



Press release - Full year 2020 results

Paris, 9 March 2021

Resilient results despite the challenging conditions

- **Business performance:**
 - **Global Advisory:** robust performance in a challenging year with full year revenue of €1,146 million, down 1% compared to last year (2019: €1,160 million)
 - **Wealth & Asset Management:** strong Net New Assets in Wealth Management of €2.9 billion, up 16%. Resilient financial performance in Europe with revenue up 3% at €470 million (2019: €458 million) and profit before tax up 9% at €74 million (2019: €68 million). Very conservative loan book, with no material issues in the current environment. Difficult year for Asset Management in the US
 - **Merchant Banking:** full year revenue down 25% to €148 million (2019: €197 million) due to lower value accretion on investments than in 2019, although strong increase of 24% in recurring revenue as a result of strong AUM growth driven by recent successful fundraisings
- **Revenue** decreased by 4% to €1,799 million (2019: €1,872 million)
- **Net income - Group share excluding exceptionals¹** : €173 million (2019: €233 million). Net income - Group share including exceptionals: €161 million (2019: €243 million)
- **Earnings per share (EPS) excluding exceptionals¹**: €2.37 (2019: €3.24) and EPS including exceptionals: €2.20 (2019: €3.38)
- Foreign exchange translation effects decreased revenue by €17 million and Net income – Group share by €1 million
- 2020 dividend restricted to €0.70 per share (following the 2019 dividend of €0.85 being cancelled). As a consequence, we expect to make a special interim payment in Q4 2021 of €1.04 per share, subject to restrictions being lifted.

Alexandre de Rothschild, Executive Chairman, commented:

“2020 was a particularly challenging year for all our stakeholders. In these unprecedented circumstances, our focus has been on ensuring the welfare of all our colleagues who all reacted swiftly and remained focused on our clients’ needs during the challenging conditions. Thanks to this strong commitment and collaboration on a global scale, the business continued to operate effectively and produced a robust set of results.

The M&A market was interrupted by the pandemic during the year but finished the year strongly. In addition, our broad offering in financing advisory helped ensure that our results overall in Global Advisory were very resilient. We remain the leading advisor in terms of number of M&A transactions in Europe and second globally.

The Wealth Management business successfully collected a high level of net new assets, reflecting the strength of our brand, our excellent client service and the quality of our advice in this complex financial landscape. In line with our strategy, we announced the acquisition of Banque Pâris Bertrand, consolidating our position in the Swiss market. Asset Management had a tougher year with net outflows in North America, but we have refocused and are more confident for 2021.

¹ Exceptional items are presented in Appendix B

Merchant Banking's resilience was demonstrated by the increasing recurring revenue from the growth in assets under management enjoyed recently. Our stringent investment criteria, focussed on three sectors: healthcare, data & software, and technology-enabled business services, and the quality of assets, allowed us to finish the year with a portfolio that increased in value during 2020 despite the difficult environment.

2020 has shown us that the Group is resilient and agile, and able to face up to immense challenges. We have started 2021 in a strong position and our business model, built on three different pillars across several geographies has proved extremely solid. We are convinced that our strategy of focussing on long-term performance and value creation positions us well for the next stage of our development. Amongst all the hardship and economic disruption caused by the pandemic in 2020, Rothschild & Co is committed to contributing to a sustainable recovery and strongly believes that addressing identified ESG risks can represent value creation opportunities for the business and its stakeholders".

1. Summary Consolidated income statement

Rothschild & Co Supervisory Board met on 9 March 2021 and reviewed the consolidated financial statements² for the year ending 31 December 2020.

<i>(in € million)</i>	Page	2020	2019	Var	Var %
Revenue	3 - 8	1,799	1,872	(73)	(4)%
Staff costs	9	(1,096)	(1,065)	(31)	3%
Administrative expenses	9	(255)	(289)	34	(12)%
Depreciation and amortisation	9	(67)	(66)	(1)	2%
Cost of risk	9	(7)	(6)	(1)	17%
Operating Income		374	446	(72)	(16)%
Other income / (expense) (net)	10	(5)	19	(24)	(126)%
Profit before tax		369	465	(96)	(21)%
Income tax	10	(60)	(68)	8	(12)%
Net income		309	397	(88)	(22)%
Non-controlling interests	10	(148)	(154)	6	(4)%
Net income - Group share		161	243	(82)	(34)%
Adjustments for exceptionals	13	12	(10)	22	(220)%
Net income - Group share excl. exceptionals		173	233	(60)	(26)%
<i>Earnings per share*</i>		2.20 €	3.38 €	(1.18) €	(35)%
EPS excl. exceptionals		2.37 €	3.24 €	(0.87) €	(27)%
<i>Return On Tangible Equity (ROTE)</i>		8.2%	13.2%		
ROTE excl. exceptionals		8.8%	12.6%		

* Diluted EPS is €2.19 (2019: €3.35)

An analysis of exceptional items and a presentation of Alternative Performance Measures are shown respectively in Appendix B and Appendix G.

² The figures included in this presentation are unaudited. Figures have been rounded. Rounding differences may exist, including for percentages.

2. Business activities

2.1 Global Advisory

Our Global Advisory business focuses on providing advice in the areas of Strategic Advisory and M&A, Financing Advisory encompassing Debt Advisory, Restructuring and Equity Advisory, as well as Investor Advisory where we advise clients around engaging with shareholders on a variety of topics including activism, sustainability and governance.

Revenue for the three months to December 2020 was €355 million, up 35% compared to Q3 2020 (€262 million) and down 10% from the same period in the prior year (Q4 2019: €394 million), which was a record quarter.

Revenue for the full year 2020 was €1,146 million, only 1% below 2019 (€1,160 million), despite the challenging market environment. We ranked 8th globally by financial advisory revenue³ for the last twelve months to December 2020. As expected, we saw a decline in M&A revenue during 2020 compared to 2019, with this decline mitigated by increased Financing Advisory activity. Overall, revenue was flat year-on-year excluding currency effects. During the second quarter, we saw several M&A situations put on hold as a result of the pandemic, but we also supported a meaningful proportion of our clients' ingoing well-advanced or announced transactions through to completion. During the third and fourth quarters, we experienced new M&A dialogues and activity returning, which in turn supported strong revenue performance in the final quarter of 2020.

Operating income for 2020, excluding ongoing investment in the development of our North American M&A franchise, was €178 million (2019: €182 million) representing an operating margin of 15.6% (2019: 15.7%) and continues to be within our target range over the cycle. Including the effect of ongoing investment in senior hiring in North America, operating income was €169 million (2019: €166 million) with an operating margin of 14.7% (2019: 14.3%).

Total costs were down 2%, largely due to travel and certain other non-personnel costs being lower as a result of pandemic-related restrictions on activity, whilst total compensation costs were broadly flat year-on-year. The compensation ratio, which includes total compensation, benefits and social taxes on an awarded basis shown as a percentage of revenue, was 67.3% in 2020 (2019: 64.9%), after adjusting for the effects of senior hiring in North America and leaver costs.

Our **M&A** business has remained resilient despite an uncertain and volatile market environment during the year, ranking 2nd globally by number of completed transactions for the twelve months to December 2020⁴. In Europe, we continue to advise on more M&A transactions than any of our competitors, a position we have held for more than 15 years. M&A advisory revenue for Q4 2020 was €253 million, up from Q3 2020 (€128 million). Full year 2020 M&A revenue was €766 million, down 13% year-on-year (€875 million in 2019) in line with the decrease of 14% in value in the global M&A market.

Financing Advisory revenue for Q4 2020 was €102 million and full year 2020 revenue was €380 million, 33% above full year 2019 levels (€285 million), which represents a record performance. Revenue was driven by demand from existing and new clients for advice around liquidity, financing and balance sheet repair matters, as well as restructuring activity. We ranked 2nd in Europe in 2020 by numbers of completed restructuring transactions⁴ and maintained our position as adviser on more European equity assignments than any other independent financial adviser⁵.

We continue to add to and strengthen our senior team. During 2020, we promoted 20 new Managing Directors (MD) across the business, demonstrating our focus on growing talent from within. We continued our ongoing strategic investment in North America with a new Vice Chairman of North America and one new MD focusing on the automotive sector. We recruited two new MDs into our Swiss and Middle Eastern businesses. In addition, we have also recently established a dedicated secondaries team within our Equity Advisory business, in order to more directly address the rapidly evolving market for GP-led secondary transactions.

³ Source: Company filings

⁴ Source: Refinitiv

⁵ Source: Dealogic

This team will work closely with our M&A sector specialists and private equity coverage bankers to help broaden our capabilities and service offering for key sponsor clients.

Global Advisory advised the following clients on significant assignments completed during 2020:

- **Abu Dhabi Power Corporation** on its combination with TAQA (US\$55 billion, United Arab Emirates)
- **PG&E** (adviser to Ad Hoc Group of Insurance Subrogation Claimholders) on its restructuring (US\$52 billion, United States)
- **Consortium led by Advent, Cinven & RAG** on its acquisition of Thyssenkrupp's Elevator Technology business (€17.2 billion, Germany)
- **Asahi Group Holdings** on its acquisition of Carlton & United Breweries from Anheuser-Busch InBev (US\$11.3 billion, Japan, Australia and Belgium)
- **Finance Agency of the Federal Republic of Germany** on its stabilisation package for Deutsche Lufthansa (€9 billion, Germany)

In addition, we continue to work on some of the largest and most complex announced transactions globally, including acting as financial adviser to:

- **Bankia** on its merger with CaixaBank (€17 billion, Spain)
- **Coca Cola European Partners**, on its recommended offer for Coca Cola Amatil from public shareholders and The Coca-Cola Company (US\$8.4 billion, UK, Australia and United States)
- **Alstom** on its acquisition of Bombardier Transportation and cornerstone investment from CDPQ (€7.5 billion, France and Canada)
- **Walmart** on its sale of Asda to Issa Brothers and TDR Capital (£6.8 billion, United States and United Kingdom)
- **Grupo Aeroméxico** on its chapter 11 restructuring (US\$3.3 billion, Mexico)

For further examples of Global Advisory assignments completed during 2020, please refer to Appendix F.

2.2 Wealth & Asset Management

Wealth & Asset Management is made up of our Wealth management businesses in France, Switzerland, UK, Belgium, Germany, Monaco and Italy and our Asset management activity in Europe. In addition, we operate an Asset management business in North America.

2020 was a challenging year with COVID-19 leading to dramatic changes in working practices, volatile market conditions and a declining interest rate environment around the world. Despite this the business performed strongly with 2020 full year results marginally up compared to 2019. In December 2020, we announced the acquisition of Banque Paris Bertrand, a renowned private bank headquartered in Switzerland, with c. CHF6.5 billion of AuM (€6 billion). The completion is expected in the summer of 2021, subject to regulatory approvals.

Net New Assets (NNA) for 2020 were reasonable at €0.7 billion. Excluding outflows of €1.8 billion from our North American Asset management business (AM US), NNA for 2020 were €2.5 billion. This is due to an excellent performance in Wealth management, with net inflows of €2.9 billion, up 16% (2019: €2.5 billion), in all our main geographies, partially offset by net outflows in Asset management Europe of €0.4 billion. Despite the impact of COVID-19, levels of activity have been very high as we remain in constant dialogue with clients in these difficult conditions.

The definition of Assets under Management (AuM) was refined to align better the definitions within the Group resulting in a net increase in AuM of €1.7 billion. Including this definition change, **AuM grew by 3% at 78.1 billion** as at 31 December 2020 (2019: €76.0 billion). Excluding AM US, AuM grew by 6% from €65.8 billion in 2019 to €69.9 billion in 2020, despite a change of perimeter of €0.3 billion due to the sale of our European alternative platform to Alma Capital.

AM US recorded net outflows of €1.8 billion, primarily arising from the departure of the team covering multi-employer defined benefit business ("Taft-Hartley" plans) and where our value-oriented investment philosophy has proved difficult in the current environment. However, the business won an important mandate of sub-advisor with Transamerica AM, a new distribution partner, for approximately \$2.1 billion, which became effective in December 2020.

The table below presents the progress in AuM.

<i>(in € billion)</i>	2020	2019
AuM opening	76.0	64.8
<i>of which Wealth Management</i>	<i>50.5</i>	<i>42.5</i>
<i>of which AM Europe</i>	<i>15.3</i>	<i>13.8</i>
<i>of which AM US</i>	<i>10.2</i>	<i>8.5</i>
Net new assets	0.7	2.4
<i>of which Wealth Management</i>	<i>2.9</i>	<i>2.5</i>
<i>of which AM Europe</i>	<i>(0.4)</i>	<i>0.4</i>
<i>of which AM US</i>	<i>(1.8)</i>	<i>(0.5)</i>
Market and exchange rate	(0.3)	8.8
New definition of AuM	1.7	-
AuM closing	78.1	76.0
<i>of which Wealth Management</i>	<i>55.8</i>	<i>50.5</i>
<i>of which AM Europe</i>	<i>14.1</i>	<i>15.3</i>
<i>of which AM US</i>	<i>8.2</i>	<i>10.2</i>
% var / AuM opening	3%	

Revenue for the full year 2020 was broadly flat at €499 million (2019: €497 million). However, Wealth management revenue increased by 4% to €402 million (2019: €386 million), whereas Asset management revenue decreased by 13% (€14 million), of which €10 million in relation to our AM US business. Excluding AM US, revenue for the full year 2020 was up 3% at €470 million (2019: €458 million).

The broadly flat revenue reflects two opposing factors:

- a 4% increase in management fees supported by good NNA and investment performance, alongside an increase in commissions due to high levels of client activity,
- neutralising the lower net interest income (NII) driven by the declining interest rate environment. This caused our treasury revenue to decrease by 57% which more than offset the growth in interest income of 8% on our private client lending activities, resulting in a net decline in NII of 20%.

Operating income for 2020 was up 2% at €74 million (2019: €73 million), representing an operating margin of 14.9% (2019: 14.8%). Excluding AM US, operating income for 2020 was up 9% at €74 million from €68 million in 2019, representing an operating margin of 15.6% (2019: 14.8%). Costs were tightly controlled, partly assisted by reduced travel and entertaining due to COVID-19, but not at the expense of long-term investment in the growth of the business. This result is after a cost of risk on our lending book of €3 million (2019: credit of €2 million).

As a result of our conservative lending strategy, the private client loan book has proved resilient in the recent challenging market conditions. The relatively few margin calls have been rectified in accordance with normal procedures.

Overall, despite the impact of COVID-19, the business has performed well, with high levels of activity and a continued ability to attract new clients.

The profitability target set for Wealth & Asset Management is highly dependent on the interest rate environment, which strongly penalises the business. Therefore, PBT margin is expected to be around 18%, excluding AM US, instead of 20% by 2022, due to the decline in interest rates with no increase expected in the foreseeable future.

2.3 Merchant Banking

Merchant Banking is the investment arm of Rothschild & Co which manages capital for the firm and third parties in private equity and private debt.

Revenue for Q4 2020 was €68.4 million, up 21% compared to Q4 2019 (€56.5 million) mainly thanks to some value accretion on investments.

Revenue for the full year 2020 was €147.9 million, down 25% on prior year (2019: €197.2 million) due to lower uplifts in valuations in 2020. When compared to the average full year revenue over the last three years, revenue was down 15%. The table below illustrates the progression in revenue.

<i>(in € million)</i>	2020	2019	Var	% Var
Recurring revenue	113.7	91.4	22.3	24%
Investment performance revenue	34.2	105.8	(71.6)	(68)%
<i>of which carried interest</i>	6.0	47.4	(41.4)	(87)%
<i>of which realised and unrealised investments gains and dividends</i>	28.2	58.4	(30.2)	(52)%
Total revenue	147.9	197.2	(49.3)	(25)%
% recurring / total revenue	77%	46%		

These figures confirm the pattern seen throughout the year, with the revenue contraction reflecting two opposing effects:

- a strong year-on-year increase of 24% in recurring revenue (derived from management fees) of €22.3 million as a result of AUM growth driven by recent successful fundraisings; offset by
- a sharp reduction in investment performance related revenue of €71.6 million, due to:
 - lower unrealised valuation uplifts and realised gains from exits in our private equity funds. However, our investments have proven to be extremely resilient through the period, enabling us to close the year 2020 with higher valuations than in 2019; and
 - the change in the euro/US\$ rate which negatively impacted some of our unhedged investment positions.

Despite lower investment performance revenue in 2020 compared to 2019, we anticipate this slowdown in the value accretion of our equity and debt portfolios to be largely transient, with no or limited impact to our long-term value creation prospects. Given our sector focus (Healthcare, Data & Software and Technology-Enabled Business Services) and the quality of our assets, we remain confident that our valuations will resume their strong growth trajectory as market conditions stabilise. Crucially, all the portfolio companies in our equity funds remained well capitalised during this challenging year and did not face any liquidity issues.

Additionally, in H2 2020 the performance of public credit markets, which had already started to recover in Q2, has continued to improve, positively affecting the mark-to-market valuation of the Group's investments in certain Credit management products. At the end of 2020 the Group was left with a marginal mark-to-market loss on these products of c.€1.3 million.

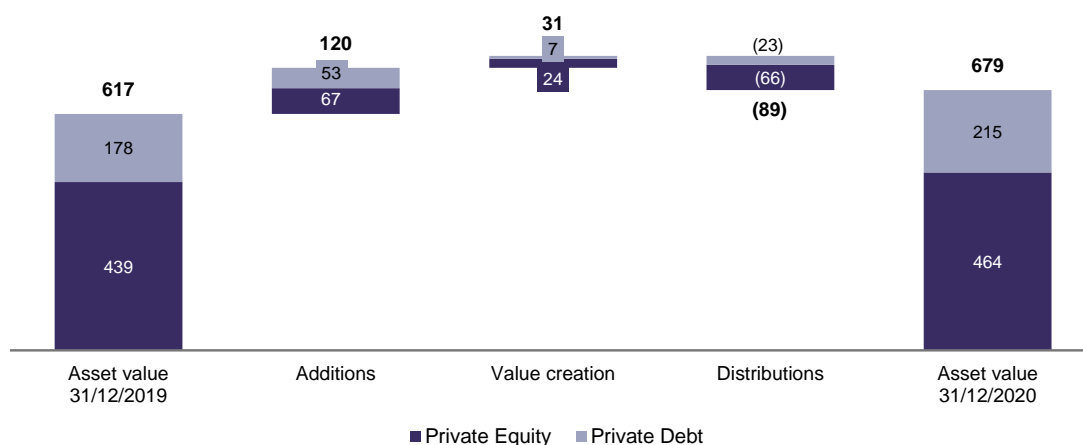
Positive investment performance revenue (albeit lower than previous years), combined with record high recurring revenue and careful cost management, allowed an Operating income of €57.4 million, below the prior year (2019: €111.2 million), due to the reduction in investment performance revenue describe above. This represents a total operating margin of 39%, down versus last year (2019: 56%). However, the profitability margin of Merchant Banking's fund management activities (which excludes investment performance related revenue) reached a record high level of 20% (2019: 5%).

A critical indicator used to measure the performance of Merchant Banking over the investment cycle is **Return On Risk Adjusted Capital** ("RORAC"), a ratio comparing adjusted profit before tax to an internal measure of risk capital invested in the business, on a rolling three-year basis. As at 31 December 2020, RORAC was 20%, lower than last year (2019: 28%), but still well above the division's stated target ("above 15% over the cycle"). The use of a three-year rolling average to calculate this metric has reduced the impact of the profit contraction in 2020 – and we believe that this methodology provides a fairer representation of the underlying performance of the business.

The alignment of interests between the Group and our third-party investors remains a key differentiator, especially in the midst of these challenging market conditions. During 2020:

- Rothschild & Co's investments in the division's products totaled €120 million, of which €67 million was in private equity and €53 million in private debt;
- Disposals and distributions generated proceeds of €89 million, of which €66 million was from private equity (mainly due to exits completed by Five Arrows Minority Investments – FAMI, and Five Arrows Principal Investments – FAPI) and €23 million from private debt (mainly due to exits completed by Five Arrows Credit Solutions – FACS, and Five Arrows Direct Lending – FADL). Further details are provided below.

Evolution in Net Asset Value of the Group's investments in Merchant Banking products (in € million)



New funds and business development

In 2020 Merchant Banking continued to develop its business activities, launching new fundraising initiatives to further increase its AUM and completing new transactions.

We are well advanced in raising our third direct lending, our first growth capital and our second multi-strategy funds, all of which have completed successful closing rounds in 2020:

- **Five Arrows Debt Partners III (FADP III)** - our third-generation direct lending fund investing in the senior-secured and junior debt of mid-market European corporates - had secured c.€640 million of commitments at the end of 2020,
- **Five Arrows Growth Capital I, (FAGC I)** - Merchant Banking's new private equity fund investing in European small caps - secured commitments of c.€220 million; and
- **Five Arrows Private Equity Programme II (FAPEP II)** - our second-generation multi-strategy fund - finished 2020 with c.€445 million of commitments with the final closing being held in January 2021.

Similarly, our Credit management business has continued to increase its AUM base:

- In January 2020, **Five Arrows Global Loan Investments (FA GLI)** - a new vehicle investing in the subordinated tranches of CLOs - held its second closing, securing commitments of €230 million to date,
- Between June and September, Credit management priced and closed three new CLOs in the US market (**Ocean Trails 8**, **Ocean Trails IX** and **Ocean Trails X**) each with assets of c.US\$300 million, as well as one new CLO in the European market (**Contego VIII**) with assets of €300 million.

Merchant Banking's total AuM as at 31 December 2020 was €15.7 billion, up 12% (2019: €14.0 billion), of which €1.3 billion (8%) is Rothschild & Co's share.

Investment and divestment activity

Private Equity

- **Five Arrows Principal Investments I (FAPI I)** completed in July 2020 the exit of Dominique Dutscher (a French distributor of laboratory supplies), achieving a 1.56x MOIC⁶. FAPI I will enter in 2021 its liquidation period with principally two positions left in its portfolio. Whilst we believe that these assets have additional value creation potential over the coming years and in order to offer existing investors a liquidity option should they wish, a continuation vehicle has been structured with new investors. This transaction is expected to close in Q1 2021,
- **FAPI III** together with Five Arrows Capital Partners (FACP), our US-based private equity fund completed two investments during the year, acquiring Juvare (a US-based crisis management technology platform) and Texthelp (a global leader in learning analytics and assistive technology for educational needs headquartered in the UK). Additionally, FAPI III acquired Softway Medical (a cloud-based software provider for health institutions in France),
- **FAMI**, the co-investment business, completed the disposal of Reponse Invest (a provider of interior design solutions to retail outlets), and closed the first two investments for its new investment programme; Five Arrows Minority Investments III. FAMI also received significant distributions in 2020 from one of the positions held in its portfolio of third-party funds,
- **Five Arrows Secondary Opportunities V (FASO V)** completed three acquisitions in 2020; a portfolio of small cap companies in the Nordic region mainly active in the Business Services sector, a portfolio carve-out constituted by two financial services companies active in the UK and in North America, and three US healthcare mid-cap companies included in a continuation fund. Most recently, in January, FASO V announced two additional secondary transactions realised on the French private equity market.

Private Debt

- **FACS** completed an exit from Exemplar (a UK provider of care services principally to adults with long-term degenerative conditions) achieving a gross IRR of 10.2%,
- **FADP III** completed in 2020 three additional investments: Aquam Water Services (a leading technology and service provider to UK water utilities), Biogroup (a French network of clinical laboratories) and an additional financing for Exemplar,
- **FADL** completed two exits in the year; BFCC (a French distributor of dental prostheses) and Arachas (an Irish commercial insurance broker) achieving gross IRRs of 9.8% and 10.0% respectively, whilst also investing in three new transactions led by FADP III: Dominique Dutscher (a French distributor of laboratory supplies), Heinenoord (a Dutch insurance distribution platform) and Totalmobile (a UK provider of field service management software),
- Since the beginning of 2021, the Direct lending funds successfully completed two further exits from their existing portfolios.

3. Consolidated financial results

3.1 Revenue⁷

For 2020, revenue was €1,799 million (2019: €1,872 million), representing a decrease of €73 million or 4%. This was largely due to Merchant Banking where revenue decreased by €49 million. The translation effect of exchange rate fluctuations decreased revenue by €17 million.

⁶ MOIC stands for Multiple On Invested Capital

⁷ Net Banking Income under IFRS

3.2 Operating expenses

Staff costs

For 2020, staff costs were €1,096 million, up 3% or €31 million (2019: €1,065 million), which reflects the good underlying performance of our businesses in a very challenging year. The translation impact of exchange rate fluctuations resulted in a decrease in staff costs of €14 million.

The adjusted compensation ratio, as defined in Appendix G on Alternative Performance Measures, was 67.1% as at 31 December 2020 (31 December 2019: 62.8%). When adjusting for the effects of senior hiring in the US for the advisory business and exchange rates; the ratio is 66.7% (31 December 2019: 61.8%). Further, if adjusted for the deferred bonus effect, the ratio is 66.6% (31 December 2019: 61.6%).

The 2020 compensation ratio has been negatively impacted by lower investment performance revenue from Merchant Banking (average of €112 million for the last three years) on which bonuses are not payable. If we calculate a pro forma ratio including an equivalent amount of investment revenue as in the last three years (€112 million), the compensation ratio would be 63.8%, modestly above 2019 ratio of 61.8%.

Overall Group headcount as at 31 December 2020 was similar to December 2019 at 3,589 (31 December 2019: 3,559).

Administrative expenses

For 2020, administrative expenses were €255 million (2019: €289 million) representing a decrease of €34 million. The translation impact of exchange rate fluctuations resulted in a decrease in administrative expenses of €2 million.

As announced in our 2019 full year results press release, the Group moved to a new IT infrastructure supplier to enable it to accelerate the implementation of its operational programmes. This has resulted in a one-off transition and transformation charge of €15 million in 2020.

The administrative expenses reduction reflects the impact of COVID-19, which resulted in savings, mainly in travel and entertaining, of around €35 to 40 million.

Depreciation and amortisation

For 2020, depreciation and amortisation was €67 million (2019: €66 million), representing an increase of €1 million. The translation impact of exchange rate fluctuations had no significant impact on depreciation and amortisation.

Cost of risk

For 2020, cost of risk was €7 million (2019: €6 million). This comprises provisions on the lending book, on certain GA receivables and other provisions. In 2020, cost of risk mainly included:

- a €4 million charge (2019: credit €2 million) relating to lending, mainly due to provisions for the corporate loan book in France. 2019 benefited from a number of provision recoveries;
- a €3 million charge relating to GA receivables (2019: €9 million).

3.3 Other income / (expenses)

For 2020, other income and expenses resulted in a net cost of €5 million (2019: net income of €19 million) reflecting decreases in the value of legacy assets. In 2019, it mainly comprised net capital gains on property transactions.

3.4 Income tax

For 2020, the income tax charge was €60 million (2019: €68 million) comprising a current tax charge of €57 million and a deferred tax charge of €3 million, giving an effective tax rate of 16.2% (2019: 14.6%).

3.5 Non-controlling interests

For 2020, the charge for Non-controlling interests was €148 million (2019: €154 million). This mainly comprises interest on perpetual subordinated debt and profit share (*préciput*) payable to French partners in line with the performance of the French Global Advisory and Wealth & Asset Management businesses.

4. Financial structure

Rothschild & Co, as a financial holding company (*compagnie financière holding*), is supervised by the ACPR on a consolidated basis.

The Group has a solid balance sheet with Group shareholder's equity – Group share as at 31 December 2020 of €2.3 billion (2019: €2.2 billion). The increase in Group shareholders' equity reflects the retained profit for the year partly offset by losses in reserves relating to actuarial valuations and translation losses from exchange rate fluctuations.

The CET 1 ratio was 20.1%⁸ as at 31 December 2020 which reduced from prior year (2019: 20.2%) The Common Equity Tier 1 capital is calculated in accordance with applicable CRR/CRD4 rules. The solvency ratios are presented pro forma for current profits⁹, net of dividends, for the current financial year, unless specified otherwise.

	2020	2019	Full Basel 3 minimum with the CCB (Capital Conservation Buffer)
Common Equity Tier 1 ratio (CET 1)	20.1%	20.2% ¹⁰	7.0%
Global solvency ratio	20.1%	20.2% ¹⁰	10.5%

High levels of liquidity are maintained with cash and treasury assets accounting for 59% of the total assets of €14.7 billion (2019: 59%). Lending remains conservatively funded by customer deposits with a loan to deposit ratio of 35% as at 31 December 2020 (2019: 34%)

Cash generation remains good with Operating Cash Flow¹¹ (OCF) of €90 million (2019: €116 million). The reduction versus 2019 is due to the significant cash inflow generated on property disposals during 2019. It should be noted that the OCF is particularly dependent on the level of realisations and investments within the Merchant Banking business in any particular year. OCF excluding Merchant Banking investment activities was €121 million (2019: €138 million).

Net book value per share was €31.90 (2019: €31.23) and net tangible book value per share was €27.67 (2019: €27.07).

⁸ The ratio submitted to ACPR as at 31 December 2020 was 19.5%, which excludes the profit of the second half of the year

⁹ Subject to the provisions of article 26.2 of Regulation (EU) No 575/2013

¹⁰ The ratios as at 31 December 2019 have been recalculated to reflect the cancellation of the 2019 dividend, in accordance with the ACPR's recommendation

¹¹ Alternative Performance Measure, please refer to Appendix G

5. Corporate responsibility

Corporate Responsibility and ESG integration continued to be key priorities for us in 2020.

The Group is now signatory to the UN Global compact and has actively engaged in dialogue with critical stakeholders and rating agencies. A new dedicated committee of the Supervisory Board assists the Board in ensuring the Group considers issues relating to Corporate Responsibility in line with strategic priorities for the business.

Operationally our key areas of focus in 2020 were on (i) employee wellbeing and productivity in a remote working environment; (ii) gender and ethnic minority inclusion, with a clear ambition to increase female representation alongside other diverse profiles in our workforce; (iii) further reduction in operational GHG emissions; in 2020 a reduction of more than 60% in total GHG emissions per FTE was primarily driven by a continued switch to electricity from renewable sources and a reduction in business travel.

A clear business priority was the continued integration of ESG risk and opportunity considerations in our investment businesses, all of which are now UNPRI signatories, and the development of dedicated responsible investment solutions.

6. Brexit

The UK formally left the EU on 31 January 2020, and the transition period ended on 31st December 2020. The Agreement between the UK and the EU did not deal to any significant extent with financial services, and the EU and the UK are currently negotiating arrangements to deal with this sector with the aim of reaching agreement in March. It is not currently possible to predict the outcome of these discussions.

Our multiple location model is resilient, and our current view is that few changes will need to be made to our legal and operating structure as a consequence of Brexit. Changes that are being implemented are minor and largely concentrated in our Wealth & Asset Management activities.

Our current assessment is that the biggest risk for our business is the impact of Brexit on the UK and European economic environment. We continue to monitor developments closely.

7. COVID-19

Our focus throughout the COVID-19 crisis has been and remains the safety and welfare of our colleagues and the needs of our clients. At the outset in March 2020, we were able to move swiftly into a home-working set-up for all of our employees without major impact on productivity. This accelerated adoption of digital remote working practices was a testament to the hard work and resilience of our teams around the globe. The majority of our colleagues continue to work from home and when the opportunity arises are ready to return to work from the office, in accordance with local government requirements.

The Group is financially resilient; we have a strong balance sheet and high levels of liquidity. Our prudent approach to the business is also reflected in our conservative loan book.

Thanks to our staff, clients and operating synergies from our three-business model, the Group is confident it will emerge from this crisis stronger and fully able to continue to support our clients and to take advantage of future business opportunities.

8. Dividend

Rothschild & Co would normally have proposed for approval at the respective annual General Meetings a dividend of €0.85 per share in respect of our 2019 results and €0.89 per share in respect of our 2020 results. However, following the recommendations of the ACPR during 2020 and 2021, no dividend was paid in 2020 and the dividend we will propose to the General Meeting in May 2021 will be restricted to €0.70 per share.

It is, however, the intention to pay the remaining amount of €1.04 per share in the form of an exceptional interim dividend in respect of the 2021 financial year, as and when the regulator so allows, which we currently expect to be in fourth quarter of 2021, in the absence of materially adverse developments.

9. Outlook

In **Global Advisory**, we are cautiously optimistic that the positive trend seen in the last months of 2020 will continue into 2021. Our visible pipeline of engagements remains healthy across the business and above levels seen at the same point last year. However, we remain alert to respond to a range of market conditions in the year ahead and we continue to manage our costs and resources carefully.

In **Wealth & Asset Management**, after a strong performance in 2020, we still anticipate a negative impact because of the ongoing low interest rate environment. NNA in Wealth management continues to be resilient but it may prove difficult to sustain the current levels, depending on the duration of the ongoing COVID-19 restrictions. The crisis has, however, underlined how our excellent client service and positive investment performance remain key differentiators in a competitive market and we believe that we are well placed to benefit from future opportunities. The acquisition of Banque Pâris Bertrand is expected to have a positive effect following completion in the summer of 2021.

In **Merchant Banking**, we expect to continue to grow our recurring revenue base, as some of our most recent funds complete their fundraising process, new funds are launched, and capital is deployed. As a result, our fund management activities will represent an important profitability driver for the division and the Group. In addition, notwithstanding the uncertainties related to the COVID-19 pandemic, we expect our investments to continue to show resilience, take advantage of the available growth opportunities and accelerate their value creation trajectory, which will generate increased investment performance related revenue for the Group. We are confident that our fundamental investing principles centred around capital preservation and accurate sector selection represent the ideal foundation for our next development phase.

Despite the considerable uncertainty in the financial markets over the last 12 months, our three core businesses proved to be extremely resilient. This gives us the confidence to believe that we are well positioned for the continued unpredictable market conditions that we face in the forthcoming months. Thanks to our strategy of focussing on our clients' needs and increasing revenue while maintaining a close control over costs, we remain cautiously optimistic for 2021.

Financial calendar:

- 11 May 2021: First quarter 2021
- 20 May 2021: Annual General Meeting
- 15 September 2021: Half-year 2021
- 9 November 2021: Third quarter 2021

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About Rothschild & Co

Rothschild & Co is family-controlled and independent and has been at the centre of the world's financial markets for over 200 years. With a team of c.3 600 talented financial services specialists on the ground in over 40 countries, Rothschild & Co's integrated global network of trusted professionals provides in-depth market intelligence and effective long-term solutions for our clients in Global Advisory, Wealth & Asset Management, and Merchant Banking.

Rothschild & Co is a French partnership limited by shares (*société en commandite par actions*) listed on Euronext in Paris, Compartment A with a share capital of €155,315,024. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

A. Summary Consolidated balance sheet

<i>(in € billion)</i>	31/12/2020	31/12/2019	Var
Cash and amounts due from central banks	4.7	4.4	0.3
Loans and advances to banks	2.3	2.0	0.3
Loans and advances to customers	3.5	3.3	0.2
<i>of which private client lending</i>	3.1	2.8	0.3
Debt and equity securities	2.7	2.8	(0.1)
Other assets	1.5	1.7	(0.2)
Total assets	14.7	14.2	0.5
Due to customers	9.9	9.5	0.4
Other liabilities	2.1	2.1	0.0
Shareholders' equity - Group share	2.3	2.2	0.1
Non-controlling interests	0.4	0.4	0.0
Total capital and liabilities	14.7	14.2	0.5

The foreign exchange translation effect between 31 December 2020 and 31 December 2019 had no material effect on the balance sheet.

B. Exceptional income and expenses

<i>(in € million)</i>	2020			2019		
	PBT	PATMI	EPS	PBT	PATMI	EPS
As reported	369	161	2.20 €	465	243	3.38 €
- Net profit on legacy assets	-	-	-	18	10	0.14 €
- IT transition costs	(15)	(12)	(0.17) €	-	-	-
Total exceptional (expenses) / income	(15)	(12)	(0.17) €	18	10	0.14 €
Excluding exceptional	384	173	2.37 €	447	233	3.24 €

C. Performance by business

(in € million)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation *	2020
Revenue	1,146	499	148	11	(5)	1,799
Operating expenses	(977)	(422)	(91)	(53)	125	(1,418)
Cost of risk	-	(3)	-	-	(4)	(7)
Operating income	169	74	57	(42)	116	374
Other income / (expense)	-	-	-	-	(5)	(5)
Profit before tax	169	74	57	(42)	111	369
Exceptional (profits) / charges	-	-	-	-	15	15
PBT excluding exceptional charges / profits	169	74	57	(42)	126	384
Operating margin %	15%	15%	39%	-	-	21%

(in € million)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation *	2019
Revenue	1,160	497	197	24	(6)	1,872
Operating expenses	(994)	(426)	(86)	(53)	139	(1,420)
Cost of risk	-	2	-	-	(8)	(6)
Operating income	166	73	111	(29)	125	446
Other income / (expense)	-	-	-	-	19	19
Profit before tax	166	73	111	(29)	144	465
Exceptional profits	-	-	-	-	(18)	(18)
PBT excluding exceptional charges / profits	166	73	111	(29)	126	447
Operating margin %	14%	15%	56%	-	-	24%

* IFRS reconciliation mainly reflects: the treatment of profit share (préciput) paid to French partners as non-controlling interests; accounting for deferred bonuses over the period that they are earned; the application of IAS 19 for defined benefit pension schemes; adding back non-operating gains and losses booked in "net income/(expense) from other assets" or administrative expenses; and reallocating cost of risk and certain operating income and expenses for presentational purposes.

D. FX rates

P&L				Balance sheet			
Rates	2020	2019	Var	Rates	31/12/2020	31/12/2019	Var
€ / GBP	0.8883	0.8749	2%	€ / GBP	0.8992	0.8522	6%
€ / CHF	1.0706	1.1114	(4)%	€ / CHF	1.0804	1.0860	(1)%
€ / USD	1.1481	1.1191	3%	€ / USD	1.2281	1.1214	10%

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

E. Quarterly progression of revenue

<i>(in € million)</i>		2020	2019	Var
Global Advisory	1 st quarter	269.1	292.5	(8)%
	2 nd quarter	260.3	252.3	3%
	3 rd quarter	261.9	221.3	18%
	4 th quarter	354.7	393.5	(10)%
	Total	1,146.0	1,159.6	(1)%
Wealth & Asset Management	1 st quarter	130.8	118.5	10%
	2 nd quarter	121.4	120.7	1%
	3 rd quarter	117.1	123.4	(5)%
	4 th quarter	129.7	134.0	(3)%
	Total	499.0	496.6	0%
Merchant Banking	1 st quarter	20.7	24.1	(14)%
	2 nd quarter	32.1	86.3	(63)%
	3 rd quarter	26.7	30.3	(12)%
	4 th quarter	68.4	56.5	21%
	Total	147.9	197.2	(25)%
Other business and corporate centre	1 st quarter	3.1	9.8	(68)%
	2 nd quarter	4.0	3.5	14%
	3 rd quarter	2.2	4.5	(51)%
	4 th quarter	1.6	6.7	(76)%
	Total	10.9	24.5	(56)%
IFRS reconciliation	1 st quarter	(7.3)	(1.0)	630%
	2 nd quarter	3.6	(9.2)	(139)%
	3 rd quarter	(4.2)	1.8	(333)%
	4 th quarter	3.0	2.5	20%
	Total	(4.9)	(5.9)	(17)%
Total Group Revenue	1 st quarter	416.4	443.9	(6)%
	2 nd quarter	421.4	453.6	(7)%
	3 rd quarter	403.7	381.3	6%
	4 th quarter	557.4	593.2	(6)%
	Total	1,798.9	1,872.0	(4)%

F. Global Advisory track record

Global Advisory advised the following clients on notable transactions completed in 2020.

M&A and strategic advisory

- **Abu Dhabi Power Corporation**, the state-owned utilities asset manager, on its combination with TAQA (US\$55 billion, United Arab Emirates)
- **Ingenico**, the global leader in payment solutions, on its combination with Worldline (€21 billion, France)
- **Consortium led by Advent, Cinven & RAG** on its acquisition of the Elevator Technology business of Thyssenkrupp, the engineering and steel conglomerate, (€17.2 billion, Germany)
- **Asahi Group Holdings**, the global beer, spirits and soft drinks business, on its acquisition of Carlton & United Breweries from Anheuser-Busch InBev (US\$11.3 billion, Japan, Australia and Belgium)
- **Snam, together with GIP, Brookfield, GIC, OTPP and NH**, on their acquisition of a 49% stake in Abu Dhabi National Oil Company's gas pipelines (US\$10.1 billion, Italy and United Arab Emirates)
- **Builders FirstSource**, the largest supplier of building products for residential construction in the US, on its merger with BMC Stock Holdings (US\$6.9 billion, United States)
- **Cobham**, a global aerospace and defence company, on its recommended cash offer from Advent (c.£4.2 billion, United Kingdom)
- **Froneri**, a global ice cream company, on its acquisition of Nestle's US ice cream business (US\$4 billion, United Kingdom, United States)
- **CVC Capital Partners** on its disposal of ELSAN, a leading private hospitals operator in France, to KKR (France, c.€3.3 billion)
- **Ei Group**, the largest pub company in the UK, on its recommended cash offer by Stonegate pub company (£3 billion, United Kingdom)
- **José de Mello**, one of the largest Portuguese business groups, on its joint sale of an 81.1% interest in Brisa (equity value c.€3 billion, Portugal)
- **Cision**, the media software and services provider, on its sale to Platinum Equity (US\$2.74 billion, United States)
- **Lytix**, the leading provider of driver video technology, on its sale to a consortium led by Permira (US\$2.55 billion, United States)
- **Wumei**, one of the largest Chinese retailers, on the acquisition of an 80% stake in METRO China (€1.9 billion, China, Germany)
- **Blackstone and Armacell** on its sale of Armacell, a world leader in flexible foam insulation, to PAI Partners and Kirkbi (€1.4 billion, Luxembourg)
- **Boels**, the equipment rental company, on its public offer for Cramo plc and associated underwritten senior loan financing (€1 billion, Netherlands and Finland)

Financing Advisory

- **PG&E** (adviser to Ad Hoc Group of Insurance Subrogation Claimholders), the parent company of Pacific Gas and Electric Company, on its restructuring (US\$52 billion, United States)
- **Finance Agency of the Federal Republic of Germany** on its stabilisation package for Deutsche Lufthansa, the largest German airline (€9 billion, Germany)
- **Nordic Aviation Capital**, the largest owner and lessor of aircraft in the world, on its restructuring (US\$5.9 billion, United Kingdom)
- **Rallye**, a French company holding interests in retail businesses Casino and Groupe Go Sport, on its restructuring and signing of a back-up facility (€3.6 billion and €233 million, respectively, France)
- **IAG**, one of the world's largest airline groups, on its rights issue (€2.75 billion, Spain and United Kingdom)
- **Hamburg Commercial Bank**, a private commercial bank, on its liability management exercise (€2.3 billion, Germany)
- **Nordex**, a leading global wind turbine manufacturer, on its restructuring of existing capital structure and raise of state guaranteed RCF (€1.8 billion and €350 million, respectively, Germany)
- **Ministry of Finance of Ukraine** on its capital markets transaction, including a US\$805 million switch tender offer and financial support from the official sector (US\$2 billion, Ukraine)
- **The Hut Group**, an e-commerce technology and operating platform, on its IPO on the London Stock Exchange (£1.9 billion, United Kingdom)
- **Republic of Cote d'Ivoire** on its Eurobond offering and a tender offer (€1 billion and US\$825 million, respectively, Ivory Coast)
- **Technicolor**, the global leader in media disc production and broadband box production, on its debt restructuring and new money (€1.5 billion and €420 million, respectively, France)
- **Mitchells & Butlers**, a leading operator of managed restaurants and pubs in the UK, on its securitisation amendments and new Coronavirus Large Business Interruption Loan Scheme facilities (£1.6 billion and £100 million, respectively, United Kingdom)
- **Whitbread**, the hotel and restaurant chain owner, on the 18-month waiver of its financial covenants in its £300 million USPP and £950 million RCF (£1.3 billion, United Kingdom)
- **Mercury UK** on its sell-down of a 13.4% stake in Nexi, the leading Italian payment technology company (€1.3 billion, Italy)
- **Redexis Gas**, a natural gas transmission and distribution infrastructure operator, on the issuance of senior unsecured notes, club deal facility and tender offer on existing senior unsecured notes (€1.3 billion, Spain)
- **FirstGroup**, a leading provider of transport services in the UK and North America, on the amendment of its financial covenants (£1.1 billion, United Kingdom)

G. Alternative performance measures (APM) - Article 223-1 of the AMF's General Regulation

APM	Definition	Reason for use	Reconciliation
Net income – Group share excluding exceptionals	Net income attributable to equity holders excluding exceptional items	To measure Net income Group share excluding exceptional items of a significant amount	In the Press release, please refer to Appendix B.
EPS excluding exceptionals	EPS excluding exceptional items	To measure Earnings per share excluding exceptional items of a significant amount	In the Press release, please refer to Appendix B.
Adjusted compensation ratio	<p>Ratio between adjusted staff costs divided by consolidated Revenue of Rothschild & Co.</p> <p>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 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"> from which the investment costs related to the recruitment of senior bankers in the United States must be deducted, the amount of adjusted staff costs is restated by the exchange rate effect to offset the exchange rate fluctuations from one year to the next one, <p>- which gives the adjusted staff costs for compensation ratio.</p>	<p>To measure the proportion of revenue granted to all employees.</p> <p>Key indicator for competitor listed investment banks.</p> <p>Rothschild & Co calculates this ratio with adjustments to give the fairest and closest calculation to the one used by other comparable listed companies.</p>	<p>Please refer:</p> <p>in the Press release to § 3.2 Operating expenses / Staff costs and in the Investor presentation to slide 37</p>
Businesses' Operating margin	<p>Each business Operating margin is calculated by dividing Profit before tax relative to revenue, business by business.</p> <p>It excludes exceptional items.</p>	To measure business' profitability	Please refer to § 2
Return on Tangible Equity (ROTE) excluding exceptionals	<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 2019 and 31 December 2020.</p>	To measure the overall profitability of Rothschild & Co excluding exceptional items on the equity capital in the business	In the Investor presentation release, please refer to slide 51
Return on Risk Adjusted Capital (RORAC)	<p>Ratio of an adjusted profit before tax 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, Merchant Banking profit before tax 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	In the Investor presentation release, please refer to slide 51
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	In the Investor presentation release, please refer to slide 40