Rothschild & Co

Press release - Full-year 2021 results

Paris, 28 February 2022

Record full-year results across all three businesses supported by strong market conditions

- **Business performance**:
  - **Global Advisory**: record full-year revenue up 67% to €1,915 million, compared to last year (2020: €1,146 million) and profit before tax of €421 million[1] (2020: €169 million), reflecting very high levels of activity continuing across the whole business
  - **Wealth and Asset Management:** very strong full-year revenue up 19% to €593 million, (2020: €499 million) and profit before tax of €117 million[2] (2020: €74 million). Assets under Management[3] (AuM) were up 25% to €103.9 billion (31 December 2020: €83.4 billion) due to the combination of solid Net New Assets (NNA) of €4.1 billion, the acquisition of Banque Pâris Bertrand (€7.1 billion) and positive market performance (€9.3 billion)
  - **Merchant Banking:** exceptional full-year revenue up 169% to €398 million (2020: €148 million) and profit before tax of €292 million (2020: €57 million), as a result of substantial realised and unrealised investment gains, combined with further growth in recurring revenues. AuM continues to grow and reached €18.3 billion (+17%), of which Rothschild & Co share was €1.6 billion
- **Revenue:** €2,925 million, up 63% (2020: €1,799 million)
- **Net income - Group share[4]** : €766 million, up 343% (2020: €173 million)
- **Earnings per share (EPS)[4]:** €10.59, up 347% (2020: €2.37)
- Foreign exchange translation effects increased revenue by €27 million and Net income – Group share by €9 million
- Total dividend of €3.79. It comprises a normal dividend of €1.15, up 29% (2020: €0.89), a special dividend of €1.60 due to the record results for 2021 as well as the interim dividend of €1.04, already paid in October 2021[5]
- Following approval from ACPR, the previously announced share buyback of up to €70 million will be launched

[1] Including ongoing investment in the development of our North American M&A franchise
[2] Excluding Asset Management US
[3] Including €6.1 billion double-counted assets representing AuM of Wealth Management clients invested in Asset Management products (2020: €5.3 billion)
[4] Excluding exceptional items which are presented in Appendix B
[5] Under our normal dividend policy, we would have paid a dividend per share of €0.85 and €0.89 in respect of the 2019 and 2020 financial years. However, due to the regulatory restrictions then in place due to the pandemic, the €0.85 for 2019 was paid in October 2021, and the €0.89 for 2020 was paid in two tranches of €0.70 in May 2021 and €0.19 in October 2021

Alexandre de Rothschild, Executive Chairman, commented:

"Our outstanding results in 2021 are thanks to the dedication and hard work of everyone at Rothschild & Co during a particularly demanding period. It is this resilience and adaptability which have enabled us to announce today the best results in our history.

All three of our businesses have exceeded their expectations thanks to long-term strategies, excellent client relationships and highly favourable market conditions.

In Global Advisory, the strong momentum enjoyed in the first half of the year continued into the second half. We had a particularly supportive market environment across all geographies, sectors and products leading to an unprecedented number of transactions, allowing us to deliver our highest full-year results ever.

In Wealth and Asset Management, we are proud to have achieved €104 billion AuM, largely thanks to strong net new assets collected across all our geographies, in tandem with supportive markets. The full integration of Banque Pâris Bertrand in Switzerland is now complete with the two entities working together as one bank.

In Merchant Banking, exceptional revenue growth and record-breaking investment performance combined to produce record results. Our solid investment approach continues to create real value for investors, thanks to our focus on three resilient growth sectors (Data & Software, Healthcare and Technology-Enabled Business Services), which have had limited impact from the pandemic.

Despite recent geopolitical events being a source of concern, the momentum at the beginning of 2022 is positive and we are confident about our future prospects for long-term growth. As a people business, we will continue to focus a significant part of our investment on the development of all our employees in order to continue to grow and bring innovative solutions to our clients.

The Group formalised its long-term ambition to use its influence and expertise to support the sustainability transition of the global economy as a key pillar of Group strategy. Each business is integrating key ESG criteria into their operations.

Given our excellent performance, we will be proposing a dividend of €3.79 per share to the AGM. This comprises a normal dividend of €1.15 per share, up 29% to reflect our optimism for the future of the Group, a special dividend of €1.60 per share reflecting the exceptionally good results in 2021 as well as an interim dividend of €1.04 already paid in October 2021. Further, following approval from ACPR, we will now be launching the previously announced share buyback of up to €70 million."

1. Summary Consolidated income statement

The Rothschild & Co Supervisory Board met on 28 February 2022 and reviewed the full-year summary consolidated financial statements[6] for the period from 1 January to 31 December 2021.

(in € million)	Page	2021	2020	*Var*	*Var %*
Revenue	**3 - 8**	**2,925**	**1,799**	***1,126***	***63%***
Staff costs	8	(1,453)	(1,096)	*(357)*	*33%*
Administrative expenses	8	(267)	(255)	*(12)*	*5%*
Depreciation and amortisation	8	(73)	(67)	*(6)*	*9%*
Cost of risk	8	(1)	(7)	*6*	*(86)%*
Operating Income		**1,131**	**374**	***757***	***202%***
Other income / (expense) (net)	9	0	(5)	*5*	*(100)%*
Profit before tax		**1,131**	**369**	***762***	***207%***
Income tax	9	(170)	(60)	*(110)*	*183%*
Net income		**961**	**309**	***652***	***211%***
Non-controlling interests	9	(195)	(148)	*(47)*	*32%*
Net income - Group share		**766**	**161**	***605***	***376%***
Adjustments for exceptionals	13	0	12	*(12)*	*(100)%*
Net income - Group share excl. exceptionals		**766**	**173**	***593***	***343%***
*Earnings per share**		*10.59 €*	*2.20 €*	*8.39 €*	*382%*
EPS excl. exceptionals		***10.59 €***	***2.37 €***	***8.22 €***	***347%***
Return On Tangible Equity (ROTE)		*32.3%*	*8.2%*		
ROTE excl. exceptionals		***32.3%***	***8.8%***		

* *Diluted EPS is €10.45 (2020: €2.19)*

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

[6] These financial statements are unaudited. The audit procedures by the statutory auditors are underway. Figures have been rounded. Rounding differences may exist, including for percentages.

2. Business activities

2.1 Global Advisory

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

Revenue for the three months to December 2021 was €618 million, up 74% compared to the same period last year (Q4 2020: €355 million), of which €477 million in M&A and €141 million in Financing Advisory, reflecting continued very strong levels of activity across our whole business.

Revenue for 2021 was a record high of €1,915 million, up 67% compared to 2020 (€1,146 million). For the twelve months to December 2021, we ranked 6th globally by financial advisory revenue[7].

Profit before tax[8] for 2021 was €421 million, up 150% (2020: €169 million). Total costs were up 53%, largely driven by an increase in variable compensation costs. The compensation ratio was 66.8% in 2021 down from 68.1% in 2020, on an awarded basis. The reduction of 1.3%, reflects the sharing of the leverage benefit of higher revenue on non-compensation costs between the employees and the shareholder. The PBT margin improved from 14.7% in 2020 to 22.3% in 2021. While travel and certain other non-personnel costs were up compared to 2020, they remained below pre-pandemic levels

Our **M&A** revenue for 2021 was €1,432 million, up 87% compared to 2020 (€766 million), based on elevated levels of deal activity across our main geography and sector franchises, and across both corporate and financial sponsor clients. We ranked 4th globally by number of completed transactions for the twelve months to December 2021[9]. 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[9].

Financing Advisory revenue for 2021 was €483 million, up 27% compared to 2020 (€380 million). We ranked 1st in Europe and 2nd globally by number of completed restructuring transactions for the twelve months to December 2021[9], and we advised on more European equity assignments than any other independent financial adviser[10]. In 2021, we were highly active in advising clients on innovative sustainability-linked financing transactions as well as in raising funding for renewable energy projects.

During the year, we significantly strengthened our Equity Advisory offering and built market-leading teams to serve our clients' full spectrum of capital markets advisory needs. In Investor Advisory, we have developed a leading ESG capability both advising clients on a dedicated basis and providing the expertise to integrate ESG considerations into the advice we provide clients across our full product range in M&A, Equity Advisory, and Debt Advisory and Restructuring. We invested significantly in our Private Capital capability, where we advised clients on several situations, including minority investment, growth equity capital raising and GP solutions.

Acquisition of controlling stake in Redburn

Rothschild & Co reached an agreement, during Q4 2021, to acquire a controlling interest in Redburn (Europe) Limited, one of the largest independent equity research providers in Europe. The Group will acquire an initial controlling interest in H1 2022, subject to regulatory approval, and have committed to purchase the remaining outstanding shares in 2026. The final consideration paid for the remaining stake will be dependent on the performance of the Redburn business up to financial year 2025.

The acquisition of Redburn will support the Group's strategy to develop a global multi-product equity services platform, spanning independent advice on listed equity offerings, raising capital in the private markets, investor advisory services (including activist defence, ESG advice and investor engagement) and investor marketing, through to market leading sector and company research and agency only execution.

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[7] Source: Company filings
[8] Including ongoing investment in the development of our North American M&A franchise
[9] Source: Refinitiv
[10] Source: Dealogic

Global Advisory advised the following clients on significant assignments that completed during 2021:

- **Vivendi** on its spin-off of UMG (€45 billion, France and Netherlands)
- **Hertz** on its chapter 11 restructuring (adviser to Ad Hoc Group of European Noteholders, US$19.1 billion, United States and Netherlands)
- **Morrisons** on its recommended final cash offer from Clayton Dubilier & Rice (£10 billion, United Kingdom 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 the Issa Brothers and TDR Capital (£6.8 billion, United States and United Kingdom)
- **Coca-Cola Europacific Partners** on its recommended offer for Coca-Cola Amatil (US$8.4 billion, United Kingdom and Australia)

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 its recommended tender offer from Veolia (€26 billion, France)
- **Meggitt** on its recommended cash offer from Parker Hannifin (£6.3 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)
- **Nordic Aviation Capital** on its restructuring (US$5.9 billion, United Kingdom)
- **Société Générale** on its acquisition of LeasePlan by ALD (€4.9 billion, France and Netherlands)
- **CC Neuberger II** on its merger with Getty Images (US$4.8 billion, United States)

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

2.2 Wealth and Asset Management

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

Global stock markets closed out 2021 with double-digit gains for a third year in a row. Beyond the prolonged pandemic crisis, there were growing concerns about disrupted supply chains, inflation and potential interest rate rises, which created some volatility in the last months of the year. However, the markets remained well supported by the liquidity provided by the central banks and government fiscal stimulus. Within this context, the performance of the business has remained very strong.

Net new assets (NNA) for the twelve months to 2021 were €4.1 billion, of which net inflows of €4.3 billion in Wealth Management and €0.8 billion in Asset Management Europe were partly offset by net outflows of €1.0 billion in Asset Management US.

In 2021 our WAM Europe business continued to expand and attract new clients, recording positive NNA in all its locations. We received the approval from the Spanish regulators for our new subsidiary in Madrid which started operating in October and we opened a new regional office in France (Toulouse) and in the UK (Birmingham).

The Banque Pâris Bertrand acquisition was completed in July and the legal merger between the two Swiss entities (Rothschild & Co Bank AG and Banque Pâris Bertrand) was implemented in October 2021. Hence, we are reporting the impact of this acquisition for six months in our 2021 accounts.

Our investment management teams (in all European locations and in the US) have performed extremely well and are showing a 2021 performance above their respective benchmarks in most client portfolios and currencies, often ranked in the top quartile when compared to peers.

Taking into account NNA, market effect and the acquisition of Banque Pâris Bertrand, Assets under Management (AuM) for **WAM Europe have increased by 26% since the beginning of the year from €75.2 billion to €95.0 billion**[11].

AuM for AM US increased by 9% since the beginning of the year from €8.2 billion to €8.9 billion as at 31 December. Overall, the performance of the business is improving with enhanced investment performance across all strategies being reflected in both slowing outflows and an increasing number of new business opportunities.

The table below presents the progress in AuM:

	Quarter ended			12 months	
(in € billion)	**Q4 2021**	**Q3 2021**	**Q4 2020**	**2021**	**2020**
AuM opening[11]	**100.6**	**92.9**	**76.5**	**83.4**	**80.4**
of which Wealth Management	*71.8*	*63.7*	*51.3*	*55.8*	*49.5*
of which AM Europe	*20.5*	*20.7*	*19.0*	*19.4*	*20.8*
of which AM US	*8.3*	*8.5*	*6.2*	*8.2*	*10.1*
Acquisition of Pâris Bertrand Banque[11]	**0.7**	**6.4**	**-**	**7.1**	**-**
Net new assets	**(0.4)**	**0.9**	**1.4**	**4.1**	**0.7**
of which Wealth Management	*(0.7)*	*1.1*	*0.6*	*4.3*	*2.9*
of which AM Europe	*0.4*	*0.1*	*(0.2)*	*0.8*	*(0.4)*
of which AM US	*(0.1)*	*(0.3)*	*1.0*	*(1.0)*	*(1.8)*
Market and exchange rate	**3.0**	**0.4**	**5.5**	**9.3**	**2.3**
AuM closing[11]	**103.9**	**100.6**	**83.4**	**103.9**	**83.4**
of which Wealth Management	*73.9*	*71.8*	*55.8*	*73.9*	*55.8*
of which AM Europe	*21.1*	*20.5*	*19.4*	*21.1*	*19.4*
of which AM US	*8.9*	*8.3*	*8.2*	*8.9*	*8.2*
% var / AuM opening	*3%*	*8%*	*9%*	*25%*	*4%*

Revenue for the three months to December 2021 was up 29% to €168 million (Q4 2020: €130 million).

Revenue for full-year 2021 was a record high up 19% to €593 million, (2020: €499 million). The growth was driven by fees and commissions which increased by 22% at €511 million (2020: €418 million), directly linked to the progressive increase of the AuM over the period as well as some performance fees. Commissions and fees represent 86% of the total revenue.

Net interest income (NII) was down 13% to €48 million compared to the same period last year (2020: €55 million), due to the impact of low USD and GBP interest rates since March 2020, as well as prolonged negative interest rates in EUR and CHF. However, this was partly offset by the growth of the private client lending book, especially the Lombard loan book. This year was probably a low point in terms of NII as interest rates are expected to increase in the coming months, particularly in USD and GBP, which will have a positive impact on our treasury revenue.

In 2021, **Profit before tax for WAM Europe,** excluding AM US (which broke even in the year) **was up 58% at €117 million** (2020: €74 million), representing an operating margin of 20.7% (2020: 15.6%).

It may be difficult to maintain this level of operating margin in the coming months as in 2021 we benefitted from positive market momentum as well as some cost savings due to travel restrictions and working from home. Globally our costs remained well controlled despite some integration costs in Switzerland related to the Banque Pâris Bertrand acquisition. However, personnel costs were higher due to recruitments as well as increased bonuses and profit-sharing schemes in line with the performance of the business.

[11] In Q4 2021, the Group decided to include double-counted assets. Therefore, AuM has been restated and now include €6.1 billion double-counted assets representing assets of Wealth Management clients invested in Asset Management products (2020: €5.3 billion)

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 fourth quarter of 2021 was up 70% to €116 million (Q4 2020: €68 million).

Revenue for the full-year 2021 was up 169% to €398 million, (2020: €148 million), thanks 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 full-year revenue over the last three years, revenue is up 130%.

The table below illustrates the progression in revenue.

In € million	2021	2020	Var	% Var
Recurring revenue	116.7	113.7	3.0	*3%*
Investment and performance revenue	281.6	34.2	247.4	*723%*
of which carried interest	*99.5*	*6.0*	*93.5*	*1,558%*
of which realised and unrealised investments gains and dividends	*182.1*	*28.2*	*153.9*	*546%*
Total revenue	**398.3**	**147.9**	**250.4**	***169%***
% recurring / total revenue	*29%*	*77%*		

These figures confirm the pattern seen throughout the year, with record-high revenue driven by the combination of two positive effects:

- a year-on-year increase in recurring revenue of 3%, in line with the growth trajectory of the consistently expanding fee-earning AuM base; and
- a record-breaking contribution from investment performance revenue of €281.6 million. This performance was mainly driven by:
  - valuation uplifts achieved through successful exits from the private equity portfolio;
  - unrealised valuation gains across our private equity portfolios; and
  - accrued income and positive mark-to-market movements in the Group’s private debt positions.

As pointed out in the third quarter results announcement, the investment performance revenue generated in 2021 represents a strong validation of our robust investment approach and reinforces the fact that our portfolios have continued to create value for our investors notwithstanding the challenges posed by the pandemic.

The resilience of the industry sectors we focus on (Data & Software, Healthcare and Technology-Enabled Business Services), combined with the high quality of our assets and our effective portfolio value creation initiatives, have resulted in higher valuations for our private equity positions, corroborated by the successful realisations completed in 2021.

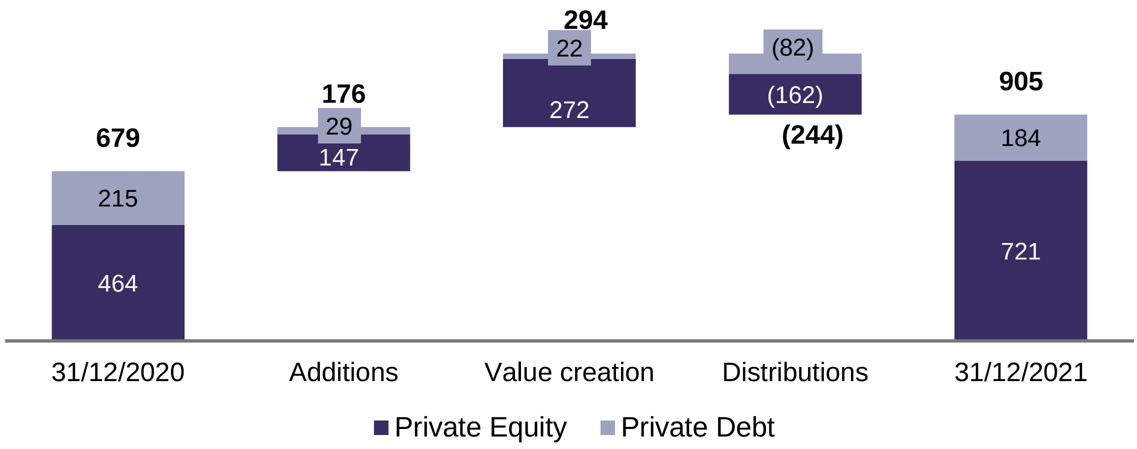
Strong revenue generation in 2021 led **to Profit before tax of €292 million**, significantly exceeding the result of 2020 (€57 million). This represents an **operating margin of 73%,** considerably above 2020 (39%).

The profitability margin of Merchant Banking’s fund management activities (which excludes investment performance related revenue) reached 9% (2020: 20%). The decrease is mainly driven by higher personnel costs as the division’s headcount increased to support larger portfolios, growing AuM and new launches in 2022.

The critical indicator used to measure the performance across the investment cycle is **Return On Risk Adjusted Capital** (“RORAC”), a ratio comparing the adjusted profit before tax and an internal measure of risk capital invested in the business, on a rolling three year basis. As at 31 December 2021, RORAC was 29%, higher than last year (20%) and well above the division’s stated target (“above 15% over the cycle”). The use of a three-year rolling average to calculate this metric has reduced the impact of the profit variances in 2020 and 2021 confirming our view 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. During 2021, Rothschild & Co's investments totalled €176 million (of which €147 million in private equity and €29 million in private debt) and disposals and distributions equalled €244 million (of which €162 million were from private equity and €82 million were from private debt).

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



Merchant Banking **AuM as at 31 December 2021 were up 17% to €18.3 billion**, (31 December 2020 €15.7 billion), of which Rothschild & Co's share was €1.6 billion.

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

3. Consolidated IFRS financial results

3.1 Revenue[12]

For 2021, revenue was €2,925 million (2020: €1,799 million), representing an increase of €1,126 million or 63%. This was due to the strong performance in all three businesses. The translation effect of exchange rate fluctuations increased revenue by €27 million.

3.2 Operating expenses

Staff costs

For 2021, staff costs were €1,453 million, up 33% or €357 million (2020: €1,096 million), following the excellent underlying performance of our businesses. The translation impact of exchange rate fluctuations resulted in an increase in staff costs of €14 million.

The adjusted compensation ratio, as defined in Appendix H on Alternative Performance Measures, was 60.2% as at 31 December 2021 (31 December 2020: 68.4%).

[12] Net Banking Income under IFRS

Whereas in 2020 there was a net charge in the statutory accounts of €3 million for the effects of the accounting for the deferred bonus compensation plans, in 2021 there is a net credit of €161 million. This very large credit reflects two main factors:

- the awarded bonus pool has increased by 67% versus 2020 which results in a net deferred credit of €40 million under our normal deferred bonus plan rules
- significant levels of special deferrals have been implemented in 2021, given the exceptional results in GA, to act as an employee retention mechanism which results in an extraordinary credit to profits in the year of €121 million

The compensation ratio, if adjusted for the deferred bonus effect, would be 66.3% (31 December 2020: 68.3%).

Overall Group headcount as at 31 December 2021 was 3,941, up 7% versus 31 December 2020 (3,675[13]).

Administrative expenses

For 2021, administrative expenses were €267 million (2020: €255 million) an increase of €12 million due to a catch-up effect from 2020 for recruitment, training and marketing, though they are not yet at pre-crisis levels. The translation impact of exchange rate fluctuations resulted in an increase in administrative expenses of €1 million.

Depreciation and amortisation

For 2021, depreciation and amortisation were €73 million (2020: €67 million) due to an increase in depreciation expense on IT equipment. The translation impact of exchange rate fluctuations had no significant impact on depreciation and amortisation.

Cost of risk

For 2021, cost of risk was a charge of €1 million (2020: charge of €7 million) reflecting the reversal of previous impairment provisions. Last year’s charge was in line with our conservative approach given the highly uncertain environment.

3.3 Other income / (expenses)

For 2021, other income and expenses were nil (2020: net expense of €5 million).

3.4 Income tax

For 2021, the income tax charge was €170 million (2020: €60 million) comprising a current tax charge of €180 million and a deferred tax credit of €10 million, giving an effective tax rate of 15.0% (2020: 16.2%).

3.5 Non-controlling interests

For 2021, the charge for non-controlling interests was €195 million (2020: €148 million). This mainly comprises interest on perpetual subordinated debt and profit share (*préciput*) payable to French partners. The significant increase reflects the strong performance of the French Global Advisory and Wealth and Asset Management businesses.

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[13] Due to a change of definition, headcount figures have been restated.

4. Financial structure

Rothschild & Co, as a financial holding company (*compagnie financière holding*), is supervised by the *Autorité de Contrôle Prudentiel et de Résolution* ("ACPR") on a consolidated basis. The Group has a solid balance sheet with Group shareholder's equity – Group share as at 31 December 2021 of €3.1 billion (31 December 2020: €2.3 billion). The increase in Group shareholders' equity reflects profit for the year as well as positive movements in reserves relating to pensions' valuations and exchange rate fluctuations, partially offset by dividends and the share buyback.

The Common Equity Tier 1 ("CET 1") ratio was 21.3%[14] as at 31 December 2021 which increased from prior year (31 December 2020: 20.1%). The CET 1 capital is calculated in accordance with applicable CRR/CRD rules. The solvency ratios are presented pro forma for current profits[15], net of dividends, for the current financial year, unless specified otherwise.

	31/12/2021	31/12/2020	Full Basel 3 minimum with CBR (Combined Buffer Requirements)
Common Equity Tier 1 ratio (CET 1)	21.3%	20.1%	7.1%
Global solvency ratio	21.3%	20.1%	10.6%

High levels of liquidity are maintained with cash and treasury assets accounting for 58% of the total assets of €17.7 billion (31 December 2020: 59%). Lending remains conservatively funded by customer deposits with a loan to deposit ratio of 38% as at 31 December 2021 (31 December 2020: 35%).

Cash generation was strong with Operating Cash Flow[16] (OCF) of €875 million (2020: €90 million). The increase compared to 2020 is mainly due to the significant improvement in net income and working capital (reflecting the increase in bonus accruals). It should be noted that the OCF is dependent on the level of realisations and investments within the Merchant Banking business in any particular year. OCF excluding Merchant Banking investment activities was €807 million (2020: €121 million).

Net book value per share was €43.31 (31 December 2020: €31.90) and net tangible book value per share was €37.93 (31 December 2020: €27.67).

5. Capital management and dividend

Rothschild & Co will propose for approval at the Annual General Meeting a dividend of €3.79 per share. It comprises a normal dividend of €1.15, up 29% (2020: €0.89), a special dividend of €1.60 due to the record results for 2021 as well as the interim dividend of €1.04, already paid in October 2021[17].

Rothschild & Co confirms today the launch of the previously announced share buyback programme for a maximum amount of €70 million and for a period ending on 18 November 2022 at the latest. Rothschild & Co has received the approval from the ACPR to implement the purchases under the buyback programme. The shares purchased under the programme will be used to meet requirements under the equity schemes and share-based remuneration plans of Rothschild & Co (up to a maximum of 1% of the share capital) or will be cancelled. Rothschild & Co reserves the right to suspend or interrupt the share buyback programme at any time, depending on market circumstances.

The share buyback programme will be carried out within the limits of the general authorisation granted to Rothschild & Co to purchase shares pursuant to the 22nd resolution adopted by the General Meeting of

[14] The ratio submitted to ACPR as at 31 December was 18.2%, which excludes the profit of the second half of the year
[15] Subject to the provisions of article 26.2 of Regulation (EU) No 575/2013
[16] Alternative Performance Measure, please refer to Appendix H
[17] Under our normal dividend policy, we would have paid a dividend per share of €0.85 and €0.89 in respect of the 2019 and 2020 financial years. However, due to the regulatory restrictions then in place due to the pandemic; the €0.85 for 2019 was paid in October 2021, and the €0.89 for 2020 was paid in two tranches of €0.70 in May 2021 and €0.19 in October 2021

Rothschild & Co on 20 May 2021. It is noted that the terms of the authorisation could evolve in connection with the next General Meeting of Rothschild & Co. The description of the share buyback programme is available on Rothschild & Co's website.

6. Corporate responsibility

In 2021, the Group has formalised its long-term ambition to use its influence and expertise to support the sustainability transition of the global economy as a key pillar of Group strategy. A common set of strategic ESG priorities provide us with a clear focus and roadmap to further drive integration across the business model.

In line with our environmental priorities, we saw a further reduction in GHG emissions and committed to be net-zero-operations by 2030, aided by an ongoing effort in our investment business lines, as well as in our Global Advisory business, which integrates environmental risks and opportunities in the solutions and advice offered to clients.

A focus continues to be given to employee wellbeing, and initiatives aimed at ensuring an inclusive work environment and balanced representation, including increased female representation at more senior levels.

7. Outlook

In **Global Advisory**, announced global M&A market activity for 2021 was at record levels. This trend continues to be evident in our visible pipeline of business which is well diversified and ahead of previous years at this stage. We therefore expect activity levels to remain strong through the first half of 2022, although we remain alert to respond and adapt if conditions change, particularly in light of current geo-political events and market volatility.

In **Wealth and Asset Management**, the outlook remains reasonably positive for strong asset collection, thanks to our good business pipeline and the new developments made in 2021. However, we expect more difficult markets, as the coming months will be driven by the significant and increasing geo-political uncertainty, as well as the impact of the various measures taken by central banks to curb surging inflation. We continue to invest in the growth of our business in all locations. We intend to leverage the opportunities created by the Banque Pâris Bertrand acquisition, as well as to accelerate recruitment of new client advisors across all our offices in Europe. On the operational side, the digitisation of the business will continue to enhance further the quality of our client service and our processes.

In **Merchant Banking**, we expect to continue to grow our recurring revenue base as we launch new products and deploy capital across all our strategies. As a result, our fund management activities will represent a growing profitability driver for the division and the Group. Additionally, we expect our investments to continue to fulfil their value creation potential, which will generate further investment performance-related revenue for the Group, although to a lesser extent than that achieved over the previous 12 months. We remain 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 future development of Merchant Banking.

Our three core businesses continue to perform strongly, albeit with increasing levels of uncertainty in the current macro environment. The clear long-term strategies of each business line allow us to be optimistic for a solid performance during 2022, but subject to the evolution of recent geo-political events and market conditions during the year.

Financial calendar:

- 12 May 2022: First quarter 2022
- 19 May 2022: AGM
- 4 August 2022 Half-year results 2022
- 8 November 2022: Third quarter 2022

For further information:

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About Rothschild & Co

Rothschild & Co is family-controlled and independent group and has been at the centre of the world's financial markets for over 200 years. With a team of c.3,800 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 €155,465,024. Paris trade and companies registry number 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

A. Summary consolidated balance sheet

(in € billion)	31/12/2021	31/12/2020	Var
Cash and amounts due from central banks	6.0	4.7	*1.3*
Loans and advances to banks	2.1	2.3	*(0.2)*
Loans and advances to customers	4.4	3.5	*0.9*
of which private client lending	*4.0*	*3.1*	*0.9*
Debt and equity securities	3.2	2.7	*0.5*
Other assets	2.0	1.5	*0.5*
Total assets	**17.7**	**14.7**	***3.0***
Due to customers	11.7	9.9	*1.8*
Other liabilities	2.4	2.1	*0.3*
Shareholders' equity - Group share	3.1	2.3	*0.8*
Non-controlling interests	0.5	0.4	*0.1*
Total capital and liabilities	**17.7**	**14.7**	***3.0***

The foreign exchange translation effect between 31 December 2021 and 31 December 2020 would have been reduced the balance sheet by €430 million.

B. Exceptional income and expenses

(in €m)	2021			2020		
	PBT	PATMI	*EPS*	PBT	PATMI	*EPS*
As reported	**1,131**	**766**	***10.59 €***	**369**	**161**	***2.20 €***
- IT transition costs	-	-	- €	(15)	(12)	*(0.17) €*
Total exceptional (charges) / profits	**-**	**-**	**- €**	**(15)**	**(12)**	***(0.17) €***
Excluding exceptional	**1,131**	**766**	***10.59 €***	**384**	**173**	***2.37 €***

There were no exceptional items in 2021.

C. Performance by business

(in € million)	GA	WAM	MB	Other businesses and corporate centre	IFRS reconciliation[1]	2021
Revenue	**1,915**	**593**	**398**	**14**	**5**	**2,925**
Operating expenses	(1,494)	(479)	(106)	(56)	343	(1,792)
Cost of risk	-	3	-	-	(5)	(2)
Operating income	**421**	**117**	**292**	**(42)**	**343**	**1,131**
Other income / (expense)	-	-	-	-	-	-
Profit before tax	**421**	**117**	**292**	**(42)**	**343**	**1,131**
Exceptional (profits) / charges	-	-	-	-	-	-
PBT excluding exceptional charges / profits	**421**	**117**	**292**	**(42)**	**343**	**1,131**
Operating margin %	*22%*	*20%*	*73%*	-	-	*39%*

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

*[1] IFRS reconciliation mainly reflects: the treatment of profit share (*préciput*) paid to French partners as non-controlling interests; accounting for normal and, in 2021, special deferred bonuses over the period between award and vesting, rather than in the year in which the associated revenues have been booked; 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.*

D. FX rates

P&L

Rates	2021	2020	*Var*
€ / GBP	0.8614	0.8883	*(3)%*
€ / CHF	1.0800	1.0706	*1%*
€ / USD	1.1762	1.1481	*2%*

Balance sheet

Rates	31/12/2021	31/12/2020	*Var*
€ / GBP	0.8390	0.8992	*(7)%*
€ / CHF	1.0364	1.0804	*(4)%*
€ / USD	1.1350	1.2281	*(8)%*

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%*
	3rd quarter	464.0	261.9	*77%*
	4th quarter	617.6	354.7	*74%*
	Total	**1,915.0**	**1,146.0**	***67%***
Wealth & Asset Management	1st quarter	134.3	130.8	*3%*
	2nd quarter	139.9	121.4	*15%*
	3rd quarter	151.3	117.1	*29%*
	4th quarter	167.5	129.7	*29%*
	Total	**593.0**	**499.0**	***19%***
Merchant Banking	1st quarter	103.4	20.7	*400%*
	2nd quarter	131.3	32.1	*309%*
	3rd quarter	47.4	26.7	*78%*
	4th quarter	116.2	68.4	*70%*
	Total	**398.3**	**147.9**	***169%***
Other business and corporate centre	1st quarter	5.0	3.1	*61%*
	2nd quarter	3.1	4.0	*(23)%*
	3rd quarter	4.3	2.2	*95%*
	4th quarter	1.6	1.6	-
	Total	**14.0**	**10.9**	***28%***
IFRS reconciliation	1st quarter	(1.4)	(7.3)	*(81)%*
	2nd quarter	0.9	3.6	*(75)%*
	3rd quarter	(0.3)	(4.2)	*(93)%*
	4th quarter	5.5	3.0	*83%*
	Total	**4.7**	**(4.9)**	***(196)%***
Total Group Revenue	**1st quarter**	**636.2**	**416.4**	***53%***
	2nd quarter	**713.7**	**421.4**	***69%***
	3rd quarter	**666.7**	**403.7**	***65%***
	4th quarter	**908.4**	**557.4**	***63%***
	Total	**2,925.0**	**1,798.9**	***63%***

F. Global Advisory track record

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

F.1. M&A and strategic advisory

- **Bankia**, the Spanish retail bank, on its merger with CaixaBank (€17 billion, Spain)
- **Morrisons**, the UK grocery retailer, on its recommended final cash offer from Clayton Dubilier & Rice (£10 billion, United Kingdom and United States)
- **Walmart**, the world's largest store-based retailer, on its sale of Asda to the Issa Brothers and TDR Capital (£6.8 billion, United States and United Kingdom)
- **Coca-Cola Europacific Partners** the non-alcoholic beverages producer and distributor, on its recommended offer for Coca-Cola Amatil (US$8.4 billion, United Kingdom and Australia)
- **Alstom**, the railway services and equipment company, on its acquisition of Bombardier Transportation, and cornerstone investment from CDPQ (€7.2 billion France and Canada)
- **Clearlake Capital Group** on its take-private acquisition of Cornerstone OnDemand, the HR software and solutions provider (US$5.2 billion, United States)
- **Euronext**, the leading Eurozone exchange, on its acquisition of Borsa Italiana (€4.4 billion, Netherlands and Italy)
- **FirstGroup**, a private sector transport provider, on its divestiture of First Student and First Transit to EQT Infrastructure (US$4.6 billion, United Kingdom and United States)
- **Consortium led by APG**, on its acquisition of a 50% stake in Stockholm Exergi, an operator of district heating and cooling networks (€7.1 billion, multiple countries and Sweden)
- **Metlife**, one of the world's largest providers of insurance, annuities and employer benefit programmes, on its sale of its US Property and Casualty Business to Zurich Farmers Group (US$4 billion, United States)
- **UDG Healthcare**, the healthcare services company, on its recommended cash offer by Clayton Dubilier & Rice (£2.9 billion, Ireland and United States)
- **Koch and Infor**, one of the largest private companies in the US, owning a diverse group of companies, on its sale of Infor Enterprise Asset Management to Hexagon (US$2.75 billion, United States and Sweden)
- **Caisse de Dépôt et Placement du Québec** on its acquisition alongside Cathay Private Equity Fund of a 50% equity interest in the Changhua 01 offshore wind project (US$2.7 billion, Canada and Taiwan)
- **EQT** on its sale of a 90% stake in Fenix Marine Services, one of the largest container terminals in North America, to CMA CGM (US$2.3 billion, United States and France)
- **Jacobs Engineering**, a provider of specialist technical, consulting and construction management solutions, on its acquisition of PA Consulting from The Carlyle Group (£1.83 billion, United States and 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 France and Belgium)

F.2. Financing Advisory

- **Vivendi**, an integrated media and content group, on its spin-off of Universal Music Group (€45 billion, France and Netherlands)
- **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)
- **Victoria State Government** on its North East Link Project, Victoria's largest road and tunnels project to date (US$11.2 billion, Australia)
- **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**, a leading hotel owner and operator, on its debt restructuring, new state-guaranteed loan and capital increase (€4.5 billion, €477 million and €477 million respectively, France)
- **Flutter Entertainment**, a sports betting, gaming and entertainment provider, on its Institutional Term Loan B refinancing (US$3.5 billion, Ireland)
- **Garrett Motion**, the automotive software solutions company, on its chapter 11 restructuring (Adviser to Ad Hoc Group of Shareholders, US$4 billion, United States)

- **Vodafone** and **Vantage Towers** on the IPO of Vantage Towers, Europe's largest telecoms tower company (€2.3 billion, United Kingdom and Germany)
- **Allfunds**, one of the world's leading B2B WealthTech platforms, on its IPO on the Euronext Amsterdam (€2.2 billion, United Kingdom and Netherlands)
- **Finance Agency of the Federal Republic of Germany** on its capital increase of Deutsche Lufthansa, the aviation group (€2.1 billion, Germany)
- **Prudential**, the insurance and asset management products provider, on its share offering on the Hong Kong Stock Exchange (US$2.4 billion, Hong Kong)
- **Europcar Mobility Group**, a mobility services solutions company, on its debt restructuring and new money (€1.8 billion and €500 million, respectively, France)
- **Whitbread**, an owner of UK hotel and restaurant brands, on its inaugural Green bonds and the amend and extend of its bank facility (£550 million and £950 million respectively, United Kingdom)
- **Energias de Portugal**, an integrated utility and global leader in renewable energy, on its capital increase by EDP Renováveis (EDPR) (€1.5 billion, Portugal)
- **Just Eat Takeaway.com**, an online food delivery service provider, in its dual tranche convertible bond issuance and concurrent delta placing (€1.1 billion, Netherlands and United Kingdom)
- **Starling Bank**, one of the UK's fastest-growing banks, on its private capital raise led by Fidelity valuing Starling Bank at £1.1bn pre-money (£322m United Kingdom)

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

In 2021, Merchant Banking continued to raise new capital for its various strategies, resulting in a further increase of its AuM, and completed multiple transactions across its private equity and private debt portfolios.

G.1. Corporate Private Equity

- Five Arrows Principal Investments I (**FAPI I**), the 1st generation European private equity fund, completed a final liquidity event for its investors by selling its remaining assets to a Continuation Fund, which continues to be managed by the FAPI team.
- **FAPI II**, the 2nd generation European private equity fund, completed several 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 proceeds from each of the above disposals into the new transactions to benefit from the continued value creation potential of the underlying companies.
- **FAPI III**, the 3rd generation European private equity fund, completed several new investments in 2021:
  - iad alongside FAPI II and other investors;
  - Causeway, a UK cloud-based construction software business;
  - Sygnature Discovery, a provider of outsourced drug discovery and pre-clinical research services based in the UK; and
  - RLDatix, a leading healthcare Risk, Governance and Compliance software provider. This investment was completed, alongside the existing FAPI II and FACP investments, in the context of a large acquisition performed by RLDatix in Q3 2021 which required additional equity capital.
- In December, the FAPI team committed to FAPI III's last deal and concluded the fund's investment period. The team has already started the fundraising process for its successor fund, **FAPI IV**, which held its 1st closing in early January 2022.
- Five Arrows Growth Capital I (**FAGC I**), the 1st generation lower mid-market private equity fund, held its final closing, securing total commitments of €456 million, well above its original target of €300 million. The fund also completed three investments in 2021:
  - BioPhorum, a leading global organiser of collaborative networks for the biopharmaceutical industry;
  - KidsKonnect, the Benelux market leader in SaaS software solutions for the childcare market; and
  - Padoa, a new generation SaaS Software for occupational health centres in France.
- Five Arrows Capital Partners I (**FACP I**), the 1st generation US mid-market private equity fund, invested in Basys, a provider of health & pension benefit processing and administration services. The fund also signed its first exit, agreeing to sell The Stepping Stone Group, a leading provider of school-based behavioural health and therapeutic services for children with special needs and autism.

G.2. Multi strategies

- Five Arrows Secondary Opportunities V (**FASO V**), our 3rd generation secondaries fund, completed nine portfolio acquisitions in 2021. The fund has now committed 71% of its capital across 17 transactions in Europe and the US, investing in 96 underlying portfolio companies. Despite not yet being fully deployed, the fund has already started distributing proceeds to its LPs, following liquidity events in its underlying portfolios.
- Five Arrows Minority Investments (**FAMI**) exited its minority co-investment positions in ECI Software and Mirion Technologies. During the year, FAMI also completed three new investments, including a minority stake in Riskonnect, the leading integrated risk management software solution provider.
- Five Arrows Private Equity Programme II (**FAPEP II**), the 2nd generation global multi-managers private equity platform, held its final close in January 2021 with total commitments of €366 million. During the year, the fund completed thirteen primary investments, two secondary investments, and seven co-investment transactions.
- Five Arrows Global Tech I (**FAGT I**), the 1st generation technology-focused fund of funds investing in venture capital, growth capital and buyout funds, mainly in the US, completed its 1st closing in December.
- Merchant Banking has started the fundraising process of its first impact fund, Five Arrows Sustainable Investments (**FASI**), 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 predominantly minority direct investments in companies that are mainly focused on Energy, Food & Agriculture and Sustainable Cities. The fund held its 1st closing in January 2022.

G.3. **Direct lending**

- Five Arrows Credit Solutions (**FACS**), the 1st generation mid-market direct lending fund, completed seven successful exits during 2021:
  - Photobox, a pan-European e-commerce platform;
  - Biogroup, a leading European provider of clinical laboratory testing services;
  - A-Plan, a leading UK insurance broker;
  - Witherslack Group, a leading provider of specialist education and care for children and young people with special educational needs;
  - Burger King France, the French master franchisee of the quick-service restaurant group;
  - Wowcher, a leading UK e-commerce platform; and
  - Mirion, a leading global provider of radiation detection, measurement, analysis and monitoring products to the nuclear, defence and medical end-markets

  Following these exits the fund is now close to being fully realised, with liquidity expected from the two remaining assets during 2022
- Five Arrows Direct Lending (**FADL**) and Five Arrows Debt Partners III (**FADP III**), the 2nd and 3rd generation direct lending funds, achieved successful exits from their positions in Biogroup and Heinenoord, a leading insurance broker in the Netherlands. Additionally, FADL successfully exited its position in Les Nouveaux Constructeurs, a French real estate development company.
- FADP III secured new fund commitments of €726 million during 2021 and held its final closing in Q3 having gathered c. €1.4 billion of commitments for the fund and its related vehicles, comfortably in excess of its target and more than double the size of its predecessor fund. FADP III completed six new investments, following which it has deployed c. 37% of its committed capital:
  - unitranche financing for Exemplar, a UK provider of high-acuity residential care services, principally to adults with long-term degenerative conditions;
  - financing package for Agilio Software, a leading developer and provider of software for dental and medical practices in the UK;
  - 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;
  - unitranche financing for Better Healthcare, a UK provider of complex at-home care, principally to individuals with acute neurological conditions;
  - unitranche financing for CAFPI, a leading network of independent mortgage brokers in France; and
  - financing package for Integrity 360, a leading Irish cyber security specialist.

G.4. **Credit Management**

- The **Credit Management** business, investing in senior secured loans, high yield bonds and structured credit, was also active, completing the following transactions:
  - refinancing of three CLO vehicles (Contego IV, Ocean Trails VI and VII), thereby reducing the cost of the debt tranches and increasing projected returns for equity investors;
  - resetting of five CLOs (Contego VI, Contego VIII, Ocean Trails 8, Ocean Trails IX and Ocean Trails X) extending the investment period, increasing the size of the deals, reducing the cost of the debt tranches and increasing projected returns for equity investors;
  - new issuance of CLOs in Europe (Contego IX with assets of €457.0 million) and in the US (Ocean Trails XI with assets of $406 million);
  - final close of Oberon IV, securing total commitments of €333 million, ahead of the original €300 million target; and
  - Launch of two new CLO warehouses, Contego X and Ocean Trails XII, in Europe and in the US respectively, which are expected to lead to two new CLOs being issued in H1 2022.

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	In the Press release, please refer to Appendix B.
EPS excluding exceptionals	EPS excluding exceptional items	To measure Earnings per share excluding exceptional items of a significant amount	In the Press release, please refer to Appendix B.
Adjusted compensation ratio	Ratio between adjusted staff costs divided by consolidated Revenue of Rothschild & Co excluding MB investment performance revenue (carried interest and investment gains). 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 (*Associés gérants*), 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. 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: in the Press release to § 3.2 Operating expenses / Staff costs and in the Investor presentation to slide 37
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 31 December 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 51
Return on Risk Adjusted Capital (RORAC)	Ratio of an adjusted Profit before tax divided by an internal measure of risk adjusted capital (RAC) 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 51
Operating Cash Flow (OCF)	Amount of cash generated by the Group's normal business operations in the current financial year. The calculation is done via the indirect method, from the profit before tax.	To measure the amount of cash generated by the group's normal business operations	In the Investor presentation release, please refer to slide 52