Rothschild & Co

Half year 2015/2016 results presentation

24 November 2015

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1. Highlights of half year 2015/2016

Highlights of half year 2015/2016

Business

- Solid revenue across the Group, up 1% overall compared to H1 2014/2015
  - Global Financial Advisory revenues down 4% but up 8% in M&A
  - Wealth and Asset Management revenues up 20%
  - Merchant Banking revenues down 23% as anticipated but up 33% versus last 3 years H1 average

Results

- Operating income at €119m
- Net income - Group share of €39m
- Earnings per share of €0.56
- Significant FX translation effect (+€50m on revenue and but only -€1m on operating income)

Each of our businesses performed well despite volatile and uncertain economic market conditions

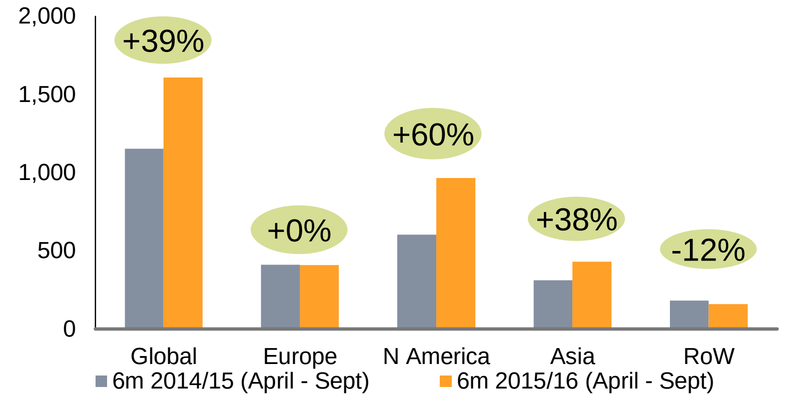
2. Business review

Global Financial Advisory

Profitability of the business

(in €m)	**6m to Sep. 2014**	**6m to Sep. 2015**	***Var %***
Revenue	**413**	**397**	***(4)%***
M&A	257	277	*8%*
Financing Advisory	156	120	*(23)%*
Profit before tax	**57**	**47**	***(18)%***
PBT margin in %	*14%*	*12%*	*(14)%*
Bankers	*870*	*937*	*67*

Completed M&A deal values by region[1]



- 4th globally and 1st in Europe by number of completed M&A transactions[1]
- M&A market driven by US large cap deals
- GFA revenue down 4% year on year:
  - M&A revenue up 8% driven by strong completion activity, especially in the UK and in France
  - Financing Advisory revenue down 23% due to a slight decrease in debt and restructuring advisory and lower ECM activity in Europe
- Strong pipeline, above last year levels
- Operating income decreased from €57m to €47m due to lower revenue and investments
- Headcount increases due to investment in junior bankers

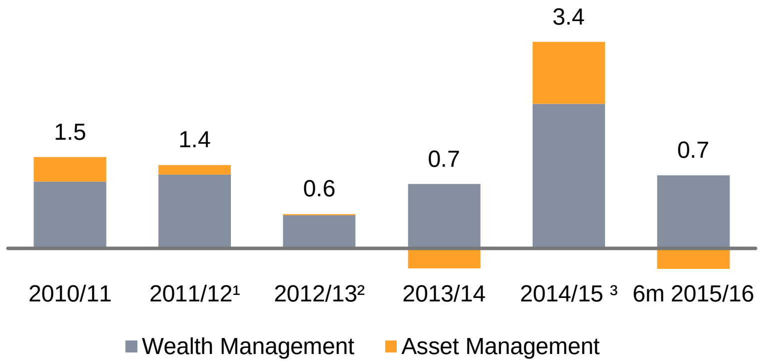
1. Source: Thomson Reuters

Wealth and Asset Management

Key figures of the business

(in €m)	**6m to Sep. 2014**	**6m to Sep. 2015**	***Var %***
Revenue	**156**	**187**	***20%***
Average Bps	*73*	*74*	*1%*
AuM (in €bn)	***45.2***	***48.3***	***7%***
NNA	*1.4*	*0.7*	*(51)%*
Front office for WM	*111*	*117*	*6*
Front office for AM	*57*	*63*	*6*

Net new assets - NNA *(in €bn)*



1 2011/12 excludes €1.5bn outflow related to the partial sale of Sélection R in France
2 2012/13 includes €0.8bn inflow related to the merger with HDF Finance in France
3 2014/15 excludes €1.9bn outflow related to the transfer of accounts from Sélection R in France

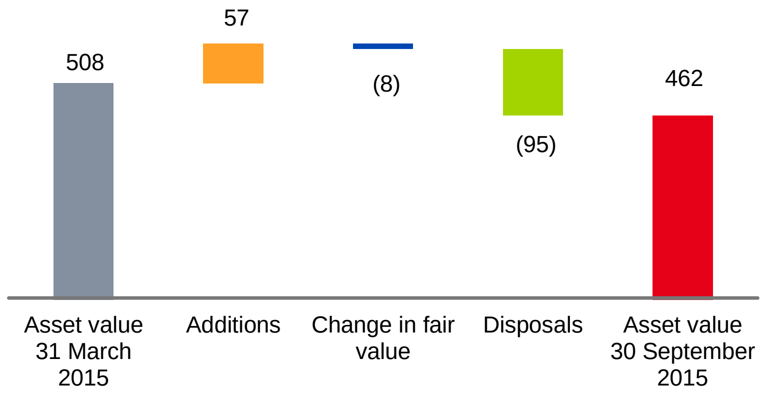
- AuM of €48.3bn as at 30 September 2015 compared to €52.1bn as at 31 March 2015 due to:
  - net inflows of €0.7bn (inflows of €1.2bn in Wealth Management and outflows of €0.5bn in Asset Management) reflecting a consistent track record of attracting new business and
  - market depreciation, negative exchange rate effects and reclassification of assets of €4.5 billion
- Strong half year with increase revenue of 20% thanks to higher AuM in HY1 2015/16 compared to HY1 2014/2015
- Headcount increase due to strengthening of client advisors in France and Switzerland and new funds offerings in Asset Management (Smart Beta fund)

Merchant Banking

Key figures of the business

(in €m)	6m to Sep. 2014	6m to Sep. 2015	*Var %*
Revenue	**88**	**68**	***(23)%***
of which net investment gains	61	42	*(31)%*
Net asset value of Group private equity assets	*486*	*462*	*(24)*
Investment professionals	*47*	*62*	*15*

Change in the Net asset value *(in €m)*



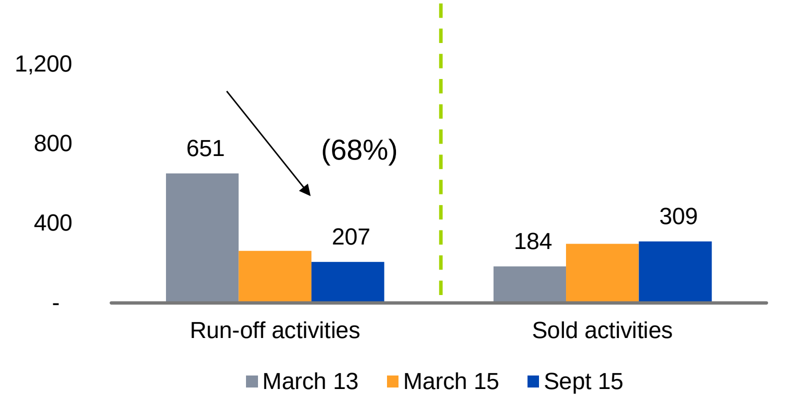
- Active half year with €95m of disposals generating €42m of investment gains (HY 2014/2015 : €61m) and €57m deployed in new investments and follow on
- Revenue down on last year’s exceptional HY1, but up 33% on 3 previous years’ average first half revenue
- €5bn AuM worldwide, of which 13% committed by the Group
- Continuing the roll out of Merchant Banking offering, with the:
  - closing of a second primary equity fund (FAPI II) at €775m, including €130m from the Group, significantly in excess of €700m target
  - acquisition of West Gate, a US based credit manager
  - closing of a senior credit fund, Oberon II, at €250m
- Good pipeline of investment opportunities and disposals
- Headcount increase in relation with West Gate acquisition (+7) and new funds closings

Banking and Asset Finance

Key figures of the business

(in €m)	**6m to Sep. 2014**	**6m to Sep. 2015**	***Var %***
Revenue	**20**	**28**	***40%***
of which FALG [1]	16	19	*19%*
Impairment on loans	(3)	1	*(133)%*

Lending since March 2013 ***(in €bn)***



- Legacy drawings fell to €207m as at 30 September 2015, down from €262m as at 31 March 2015
- As recently announced, the Group sold FALG (Five Arrows Leasing group), its UK asset finance business, on 3 November 2015 to Paragon Bank PLC
  - Sale price of £117m (approximately €159m)
  - Exceptional accounting gain in the region of €90m in the 2nd HY 2015/2016

1 Sold on 03/11/2015

3. Financial review

Summary statutory consolidated P&L

(in €m)	6 months 2014/2015	6 months 2015/2016	*Var*	*Var %*
Revenue	**673**	**679**	***6***	***1%***
Staff costs	(382)	(417)	*35*	*9%*
Administrative expenses	(116)	(122)	*6*	*5%*
Depreciation and amortisation	(18)	(20)	*2*	*11%*
Impairments	(10)	(1)	*(9)*	*(90)%*
Operating Income	**147**	**119**	***(28)***	***(19)%***
Other income / expense (net)	26	6	*(20)*	*(77)%*
Profit before tax	**173**	**125**	***(48)***	***(28)%***
Income tax	(36)	(29)	*(7)*	*(19)%*
Consolidated net income	**137**	**96**	***(41)***	***(30)%***
Non-controlling interests	(58)	(57)	*(1)*	*(2)%*
Net income - Group share	**79**	**39**	***(40)***	***(51)%***
Earnings per share	*1.15 €*	*0.56 €*	*(0.59)*	*(51)%*

- Significant FX effects, resulting in :
  - Positive impact on revenue of €50m
  - Negative impact on staff costs of €39m and on administrative expenses of €10m
  - Negative impact on profit before tax of €2m
  - Negative impact on Net income – Group share of €3m
- Other income / expense (net) included a significant profit on disposal relating to the sale of Fircosoft by Merchant Banking in prior year

Focus on performance by business

6 months 2015/2016

(in €m)	Global Financial Advisory	Wealth & Asset Management and Merchant Banking	Other [1]	IFRS Reconciliation [2]	Total 6m 2015/2016
Revenues	**397**	**255**	**38**	**(11)**	**679**
Operating expenses	(350)	(194)	(59)	44	(559)
Impairments	-	-	2	(3)	(1)
Operating income	**47**	**61**	**(19)**	**30**	**119**
Swap settlement cost	-	-	8	-	8
Operating income before swap settlement	**47**	**61**	**(11)**	**30**	**127**
Operating margin %	12%	24%			19%

6 months 2014/2015

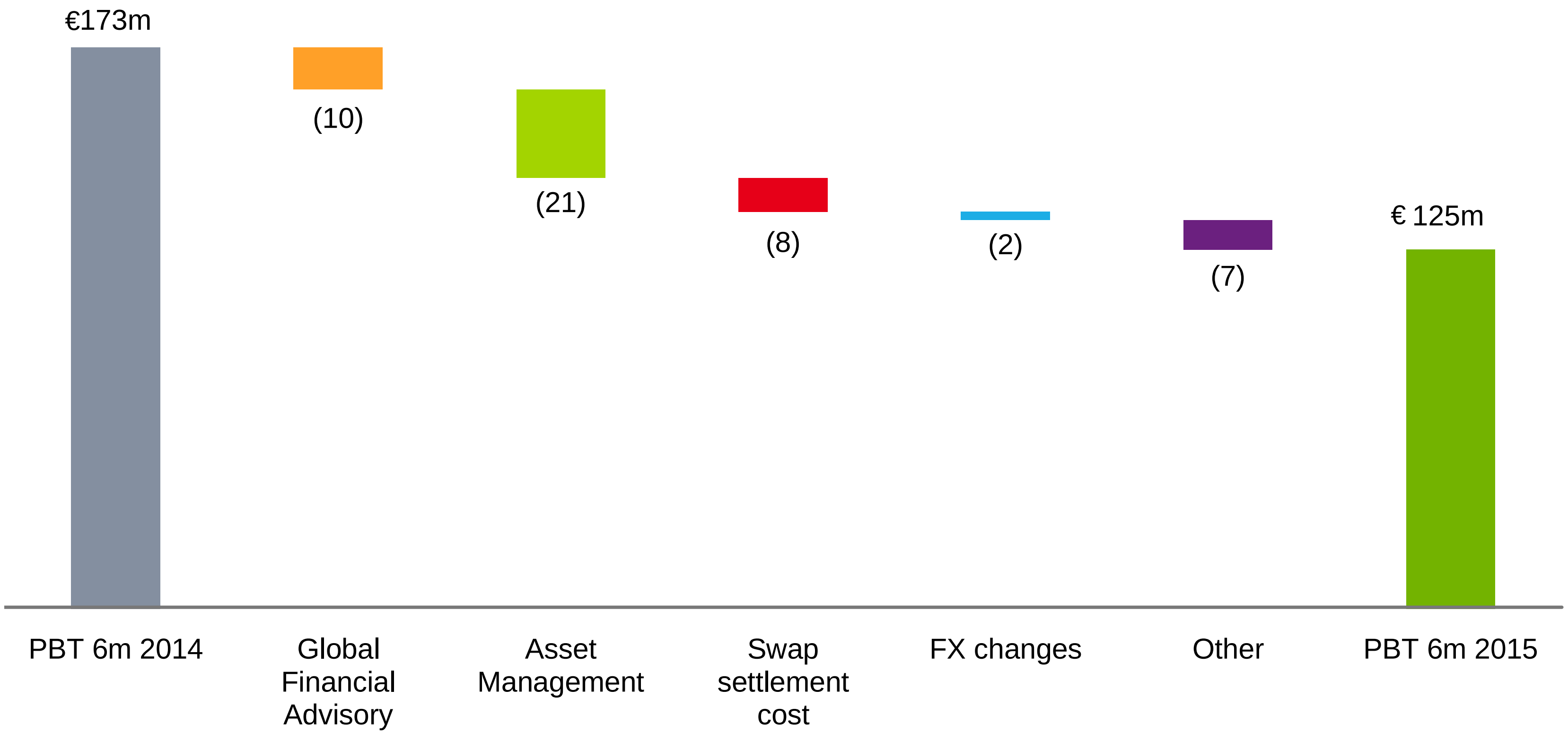
(in €m)	Global Financial Advisory	Wealth & Asset Management and Merchant Banking	Other [1]	IFRS Reconciliation [2]	Total 6m 2014/2015
Revenue	**413**	**243**	**28**	**(11)**	**673**
Operating expenses	(356)	(161)	(41)	42	(516)
Impairments	-	-	(3)	(7)	(10)
Operating income	**57**	**82**	**(16)**	**24**	**147**
Operating margin %	14%	34%			22%

- The increase in ''Other'' operating expenses mainly relates to the cost of settling interest rate swaps following the refinancing, on more favourable terms, of the debt that relates to our London office property (€8m), FX translation effects(€3m) and increased costs in the FALG business to support its revenue growth (€3m)

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 represents treatment of profit share paid 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

Change in Profit before tax



Group Compensation ratio

(in €m)	6 months 2014/2015	6 months 2015/2016	*Var*	6 months 2015/2016 at PY FX rates
Revenue	**673**	**679**	***1%***	**629**
Total adjusted staff costs[1]	(421)	(454)	*8%*	(415)
Adjusted Group Compensation ratio	***62.6%***	***66.8%***		***65.9%***

- Increase of compensation ratio for the first 6 months linked to:
  - negative deferred bonus accounting effect (2%)
  - FX (1%)
  - Increase in joiner costs (0.5%)

1 For the calculation of the adjusted compensation ratio, adjustment has been made to include profit share paid to French Partners. It excludes redundancy costs and revaluation of share-based employee liability but includes the effects of bonus accounting for deferred bonuses over the period in which they are earned.

Income taxes

(in €m)	6 months 2014/2015	6 months 2015/2016
Statutory Profit before tax - as reported (A)	173	125
Impairment of long-standing shareholding	3	-
Profit before tax - as restated (B)	**176**	**125**
Income taxes - as reported (C)	36	29
Deferred tax credit on impairment of long-standing shareholding	-	-
Income taxes - as restated	**36**	**29**
Adjustment		
Prior year effects	(1)	(1)
Income taxes - as restated & after adjustments (D)	***35***	***28***
Effective tax rate (D)/(B)	*19.6%*	*22.6%*
Reported tax rate (C)/(A)	*20.8%*	*23.3%*

Non-controlling interests

P&L

(in €m)	6 months 2014/2015	6 months 2015/2016
Interest on perpetual subordinated debt	7	7
Preferred shares [1]	46	46
Impairment of long-standing shareholding	(1)	-
Other Non-controlling interests	6	4
TOTAL	**58**	**57**

Balance sheet

(in €m)	31/03/2015	30/09/2015
Perpetual subordinated debt	346	339
Preferred shares	40	73
Other Non-controlling interests	170	167
TOTAL	**556**	**579**

1 Mainly relates to the profit share distributed to French partners

Summary Balance sheet

	(in €bn)	31/03/2015	30/09/2015	Var
2	Cash and amounts due from central banks	3.6	3.4	*(0.2)*
	Cash placed with banks	1.5	1.5	*0.0*
	Loans and advances to customers	1.6	1.5	*(0.1)*
3	*of which Private client lending*	*0.9*	*1.2*	*0.3*
4	*of which Legacy lending book*	*0.3*	*0.2*	*(0.1)*
	Debt and equity securities	1.0	1.0	*0.0*
5	Other assets	1.4	1.5	*0.1*
	Total assets	**9.1**	**8.9**	***(0.2)***
1	Due to customers	5.7	5.6	*(0.1)*
	Other liabilities	1.4	1.3	*(0.1)*
	Shareholders' equity - Group share	1.4	1.4	*0.0*
	Non-controlling interests	0.6	0.6	*0.0*
	Total capital and liabilities	**9.1**	**8.9**	***(0.2)***

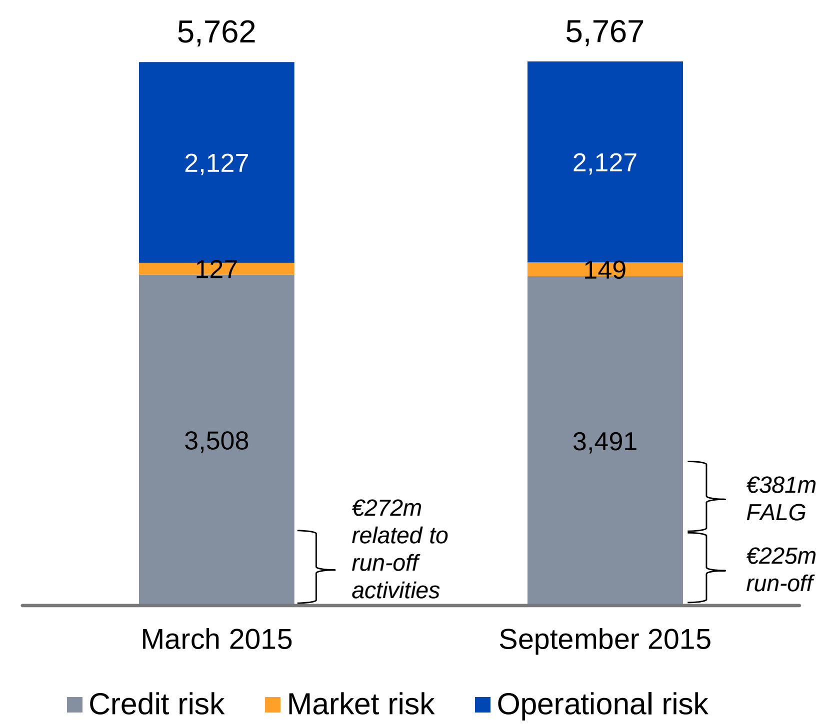
1. Customer deposits from clients in Switzerland and UK
2. Surplus cash is placed in central banks and banks
3. Private client lending (Lombard and mortgages) is developing in line with our Wealth Management strategy
4. Corporate legacy lending book continues its managed decline
5. Since FALG is a discontinued activity its assets (€343m) and liabilities (€21m) excluding intragroup funding (€263m) are now included in other assets and liabilities

FX impact decreased the balance sheet size by approximately €0.2bn

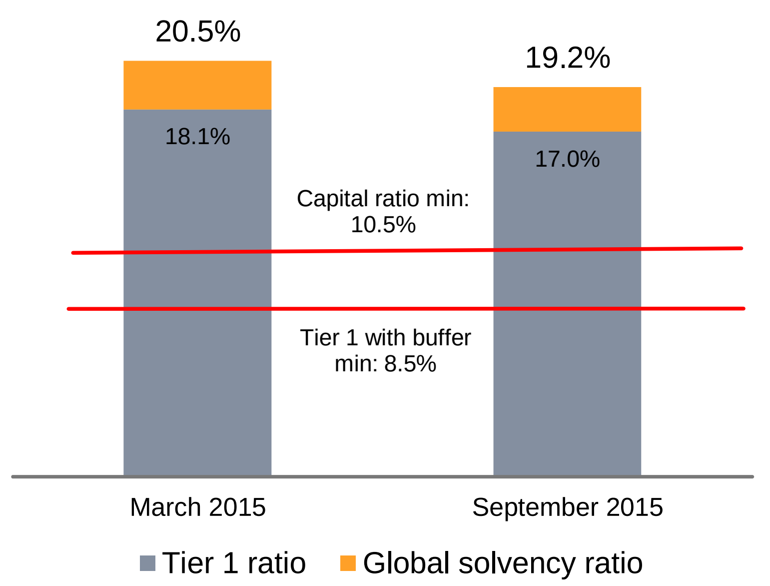
Solvency ratios

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

Risk weighted assets (in €m)



Group solvency ratio



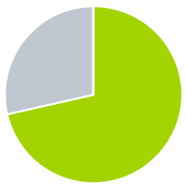
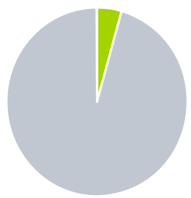
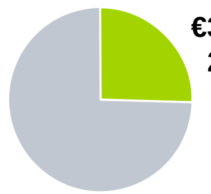
- Result of the period not included in ratios calculation
- Decrease in Group solvency ratios due to:
  - a decrease of regulatory capital arising on previously recognised AFS gains being transferred to profits following realisations which are “unaudited” for regulatory purposes and therefore cannot be treated as capital until year end
  - FX movements
- Ratios are comfortably above minimum requirements imposed by Basel 3
- Management considers Merchant Banking requires additional capital beyond Basel 3

Outlook

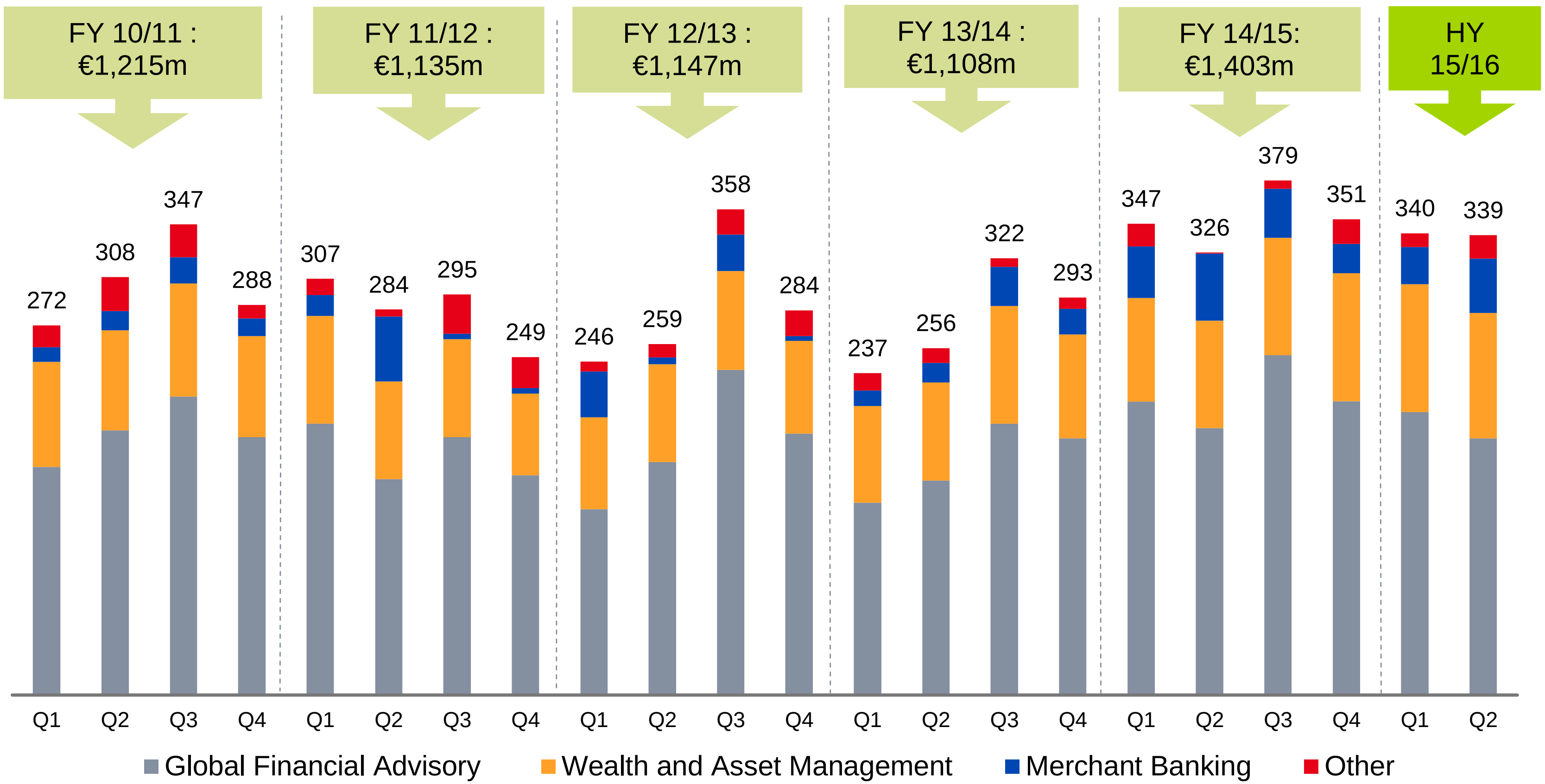
Overall	Businesses are volatile and dependent on market conditions, which have become more challenging due to macro uncertainties
Global Financial Advisory	Optimistic that the steady flow of completed and ongoing advisory assignments seen in recent periods will continue for the rest of the year Pipeline remains strong and above last year's level
Wealth & Asset Management	Continuing growth in revenue and assets 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 Current year profitability expected to be significantly below 2014/2015

Appendices

A strategy focused on 3 core activities

	Global Financial Advisory	Merchant Banking	Wealth & Asset Management
Portfolio of activities	Lead independent advisory firm ■ M&A and strategic advisory ■ Debt and restructuring advisory ■ Equity advisory	■ Private equity ■ Private debt ■ Proprietary portfolio	■ Wealth Management ■ Asset Management ■ Trust services
Position	■ Highly recognised franchise benefiting from critical mass ■ Very well poised to benefit from ongoing recovery in global M&A	■ Fast growing business ■ Already €3.8bn assets under management	■ European stronghold ■ Foothold in other promising markets
Average 3 years revenue per annum	 **€770m 63%**	 **€96m 8%**	 **€308m 25%**

Quarterly revenues generation



Major FX rates

Balance sheet (spot)

Rates	At March 15	At Sept 15	*Var*
€ / GBP	0.7273	0.7385	*2%*
€ / CHF	1.0463	1.0915	*4%*
€ / USD	1.0759	1.1203	*4%*

P&L (average)

Rates	6 months 2014/2015	6 months 2015/2016	*Var*
€ / GBP	0.8046	0.7200	*(11)%*
€ / CHF	1.2155	1.0567	*(13)%*
€ / USD	1.3492	1.1092	*(18)%*

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The Group's consolidated accounts HY 2015/2016 were approved by Rothschild & Co' managing partner (Rothschild & Co Gestion) at a meeting convened on 16 November 2015, and by its Audit Committee and Supervisory Board at meetings respectively convened on 19 November 2015 and on 24 November 2015.

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