Rothschild & Co

Half-year Financial Report
30 June 2021

Rothschild & Co

Contents

1. Summary Consolidated income statement

Rothschild & Co Supervisory Board met on 15 September 2021 and reviewed the half-year summary consolidated financial statements[1] for the period from 1 January to 30 June 2021.

(in € million)	Page	H1 2021	H1 2020	*Var*	*Var %*
Revenue	**3 - 8**	**1,350**	**838**	***512***	***61%***
Staff costs	8	(693)	(523)	*(170)*	*33%*
Administrative expenses	8	(119)	(122)	*3*	*(2)%*
Depreciation and amortisation	8	(34)	(34)	*0*	*0%*
Cost of risk	8	2	(8)	*10*	*(125)%*
Operating Income		**506**	**151**	***355***	***235%***
Other income / (expense) (net)	9	4	(1)	*5*	*(500)%*
Profit before tax		**510**	**150**	***360***	***240%***
Income tax	9	(58)	(28)	*(30)*	*107%*
Net income		**452**	**122**	***330***	***270%***
Non-controlling interests	9	(106)	(62)	*(44)*	*71%*
Net income - Group share		**346**	**60**	***286***	***477%***
Adjustments for exceptionals	12	0	5	*(5)*	*(100)%*
Net income - Group share excl. exceptionals		**346**	**65**	***281***	***432%***
*Earnings per share**		*4.78 €*	*0.82 €*	*3.96 €*	*483%*
EPS excl. exceptionals		***4.78 €***	***0.88 €***	***3.90 €***	***443%***
Return On Tangible Equity (ROTE)		*31.8%*	*6.3%*		
ROTE excl. exceptionals		***31.8%***	***6.8%***		

* *Diluted EPS is €4.71 (H1 2020: €0.82)*

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

[1] 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 June 2021 was €439 million, up 68% compared to Q2 2020 (€260 million) and up 11% versus Q1 2021 (€395 million).

Revenue for the six months to June 2021 was a record high of €833 million, up 57% (H1 2020: €529 million), reflecting very strong activity levels across the whole business. For the last twelve months to June 2021, we ranked 5th globally by financial advisory revenue[2].

Profit before tax for the six months to June 2021, excluding ongoing investment in the development of our North American M&A franchise, was **up 105% to €168 million** (H1 2020: €82 million) representing a profit before tax margin of 20.1% (H1 2020: 15.4%). Including the effect of ongoing investment in senior hiring in North America, profit before tax was €165 million (H1 2020: €75 million) with an operating margin of 19.8% (H1 2020: 14.1%).

Our **M&A** revenue for the six months to June 2021 was €573 million, up 49% (H1 2020: €385 million), based on increased deal activity by volume and by value within our main geography and sector franchises, across both corporate and financial sponsor clients. We ranked 3rd globally by number of completed transactions for the first half of 2021[3]. 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[3].

Financing Advisory revenue for the six months to June 2021 was €260 million, up 80% (H1 2020: €144 million), driven by demand from existing and new clients for advice around restructurings, balance sheet repair and liquidity matters, as well as acquisition finance, refinancing and ECM advisory. We ranked 1st in Europe by number of completed restructuring transactions for the first half of 2021[3], and we advised on more European equity assignments than any other independent financial adviser over the same period[4]. Global Advisory advised clients on innovative sustainability linked financing transactions and sustained its leading role in raising financing for renewable energy projects.

During the first half of 2021, we continued our ongoing strategic investment in North America with the recruitment of a new Managing Director in the North America Financial Sponsors Group. In addition, in early September we welcomed another new MD into our Financial Sponsors Group and announced the opening of a new office in Boston.

Global Advisory advised the following clients on significant selected assignments that completed in H1 2021:

- ***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)*
- ***Hertz** on its Chapter 11 restructuring (adviser to Ad Hoc Group of European Noteholders - US$19.1 billion, United States and Netherlands)*
- ***Vodafone** on its carve-out IPO of Vantage Towers (c.€2.3 billion, United Kingdom and Germany)*

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[2] Source: Company filings
[3] Source: Refinitiv
[4] Source: Dealogic

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

- ***Suez*** *on the recommended tender offer from Veolia (€26.0 billion, France)*
- ***Macquarie Infrastructure and Real Assets Europe*** *on its acquisition of Autostrade per l'Italia (€9.6 billion, Italy)*
- ***Morrisons*** *on its recommended offers from CD&R (£7.0 billion, United Kingdom and United States)*
- ***HELLA Family Pool*** *on the sale of its 60% stake in HELLA to Faurecia (€6.7 billion, Germany and France)*
- ***Pierre & Vacances Center Parcs*** *on its restructuring (€1.2 billion, France)*

For further examples of Global Advisory assignments completed during the first half of 2021, please refer to Appendix F.

2.2 Wealth and Asset Management

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

2021 was expected to show a strong economic recovery boosted by mass vaccination and a return to normality. However, the pandemic crisis did not end due to new variants and delays in the completion of the vaccination programs across the world. Nevertheless, as central banks continued to provide liquidity to the markets and governments continue to support the local economies, the equity markets remained very positive, which supported the strong performance of the business in the first half of 2021.

Net New Assets (NNA) for the six months to June 2021 were €3.4 billion. Excluding outflows of €0.7 billion from our North American Asset management business (AM US), NNA in Europe were €4.1 billion. This is due to strong NNA across all our European locations despite travel restrictions, more than double compared to H1 2020 (€1.7 billion). This result confirms the strength of our business model as well as the quality of our offerings, services and teams, which continue to attract new clients.

For the six months to June 2021, AuM grew by 12% at €87.5 billion as at 30 June 2021 (31 December 2020: €78.1 billion).

The table below presents the progress in AuM:

	Quarter ended			6 months to June	
In € billion	**30/06/2021**	**31/03/2021**	**30/06/2020**	**2021**	**2020**
AuM opening	**83.6**	**78.1**	**66.7**	**78.1**	**76.0**
of which Wealth Management	*60.9*	*55.8*	*46.6*	*55.8*	*50.5*
of which AM Europe	*14.5*	*14.1*	*10.0*	*14.1*	*15.4*
of which AM US	*8.2*	*8.2*	*10.1*	*8.2*	*10.1*
Net new assets	**1.5**	**1.9**	**(0.3)**	**3.4**	**0.3**
of which Wealth Management	*1.3*	*2.4*	*0.5*	*3.7*	*1.8*
of which AM Europe	*0.3*	*0.1*	*-*	*0.4*	*(0.1)*
of which AM US	*(0.1)*	*(0.6)*	*(0.8)*	*(0.7)*	*(1.4)*
Market and exchange rate	**2.4**	**3.6**	**4.9**	**6.0**	**(5.0)**
AuM closing	**87.5**	**83.6**	**71.3**	**87.5**	**71.3**
of which Wealth Management	*63.7*	*60.9*	*49.9*	*63.7*	*49.9*
of which AM Europe	*15.3*	*14.5*	*13.9*	*15.3*	*13.9*
of which AM US	*8.5*	*8.2*	*7.5*	*8.5*	*7.5*
% var / AuM opening	*5%*			*12%*	

As planned, we completed the acquisition of Banque Pâris Bertrand at the beginning of July, a renowned private bank headquartered in Switzerland, which will be merged with our existing Swiss bank (Rothschild & Co Bank AG) by the end of the year, bringing around €6 billion of additional AuM to our Wealth and Asset Management division in Switzerland and Luxembourg.

We also received the final regulatory approval for the opening of our new office in Madrid, which will start operating in September, extending further our geographical presence in Europe.

Revenue for the three months to June 2021 was €140 million, up 15% compared to Q2 2020 (€121 million) and up 4% versus Q1 2021 (€134 million).

Revenue for the six months to June 2021 was a very strong half-year of €274 million, up 9% (H1 2020: €252 million). In line with the growing AuM base, fees and commissions from our managed and advisory portfolios increased by 11% to €232 million (H1 2020: €209 million) and represent now 85% of our total revenue. As expected, net interest income was down 15% to €25 million (H1 2020: €29 million), due to the impact of the USD and GBP interest rate cuts in March 2020, as well as negative EUR and CHF rates which continue to penalise our treasury revenue. This was partly offset by a 13% (+€0.5 billion) growth of the private client lending book, especially in the Lombard loan book (+€0.3 billion). Globally the lending book remains well collateralised.

Excluding AM US**, Profit before tax for the six months to June 2021 was up 39% at €58 million** (H1 2020: €41 million), representing an operating margin of 22.0% (H1 2020: 17.5%). We do not expect to maintain this level of operating margin for the full year as first-half revenue benefited from the positive market momentum and some costs were still lower than budgeted due to travel restrictions and working from home. Globally costs remain well controlled despite some integration costs in Switzerland related to Pâris Bertrand acquisition.

The business entities continued their efforts in the application of the groupwide Responsible Investment framework and are focused on implementing procedures to support the stated objective of ensuring that more than 85% of Wealth Management discretionary assets and more than 95% of Asset Management Europe open-ended funds eligible to SFDR ("Sustainable Finance Disclosure Regulation") will be classified as article 8 or 9 by the end of 2021.

2.3 Merchant Banking

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

Revenue for the three months to June 2021 was a record of €131 million, up 309% compared to Q2 2020 (€32 million).

Revenue for the six months to June 2021 was a record half-year of €235 million, up 345% (H1 2020: €53 million) due to significant realised gains on investment disposals, material unrealised value accretion across the entire portfolio and year-on-year growth in recurring revenue. When compared to the average first half-year revenue of the last three years, H1 2021 revenue is up 163%. The table below illustrates the progression in revenue compared to last year.

In € million	H1 2021	H1 2020	% Var
Recurring revenue	58.6	53.1	*10%*
Investment performance revenue	176.1	(0.3)	*n/a*
of which carried interest	*63.6*	*(0.8)*	*n/a*
of which realised and unrealised investments gains and dividends	*112.5*	*0.5*	*n/a*
Total revenue	**234.7**	**52.8**	***345%***
% recurring / total revenue	*25%*	*101%*	

Note: investment and performance revenue comprises c. €50 million, out of a total of €176.1 million, related to investment income earned following valuation uplifts achieved through realisations from the private equity portfolio.

The strong revenue increase in H1 2021 continues the momentum seen with the positive results achieved in the first quarter and is driven by the combination of two positive effects:

- an increase in recurring revenue of 10% (+€5.5 million) compared to H1 2020, in line with the steady growth trajectory achieved as a result of the consistently expanding AuM base; and
- a record-high contribution from investment and performance revenue of €176.1 million, representing a positive variance of €176.4 million compared to H1 2020.

  It is worth noting that, in H1 2020, investment and performance revenue was marginally negative at €0.3 million due to the lack of material valuation uplifts in the private equity positions and negative mark-to-market movements in some of the Credit Management products.

  This H1 2021 performance was the result of:
  - valuation uplifts achieved through successful exits from the private equity portfolio;
  - unrealised valuation gains across multiple private equity portfolios in Europe and the US; and
  - accrued income and positive mark-to-market movements in the Group's private debt positions.

As pointed out in our 2021 first quarter announcement, the investment and performance revenue generated to date in 2021 represents a strong validation of our investment approach and confirms that our portfolios have continued to create value for our investors notwithstanding the challenges posed by the pandemic. The resilience of the three industry sectors we focus on (Data & Software, Healthcare and Technology-Enabled Business Services), the high quality of our assets and our effective portfolio value creation initiatives, translated into higher valuations for our private equity portfolios were the main drivers behind the successful realisations completed in 2021.

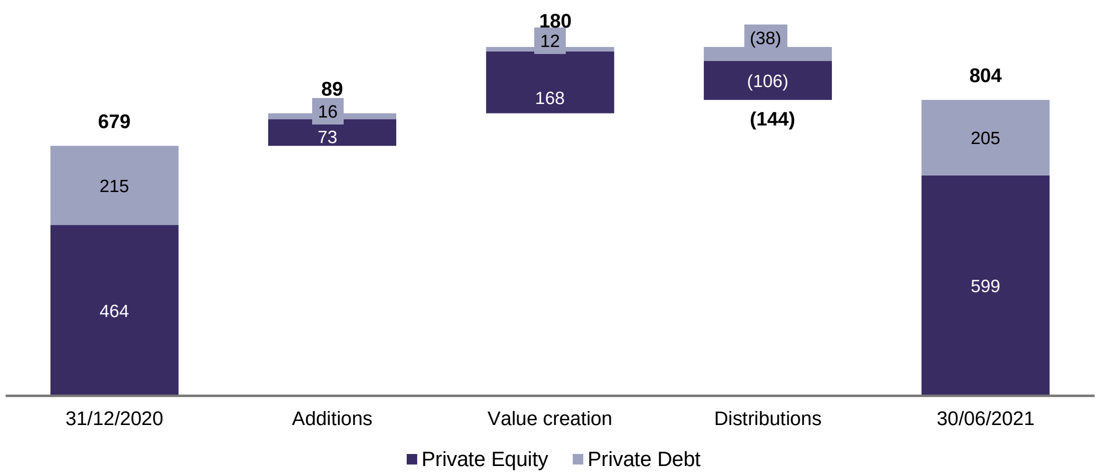
Profit before tax for the six months to June 2021 was €185.3 million, significantly exceeding the result of H1 2020 (€9.5 million) thanks to strong revenue generation combined with careful cost management. This represents an operating margin of 79%, considerably above H1 2020 (18%).

The profit margin of Merchant Banking's fund management activities (which excludes investment and performance revenue) remained robust reaching 16% (H1 2020: 18%). The slight year-on-year decline is mainly driven by higher personnel costs as the division's headcount increased to support new fund launches, larger portfolios and growing AuM.

The critical indicator used to measure the performance across the investment cycle is **Return On Risk Adjusted Capital** ("RORAC"), a ratio comparing the profit before tax and an internal measure of risk capital invested in the business, on a rolling three year basis. As at 30 June 2021, RORAC was 27% (30/06/2020: 25%), well above the 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 variance in 2020 and 2021 – 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 continues to represent a key differentiator for Merchant Banking. In H1 2021 Rothschild & Co's investments totalled €89 million and disposals and distributions generated proceeds of €144 million for the Group.

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



Merchant Banking's total AuM as at 30 June 2021 were €17.1 billion, up 9% versus 31 December 2020 (€15.7 billion), of which Rothschild & Co's share was €1.5 billion.

For a detailed description of the Investment activities and business development of Merchant Banking in the first half of 2021, please refer to appendix G.

3. Consolidated financial results

3.1 Revenue[5]

For H1 2021, revenue was €1,350 million (H1 2020: €838 million), representing an increase of €512 million or 61%. This was largely due to Global Advisory and Merchant Banking where revenue increased by €486 million. The translation effect of exchange rate fluctuations reduced revenue by €12 million.

3.2 Operating expenses

Staff costs

For H1 2021, staff costs were €693 million, up 33% or €170 million (H1 2020: €523 million), which reflects the good underlying performance of our businesses. The translation impact of exchange rate fluctuations resulted in a decrease in staff costs of €9 million.

The adjusted compensation ratio, as defined in Appendix h on Alternative Performance Measures, was 57.3% as at 30 June 2021 (30 June 2020: 68.0%). When adjusting for the effects of senior hiring in the US for the advisory business and exchange rates, the ratio is 57.2% (30 June 2020: 67.2%). Further, if adjusted for the deferred bonus effect, the ratio is 58.9% (30 June 2020: 66.2%).

The H1 2021 compensation ratio has been positively impacted by higher investment and performance revenue from Merchant Banking on which bonuses are not payable.

Overall Group headcount as at 30 June 2021 was 3,797, up 3% versus 31 December 2020 (3,675). Due to a change of definition, headcount figures have now been restated.

Administrative expenses

For H1 2021, administrative expenses were €119 million (H1 2020: €122 million) representing a decrease of €3 million. The translation impact of exchange rate fluctuations resulted in a decrease in administrative expenses of €1 million.

The administrative expenses reduction continues to reflect the impact of COVID-19, which resulted in savings, mainly in travel and entertaining.

Depreciation and amortisation

For H1 2021, depreciation and amortisation were €34 million (H1 2020: €34 million). The translation impact of exchange rate fluctuations had no significant impact on depreciation and amortisation.

Cost of risk

For H1 2021, cost of risk was a credit of €2 million (H1 2020: charge of €8 million) reflecting the reversal of previous impairment provisions. Last year's charge reflected our conservative approach given the highly uncertain environment.

[5] Net Banking Income under IFRS

3.3 Other income / (expenses)

For H1 2021, other income and expenses resulted in a net income of €4 million (H1 2020: net expense of €1 million) reflecting increases in the value of legacy assets.

3.4 Income tax

For H1 2021, the income tax charge was €58 million (H1 2020: €28 million) comprising a current tax charge of €71 million and a deferred tax credit of €13 million, giving an effective tax rate of 11.4% (H1 2020: 18.8%).

3.5 Non-controlling interests

For H1 2021, the charge for Non-controlling interests was €106 million (H1 2020: €62 million). This mainly comprises interest on perpetual subordinated debt and profit share (*préciput*) payable to French partners in line with the strong performance of the French Global Advisory and Wealth and 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 30 June 2021 of €2.7 billion (31 December 2020: €2.3 billion). The increase in Group shareholders' equity reflects the retained profit for the period as well as positive movements in reserves relating to actuarial valuations and exchange rate fluctuations, partially offset by dividends and the share buyback.

The CET 1 ratio was 21.3%[6] as at 30 June 2021 which increased from prior year (31 December 2020: 20.1%). The Common Equity Tier 1 capital is calculated in accordance with applicable CRR/CRD4 rules. The solvency ratios are presented pro forma for current profits[7], net of dividends, for the current financial year, unless specified otherwise.

	30/06/2021	31/12/2020	Full Basel 3 minimum with the CCB (Capital Conservation Buffer)
Common Equity Tier 1 ratio (CET 1)	21.3%	20.1%	7.0%
Global solvency ratio	21.3%	20.1%	10.5%

High levels of liquidity are maintained with cash and treasury assets accounting for 57% of the total assets of €15.6 billion (31 December 2020: 59%). Lending remains conservatively funded by customer deposits with a loan to deposit ratio of 38% as at 30 June 2021 (31 December 2020: 35%)

Operating cash flow[8] ("OCF") is normally negative in the first half of the financial year reflecting the payment of variable remuneration in respect of the previous year, although strongly positive on a full year basis. For the first half of 2021, the OCF was a positive inflow of €105 million (H1 2020: outflow of €178 million) reflecting the very strong H1 2021 performance.

Net book value per share was €37.31 (31 December 2020: €31.90) and net tangible book value per share was €32.98 (31 December 2020: €27.67).

[6] The ratio submitted to ACPR as at 30 June 2021 was 19.0%, which excludes the profit of the first half of the year
[7] Subject to the provisions of article 26.2 of Regulation (EU) No 575/2013
[8] Alternative Performance Measure, please refer to Appendix H

5. Capital management and dividend

Rothschild & Co confirms its intention to pay an exceptional interim dividend in cash of €1.04 per share for the current 2021 financial year to compensate for the difference between the dividend actually paid in respect of 2019 and 2020 and the dividend that would have been paid in accordance with our distribution policy absent regulatory restrictions. This dividend payment is subject to the ACPR confirming the lifting of its restrictions on the payment of dividends as at 30 September 2021. The ex-dividend date is expected to be 18 October 2021 and the interim dividend will be paid on 20 October 2021.

In addition, considering the strong 2021 performance, Rothschild & Co intends to launch a share buyback programme of an amount up to €70 million over a 12-month period, subject to ACPR approval (and assuming no material adverse developments).

These buyback shares will be used either to meet requirements under the equity schemes and share based remuneration plans of Rothschild & Co, up to 1% of share capital, or will be cancelled.

This proposed share buyback programme is in addition to the buyback in June 2021 of a block of shares from the Jardine Matheson Group representing 1.6% of the share capital implemented for an amount of approximately €35 million.

6. Corporate responsibility

Corporate Responsibility and ESG integration continue to be key priorities for the Group.

The Group is a signatory to the UN Global compact and has actively engaged in dialogue with critical stakeholders and rating agencies.

Operationally our key areas of focus in the last year were on employee wellbeing and productivity in a remote working environment, gender and ethnic minority inclusion, with a clear ambition to increase female representation alongside other diverse profiles in our workforce, as well as a sustained reduction in operational greenhouse gas emissions.

All investment business lines have continued, as a business priority, to integrate considerations of ESG risk and opportunity and to develop dedicated responsible investment solutions.

7. Outlook

In **Global Advisory**, announced global M&A market activity for the first half of 2021 was at record levels. This trend is evident in our visible pipeline of business which is well diversified and significantly ahead of previous years at this stage. We expect activity levels to remain strong through the remainder of 2021 and we therefore remain very positive regarding the performance outlook for our business in 2021.

In **Wealth and Asset Management**, after an exceptionally robust first half-year, the outlook remains positive, as long as markets continue to be supportive thanks to our strong new business pipeline, combined with higher than budgeted AuM at the end of June. We are not expecting any changes in the low interest rate environment despite some inflation risks, as stated by the various central banks. The coming months will also be the opportunity to start leveraging the Pâris Bertrand acquisition as well as accelerating the recruitments of new client advisors.

In **Merchant Banking**, we expect to continue to grow our recurring revenue base as we complete the fundraisings for our currently open funds, launch new initiatives, and deploy capital across all our strategies. Additionally, in line with the performance of our portfolios in the first half of 2021, we expect our investments to continue to fulfil their value creation potential, which will generate further investment performance related revenue for the Group, albeit we expect to see a much lower level of investment and performance revenues in the second half versus the first half of 2021. We are confident that our fundamental investing principles, centred around capital preservation and providing attractive risk-adjusted returns from our chosen sectors, represent a strong foundation for the ongoing development of Merchant Banking.

The current macro environment is still positive for our three core businesses. The clear strategies of each business line allow us to be optimistic for a continuing strong performance for the rest of the year, if the current momentum and market conditions persist.

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A. Summary consolidated balance sheet

(in € billion)	30/06/2021	31/12/2020	*Var*
Cash and amounts due from central banks	4.9	4.7	*0.2*
Loans and advances to banks	2.2	2.3	*(0.1)*
Loans and advances to customers	4.0	3.5	*0.5*
of which private client lending	*3.6*	*3.1*	*0.5*
Debt and equity securities	2.9	2.7	*0.2*
Other assets	1.6	1.5	*0.1*
Total assets	**15.6**	**14.7**	***0.9***
Due to customers	10.4	9.9	*0.5*
Other liabilities	2.1	2.1	*0.0*
Shareholders' equity - Group share	2.7	2.3	*0.4*
Non-controlling interests	0.4	0.4	*0.0*
Total capital and liabilities	**15.6**	**14.7**	***0.9***

The foreign exchange translation effect between 30 June 2021 and 31 December 2020 had no material effect on the balance sheet.

B. Exceptional income and expenses

(in €m)	H1 2021			H1 2020		
	PBT	PATMI	*EPS*	PBT	PATMI	*EPS*
As reported	**510**	**346**	***4.78 €***	**150**	**60**	***0.82 €***
- IT transition costs	0	0	- €	(6)	(5)	*(0.06) €*
Total exceptional (charges) / profits	**0**	**0**	**- €**	**(6)**	**(5)**	***(0.06) €***
Excluding exceptional	**510**	**346**	***4.78 €***	**156**	**65**	***0.88 €***

There were no exceptional items in H1 2021.

C. Performance by business

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation [1]	H1 2021
Revenue	**833**	**274**	**235**	**8**	**0**	**1,350**
Operating expenses	(668)	(217)	(50)	(31)	120	(846)
Impairments	0	1	0	0	1	2
Operating income	**165**	**58**	**185**	**(23)**	**121**	**506**
Other income / (expense)	0	0	0	0	4	4
Profit before tax	**165**	**58**	**185**	**(23)**	**125**	**510**
Exceptional (profits) / charges	0	0	0	0	0	0
PBT excluding exceptional charges / profits	**165**	**58**	**185**	**(23)**	**125**	**510**
Operating margin %	*20%*	*21%*	*79%*	-	-	*38%*

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation [1]	H1 2020
Revenue	**529**	**252**	**53**	**7**	**(3)**	**838**
Operating expenses	(454)	(206)	(43)	(28)	52	(679)
Impairments	0	(2)	0	0	(6)	(8)
Operating income	**75**	**44**	**10**	**(21)**	**43**	**151**
Other income / (expense)	0	0	0	0	(1)	(1)
Profit before tax	**75**	**44**	**10**	**(21)**	**42**	**150**
Exceptional (profits) / charges	0	0	0	0	6	6
PBT excluding exceptional charges / profits	**75**	**44**	**10**	**(21)**	**48**	**156**
Operating margin %	*14%*	*17%*	*19%*	-	-	*19%*

[*] *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 excluded from the management accounts; and reallocating cost of risk and certain operating income and expenses for presentational purposes.*

D. FX rates

P&L

Rates	H1 2021	H1 2020	*Var*
€ / GBP	0.8657	0.8773	*(1)%*
€ / CHF	1.0958	1.0642	*3%*
€ / USD	1.2014	1.1065	*9%*

Balance sheet

Rates	30/06/2021	31/12/2020	*Var*
€ / GBP	0.8583	0.8992	*(5)%*
€ / CHF	1.0962	1.0804	*1%*
€ / USD	1.1858	1.2281	*(3)%*

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

In € million		2021	2020	Var
Global Advisory	1st quarter	394.9	269.1	*47%*
	2nd quarter	438.5	260.3	*68%*
	Total	**833.4**	**529.4**	***57%***
Wealth & Asset Management	1st quarter	134.3	130.8	*3%*
	2nd quarter	139.9	121.4	*15%*
	Total	**274.2**	**252.2**	***9%***
Merchant Banking	1st quarter	103.4	20.7	*400%*
	2nd quarter	131.3	32.1	*309%*
	Total	**234.7**	**52.8**	***345%***
Other business and corporate centre	1st quarter	5.0	3.1	*61%*
	2nd quarter	3.1	4.0	*(23)%*
	Total	**8.1**	**7.1**	***14%***
IFRS reconciliation	1st quarter	(1.4)	(7.3)	*(81)%*
	2nd quarter	0.9	3.6	*(75)%*
	Total	**(0.5)**	**(3.7)**	***(86)%***
Total Group Revenue	**1st quarter**	**636.2**	**416.4**	***53%***
	2nd quarter	**713.7**	**421.4**	***69%***
	Total	**1,349.9**	**837.8**	***61%***

F. Global Advisory track record

Global Advisory advised the following clients on notable transactions completed in H1 2021.

M&A and strategic advisory

- Alstom, the railway services and equipment company, on its acquisition of Bombardier Transportation, and cornerstone investment from CDPQ (€7.5 billion, France and Canada)
- Walmart, the world's largest store-based retailer, on its sale of Asda to Issa Brothers and TDR Capital (£6.8 billion, United States and United Kingdom)
- Coca-Cola European Partners, the non-alcoholic beverages producer and distributor, 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)
- Bankia, the Spanish retail bank, on its merger with CaixaBank (€17 billion, Spain)
- Webster Equity Partners on the sale of two of its healthcare portfolio companies, BayMark Health Services and PharmaLogic Holdings, to a continuation vehicle (United States)
- Euronext, the exchange operator, on its acquisition of Borsa Italiana (€4.3 billion, Netherlands, Italy)
- MetLife, one of the world's largest providers of insurance, annuities and employer benefit programmes, on the sale of its US Property and Casualty business to Zurich Farmers Group (c.US$4 billion, United States)
- Clearlake Capital on its take-private acquisition of Endurance International Group, an IT Services company (US$3 billion, United States)
- Jacobs Engineering, a technical professional services firm, on its acquisition of PA Consulting from The Carlyle Group (£1.8 billion, United States, United Kingdom)
- Astorg on its acquisition of Corialis, a leading designer and manufacturer of aluminium profiles for the construction sector, from CVC Capital (€1.6 billion, Belgium)
- WM Holding Co, the leading technology platform for the cannabis industry, on its merger with Silver Spike Acquisition Corp (US$1.5 billion, United States)

Financing Advisory

- Hertz, the global car rental business, on its Chapter 11 restructuring (adviser to Ad Hoc Group of European Noteholders - US$19.1 billion, United States and Netherlands)
- Chesapeake, one of the largest natural gas and crude oil producers in the United States, on its Chapter 11 restructuring (US$10.8 billion, United States)
- AccorInvest, the leading hotel owner & operator, on its debt restructuring, new State-Guaranteed Loan and capital increase (€5 billion, France)
- Vodafone on its carve-out IPO of Vantage Towers, Europe's largest telecoms tower company (c.€2.3 billion, United Kingdom and Germany)
- Europcar Mobility Group, a mobility services solutions company, on its debt restructuring and new money (€1.8 billion, €500 million, respectively, France)
- Allfunds, one of the world's leading B2B WealthTech platforms, on its IPO on Euronext Amsterdam (€2.2 billion, Spain)
- Benteler, a provider of products and services principally to the automotive and energy sectors, on its financial restructuring (€2 billion, Austria)
- Energias de Portugal, an integrated utility and global leader in renewable energy, on its capital increase by EDP Renováveis (€1.5 billion, Portugal)
- Whitbread, the owner of UK hotel and restaurant brands, on its inaugural Green bonds and amend & extend of its bank facility (£550 million and £950 million, respectively, United Kingdom)
- Just Eat Takeaway, a leading global online food delivery service provider, on its dual tranche convertible bond issuance and concurrent delta placing (€1.1 billion, United Kingdom)
- Starling Bank, one of the UK's fastest-growing banks, on its private capital raise led by Fidelity (£272 million, United Kingdom)

G. Investment activities and business development of Merchant Banking in the first half 2021

Private Equity

- Five Arrows Principal Investments I (**FAPI I**), the 1st generation European private equity fund, completed a final liquidity event for investors by selling its remaining assets to a Continuation Fund, still managed by the FAPI team.
- **FAPI II**, the 2nd generation fund, completed a number of successful liquidity events including iad (the leading digital network of independent real estate agents in Europe); Opus2 (the global leader in legal dispute management software and services); and White Clark Group (the leading automotive finance software vendor).
- FAPI II re-invested a portion of the exit proceeds from each of the above disposals into the new transactions to benefit from their continued value creation potential.
- **FAPI III**, the 3rd generation fund, invested in iad, alongside FAPI II, and made a new investment in Causeway (cloud-based construction software business).
- Five Arrows Secondary Opportunities V (**FASO V**), the 3rd generation secondaries fund, completed five portfolio acquisitions. The fund has now committed 60% of its capital across 13 transactions in Europe and the US, investing in 72 underlying portfolio companies.
- Five Arrows Minority Investments (**FAMI**) fully exited its minority co-investment position in ECI Software.
- Five Arrows Growth Capital I (**FAGC I**), the 1st generation European small cap fund, held its final closing, securing total commitments of €456 million, well above its original target of €300 million. The fund completed its first investment in Q2 2021 by acquiring BioPhorum (a global leading collaborative network organiser for the biopharmaceutical industry)
- In the second half of 2021, Merchant Banking will launch a sustainable investment fund in collaboration with Air Liquide and the Solar Impulse Foundation, to invest in profitable SMEs across Europe that aim to have a positive and measurable impact on the environment. The strategy is to target companies that are mainly focused on Energy, Food & Agriculture and Sustainable cities.

Private Debt

- Five Arrows Credit Solutions (**FACS**), the 1st generation mid-market direct lending fund, completed three successful exits: Photobox (a pan-European e-commerce platform); Biogroup (a leading European provider of clinical laboratory testing services); and A-Plan (a leading UK insurance broker).
- Five Arrows Direct Lending (**FADL**) and Five Arrows Debt Partners III (**FADP III**), the 2nd and 3rd generation direct lending funds, also exited their respective positions in Biogroup, and FADL completed a successful exit from Les Nouveaux Constructeurs (a French real estate development company).
- FADP III secured new fund commitments of €454 million, reaching total committed capital of c.€1.1 billion to date, on track to exceed its target size of €1.25 billion. FADP III has invested 31% of its target size to date, completing three new investment transactions in H1 2021:
  - a unitranche financing for Exemplar, a UK provider of high-acuity residential care services, principally to adults with long-term degenerative conditions;
  - a financing package for Agilio Software, a leading developer and provider of software for dental and medical practices in the UK; and
  - a unitranche financing for Bright Futures, a UK provider of education and care services for young people and adults with learning disabilities and special educational needs.
- The **Credit Management** business, investing in senior secured loans and high yield bonds, was extremely active, completing the following transactions:
  - refinancing of three CLO vehicles (Contego IV, Ocean Trails VI and VII), reducing the cost of the debt tranches and increasing projected returns for equity investors;
  - resetting of two CLOs (Contego VI and Ocean Trails 8) extending the investment period, increasing the size of the deals and reducing the cost of the debt tranches;
  - new issuance of CLOs in Europe (Contego IX: assets of €457 million) and in the US (Ocean Trails XI: assets of $406 million); and
  - final closing of Oberon IV, securing total commitments of €333 million, ahead of the original €300 million target.

H. 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 holders of ordinary equity excluding exceptional items	To measure Net income Group share excluding exceptional items of a significant amount	Please refer to Appendix B.
EPS excluding exceptionals	EPS excluding exceptional items	To measure Earnings per share excluding exceptional items of a significant amount	Please refer to Appendix B.
Adjusted compensation ratio	Ratio between adjusted staff costs divided by consolidated Revenue of Rothschild & Co. Adjusted staff costs represent: 1. 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), 2. to which must be added the amount of profit share paid to the French partners, 3. from which must be deducted redundancy costs, revaluation of share-based employee liabilities and business acquisition costs treated as employee compensation under IFRS, - **which gives total staff costs in calculating the basic compensation ratio** 4. from which the investment costs related to the recruitment of senior bankers in the United States must be deducted, 5. 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, - **which gives the adjusted staff costs for compensation ratio**.	To measure the proportion of revenue granted to all employees. Key indicator for competitor listed investment banks. Rothschild & Co calculates this ratio with adjustments to give the fairest and closest calculation to the one used by other comparable listed companies.	Please refer: to § 3.2 Operating expenses / Staff costs and in the Investor presentation to slide 34
Businesses' Operating margin	Each business Operating margin is calculated by dividing Profit before tax by revenue, business by business. It excludes exceptional items.	To measure business' profitability	Please refer to § 2
Return on Tangible Equity (ROTE) excluding exceptional items	Ratio between Net income - Group share excluding exceptional items and average tangible equity Group share over the period. Tangible equity corresponds to total equity Group share less intangible assets (net of tax) and goodwill. Average tangible equity over the period equal to the average between tangible equity as at 31 December 2020 and 30 June 2021.	To measure the overall profitability of Rothschild & Co excluding exceptional items on the Group share of tangible equity capital in the business	In the Investor presentation release, please refer to slide 47
Return on Risk Adjusted Capital (RORAC)	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. 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. 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. 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.	To measure the performance of the Merchant Banking business	In the Investor presentation release, please refer to slide 47
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 48

Half-year summary consolidated financial statements

Consolidated balance sheet

as at 30 June 2021

Assets

In thousands of euros	Notes	30/06/2021	31/12/2020
Cash and amounts due from central banks		4,853,997	4,697,354
Financial assets at fair value through profit or loss	1	1,644,510	1,394,098
Hedging derivatives	2	2,905	605
Securities at amortised cost	3	1,393,729	1,346,779
Loans and advances to banks	4	2,165,721	2,250,832
Loans and advances to customers	5	3,958,078	3,491,241
Current tax assets		7,033	26,300
Deferred tax assets	13	72,316	71,184
Other assets	6	714,817	596,615
Investments accounted for by the equity method		18,218	17,470
Tangible fixed assets		272,709	275,068
Right of use assets		190,257	196,785
Intangible fixed assets		185,869	183,905
Goodwill		136,169	135,108
TOTAL ASSETS		**15,616,328**	**14,683,344**

Liabilities and shareholders' equity

In thousands of euros	Notes	30/06/2021	31/12/2020
Financial liabilities at fair value through profit or loss	1	67,177	143,223
Hedging derivatives	2	4,508	6,018
Due to banks and other financial institutions	8	480,548	513,539
Customer deposits	9	10,358,766	9,873,095
Debt securities in issue		10,600	9,450
Current tax liabilities		43,813	43,912
Deferred tax liabilities	13	41,320	38,773
Lease liabilities		218,331	228,456
Other liabilities, accruals and deferred income	10	1,296,651	997,162
Provisions	11	43,954	121,881
TOTAL LIABILITIES		**12,565,668**	**11,975,509**
Shareholders' equity		**3,050,660**	**2,707,835**
Shareholders' equity - Group share		**2,658,918**	**2,302,897**
Share capital		155,395	155,315
Share premium		1,145,279	1,144,581
Consolidated reserves		1,073,640	928,237
Unrealised or deferred capital gains and losses		(61,491)	(85,747)
Net income - Group share		346,095	160,511
Non-controlling interests	14	391,742	404,938
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**15,616,328**	**14,683,344**

Consolidated income statement

for the six months ending 30 June 2021

	In thousands of euros	Notes	30/06/2021	30/06/2020
+	Interest income	17	43,049	56,675
-	Interest expense	17	(20,650)	(25,860)
+	Fee income	18	1,175,377	832,190
-	Fee expense	18	(49,102)	(39,484)
+/-	Net gains/(losses) on financial instruments at fair value through profit or loss	19	200,871	15,541
+/-	Net gains/(losses) on derecognition of assets held at amortised cost		(266)	(828)
+	Other operating income		1,146	468
-	Other operating expenses		(562)	(871)
Net banking income			**1,349,863**	**837,831**
-	Staff costs	20	(692,767)	(522,558)
-	Administrative expenses	20	(118,870)	(122,194)
-	Depreciation, amortisation and impairment of tangible and intangible fixed assets		(33,814)	(33,977)
Gross operating income			**504,412**	**159,102**
+/-	Cost of risk	21	1,548	(7,739)
Operating income			**505,960**	**151,363**
+/-	Net income from companies accounted for by the equity method		509	1,009
+/-	Net income/(expense) from other assets	22	3,833	(1,951)
Profit before tax			**510,302**	**150,421**
-	Income tax expense	23	(58,113)	(28,228)
CONSOLIDATED NET INCOME			**452,189**	**122,193**
Non-controlling interests		**14**	**106,094**	**62,136**
NET INCOME - GROUP SHARE			**346,095**	**60,057**
Earnings per share in euros - Group share (basic)		25	4.78	0.82
Earnings per share in euros - continuing operations (basic)		25	4.78	0.82
Earnings per share in euros - Group share (diluted)		25	4.71	0.82
Earnings per share in euros - continuing operations (diluted)		25	4.71	0.82

Statement of comprehensive income

for the six months ending 30 June 2021

In thousands of euros	30/06/2021	30/06/2020
Consolidated net income	**452,189**	**122,193**
Gains and losses recyclable in profit or loss		
Translation differences on subsidiaries	33,698	(49,328)
Gains and (losses) relating to net investment hedge	110	368
Net gains/(losses) from changes in fair value of cash flow hedges	2,519	(1,146)
(Gains) and losses relating to cash flow hedges transferred to P&L	(755)	41
Gains and (losses) recognised directly in equity for companies accounted for by the equity method	812	(1,613)
Other adjustments	(1)	(17)
Taxes	(348)	110
Total gains and losses recyclable in profit or loss	**36,035**	**(51,585)**
Gains and losses not recyclable in profit or loss		
Remeasurement gains/(losses) on defined benefit pension funds	89,830	(92,983)
Taxes	(17,475)	22,504
Total gains and losses not recyclable in profit or loss	**72,355**	**(70,479)**
Gains and losses recognised directly in equity	**108,390**	**(122,064)**
TOTAL COMPREHENSIVE INCOME	**560,579**	**129**
attributable to equity shareholders	*441,515*	*(46,966)*
attributable to non-controlling interests	*119,064*	*47,095*

Consolidated statement of changes in equity

For the six months ending 30 June 2021

In thousands of euros

	Capital and associated reserves [1]	Consolidated reserves [3]	Unrealised or deferred capital gains and losses (net of tax): Related to translation differences	Unrealised or deferred capital gains and losses (net of tax): Cash flow hedge reserve	Shareholders' equity, Group share	Shareholders' equity, NCoI	Total share-holders' equity
SHAREHOLDERS' EQUITY AT 1 JANUARY 2020	**1,299,196**	**983,030**	**(43,879)**	**541**	**2,238,888**	**445,584**	**2,684,472**
Impact of elimination of treasury shares	-	7,070	-	-	7,070	-	7,070
Distributions[2]	-	(2,596)	-	-	(2,596)	(156,294)	(158,890)
Issue of shares	700	-	-	-	700	-	700
Capital increase related to share-based payments	-	2,093	-	-	2,093	-	2,093
Interest on perpetual subordinated debt	-	-	-	-	-	(14,172)	(14,172)
Effect of a change in shareholding without a change of control	-	1,821	(1,659)	-	162	(598)	(436)
Other movements	-	(316)	-	-	(316)	-	(316)
Subtotal of changes linked to transactions with shareholders	**700**	**8,072**	**(1,659)**	**-**	**7,113**	**(171,064)**	**(163,951)**
2020 net income for the year	-	160,511	-	-	160,511	148,712	309,223
Net gains/(losses) from changes in fair value	-	-	-	(381)	(381)	-	(381)
Net (gains)/losses transferred to income	-	-	-	341	341	-	341
Remeasurement gains/(losses) on defined benefit funds	-	(62,976)	-	-	(62,976)	-	(62,976)
Net gains/(losses) on hedge of net investment in foreign operations	-	-	664	-	664	-	664
Translation differences and other movements	-	111	(41,374)	-	(41,263)	(18,294)	(59,557)
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2020	**1,299,896**	**1,088,748**	**(86,248)**	**501**	**2,302,897**	**404,938**	**2,707,835**
Impact of elimination of treasury shares	-	(32,907)	-	-	(32,907)	-	(32,907)
Distributions[2]	-	(53,669)	-	-	(53,669)	(126,575)	(180,244)
Issue of shares	778	-	-	-	778	-	778
Capital increase related to share-based payments	-	1,511	-	-	1,511	-	1,511
Interest on perpetual subordinated debt	-	-	-	-	-	(6,570)	(6,570)
Effect of a change in shareholding without a change of control	-	(2,395)	1,190	-	(1,205)	884	(321)
Other movements	-	-	-	-	-	-	-
Subtotal of changes linked to transactions with shareholders	**778**	**(87,460)**	**1,190**	**-**	**(85,492)**	**(132,261)**	**(217,753)**
2021 net income for the six months	-	346,095	-	-	346,095	106,094	452,189
Net gains/(losses) from changes in fair value	-	-	-	2,041	2,041	-	2,041
Net (gains)/losses transferred to income	-	-	-	(612)	(612)	-	(612)
Remeasurement gains/(losses) on defined benefit funds	-	72,355	-	-	72,355	-	72,355
Net gains/(losses) on hedge of net investment in foreign operations	-	-	97	-	97	-	97
Translation differences and other movements	-	(3)	21,540	-	21,537	12,971	34,508
SHAREHOLDERS' EQUITY AT 30 JUNE 2021	**1,300,674**	**1,419,735**	**(63,421)**	**1,930**	**2,658,918**	**391,742**	**3,050,660**

(1) Capital and associated reserves at the period end consist of share capital of €155.4 million and share premium of €1,145.3 million. Share premium, under IFRS measurement, includes costs incurred in the issuance of share capital.

(2) Distributions comprise €3.0 million (Dec 20: €2.6 million) of profit share (*préciput*) automatically allocated to the general partners (R&Co Gestion and Rothschild & Co Commandité SAS).

(3) Consolidated reserves consist of retained earnings of €1,224.8 million less treasury shares of €151.1 million plus the Group share of net income of €346.1 million.

Cash flow statement

for the six months ending 30 June 2021

In thousands of euros	30/06/2021	30/06/2020
Consolidated profit before tax (I)	**510,302**	**150,421**
Depreciation and amortisation expense on tangible and intangible fixed assets	17,693	16,423
Depreciation and impairment of ROU assets and interest on lease liabilities	18,564	20,421
Net charge for impairments and provisions	(1,564)	(928)
Remove (profit)/loss from associates and from disposal of subsidiary	191	(1,000)
Remove (profit)/loss from investing activities	(189,822)	(792)
Non-cash items included in pre-tax profit (II)	**(154,938)**	**34,124**
Net (advance)/repayment of loans to customers	**(465,582)**	**(79,230)**
Cash (placed)/received through interbank transactions	3,792	(332,938)
Increase/(decrease) in customer deposits	437,989	328,889
Net inflow/(outflow) related to derivatives and trading items	(64,786)	(519)
Issuance/(redemption) of debt securities in issue	-	11,043
Net (purchases)/disposals of assets held for liquidity purposes	(113,814)	(15,512)
Other movements in assets and liabilities related to treasury activities	220,968	9,956
Total treasury-related activities	**484,149**	**919**
(Increase)/decrease in working capital	(84,849)	(175,512)
Payment of lease liabilities	(22,335)	(19,935)
Tax paid	(54,402)	(30,878)
Other operating activities	**(161,586)**	**(226,325)**
Net (decrease)/increase in cash related to operating assets and liabilities (III)	**(143,019)**	**(304,636)**
Net cash inflow/(outflow) related to operating and treasury activities (A) = (I) + (II) + (III)	**212,345**	**(120,091)**
Purchase of investments	(90,593)	(36,091)
Purchase of property, plant and equipment and intangible fixed assets	(12,362)	(12,942)
Total cash invested	**(102,955)**	**(49,033)**
Cash received from investments (disposals and dividends)	145,026	61,812
Cash from disposal of property, plant and equipment and intangible fixed assets	1,897	771
Total cash received from investment activity	**146,923**	**62,583**
Net cash inflow/(outflow) related to investing activities (B)	**43,968**	**13,550**
Distributions paid to shareholders and general partners of parent company (1)	(53,669)	(2,596)
Distributions paid to non-controlling interests (Note 14)	(126,575)	(146,530)
Interest paid on perpetual subordinated debt	(6,570)	(7,528)
(Acquisition)/disposal of own shares and additional interests in subsidiaries	(32,085)	1,736
Net cash inflow/(outflow) related to financing activities (C)	**(218,899)**	**(154,918)**
Impact of exchange rate changes on cash and cash equivalents (D)	**77,990**	**(102,001)**
NET INFLOW/(OUTFLOW) OF CASH (A) + (B) + (C) + (D)	**115,404**	**(363,460)**
Net opening cash and cash equivalents (Note 15)	5,867,008	5,383,025
Net closing cash and cash equivalents (Note 15)	5,982,412	5,019,565
NET INFLOW/(OUTFLOW) OF CASH	**115,404**	**(363,460)**

(1) Distributions comprise €3.0 million (Dec 20: €2.6 million) of profit share (*préciput*) automatically allocated to the general partners (R&Co Gestion and Rothschild & Co Commandité SAS).

1. Highlights

1.1 COVID-19

The ongoing COVID-19 pandemic, and the action taken by governments around the world to tackle its effects, have created a significant amount of uncertainty, and the consequences and duration of the impacts are still not fully clear. This continues to make the exercise of judgment for accounting estimates particularly difficult for the current accounting period, and increases the range of uncertainty for the figures reported. A summary of how the impact of the pandemic has been considered in making these judgments is as follows.

1.1.1 Fair values

Wherever possible, the Group has continued to use observable market prices to value its investments. The effects of these valuation updates are fully reflected in the accounts for the period. During the current and prior period, the method of valuation and the controls surrounding the valuations have not changed, although specific attention has been given to the earnings, reported and projected, of the portfolio companies in such an uncertain market scenario.

Merchant Banking (MB) considers the industry sectors most affected by the COVID-19 crisis to be leisure, travel, aviation, non-food retail of the "bricks and mortar" kind, automotive and energy. Its exposure to these sectors is very limited, being approximately 8.2% of its total portfolio (December 2020: 6.2%). The MB portfolio has proven to be resilient so far to the impact of the COVID-19 pandemic, with the majority of the businesses in which it has invested increasing their valuations thanks to the mission-critical nature of their services, their entrenched market positions and the recurring nature of their revenue streams. MB continues to manage its assets very carefully to ensure that they are adequately prepared to face future impacts of the pandemic, but, at the same time, are able to take advantage of the available growth opportunities.

Comprehensive disclosures about the assumptions used and the sensitivities of the valuations are made in section 4.4 Fair value disclosures.

1.1.2 Credit risk on loans to customers and accounts receivable

The methodology and assumptions used by the Group for the measurement of its expected credit losses are described in section 4.2.1.1 Grouping of instruments for losses measured on a collective basis.

The LGD has been determined in large part through a review of the collateral held against loans made. Where the collateral is difficult to value following the COVID-19 market dislocations, adjustments have been made to its assumed value that reflect recent market movements.

Accounts receivable from the GA business are already reviewed on a quarterly basis, and these reviews during the period have, in particular, focused on individual debtors that could have been adversely affected by the effects of the pandemic. The provisioning process is explained further in the section "Credit risk management of other financial assets", of the annual report as at December 2020.

1.1.3 Moratoriums

During 2020, some borrowers in the corporate loan book took advantage of opportunities to postpone scheduled loan payments, known as moratoriums, following the onset of the COVID-19 crisis. The terms of the moratoriums granted by the Group to its clients varied from country to country. During 2020, moratoriums granted by the whole Group were mainly for the corporate portfolio. As at June 2021, the majority of these moratoriums have expired and no new moratoriums granted during the period. €27 million (December 2020: €34 million) of moratoriums had not expired and were outstanding at the period end. Under the terms of the moratoriums, interest continues to accrue and, in the absence of contradictory evidence, such a postponement is not automatically considered as a significant increase of credit risk (SICR), or a transfer into Stage 3. Postponement of payments are not considered as substantial modifications of the contractual cash flows of the loans, an event that would require derecognition of these loans.

1.1.4 Goodwill and intangible assets

Goodwill and intangible assets with an indefinite useful life are subject to an impairment test whenever there is any indication that their value may have diminished, and at least once a year. While the disruption related to COVID-19 does not in itself constitute an indication of impairment, the potential impact on the Group's results and projections was reflected in tests performed last year through consideration of stressed scenarios; these indicated no evidence of impairment. There is no indication of impairment of either the Group’s goodwill or intangible assets as at 30 June 2021, and so no further impairment tests have been performed during the current period.

1.1.5 Deferred tax assets

Deferred tax assets are recognised only if the relevant entity is likely to recover these assets. The Group only recognises deferred tax assets for losses carried forward after considering a projection of taxable income or expense of the relevant tax entities. As at 30 June 2021, the Group recognised deferred tax assets for losses carried forward only where recovery was probable after taking account of COVID-19 related uncertainties.

1.2 Changes of scope and adoption of new accounting policies

There are no significant changes in the consolidation scope in the six months ended 30 June 2021. There are also no changes in accounting standards that have a material impact on the Group's accounts.

2. Preparation of the financial statements

2.1 Information regarding the Company

The summary consolidated financial statements of the Group (i.e. Rothschild & Co SCA and its consolidated subsidiaries) for the six months ended 30 June 2021 are presented in accordance with IFRS in force at the reporting date, as adopted in the European Union by way of EC Regulation No. 1606/2002. The format used for the summary financial statements is a banking format. It is consistent with Recommendation No. 2017-02 of 2 June 2017 of the French Accounting Standards Authority (*Autorité des normes comptables*). The statements cover the period from 1 January 2021 to 30 June 2021.

The consolidated accounts have been approved by Rothschild & Co Gestion SAS, the Managing Partner of Rothschild & Co, and, for verification and control purposes, were considered by the Supervisory Board on 15 September 2021.

On 30 June 2021, the Group's holding company was Rothschild & Co, a French partnership limited by shares (*société en commandite par actions*), headquartered at 23 bis, avenue de Messine, 75008 Paris, France (Paris Trade and Companies Registry Number 302 519 228). The Company is listed on Euronext in Paris (Compartment A).

On 30 June 2021, the parent company of Rothschild & Co SCA was Rothschild & Co Concordia SAS, whose registered office is at 23 bis, avenue de Messine, 75008 Paris, France.

The Group has a worldwide presence and operates three main businesses: Global Advisory, Wealth and Asset Management, and Merchant Banking.

2.2 General principles

The notes to the accounts have been prepared having taken into account the understanding, relevance, reliability, comparability and materiality of the information provided. The Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

2.3 Changes to accounting standards

The following amendments to IFRS have been adopted for the first time in the EU for accounting periods starting from 1 January 2021.

2.3.1 Interest rate benchmark reform

IBOR reform will result in certain interest rate benchmarks being phased out over the coming years. Given much of the Group is focused on Private Client Lending and vanilla treasury assets, with relatively limited exposure to long-term IBOR rates, the reform will not significantly impact the Group. Developments from the various working groups on alternative risk-free rates and Group entities have been followed closely by the Group Asset and Liability Committee (Group ALCO), the delegated governing body for overseeing the transition for the Group, with the businesses acting accordingly.

The key benchmarks for the Group which are impacted by the reform are:

- EONIA, which is now calculated using €STR + 8.5 bps and will cease on 3 January 2022
- EUR, GBP and CHF LIBOR, which are due to be discontinued by the end of 2021
- USD LIBOR, which is due to be discontinued by 30 June 2023

Notwithstanding the existing exposure to EURIBOR, the Group is confident that there should be no risk arising from this benchmark due to the IBOR reform. Additionally, the working group on euro risk-free rates has no current plans to discontinue EURIBOR, as the methodology was reformed in 2019 and continues to be compliant with the EU Benchmarks Regulation.

The businesses are anticipating the current proposed end dates for legacy benchmarks by amending existing contracts on an economically equivalent basis, and offering new contracts using alternative rates where applicable. Although uncertainty surrounding the move to alternative risk-free rates remains, we believe the financial, operational, and accounting risks remain small for the Group. Where possible, clients will be transitioned to an externally published risk-free rate and this will be communicated in a transparent manner to ensure fair treatment throughout the transition process.

The table below shows the breakdown by significant benchmark index of the Group's financial instruments as at 30 June 2021, based on old benchmark rates that must move to new rates before maturity. The table excludes any financial instruments maturing before the proposed discontinued dates, as these are not expected to be impacted by the reform.

In millions of euros	**EONIA**	**GBP LIBOR**	**USD LIBOR**	**EUR LIBOR**	**CHF LIBOR**
Non-derivative financial assets	461.8	313.6	100.6	45.7	55.8
Non-derivative financial liabilities	2.0	-	-	-	-
Notional amount of derivatives	-	47.6	-	-	-
Loans and debt securities commitments	4.1	-	11.3	88.8	-

In the absence of any relief from the IFRS requirements, a company would have assessed whether changing the basis for determining contractual cash flows would have resulted in the derecognition of the financial instrument. Even if the change had resulted in no derecognition, a gain or loss would have been immediately recognised in profit or loss. In August 2020, to address such changes in contractual cash flows, the IASB published the Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). These amendments are required from 1 January 2021.

These amendments allow entities, under certain circumstances, to not derecognise or adjust the carrying amount of financial instruments to reflect the changes required by the reform, but rather to update the effective interest rate to reflect the change in the alternative reference rate. This is now permitted, as long as:

(a) the change to the contract is necessary as a direct consequence of the reform; and

(b) the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

Given the relative size of the instruments in the Group that are affected by benchmark reform, the IFRS amendment is not expected to have a significant impact on the Group.

2.3.2 Other changes to accounting standards

The IASB has issued other minor amendments to IFRS effective since 1 January 2021. These revised requirements do not have any significant impact on the Group.

2.4 Forthcoming changes to accounting standards and reporting requirements

IFRS 17 Insurance contracts (applicable for periods starting on 1 January 2023, after adoption by the European Union for application in Europe) is not expected to have any effect on the Group.

2.5 Subsequent events

Acquisition of Banque Pâris Bertrand

The acquisition of Banque Pâris Bertrand took place on 15 July 2021, after the balance sheet date but before the accounts were issued. Further information about this acquisition is provided in Note 7 of the accounts.

3. Accounting principles and valuation methods

3.1 Basis of accounting

The accounting principles and valuation methods applied by the Group for the half-year summary consolidated financial statements are the same as those applied and described in the financial statements for the year ended 31 December 2020. It should be noted that the Group's interim financial reporting is in compliance with IAS 34.

The Group has not opted for early application of new standards, amendments and interpretations adopted by the European Union or the IASB where the application in 2021 is optional.

3.2 Accounting judgments and estimates

To prepare the financial statements in accordance with the Group's accounting methods, management has made assumptions and estimates that could have an impact on the carrying value of certain assets and liabilities and items of income and expense. By their nature, such valuations carry risks and uncertainties as to their realisation in the future. Management has taken care to consider a counterparty's financial situation and outlook as well as multiple-criteria valuations that take observable parameters into account to determine whether there are objective signs of impairment.

Estimates and assumptions are used mainly with regard to estimation of bonus accruals, impairment testing of goodwill and intangible assets, valuation of FVTPL financial assets, impairments of assets at amortised cost, pension accounting, provisions, and the assessment of consolidation under IFRS 10 rules.

At each closing date, the Group draws conclusions from past experience and all relevant factors relating to its business.

4. Financial risk management

4.1 Governance

The Group's governance environment is described in the annual report for the year ended 31 December 2020, and is substantially unchanged at 30 June 2021.

4.2 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. The Group's credit risk governance is described in the annual report for the year ended 31 December 2020, and is substantially unchanged at 30 June 2021.

4.2.1 Credit risk exposure

4.2.1.1 GROUPING OF INSTRUMENTS FOR LOSSES MEASURED ON A COLLECTIVE BASIS

For expected credit loss provisions calculated on a collective basis, a grouping of exposures is performed on the basis of risk characteristics that are shared by exposures.

Lending by the R&Co Group is primarily focused on supporting the WAM business by way of lending to private clients, against portfolios of securities (Lombard lending) or by way of mortgages against residential properties. In addition, there is a French portfolio of corporate exposures, which includes some sector specialisations (this equates to €169 million of the total in the balance sheet as at June 2021 (December 2020: €227 million). The UK commercial legacy book continues to run off and is now down to less than €20 million net of provisions (less than €25 million as at December 2020).

The majority of the Private Client Lending (PCL) books are secured and there is no historical record of losses for these. Nevertheless, we have adopted a conservative approach to measuring losses on a collective basis for these loans, based on assumptions of PD and LGD for different loan types. The approach for the remaining book, which generally comprises a larger number of smaller loans, does have some loss data, and this has been factored into the IFRS 9 calculations.

PCL LOMBARD AND MORTGAGE LOANS

The Group has a history of very low defaults on its Lombard and mortgage loans made by PCL, and the PD and the LGD have been determined by the history of observed defaults alongside realistic downside scenarios based on management assessment.

For the Lombard loans, the LGD is estimated based on the amount of collateral held, and whether it is diversified or not, as well as the nature of the client and the potential difficulties of recovering the value of the collateral. In the base case for assessment of credit risk, the weighted average PD is 0.3% and the weighted average LGD is 6%.

For the mortgage loans, the LGD is estimated considering the value of the properties that are mortgaged, and varies based on the LTV; the amount of costs likely to be incurred in recovering and realising any collateral; the nature of the client; and the potential difficulties of recovering the value of the collateral. In the base case, the weighted average PD is 1.8% and weighted average LGD is 6%.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis and there have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

OTHER LOANS TO CUSTOMERS

The Group also makes other loans to customers, mainly in the French corporate market and to fund real estate development. Other lending is also provided from time to time to support Asset Management and Merchant Banking activities of the Group. The ECL in these businesses is considered on a sector-by-sector basis, and, wherever significant, on a loan-by-loan basis. The basis of assessment of the PD and LGD for each sector has been informed by historical losses, combined with a forward-looking judgment of the ways the current situation may increase the level of future losses.

Because of the relatively small size of this portfolio, especially any part that is not assessed for credit risk on an individual basis, the Group does not use a model to estimate correlations between the macroeconomic variables and the probability of default. For loans where there is no obvious sign of distress, or for loans that are too small for individual review, additional top-down management overlays have been made in cost of risk to reflect increases in the credit risk that are not possible to detect at an individual level. Any changes made to estimation techniques or significant assumptions during the reporting period have not had a significant impact.

DEBT AT AMORTISED COST

For debt securities in the treasury portfolio, S&P credit ratings are used to determine the ECL. These published ratings are monitored and updated daily. The 12 month and lifetime PDs associated with each rating are determined based on realised default rates, also published by S&P. To estimate the LGD, the Group has used the Basel III LGD, which is 45% for senior debt.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis, and there have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

4.2.1.2 MAXIMUM EXPOSURE TO CREDIT RISK - FINANCIAL INSTRUMENTS SUBJECT TO IMPAIRMENT

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance might be recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets. The credit risk exposure of other financial assets is shown in the section "Credit risk management of other financial assets" of the annual report as at December 2020, and is not significantly different as at 30 June 2021.

In millions of euros	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**30/06/2021**	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**31/12/2020**
Gross carrying amount								
Loans and advances to banks	2,165.7	-	-	2,165.7	2,250.8	-	-	2,250.8
PCL loans to customers	3,538.3	18.0	0.1	3,556.4	3,141.3	2.9	0.1	3,144.3
Other loans to customers	355.0	12.1	89.0	456.1	304.1	9.7	90.6	404.4
Securities at amortised cost	1,394.2	-	-	1,394.2	1,347.3	-	-	1,347.3
TOTAL	**7,453.2**	**30.1**	**89.1**	**7,572.4**	**7,043.5**	**12.6**	**90.7**	**7,146.8**
Loss allowance				**-**				**-**
Loans and advances to banks	-	-	-	-	-	-	-	-
PCL loans to customers	(2.4)	(0.1)	(0.1)	(2.6)	(2.3)	(0.0)	(0.1)	(2.4)
Other loans to customers	(2.1)	(0.8)	(48.9)	(51.8)	(1.6)	(1.5)	(52.0)	(55.1)
Securities at amortised cost	(0.5)	-	-	(0.5)	(0.5)	-	-	(0.5)
TOTAL	**(5.0)**	**(0.9)**	**(49.0)**	**(54.9)**	**(4.4)**	**(1.5)**	**(52.1)**	**(58.0)**
Net carrying amount								
Loans and advances to banks	2,165.7	-	-	2,165.7	2,250.8	-	-	2,250.8
PCL loans to customers	3,535.9	17.9	-	3,553.8	3,139.0	2.9	-	3,141.9
Other loans to customers	352.9	11.3	40.1	404.3	302.5	8.2	38.6	349.3
Securities at amortised cost	1,393.7	-	-	1,393.7	1,346.8	-	-	1,346.8
TOTAL	**7,448.2**	**29.2**	**40.1**	**7,517.5**	**7,039.1**	**11.1**	**38.6**	**7,088.8**

For loans to customers, the cost of risk in the period was a credit of €0.9 million and the movement in the loss allowance of Stage 1, 2 and 3 loans is further explained in the table below. Additionally, the movement in all loss allowances is shown in the account "Impairments" (Note 12).

Information on how the ECL is measured and how the three Stages are determined is provided in the section "Expected credit loss measurement" of the annual report as at December 2020.

Movement in loss allowance of total loans to customers

In millions of euros	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**TOTAL**
Loss allowance at beginning of period	**(3.9)**	**(1.5)**	**(52.1)**	**(57.5)**
Movements with P&L impact				
(Charge)	(0.6)	(0.1)	(4.8)	(5.5)
Release	-	0.7	5.5	6.2
Total net P&L (charge)/release during the period	**(0.6)**	**0.6**	**0.7**	**0.7**
Movements with no P&L impact				
Written off	-	-	3.0	3.0
Exchange	-	-	(0.6)	(0.6)
LOSS ALLOWANCE AT END OF PERIOD	**(4.5)**	**(0.9)**	**(49.0)**	**(54.4)**

Changes in the gross amounts of Stage 1 and Stage 2 loans to customers have had a relatively insignificant effect on the allowances in the period.

4.3 Liquidity risk

4.3.1 Liquidity

Liquidity risk arises from the mismatch between the legal maturity of assets and liabilities. Management of liquidity risk is described in the annual report for the year ended 31 December 2020, and is substantially unchanged as at 30 June 2021.

The Group continues to take a conservative approach to the management of liquidity risk and R&Co retains a very strong liquidity position at 30 June 2021 of €8.9 billion, which is 57% of gross assets and 86% of deposits.

Liquidity assets held by the Group consist mainly of amounts at central banks and banks (€7.0 billion) and investment-grade debt securities (€1.9 billion). These debt securities are closely monitored and the holdings and limits for the weaker credits have been reduced where considered necessary. The majority of the exposure is to financials and supranationals and the corporate exposure is €188 million and is reasonably well diversified across sectors and counterparties.

Movements in customer deposits are all as expected in the normal course of business and the core client deposit book has grown over the period to June 2021.

Each of the Group's banks maintains low loan-to-deposit ratios and a significant amount of high-quality liquidity, for example central bank deposits, to ensure they maintain a minimum level of 20% of all client deposits in cash or assets readily realisable into cash within 48 hours.

4.4 Fair value disclosures

4.4.1 Fair value hierarchy

For financial reporting purposes, IFRS 13 requires fair value measurements that are applied to financial instruments to be allocated to one of three Levels, reflecting the extent to which the valuation is based on observable data.

Level 1: instruments quoted on an active market

Level 1 comprises instruments whose fair value is determined based on directly usable prices quoted on active markets. This mainly consists of listed securities and derivatives traded on organised markets (futures, options, etc.) whose liquidity can be demonstrated, as well as shares of funds where the value is determined and reported daily.

Level 2: instruments measured based on valuation models that use observable inputs other than quoted prices

Level 2 comprises instruments not directly quoted on an active market, measured using a standard valuation technique incorporating parameters that are either directly observable (prices) or indirectly observable (price derivatives) through to maturity.

Level 3: instruments measured using models that are not commonly used and/or that draw on non-observable inputs

Level 3 comprises instruments that are measured, at least in part, on the basis of non-observable market data that is liable to materially impact the valuation.

4.4.2 Valuation techniques used

4.4.2.1 ASSETS MOSTLY HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

Equity securities

In the absence of a price available on an active market, an equity security is considered to be Level 3 if a significant adjustment is made to parameters that are observable. Where no significant adjustment is made to those observable parameters, the security is classed as Level 2.

The normal measurement techniques of equity securities held by the Group either directly, or within its managed funds, are:

- **Transaction multiples**

The preferred measurement technique is based on transaction multiples. This technique uses recent transactions in the sector under consideration. Multiples are established based on the enterprise value (EV) of comparable transactions and accounting measures such as EBITDA (earnings before interest, tax, depreciation and amortisation), EBIT or profit, which are applied to the asset to be measured.

Transaction multiples often reflect a premium that is a consequence of the negotiation activity carried out during the transaction. MB therefore applies a marketability discount to transaction multiples used to value positions retained in the portfolio. Such marketability discounts are higher where MB retains a minority position in the portfolio company and cannot independently trigger a disposal. For the purpose of the IFRS 13 fair value hierarchy, the marketability discount is considered as an unobservable input, and, where significant, would lead to a Level 3 valuation.

- **Other earnings multiples**

This consists of applying a multiple to the earnings of the company to be valued. It is based on multiples from a sample of listed companies that are in the peer group of the company to be valued. The earnings multiples used might be EV/EBITDA, EV/EBIT and the price/earnings ratio (PER).

Companies in the selected peer group must operate in a similar sector to that of the target company. They are of a relatively comparable size and have similar growth prospects. Specific factors may also be taken into account in the selection, including country, regulatory aspects specific to each market, and the presence or otherwise of related business activities.

The value of the peer group companies is obtained by adding together the market capitalisation, net financial debt, and non-controlling interests, based on the most recently available financial data.

Stock exchange multiples are calculated excluding any control premium. The valuation is made from the point of view of a non-controlling shareholder. However, if the investment to be valued is not listed, the lack of liquidity relative to listed companies in the peer group may be reflected through an illiquidity discount. For the purpose of the valuation hierarchy, such an illiquidity discount is considered as an unobservable discount, and, where significant, would mean the valuation is considered as a Level 3 valuation.

Investments in private equity funds that hold instruments at amortised cost

Investments that give a share of underlying assets held by a fund are classified as Level 2 where the value of underlying assets are considered to be Level 2.

Shares in external funds

Shares of private equity funds or investments managed by third parties, for which the manager and third-party assessor have published a net asset value, may use a valuation technique incorporating parameters that are not directly observable, or using observable inputs with a significant adjustment that is not observed. Where it is not clear that the valuations have been performed using only observable inputs, the external funds are assumed to be Level 3.

Credit management products

Junior and subordinated tranches of securitised vehicles held directly by the Group are valued using prices obtained from active brokers and/or dealers. Transactions do not necessarily occur at the indicated prices due to the nature of the securities held and their usually low transaction volume. Therefore, these are considered to be Level 2.

The Group has invested in a credit investment company that invests in subordinated CLO tranches. These are valued by a third-party valuation provider using discounted cash flow (DCF) techniques, giving a "mark to model" valuation that uses software to estimate future cashflows, based on a number of assumptions. Some of these assumptions, of which the default and recoverability rates are considered the most significant, are unobservable inputs, so this instrument is considered to be Level 3.

Other credit management investments consist mainly of investment funds and managed accounts. The majority of these are valued based on market prices, and are considered to be Level 2.

Derivatives

The fair value of derivatives is predominantly derived from prices or quotations of other Level 1 and Level 2 instruments, through standard market extrapolation or interpolation or through corroboration by real transactions. Fair value can also be derived from other standard techniques and models. The most frequently used measurement model is the DCF technique. The values derived from these models are materially affected by the measurement assumptions used, such as the amounts and settlement dates of future cash flows, the discount rates and solvency. When those parameters are determined on the basis of directly observable inputs, the derivatives are classified in Level 2.

4.4.2.2 ASSETS MOSTLY HELD AT AMORTISED COST

Loans to/due to banks and customers

Loans to customers and their associated interest rates are compared, by maturity, with similar recent transactions and are usually held as Level 2. In the event of a material difference in interest rates or any other factor indicating that an asset’s fair value is materially different from the net carrying amount, the fair value is adjusted accordingly. To determine an asset's fair value, the Group estimates the counterparty's default risk and calculates the sum of future cash flows, taking into account the debtor's financial standing.

Repurchase agreements and amounts due to banks and customers are valued using a DCF technique, the discount rate of which is adjusted for the appropriate credit margin. Impaired loans where the carrying value is determined by a DCF, using best estimates of recoverable cash flows, are classified as Level 3.

Debt securities and debt securities in issue

Debt securities are predominantly government bonds, corporate debt securities, senior tranches of securitised mortgage-backed securities, senior tranches of collateralised loan obligations, and certificates of deposit. They can be classified in Level 1 if listed, or Level 2 when external prices for the same security can be regularly observed from a reasonable number of market makers that are active in this security, but these prices do not represent directly tradable prices (when supplied, for example, by consensus pricing services or active brokers and/or dealers). Where prices are not directly observable in the market, a DCF valuation is used. The discount rate is adjusted for the applicable credit margin determined by similar instruments listed on an active market for comparable counterparties.

4.4.3 Fair value of financial instruments

Carried at amortised cost

	30/06/2021				
In millions of euros	**Carrying value**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Cash and amounts due from central banks	4,854.0	4,854.0	-	4,854.0	-
Securities at amortised cost	1,393.7	1,391.7	1,327.7	64.0	-
Loans and advances to banks	2,165.7	2,165.7	-	2,165.7	-
Loans and advances to customers	3,958.1	3,960.4	-	3,951.6	8.8
TOTAL	**12,371.5**	**12,371.8**	**1,327.7**	**11,035.3**	**8.8**
Financial liabilities					
Due to banks and other financial institutions	480.5	497.3	-	497.3	-
Due to customers	10,358.8	10,358.8	-	10,358.8	-
Debt securities in issue	10.6	10.6	-	10.6	-
TOTAL	**10,849.9**	**10,866.7**	**-**	**10,866.7**	**-**

	31/12/2020				
In millions of euros	**Carrying value**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Cash and amounts due from central banks	4,697.4	4,697.4	-	4,697.4	-
Securities at amortised cost	1,346.8	1,347.1	1,277.7	69.4	-
Loans and advances to banks	2,250.8	2,250.8	-	2,250.8	-
Loans and advances to customers	3,491.2	3,493.5	-	3,484.9	8.6
TOTAL	**11,786.2**	**11,788.8**	**1,277.7**	**10,502.5**	**8.6**
Financial liabilities					
Due to banks and other financial institutions	513.5	539.4	-	539.4	-
Due to customers	9,873.1	9,873.1	-	9,873.1	-
Debt securities in issue	9.5	9.5	-	9.5	-
TOTAL	**10,396.1**	**10,422.0**	**-**	**10,422.0**	**-**

Carried at fair value

In millions of euros	30/06/2021 TOTAL	Level 1	Level 2	Level 3
Financial assets				
Mutual funds	535.7	513.8	21.9	-
Financial assets at FVTPL held for investment	842.8	20.6	160.2	662.0
Other financial assets at FVTPL	145.2	145.2	-	-
Derivative financial instruments	123.8	-	123.8	-
TOTAL	**1,647.5**	**679.6**	**305.9**	**662.0**
Financial liabilities				
Derivative financial instruments	71.7	-	69.8	1.9
TOTAL	**71.7**	**-**	**69.8**	**1.9**

In millions of euros	31/12/2020 TOTAL	Level 1	Level 2	Level 3
Financial assets				
Mutual funds	474.1	452.8	21.3	-
Financial assets at FVTPL held for investment	702.7	12.2	216.6	473.9
Other financial assets at FVTPL	108.1	108.1	-	-
Derivative financial instruments	109.8	-	109.8	-
TOTAL	**1,394.7**	**573.1**	**347.7**	**473.9**
Financial liabilities				
Derivative financial instruments	149.2	-	147.3	1.9
TOTAL	**149.2**	**-**	**147.3**	**1.9**

4.4.4 Fair value Level 3 disclosures

Movement in Level 3 assets

The following table presents the movement in assets valued using Level 3 valuation methods in the period. All changes in value are recorded in the income statement in the account "Net gains/(losses) on financial instruments at fair value through profit or loss". The majority of valuation changes are unrealised.

In millions of euros	Funds and other equities	Bonds and other fixed income securities	TOTAL
As at 1 January 2021	**472.5**	**1.4**	**473.9**
Transfer into Level 3	-	5.6	**5.6**
Total gains or losses for the period included in income statement	169.0	-	**169.0**
Additions	80.4	-	**80.4**
Disposals	(66.9)	(0.2)	**(67.1)**
Other movements	0.1	0.1	**0.2**
AS AT 30 JUNE 2021	**655.1**	**6.9**	**662.0**

In the valuation hierarchy described above, the Group has an accounting policy of classifying its unquoted investments as Level 2 when the significant inputs to the valuation are observable. When there are significant unobservable inputs to the valuation, these valuations are classified as Level 3. Disclosure about the inputs to the valuation of Level 3 assets, including the elements that are unobservable, are made below.

The following table summarises the inputs and assumptions used for equities categorised as Level 3 assets. Where the equity investment by the Group is in a managed fund or in a portfolio managed by a third party, the valuation method refers to the valuation of the underlying investments of that fund, of which the Group has a proportionate interest.

Investment	Value (in €m)		Valuation method	Weighted average multiple pre-discount	
	30/06/2021	31/12/2020		30/06/2021	31/12/2020
Investment in unquoted equity, managed by the Group	500.9	339.0	Earnings multiple	17.9x	14.3x
Investment in MB fund, investing in external funds	82.8	72.7	NAV based on an external valuation	n/a	n/a
Investment in fund, managed by external providers	27.3	24.9	NAV based on an external valuation	n/a	n/a
Holding in credit investment company	42.7	34.8	Mark to model	n/a	n/a
Other	1.4	1.1	n/a	n/a	n/a
TOTAL	**655.1**	**472.5**			

Investment	Value (in €m)		Main unobservable input	Weighted average multiple pre-discount	
	30/06/2021	31/12/2020		30/06/2021	31/12/2020
Investment in unquoted equity, managed by the Group	500.9	339.0	Marketability and liquidity discount	9.7%	8.6%
Investment in MB fund, investing in external funds	82.8	72.7	External valuation parameters	n/a	n/a
Investment in fund, managed by external providers	27.3	24.9	External valuation parameters	n/a	n/a
Holding in credit investment company	42.7	34.8	Recoverability and default rate	2.0%	2.0%
Other	1.4	1.1	n/a	n/a	n/a
TOTAL	**655.1**	**472.5**			

Out of the €655 million of FVTPL equity securities classified in Level 3 as at 30 June 2021, €501 million are investments made by the Group in managed funds, where the underlying instruments are valued mainly using an earnings multiple. The main unobservable input is the liquidity/marketability discount taken off valuations that have been calculated using earnings multiples. These reflect the difference in value between (i) a comparable liquid share whose value can be observed; or (ii) a comparable asset valued as part of an executed transaction; and an asset retained in a portfolio. In general, if the discount for an asset were 15% rather than 10%, the valuation used by R&Co would be 15% lower than that calculated using the earnings multiple, rather than 10% lower. To further quantify the fair value sensitivity of these investments, the Group has determined the impact in the event of a fall of 5% in the carrying value of the underlying instruments. In such an event, there would be a pre-tax charge to the income statement of €31.3 million, or 6.2% of this type of asset.

Additionally, €110 million are investments in funds, for which the underlying assets are subject to a third-party valuation. Because full details of all the valuations are not available, the assumption is made that some elements may be unobservable, and so these are classified as Level 3; none of the underlying assets are individually material to the Group's accounts. To quantify the fair value sensitivity of these instruments, measured using unobservable inputs, the Group has determined the impact in the event of a fall of 5% in the carrying value. In such an event, there would be a pre-tax charge to the income statement of €5.3 million or 5.0% of this type of asset.

The main unobservable input to value the holding in the credit investment company is considered to be the default rate. If the average default rate was 2.5% instead of 2.0%, the value of the holding would fall by €0.7 million or 1.7%.

5. Notes to the balance sheet

Note 1 – Financial instruments at fair value through profit or loss

Financial assets

In thousands of euros	30/06/2021	31/12/2020
Debt securities held for liquidity	39,382	33,944
Debt securities held for investment	75,317	69,320
Equity instruments held for investment	767,459	633,329
Equity instruments issued by mutual funds, held for liquidity	535,720	474,053
Other equity instruments	105,776	74,211
Financial assets mandatorily at fair value through profit or loss	**1,523,654**	**1,284,857**
Trading derivative assets (see Note 2)	**120,856**	**109,241**
TOTAL	**1,644,510**	**1,394,098**

Assets held for investment at FVTPL are held primarily by the Merchant Banking business. Equity instruments issued by mutual funds are predominantly money market and low-risk debt funds. Other equity instruments include assets used to hedge certain fund-denominated amounts due to employees.

Financial liabilities

In thousands of euros	30/06/2021	31/12/2020
Trading derivative liabilities (see Note 2)	67,177	143,223
TOTAL	**67,177**	**143,223**

Note 2 – Derivatives

Trading derivatives

	30/06/2021			31/12/2020		
In thousands of euros	*Notional principal*	Of which: asset	Of which: liability	*Notional principal*	Of which: asset	Of which: liability
Firm interest rate contracts	*169,529*	216	2,789	*182,762*	55	9,175
Conditional interest rate contracts	*11,274*	-	137	*12,813*	-	241
Firm foreign exchange contracts	*15,243,567*	119,675	61,379	*12,372,498*	107,629	130,398
Conditional foreign exchange contracts	*563,754*	965	961	*437,457*	1,557	1,551
Other swaps	*7,100*	-	1,911	*7,100*	-	1,858
TOTAL	***15,995,224***	**120,856**	**67,177**	***13,012,630***	**109,241**	**143,223**

Hedging derivatives

	30/06/2021			31/12/2020		
In thousands of euros	*Notional principal*	Of which: asset	Of which: liability	*Notional principal*	Of which: asset	Of which: liability
Firm interest rate contracts	*91,534*	-	4,508	*99,010*	-	5,973
Firm foreign exchange contracts	*56,155*	2,905	-	*94,605*	605	45
TOTAL	***147,689***	**2,905**	**4,508**	***193,615***	**605**	**6,018**

Note 3 – Securities at amortised cost

In thousands of euros	30/06/2021	31/12/2020
Debt securities held for liquidity	1,330,198	1,277,579
Debt securities held for investment	64,021	69,734
Debt securities at amortised cost - gross amount	**1,394,219**	**1,347,313**
Stage 1 - 2 allowances	(490)	(534)
TOTAL	**1,393,729**	**1,346,779**

Note 4 – Loans and advances to banks

In thousands of euros	30/06/2021	31/12/2020
Interbank demand deposits and overnight loans	760,878	810,238
Interbank term deposits and loans	399,080	405,773
Reverse repos and loans secured by bills	1,003,551	1,033,340
Accrued interest	2,212	1,481
Loans and advances to banks - gross amount	**2,165,721**	**2,250,832**
Allowance for credit losses	-	-
TOTAL	**2,165,721**	**2,250,832**

Note 5 – Loans and advances to customers

In thousands of euros	30/06/2021	31/12/2020
Overdrafts	97,678	119,990
PCL loans to customers	3,556,444	3,144,314
Other loans to customers	341,619	266,738
Accrued interest	16,737	17,636
Loans and advances to customers – gross amount	**4,012,478**	**3,548,678**
Stage 1 - 2 allowances	(5,407)	(5,363)
Stage 3 allowances	(48,993)	(52,074)
Allowance for credit losses	**(54,400)**	**(57,437)**
TOTAL	**3,958,078**	**3,491,241**

Credit risk on loans to customers is further explained in section 4.2.1.

Note 6 – Other assets

In thousands of euros	30/06/2021	31/12/2020
Accounts receivable	194,239	193,121
Guarantee deposits paid	36,800	22,542
Settlement accounts for transactions of securities	105,905	28,142
Defined benefit pension scheme assets	36,877	18,516
Other sundry assets	150,183	154,586
Other assets	**524,004**	**416,907**
Prepaid expenses	42,946	30,724
Accrued income	147,867	148,984
Prepayments and accrued income	**190,813**	**179,708**
TOTAL	**714,817**	**596,615**

Note 7 – Acquisition of subsidiaries

On 15 July 2021, after the balance sheet date, the Group acquired 100% of Pâris Bertrand Holdings, which owns Banque Pâris Bertrand. Banque Pâris Bertrand is a renowned private bank with headquarters in Switzerland and offices in Geneva and Luxembourg. Banque Pâris Bertrand's client base consists of wealthy families, family offices and institutional investors, primarily from Switzerland, as well as other markets in Europe. Banque Pâris Bertrand is an excellent strategic fit for the Wealth Management business of Rothschild & Co, thanks to a similar strategy and culture and a comparable client profile. Banque Pâris Bertrand also brings complementary investment capabilities and a presence in Luxembourg, therefore generating synergies by combining the respective client bases of Banque Pâris Bertrand and Rothschild & Co.

R&Co has acquired 100% of the shares in Pâris Bertrand Holdings. The consideration includes contingent consideration measured at €20.7 million at the acquisition date, which is the maximum amount of contingent payments that are potentially payable. The contingent consideration is payable in three annual instalments between September 2021 and September 2023, and the amount of the payments depend on the development of assets under management over this time.

The identifiable assets and liabilities of the Pâris Bertrand Holdings group have been measured at fair value as at the effective date of the acquisition, and are shown below. The carrying amount of the acquired receivables are a reasonable approximation of their fair value. The costs of acquisition have been expensed and are not material in a Group context.

Assets

In millions of euros	**15/07/2021**
Cash and amounts due from central banks	44.3
Financial assets at fair value through profit or loss	10.3
Loans and advances to banks	6.3
Loans and advances to customers	83.5
Deferred tax assets	1.4
Other assets	7.7
Tangible fixed assets	0.8
Right of use assets	0.3
Intangible fixed assets	20.5
TOTAL ASSETS	**175.1**

Liabilities and shareholders' equity

In millions of euros	**15/07/2021**
Due to banks and other financial institutions	5.5
Customer deposits	128.2
Deferred tax liabilities	4.1
Lease liabilities	0.3
Other liabilities, accruals and deferred income	13.0
TOTAL LIABILITIES	**151.1**
Non-controlling interests	-
FAIR VALUE OF NET ASSETS ACQUIRED	**24.0**

The goodwill arising from this transaction amounts to €57.9 million. The goodwill is the excess of the amount paid over the recognisable net assets, and is largely attributable to value expected to arise from future economies of scale and the synergies described above. None of this goodwill is deductible for income tax purposes.

The numbers disclosed in this note are not expected to change materially, but because of the short time between completion and the publication of the accounts, they should be considered to be on a provisional basis.

Note 8 – Due to banks and other financial institutions

In thousands of euros	30/06/2021	31/12/2020
Interbank demand and overnight deposits	110,013	148,924
Repurchase agreements[1]	200,000	200,000
Interbank term deposits and borrowings	165,884	159,881
Accrued interest	4,651	4,734
TOTAL	**480,548**	**513,539**

(1) These balances consist of repurchase agreements made with central banks

Note 9 – Customer deposits

In thousands of euros	30/06/2021	31/12/2020
Demand deposits	9,854,826	9,233,970
Term deposits	394,449	498,783
Borrowings secured by bills	109,208	139,524
Accrued interest	283	818
TOTAL	**10,358,766**	**9,873,095**

Note 10 – Other liabilities, accruals and deferred income

In thousands of euros	30/06/2021	31/12/2020
Due to employees	620,577	660,839
Other accrued expenses and deferred income	109,264	113,202
Accrued expenses	**729,841**	**774,041**
Settlement accounts for transactions of securities	443,926	114,717
Accounts payable	23,841	22,925
Sundry creditors	99,043	85,479
Other liabilities	**566,810**	**223,121**
TOTAL	**1,296,651**	**997,162**

The account “settlement accounts for transactions of securities” includes amounts which relate to purchases of shares close to the period end, on behalf of clients for which payment is due but has not yet been made. Settlement normally happens two days after the transaction date.

Note 11 – Provisions

In thousands of euros	01/01/2021	Charge/ (release)	(Paid)	Exchange movement	Other movements	30/06/2021
Provisions for counterparty risk	681	-	-	-	-	681
Provisions for claims and litigation	21,153	10	(15)	(138)	(9)	21,001
Provisions for property	2,287	(118)	(707)	32	271	1,765
Provisions for staff costs	4,658	(66)	-	6	369	4,967
Other provisions	3,692	-	-	-	-	3,692
Subtotal	**32,471**	**(174)**	**(722)**	**(100)**	**631**	**32,106**
Retirement benefit liabilities	89,410	-	-	3,438	(81,000)	11,848
TOTAL	**121,881**	**(174)**	**(722)**	**3,338**	**(80,369)**	**43,954**

From time to time, the Group is involved in legal proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, provisions are made where it is probable that an outflow of resources will be required and the amount can be reliably estimated.

Also within provisions for claims and litigation are amounts set aside to cover estimated costs of other legal proceedings and claims arising from the conduct of business.

Management believes that the level of provisions made in these financial statements continues to be sufficient for any potential or actual proceedings or claims that are likely to have an impact on the Group's financial statements, based on information available at the reporting date.

Retirement benefit liabilities (above) and assets (Note 6) arise mainly from defined benefit pension schemes in the United Kingdom and Switzerland, and represent the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of any plan assets. The values of assets and obligations in the principal schemes are prepared by qualified independent actuaries for the half year and year-end accounts and the net movement in the liability is shown in the table above. Retirement benefit liabilities have fallen, caused in part by a change in actuarial assumptions which have given rise to a material gain in equity. Further information on retirement benefit obligations is provided in the financial statements for the period ended 31 December 2020.

Note 12 – Impairments

In thousands of euros	01/01/2021	Income statement (charge)	Income statement reversal	Written off	Exchange rate and other movements	30/06/2021
Loans and advances to customers	(57,437)	(5,453)	6,196	3,037	(743)	(54,400)
Other assets	(24,578)	(1,542)	2,151	3,240	(486)	(21,215)
Securities at amortised cost	(534)	(2)	46	-	-	(490)
TOTAL	**(82,549)**	**(6,997)**	**8,393**	**6,277**	**(1,229)**	**(76,105)**

Note 13 – Deferred tax

The movement in the deferred tax account is as follows:

In thousands of euros	30/06/2021	31/12/2020
Net asset/(liability) as at beginning of period	**32,411**	**17,996**
of which deferred tax assets	*71,184*	*59,469*
of which deferred tax liabilities	*(38,773)*	*(41,473)*
Recognised in income statement		
Income statement (expense)/income	12,787	(3,172)
Recognised in equity		
Defined benefit pension arrangements	(17,305)	19,380
Financial assets at fair value through other comprehensive income	-	381
Share options	1,117	143
Net investment hedge	(13)	(271)
Cash flow hedge	(335)	18
Exchange differences	2,394	(2,498)
Other	(60)	434
NET ASSET/(LIABILITY) AS AT END OF PERIOD	**30,996**	**32,411**
of which deferred tax assets	*72,316*	*71,184*
of which deferred tax liabilities	*(41,320)*	*(38,773)*

Note 14 – Non-controlling interests

Non-controlling interests (NCoI) represent the share of fully consolidated subsidiaries that is not directly or indirectly attributable to the Group. These interests comprise the equity instruments that have been issued by these subsidiaries and that are not held by the Group. The Group's income, net assets and distributions that are attributable to NCoI arise from the following sources:

	30/06/2021			30/06/2020	31/12/2020	30/06/2020
In thousands of euros	**Income**	**Amounts in the balance sheet**	**Distributions**	**Income**	**Amounts in the balance sheet**	**Distributions**
Share of profit attributable to non-controlling interests						
Preferred shares	99,564	91,155	126,514	54,982	118,105	146,413
Other	11	3,078	61	(374)	2,144	117
Expense, net of tax						
Perpetual subordinated debt	6,519	297,509	6,570	7,528	284,689	7,295
TOTAL	**106,094**	**391,742**	**133,145**	**62,136**	**404,938**	**153,825**

Preferred shares

Preferred shares within NCoI mainly consist of amounts calculated in accordance with statutory clauses applicable to French limited partnerships of the Group including Rothschild Martin Maurel SCS, the French holding company of our WAM and GA businesses located in France, and its relevant subsidiaries. The distributed profit share *(préciput)* is based on the partnerships' individual local earnings.

Perpetual subordinated debt

Subsidiaries inside the Group have issued to third parties perpetual subordinated debt instruments that have discretionary clauses relating to the payment of the interest. Under IFRS, these instruments are considered to be equity instruments and are shown as part of NCoI because they were issued by subsidiaries and not held by the Group. The interest payable, net of tax relief, on these instruments is shown as a charge to NCoI. The instruments are shown below.

In thousands of euros	**30/06/2021**	**31/12/2020**
Perpetual fixed rate subordinated notes 9 per cent (£125 million)	172,307	164,466
Perpetual floating rate subordinated notes (€150 million)	60,264	57,522
Perpetual floating rate subordinated notes (US$200 million)	64,938	62,701
TOTAL	**297,509**	**284,689**

Note 15 – Net cash and cash equivalents

For the purposes of drawing up the cash flow statement, the account "cash and cash equivalents" is made up of the following items:

In thousands of euros	**30/06/2021**	**31/12/2020**
Cash and accounts with central banks	4,853,997	4,697,354
Interbank assets - demand deposits and overnight loans	760,878	810,238
Other cash equivalents	477,550	508,340
Interbank liabilities - demand deposits and overnight loans	(110,013)	(148,924)
TOTAL	**5,982,412**	**5,867,008**

Cash includes demand deposits placed with banks and cash on hand. Other cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of value change. These comprise overnight interbank reverse repos and public bills that are held for trading.

Note 16 – Commitments given and received

Commitments given

In thousands of euros	30/06/2021	31/12/2020
Given to customers	782,069	687,810
Loan and debt security commitments	**782,069**	**687,810**
Given to banks	13,072	12,325
Given to customers	194,029	195,550
Guarantee commitments	**207,101**	**207,875**
Investment commitments	393,510	393,706
Irrevocable nominee commitments	204,778	197,732
Other commitments given	3,111	3,007
Other commitments given	**601,399**	**594,445**

Investment commitments relate to equity investments in Merchant Banking funds and direct investments. Irrevocable nominee commitments represent commitments to funds where the Group acts as a nominee on behalf of its clients. The commitment to employees in respect of deferred remuneration is set out in Note 20.

Commitments received

In thousands of euros	30/06/2021	31/12/2020
Received from banks	242,794	241,109
Loan commitments	**242,794**	**241,109**
Received from banks	20,322	35,479
Received from customers	1,150	2,480
Guarantee commitments	**21,472**	**37,959**

6. Notes to the income statement

Note 17 – Net interest income

Interest income

In thousands of euros	30/06/2021	30/06/2020
Interest income - loans to banks	2,028	3,183
Interest income - loans to customers	27,449	29,153
Interest income - debt securities at FVTPL	393	374
Interest income - debt securities at amortised cost	2,606	4,324
Interest income - derivatives	10,457	19,514
Interest income - other financial assets	116	127
TOTAL	**43,049**	**56,675**

Interest expense

In thousands of euros	30/06/2021	30/06/2020
Interest expense - due to banks and other financial institutions	(3,288)	(3,495)
Negative interest income from loans to banks	(13,019)	(12,191)
Interest expense - due to customers	(1,108)	(6,122)
Interest expense - derivatives	(880)	(894)
Interest expense - lease liabilities	(2,443)	(2,866)
Interest expense - other financial liabilities	88	(292)
TOTAL	**(20,650)**	**(25,860)**

Note 18 – Net fee and commission income

Fee and commission income

In thousands of euros	30/06/2021	30/06/2020
Fees for M&A advisory work	580,403	387,065
Fees for Financing Advisory work and other services	263,302	146,067
Portfolio and other management fees - Wealth and Asset Management	257,692	245,997
Portfolio and other management fees - Merchant Banking	63,777	43,410
Banking and credit-related fees and commissions	3,571	3,532
Other fees	6,632	6,119
TOTAL	**1,175,377**	**832,190**

Fee and commission expense

In thousands of euros	30/06/2021	30/06/2020
Fees for M&A advisory work	(3,010)	(1,624)
Fees for Financing Advisory work and other services	(7,765)	(2,883)
Portfolio and other management fees - Wealth and Asset Management	(33,234)	(32,451)
Portfolio and other management fees - Merchant Banking	(2,999)	(1,232)
Banking and credit-related fees and commissions	(56)	(18)
Other fees	(2,038)	(1,276)
TOTAL	**(49,102)**	**(39,484)**

Note 19 – Net gains/(losses) on financial instruments at fair value through profit or loss

In thousands of euros	30/06/2021	30/06/2020
Net income - financial instruments at fair value through profit or loss	121,514	3,368
Net income - carried interest	63,639	(621)
Net income - foreign exchange operations	15,584	14,450
Net income - other trading operations	134	(1,656)
TOTAL	**200,871**	**15,541**

Net gains and losses on financial instruments at fair value through profit or loss include the changes in fair value of financial instruments at fair value through profit or loss, and financial instruments held in the trading portfolio, including derivatives.

Financial instruments at fair value through profit or loss include both ordinary equity and carried interest shares held by the Group in its Merchant Banking funds. They also include debt securities issued by its Merchant Banking investment vehicles.

Note 20 – Operating expenses

In thousands of euros	30/06/2021	30/06/2020
Compensation and other staff costs	(675,426)	(506,550)
Defined benefit pension expenses	(8,542)	(8,416)
Defined contribution pension expenses	(8,799)	(7,592)
Staff costs	**(692,767)**	**(522,558)**
Administrative expenses	(118,870)	(122,194)
TOTAL	**(811,637)**	**(644,752)**

Staff costs

As part of its variable pay strategy, the Group pays bonuses to employees. In some cases, the cash payment is deferred to future years.

In most circumstances, deferred cash awards are paid one, two and three years after the year of the award, and the expense is recognised over the two, three and four-year periods from the start of the year of the award to the date of payment. These awards are paid on the condition that the recipient is still an employee of the Group. Employees identified as Material Risk Takers (MRT) under the Capital Requirements Directive V (CRD V) will have a portion of their current year bonus deferred over four years, with the expense recognised accordingly. A portion of these bonuses are settled in the form of a non-cash instrument. There are two forms of non-cash instruments in the R&Co Group, used in response to the Capital Requirements Directives (CRD IV and CRD V). Firstly, an equity-settled deferred share award consisting of R&Co shares: the R&Co shares are released to the employees six months after the vesting date of the award. Secondly, a cash-settled share-linked cash award (non-deferred): this vests immediately but the value of the amount paid moves in line with the R&Co share price over a six month holding period. Occasionally, in certain circumstances, the Group allows employees to accelerate the vesting of deferred cash awards, and in this case, any remaining uncharged expense is recognised immediately.

A commitment to employees exists in connection with deferred remuneration. Some of this has not yet accrued because it relates to a future service period. The amount of potential future payments that have not yet accrued is €123 million (€97 million as at 31 December 2020).

The objective of the deferred share-based payment awards is to link the reward of certain key staff with the performance of the Group. In addition to the requirement to remain employed by the Group, these awards may also be cancelled under specific circumstances.

Note 21 – Cost of risk

In thousands of euros	Impairment	Impairment reversal	Recovered loans	30/06/2021	30/06/2020
Loans and advances to customers	(5,453)	6,196	152	895	(5,909)
Securities at amortised cost	(2)	46	-	44	10
Other assets	(1,542)	2,151	-	609	(2,206)
Commitments given to customers	-	-	-	-	366
TOTAL	**(6,997)**	**8,393**	**152**	**1,548**	**(7,739)**

Note 22 – Net income/(expense) from other assets

In thousands of euros	30/06/2021	30/06/2020
Gains/(losses) related to disposal and impairment of tangible or intangible assets	(824)	62
Non-operating income/(expense)	4,657	(2,013)
TOTAL	**3,833**	**(1,951)**

The result in the account “Non-operating income” includes the unrealised change in value and dividend income from certain fair-valued legacy investments, which are excluded from the management result.

Note 23 – Income tax expense

In thousands of euros	30/06/2021	30/06/2020
Current tax	(70,900)	(27,579)
Deferred tax	12,787	(649)
TOTAL	**(58,113)**	**(28,228)**

Reconciliation of the tax charge between the French standard tax rate and the effective rate

In thousands of euros	30/06/2021		30/06/2020	
Profit before tax		**510,302**		**150,421**
Expected tax charge at standard French corporate income tax rate	28.4%	144,977	32.0%	48,165
Main reconciling items(1)				
Impact of foreign profits and losses taxed at different rates	(11.8%)	(60,077)	(5.6%)	(8,414)
Tax on partnership profits recognised outside the Group	(5.4%)	(27,694)	(11.7%)	(17,589)
Recognition of previously unrecognised deferred tax	(0.4%)	(2,274)	(1.8%)	(2,625)
Tax impact on deferred tax relating to change of the corporate income tax rate	(0.4%)	(1,829)	+2.0%	2,946
Permanent differences	+0.1%	118	+0.7%	1,035
Tax on dividends received through partnerships	+0.1%	412	+0.0%	-
Impact of deferred tax unrecognised on losses	+0.1%	654	+1.2%	1,811
Tax impacts relating to prior years	+0.1%	718	+1.2%	1,739
Irrecoverable and other dividend-related taxes	+0.5%	2,682	+0.7%	970
Other tax impacts	+0.1%	426	+0.1%	190
Actual tax charge	**11.4%**	**58,113**	**18.8%**	**28,228**
EFFECTIVE TAX RATE		**11.4%**		**18.8%**

(1) The categories used in the comparative disclosure are always presented in a way that is consistent with the categories used to explain the tax in the current period.

Note 24 – Segmental information

The table below presents a segmental analysis by business line, used internally for assessing business performance, which is then adjusted to conform to the Group's statutory accounting policies. The reconciliation to IFRS 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, rather than in the year of award; the application of IAS 19 for defined benefit pension schemes; adding back non-operating gains and losses booked in the account “Net income/(expense) from other assets" or administrative expenses excluded from the management accounts; and reallocating impairments and certain operating income and expenses for presentational purposes.

Segmental information split by business

In thousands of euros	Global Advisory	Wealth and Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	30/06/2021
Net banking income	**833,397**	**274,186**	**234,602**	**8,148**	**1,350,333**	**(470)**	**1,349,863**
Operating expenses	(668,670)	(217,371)	(49,323)	(30,590)	(965,954)	120,503	(845,451)
Cost of risk	-	797	-	-	797	751	1,548
Operating income	**164,727**	**57,612**	**185,279**	**(22,442)**	**385,176**	**120,784**	**505,960**
Share of profits of associated entities	-	-	-	-	-	509	509
Non-operating income	-	-	-	-	-	3,833	3,833
Profit before tax	**164,727**	**57,612**	**185,279**	**(22,442)**	**385,176**	**125,126**	**510,302**

In thousands of euros	Global Advisory	Wealth and Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	30/06/2020
Net banking income	**529,380**	**252,271**	**52,802**	**7,080**	**841,533**	**(3,702)**	**837,831**
Operating expenses	(454,520)	(205,959)	(43,338)	(26,881)	(730,698)	51,969	(678,729)
Cost of risk	-	(2,436)	-	-	(2,436)	(5,303)	(7,739)
Operating income	**74,860**	**43,876**	**9,464**	**(19,801)**	**108,399**	**42,964**	**151,363**
Share of profits of associated entities	-	-	-	-	-	1,009	1,009
Non-operating income	-	-	-	-	-	(1,951)	(1,951)
Profit before tax	**74,860**	**43,876**	**9,464**	**(19,801)**	**108,399**	**42,022**	**150,421**

Net banking income split by geographical segment

In thousands of euros	30/06/2021	%	30/06/2020	%
United Kingdom and Channel Islands	367,994	27%	264,109	32%
France	358,011	27%	269,667	32%
Rest of Europe	325,310	24%	93,143	11%
Americas	198,678	15%	122,197	15%
Switzerland	52,823	4%	58,210	7%
Australia and Asia	37,384	3%	21,503	3%
Other	9,663	1%	9,002	1%
TOTAL	**1,349,863**	**100%**	**837,831**	**100%**

The breakdown by geographic segment is based on the geographic location of the entity that records the income.

Note 25 – Earnings per share

	30/06/2021	30/06/2020
Net income - Group share (millions of euros)	346.1	60.1
Profit share (*préciput*) adjustment (millions of euros)	(1.5)	(1.3)
Net income - Group share after *préciput* adjustment (millions of euros)	**344.6**	**58.8**
Basic average number of shares in issue - 000s	72,159	71,793
Earnings per share - basic (euros)	**4.78**	**0.82**
Diluted average number of shares in issue - 000s	73,104	71,994
Earnings per share - diluted (euros)	**4.71**	**0.82**

Basic earnings per share are calculated by dividing Net income - Group share (after removing accrued profit share (*préciput*), which is not part of the distributable profit available to shareholders) by the weighted average number of shares in issue during the period. The *préciput* adjustment is spread evenly over the reporting period.

Diluted earnings per share are calculated using the treasury share method, whereby net income is divided by the sum of the weighted average number of shares outstanding plus the bonus number of shares that would be issued through dilutive option or share awards. Share options and awards that are dilutive are those that are in the money, based on the average share price during the period. The majority of potential shares that are not dilutive are connected to the Rothschild & Co Equity Scheme.

As there were no gains or losses on discontinued activities, the earnings per share on continuing activities are the same as earnings per share.

Note 26 – Consolidation scope

There have been no material changes in the Group's consolidation scope during the period.

Abbreviations and glossary

Term	Definition
ACPR	*Autorité de Contrôle Prudentiel et de Résolution* (French Prudential and Resolution Authority)
bp	Basis point
Company	Rothschild & Co SCA
CRD IV/CRD V	Capital Requirements Directive 4 and 5
DCF	Discounted cash flow
ECL	Expected credit loss (IFRS 9), which can be measured on either a 12-month basis (12m ECL) or a lifetime basis (lifetime ECL)
Equity Scheme	Rothschild & Co operates a scheme for certain senior staff where participants are required to invest in Rothschild & Co shares and for each share owned they are granted four share options
Financing Advisory	A subset of the Global Advisory business, encompassing debt advisory; restructuring and equity advisory; and investor advisory work.
FVTPL	Fair value through profit or loss
GA	Global Advisory (business segment)
GEC	Group Executive Committee
Group	Rothschild & Co SCA and its consolidated subsidiaries
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
LCR	Liquidity Coverage Ratio
Level 1/2/3	IFRS 13 fair value hierarchy, explained in section 4.4.1
LGD	Loss Given Default (IFRS 9)
LIBOR	London Interbank Offered Rate
Lombard lending	Lending secured against portfolios of securities
LTV	Loan to value
Managing Partner	Rothschild & Co Gestion SAS (the *gérant*)
MRT	Material Risk Taker, as defined under CRD IV and V
MB/Merchant Banking	Merchant Banking (business segment)
NCoI	Non-controlling interest
OCI	Other comprehensive income
PCL	Private Client Lending in the WAM business segment
PD	Probability of default (IFRS 9)
PER	Price/Earnings ratio
R&Co	Rothschild & Co SCA
R&Co Gestion	Rothschild & Co Gestion SAS (the *gérant*/Managing Partner)
ROU asset	Right of use asset (IFRS 16)
SICR	Significant increase in credit risk (IFRS 9)
Stage 1/2/3	IFRS 9 credit quality assessments
Supervisory Board	Rothschild & Co Supervisory Board
WAM	Wealth and Asset Management (business segment)

Statutory Auditors' review report on the half-year financial information

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the period from January 1 to June 30, 2021

To the Shareholders,

In compliance with the assignment entrusted to us by your General meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Rothschild & Co S.C.A., for the period from January 1 to June 30, 2021,
- the verification of the information presented in the half-year management report.

Due to the global crisis related to the Covid-19 pandemic, the half-year consolidated financial statements have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our review procedures.

These half-year summary consolidated financial statements are the responsibility of Management ("le Gérant"). Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-year summary consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II. Specific verification

We have also verified the information presented in the half-year management report on the half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the half-year summary consolidated financial statements.

Paris la Defense and Paris, September 15, 2021
French original signed by

KPMG S.A.	Cailliau Dedouit et Associés
Arnaud Bourdeille *Partner*	Sandrine Le Mao Partner

Persons responsible for the half-year financial report

Rothschild & Co Gestion SAS
Managing Partner

Mark Crump
Group Chief Financial Officer
and Chief Operating Officer

Statement by the persons responsible for the half-year financial report

We hereby declare that, to the best of our knowledge, the summary interim consolidated financial statements for the past six-month period have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and all the other companies included in the scope of consolidation, and that the half-year activity report includes a fair review of the material events that occurred in the first six months of the financial year, their impact on the interim accounts and the main transactions between related parties, together with a description of the principal risks and uncertainties for the remaining six months of the year.

Paris, 15 September 2021

Rothschild & Co Gestion SAS
Managing Partner
Represented by Alexandre de Rothschild,
Executive Chairman

Mark Crump
Group Chief Financial Officer
and Chief Operating Officer

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 and 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 €155,395,024. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

For further information:

Investor Relations
InvestorRelation@rothschildandco.com

Media Relations
Groupmediaenquiries@rothschildandco.com

or visit the Group's website
www.rothschildandco.com

Financial calendar:

- 9 November 2021 — Publication of Third quarter information 2021
- 28 February 2022 — Publication of Full year results 2021