Rothschild & Co

2016/2017 Half year results

November 2016

Content

Highlights of half year 2016/2017

Results	■ Group revenue: +18% - strong revenue performance at €802m across the Group compared to €679m for H1 2015/2016 – **Global Advisory**: +35% revenue and +51% profit before tax - strong result for any half year driven by both M&A and Financing advisory – **Private Wealth and Asset Management**: -4% revenue - slight decrease driven mainly by a decline in transaction commissions – **Merchant Banking:** +7% revenue and +20% versus average last three years first half revenue ■ Operating income: +53% - significant improvement at €182m ■ Net income - Group share: +72% at €67m ■ Earnings per share of €0.97 and excl. exceptional of €1.15 ■ Significant FX translation effect on revenue (-€36m) but limited on Net income – Group share (-€2m)
Other item	■ Retirement of two banking licences (one in the UK and one of two in Guernsey)

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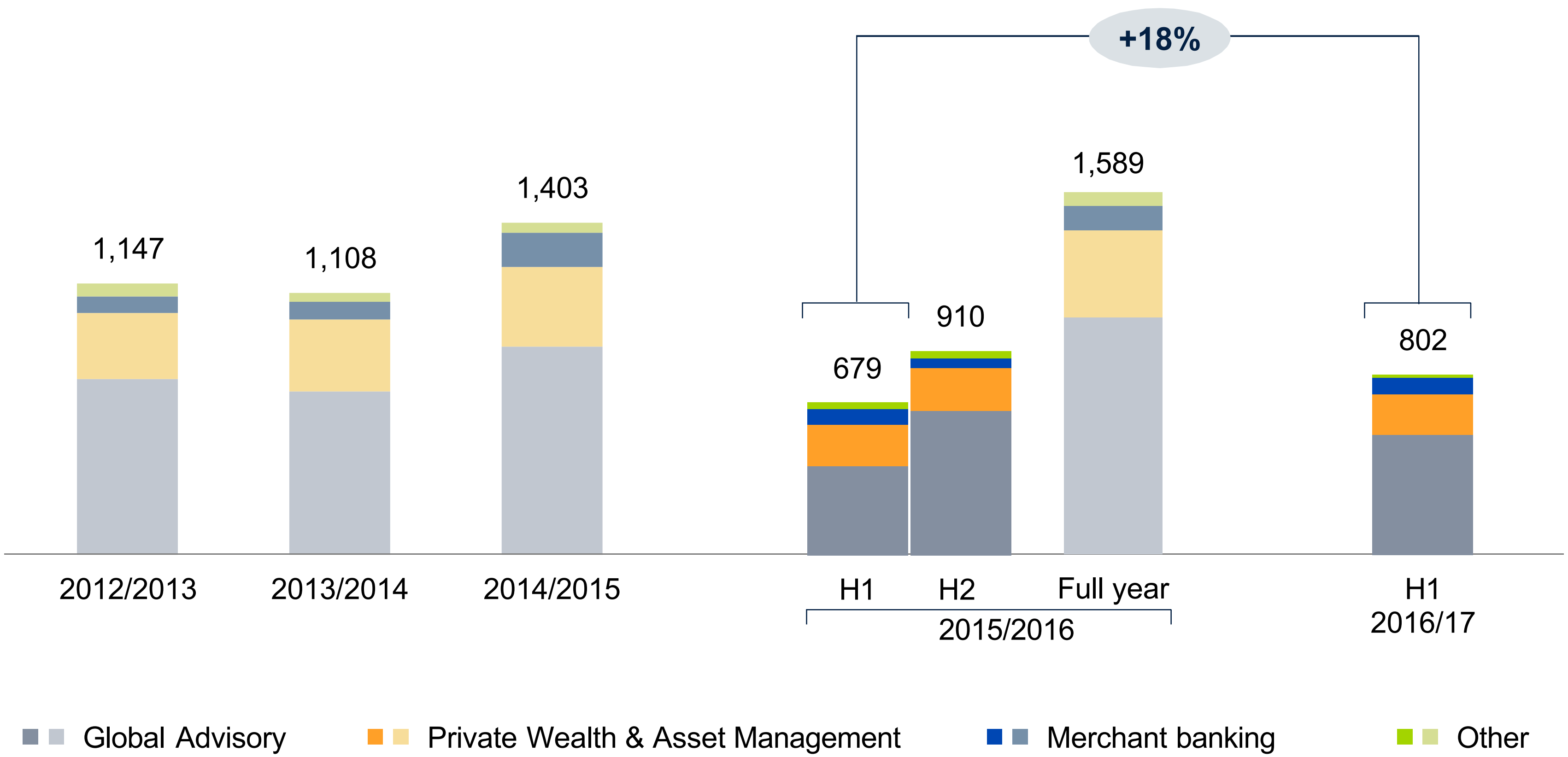
Significant increase in Group revenue

Revenue (in €m)



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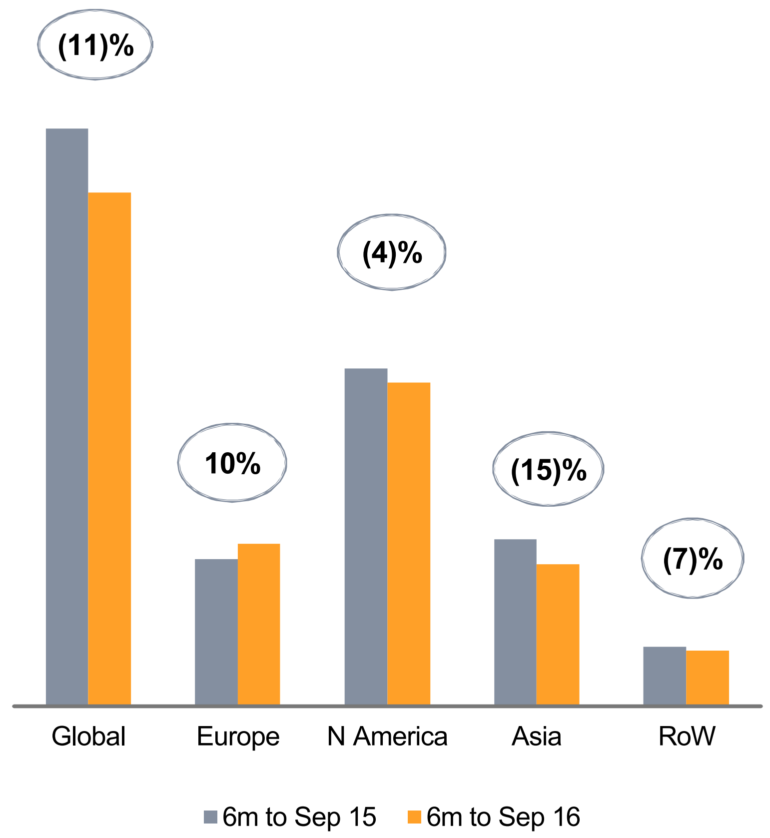
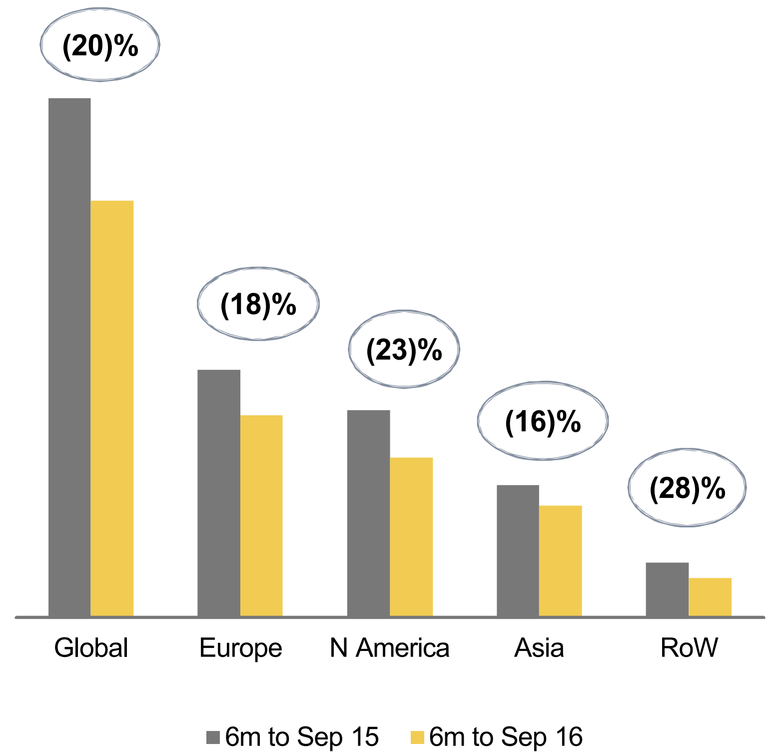
Rothschild Global Advisory

Slower first six months in M&A market

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



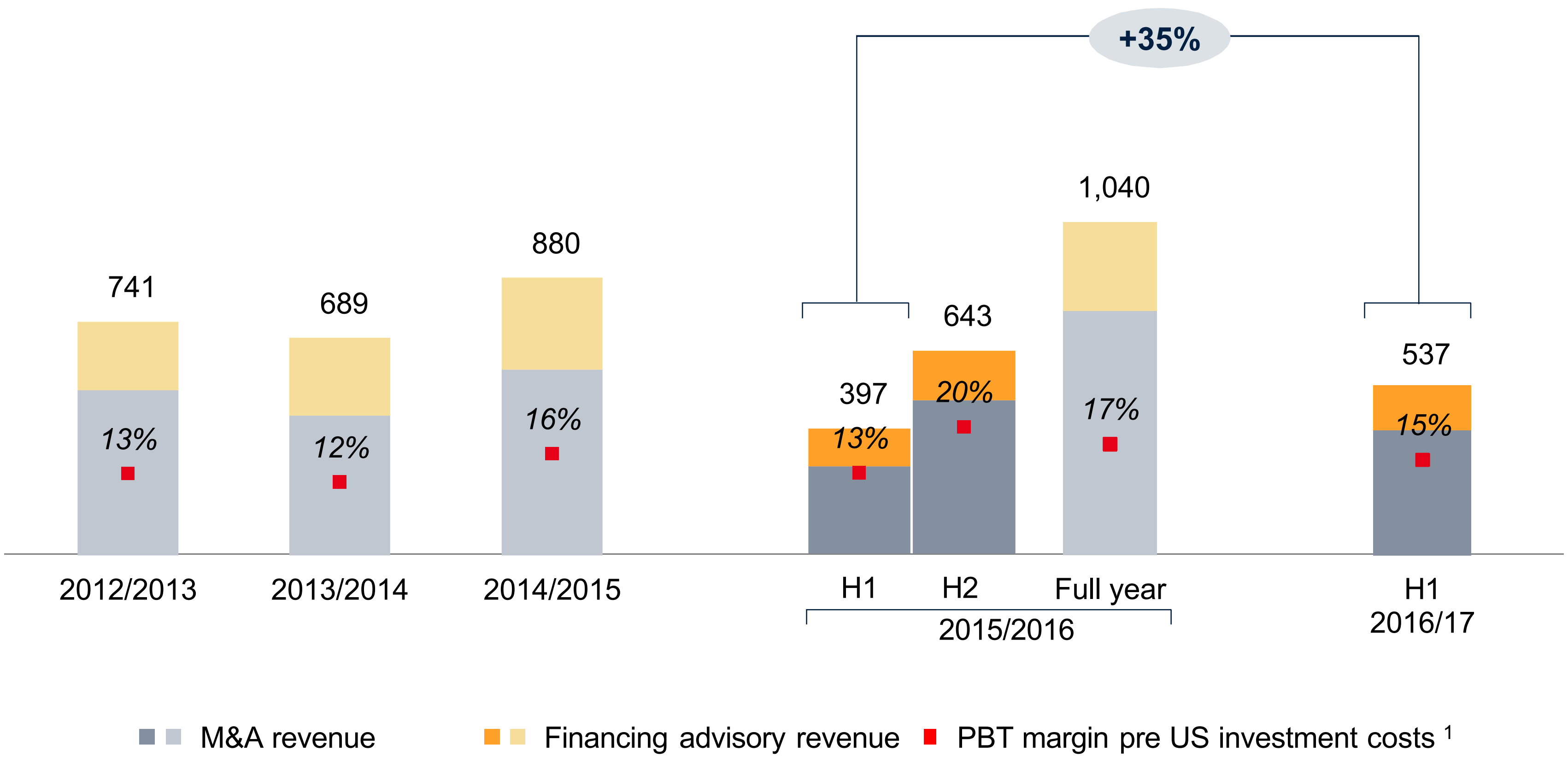
M&A market: completed deal number



Rothschild Global Advisory

Strong 1st half year for both revenue and earnings

Revenue and PBT margin pre US investment costs

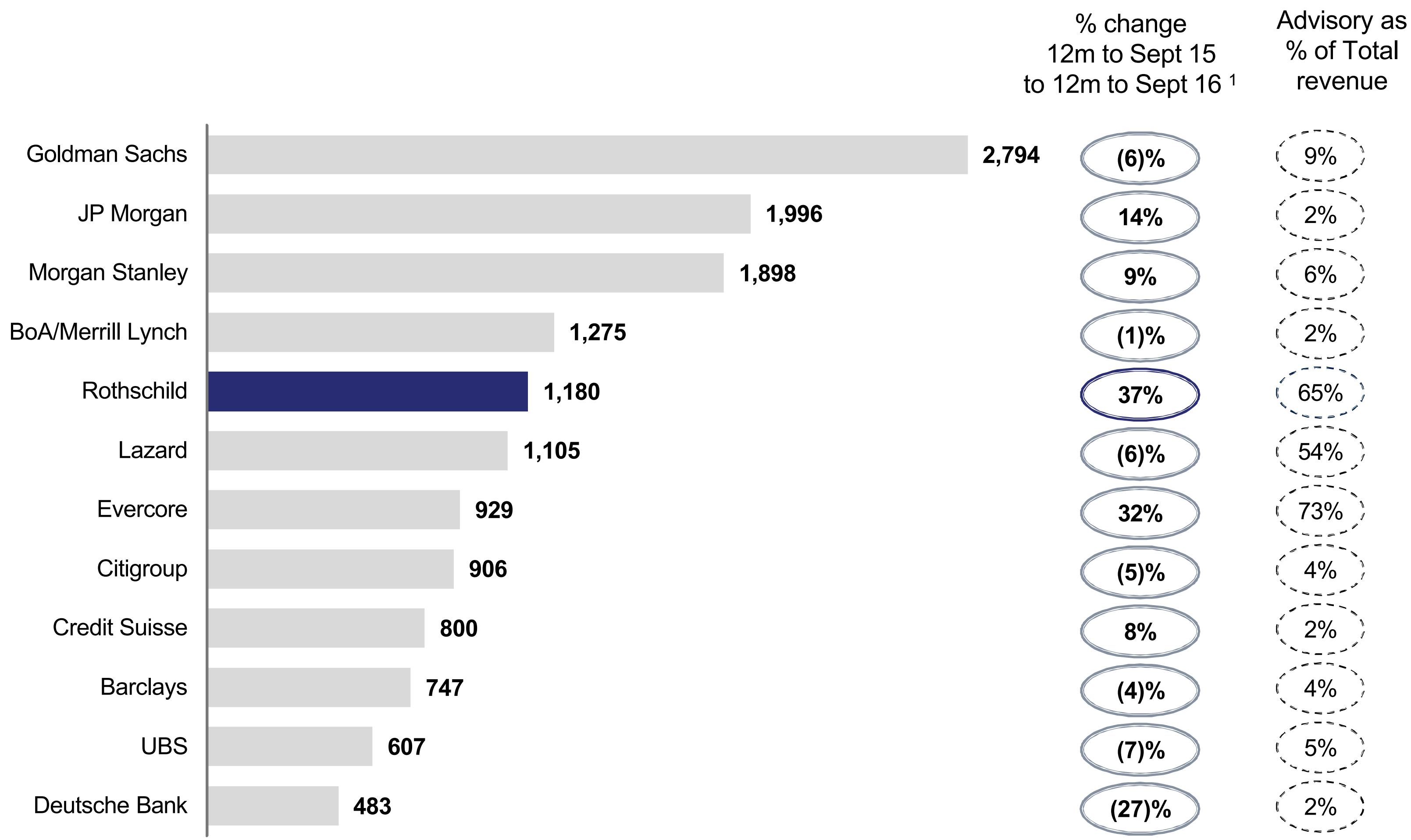


1 PBT margin would be 13% if US investment included - 2015/2016: 16. - H1 2015/2016: 12%. Our US investment costs are expected to be around €20m for the full year 2016/2017, which represents approximately 2% of the Global Advisory revenue.

Rothschild Global Advisory

Global ranking position improved to #5

Ranking by advisory revenue (in €m)



+1

one position improvement from March 2016

Source: Company's filings

1 % change is calculated in reporting local currency

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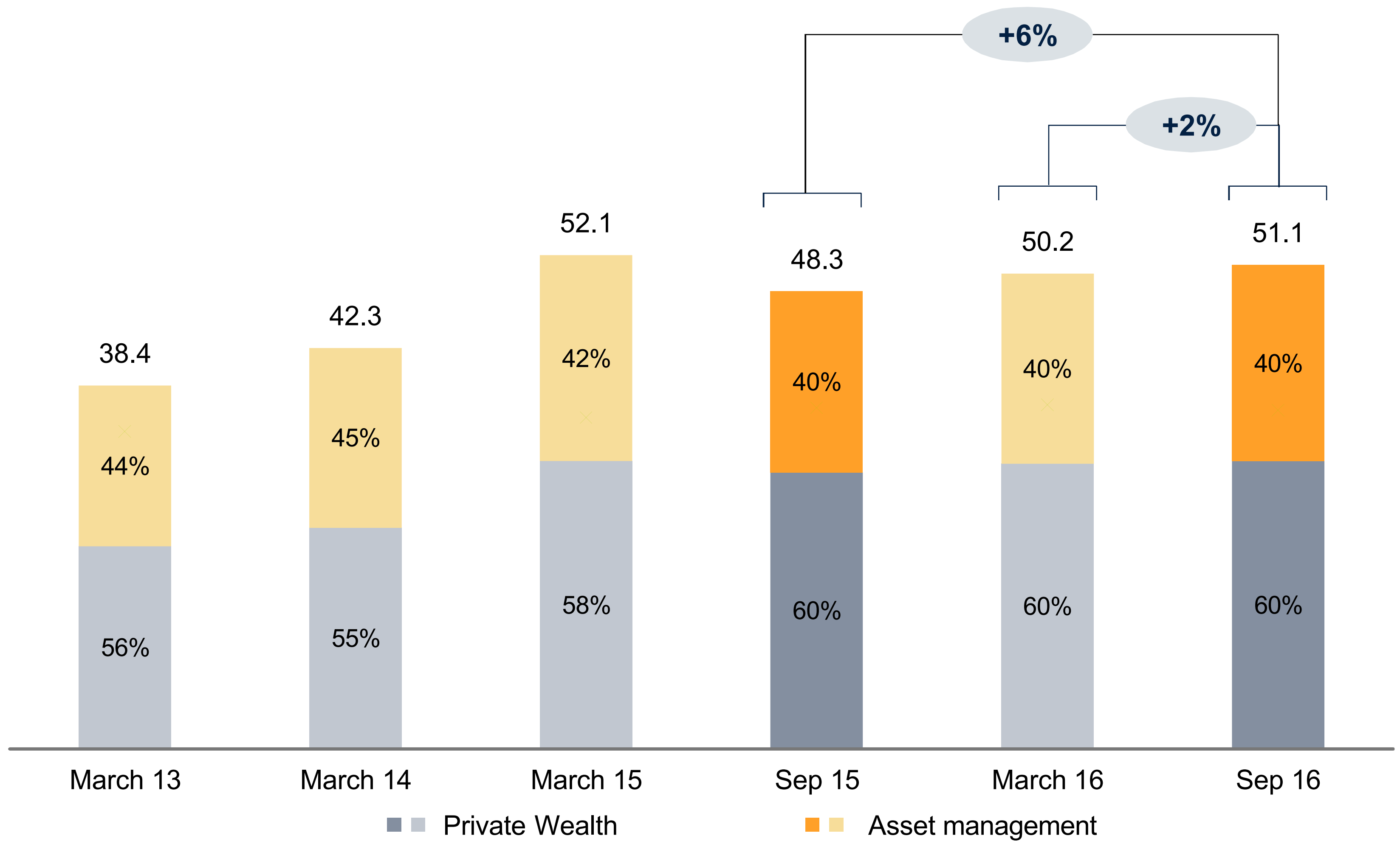
Rothschild Private Wealth & Asset Management

Progression of AuM in difficult market conditions

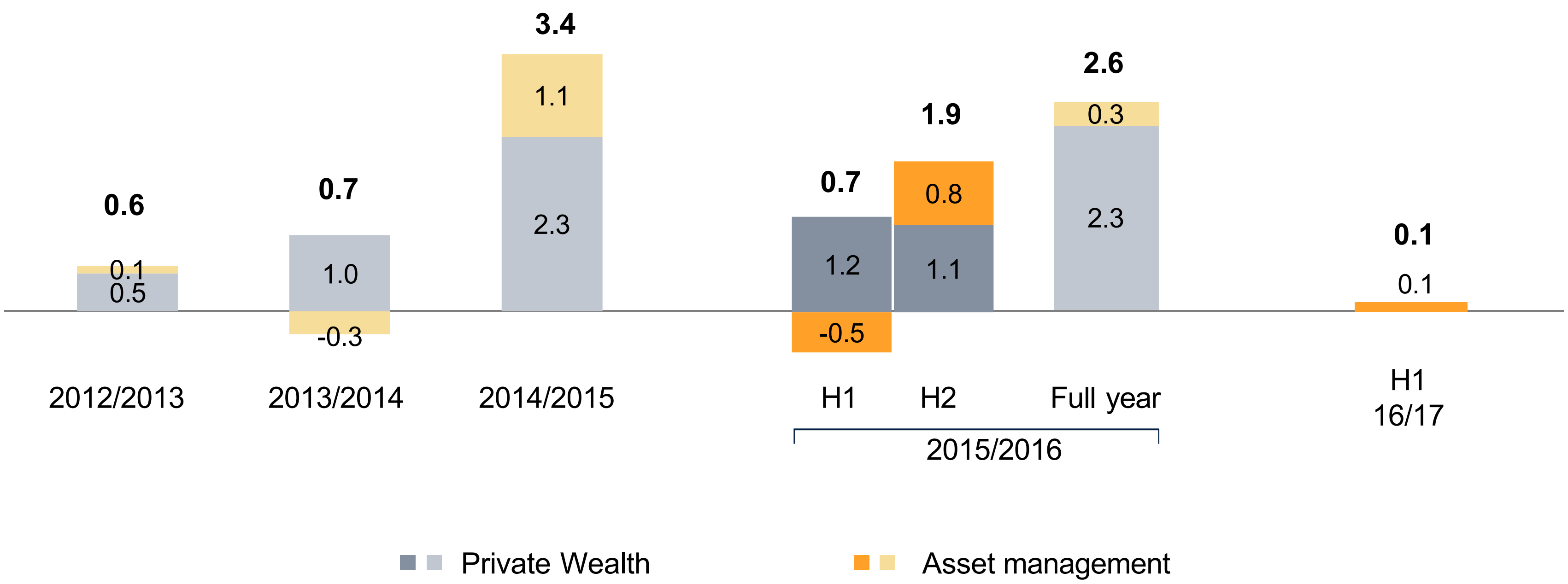
Asset under Management (in €bn)



Rothschild Private Wealth & Asset Management

Positive net new assets …

Net new assets – in €m



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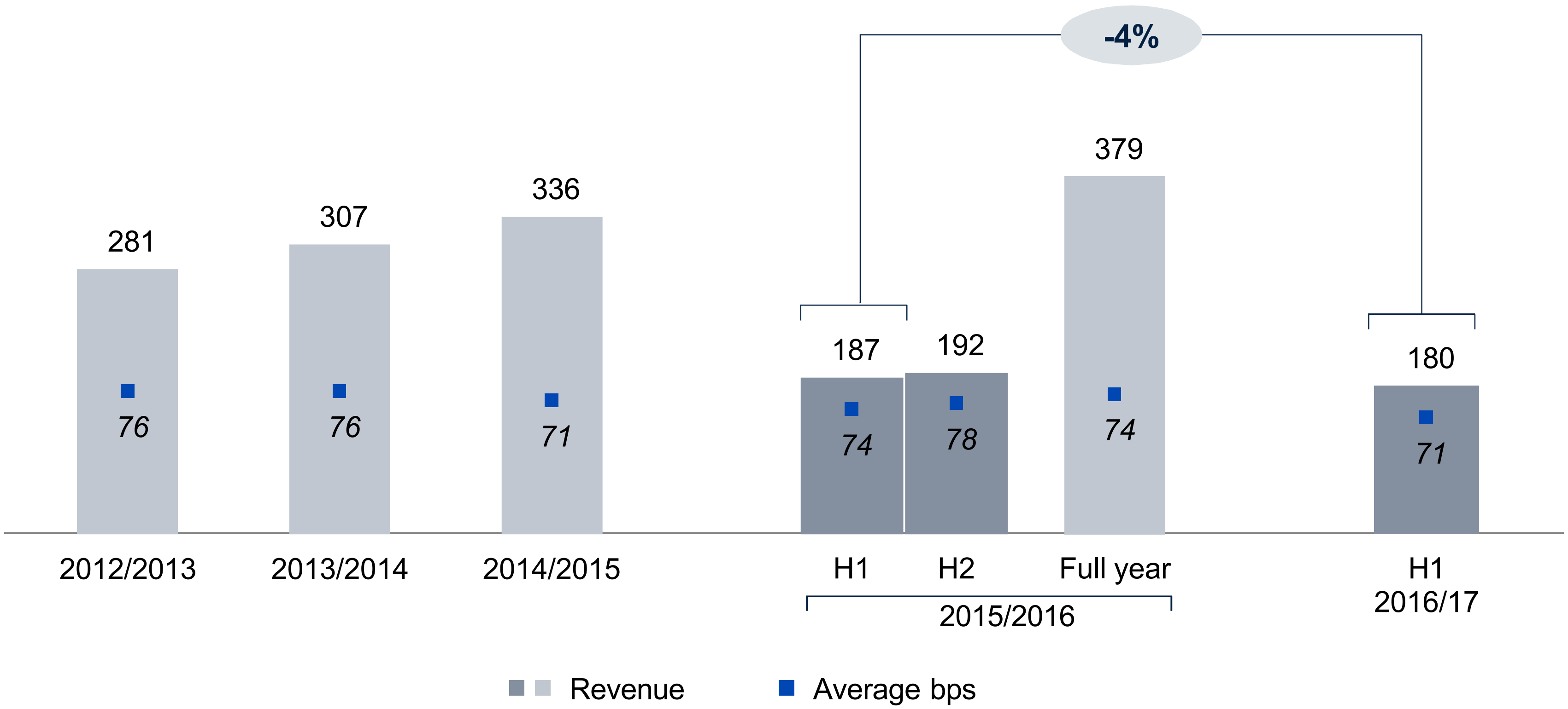
Rothschild Private Wealth & Asset Management

... but small decline in revenue

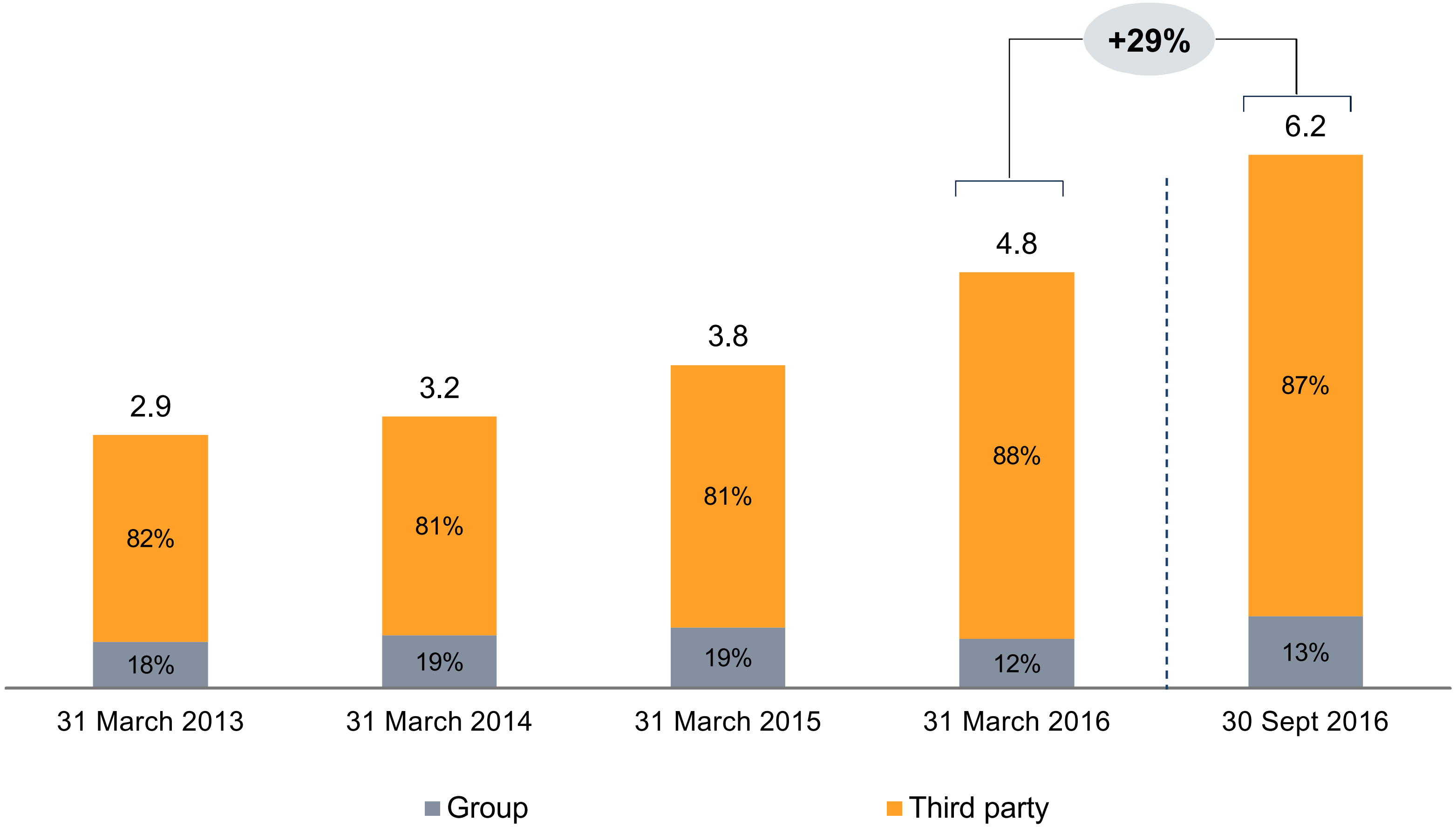
Revenue and annualised average bps progression



Rothschild Merchant Banking

Continuing progression of AuM in line with new funds

Assets under Management (in €bn)

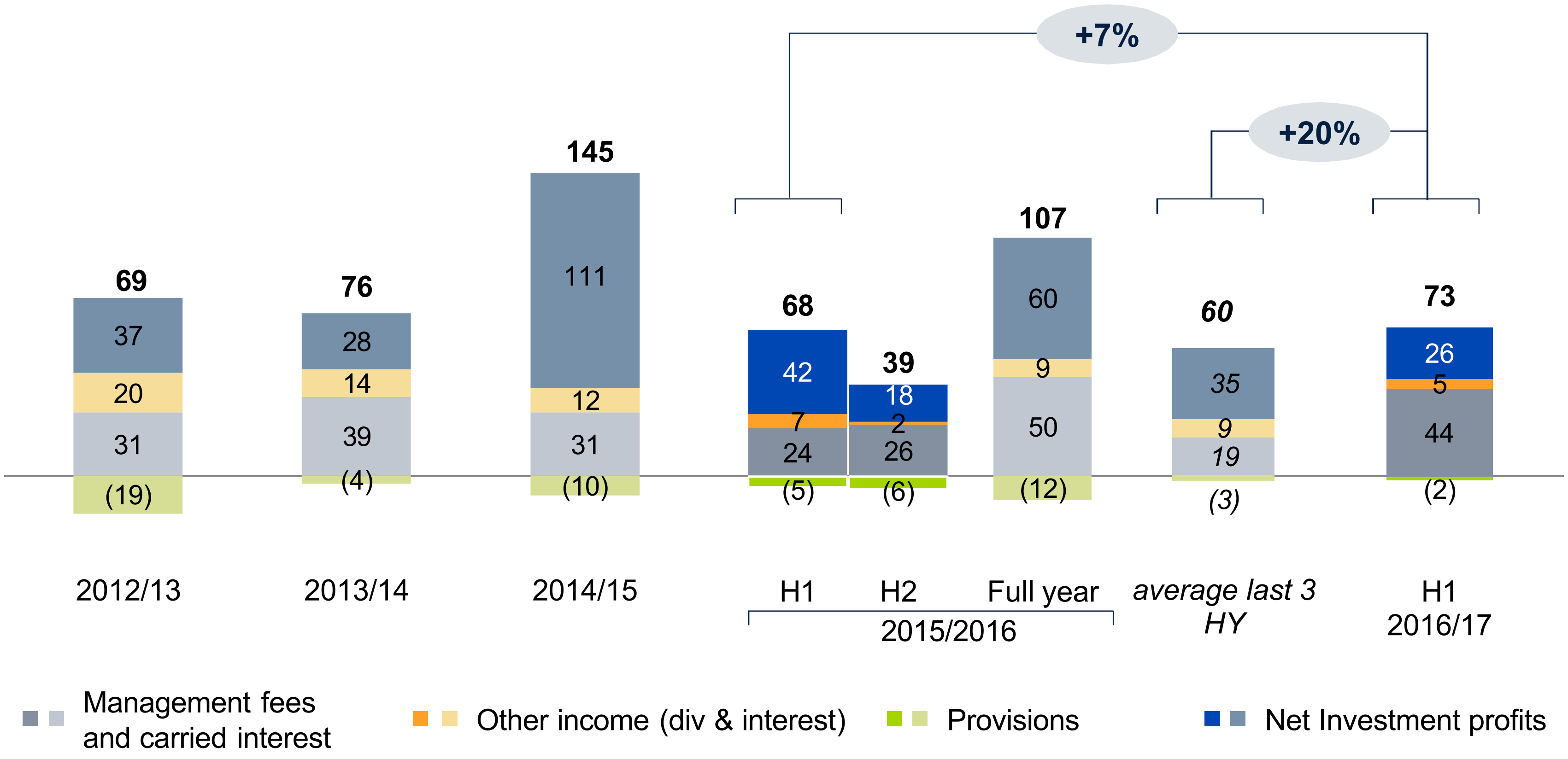


Note
Assets under management comprise committed capital where a managed fund is still in its investment period, and includes net asset value after the investment period has expired.

Rothschild Merchant Banking

Revenue increase thanks to carried interest

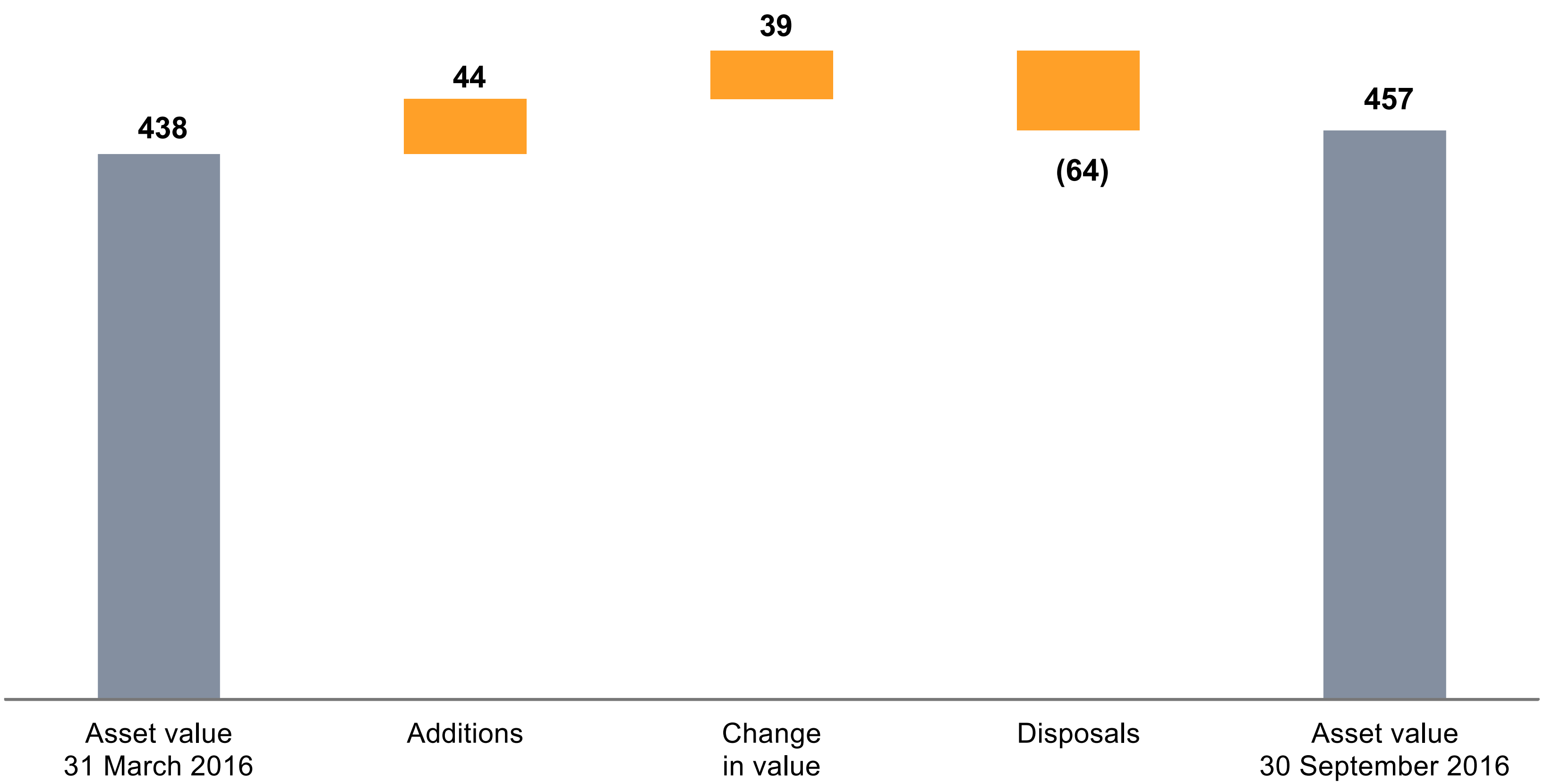
Breakdown of revenue (in €m)



Rothschild Merchant Banking

Strong value creation for Rothschild & Co shareholders

Change in the Net asset value (in €m)



Summary statutory consolidated P&L

(in €m)	**6 months 2016/17**	**6 months 2015/16**	***Var***	***Var %***	***FX effects***
Revenue	**802**	**679**[1]	***123***	***18%***	***(36)***
Staff costs	(473)	(417)	*56*	*13%*	*27*
Administrative expenses	(129)	(122)	*7*	*6%*	*4*
Depreciation and amortisation	(17)	(20)	*(3)*	*(15)%*	*1*
Impairments	(1)	(1)	*0*	*-*	*0*
Operating Income	**182**	**119**	***63***	***53%***	***(4)***
Profit before tax	**187**	**125**	***62***	***50%***	***(4)***
Income tax	(27)	(29)	*(2)*	*(7)%*	*1*
Consolidated net income	**160**	**96**	***64***	***67%***	***(3)***
Non-controlling interests	(93)	(57)	*36*	*63%*	*(1)*
Net income - Group share	**67**	**39**	***28***	***72%***	***(2)***
Exceptionals	13	8	*5*	*63%*	*0*
Net income - Group share excl. exceptionals	**80**	**47**	***33***	***70%***	***(2)***
Earnings per share	*0.97 €*	*0.56 €*	*0.41 €*	*72%*	*(0.03) €*
EPS excl. exceptionals	*1.15 €*	*0.69 €*	*0.46 €*	*67%*	*(0.03) €*

1 Five Arrows Leasing Group (sold 3 November 2015) contributed revenue of €20m and PBT €7m for the 6 months to September 2015

Financial targets

	Medium-term objectives	6m 2016/2017	6m 2015/2016	2015/2016
Compensation ratio [1]	Low 60%s through the cycle	66.6%	65.5%	62.8%
Return on tangible equity	Between 10% to 15% through the cycle	13.1% [2]	8.4%	11.4%
RGA: Profit before tax margin [3]	Low to mid-teens through the cycle	15.1%	12.8%	17.3%

1 As adjusted – see slide 17
2 ROTE based on Net income – Group share excl. exceptional items. Would be 11% if exceptionals included (2015/2016: 37.1% ; H1 2015/2016: 6.9%)
3 RGA PBT margin excluding US investment. Would be 13.2% if US investment included (2015/2016: 16.1% ; H1 2015/2016: 11.8%)

"Exceptionals" reconciliation

(in €m)	6m to Sept 2016 PBT	6m to Sept 2016 PATMI	6m to Sept 2016 *EPS*	6m to Sept 2015 PBT	6m to Sept 2015 PATMI	6m to Sept 2015 *EPS*
As reported	**187**	**67**	***0.97* €**	**125**	**39**	***0.56* €**
- RGA US investment costs [1]	(10)	(10)	*(0.14)* €	(4)	(2)	*(0.03)* €
- CFMM Merger	(4)	(3)	*(0.04)* €	-	-	-
- Swap settlement cost	-	-	-	(8)	(6)	*(0.10)* €
Total Exceptional (Costs) / Gains	**(14)**	**(13)**	***(0.18)* €**	**(12)**	**(8)**	***(0.13)* €**
Excluding "Exceptionals"	**201**	**80**	***1.15* €**	**137**	**47**	***0.69* €**

- US investment costs expected to be c. 2% of Global Advisory full year revenue
- Direct costs relating to merger with CFMM are expected to be €15-18m, the majority being in the year to March 2017 [2]

1 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
2 These amounts are pre-tax and exclude those costs which can be charged directly to "Equity"

Operating income by business

6 months 2016/2017

(in €m)	Global Advisory	Private Wealth & Asset Management and Merchant Banking	Other [1]	IFRS Reconciliation [2]	6 months to Sept 2016
Revenues	**537**	**252**	**16**	**(3)**	**802**
Operating expenses	(466)	(205)	(30)	82	(619)
Impairments	-	-	1	(2)	(1)
Operating income	**71**	**47**	**(13)**	**77**	**182**
Exceptional charges / (profits)	10	4	-	-	14
Operating income without exceptional items	**81**	**51**	**(13)**	**77**	**196**

6 months 2015/2016

(in €m)	Global Advisory	Private Wealth & Asset Management and Merchant Banking	Other [1]	IFRS Reconciliation [2]	6 months to Sept 2015
Revenues	**397**	**255**	**38**	**(11)**	**679**
Operating expenses	(350)	(194)	(59)	44	(559)
Impairments	-	-	2	(3)	(1)
Operating income	**47**	**61**	**(19)**	**30**	**119**
Exceptional charges / (profits)	4	-	8	-	12
Operating income without exceptional items	**51**	**61**	**(11)**	**30**	**131**

1 Other comprises central costs, Legacy businesses, including Banking 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 includes items that relate to 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)	**6 months 2016/17**	**6 months 2015/16**	**12 months to March 2016**
Revenue	**802**	**679**	**1,589**
Total staff costs [1]	(546)	(454)	(1,031)
Compensation ratio	***68.0%***	***66.8%***	***64.9%***
variation due to FX	*0.2%*	*-*	*(0.6)%*
variation due to RGA US investment costs [2]	*(1.3)%*	*(0.6)%*	*(0.5)%*
variation due to joiner cost	*(0.4)%*	*(0.7)%*	*(1.0)%*
Adjusted Compensation ratio	***66.6%***	***65.5%***	***62.8%***
average ratio - last three 1st half years	***65.9%***		

- Half year compensation ratio is based on estimated full year bonus pool
- Increase of compensation ratio linked to joiner costs mainly for our US advisory franchise
- US investment costs are expected to be around €20m for FY 2016/2017, representing around 2% of RGA revenue
- Adjusted compensation ratio increased by 1.1%

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 and exclude redundancy costs and revaluation of share-based employee liability
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

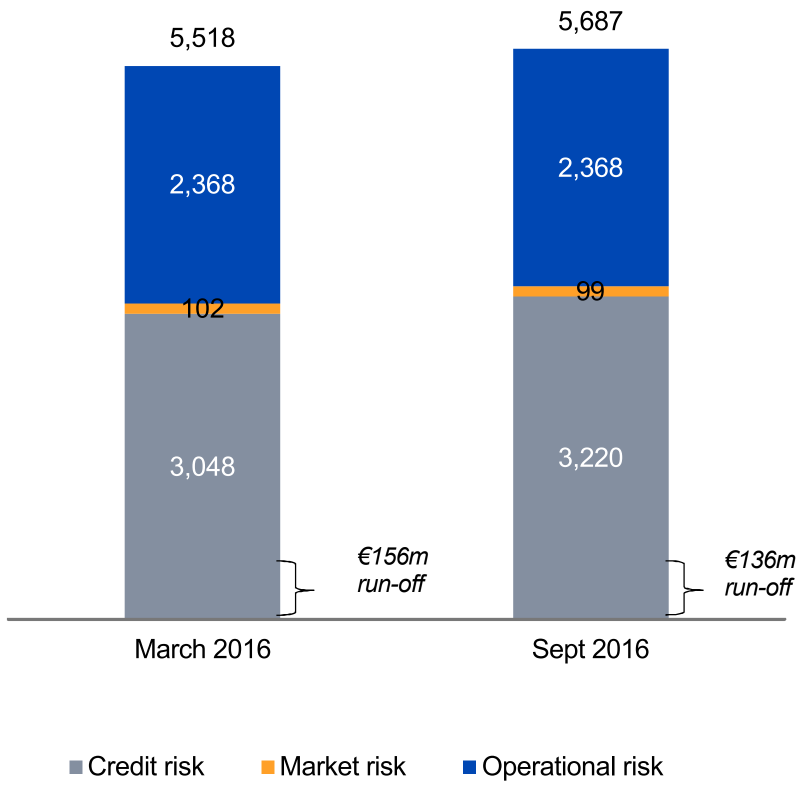
(in €bn)	**30/09/2016**	**31/03/2016**	***Var***
Cash and amounts due from central banks	2.8	3.5	*(0.7)*
Cash placed with banks	1.4	1.2	*0.2*
Loans and advances to customers	1.6	1.5	*0.1*
of which Private client lending	*1.4*	*1.3*	*0.1*
of which Legacy lending book	*0.2*	*0.2*	*-*
Debt and equity securities	1.5	1.5	*-*
Other assets	1.2	1.3	*(0.1)*
Total assets	**8.5**	**9.0**	***(0.5)***
Due to customers	5.0	5.5	*(0.5)*
Other liabilities	1.4	1.5	*(0.1)*
Shareholders' equity - Group share	1.5	1.5	*-*
Non-controlling interests	0.6	0.5	*0.1*
Total capital and liabilities	**8.5**	**9.0**	***(0.5)***

- Decrease in “Due to customers” reflects the repayment of depositors in the UK following the sale of FALG in advance of the retirement of UK banking licence
- FX impact decreased the balance sheet size by approximately €0.1bn

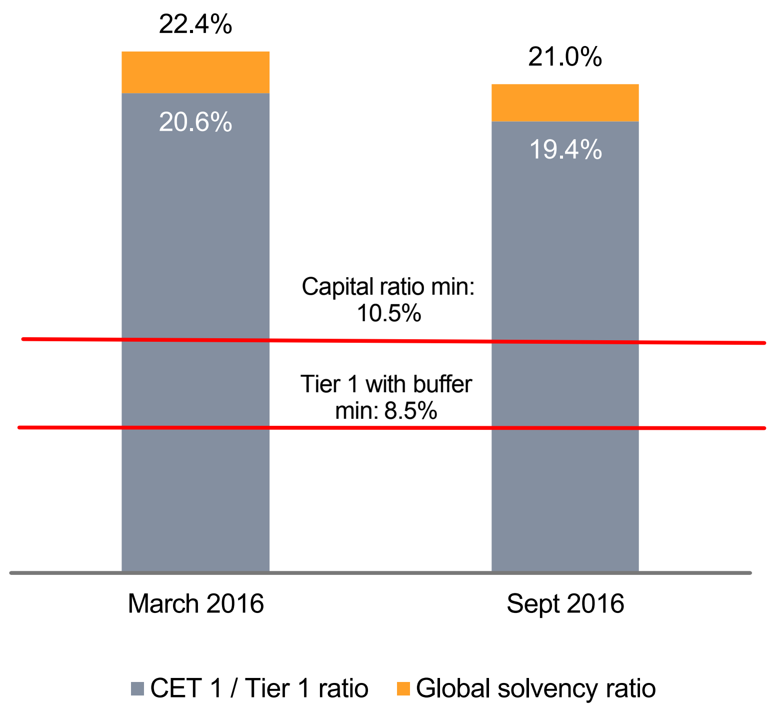
Solvency ratios comfortably above minimum requirements

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

Risk weighted assets *(in €m)*



Group solvency ratio



- Slight increase in RWA due to new funds raised in Merchant Banking and increase of the private client lending book
- Decline of Group solvency ratios largely due to FX and pension liability increase following the Brexit vote

Brexit consequences for the Group

Consequences of Brexit should be limited for the Group

- We expect limited impact on our business from a structural perspective given our strong positions around Europe
- The impact of Brexit on economic growth and financial markets might have a more material effect
  - although at the current time it is impossible to predict this since the form that Brexit will take is unknown at the current time

Outlook

- Strong first half year 2016/2017 with exceptional performance in Global Advisory

Global Advisory	– Strong second half in 2015/2016 followed by a robust first half 2016/2017 – Our pipeline remains strong but expect revenue for the full year to be similar to last year – M&A market is likely to be more challenging given recent geo-political changes
Private Wealth and Asset Management	– Merger with Martin Maurel will dominate the next 12 months in our French activity – Confident that other geographies will continue to grow their business thanks to a good pipeline of new clients
Merchant Banking	– Carried interest recognised shows the development of this relatively new business – “Carry” profits will not be repeated at the same level for the rest of the financial year – Continue to grow AuM due to the successful launch of funds and the ability of our teams to develop new opportunities

Appendices

Major FX rates

Balance sheet (spot)

Rates	30/9/2016	31/3/2016	*Var*
€ / GBP	0.8610	0.7916	*9%*
€ / CHF	1.0876	1.0931	*(1)%*
€ / USD	1.1161	1.1385	*(2)%*

P&L (average)

Rates	6 months 2016/2017	6 months 2015/2016	*Var*
€ / GBP	0.8180	0.7200	*14%*
€ / CHF	1.0925	1.0567	*9%*
€ / USD	1.1230	1.1092	*1%*

Zoom on Q2 revenue (July to September 2016)

Key figures

	3 months - July to September			6 months - April to September		
In €m	**2016/2017**	**2015/2016**	***% Var***	**2016/2017**	**2015/2016**	***% Var***
Global Advisory	296.3	189.0	*57%*	536.6	397.3	*35%*
Asset Management	107.1	132.7	*-19%*	252.3	254.5	*-1%*
o/w Private Wealth & Asset Management	*90.3*	*92.5*	*-2%*	*179.7*	*186.9*	*-4%*
o/w Merchant Banking	*16.8*	*40.2*	*-58%*	*72.6*	*67.6*	*7%*
Other [1]	8.2	18.9	*-57%*	16.7	38.5	*-57%*
IFRS Reconciliation	0.7	(1.8)	*n/a*	(3.1)	(11.1)	*n/a*
Total Group revenues	**412.3**	**338.8**	***22%***	**802.5**	**679.2**	***18%***

1 Other comprises Legacy businesses, including Banking and other

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Income taxes

(in €m)	**6m to Sept 2016**	**6m to Sept 2015**
Statutory Profit before tax - as reported (A)	187	125
Impairment of long-standing shareholding	-	-
Profit before tax - as restated (B)	**187**	**125**
Income taxes - as reported (C)	27	29
Deferred tax credit on impairment of long-standing shareholding	-	-
Income taxes - as restated	**27**	**29**
Adjustment		
Prior year effects	1	(1)
Income taxes - as restated & after adjustments (D)	***28***	***28***
Effective tax rate (D)/(B)	*14.8%*	*22.6%*
Reported tax rate (C)/(A)	*14.3%*	*23.3%*

Non-controlling interests

P&L

(in €m)	6m 2016/2017	6m 2015/2016
Interest on perpetual subordinated debt	7	7
Preferred shares [1]	83	46
Other Non-controlling interests	3	4
TOTAL	**93**	**57**

1 Mainly relates to the profit share distributed to French partners

Balance sheet

(in €m)	30/09/2016	30/09/2015	31/03/2016
Perpetual subordinated debt	301	339	320
Preferred shares [1]	111	72	31
Other Non-controlling interests	161	168	165
TOTAL	**573**	**579**	**516**

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