in €m)



EPS (in €)



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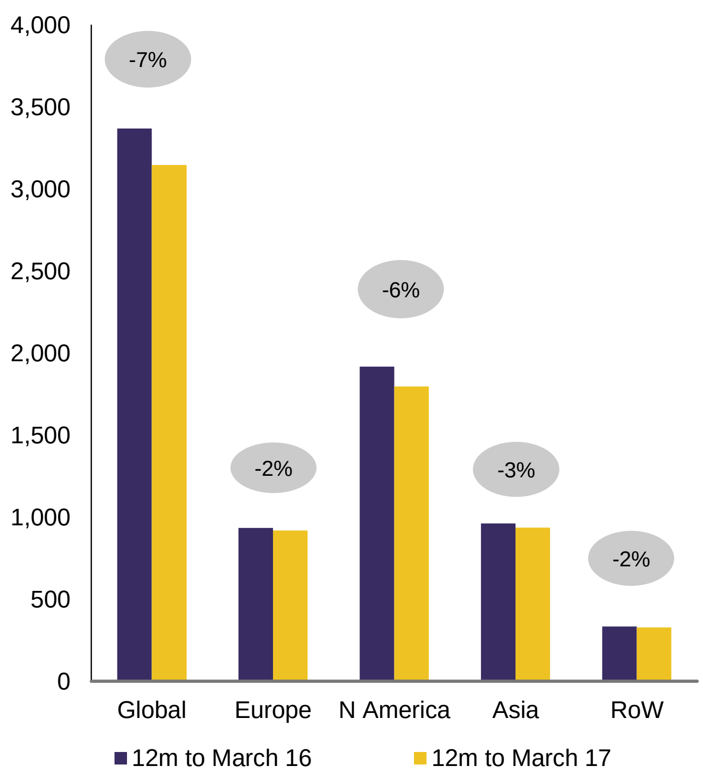
Business review: Rothschild Global Advisory

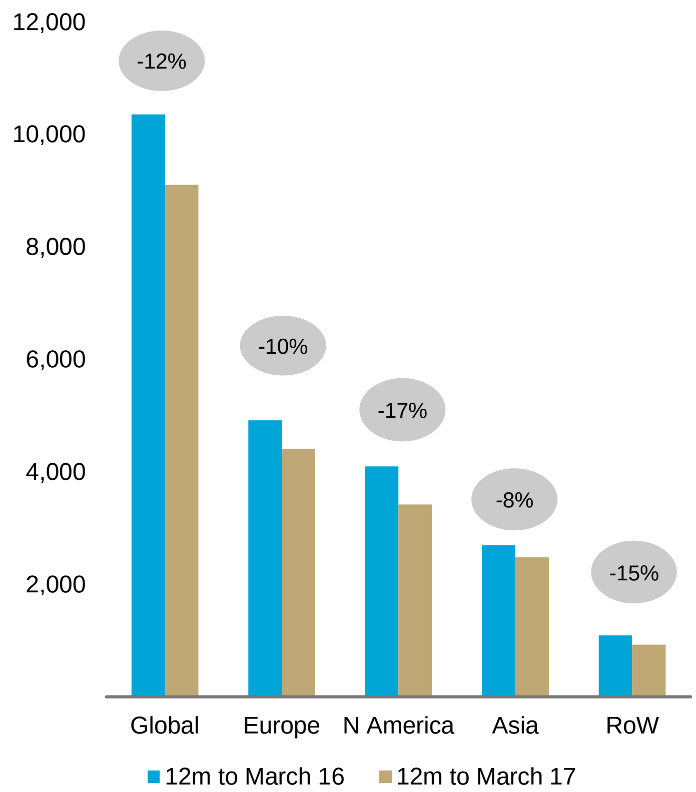
Rothschild Global Advisory

Slower financial year in M&A market

M&A market: completed deal values (in $bn)



M&A market: completed deal number

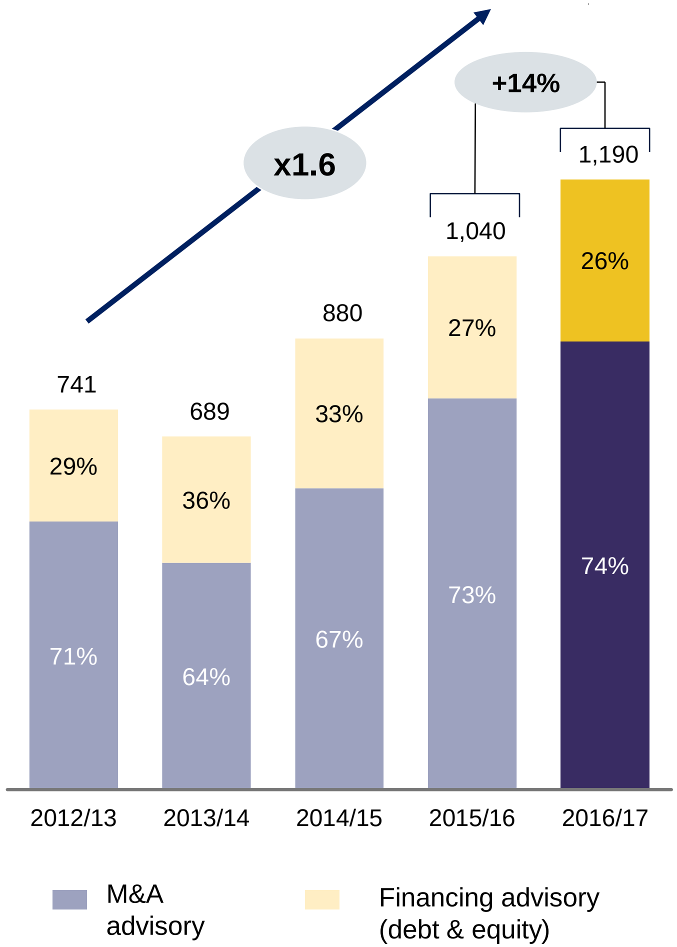


Source: Thomson Reuters

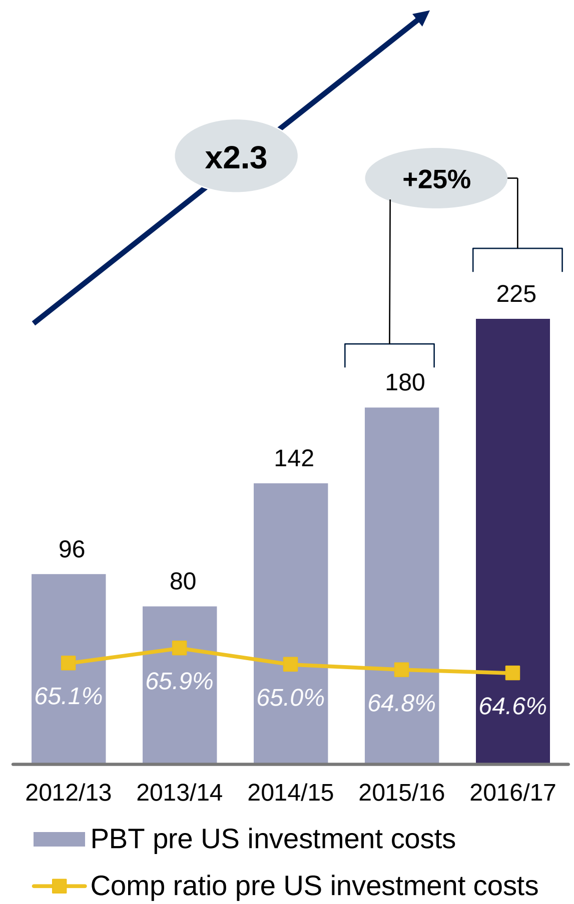
Rothschild Global Advisory

Record financial year for both revenue and earnings

Revenue (in €m)



Pre US investment costs PBT [1] and Compensation ratio [2]

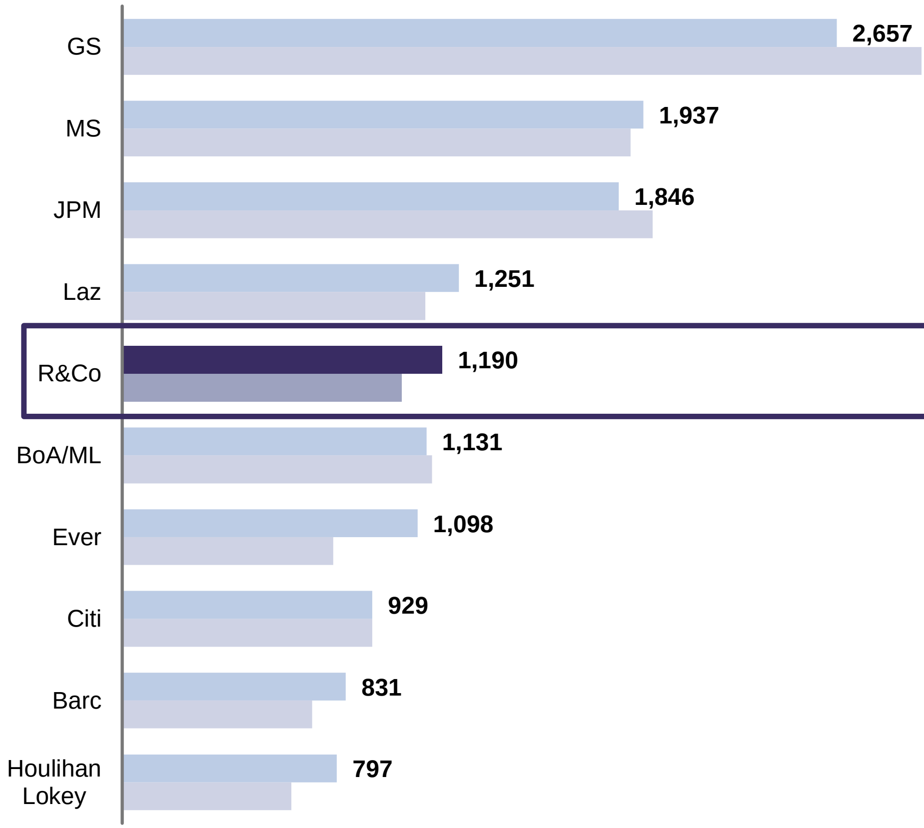


1 If US investment included, PBT would be €167m in 2015/2016 and €203m in 2016/2017. Our US investment costs are expected to be around 2% of revenue for the 9 months to 31 December 2017, subject to the right opportunities
2 On an awarded basis

Rothschild Global Advisory

Global ranking position by revenue improves to #5 (versus #6 in March 2016)

Ranking by advisory revenue (in €m)



	% change 12m March 2016 to 12m March 2017 [1]	Advisory as % of Total revenue
GS	-11%	9%
MS	2%	6%
JPM	-7%	2%
Laz	10%	54%
R&Co	14%	67%
BoA/ML	-2%	2%
Ever	39%	73%
Citi	-1%	2%
Barc	17%	4%
Houlihan Lokey	26%	100%

Source: Company's filings

1 % change is calculated in reporting currency

Rothschild Global Advisory

Zoom on our North America development

Overview

c. 170 advisory bankers of which 30 MDs

Highlights

- Leading M&A practice across multiple industries including Consumer, Industrials, TMT and Mining recently augmented by new Technology and Healthcare sector bankers
- Strong restructuring practice
- Growing equity advisory and newly established debt advisory practices
- Recruitment of 19 senior bankers since 2013
- c. 30% CAGR revenue between March 2015 and March 2017

Strategy

- Bolster core capabilities
  - Strengthening of core M&A sector coverage and professional talent
- Broaden geographic footprint
  - Recent opening of offices in Chicago, Los Angeles and San Francisco
- Expand platform capabilities
  - Expansion into new sectors / products, building on existing global presence

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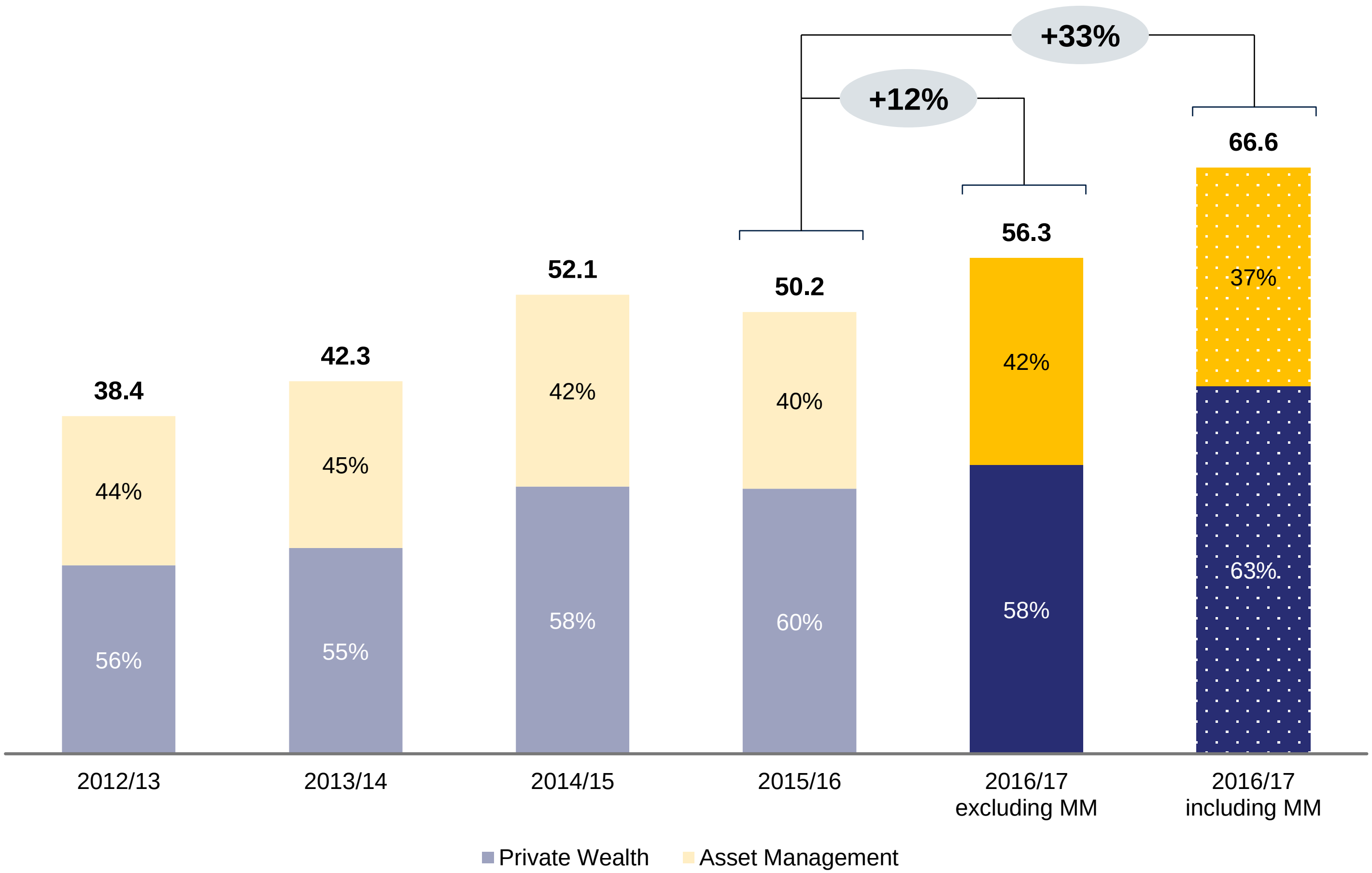
Business Review: Rothschild Private Wealth and Rothschild Asset Management

Rothschild Private Wealth & Asset Management

Progression of AuM driven by net new assets and market effect

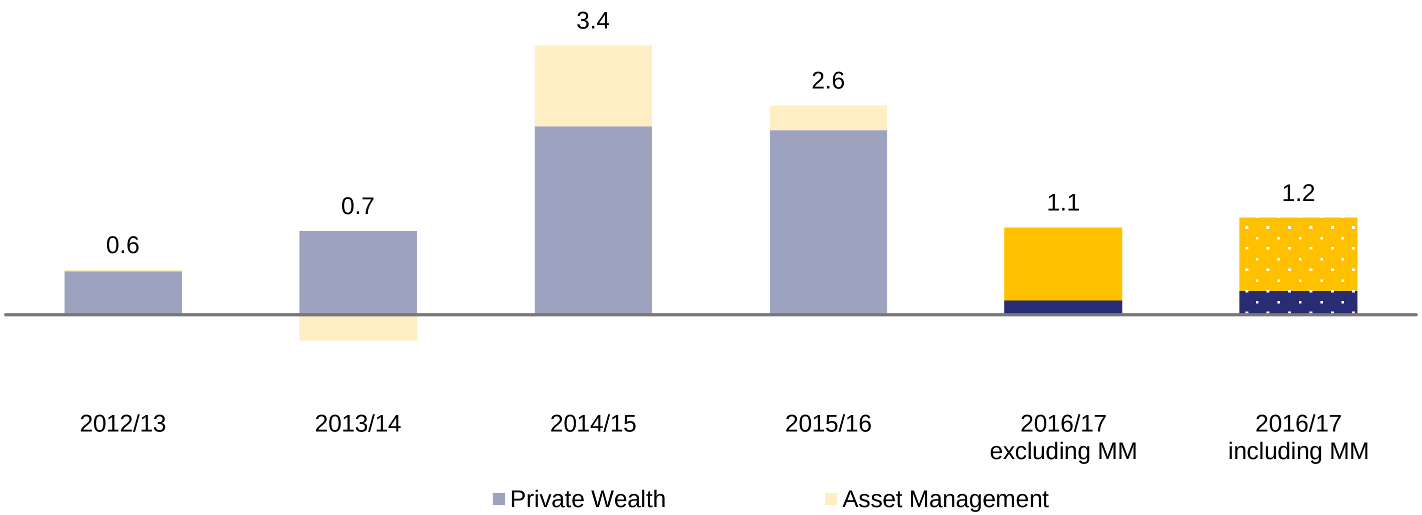
Assets under management (in €bn)



Rothschild Private Wealth & Asset Management

Positive net new assets thanks to US Asset Management …

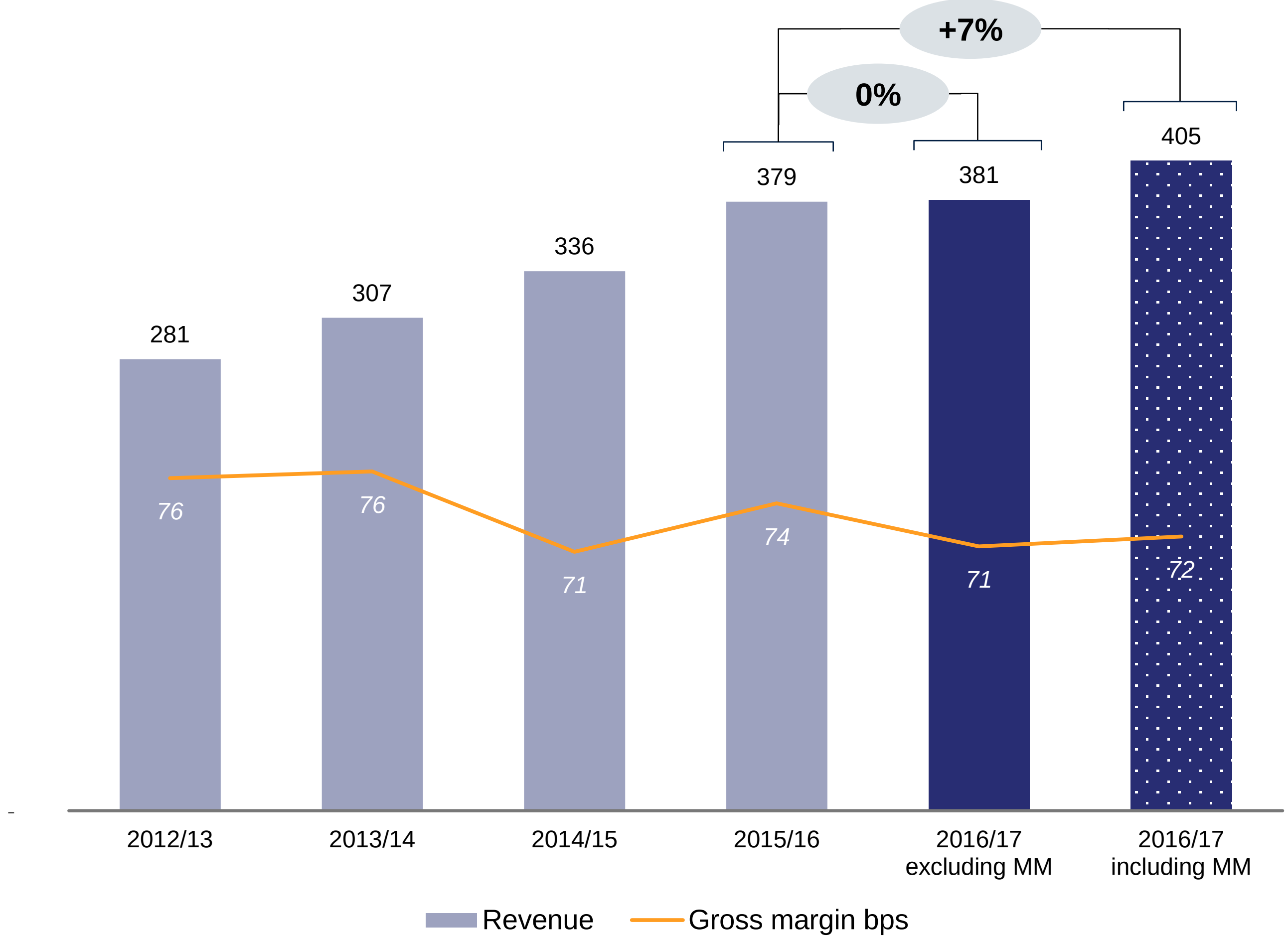
Net new assets (in €bn)



Rothschild Private Wealth & Asset Management

… with resilience of revenue despite fee pressure

Revenue (in €m) and annualised average bps progression



Notes

1 From 2 January to 31 March 2017, MM revenue represents €24m

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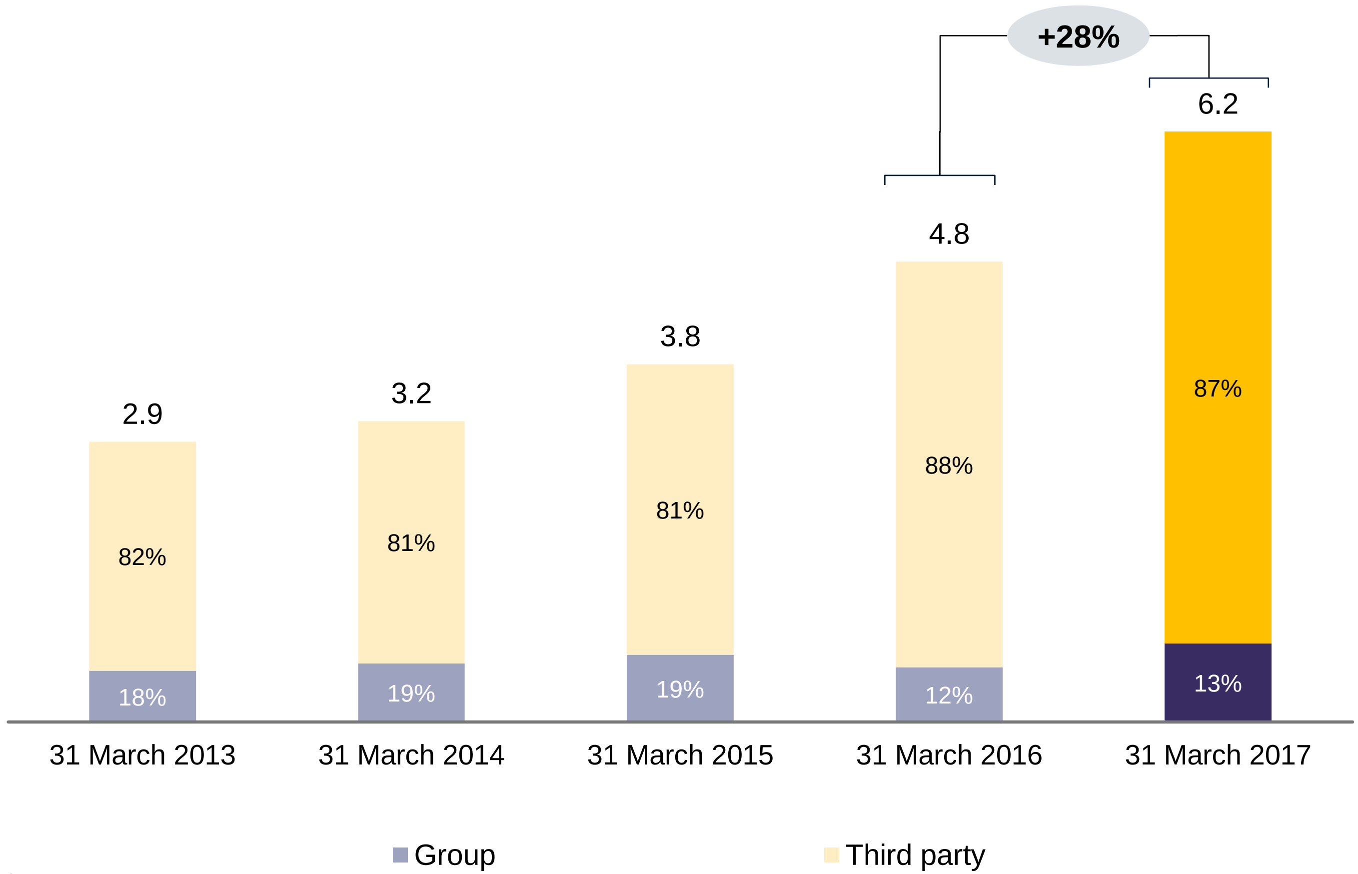
Business review: Rothschild Merchant Banking

Rothschild Merchant Banking

Continuing progression of AuM in line with new funds

Assets under Management (in €bn)

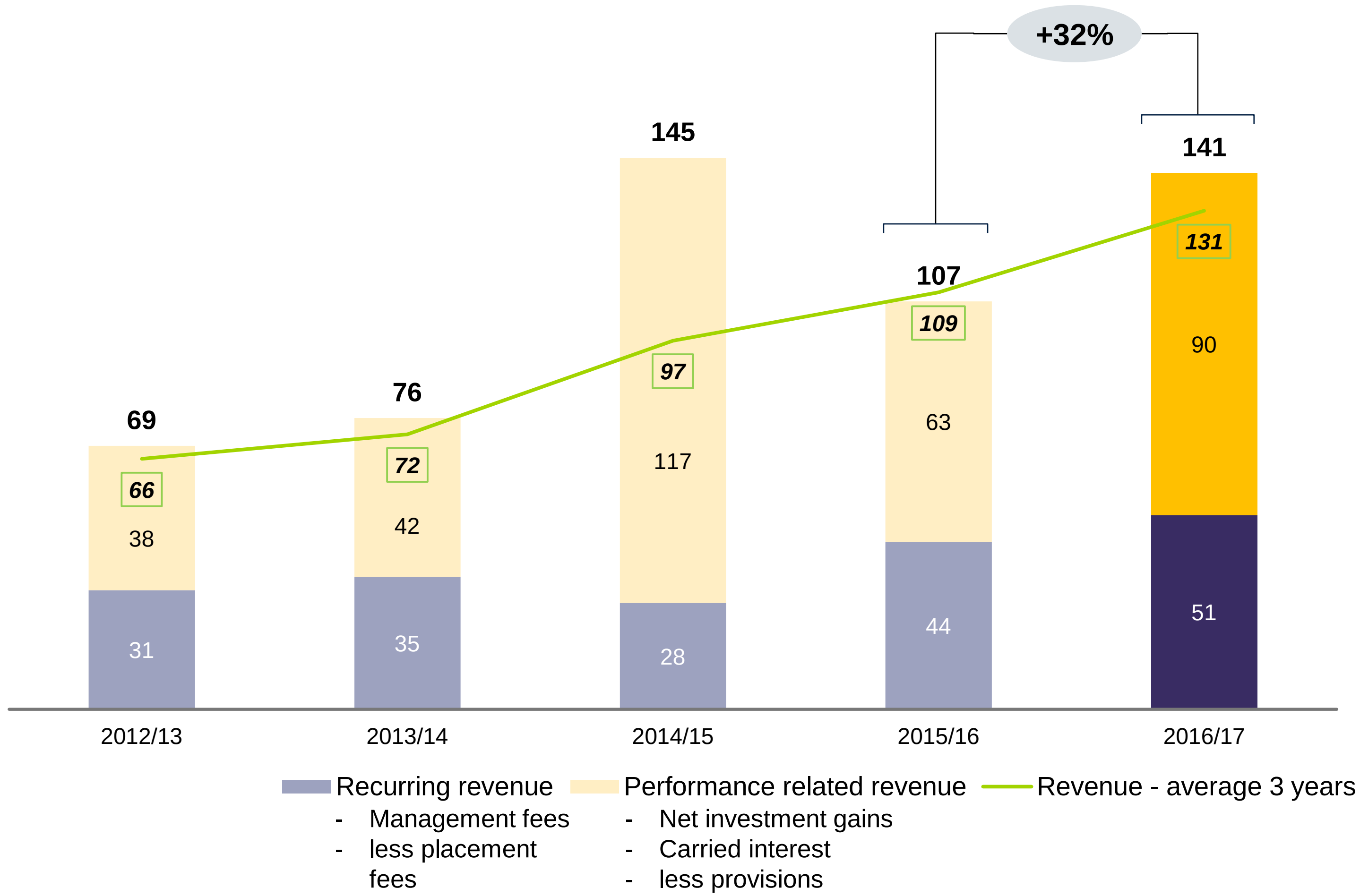


Note
Assets under management comprise committed capital where a managed fund is still in its investment period and net asset value after the investment period has expired.

Rothschild Merchant Banking

Increase of revenue thanks to recognition of carried interest

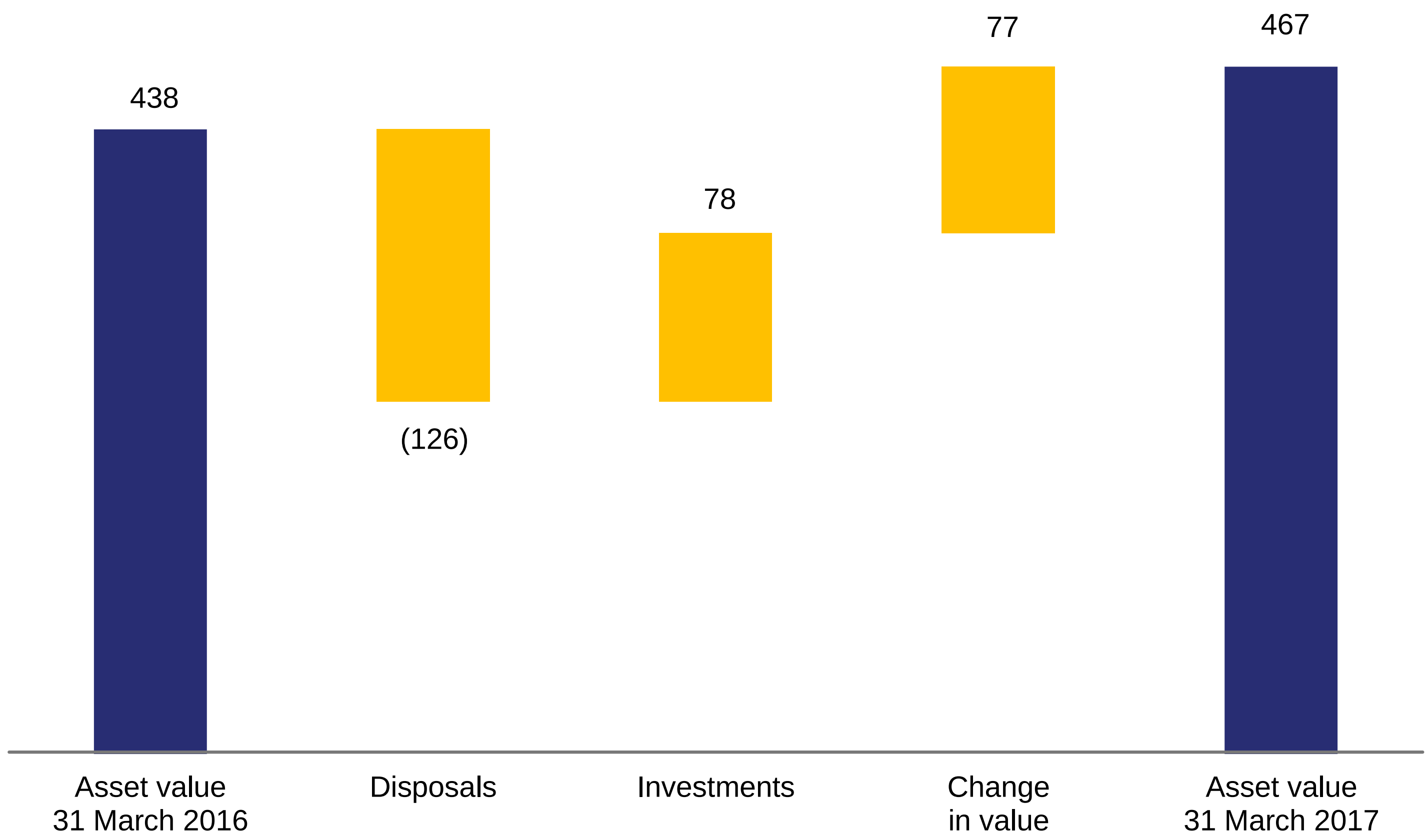
Breakdown of revenue (in €m)



Rothschild Merchant Banking

Strong value creation in portfolio for Rothschild & Co shareholders

Change in the Net asset value (in €m)



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Financial review

Summary statutory consolidated P&L

(in €m)	2016/17	2015/16	*Var*	*Var %*	*FX effects*
Revenue	**1,767**	**1,589**	***178***	***11%***	***(77)***
Staff costs	(1,016)	(954)	*62*	*6%*	*54*
Other operating costs	(322)	(316)	*6*	*2%*	*10*
Operating Income	**429**	**319**	***110***	***34%***	***(13)***
Profit before tax	**436**	**422**	***14***	***3%***	***(13)***
Income tax	(70)	(65)	*5*	*8%*	*2*
Consolidated net income	**366**	**357**	***9***	***3%***	***(11)***
Net income - Group share	**186**	**232**	***(46)***	***(20)%***	***(9)***
Net income - Group share excl. exceptionals	**193**	**135**	***58***	***43%***	***(9)***
Earnings per share [1]	*2.64 €*	*3.37 €*	*(0.73) €*	*(22)%*	*(0.13) €*
EPS excl. exceptionals	***2.74 €***	***1.95 €***	***0.79 €***	***41%***	***(0.13) €***
ROTE	*14.0%*	*19.4%*			
ROTE excl. exceptionals	***14.6%***	***11.3%***			

1 Diluted EPS is €2.60 for FY 2016/ 2017 (2015/2016: €3.32)

Financial targets

	Medium-term objectives	2016/2017	2015/2016
Compensation ratio [1]	Low 60%s through the cycle	63.4%	63.7%
Return on tangible equity	Between 10% to 15% through the cycle	14.6%[2]	11.3%
RGA: Profit before tax margin [3]	Low to mid-teens through the cycle	18.9%	17.3%

1 As adjusted – see slide 22
2 ROTE based on Net income – Group share excl. exceptional items. Would be 14.0% if exceptionals included (2015/2016: 19.4%)
3 RGA PBT margin excluding US investment. Would be 17.1% if US investment included (2015/2016: 16.1%)

“Exceptionals” reconciliation

(in €m)	2016/2017 PBT	2016/2017 PATMI	2016/2017 *EPS*	2015/2016 PBT	2015/2016 PATMI	2015/2016 *EPS*
As reported	**436**	**186**	***2.64 €***	**422**	**232**	***3.37 €***
- CFMM integration costs	(11)	(7)	*(0.10) €*	-	-	-
- Pensions credit	-	-	-	10	6	*0.09 €*
- Swap settlement cost	-	-	-	(8)	(6)	*(0.09) €*
- FALG Sale gain	-	-	-	99	97	*1.42 €*
Total Exceptional Costs (-) / Gains	**(11)**	**(7)**	***(0.10) €***	**101**	**97**	***1.42 €***
Excluding "Exceptionals"	**447**	**193**	***2.74 €***	**321**	**135**	***1.95 €***

Performance by business

(in €m)	Global Advisory	Private Wealth & Asset Management and Merchant Banking	Other businesses and corporate centre	IFRS Reconciliation [1]	2016/2017
Revenues	**1,190**	**546**	**28**	**3**	**1,767**
Operating expenses	(987)	(442)	(64)	166	(1,327)
Impairments	0	0	0	(11)	(11)
Operating income	**203**	**103**	**(36)**	**158**	**429**
Exceptional charges / (profits)	0	11	0	0	11
Operating income without exceptional items	**203**	**114**	**(36)**	**158**	**440**
Operating margin %	*17%*	*21%*			*25%*

(in €m)	Global Advisory	Private Wealth & Asset Management and Merchant Banking	Other businesses and corporate centre	IFRS Reconciliation [1]	2015/2016
Revenues	**1,040**	**486**	**55**	**8**	**1,589**
Operating expenses	(873)	(404)	(102)	121	(1,258)
Impairments	0	0	0	(12)	(12)
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**
Operating margin %	*16%*	*17%*			*20%*

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)	2016/2017	2015/2016	2014/2015	2013/2014
Revenue	**1,767**	**1,589**	**1,403**	**1,108**
Total staff costs [1]	(1,142)	(1,030)	(887)	(734)
Compensation ratio	***64.6%***	***64.8%***	***63.2%***	***66.3%***
variation due to FX	-	*(0.3%)*	*0.4%*	*0.4%*
variation due to RGA US investment costs [2]	*(1.3)%*	*(0.8%)*	*(0.2%)*	*(0.7%)*
Adjusted Compensation ratio	***63.4%***	***63.7%***	***63.4%***	***66.0%***
Average ratio - last three years			***64.4%***	
Headcount	**3,410**	**2,829**	**2,853**	**2,804**

- Adjusted compensation ratio at 63.4%, decrease from 64.4% average last three years
- Subject to the right opportunities, we are once again targeting allocating c.2% of Global Advisory revenue to investment in our US M&A business for the 9 months 2017

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

Summary Balance sheet

	(in €bn)	31/03/2017	31/03/2016	*Var*
	Cash and amounts due from central banks	3.9	3.5	*0.4*
2	Cash placed with banks	1.9	1.2	*0.7*
	Loans and advances to customers	2.9	1.5	*1.4*
3	*of which Private client lending*	*2.3*	*1.3*	*1.0*
2	Debt and equity securities	2.1	1.5	*0.6*
	Other assets	1.4	1.3	*0.1*
	Total assets	**12.2**	**9.0**	***3.2***
1	Due to customers	8.1	5.5	*2.6*
	Other liabilities	1.8	1.5	*0.3*
	Shareholders' equity - Group share	1.8	1.5	*0.3*
	Non-controlling interests	0.5	0.5	*0.0*
	Total capital and liabilities	**12.2**	**9.0**	***3.2***

- Martin Maurel accounted for €2.6bn of the increase of total assets
- Insignificant FX impact on balance sheet size

1 Customer deposits from clients mainly in Switzerland and France

2 Surplus cash is placed in central banks, banks and treasury investments

3 Private client lending (Lombard and mortgages) is developing in line with our Private Wealth strategy

Martin Maurel financial effects

- Revenue and PBT for the 3 months to March 2017 of €24m and €6m respectively
- Goodwill on acquisition (in €m)

Fair value of net assets	**254**
Share consideration	157
Cash consideration	88
Fair value of interest held in MM Group	6
Deferred consideration	10
Total	**261**
Goodwill	**7**

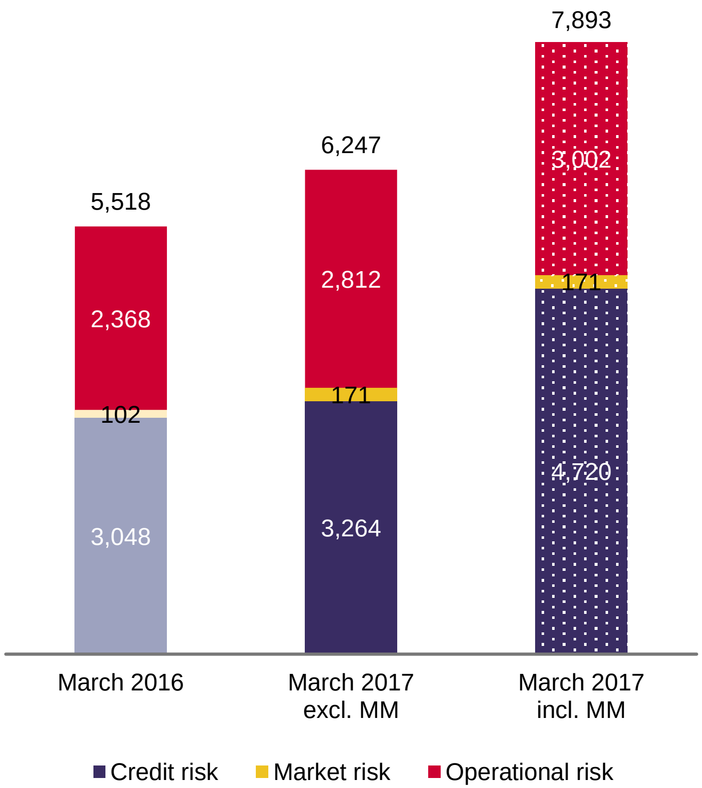
- Summarised balance sheet as at 2 January 2017 (in €bn)

Cash at banks	0.5	Due to customers	2.2
Loans to customers	1.2	Other	0.1
Debt and equity securities	0.7	Equity	0.3
Other	0.2		
Total Assets	**2.6**	**Total Liabilities**	**2.6**

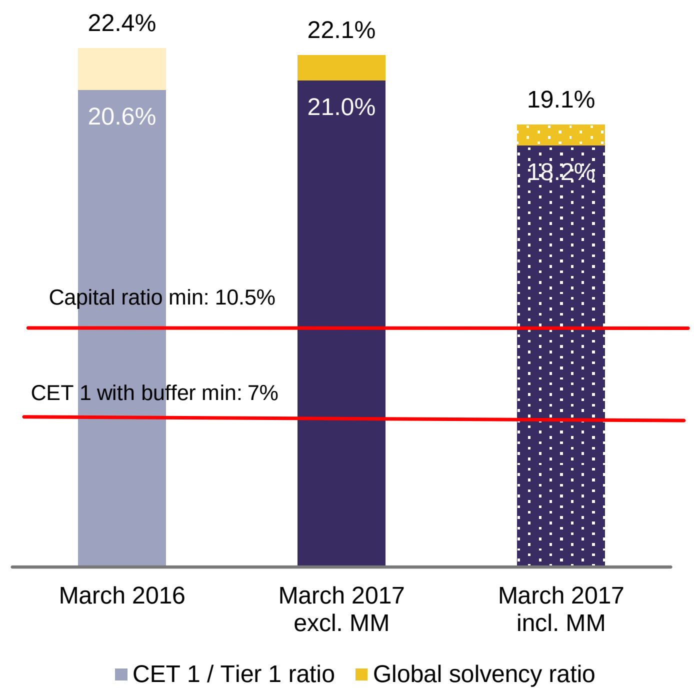
Solvency ratios comfortably above minimum requirements

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

Risk weighted assets *(in €m)*



Group solvency ratio



- Increase in RWA due to revenue growth impacting operational RWA, new funds raised in Merchant Banking and increase of the private client lending book
- CET 1 ratio in line with expectations post Martin Maurel merger

Dividend

	2016/2017	2015/2016	2014/2015
Earnings per share	€2.64	€3.37	€2.08
EPS excl. exceptional items	*€2.74*	*€1.95*	*€2.31*
Dividend per share	**€0.68** [1]	**€0.63**	**€0.60**
	+8%	*+5%*	
Payout ratio	26%	19%	29%
Payout excl. exceptional items	*25%*	*32%*	*26%*

1 Dividend proposed at the General Meeting to be held on 28th September 2017

- 8% increase in dividend representing a 26% payout ratio
- This reflects our progressive dividend policy over time in order to avoid the negative effect of results volatility
- Average payout over the last 3 years of 27% excluding exceptionals

Brexit consequences for the Group

Consequences of Brexit should be limited for the Group

- A year after the vote, the full impact of this decision on the relationship between the UK and the EU is far from clear
- It is possible, given the complexity of the issues at stake, that some transitional arrangement will be required before the final negotiated position is reached and therefore we face an extended period of uncertainty.
- As a firm which has operations in all the major economies of Europe the implications for our business model are relatively modest
- Our multiple location model is resilient and very few changes to our legal and operating structure will be required as a consequence of Brexit
- The biggest risk for our business is the impact in the UK economic environment of Brexit
- We continue to monitor these issues closely

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Conclusion

Conclusion

1. Excellent results, with strong momentum in all 3 businesses which illustrates the benefits of our business model
2. Strategy focused on our 3 core businesses and synergies
3. Merger with Martin Maurel Group brings further benefits including the diversification away from Global Advisory
4. Positive outlook for the 3 businesses

A

Appendices

Statutory consolidated P&L

(in €m)	2016/17	2015/16	*Var*	*Var %*	*FX effects*
Revenue	**1,767**	**1,589**	***178***	***11%***	***(77)***
Staff costs	(1,016)	(954)	*62*	*6%*	*54*
Administrative expenses	(279)	(267)	*12*	*4%*	*8*
Depreciation and amortisation	(32)	(37)	*(5)*	*(14)%*	*2*
Impairments	(11)	(12)	*(1)*	*(8)%*	*0*
Operating Income	**429**	**319**	***110***	***34%***	***(13)***
Other income / (expense) (net)	7	103	*(96)*	*(93)%*	*0*
Profit before tax	**436**	**422**	***14***	***3%***	***(13)***
Income tax	(70)	(65)	*5*	*8%*	*2*
Consolidated net income	**366**	**357**	***9***	***3%***	***(11)***
Non-controlling interests	(180)	(125)	*55*	*44%*	*(2)*
Net income - Group share	**186**	**232**	***(46)***	***(20)%***	***(9)***
Exceptionals	7	(97)	*(104)*	*(108)%*	*0*
Net income - Group share excl. exceptionals	**193**	**135**	***58***	***43%***	***(9)***

Major FX rates

Balance sheet (spot)

Rates	Balance sheet 31/3/2017	31/3/2016	*Var*
€ / GBP	0.8553	0.7916	*8%*
€ / CHF	1.0706	1.0931	*(2)%*
€ / USD	1.0695	1.1385	*(6)%*

P&L (average)

Rates	P&L 2016/2017	2015/2016	*Var*
€ / GBP	0.8412	0.7329	*15%*
€ / CHF	1.0835	1.0734	*1%*
€ / USD	1.0975	1.1042	*(1)%*

Income taxes

(in €m)	**2016/2017**	**2015/2016**
Statutory Profit before tax - as reported (A)	437	422
FALG profit	0	(99)
Profit before tax - as restated (B)	**437**	**323**
Income taxes - as reported (C)	(70)	(65)
Income taxes - as restated	**(70)**	**(65)**
Adjustment		
Prior year effects	(3)	(1)
Income taxes - as restated & after adjustments (D)	***(73)***	***(66)***
Effective tax rate (D)/(B)	*16.8%*	*20.1%*
Reported tax rate (C)/(A)	*16.1%*	*15.4%*

Non-controlling interests

P&L

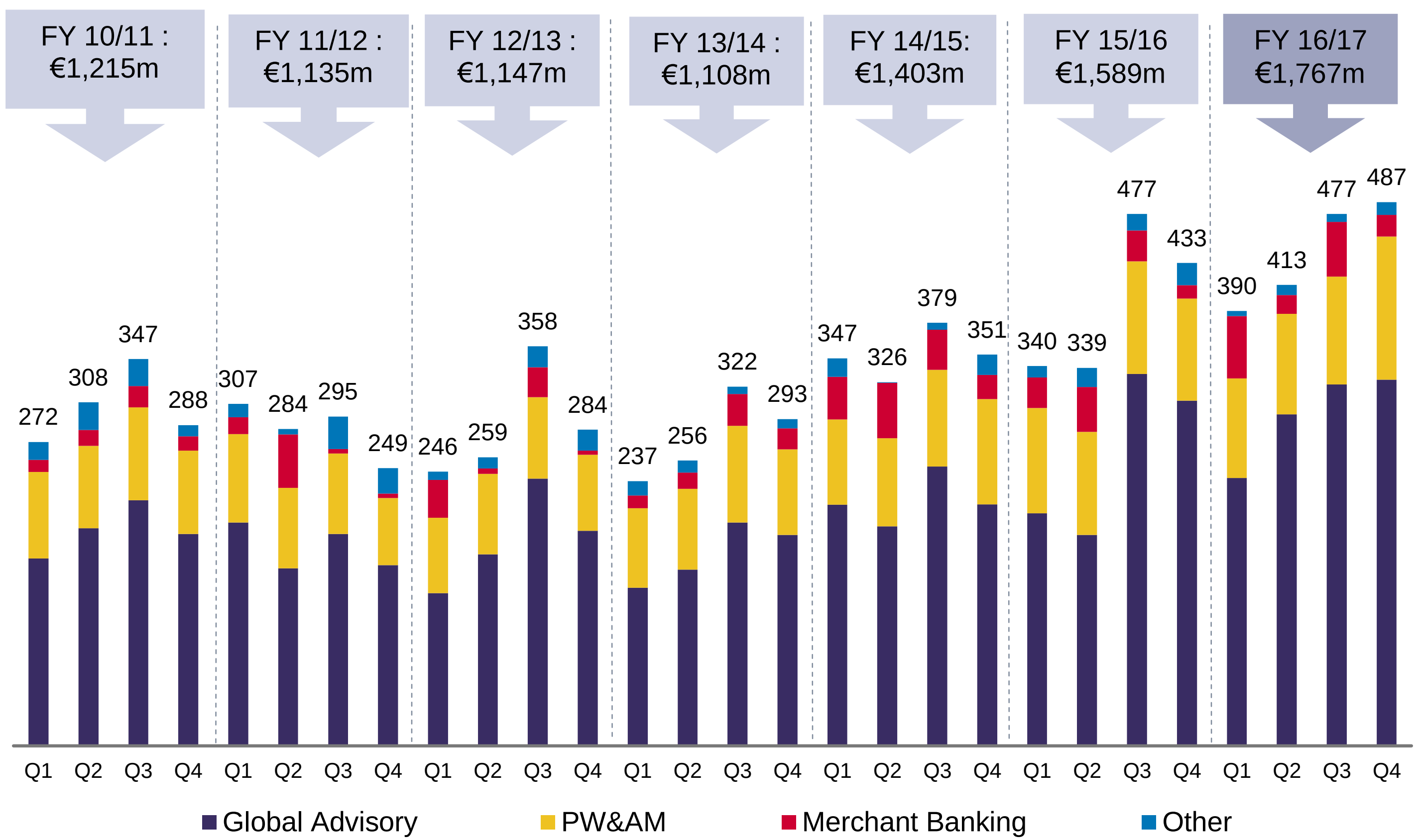
(in €m)	2016/2017	2015/2016
Interest on perpetual subordinated debt	14	15
Preferred shares [1]	160	101
Other Non-controlling interests	6	9
TOTAL	**180**	**125**

Balance sheet

(in €m)	31/03/2017	31/03/2016
Perpetual subordinated debt	305	320
Preferred shares [1]	60	31
Other Non-controlling interests	107	165
TOTAL	**472**	**516**

1 Mainly relates to the profit share distributed to French partners

Quarterly revenues generation



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