

Paris Orléans

Half year results 2014/2015

26 November 2014

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1. Highlights of Half Year 2014/2015

Highlights of Half Year 2014/2015

■ Business review

- Strong first-half year performance across our core businesses
- Strong Global Financial Advisory revenues (+38% from first-half year 2013/2014)
- Wealth and Asset Management revenues up 8%
- Merchant Banking revenues tripled

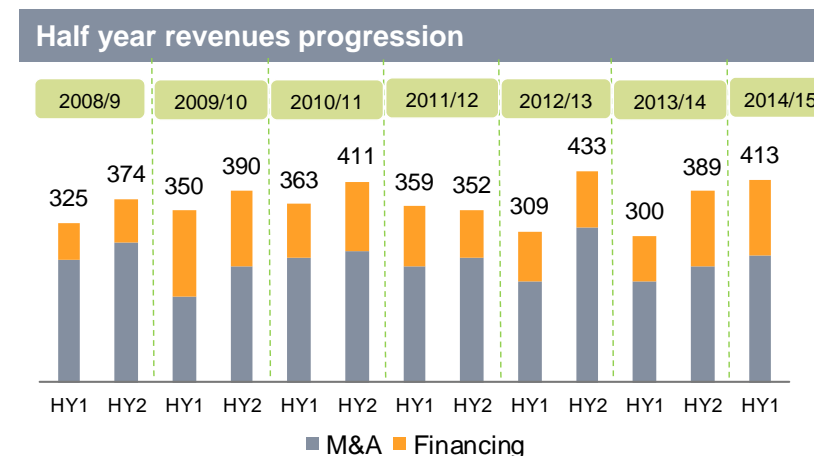
■ Results

- Strong growth in operating income of €147m (first-half year 2013/14 : €52m)
- Substantial improvement in net income – Group share of €79m (first-half year 2013/14 : loss of €13m)
- Net EPS of €1.15 for the first-half year compared to a loss of €0.19 per share for the first-half year 2013/2014

2. Business review

Global Financial Advisory

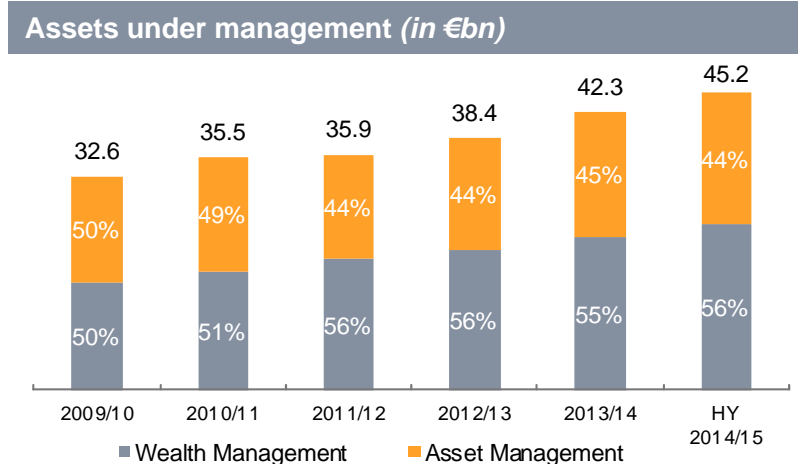
Key figures of the business				
(in €m)	6 months 2013/14	6 months 2014/15	Var	2013/ 2014
Revenues	300	413	38%	689
- M&A	205	257	26%	443
- Financing Advisory	95	156	64%	246
Profit before tax	22	57	160%	71
<i>PBT margin in %</i>	7%	14%	88%	10%
<i>Bankers</i>	881	870	(11)	851



- GFA revenue was our best H1 since the financial crisis:
 - M&A revenue up 26%, driven by particularly strong performance in our European businesses, growth in the number of completions and in the number of fees > €1m
 - Financing Advisory revenue up 64%, as our market leading independent franchise continues to go from strength to strength
- Active M&A market during 2014, albeit significant growth in announced deal values (driven by a small number of large, strategic, cross-border transactions) has not yet fully converted to completions, in part due to higher non-complete rates
 - We are therefore cautious over H2 revenue outlook in particular given recent market volatility
- Operating income up from €22m to €57m, alongside revenue growth

Wealth and Asset Management

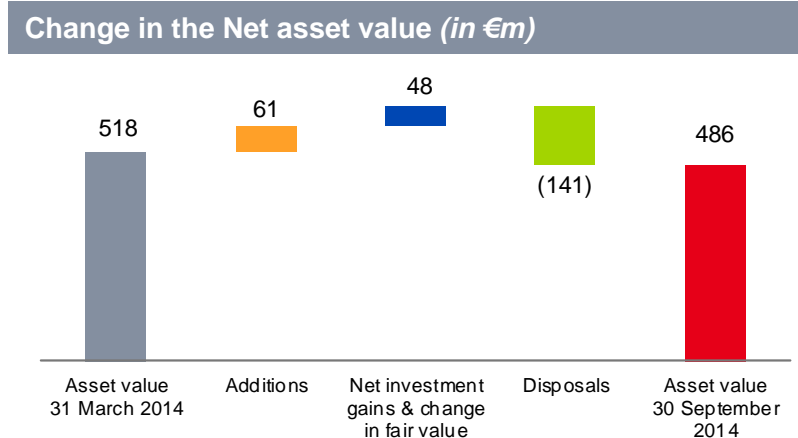
Key figures of the business				
(in €m)	6 months 2013/14	6 months 2014/15	Var	2013/ 2014
Revenues	144	156	8%	307
<i>AuM (in €bn)</i>	39.7	45.2	14%	42.3
<i>Front office for WM</i>	102	111	9	104
<i>Front office for AM</i>	51	57	6	52



- Continuing pressure on business and challenging regulatory environment
- Good first-half year 2014/2015 due to a rise of AuM (+€5.5bn), especially in Wealth Management in the UK and Asset Management
- Thanks to a net inflow (€2.1bn of which €1.5bn from Wealth Management and €0.6bn from Asset Management) and positive markets (€3.4bn), assets under management improved 14% from September 2013 to €45.2bn
- New Wealth Management team in Italy, with promising start

Merchant Banking

Key figures of the business				
(in €m)	6 months 2013/14	6 months 2014/15	Var	2013/ 2014
Revenues	26	88	236%	69
of which net investment gains	3	61	n/a	28
of which provisions	(3)	(0)	91%	(4)
<i>Net asset value of Group private equity assets</i>	465	486	4%	518
<i>Investment professionals</i>	48	47	(1)	46

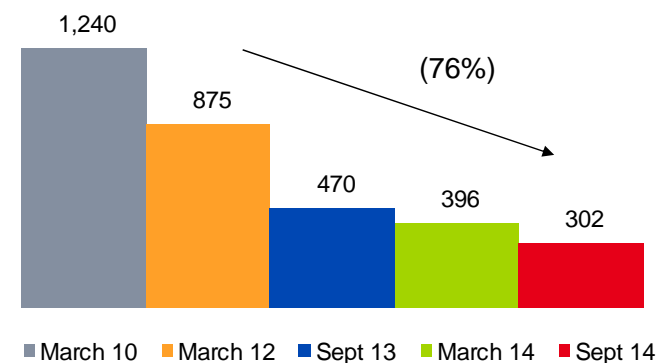


- €3bn committed worldwide, of which 21% committed by the Group
- €141m of disposals during the first half year generating €61m of net investment gains (HY 2013/2014 : €2.8m)
- €61m invested in new investments and follow on during the first half year
- Continuing the roll out of Merchant Banking offering, with the launch of:
 - a senior credit fund, Oberon II, which has raised €230m with a target of €300m
 - Contego II, a CLO, which has raised €360m
- Good pipeline of investment opportunities and disposals

Banking and Asset Finance

Profitability of the business				
(in €m)	6 months 2013/14	6 months 2014/15	Var	2013/ 2014
Revenues	18	20	6%	42
Impairment on loans	2	(3)	n/a	(5)

Legacy lending book over 5 years (in €bn)



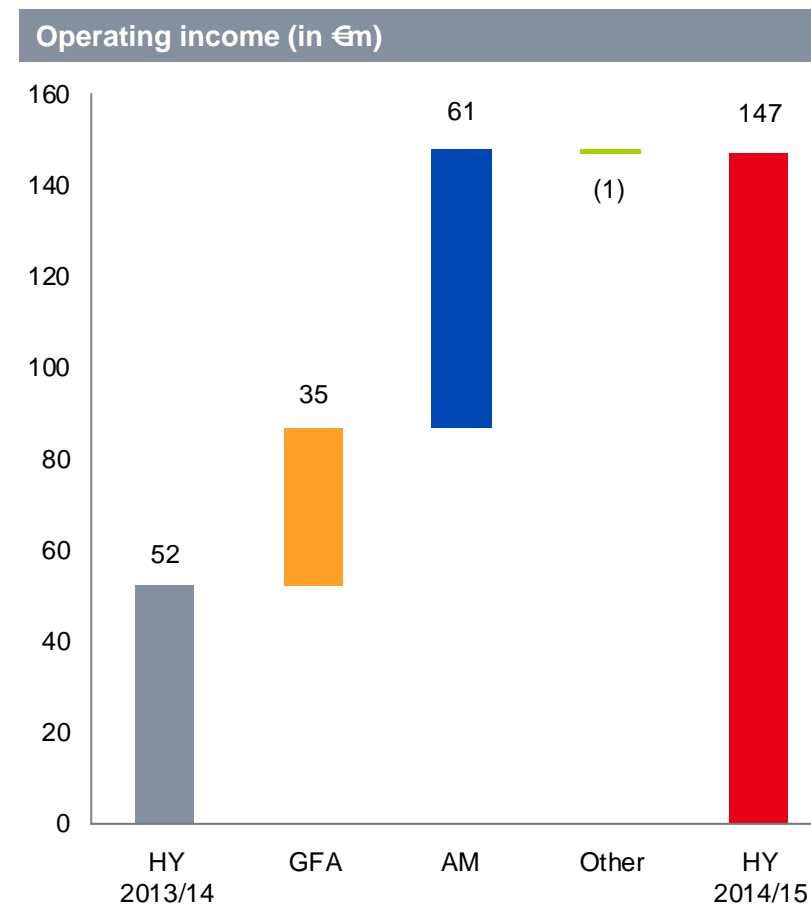
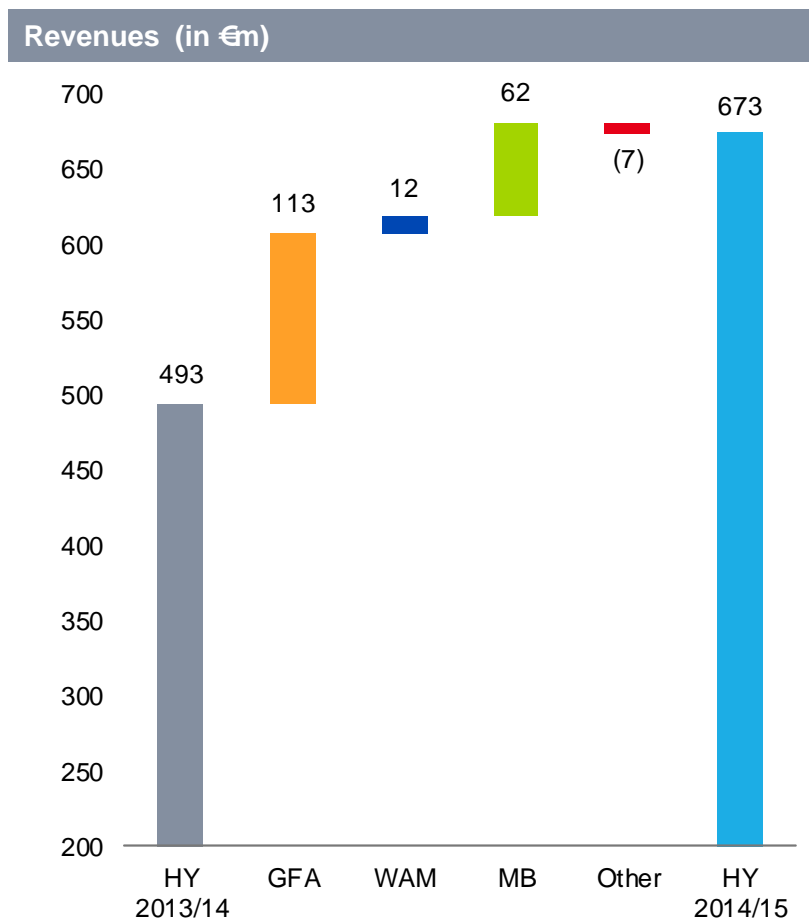
- Legacy drawings fell to €302m as at 30 September 2014, down from €470m as at 30 September 2013 (396m as at 31 March 2014)

3. Financial review

Summary statutory consolidated P&L

<i>(in €m)</i>	2013/2014 6 months	2014/2015 6 months	Var	Var %
Revenues	493	673	180	37%
Staff costs	(314)	(382)	(68)	(22)%
Administrative expenses	(111)	(116)	(5)	(5)%
Depreciation and amortisation	(17)	(18)	(1)	(6)%
Impairments	1	(10)	(11)	n/a
Operating Income	52	147	95	183%
Other income / expense (net)	4	29	25	625%
Impairment of EDR (Suisse)	(22)	(3)	19	85%
Profit before tax	34	173	139	408%
Income tax	(23)	(36)	(13)	(57)%
Consolidated net income	11	137	126	n/a
Non-controlling interests	(24)	(58)	(34)	(142)%
Net income - Group share	(13)	79	92	708%
Net income - Group share excl. EDR (Suisse) impairment	2	81	79	n/a
<i>Earnings per share</i>	<i>(0.19€)</i>	<i>1.15€</i>		
EPS excl. EDR (Suisse) impairment	0.02 €	1.18 €		

Change in Revenues and Operating income



- The effect of FX on revenues and on operating income has a positive impact of €8m and €1m respectively

Summary P&L by business

(in €m)	Global Financial Advisory	Asset Management ⁽¹⁾	Other ⁽²⁾	Statutory adjustments ⁽³⁾	6 months 2014/2015
Revenues	413	243	28	(11)	673
Operating expenses	(356)	(161)	(41)	42	(516)
Impairments	-	-	(3)	(7)	(10)
Operating income	57	82	(16)	24	147

(in €m)	Global Financial Advisory	Asset Management ⁽¹⁾	Other ⁽²⁾	Statutory adjustments ⁽³⁾	6 months 2013/2014
Revenues	300	170	26	(3)	493
Operating expenses	(278)	(149)	(38)	23	(442)
Impairments	-	-	2	(1)	1
Operating income	22	21	(10)	19	52

- Asset Management operating income includes net investment gains of €61m in HY 2014/2015 and €3m in HY 2013/2014

Notes

1 Asset Management comprises Wealth & Asset Management and Merchant Banking businesses

2 Other comprises Central cost, legacy businesses, including Banking & Asset Finance, and other

3 Statutory adjustments mainly represent the treatment of profit share distributed to French partners as non-controlling interests, the application of IAS 19 for defined benefit pension schemes, the reallocation of impairments and certain net investments gains and the accounting for deferred bonuses over the period earned

Compensation

Group Compensation ratio			
<i>(in €m)</i>	6 months 2013/2014	6 months 2014/2015	2013/2014
Revenues	493	673	1,108
Total adjusted staff costs ⁽¹⁾	(332)	(421)	(734)
<i>Adjusted Group Compensation ratio (%)</i>	67.4%	62.6%	66.3%

- Group compensation ratio includes the effects of deferred bonus accounting

1 For the calculation of the adjusted compensation ratio, adjustment has been made to include profit share distributed to French Partners and exclude redundancy costs

Edmond de Rothschild (Suisse) ¹

Impairment

Explanations about impairment

- Share price as at :
 - 21 November 2007: 36,995 CHF
 - 31 March 2013: 20,100 CHF - resulting in an impairment of €46m
 - 31 March 2014: 15,855 CHF - resulting in an impairment of €27m
 - 30 September 2014 : 15,200 CHF
 giving a book value at 30 September 2014 of €96m (€99m as at 31 March 2014)

- €3.2m charge against Profit before tax (HY 2013/2014 : €21.9m)
- €0.3m deferred tax credit (HY 2013/2014 : €1.7m)
- Impact of **€2.9m on consolidated income** (HY 2013/2014 : €20.2m)
 - Of which €2.1m in Net income – Group share (HY 2013/2014 : €14.5m)
 - Of which €0.8m in Non-controlling interests (HY 2013/2014 : €5.7m)

- No impact on cash flow

¹ Formerly known as Banque Privée Edmond de Rothschild

Income taxes

Income taxes			
<i>(in €m)</i>	2013/2014 6 months	2014/2015 6 months	2013/2014
Statutory Profit before tax - as reported (C)	34.0	172.8	106.7
Impairment of Edmond de Rothschild (Suisse)	21.9	3.2	26.6
Profit before tax - as restated (A)	55.9	176.0	133.3
Income taxes - as reported (D)	22.5	36.0	42.7
Deferred tax credit on impairment of Edmond de Rothschild (Suisse)	1.7	0.3	2.1
Income taxes - as restated	24.2	36.3	44.8
<u>Adjustments</u>			
UK Deferred tax asset write off due to change in corporation tax rates	(5.7)	-	(5.7)
Prior year effects	(2.6)	(1.4)	(1.3)
Income taxes - as restated & after adjustments (B)	15.9	34.9	37.8
<i>Effective tax rate (B)/(A)</i>	28.5%	19.8%	28.4%
<i>Reported tax rate (D)/(C)</i>	66.2%	20.8%	40.0%

Non-controlling interests

P&L		
(in €m)	2013/2014 6 months	2014/2015 6 months
Interest on subordinated debt	7	7
Non-controlling interests	23	52
Impairment of Edmond de Rothschild (Suisse)	(6)	(1)
TOTAL	24	58

Balance sheet		
(in €m)	31/03/2014	30/09/2014
Perpetual subordinated debt	297	318
Non-controlling interests	177	203
TOTAL	474	521

- The increase in the charge is largely due to profit share distributed to French Partners accounted for as Non-controlling interests under IFRS rules
- The remaining Non-controlling interests mainly relate to the Swiss based Wealth management business and the profit share distributed to French partners

Summary Balance sheet

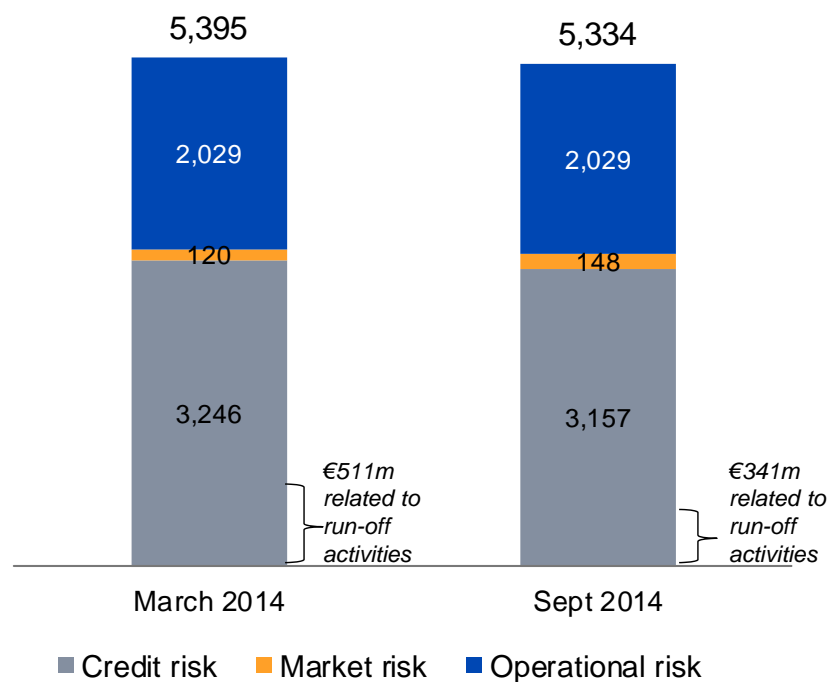
<i>(in € bn)</i>	31/03/2014	30/09/2014	Var
Cash and amounts due from central banks	3.2	3.6	0.4
Cash placed with banks	1.2	1.7	0.5
Loans and advances to customers	1.4	1.4	-
Debt and equity securities	1.0	1.2	0.2
Other assets	1.2	1.3	0.1
Total assets	8.0	9.2	1.2
Due to customers	4.9	5.8	0.9
Other liabilities	1.3	1.6	0.3
Shareholders' equity - Group share	1.3	1.3	-
Non-controlling interests	0.5	0.5	-
Total capital & liabilities	8.0	9.2	1.2

- Increase of €1.2bn in the year to date, driven by increase of customer deposits from clients in Switzerland and UK
- Surplus cash, mainly arising from customer deposits, is placed in secure holdings with central banks and banks
- Corporate legacy lending book continues its managed decline, whereas Private client lending (Lombard and mortgage loans) is developing in line with expectations
- FX impact of approximately €0.2bn that has increased the balance sheet size

Solvency ratios

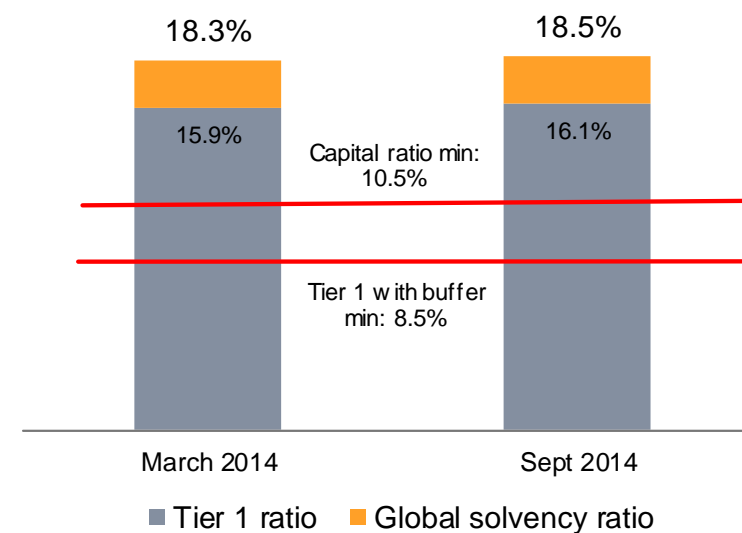
Risk weighted assets and ratios under full application of Basel 3 rules

Risk weighted assets (in €m)



- Small decrease in RWA in connection with disposals of assets (Merchant Banking and Corporate legacy book)

Group solvency ratio



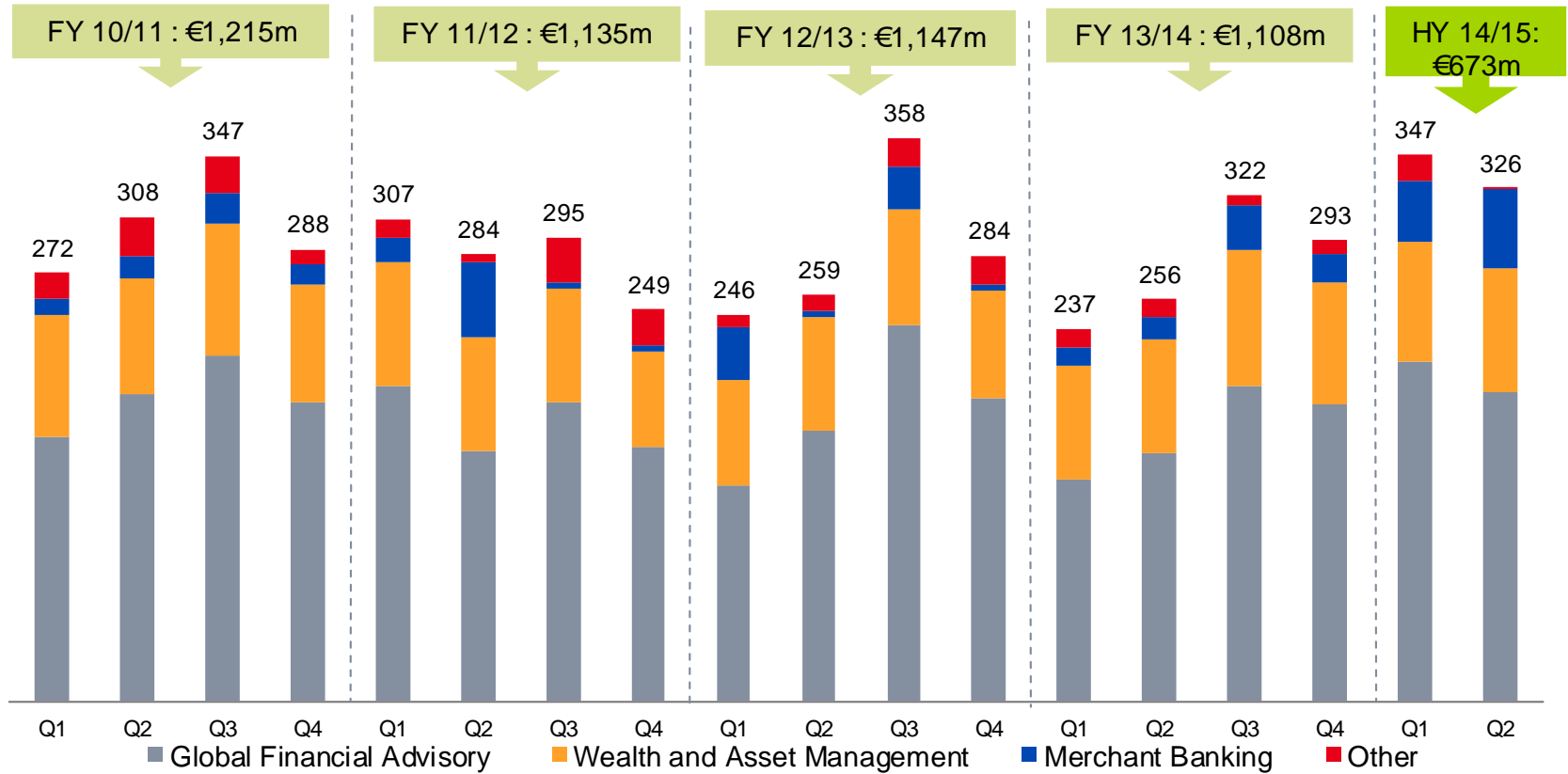
- Ratios are comfortably above minimum requirements imposed by Basel 3 (including capital conservation buffer)

Financial targets

Medium-Term Targets	
GFA Operating margin	<ul style="list-style-type: none">■ 15% in the medium term<ul style="list-style-type: none">– HY 2014/2015 : 14%– FY 2013/2014 : 10%
Adjusted compensation cost	<ul style="list-style-type: none">■ Low 60%'s through the cycle<ul style="list-style-type: none">– HY 2014/2015 : 62.6%– FY 2013/2014 : 66.3%
Return on tangible equity	<ul style="list-style-type: none">■ At least 13% in the medium term<ul style="list-style-type: none">– HY 2014/2015 : 15.4%– FY 2013/2014 : 5%

Appendices

















Quarterly revenues progression (in €m)



Volatility in GFA and Merchant Banking, less in Wealth Management

















Global Financial Advisory

M&A and strategic advisory – example of transactions

Client	Deal	Country	Sector	Value
	Disposal to L'Oréal of an 8.0% stake in L'Oréal		Consumer products	€6bn
	Acquisition of a 50% stake in Rolls-Royce Power Systems (Tognum) from Daimler		General Engineering and Capital Goods	€2.4bn
	Revised tender offer for Campofrio in conjunction with Sigma Alimentos		Consumer products	€1.1bn
	Separation of its international business and simultaneous merger of its Australian / New Zealand business with Westfield Retail Trust		Real estate	US\$18bn and A\$29bn
	Public tender offer to Scania's minority shareholders		Automotive	€6.7bn
	Recommended cash offer by Merck		Industrial materials	£1.6bn
	Cross-border acquisition of David Jones, including debt, equity and hedging advice		Retail	A\$2.1bn
	Merger with América Latina Logística		Business services	US\$4.7bn

Global Financial Advisory

Financing advisory – example of transactions

Client	Deal	Country	Sector	Value
	Adviser on its IPO on the New York Stock Exchange		Technology and media	US\$25bn
	Adviser on underwritten block trade of a 9.5% stake in Woodside		Oil and gas	A\$3.2bn
	Adviser on its revolving credit facility with a club of 19 banks		Mining	US\$2.5bn
	Adviser on amend and extend of its Pre-Export Financing (“PXF”) facilities		Mining	US\$5.2bn
	Adviser on the refinancing of its existing revolving credit facility		Retail	£1.4bn
	Adviser to company and The Carlyle Group on its IPO on the Madrid Stock Exchange		Retail	€1.2bn
	Adviser on its debt restructuring		Business services	US\$4.5bn
	Adviser to the Association of British Insurers on the restructuring of Punch Taverns		Hotels and leisure	£2.6bn

Merchant Banking

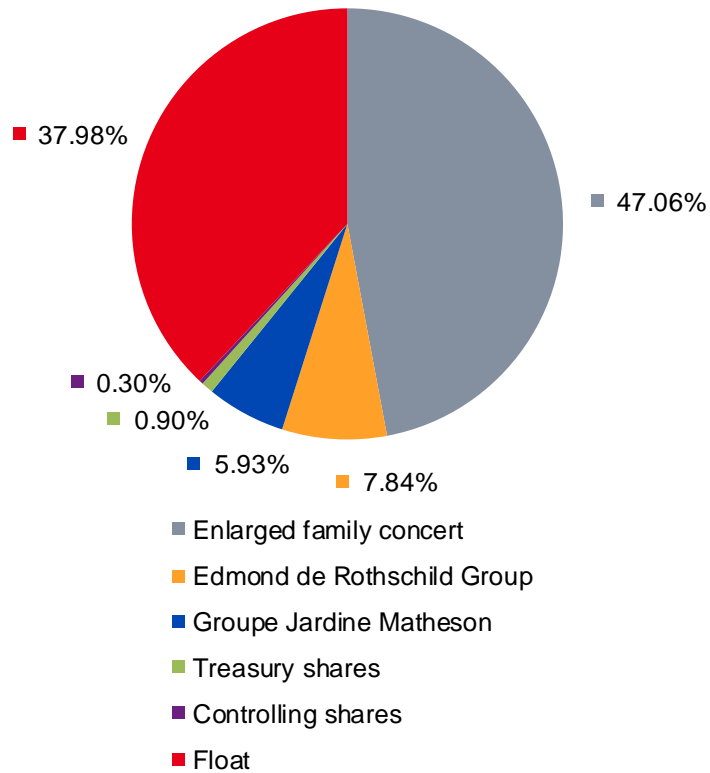
A history of long term value creation in the mid-cap segment

Private equity			Private debt		
 <p>Specialist in privately-managed nurseries</p> <p>France</p>	 <p>Natural resource-based company</p> <p>Philippines</p>	 <p>Self-serve gourmet coffee machines operator</p> <p>UK</p>	 <p>Manufacturer of hygiene and personal care products</p> <p>France</p>	 <p>Medical press group</p> <p>France</p>	 <p>French leading manufacturer and supply of fastening systems</p> <p>France</p>
 <p>Worldwide leader of watch list filtering solutions</p> <p>Global</p>	 <p>Insurance brokerage firm ¹</p> <p>France</p>	 <p>Provider of office cleaning services</p> <p>France</p>	 <p>Supplier of packaging to the pharmaceutical & cosmetics industry</p> <p>France</p>	 <p>Provider of telemarketing and customer relationship management services</p> <p>France</p>	 <p>Manufacturer and supplier of kettle controls</p> <p>UK</p>
 <p>Specialist in the waste sorting and recycling market</p> <p>France</p>	 <p>Energy company operating natural gas and refined petroleum products</p> <p>USA</p>	 <p>Leader in airborne carriage systems for military aeronautics</p> <p>France</p>	 <p>Chain of family holiday villages</p> <p>UK</p>		

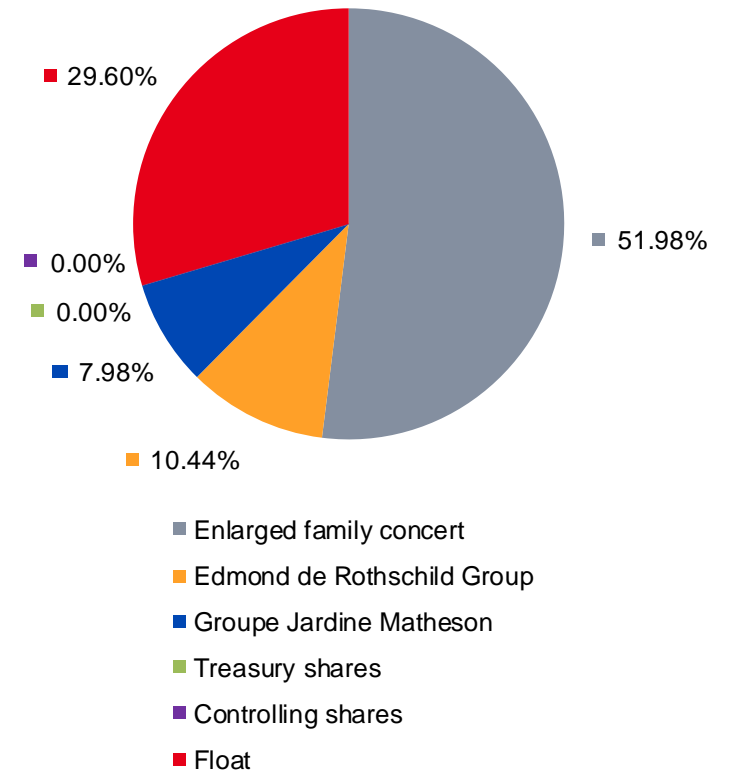
Shareholding structure

As at 31 October 2014

Share capital



Voting rights



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