



Results for half-year 2023

Presentation to analysts and investors

3 August 2023





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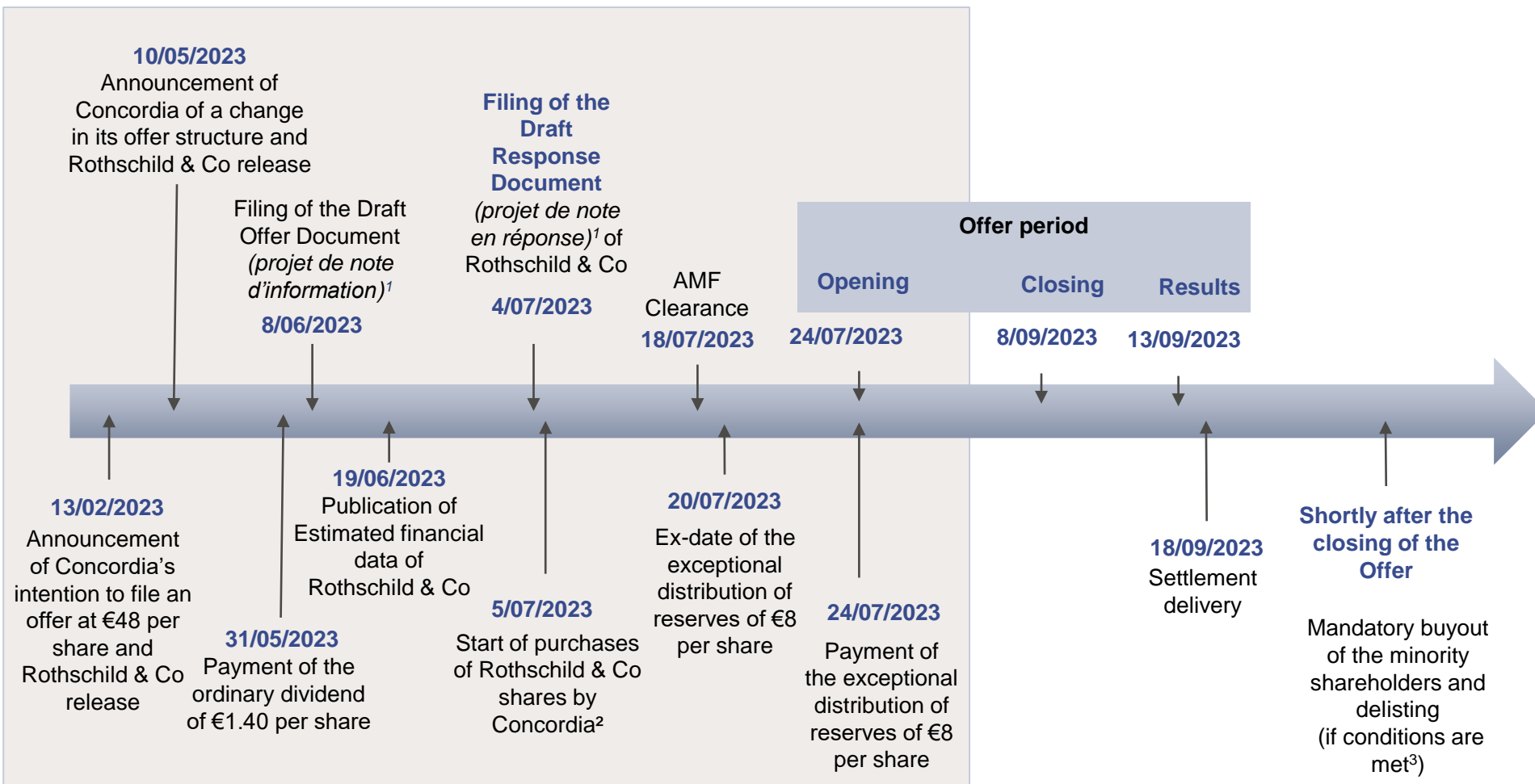


1

Offer by Concordia



Offer by Concordia - Calendar



Notes

- Documentation publicly available on the AMF's website (www.amf-france.org) and on Rothschild & Co's website
- Concordia has acquired 8,178,888 shares on 5 and 6 July 2023 at 46.6 euros (cum exceptional distributions), It was the maximum number of shares permitted to be acquired prior to the opening of the Offer
- Concordia intends to proceed with a mandatory buyout of the minority shareholders and to delist Rothschild & Co, should the offer result in Rothschild & Co's minority shareholders holding no more than 10% of Rothschild & Co's share capital and voting rights at the closing of the Offer



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Highlights



Highlights H1 2023

Group

Revenue

€1,241m

-10%

Solvency
ratio¹

18.7%

Net income – Group
share^{2,3}

€128m

-49%

ROTE^{2,3}

8.2%

EPS^{2,3}

€1.74

-49%

Businesses

Global Advisory (GA)

Revenue

€676m

-21%

PBT

€80m

-51%

6th

by revenue

2nd

by number

Wealth and Asset Management (WAM)

Revenue

€403m

+24%

PBT

€111m

+56%

€102.4bn

of AuM

€2.9bn

of Net New
Assets

Merchant Banking (MB)

Revenue

€141m

-25%

PBT

€68m

-44%

€24.0bn

of AuM

€987m

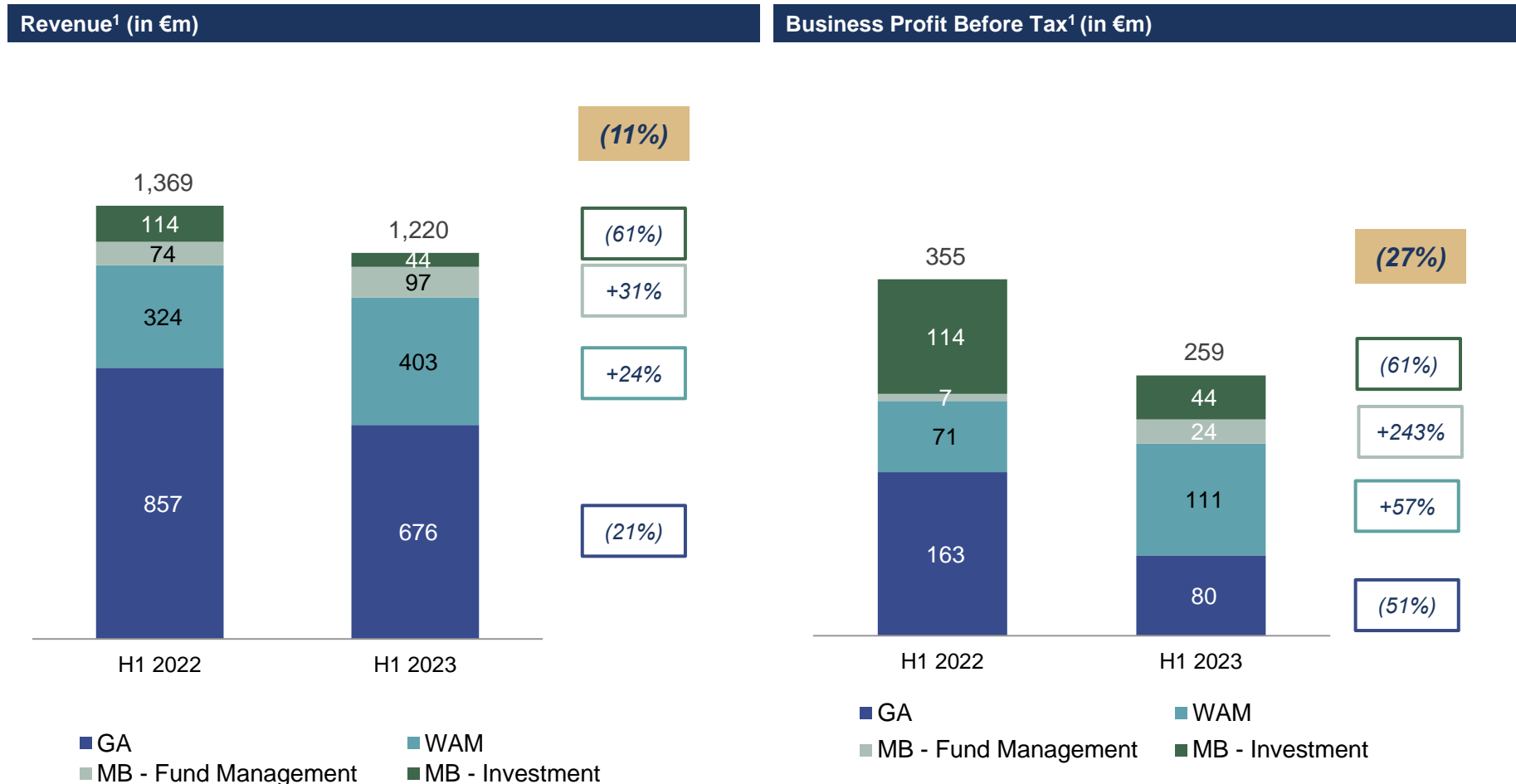
of NAV

Notes

- 1 Solvency ratio calculation is post exceptional distribution of reserves. Solvency ratio before exceptional distribution of reserves is 23.6%
- 2 Numbers are post-exceptional items. Exceptional items are shown on slide [35](#)
- 3 Net income – Group share excluding exceptional items is €149m. ROTE excluding exceptional items is 9.5%. EPS excluding exceptional items is €2.03



Robust performance in challenging environment

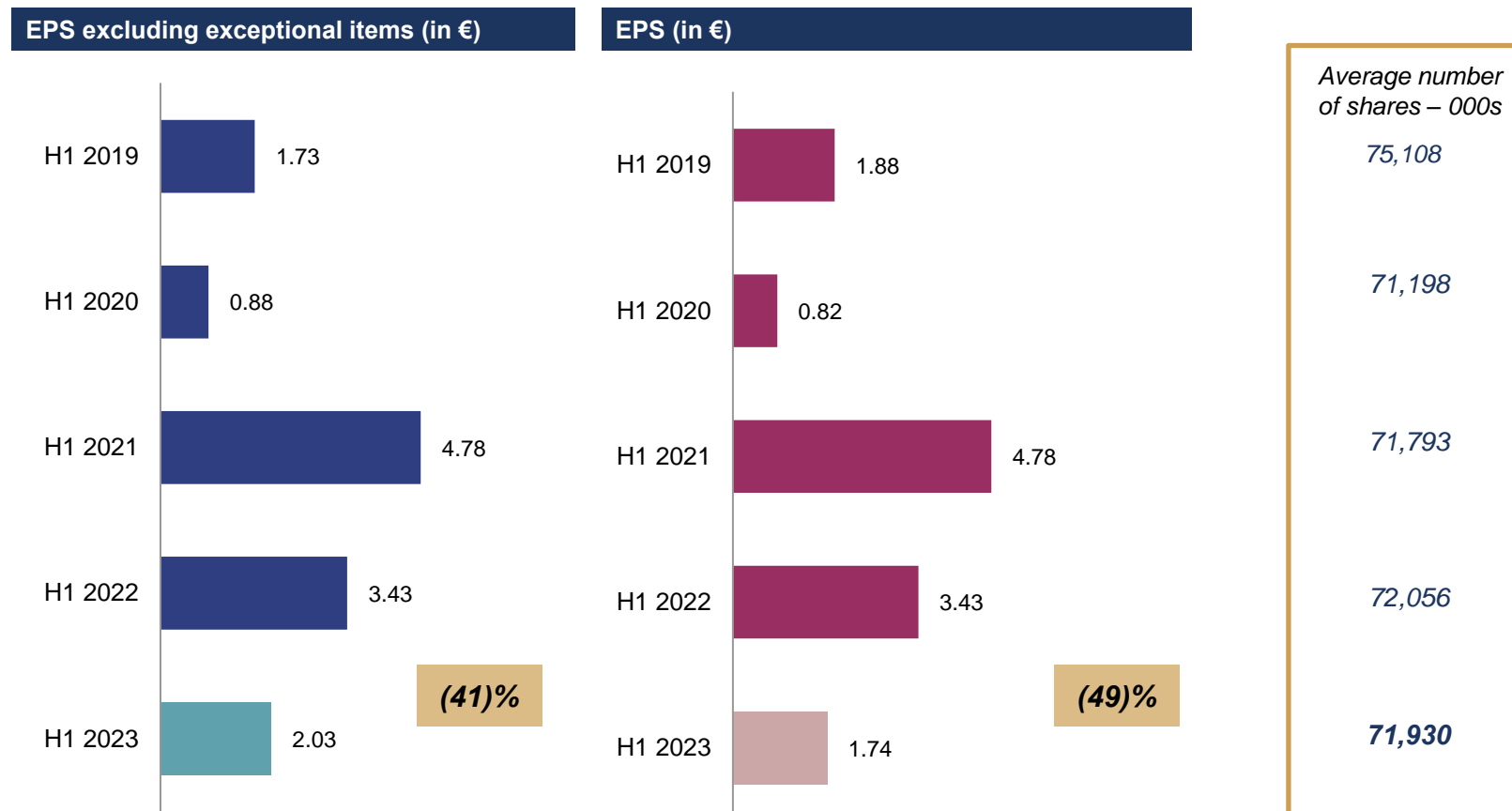


Note

1 Revenue and PBT calculated before IFRS reconciliation and excludes corporate centre per segmental analysis – see slide [34](#)



Half-year EPS excluding exceptional items down 41%



Note

1 Exceptional items are shown on slide [35](#)



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Business review: Global Advisory



Highlights – H1 2023

Performance

- Revenues down 21% compared to record H1 last year
- Ranked 6th in the global Revenue League Table for last 12 months
- Only European bank ranked in the top 10 by revenue globally
- Outperforming market, Global M&A activity down 49% by deal value and 33% by number of transactions
- Ranked 2nd by number of completed M&A transactions for H1 2023
- Ranked 1st in Europe by number of completed restructuring transactions
- Advised on the 2 largest European IPOs in H1 2023

Markets and Pipeline

- Significantly weaker M&A market in H1 2023
- Macro-economic headwinds continue, resulting in significant declines in announced transaction levels and transactions taking longer to complete
- Our pipeline of business is encouraging, and we foresee meaningful levels of pent-up demand, should market conditions improve
- We nevertheless remain cautious in assessing the outlook for the rest of the financial year

Consistently 1st
in European M&A
for 15 years

2nd
by number of M&A deals
completed globally

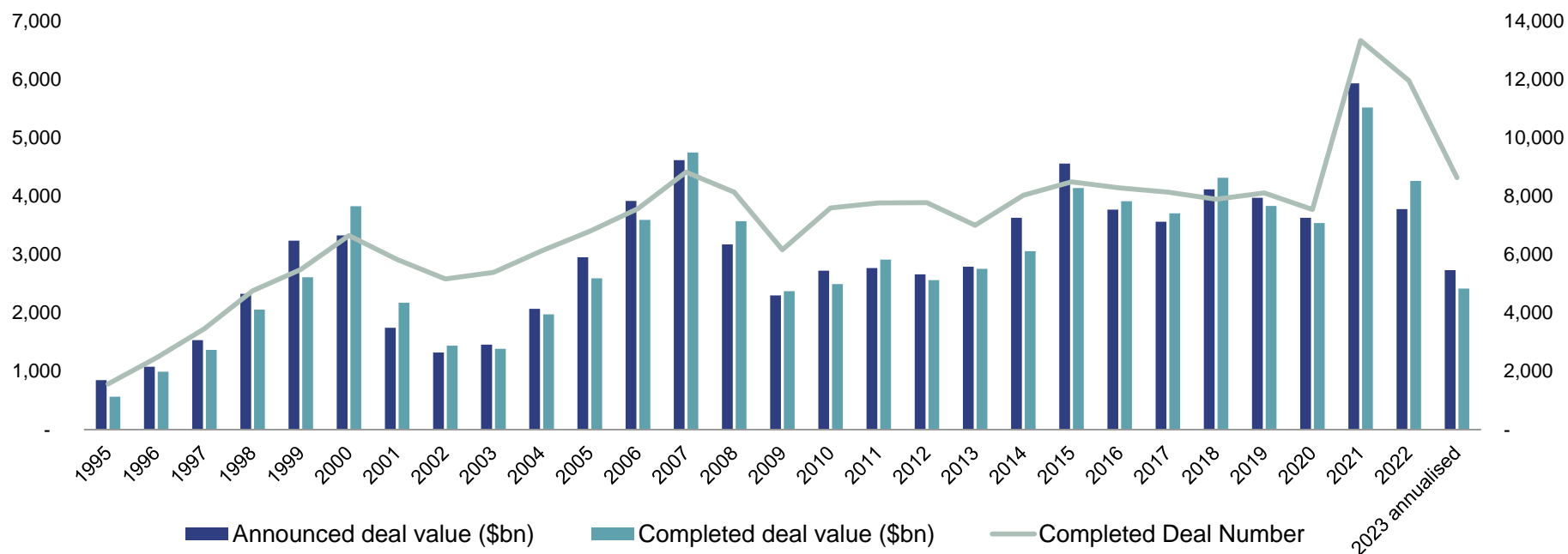
1st
for Debt Advisory and
Restructuring
in Europe

Significant investment
made in Equity Markets
Solutions
for the long-term



Significant slowdown in global M&A market in H1 2023

Global M&A market value (in \$bn)



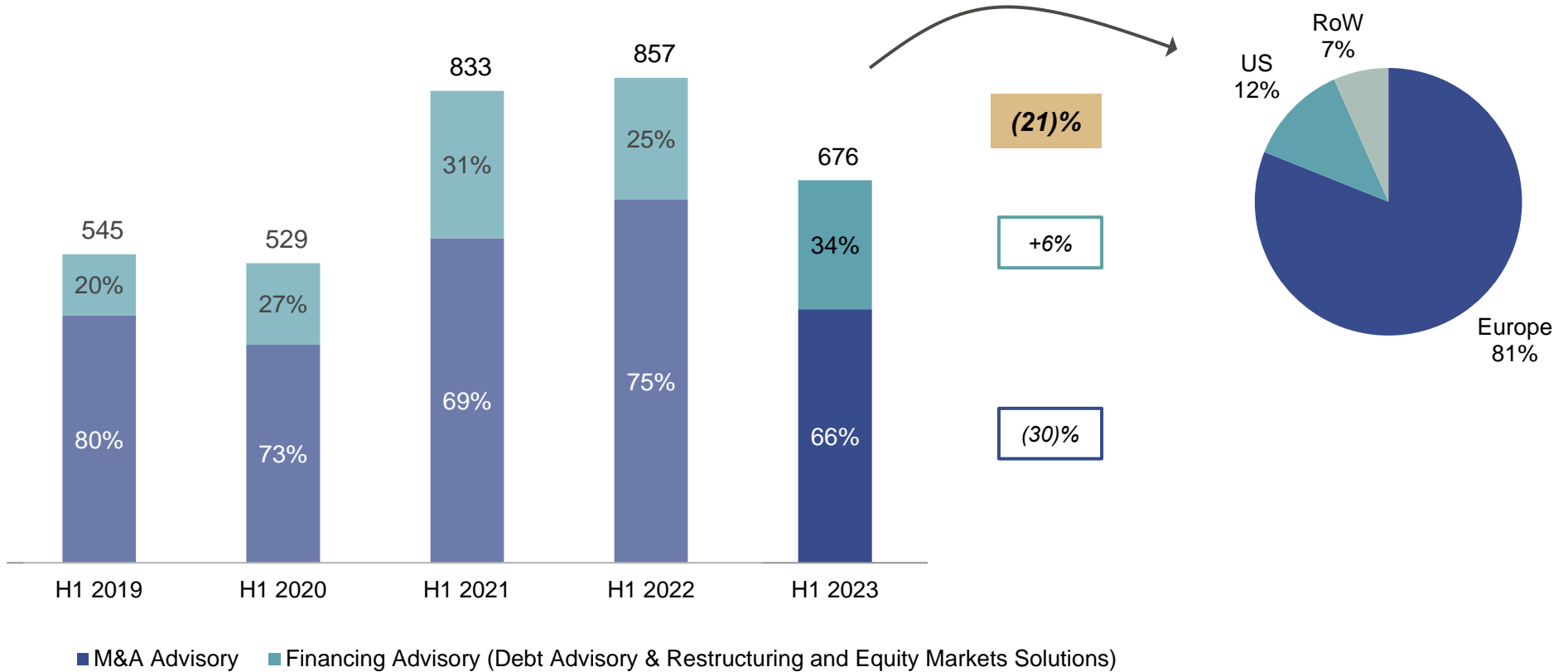
	17 vs 16	18 vs 17	19 vs 18	20 vs 19	21 vs 20	22 vs 21	23 annualised vs 22
% var Announced	(5%)	16%	(4%)	(9%)	64%	(36%)	(28%)
% var Announced #	(2%)	-	1%	(5%)	79%	(16%)	(25%)
% var Completed	(5%)	16%	(11%)	(8%)	56%	(23%)	(43%)
% var Completed #	(2%)	(3%)	3%	(7%)	75%	(17%)	(28%)

Source: Dealogic



Lower H1 2023 revenue reflecting decline in M&A activity

Revenue by product (in €m)



Note

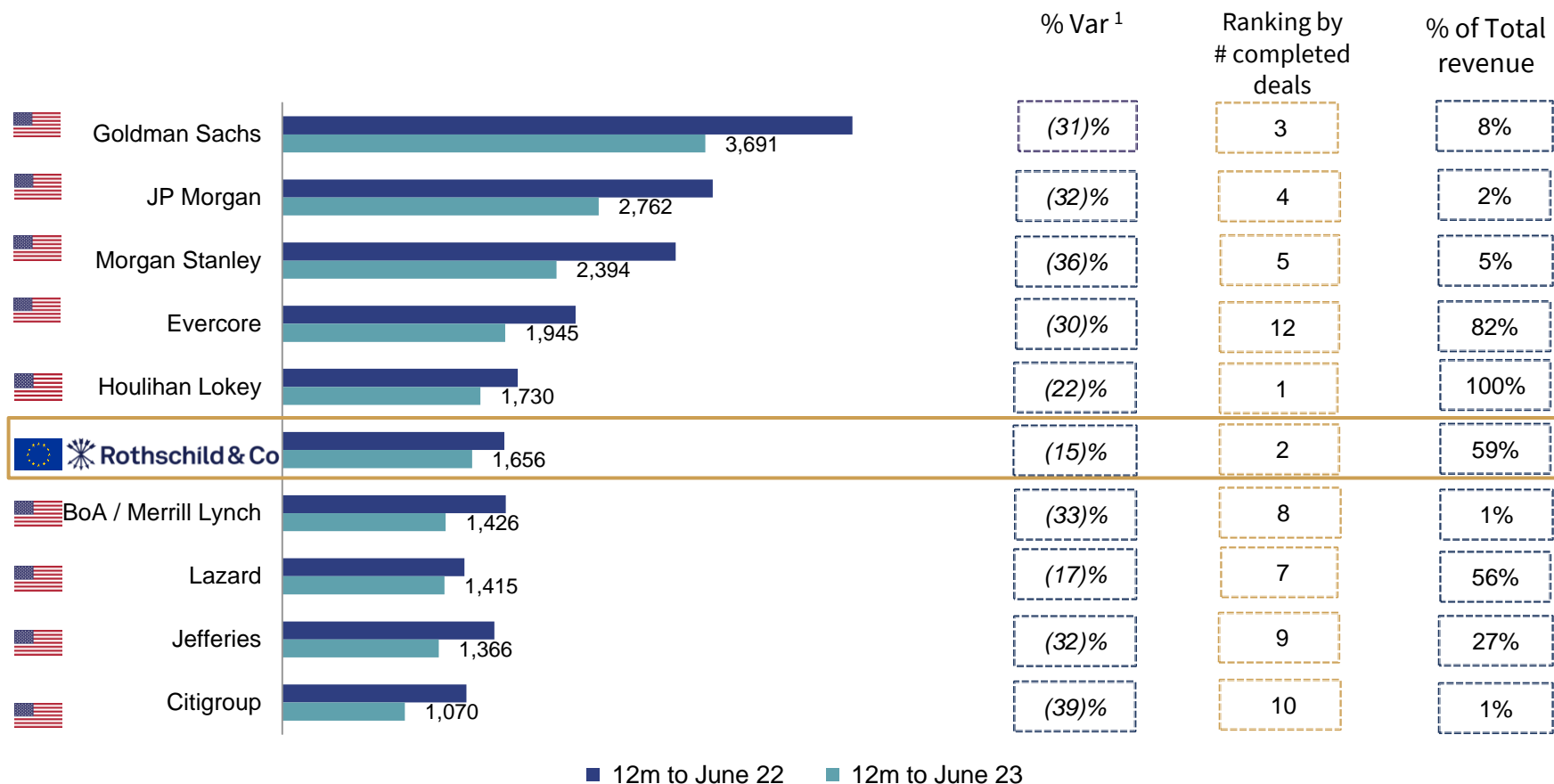
1 Revenue excluding Redburn was down 25% (Redburn was treated as an associate until 30/11/2022 and fully consolidated from 01/12/2022)



Only European adviser in the Top 10

Rothschild & Co: 6th by revenue and 2nd by number of deals

Ranking of top 10 advisers by advisory revenue (in €m) – 12m to June 2023



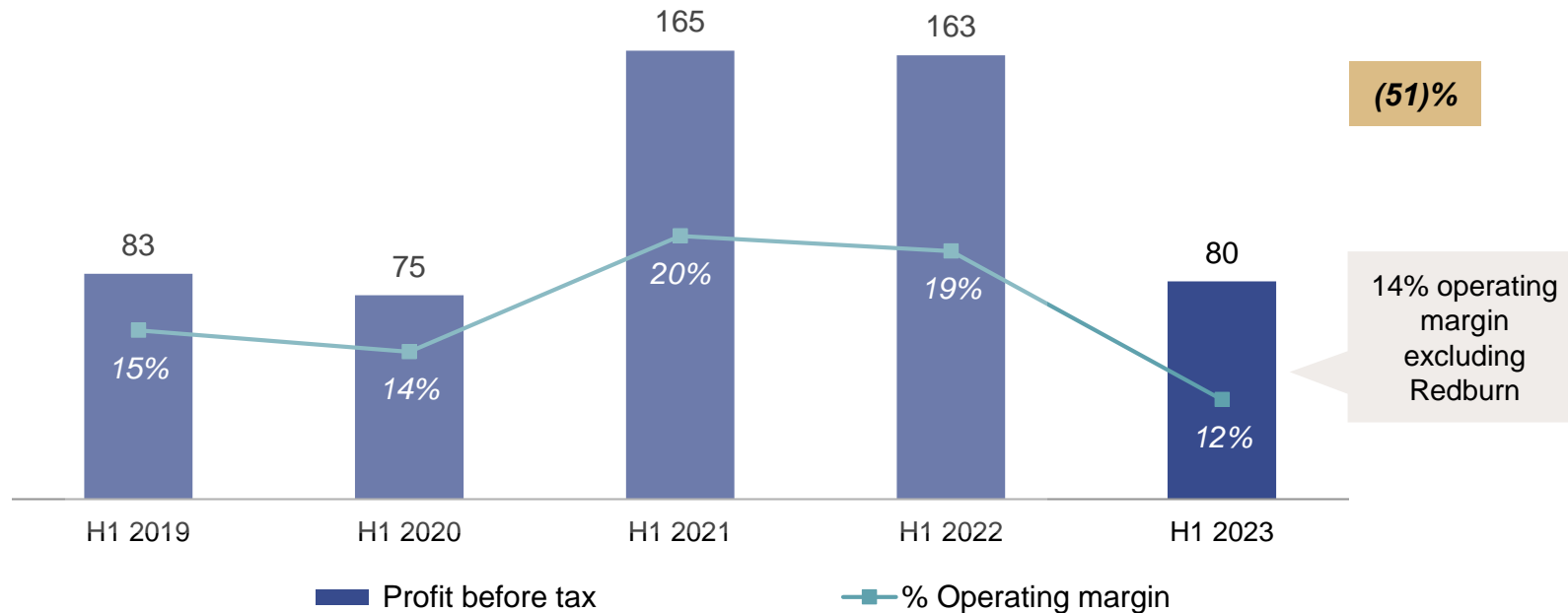
Note

1: Variation calculated on local currency
Source: Company's filings, Refinitiv completed transactions



Decrease of profits due to lower revenue combined with higher costs (mainly non-personnel)

PBT (in €m) and PBT margin^{1,2}



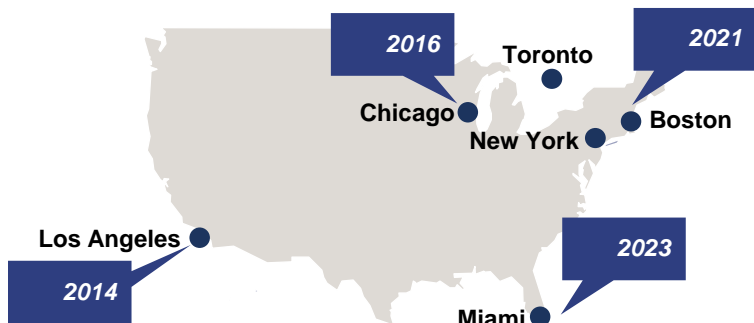
Notes

- 1 Including bonus on an awarded basis
- 2 Operating margin excluding Redburn was 14% (Redburn was treated as an associate until 30/11/2022 and fully consolidated from 01/12/2022)



North America revenue decline reflecting lower transaction volumes

Overview



6 offices	53 MDs	255 bankers
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Rothschild & Co North America performance¹

	H1 2022	H1 2023
M&A deal value ¹	\$59bn	\$16bn
M&A deal number ¹	84	57
Revenue ²	\$133m	\$90m

Selection of deals advised by Rothschild & Co North America in H1 2023

M&A Deals	Varagon Sole financial advisor to Varagon on its sale to Man Group Current	ESI Group Advisor to ESI Group on its disposal to Keysight Technologies Current	John Swire & Sons Advisor to John Swire & Sons on its acquisition of Swire Coca-Cola USA from Swire Pacific Current	US Pharma Lab Advisor to US Pharma Lab on its sale to Ardian-backed Biofarma Group Current	HNI Corporation Advisor to HNI Corporation on its announced acquisition of Kimball International 2023	Restructuring & Debt Advisory Deals	Talen Energy Advised Ad Hoc Group of Bondholders on the company's ~\$4.8bn Chapter 11 restructuring 2023	Lyons Magnus Advised the Company on its fully consensual amendment and extension transaction of the entire capital structure 2023
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¹ Source: Refinitiv, any North America involvement on announced transactions

² Includes M&A and Financing Advisory



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Business review: Wealth and Asset Management



Highlights – H1 2023

- Strong business momentum with €2.9bn of Net New Assets
 - Positive net inflows in all Wealth Management geographies (€1.6bn) despite some client deleveraging. Good start in Israel (€140m of NNA)
 - Strong net inflows in Asset Management (€1.3bn) thanks notably to Fixed Income expertise and R-co Valor
- AuM up 9% at €102.4bn thanks to positive investment performance on top of net inflows
- Strong growth in revenue (+24%) mainly due to net interest income increase (x3.6). Management fees up 4% thanks to AuM growth
- PBT up 56% at €111m with PBT margin at a high 27.6%. This is not a normative PBT margin level as we expect this margin to decrease in H2 because of lower net interest income

€102.4bn
+9%

€2.9bn
NNA

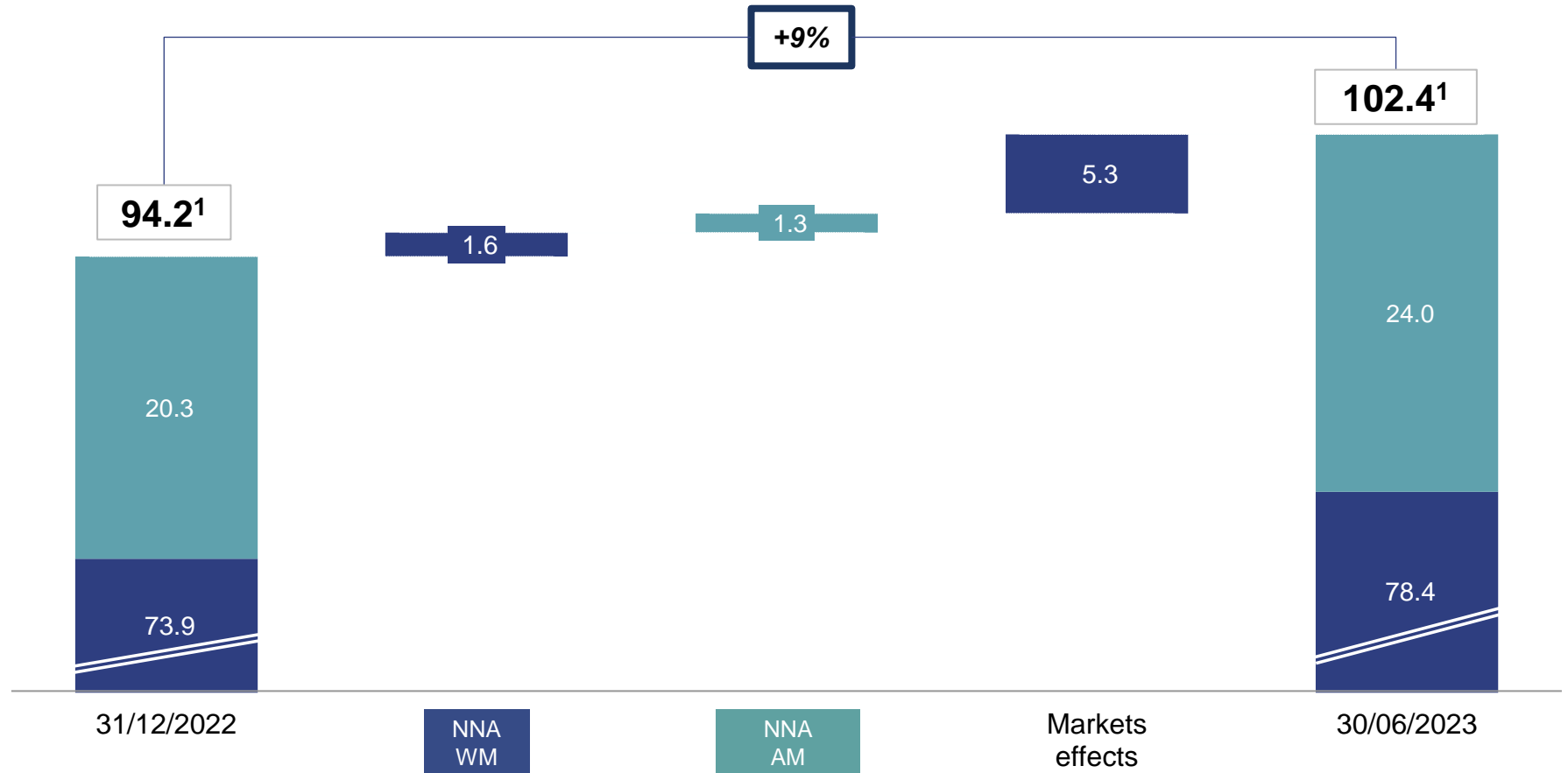
Revenue
€400m+
+24%

PBT
€110m+
+56%



High level of AuM thanks to strong NNA both in Wealth and Asset Management and positive investment performance

Assets under Management (in €bn)



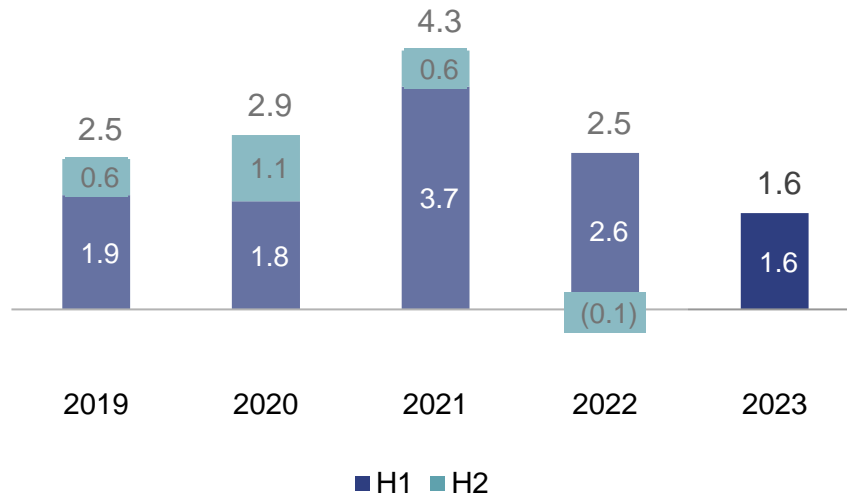
Note

1 including €8.8bn double-counted assets representing AuM of Wealth Management clients invested in Asset Management products (31/12/2022: €7.1 billion)

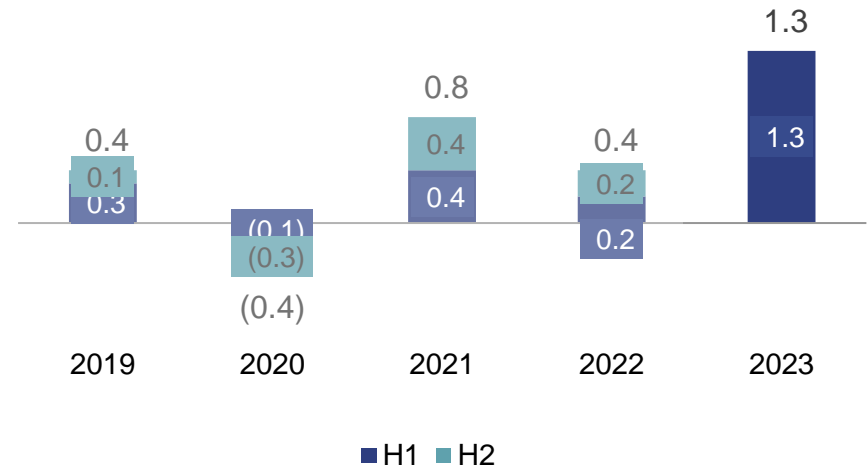


Strong momentum in NNA in volatile markets

Wealth Management NNA (in €bn)



Asset Management NNA (in €bn)



- Positive NNA across all geographies
- Good start in Israel
- Still some client deleveraging, notably in France

- Very strong H1 thanks to Fixed income expertise and a continuous interest in R-co Valor
- NNA equally split between France (35%), Northern Europe (Benelux, Germany and Switzerland, 30%) and Southern Europe (Italy and Spain, 35%)

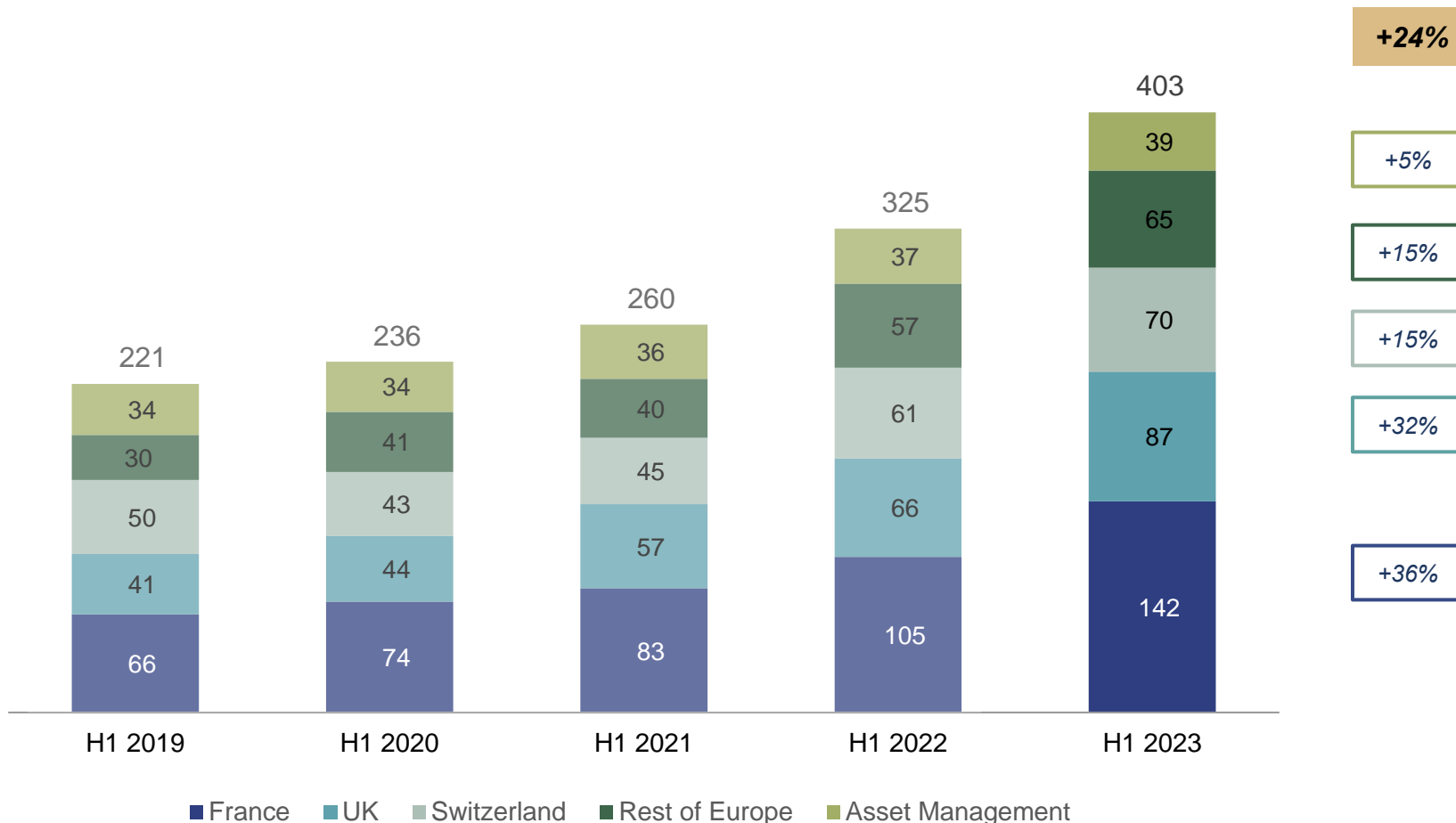
Note

1 H1 2021 includes a large advisory mandate of €1bn



Strong revenue across all geographies

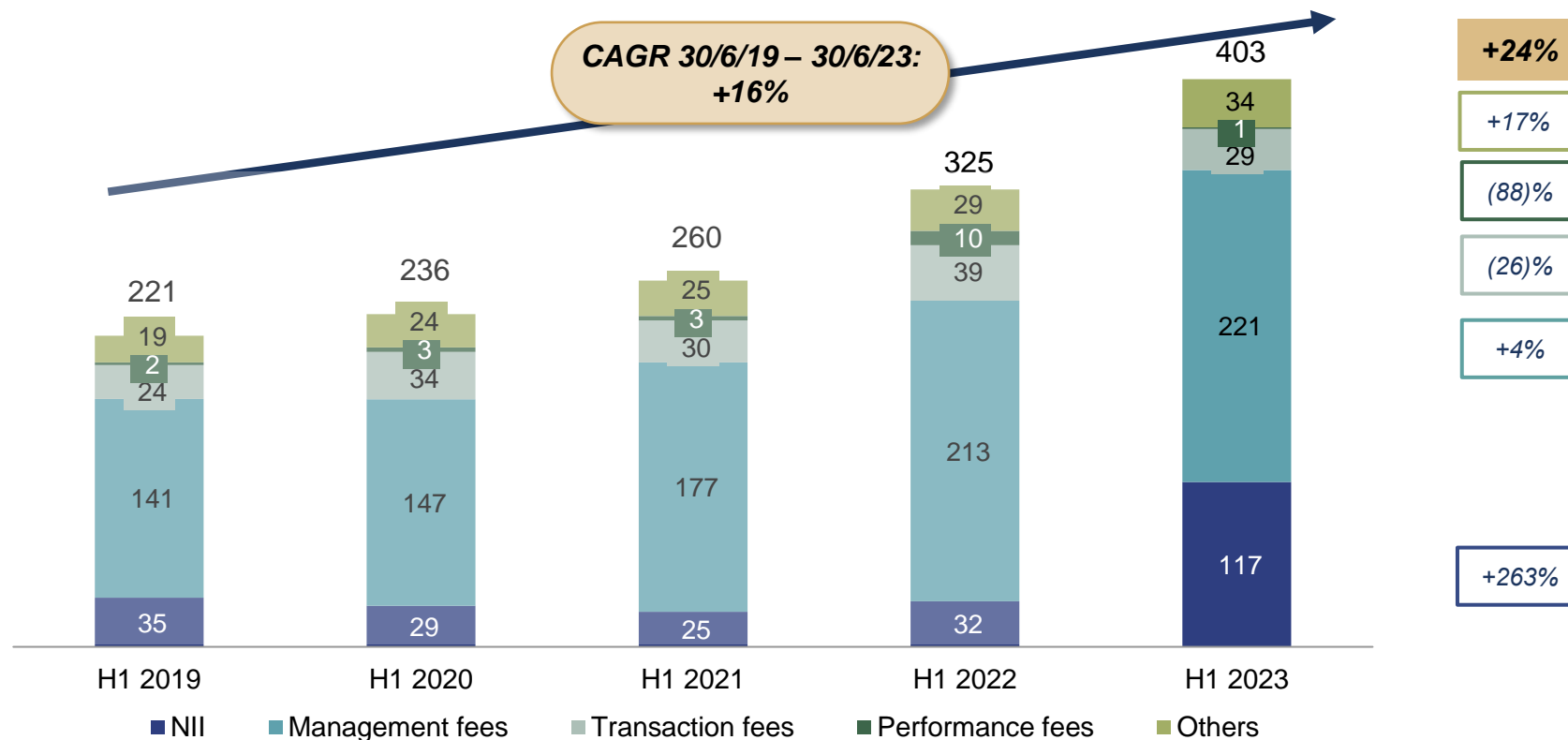
Revenue by geography (in €m)





Revenue increase driven by net interest income (NII) and higher fees and commissions

Revenue by type (in €m)



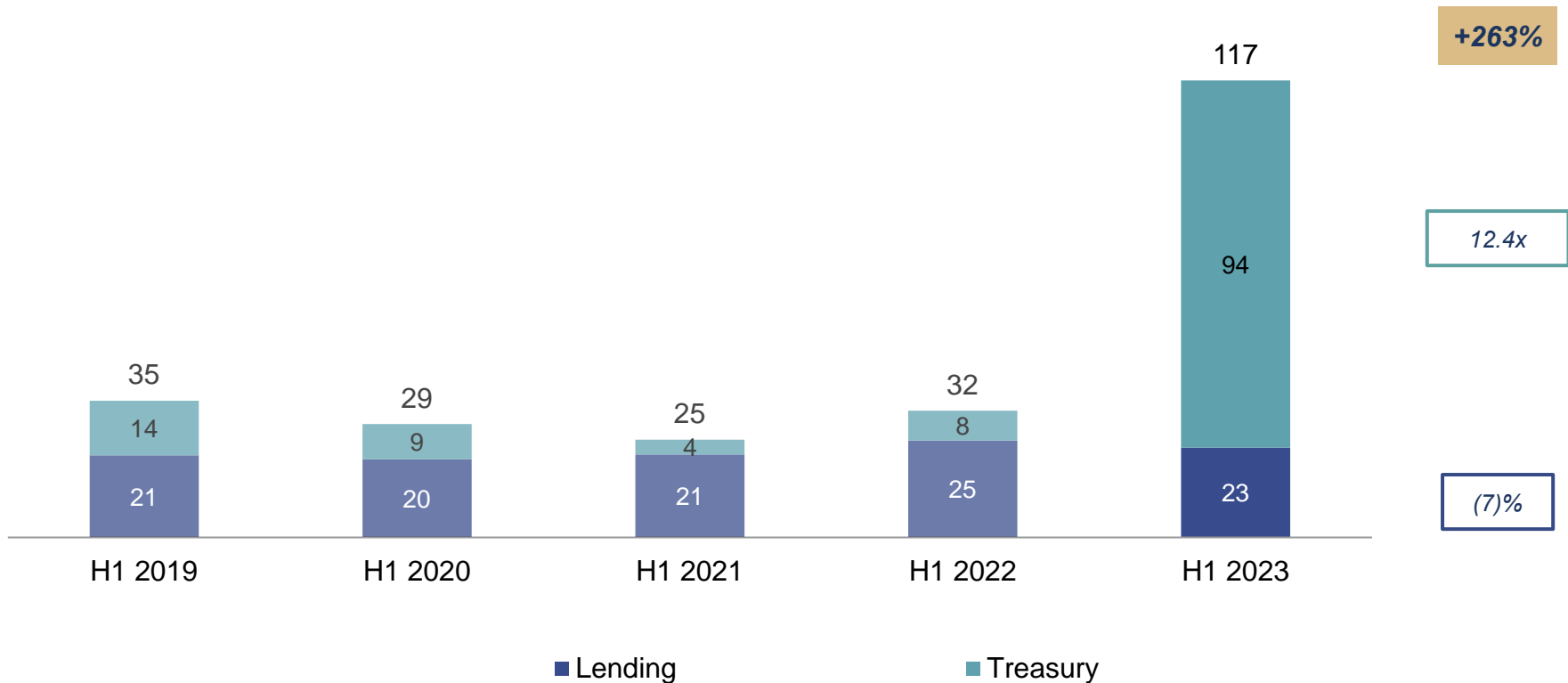
CAGR 30/6/19 – 30/6/23:
+16%





Exceptional growth in NII from treasury management thanks to hikes in interest rates

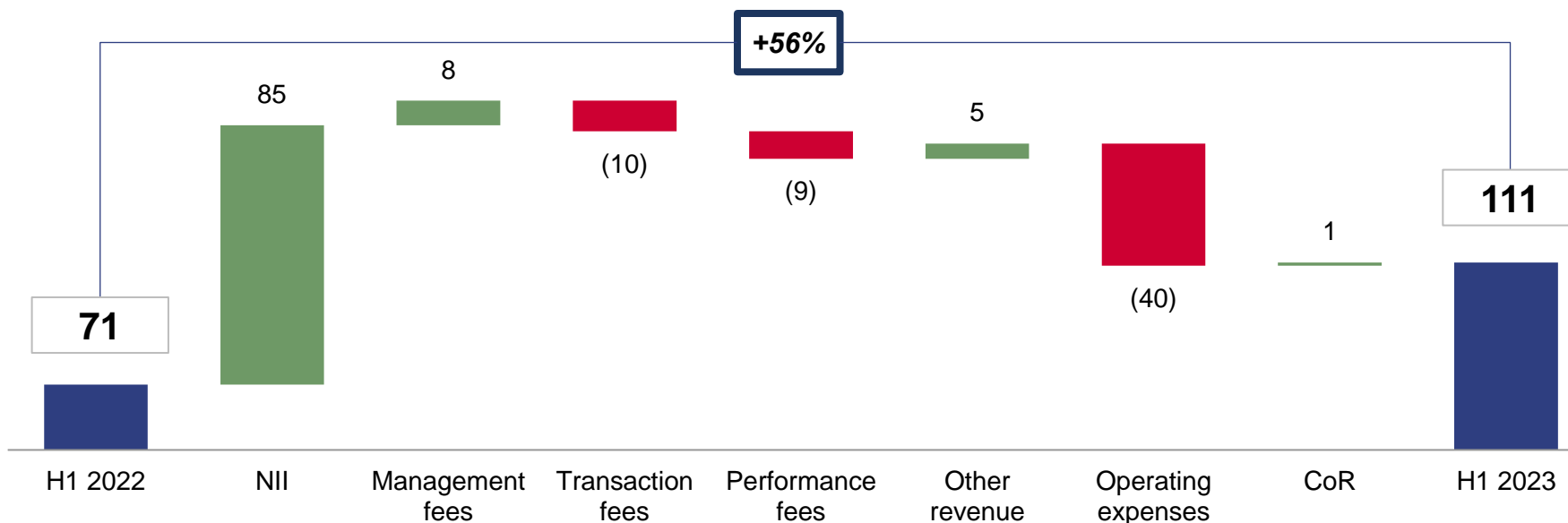
Breakdown of NII between lending and treasury (in €m)





Strong improvement in WAM PBT: +56% versus H1 2022

WAM Europe PBT (in €m) and PBT margin



PBT margin
22.0%

27.6%

- PBT margin above 27% mainly thanks to net interest income increase
- This is not a normative level as net interest income expected to decrease in H2 2023
- Operating expenses reflecting strong investment in the future of the business : new front office hires, strengthening of the operating platform, investment in technology



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Business review: Merchant Banking



Highlights – H1 2023

Portfolio activity

- Limited investment activity in private equity, although a number of significant add-ons were completed in Q3 2023
- Completion of exits signed in Q4 2022 generated €161m cash distribution
- Capital deployment in private debt remained strong

Investment performance

- Investment performance revenue lower than in the same period last year following two years of exceptional investment gains mainly driven by successful exits in private equity
- Our debt portfolios remained resilient, generating higher investment revenue than last year

Business performance

- AuM grew 5% reaching €24.0bn mainly as a result of new capital raised
- First half-year revenue down 25% YoY to €141m: a significant increase in recurring revenue (+31%) offset by lower investment revenue (-61%)
- Growth in profitability margin of fund management activities: 25% in H1 2023 vs 15% in FY 2022

Business development and fundraising

- Successful fundraising efforts in H1 2023, with €2.8bn of new capital secured
- Multiple closings completed for:
 - Corporate Private Equity: FAPI IV and FALT
 - Multi Strategies: FASO VI and FAPEP III
 - Credit Management: 2 new CLOs launched, GLI II and FA ELF

€24.0bn

AuM

€68m

Profit before Tax

€192m

Cash distributions
to R&Co

34%
RoRAC

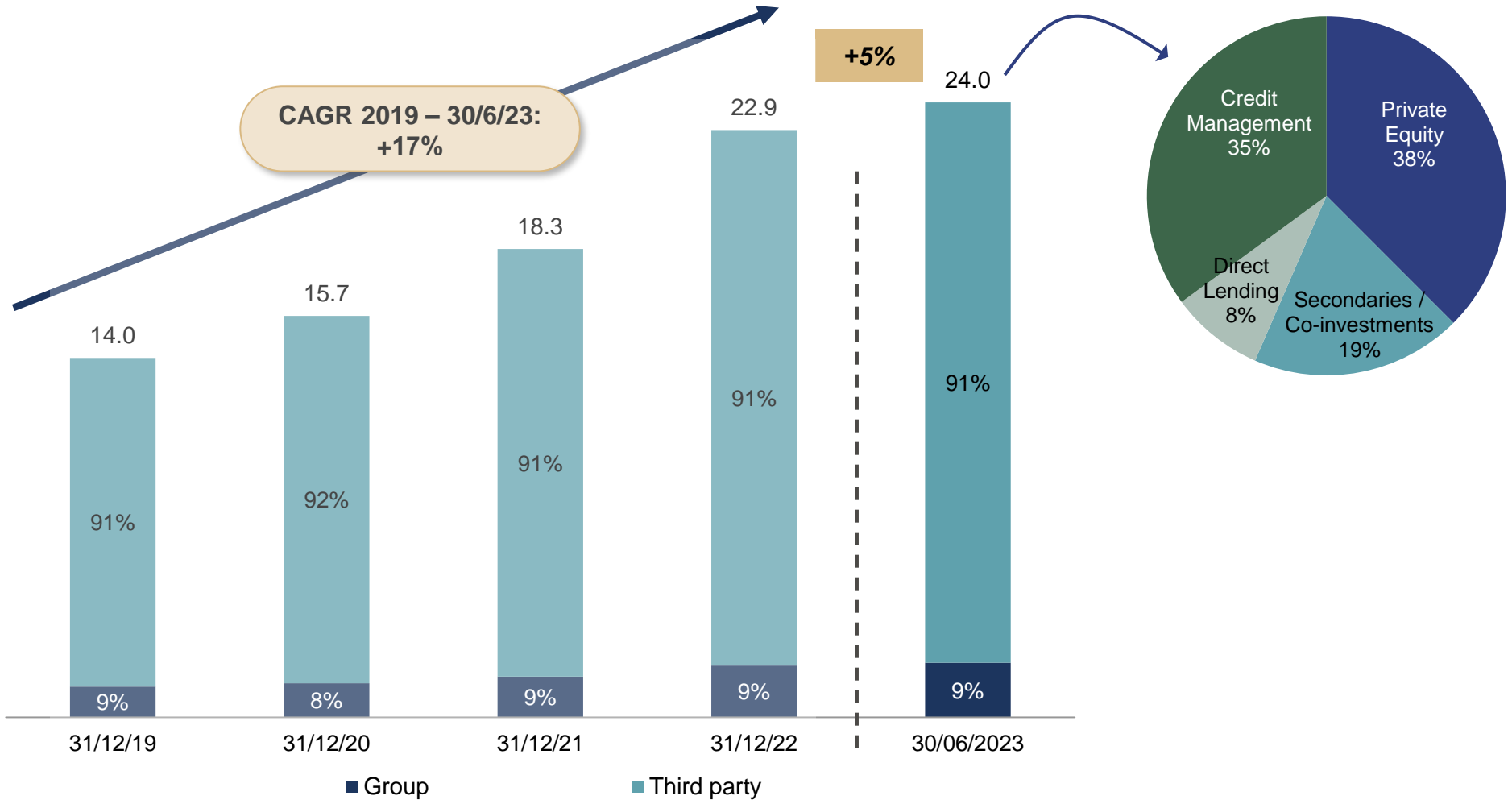
€2.8bn

new capital raised



Continued positive trend in AuM

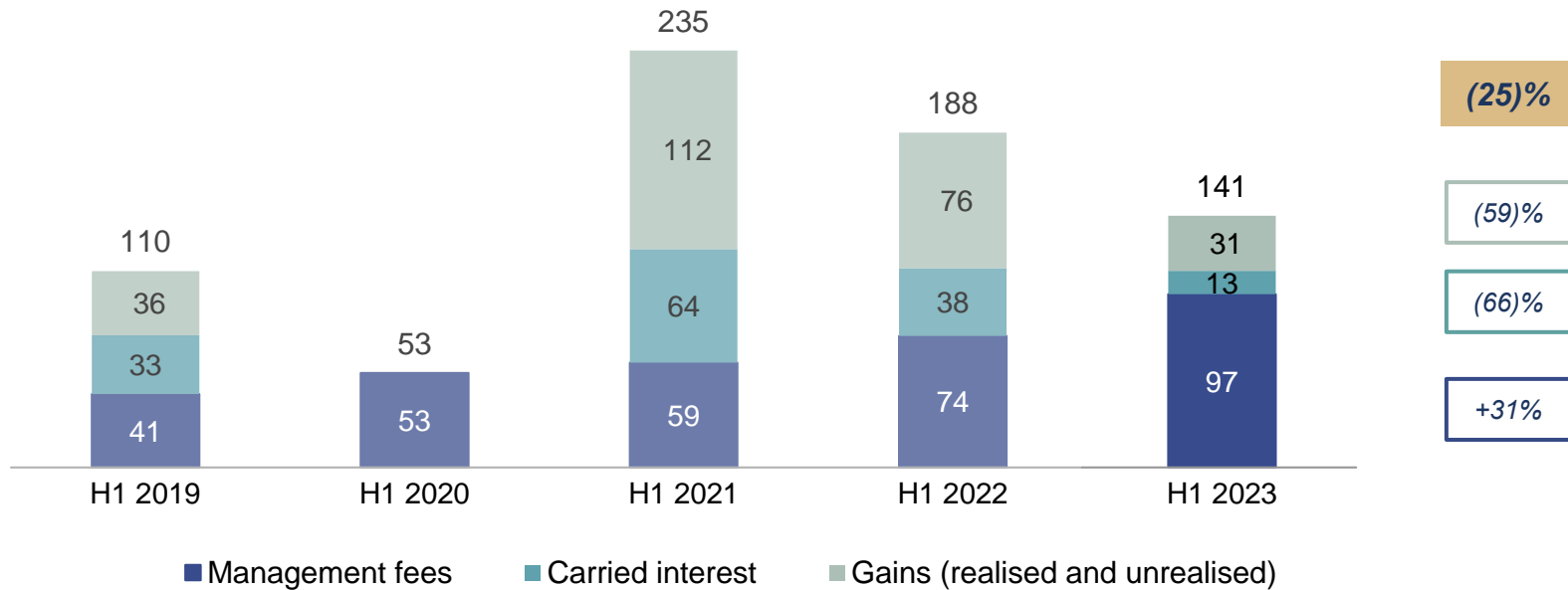
Assets under Management (in €bn)





Strong growth in recurring revenue coupled with resilient level of investment revenue, following exceptional 2021/2022

Revenue (in €m)

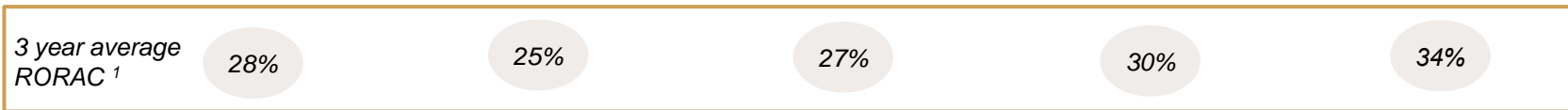
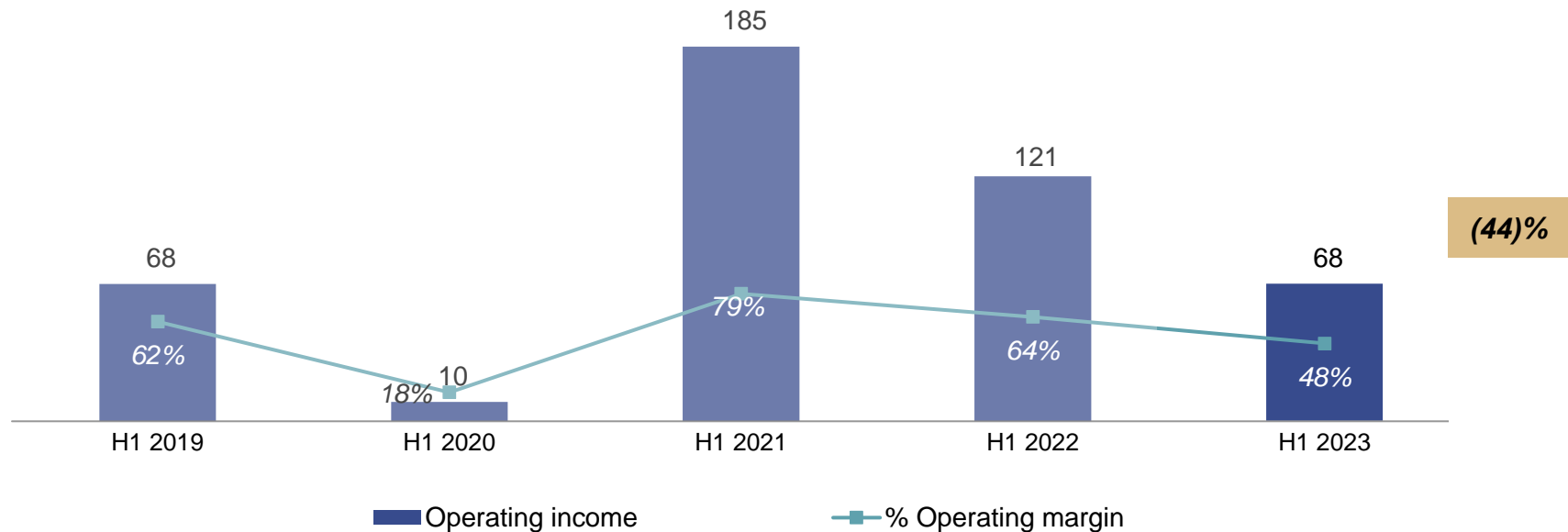


CAGR
 30/06/2019 –
 30/06/2023:
 +19%



Profit remains resilient, but are lower than exceptional levels seen in previous two years

Profit before tax (in €m), PBT margin and RORAC¹

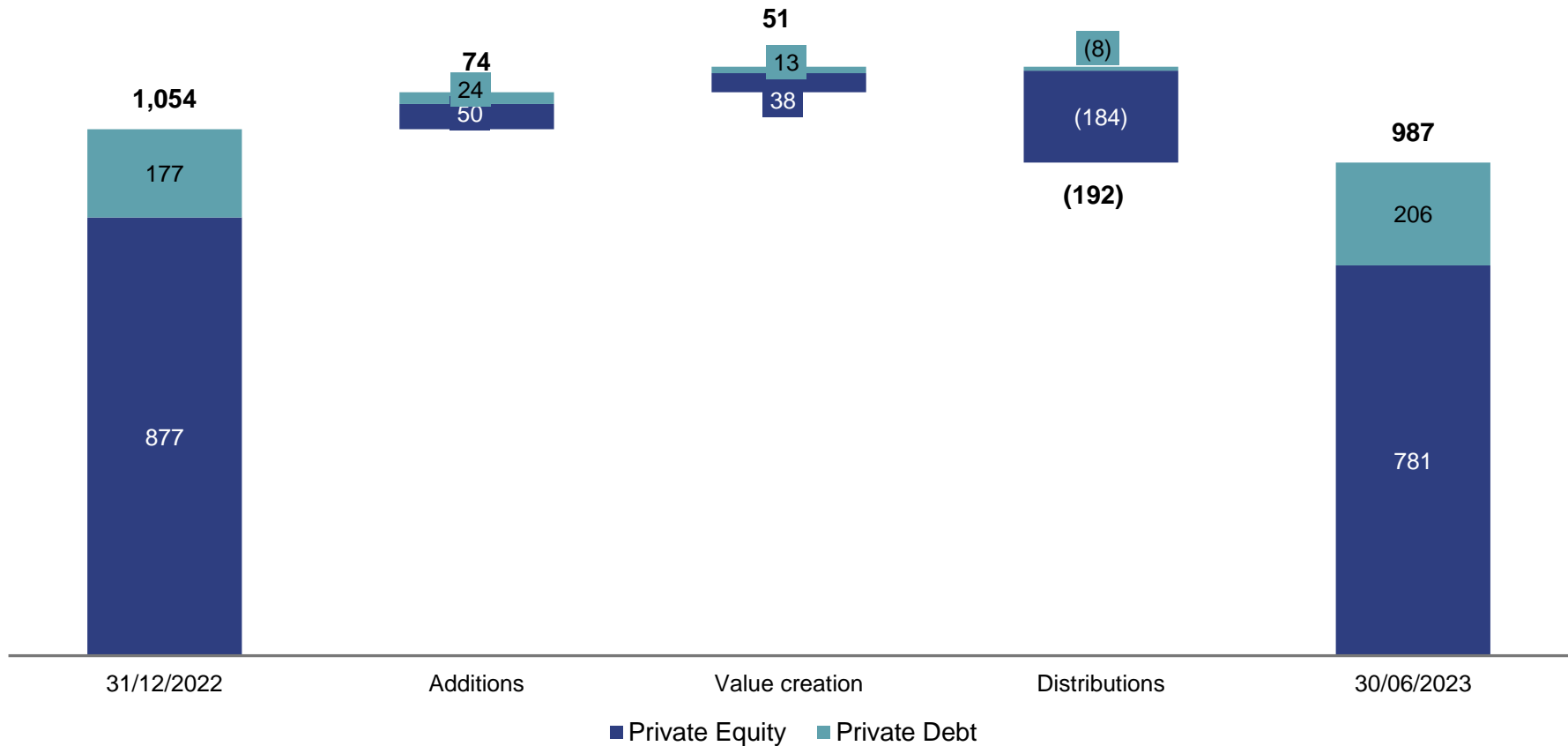


Note
 1 RORAC stands for Return On Risk Adjusted Capital – an internal measure of risk capital invested in the business, being PBT divided by risk weighted capital – For calculation, see slide 48



NAV evolution in H1 2023: strong increase from new investments offset by distributions

Change in Net Asset Value (NAV) of the Group's investment (in €m)





6

Corporate Sustainability



Sustainability is strategy

Key areas of focus H1 2023

Firm commitment

- Sustainability is a core pillar in group strategy
- Group governance with clear responsibilities for definition and implementation of group-wide E, S, G priorities and ongoing performance monitoring

Operational focus

- Focus on group-wide commitment to reduce operational GHG emissions on a trajectory aligned with the goals of the Paris Agreement
- Commitment to ensure a diverse and inclusive people culture and a balanced working environment

Business focus

- New Responsible Investment roadmap with a focus on climate action and inclusive growth
- Continued effort on alignment of investment offering and process with new legal requirements and client expectations
- Adviser on transactions relating to innovative climate and energy transition technologies and energy management
- New employee sustainability training programs to support teams in embracing transition challenges



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Financials



Summary consolidated P&L

<i>(in €m)</i>	H1 2023	H1 2022	Var	Var %	FX effects
Revenue	1,241	1,375	(134)	(10)%	(9)
Staff costs	(766)	(763)	(3)	0%	8
Administrative expenses	(191)	(160)	(31)	19%	1
Depreciation and amortisation	(46)	(41)	(5)	12%	0
Cost of risk	3	3	0	-	0
Operating income	241	414	(173)	(42)%	0
Other income / (expense) (net)	6	0	6	n/a	0
Profit before tax	247	414	(167)	(40)%	0
Income tax	(51)	(82)	31	(38)%	0
Consolidated net income	196	332	(136)	(41)%	0
Non-controlling interests	(68)	(83)	15	(18)%	0
Net income - Group share	128	249	(121)	(49)%	0
Adjustments for exceptionals (charges)	(21)	0	(21)	n/a	0
Net income - Group share excl. exceptionals	149	249	(100)	(40)%	0
Earnings per share ¹	€1.74	€3.43	(€1.68)	(49)%	
EPS excl. exceptionals	€2.03	€3.43	(€1.40)	(41)%	
Return On Tangible Equity (ROTE)	8.2%	17.9%			
ROTE excl. exceptionals	9.5%	17.9%			

Note

1 Diluted EPS is €1.71 for H1 2023 (H1 2022: €3.37)



Exceptional items

<i>(in €m)</i>	H1 2023			H1 2022		
	PBT	PATMI	EPS	PBT	PATMI	EPS
As reported	247	128	1.74 €	414	249	3.43 €
- Offer-related costs	(8)	(6)	(0.08) €	-	-	- €
- Deferred bonus acceleration	(20)	(15)	(0.21) €	-	-	- €
				-	-	- €
Total exceptional (charges) / profits	(28)	(21)	(0.29) €	0	0	- €
Excluding exceptional	275	149	2.03 €	414	249	3.43 €

- There were no exceptional items in H1 2022
- Offer-related costs are mainly professional advisor costs
- Deferred bonus acceleration relates to the acceleration of the accounting for deferred bonuses, as certain Partners of the Group will utilise their future deferred bonus pools to invest in Rothschild & Co Partners (see following slide)



Performance by business

<i>(in € million)</i>	GA	WAM	MB	Total businesses	Other businesses and Corporate centre	IFRS reconciliation ¹	H1 2023
Revenue	676	403	141	1,220	25	(4)	1,241
Operating expenses	(596)	(293)	(73)	(962)	(31)	(10)	(1,003)
Cost of risk	-	1	-	1	-	2	3
Operating income	80	111	68	259	(6)	(12)	241
Other income / (expense)	-	-	-	-	-	6	6
Profit before tax	80	111	68	259	(6)	(6)	247
<i>Operating margin %</i>	<i>12%</i>	<i>28%</i>	<i>48%</i>	<i>21%</i>			<i>20%</i>

<i>(in € million)</i>	GA	WAM	MB	Total businesses	Other businesses and Corporate centre	IFRS reconciliation ¹	H1 2022
Revenue	857	324	188	1,369	21	(15)	1,375
Operating expenses	(694)	(254)	(67)	(1,015)	(40)	91	(964)
Cost of risk	-	1	-	1	-	2	3
Operating income	163	71	121	355	(19)	78	414
Other income / (expense)	-	-	-	-	-	-	-
Profit before tax	163	71	121	355	(19)	78	414
<i>Operating margin %</i>	<i>19%</i>	<i>22%</i>	<i>64%</i>	<i>26%</i>			<i>30%</i>

Note

- ¹ IFRS reconciliation mainly reflects: the treatment of profit share (préciput) paid to French partners as non-controlling interests; accounting for normal and special deferred bonuses over the period between award and vesting, rather than in the year in which the associated revenues have been booked; excluding from 2023 management accounts the costs of the Offer; the application of IAS 19 for defined benefit pension schemes; adding back non-operating items and administrative expenses excluded from the management accounts; and reallocating impairments and certain operating income and expenses for presentational purposes



Deferred bonus

Impact of deferred bonus accounting under IFRS

	H1 2021	H1 2022	H1 2023
Profit before tax <i>(in €m)</i>	23	14	(61)
Profit after tax and minority interest <i>(in €m)</i>	18	10	(45)
Impact on Earnings per share <i>(in €)</i>	0.25	0.13	(0.63)

- Of the total pre tax charge of €61m:
 - €9m relates to accelerated deferred bonus costs from H2 2023 into H1 2023 (so no impact on the FY 2023 result) and
 - €11m is accelerated from 2024/2025 into 2023

reflecting the utilisation by certain Partners of the Group of their future deferred bonus pools to invest in Rothschild & Co Partners



Compensation ratio

<i>(in €m)</i>	H1 2023	H1 2022
Revenue excluding MB investment performance	1,197	1,261
Total staff costs ¹	(811)	(838)
Compensation ratio (INCLUDING deferred bonus accounting)	67.8%	66.4%
<i>variation due to FX</i>	0.1%	(0.4)%
Adjusted for FX change Compensation ratio (INCLUDING deferred bonus accounting)	67.9%	66.0%
<i>variation due to deferred bonus accounting</i>	(5.1)%	1.1%
Adjusted awarded Compensation ratio (EXCLUDING deferred bonus accounting)	62.8%	67.1%
Headcount (FTE - including Redburn in 2023)	4,883	4,281

- The compensation ratio is calculated by excluding MB investment performance revenue (carried interest and investment gains) on which staff costs are not payable
- Normally c.50% of personnel costs within Rothschild & Co are discretionary

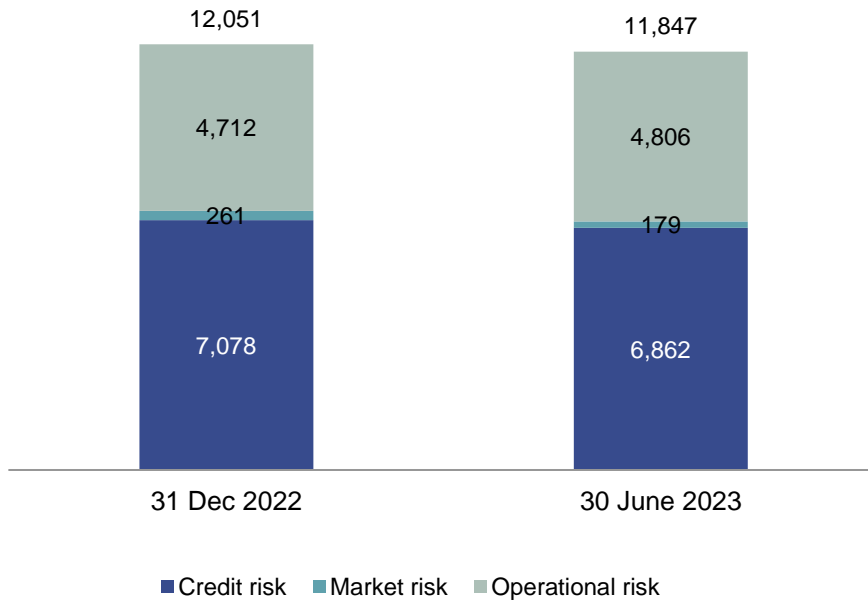
Note

¹ Total staff costs include profit share (préciput) paid to French Partners and effects of accounting for normal and special deferred bonuses over the period between award and vesting, rather than in the year in which the associated revenues have been booked, but exclude redundancy costs, revaluation of share-based employee liabilities and acquisition costs treated as employee compensation under IFRS

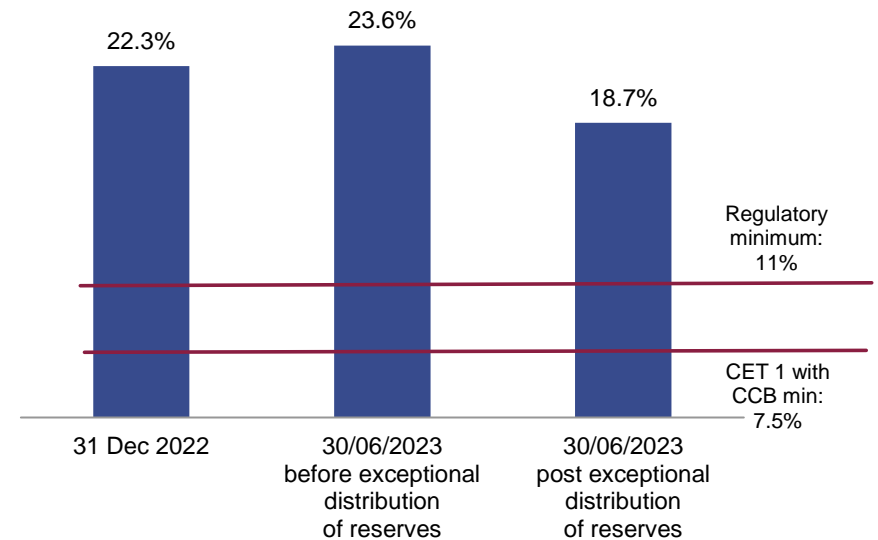


Solvency ratios above minimum requirements

Risk weighted assets (in €m)



Global solvency ratio¹



- Decrease of RWA mainly related to lower Credit Risk RWA due to decreases in lending and receivables
- Excluding the exceptional distribution of reserves, Group's capital ratio would increase to 23.6% due to H1 profit and lower RWA

Note

¹ Subject to permission from the ACPR to include profits in Common Equity Tier 1 capital (CET1)



Summary balance sheet

(in €bn)	30/06/2023	31/12/2022	Var
Banks	14.2	13.7	0.5
Credit exposures	4.8	5.0	(0.2)
<i>o/w Private client lending (PCL)</i>	4.4	4.6	(0.2)
Cash and treasury assets	8.5	7.7	0.8
<i>o/w amounts deposited by non-bank Group subsidiaries</i>	0.8	0.8	0.0
Other current and non-current assets	0.9	1.0	(0.1)
Non-Banks	3.6	3.7	(0.1)
Merchant Banking investments	1.0	1.1	(0.1)
Cash and treasury assets	0.7	1.1	(0.4)
Other current and non-current assets	1.9	1.5	0.4
Total assets	17.8	17.4	0.4
Banks	13.2	12.7	0.5
Due to customers	11.3	10.4	0.9
Due to banks	0.2	0.4	(0.2)
Other current and non-current liabilities	1.7	1.9	(0.2)
Non-Banks	1.2	0.7	0.5
Long term borrowing - central Group	0.2	0.2	0.0
Other current and non-current liabilities	1.0	0.5	0.5
Capital	3.4	4.0	(0.6)
Shareholders' equity - Group share ¹	3.6	3.6	0.0
Exceptional distribution of reserves	(0.6)	-	(0.6)
Non-controlling interests	0.4	0.4	0.0
Total capital and liabilities	17.8	17.4	0.4

	30/06/2023	31/12/2022
<i>Loans / Deposits</i>	42%	48%
<i>Liquid assets / Total assets</i>	52%	51%
<i>Equity / share (pre exceptional distribution of reserves)</i>	€49.92	€49.73
<i>Equity / share (post exceptional distribution of reserves)</i>	€41.92	€49.73
<i>Net tangible equity / share (pre exceptional distribution of reserves)</i>	€43.46	€43.21
<i>Net tangible equity / share (post exceptional distribution of reserves)</i>	€35.46	€43.21

Note

1. Shareholders' equity – Group share excludes the exceptional distribution of reserves of €8 per share. Shareholders' equity – Group share is €3.6bn pre-accrual of the exceptional distribution of reserves



8

Targets and outlook



Our financial targets

		Target	H1 2023	H1 2022	2022
Group targets	Compensation ratio ¹	Low to mid 60's through the cycle	67.9%	66.0%	63.8%
	Return on tangible equity ²	10 to 15% through the cycle	9.5%	17.9%	20.7%
Businesses targets	Global Advisory: PBT margin	Mid to high-teens through the cycle	12%	19%	20%
	Wealth & Asset Management: PBT margin	Above 20% by end of 2025	27.6%	22.0%	23.1%
	Merchant Banking: 3 years average RORAC ³	Above 15% through the cycle	34%	30%	33%

Notes

1 Compensation ratio: see calculation on slide [37](#)

2 ROTE based on Net income – Group share excl. exceptional items. See definition on slide [46](#) and calculation on slide [48](#)

3 RORAC: see definition on slide [46](#) and calculation on slide [48](#)



Outlook

Global Advisory

- Significantly weaker M&A market in H1 2023. Headwinds continue, resulting in significant declines in transaction levels and transactions taking longer to complete
- Pipeline is encouraging, meaningful levels of pent-up demand, should market conditions improve

Wealth & Asset Management

- After a solid first half of 2023, cautious for the rest of the year as the recent strength in markets is fragile
- Outlook remains positive for new assets resulting from our investments in the business in all locations
- Net interest income expected to be lower in H2 than in H1, negatively impacting PBT

Merchant Banking

- We expect to continue to grow recurring revenue base, albeit at a slower pace than that achieved in H1 2023
- Investments should continue to fulfil their value creation potential overtime

Group

- Best estimates for FY 2023 reflect more challenging market environment in GA and MB partially offset by a strong performance in WAM:
 - Operating income¹ of the Group's three businesses of around €540 million
 - Net Income - Group share of around €280 million

Note

¹ Operating income excludes Other income / expense, Corporate centre and IFRS adjustments (ie. profit share (préciput) paid to French partners, deferred bonuses, and other statutory adjustments)

Appendices



Major FX rates

P&L (average)				Balance sheet (spot)			
Rates	H1 2023	H1 2022	Var	Rates	30/06/2023	31/12/2022	Var
€ / GBP	0.8721	0.8447	3%	€ / GBP	0.8589	0.8869	(3)%
€ / CHF	0.9865	1.0248	(4)%	€ / CHF	0.9766	0.9880	(1)%
€ / USD	1.0825	1.0878	(0)%	€ / USD	1.0915	1.0683	2%

P&L rates are illustrative

P&L is translated at the rates of the month in which P&L is booked



Non-controlling interests

P&L			Balance sheet		
(in €m)	H1 2023	H1 2022	(in €m)	30/06/2023	31/12/2022
Interest on perpetual subordinated debt	11.1	7.4	Perpetual subordinated debt	303	297
Preferred shares ¹	56.2	74.3	Preferred shares ¹	50	153
Other non-controlling interests	0.0	1.6	Other non-controlling interests	1	2
TOTAL	67.3	83.3	TOTAL	354	452

Note

1. Mainly relates to the profit share (préciput) distributed to French partners



Alternative performance measures (APM)

APM	Definition	Reason for use
Net income – Group share excluding exceptional items	Net income attributable to holders of ordinary equity 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 of a significant amount
Adjusted compensation ratio	<p>Ratio between adjusted staff costs divided by consolidated revenue of Rothschild & Co, excluding MB investment performance revenue (carried interest and gains). Adjusted staff costs represent:</p> <ol style="list-style-type: none"> 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 (préciput) 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 <p>- which gives Total staff costs in calculating the basic compensation ratio</p> <ol style="list-style-type: none"> the amount of adjusted staff costs and revenue are restated by the exchange rate effect to offset the exchange rate fluctuations from one year to the next <p>- which gives the adjusted staff costs for compensation ratio.</p>	<p>To measure the proportion of Revenue granted to all employees. Key indicator for competitor listed investment banks.</p> <p>Rothschild & Co calculates this ratio with adjustments to give the fairest and closest calculation to that used by other comparable listed companies.</p>
Return on Tangible Equity (ROTE) excluding exceptional items	<p>Ratio between Net income - Group share excluding exceptional items and average tangible equity Group share over the period.</p> <p>Tangible equity corresponds to total equity Group share less intangible assets (net of tax) and goodwill.</p> <p>Average tangible equity over the period equal to the average between tangible equity as at 31 December 2022 and 30 June 2023</p>	To measure the overall profitability of Rothschild & Co excluding exceptional items on the Group share of tangible equity capital in the business
Business PBT margin	Each business PBT margin is calculated by dividing Profit before tax by revenue, business by business.	To measure business' profitability
Return on Risk Adjusted Capital (RORAC)	<p>Ratio of an adjusted Operating income divided by an internal measure of risk adjusted capital deployed in the business on a rolling 3-year basis.</p> <p>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.</p> <p>To calculate the RORAC, MB Operating income 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.</p> <p>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.</p>	To measure the performance of the Merchant Banking business
Operating cash flow (OCF)	Amount of cash generated by the Group's normal business operations in the current financial year. The calculation is done via the indirect method, from the profit before tax	To measure the amount of cash generated by the group's normal business operations



Alternative performance measures (APM): Book value per share, tangible book value per share and earnings per share

	30/06/2023	30/06/2022	31/12/2022
Shareholders' equity (group share) pre exceptional distribution of reserves	3,608,583	3,248,038	3,565,080
Net book value	3,608,583	3,248,038	3,565,080
- Intangible assets	(238,428)	(239,265)	(241,453)
- Intangible assets net of tax	(214,578)	(214,550)	(216,944)
- Goodwill	(252,765)	(228,663)	(250,756)
Net tangible book value	3,141,240	2,804,825	3,097,380
Average number of shares in issue	77,050,531	77,734,655	77,628,014
- Average Treasury shares	(3,305,463)	(3,667,147)	(3,737,749)
- Average Controlling shares	(1,815,187)	(2,011,374)	(2,009,031)
Average number of shares	71,929,881	72,056,134	71,881,234
Number of shares in issue - End of the period	77,102,666	77,747,512	77,029,277
- Treasury shares - End of the period	(3,010,274)	(3,656,020)	(3,533,785)
- Controlling shares - End of the period	(1,815,187)	(2,208,499)	(1,815,187)
Number of shares - End of the period	72,277,205	71,882,993	71,680,305
Net Book value (BV) per share (End of the period)	€ 49.92	€ 45.18	€ 49.73
Net Tangible book value (TBV) per share (End of the period)	€ 43.46	€ 39.02	€ 43.21
Net income (group share)	128,474	248,797	605,632
- profit share to R&Co Gestion	(3,152)	(1,715)	(3,429)
Net income attributable to shareholders	125,322	247,082	602,203
Earnings per share (based on average number of shares)	€ 1.74	€ 3.43	€ 8.38
Net income attributable to shareholders - excluding exceptional items	149,343	247,082	8
EPS excluding exceptional items (based on average number of shares)	€ 2.03	€ 3.43	€ 8.38
Diluted EPS (based on diluted number of shares - average)	€ 1.71	€ 3.37	€ 8.27



Alternative performance measures (APM)

ROTE and RORAC

ROTE

	H1 2023	H1 2022
Net income - Group share excluding exceptionals	149	249
Shareholders' equity - Group share - opening	3,565	3,133
- Intangible fixed assets	(217)	(192)
- Goodwill	(251)	(197)
Tangible shareholders' equity - Group share - opening	3,097	2,744
Shareholders' equity - Group share pre-exceptional distribution of reserves - closing	3,609	3,248
- Intangible fixed assets	(215)	(215)
- Goodwill	(253)	(229)
Tangible shareholders' equity - Group share - closing	3,141	2,805
Average tangible equity	3,119	2,774
ROTE excluding exceptionals	9.5%	17.9%

RORAC – 3 years average

	H1 2023	H1 2022
PBT 12m to June 2023	220	
PBT 12m to June 2022	228	228
PBT 12m to June 2021	233	233
PBT 12m to June 2020		52
Average PBT rolling 3 years	227	171
NAV 30/06/2023	987	
NAV 30/06/2022	973	973
NAV 30/06/2021	804	804
NAV 30/06/2020		588
Average NAV rolling 3 years	921	788
Debt = 30% of average NAV	276	237
Notional interest of 2.5% on debt	(5)	(5)
Average PBT rolling 3 years adjusted by the cost of debt interest	222	166
Risk adjusted capital = 70% of Average NAV	645	552
RORAC	34%	30%



Cash flow statement

	H1 2021	H1 2022	H1 2023
Consolidated Profit before tax	510	414	247
Non cash items	(155)	(64)	(23)
Profit before tax and non cash items	355	350	224
Acquisition of MB investments	(89)	(147)	(74)
Disposal of MB investments	144	197	192
Net (acquisition)/disposal of PPE and intangible assets	(10)	(11)	(17)
Tax paid	(54)	(113)	(78)
Net cash inflow/(outflow) relating to other operating activities ⁽¹⁾	(241)	(521)	(603)
Operating cash flow (OCF)	105	(245)	(356)
Net (advance)/repayment of loans to customers	(466)	(381)	219
Net cash inflow/(outflow) related to treasury activities ⁽²⁾	555	(270)	625
Net cash inflow/(outflow) related to investing activities ⁽³⁾	(1)	(33)	7
Net cash inflow/(outflow) related to financing activities	(86)	(267)	(116)
Impact of exchange rate changes on cash and treasury assets	84	101	93
NET INFLOW/(OUTFLOW) OF CASH AND TREASURY ASSETS	191	(1,095)	472
Treasury assets cash inflow/(outflow)	(109)	196	1,983
Impact of exchange rate on treasury asset	(6)	(3)	(48)
Interbank demand deposits and overnight loans	39	4	(8)
Net inflow/(outflow) of cash disclosed in consolidated accounts	115	(898)	2,399

The cash flows shown in this document are prepared on an operating business basis to give a better understanding of the cash generation of the activities of the group whereas for the statutory accounts the cash flows are shown on a "cash usage" basis. This means that the main differences of treatment and classification between the cash flows shown here and those in the statutory cash flow statement are:

- Cash and treasury assets include all liquid assets held at FVTPL and at amortised cost, the entire loans and advances to banks and to central banks but exclude the amounts due to banks on demand.
- For the statutory cash flow the focus is on pure cash assets less any amounts "due to banks on demand" which is a much narrower definition of cash. In addition to resulting in a different movement in cash, these definition differences impact the treasury activities and the exchange rates lines

Notes

- 1 Includes payment in respect of French profit share (*préciput*), rental payments, movement in working capital (including bonus payments from previous years) and interest on perpetual debts
- 2 Excluding cash inflow/(outflow) from treasury assets
- 3 Excluding MB investing activities, PPE and intangibles (acquisition)/disposal disclosed in operating activities



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